

A CODE FOR SPORTS GOVERNANCE

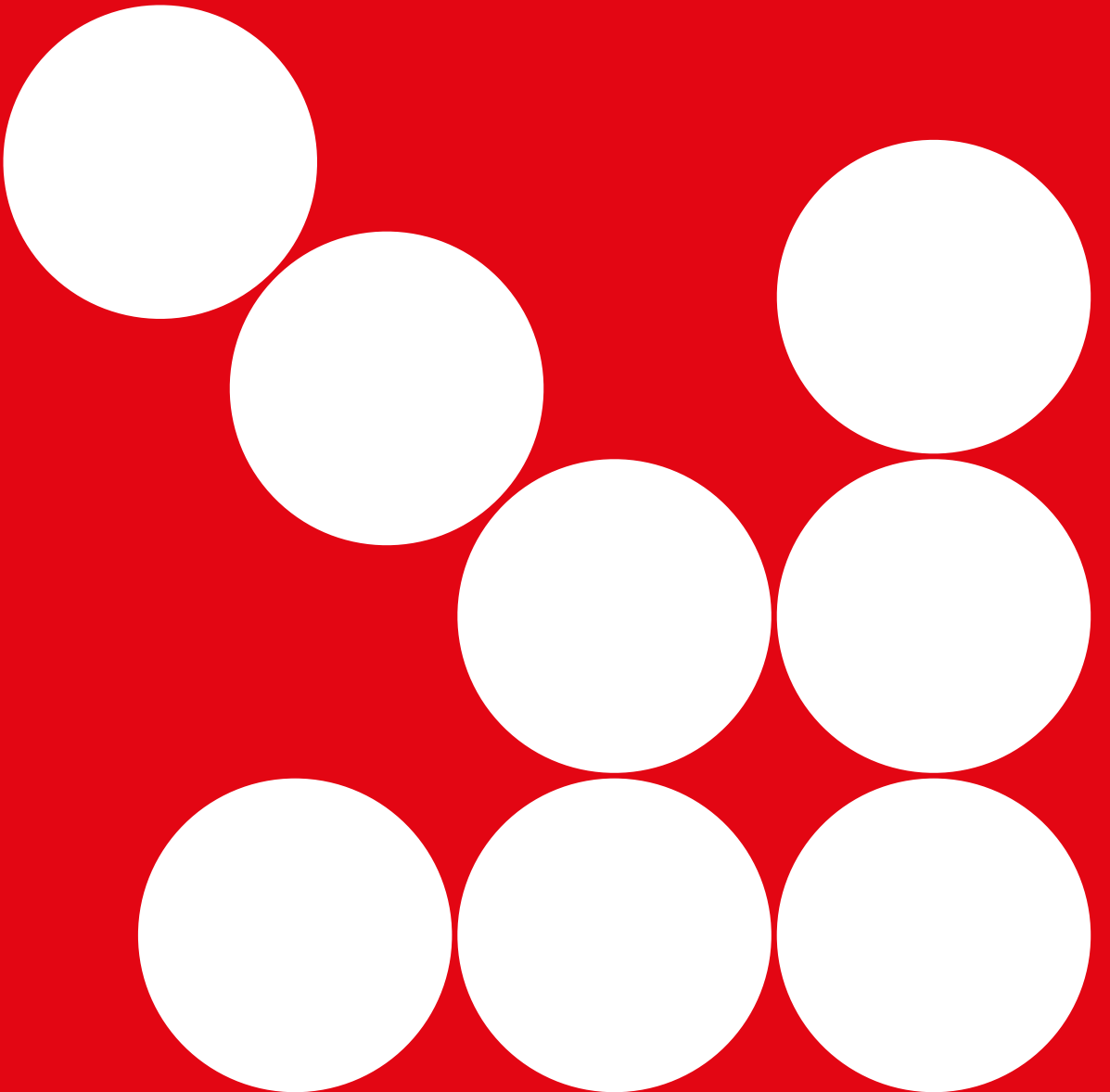




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1. Foreword



Foreword

Sport plays an important role in national life, and the sports sector continues to achieve many significant successes.

15.8 million adults in England now play sport at least once a week, 1.75 million more than in 2005/6¹, and we launch this code just after the conclusion of the Rio 2016 Olympic and Paralympic Games, at which Great Britain and Northern Ireland became the first nation in history to win more medals in the Games after having hosted.

The achievements of the organisations with which Sport England and UK Sport work are to be celebrated.

However, the business of sport has changed rapidly in recent years. New opportunities and threats continue to present themselves. The type of decisions that now need to be taken are frequently complex, commercial, multi-disciplinary and high-profile in nature. Those entrusted with the responsibility to take these decisions therefore need to constitute and equip themselves in a manner that allows them to thrive in this shifting environment.

The UK's public sector has also changed its approach to sport in recent years. Far greater investment now flows into sporting (and non-sporting) organisations, with in excess of £1 billion of public funding being invested by UK Sport and Sport England alone over the last four-year period.

It was against this background that 'Sporting Future'², the Government's strategy for an active nation (published December 2015) set the requirement for UK Sport and Sport England to agree a new Code for Sports

Governance, in order to protect the value for money the public receives from investment into sport and maximise the effectiveness of those investments. The Government called for the 'gold standard' in domestic governance standards, and tasked UK Sport and Sport England with agreeing a new Code.

Making progress, but more to do

This Code is not being launched in a vacuum. In recent years, the UK's sports sector has shown measurable and substantial improvement in its governance. Many sports organisations have shown a desire and commitment to own their own governance and ensure that it is fit for purpose. There is though still much to do. Diversity in sports sector boardrooms is still an issue and requires sustainable change.

We introduce this code, then, confident that the sports sector is well-equipped, and well-positioned to use it as a tool to further nurture the growing culture of good governance we already see on a daily basis.

This Code is an opportunity for public investors to work hand-in-hand with the sector to continue this journey. Some organisations are further ahead than others, and many Requirements will stretch organisations beyond where they are now. We are committed to giving them the assistance and support they need to make our sector's governance standards among the best in the world.

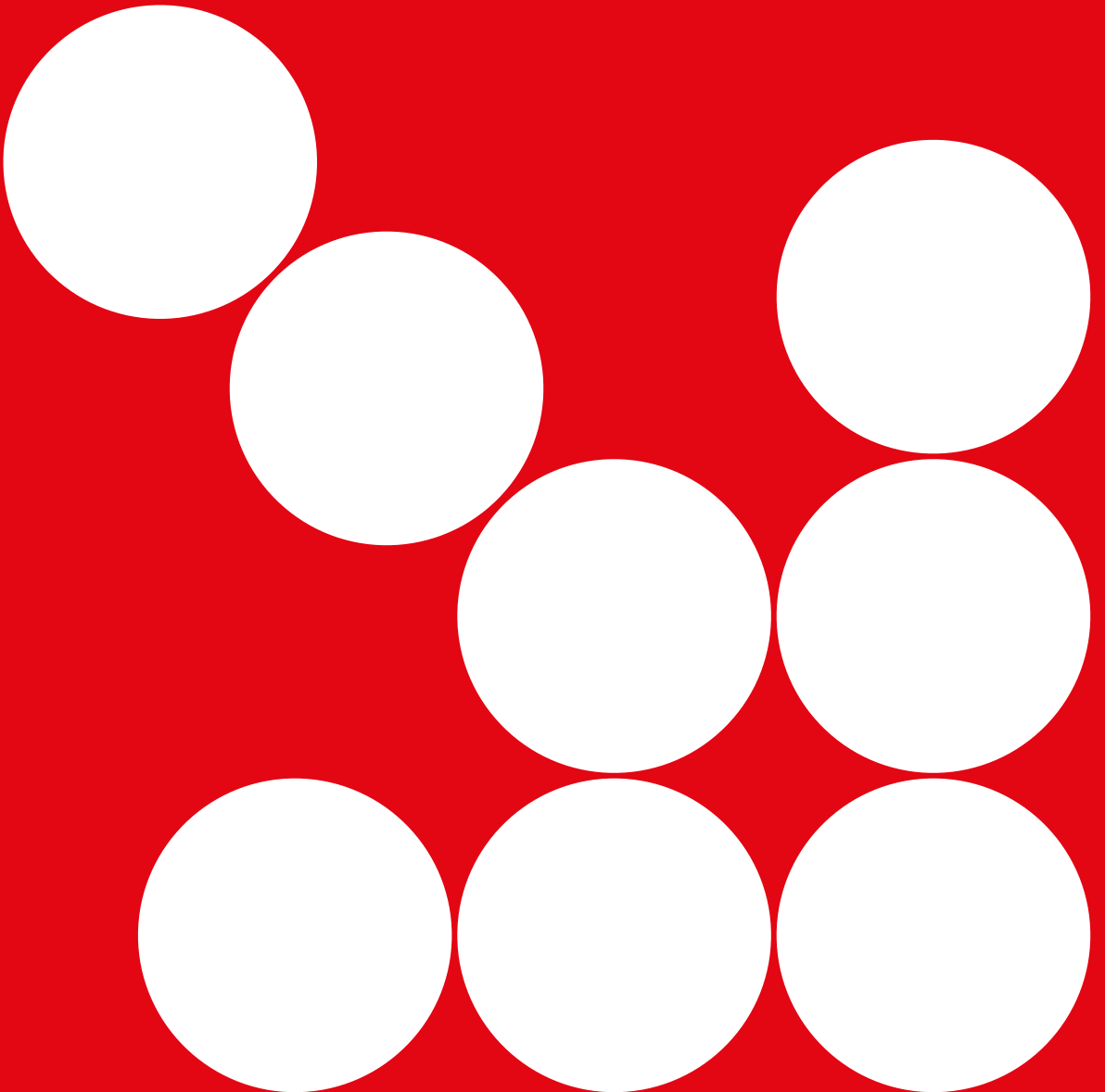
Nick Bitel,
Chair,
Sport England

Rod Carr,
Chair,
UK Sport.

1. Active People Survey, June 2016

2. www.gov.uk/government/uploads/system/uploads/attachment_data/file/486622/Sporting_Future_ACCESSIBLE.pdf

2. Introduction



❖ Development of the Code

Many of the principles set out in this Code are widely accepted as being elements of good practice in corporate governance.

They are to be found in most models of governance both within and outside of sport, e.g. the UK Corporate Governance Code, the existing governance frameworks of all five domestic Sports Councils, and the Sport and Recreation Alliance's Voluntary Code of Good Governance.

We have considered such commonly held principles carefully, to ensure that they are relevant for inclusion in the Code and to consider whether they need to be tailored for the sport sector.

We have consulted with over 200 relevant sporting and non-sporting organisations, with many of whom we have held in-depth one-to-one conversations, and we have also held working groups to examine some of the key issues in more detail. The sector expertise revealed by this exercise has been significant, and we offer our sincere thanks to all who have shared their views with us. We will consider how we can continue to harness and share the expertise that exists in the sector for the good of all going forward.

One way that we will do this is by supplementing the provisions of the Code with further resources (e.g. template documents, sharing of best practice) which we will aim to develop with the sector.

Feedback from within and outside of the sector continues to endorse our view that there are strong links between good governance and organisational culture. This Code sets the Requirements for good governance, and we will build on it by continuing work to develop good organisational culture so that the behaviours desired by this Code become embedded within all the organisations we fund.

❖ Flexibility

Unlike most other Governance Codes, this is a mandatory set of Requirements for those organisations seeking public funding, as required by the Government in its 2015 strategy Sporting Future. We do however fully recognise that the Code must be flexible.

The range of investments made by Sport England and UK Sport - both in terms of the amount and the types of organisation into which we invest - is huge. We do not wish this Code to deter organisations, particularly small ones, from applying for funding, nor do we wish to burden organisations with unnecessary bureaucracy.

Therefore, it is right that the Requirements for compliance and the time for implementing them should, where appropriate, be tailored. This Code achieves flexibility by adopting a Tiered approach to Requirements and by creating bespoke timelines for compliance for those organisations with the highest level of governance Requirements.

Separate guidance will be provided in respect of how Sport England and UK Sport intend to apply, monitor and assess compliance with the Code, and the implications of non-compliance.

❖ Application of the Code

The Code has been jointly produced by Sport England and UK Sport, and it will apply to all organisations within the United Kingdom to whom they provide grant funding. We acknowledge that the other Home Nation Sports Councils have their own governance frameworks in place, and express our gratitude to them for the helpful insights that they have given in the development of this Code.

❖ How to Use the Code

Principles

At the heart of the Code are five basic Principles of good governance. These set out high level statements of good governance, and provide the structure of the Code. They are descriptive, and so compliance with the letter of the Principles is not mandatory. Throughout the Code, the Principles are shown in **red text**.

Requirements

The Code then lists a set of Requirements within each of the five Principles. These Requirements are mandatory subject to the Tier into which each investment is placed and, in the case of Tiers 2 and 3, the setting of bespoke timelines for implementation. Tier 1 Requirements are not listed underneath the five Principles but are aligned to each of them.

Throughout this Code, the Requirements are written in **blue text**.

Commentary

The Code then provides detailed commentary in respect of the Requirements. The commentary is not mandatory, and is included to provide further advice, guidance and support to organisations by demonstrating how they can evidence compliance with the Requirements.

Definitions

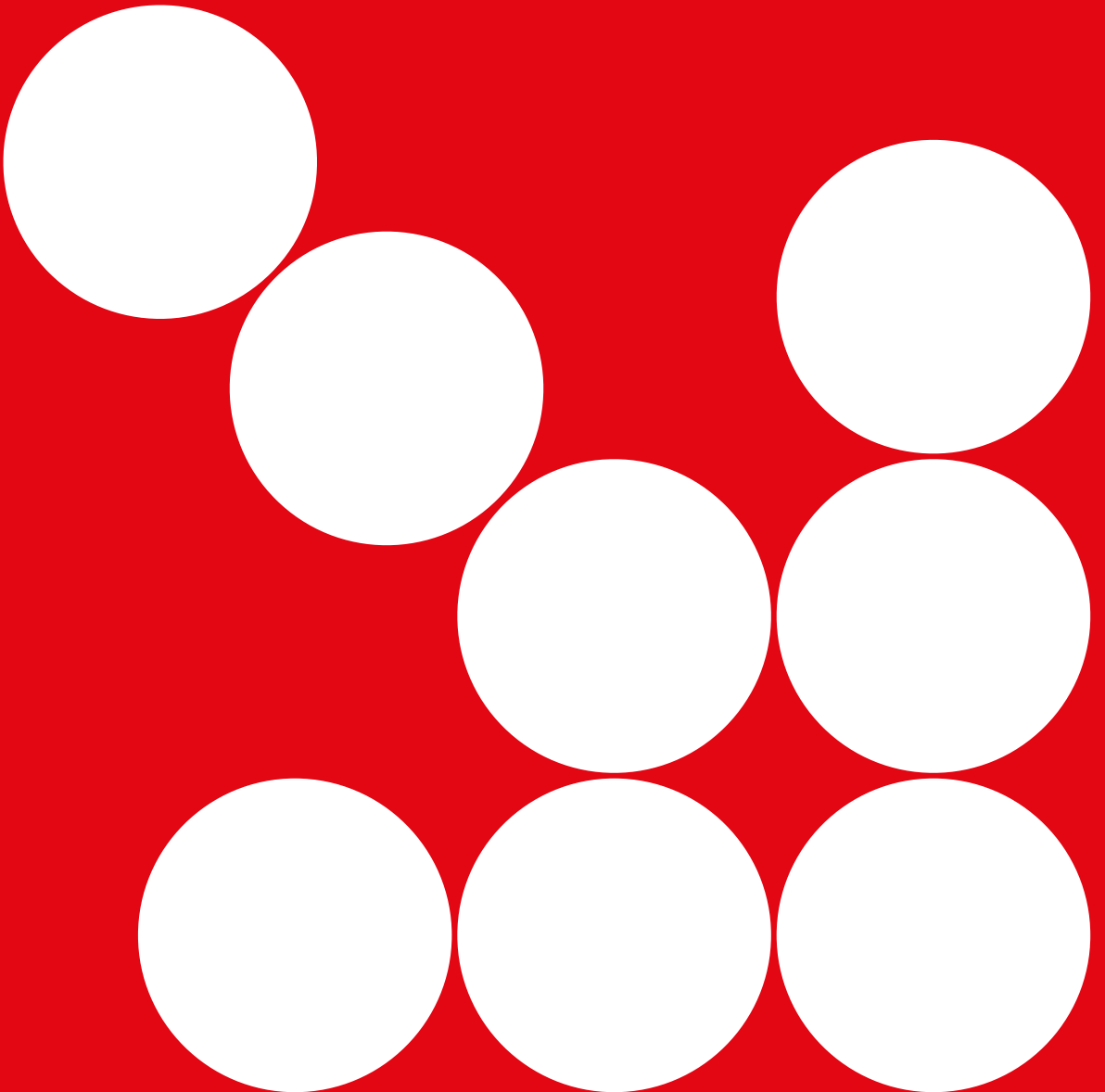
Some terms have specific meanings when they are used in the Code. These defined terms have a capital letter, and their definitions can be found in the Appendix.

References to UK Sport / Sport England (or vice versa) in the Requirements and Commentary should be interpreted as references to whichever of the two funds an organisation, or to both in the case of a jointly-funded organisation.





3. The Principles



❖ The Principles

As introduced earlier, this Code has, at its heart, five Principles of good governance. They are:

1. Structure
2. People
3. Communication
4. Standards and Conduct
5. Policies and Processes

Compliance with the letter of the Principles is not mandatory. However, we hope that all funded bodies – regardless of their scale and the size of the award – would recognise the importance of these Principles.

Throughout the Code, we have attempted to demonstrate how the Principles relate to the elements of the Code which are mandatory – and how the two elements support one another. The full wording of the Principles, and the narrative to explain their importance, is below:

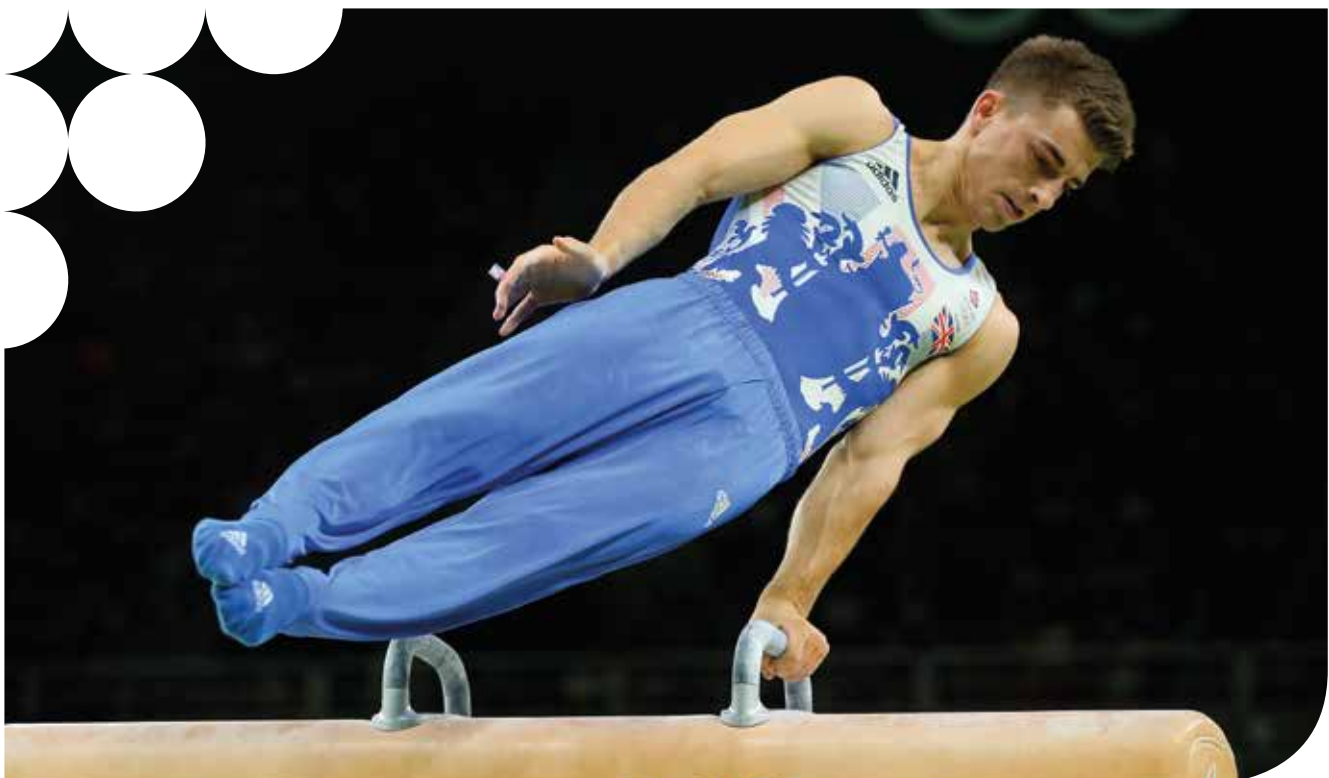
1. Structure

Organisations shall have a clear and appropriate governance structure, led by a Board which is collectively responsible for the long-term success of the organisation and exclusively vested with the power to lead it. The Board shall be properly constituted, and shall operate effectively.

Why is this important?

The right governance structure with decisions made at the right level enables the best decisions to be made to drive the success of the organisation.

Having an appropriate governance structure demonstrates to all stakeholders that the organisation is well managed. This is key to winning the confidence of staff, suppliers and potential investors and also provides a framework for organisational growth and development.



2. People

Organisations shall recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take effective decisions that further the organisation’s goals.

Why is this important?

Diverse, skilled and experienced decision-making bodies which contain independent voice and engage in constructive, open debate enable good decision-making.

3. Communication

Organisations shall be transparent and accountable, engaging effectively with stakeholders and nurturing internal democracy.

Why is this important?

Being responsive to stakeholders, understanding their interests and hearing their voice helps shape the organisation’s governance and strategy. Transparency about why the organisation exists, what it is trying to do, how it is doing it and with what results empowers stakeholders by giving them the information about the organisation that they need to know.

4. Standards and Conduct

Organisations shall uphold high standards of integrity, and engage in regular and effective evaluation to drive continuous improvement.

Why is this important?

Having the right values embedded in the culture of the organisation helps protect public investment and also enhances the reputation of the organisation, earning stakeholder trust. Constantly seeking to improve makes an organisation swift to respond to new challenges and opportunities.

5. Policies and Processes

Organisations shall comply with all applicable laws and regulations, undertake responsible financial strategic planning, and have appropriate controls and risk management procedures.

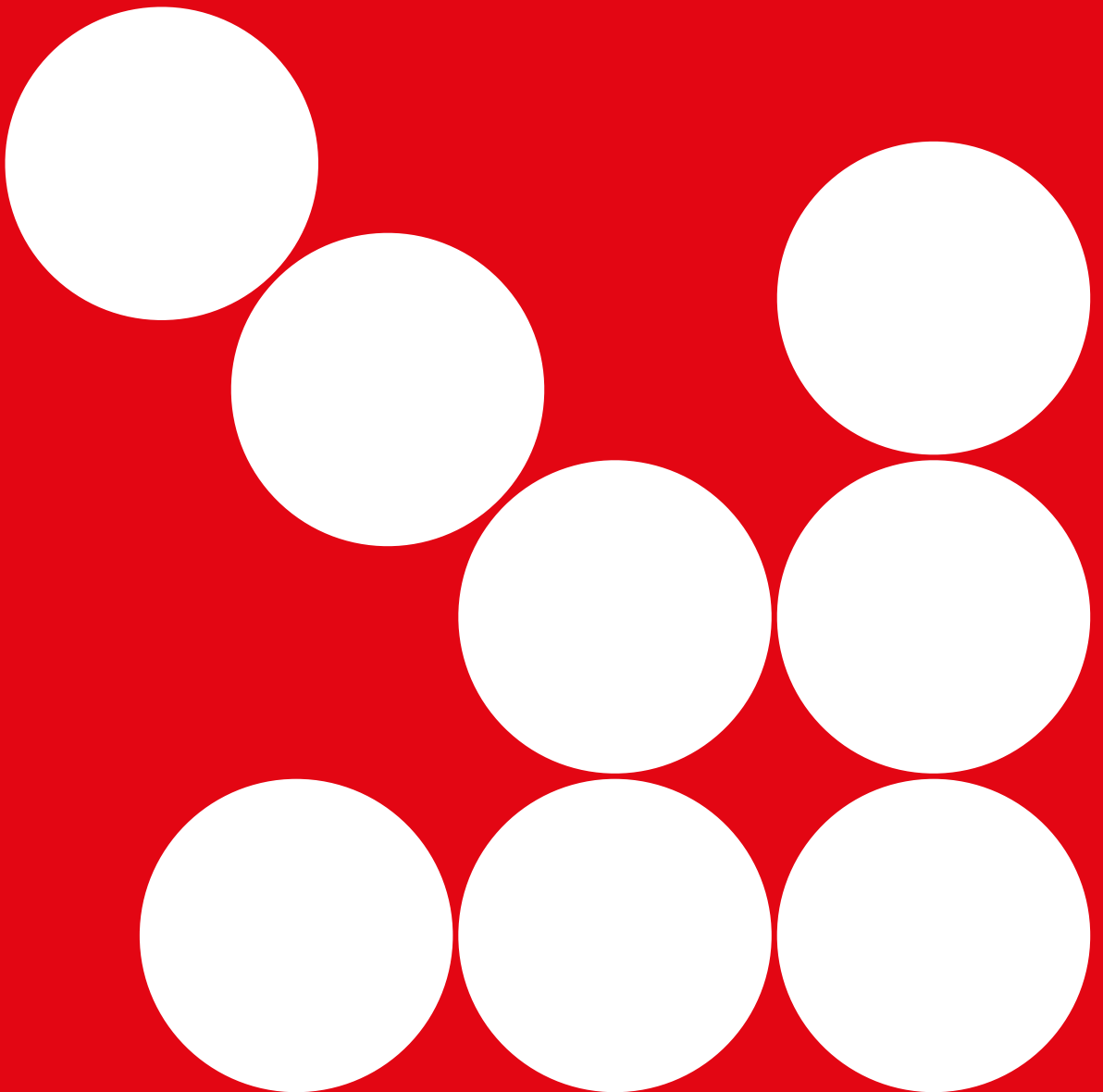
Why is this important?

Understanding the legal environment and having in place appropriate financial and other controls help mitigate risk and enhance stakeholder trust.





4. Proportionate Application of the Code – The Three Tiers



❖ Proportionate Application of the Code – the Three Tiers

As the type and size of investments being made will differ, Sport England and UK Sport will adopt a proportionate approach to the application of the Code by creating three Tiers of investment. Each Tier has a different level of mandatory governance Requirements.

UK Sport and Sport England will, at their sole discretion, place each of their investments into the Tier they consider most appropriate, taking account of the circumstances of the investment and the organisation, and the following broad definitions of the Tiers.

❖ Tier 3

Tier 3 represents the top level of mandatory governance Requirements in this Code. The Requirements in this Tier seek to ensure high governance standards because of the significant public investment being made. Sport England and UK Sport will look for a formal commitment from organisations to meet Requirements within set timescales.

UK Sport and Sport England will generally categorise an investment as Tier 3 if:

- the funding is intended to be granted over a period of years;
- the funding is granted for a continuing activity rather than a one-off project; and
- the total amount of funding is greater than £1m¹

Consideration will also be given to the size of the organisation. Organisations receiving funding for significant, medium to long term activity should generally expect to be in Tier 3.



❖ Tier 1

Tier 1 represents the minimum level of mandatory governance Requirements in this Code. The Requirements in this Tier seek to ensure the protection of public funding through good governance processes, whilst not creating a disproportionate administrative burden.

All organisations seeking funding will need to meet at least the basic governance Requirements of Tier 1.

Sport England and UK Sport will generally categorise an investment as Tier 1 if:

- it is granted on a one-off basis (for example, for a specific project which has a finite life); and
- the total amount of funding is less than or equal to £250k¹.

It is expected that the vast majority of small grants awarded by Sport England will sit in Tier 1

❖ Tier 2

This Code covers a vast range of investments and as such the difference between the mandatory governance Requirements at Tiers 1 and 3 is significant.

Investments will be placed into Tier 2 where UK Sport and/or Sport England require organisations to go further than the Requirements in Tier 1, but not as far as full compliance with Tier 3. This might be because of their resources, or because the investment is significant but made on a one-off (rather than longer-term) basis.

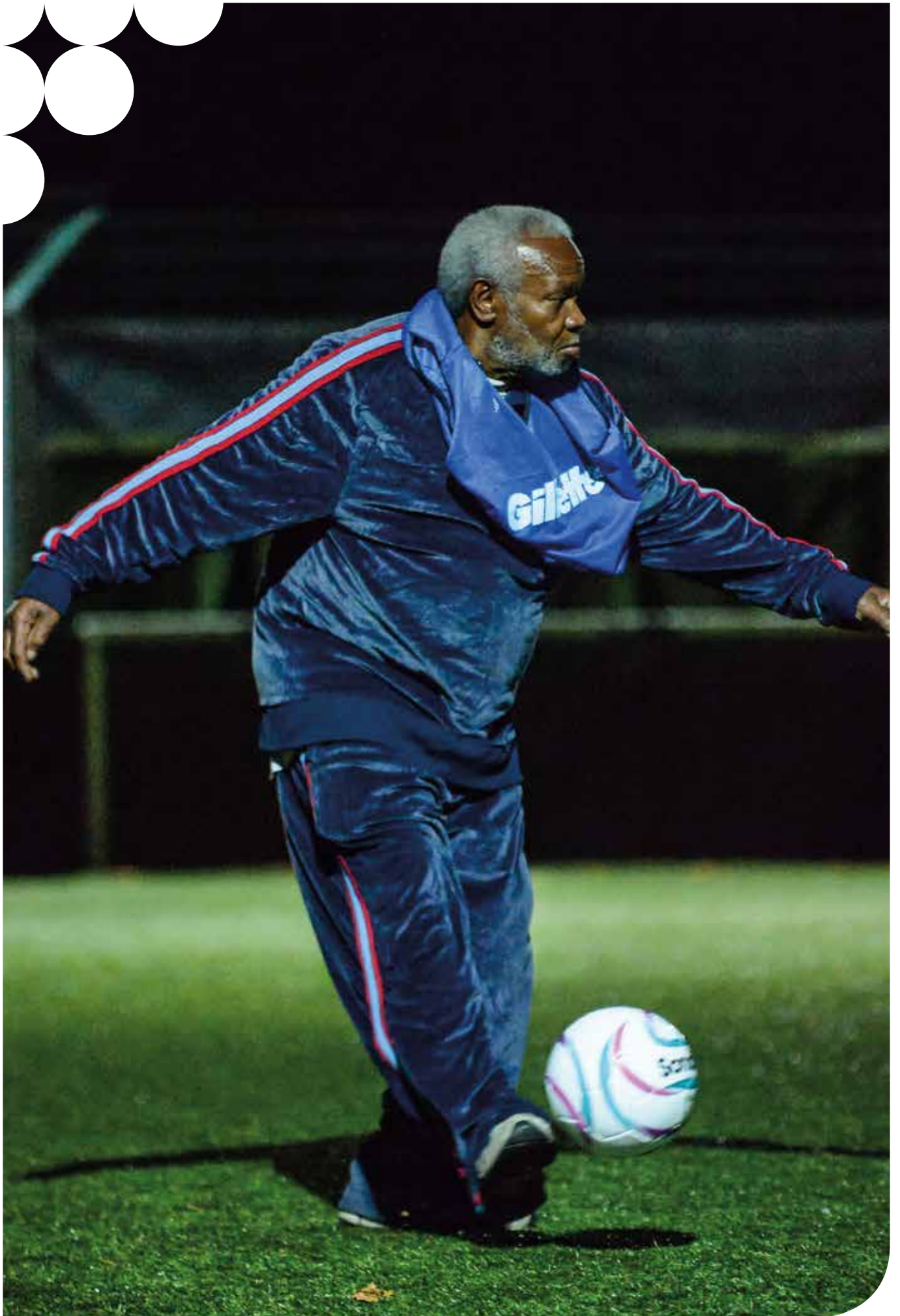
It could also be because the investment signals the start of a new strategic relationship between Sport England/UK Sport and an organisation, but where the parameters of the relationship are still being established.

Organisations receiving an investment categorised as Tier 2 will be expected to meet all of the mandatory Requirements in Tier 1 and some additional mandatory Requirements from Tier 3. The exact Tier 3 Requirements to be met, and the timeline for compliance, will depend on the nature of the investment and the circumstances of the organisation.

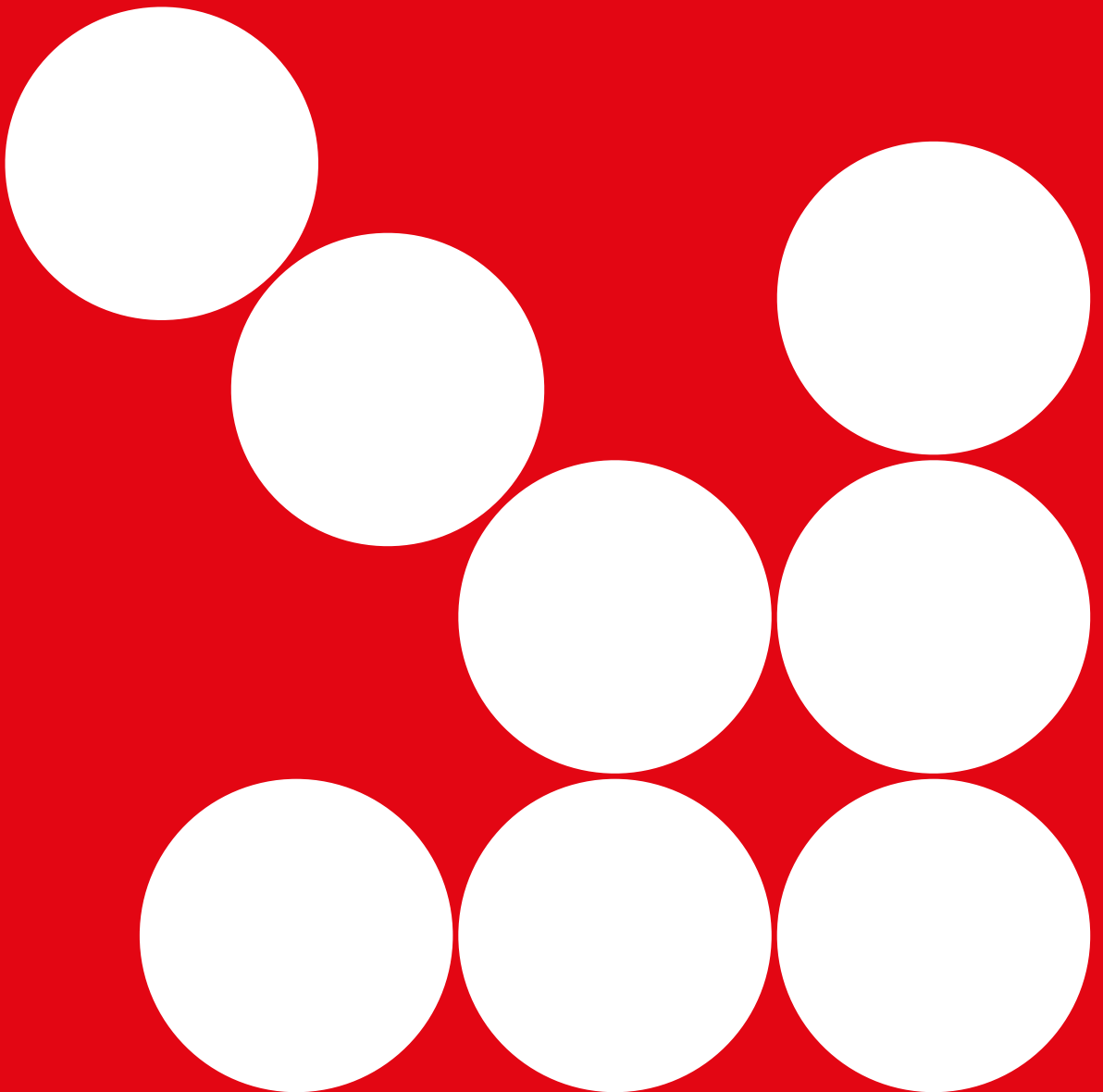
Investments falling into Tier 2 are likely to be in the region of £250k - £1m¹.



1. This figure represents the total amount of funding over the period of the investment, with funding from both Sport England and UK Sport to the same organisation (if any) aggregated.



5. Tier 1 – Mandatory Requirements with Guidance



❖ Tier 1 – Mandatory Requirements with Guidance

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- the total amount of funding is less than or equal to £250k¹.

It is expected that the vast majority of small grants awarded by Sport England will sit in Tier 1.

❖ How it works

There are a total of seven mandatory Requirements at Tier 1 level. They are listed below. **Any text written in blue should be considered a Requirement.**

The **red text** describes the alignment between the Requirement and the underpinning Principles of the Code. As earlier stated, this Code has, at its foundation, five core Principles.

For every Requirement, we have included guidance (in black) to explain the rationale and reasoning behind each, and highlight what you could do to meet the Requirement. The guidance is not mandatory.

❖ Tier 1 Mandatory Requirements

- 1. The organisation is properly constituted, has a clear purpose and, if membership based, is inclusive and accessible.**
- 2. The governing committee meets regularly and decision making is recorded.**
- 3. Conflicts of interest are recognised, managed by the chair and recorded. At least three of the people on the committee are unrelated or non-cohabiting.**

- 4. In deciding who sits on its governing committee the organisation considers the skills and diversity required of its committee members.**
- 5. Committee members are subject to regular election and ideally should serve no more than nine years.**
- 6. The organisation has a bank account and two independent signatories are required for payments.**
- 7. Annual accounts are prepared, scrutinised independently of the person responsible for finance (e.g. treasurer) and are made available to members to describe how money has been spent.**

❖ Requirement 1

The organisation is properly constituted, has a clear purpose and, if membership based, is inclusive and accessible.

Aligns to Principles 1 (Structure) and 3 (Communication)

Guidance

Properly constituted and clear purpose

Being properly constituted and having a clear purpose means:

- having appropriate documents which set out why the organisation exists, the area of work it is involved with, how it makes decisions and other rules clarifying how it operates; and
- operating according to the provisions set out in those formal documents as well as any other legal obligations which are relevant.

Having a clear purpose and being properly constituted provides a formal framework for the organisation which enables those who grant awards, or invest funds, to understand how decisions are made and how funds would be managed.

Membership

This Code seeks to promote greater diversity and an inclusive approach.

This means membership based organisations are expected to take all reasonable steps to ensure they are accessible to all sections of the community.

If an organisation thinks it has a clear justification to act otherwise (e.g. the organisation exists solely to promote or benefit a particular group in the community) it should be prepared to explain this.

Organisations should think about the information provided as part of the membership application process to ensure those to whom membership may be refused understand why.

Requirement 2

The governing committee meets regularly and decision making is recorded.

Aligns to Principles 1 (Structure) 3 (Communication) and 4 (Standards and Conduct)

Guidance

Regular meetings

How often a governing committee meets is a matter for an organisation to decide, but typically this would be at least four times a year and sufficiently regularly to ensure important matters (e.g. finances) are considered in a timely manner.

It is sensible to schedule meetings to fit with key business milestones (such as financial reporting periods) and to ensure dates are set in advance to secure time in committee members' diaries.

Recording decisions

Recording decisions means having formal minutes of committee meetings and any other meetings where important decisions have been made. Having a formal record provides clarity about what was agreed and who agreed it. A governing committee should approve minutes of its meetings to ensure those committee members who were present have the opportunity to confirm the record captures accurately any decisions or points that were made.

Membership based organisations may want to publish the records of meetings (or summary records) to provide members with information about decisions.

Requirement 3

Conflicts of interest are recognised, managed by the chair and recorded. At least three of the people on the committee are unrelated or non-cohabiting.

Aligns to Principles 2 (People) and 3 (Communication)

Guidance

Conflicts of interest

A committee member would have a conflict of interest if they (or their family) would be set to benefit personally from a committee decision.

This could arise, for example, where a trustee/director of a not for profit organisation is also a director/owner of a for-profit enterprise, which wishes to supply goods or services to the not-for-profit organisation, as the trustee/director (or their family) could personally gain.

It is important that any conflicts of interest are recognised, managed effectively, and recorded to ensure committee members are not able to unduly influence a decision to their benefit (or their family's benefit) rather than being the best value decision for the organisation. In the example given above, the chair would normally exclude the relevant trustee/director from any debate on the decisions to award or manage the contract, and may list the number or value of those contracts.

If a committee member thinks they may be conflicted they should raise this ahead of the relevant discussion or decision and the chair should manage the process for how this is handled. The organisation may find it helpful to maintain a register of interests for committee members.

Relationship of committee members

People who are related to each other or cohabiting can sometimes have a commonality of interests and viewpoints. The Requirement to have at least three committee members who are not related or cohabiting helps to ensure there are sufficient checks and balances on the committee resulting in better and more rounded decisions.

1. This figure represents the total amount of funding over the period of the investment, with funding from both Sport England and UK Sport to the same organisation (if any) aggregated.

Requirement 4

In deciding who sits on its governing committee the organisation considers the skills and diversity required of its committee members.

Aligns to Principle 2 (People)

An online consultation formed part of the development of this Code and an overwhelming majority of those who responded recognised a need to increase diversity within their organisation. Having people with the right experience or knowledge and a varied range of opinions can lead to improved decisions and better outcomes.

This Requirement expects organisations to consider the skills and diversity required when a vacancy exists on the committee or an opportunity arises. For example, someone with financial experience might be required to help understand and scrutinise funds. Or, an organisation might wish to work with a particular group in the community and could look to recruit someone from that group to help shape ideas. Organisations should determine what is appropriate to them.

Many small organisations (e.g. clubs or charities) rely on volunteers who give up their time to administer the organisation, and without whom, the organisation may not exist. This Requirement recognises those circumstances but asks organisations to at least consider the skills and diversity it needs should the opportunity to recruit relevant individuals arise.

Further consideration will be given to how organisations can be supported to increase diversity.

Requirement 5

Committee members are subject to regular election and ideally should serve no more than nine years.

Aligns to Principle 2 (People)

Guidance

This Requirement expects committee members to be subject to regular election and at least have a limit to each term they serve, ideally serving no more than nine years in total.

It is recognised that some organisations rely on long standing volunteers to operate and often find it difficult to recruit new committee members when vacancies arise. This is why the total term served is set as an ideal rather than as a specific Requirement. The minimum expectation is that incumbent members are subject to regular re-election.

Organisations can benefit from a periodic injection of new people and ideas in order to progress. Having the ability to review who sits on the committee enables an organisation to consider if it has the right skills to deliver its aims. Ensuring committee members are at least subject to regular election and ideally have a limited period in office also guards against power being perpetually concentrated in one group.

Requirement 6

The organisation has a bank account and two independent signatories are required for payments.

Aligns to Principles 4 (Standards and Conduct) and 5 (Policies and Processes)

Commentary/Guidance

This Requirement ensures organisations have a formal bank account into which funds can be paid. Having two independent signatories on the account also helps to mitigate the risk of fraud and/or maladministration. It is already common practice for banks to ask for two signatories in order to process payments.

Requirement 7

Annual accounts are prepared, scrutinised independently of the person responsible for finance (e.g. treasurer) and are made available to members to describe how money has been spent.

Aligns to Principles 3 (Communication) 4 (Standards and Conduct) and 5 (Policies and Processes)

Guidance

Annual accounts – preparation and scrutiny

Ensuring accounts have been reviewed by someone other than the person who has prepared them ensures accountability and promotes integrity.

Organisations should ensure the person providing the independent review has sufficient knowledge and practical experience in order for this to be done effectively. This need not be someone with specific financial qualifications, it is more important that the organisation trusts the individual providing independent scrutiny and the individual has the ability, and permission, to ask questions.

Some organisations (e.g. charities, small companies) may have specific legal obligations in relation to the preparation, scrutiny and filing of accounts. The following, externally produced, information may be helpful:

Companies House guidance regarding the rules and Requirements on submitting annual accounts for companies registered in the UK: www.gov.uk/government/publications/life-of-a-company-annual-Requirements

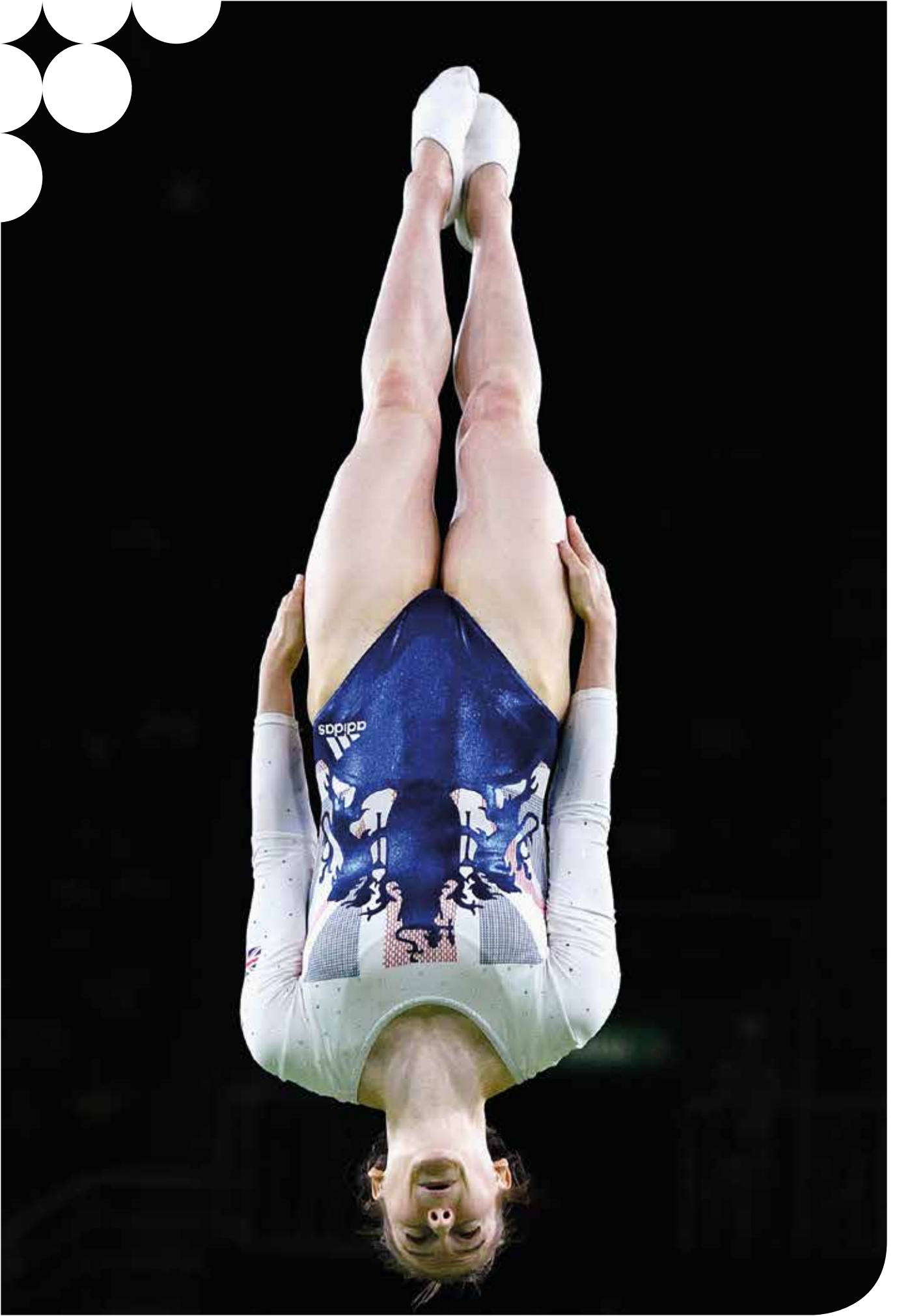
Charity Commission guidance on charity money, tax and accounts
www.gov.uk/topic/running-charity/money-accounts

Annual accounts – transparency

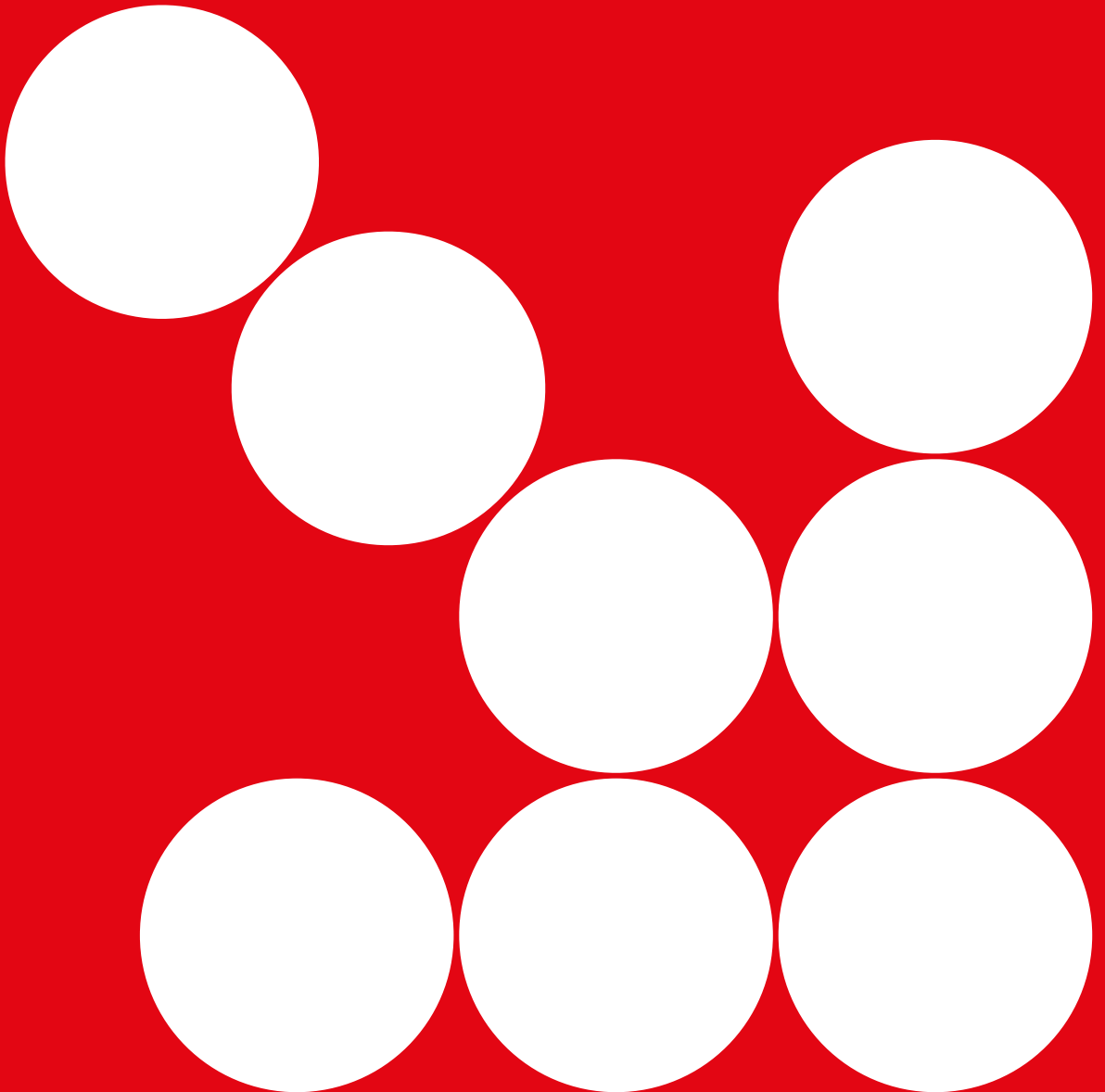
Membership based organisations will be expected to make annual accounts available to members to provide them with information about the finances of the organisation. It will be for an organisation to determine how best to achieve this but could be, for example, via their website or membership letter.

For further guidance about governance, please see the links to further resources and information at the end of this Code.





6. Tier 3 – Mandatory Requirements



❖ Tier 3 – Mandatory Requirements

Tier 3 represents the top level of mandatory governance Requirements in this Code. The Requirements in this Tier seek to ensure high governance standards because of the significant public investment being made. Sport England and UK Sport will look for a formal commitment from organisations to meet Requirements within set timescales.

UK Sport and Sport England will generally categorise an investment as Tier 3 if:

- the funding is intended to be granted over a period of years;
- the funding is granted for a continuing activity rather than a one-off project; and
- the total amount of funding is greater than £1m¹

Consideration will also be given to the size of the organisation.

Organisations receiving funding for significant, medium to long term activity should generally expect to be in Tier 3.

❖ How it works

Any text written in **blue** is a Requirement. They are mandatory. The Requirements are broken down into five sections, which correspond to the five core Principles.

The Principles are written in **red text**.

For ease of reading and reference, this section comprises just the Principles and the Tier 3 Mandatory Requirements. Another version, featuring commentary and guidance, is found in the next section.

❖ 1. Structure

Organisations shall have a clear and appropriate governance structure, led by a Board which is collectively responsible for the long-term success of the organisation and exclusively vested with the power to lead it. The Board shall be properly constituted, and shall operate effectively.

REQUIREMENTS

Boards

- 1.1 The Board of the organisation shall:
 - (A) be the ultimate decision-making body and accordingly exercise all of the powers of the organisation;
 - (B) be responsible for setting the strategy of the organisation; and
 - (C) maintain and demonstrate a clear division between the Board's management and oversight role and the executive's operational role.
- 1.2 All directors must act in the best interests of the organisation, and in a manner consistent with their legal duties.

Councils

- 1.3 A Council shall not be able to override the Board, but may have reasonable rights to consultation and constructive challenge.
- 1.4 Where Councils are permitted to appoint directors, such appointments shall reflect not more than one third of the directors.
- 1.5 A Nominated director shall not be considered an independent director and must be non-executive.
- 1.6 Council members may hold office for a maximum of either two, four-year terms or three, three-year terms.
- 1.7 In accordance with Principles 3 and 4, Councils must act with integrity and be transparent in their workings.

Board size and composition

- 1.8 The Board shall be of an appropriate size to:
 - (A) meet the Requirements of the organisation;
 - (B) have the appropriate balance of skills, experience, independence and knowledge;

1. This figure represents the total amount of funding over the period of the investment, with funding from both Sport England and UK Sport to the same organisation (if any) aggregated.

- (C) manage changes to its composition (including that of its committees) without undue disruption; and
 - (D) promote an open dialogue amongst the directors.
- 1.9 The size of a Board shall not exceed twelve persons unless agreed with UK Sport / Sport England.
- 1.10 Each organisation must maintain an up-to-date matrix detailing the skills, experience, independence and knowledge required of its Board.
- 1.11 No one individual on the Board may have the unfettered ability to take a decision.
- 1.12 If a member of the executive management of the organisation (e.g. the chief executive or senior finance officer) is appointed to the Board, then they may only be appointed in an Ex Officio capacity.

Term limits

- 1.13 Subject to the exceptions set out in Requirement 1.14 below, a director may serve on the Board for a maximum of either:
- (A) four terms of two years;
 - (B) two terms of four years; or
 - (C) three terms of three years.
- 1.14 The exceptions referred to in Requirement 1.13 are as follows.
- (A) A director may serve on the Board for a maximum of twelve years if appointed as chair of the organisation or to a senior position with an international federation.
 - (B) A director appointed in an Ex Officio capacity may serve on the Board for the duration of their holding the relevant office.
 - (C) In exceptional circumstances (for example to assist succession planning), a chair or director may hold office for a further year.
- 1.15 When a director has completed their maximum term, at least four years must elapse before they can be eligible to stand as a director for that organisation again.

Chair

- 1.16 Each Board must appoint a chair who shall be responsible for the leadership of the Board.
- 1.17 The roles of chair and chief executive shall not be exercised by the same individual and the division shall be established in writing and agreed by the Board.
- 1.18 UK Sport and Sport England reserve the right to require that an organisation in which they invest appoint an independent chair. This right will only be exercised after appropriate consultation and if UK Sport / Sport England reasonably believes that it is necessary to safeguard public funding or further the purposes for which that funding was granted.

Independent non-executive directors

- 1.19 At least 25% of the Board shall be independent non-executive directors.
- 1.20 Each Board shall appoint one of its independent non-executive directors to be the Senior Independent Director.

Board Conduct

- 1.21 Boards shall adopt policies and practices that:
- (A) foster openness and debate amongst directors; and
 - (B) set out clear expectations with respect to the running of Board meetings and director behaviour.

Meetings

- 1.22 The Board and its committees shall:
- (A) meet sufficiently regularly to discharge their duties effectively; and
 - (B) maintain a proper record of their meetings and decisions.

Board committees

- 1.23 The Board shall maintain an audit committee and (either on a permanent or an ad hoc basis) a nomination committee unless the particular circumstances of the organisation are such that it is appropriate for the Board to act as the nomination committee.

- 1.24 The Board shall establish any further committees which it considers necessary to support its work.
- 1.25 Each committee established under 1.23 or 1.24 shall report to the Board and have clear terms of reference which identify its responsibilities and any powers delegated to it by the Board.
- 1.26 A majority of the members of the nomination committee shall be independent non-executive directors and it shall be chaired by the chair (except when it is dealing with the appointment of a successor to the chair, when it shall be chaired by an independent non-executive director).

❖ 2. People

Organisations shall recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take effective decisions that further the organisation's goals.

REQUIREMENTS

Diversity

- 2.1 Each organisation shall:
- (A) adopt a target of, and take all appropriate actions to encourage, a minimum of 30% of each gender on its Board; and
 - (B) demonstrate a strong and public commitment to progressing towards achieving gender parity and greater diversity generally on its Board, including, but not limited to, Black, Asian, minority ethnic (BAME) diversity, and disability.
- 2.2 Each organisation shall identify proportionate and appropriate actions to be taken to support and/or maintain (as appropriate) the diversity targets set out in Requirement 2.1.
- 2.3 The Board shall ensure that the organisation prepares and publishes on its website information (approved by the Board) about its work to foster all aspects of diversity within its leadership and decision making, including an annual update on progress against the actions identified in Requirement 2.2.

Board Recruitment

- 2.4 Each organisation shall have a formal, rigorous and transparent procedure for the appointment of new directors to the Board, and all appointments shall be made on merit in line with the skills required of the Board.
- 2.5 In exceptional circumstances a director may be Co-opted onto the Board if this is necessary to ensure that the Board has the skills and/ or experience necessary to fulfil its role.
- 2.6 The appointment of the Chair and independent non-executive directors must be via an open, publicly advertised recruitment process.
- 2.7 The Board shall have in place succession plans for orderly appointments to the Board and to key positions within senior management.
- 2.8 The nomination committee shall lead the process for Board appointments on behalf of the Board (unless, as set out in Requirement 1.23), the organisation does not have a nomination committee, in which case the Board shall be responsible for the appointment process).
- 2.9 The Board or nomination committee shall inform UK Sport / Sport England of any appointment process being carried out by the organisation in relation to:
- (A) any directors; and
 - (B) the chief executive;
- and shall permit UK Sport / Sport England to observe any such process.
- 2.10 No individual shall be appointed as a director until he or she has provided to the organisation a declaration of good character.

Induction of new Directors

- 2.11 On appointment, each director shall be given a written statement of their responsibilities.

- 2.12 Each organisation shall ensure that new directors receive a full, formal and tailored induction on joining the Board.

Remuneration

- 2.13 Remuneration of directors and employees, if any, shall be determined in accordance with a formal, approved procedure.

❖ 3. Communication

Organisations shall be transparent and accountable, engaging effectively with stakeholders and nurturing internal democracy.

REQUIREMENTS

- 3.1 Each organisation shall publicly disclose information on its governance, structure, strategy, activities and financial position to enable stakeholders to have a good understanding of them.
- 3.2 Each organisation shall publish:
- (A) in the case of organisations which employ more than 50 staff, the total remuneration paid to its senior management team; and
 - (B) the remuneration (if any) paid to each of its directors (except for members of the senior management team who are Ex Officio directors).
- 3.3 Any information disclosed shall be fair, accurate and presented in an understandable manner.
- 3.4 Each organisation shall develop a strategy for engaging with, and listening to, its stakeholders (including elite athletes where appropriate) which the Board shall contribute to and review at least annually.
- 3.5 Each organisation shall be expected to carry out a regular staff survey (including their volunteers) at least once a year and:
- (A) act on the results internally, communicating clearly to their employees and volunteers how such actions are to be taken; and
 - (B) make topline data available to Sport England to collate the results for the purpose of developing a greater understanding of the sport workforce.

❖ 4. Standards and conduct

Organisations shall uphold high standards of integrity, and engage in regular and effective evaluation to drive continuous improvement.

REQUIREMENTS

Development of the Board

- 4.1 The Board, led by the chair, shall undertake, and maintain in writing a record of, an annual evaluation of its own skills and performance and of individual directors, and that of its committees (committee evaluation need not be undertaken annually).
- 4.2 External evaluation of the Board shall be facilitated at least every four years or at the request of UK Sport / Sport England.
- 4.3 The Board shall agree and implement a plan to take forward any actions resulting from the evaluations.

Integrity

- 4.4 Each organisation shall adopt a mandatory directors' code that, amongst other things, requires all directors to act at all times, with integrity, in a forthright and ethical manner and in accordance with their organisation's conflicts policy.
- 4.5 The directors' code, terms of reference and other policies of the Board and its committees shall be reviewed at least every four years to ensure compliance with current laws.

Conflicts of interest

- 4.6 The chair shall proactively address and manage conflicts of interests amongst the directors. No director may participate in the discussion of, or vote in respect of, a matter in which they have a material conflict of interest.

❖ 5. Policies and Processes

Organisations shall comply with all applicable laws and regulations, undertake responsible financial strategic planning, and have appropriate controls and risk management procedures.

REQUIREMENTS

Legal Compliance and Control

- 5.1 The Board shall ensure that:
- (A) both individually and collectively it understands the key legal and regulatory obligations (including those which are specific to sport national governing bodies) which affect the Board and the organisation; and
 - (B) the organisation has appropriate policies and procedures in respect of these obligations.

Financial control

- 5.2 Each organisation shall exhibit honesty, integrity and competence in financial matters.
- 5.3 The Board shall adopt appropriate and proportionate finance policies and procedures. The organisation shall take all reasonable steps to ensure that these policies and procedures, where appropriate, are communicated to, and understood and followed by, its directors, staff and volunteers (where relevant). The Board must review and update them at least once every two years.

- 5.4 Each organisation must prepare annual accounts which:
- (A) comply with legal Requirements and recognised accounting standards;
 - (B) give specific disclosure of income received from public investors and clearly account for the expenditure of such funding; and
 - (C) are audited.
- 5.5 The audited annual accounts must be published on the organisation's website.

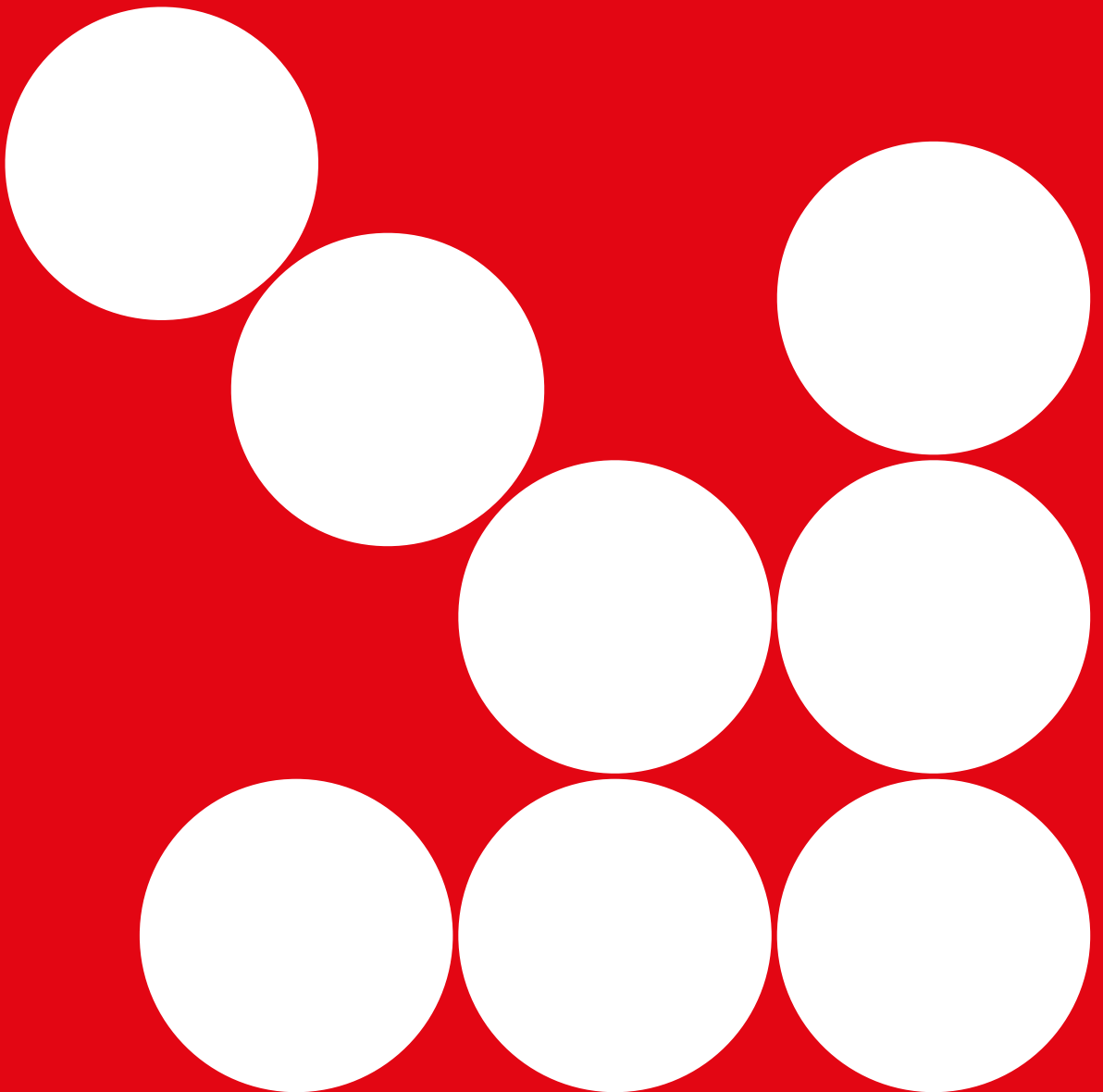
Financial strategy

- 5.6 The Board must actively plan and monitor the financial position and performance of the organisation against an annually approved budget and at least a four year financial forecast.

Risk Management and Internal Control

- 5.7 The organisation shall maintain robust risk management and internal control systems.
- 5.8 The Board shall conduct an annual review of the effectiveness of the organisation's risk management and internal control systems to ensure that they provide reasonable assurance.

7. Tier 3 – Mandatory Requirements with Commentary



❖ Tier 3 – Mandatory Requirements with Commentary

Tier 3 represents the top level of mandatory governance Requirements in this Code. The Requirements in this Tier seek to ensure high governance standards because of the significant public investment being made. Sport England and UK Sport will look for a formal commitment from organisations to meet Requirements within set timescales.

UK Sport and Sport England will generally categorise an investment as Tier 3 if:

- the funding is intended to be granted over a period of years;
- the funding is granted for a continuing activity rather than a one-off project; and
- the total amount of funding is greater than £1m¹

Consideration will also be given to the size of the organisation.

Organisations receiving funding for significant, medium to long term activity should generally expect to be in Tier 3.

❖ How it works

Any text written in **blue** is a Requirement. They are mandatory. The Requirements are broken down into five sections, which correspond to the five core Principles.

The Principles are written in **red text**.

For ease of reading and reference, this section comprises just the Principles and the Tier 3 Mandatory Requirements. Another version, featuring commentary and guidance, is found in the next section.

For every Requirement, we have included commentary (in black), which provides further clarification, advice, guidance and support.



❖ Principle 1: Structure

Organisations shall have a clear and appropriate governance structure, led by a Board which is collectively responsible for the long-term success of the organisation and exclusively vested with the power to lead it. The Board shall be properly constituted, and shall operate effectively.

Why is this important?

The right governance structure with decisions made at the right level enables the best decisions to be made to drive the success of the organisation.

Having an appropriate governance structure demonstrates to all stakeholders that the organisation is well managed. This is key to winning the confidence of staff, suppliers and potential investors and also provides a framework for organisational growth and development.

❖ Boards (Requirements 1.1–1.2)

1.1 The Board of the organisation shall:

- (A) be the ultimate decision-making body and accordingly exercise all of the powers of the organisation;
- (B) be responsible for setting the strategy of the organisation; and
- (C) maintain and demonstrate a clear division between the Board's management and oversight role and the executive's operational role.

Commentary

Requirement 1.1 (A)

One of the key purposes of the Code is to help funded organisations ensure that they make the best decisions. It is now widely accepted that having an effective board is important to the success of an organisation, and this Code accordingly places emphasis on Boards, starting with the Requirement that the Board of the organisation has appropriate authority: directors are collectively responsible and accountable for the long-term success of an organisation and as such, it is important and appropriate that ultimate authority rests with the Board.

Members of the organisation (i.e. the legal members - in the case of a company limited by guarantee, for example, this means the members of the company whose names are entered into the company's register of members) also have an important role to play in governance, and the Requirement that the Board has ultimate authority does not override or supersede the powers of such members under law.

Matters reserved to the Board often include:

- approval of the organisation's strategy (see Requirement 1.1(B) and the commentary on it below).
- approval of the long term financial plan and annual budget;
- monitoring delivery of the strategic plan and objectives;
- periodic review of the financial plan and performance against annual budget;
- periodic review of major risks;
- discussion of, and engagement with, stakeholder proposals and concerns; and
- a process to identify areas where the Board may be assisted by further education and training.

It is expected that the Board will discuss each of the above at least annually (and more frequently if necessary).

In practice, the Board may delegate some responsibilities to committees or other groups but choose to retain certain matters for its attention only. Requirements 1.23 to 1.26 discuss committees in more detail.

Requirement 1.1 (B)

It is important that the Board has the authority to set the organisation's strategy but it is likely that in order to do so effectively, the Board will need to draw on, and consult, a range of stakeholders. (The commentary to Requirement 3.4 notes that a stakeholder is 'any person or group who has an interest in the organisation or is affected by its actions').

Best practice suggests that the Board should set a rolling 4-8 year strategy for the organisation which outlines its key long term objectives and the strategies being implemented to achieve them.

From this, an annual business/operational plan is developed by the executive, which outlines the key tasks to be undertaken to contribute to the achievement of the strategic objectives. The Board may also wish to set key performance indicators to monitor the achievement of the strategic plan and business/operational plan objectives, with responsibility for achievement of the objectives, tasks and key performance indicators allocated to specific committees, employees or volunteers.

The responsibility to set the strategy also extends to keeping it under review, and it is recommended that the Board reviews it at least annually.

Requirement 1.1 (C)

Many organisations have an executive or management team, which has responsibility for the day-to-day running of the organisation and which is accountable, to the Board.

Some organisations may only have a small number of staff and perhaps one or two senior executive positions. In this case it is still important to ensure, as far as possible, there is separation between the operational responsibilities of staff and the strategic role of the Board.

To enable the Board and the executive to perform their respective functions effectively it is important that the responsibilities of each are clear and understood by directors, senior executives and others within the organisation. As well as a list of reserved matters (see Requirement 1.1 (A) and the commentary under it); the Board should consider putting in place a list of delegated authorities covering both financial and non-financial obligations of the Board and the Board members.

Boards may wish to consider the extent (if any) to which members of the Board or Council (if applicable) are able to liaise directly with the executive outside of the formal procedures, and whether any such communication should be reported to the Board for their record and information.

1.2 All directors must act in the best interests of the organisation, and in a manner consistent with their legal duties.

Commentary

Directors should act with this in mind when contributing to board discussions and decisions. It is recognised that Nominated directors may be appointed to the Board by a particular group or 'constituency' within a sport (e.g. the Council, or a geographical area, or a discipline of the sport) and as such may provide a useful conduit between the Board and their 'constituency'. However, their duty to act in the best interests of the organisation (as a whole) is paramount. This responsibility would ordinarily be explained to directors as part of the appointment and induction process (see Requirements 2.11 – 2.12) and followed up by the chair if necessary. It may also be reflected in the directors' code (see Requirement 4.4).

❖ Councils (Requirements 1.3–1.7)

1.3 A Council shall not be able to override the Board, but may have reasonable rights to consultation and constructive challenge.

A Council is defined in the Appendix as: 'a body forming part of the constitutional or organisational structure of a sports national governing body ('NGB'), representing some or all of its stakeholders in some capacity, and having powers or rights with respect to its governance, but which is not the board of the NGB (or a committee of the board) or the shareholders in general meeting'. The definition also notes that a body will be treated as a Council for the purposes of this Code if it fulfils this definition, regardless of the name given to it by the NGB.

Not all membership-based organisations or NGBs include a Council within their governance structure. However, where they exist they often act as the conduit for the members' views, and can therefore play an important role in ensuring healthy democracy within the organisation.

It is for the organisation to determine the role of its Council within the parameters set by this Code. However, the reasonable rights to consultation and constructive challenge that a Council may have in fulfilling its role as a conduit for the views of the wider sport could include:

- an audience with the chair of the Board;
- an audience with the Board as a whole;
- the power to call a meeting of the members;
- the power to put resolutions at a members' meeting;
- the right to be consulted on the development of the organisation's strategy and any major strategic decisions which affect the sport
- providing a forum for debate among stakeholders;
- acting as a 'sounding board for the Board and providing advisory opinions as and when appropriate;
- providing a pool of candidates to fill certain positions; and
- acting as an ambassador to disseminate the organisation's strategic vision, helping to ensure that all stakeholders understand and support a shared vision for the development of the sport and of their respective organisation.

An organisation may wish to consider undertaking periodic evaluations of:

- its Council's role, rights and effectiveness; and
- whether it represents fairly the participant and stakeholder landscape of the sport: see also Requirement 3.4 which requires organisations to develop a strategy for engaging with its stakeholders.

This evaluation can help the organisation to decide whether its Council is serving the organisation and its stakeholders well, and take any necessary steps to address any areas of weakness that are identified. In accordance with the Principle of transparency, the organisation may decide to publish a summary of the conclusions of this evaluation process,

and the resultant steps planned and/or taken, on its website.

- 1.4** Where Councils are permitted to appoint directors, such appointments shall reflect not more than one third of the directors.

Commentary

By promoting Boards with skilled, diverse and independent opinion this Code seeks to ensure better informed and more rounded decisions. Striking the right balance between those who have an intimate knowledge of the sport and those who bring experience from outside is also important. All directors should, however, act in the best interest of the organisation, as set out in Requirement 1.2.

If one third is not a whole number, then this should be rounded down for the purposes of calculating the maximum number of directors who may be appointed by the Council.

- 1.5** A Nominated director shall not be considered an independent director and must be non-executive.

A Nominated director is defined in the Appendix as a director 'whose appointment to the Board arises from provisions in the articles of association of the organisation permitting the election or nomination of directors by the sport's membership or by particular stakeholders (e.g. geographical areas or sporting disciplines) within the sport'. This description means a Nominated director does not meet the definition of independent set out in the Appendix.

- 1.6** Council members may hold office for a maximum of either two, four-year terms or three, three-year terms.

Commentary

Term limits ensure a periodic injection of new people and ideas and provide an opportunity to refresh the skills base of a Council to suit its purpose. This may be important in terms of succession planning, particularly if the Council appoints Nominated directors to the Board. Establishing term limits for Council members may also open up opportunities for new or younger members to become actively involved in the administration of the sport.

The organisation may also wish to consider whether it needs to improve other aspects of the diversity on its Council and if so how it will achieve this, for example by implementing and publishing a plan to achieve greater diversity on the Council and reporting publicly progress against it.

The Requirement sets maximum term limits: organisations may find it appropriate to set shorter individual terms (e.g. of two years) which can be repeated subject to the maximum limit of eight or nine years set out in the Requirement.

1.7 In accordance with Principles 3 and 4, Councils must act with integrity and be transparent in their workings.

Commentary

Acting with integrity and in a transparent manner are key elements of this Code. To demonstrate compliance, organisations with Councils should consider carefully how these Principles apply to their Councils. To assist, they may find it helpful to refer to the Requirements of Principles 3 and 4 of this Code in order to formulate relevant policies and procedures. Examples might include:

Integrity

- A code of conduct for Council members (see Requirement 4.4 by way of comparison);
- Proactive management of conflicts of interest (see Requirement 4.6 by way of comparison).

Transparency

Publication of:

- meeting agendas and minutes;
- the Council members' code of conduct;
- any conflicts of interest of Council members;
- the outcome of any evaluation of the Council together with the resultant steps taken or to be taken (see the commentary to Requirement 1.3 above).

Board size and composition (Requirements 1.8–1.12)

1.8 The Board shall be of an appropriate size to:

- (A) meet the Requirements of the organisation;
- (B) have the appropriate balance of skills, experience, independence and knowledge;
- (C) manage changes to its composition (including that of its committees) without undue disruption; and
- (D) promote an open dialogue amongst the directors.

Commentary

An appropriate Board size allows for full and frank discussions amongst all directors, while balancing the need to have varying and diverse opinions, achieved by a membership with a balance of skills, experience, independence and knowledge. If the Board is too big, it may be too unwieldy to make effective decisions. If too small, issues of continuity may arise when vacancies occur and it may be difficult to achieve the required range of skills.

It is for the organisation to determine the appropriate size for its Board, having regard to the factors set out above. The following Requirements are also relevant to this:

- Requirement 1.9, which says that the size of the Board shall not exceed twelve unless agreed with UK Sport/Sport England. It is not mandatory to have a Board of twelve, and organisations should consider whether a smaller Board would be appropriate for them, bearing in mind the above factors.
- Requirement 3.4, by which organisations must have a strategy for engaging with their stakeholders. A full understanding of the organisation's stakeholder landscape may inform the composition of its Board (and its Council, if it has one).

1.9 The size of a Board shall not exceed twelve persons unless agreed with UK Sport / Sport England.

Commentary

UK Sport and Sport England expect an organisation to be able to meet Requirement 1.8 with a Board size of twelve or fewer. Any exception to this must be discussed and agreed with UK Sport/Sport England. An example of when it may be appropriate is if a temporary increase in size would assist in succession planning.

1.10 Each organisation must maintain an up-to-date matrix detailing the skills, experience, independence and knowledge required of its Board.

Commentary

One element which enables a Board to constitute itself properly and perform effectively is knowing which skills are required to deliver and oversee the organisation's strategy, and then securing these skills through the Board appointment process. Requirement 2.4 is clear that all Board appointments should be skills-based.

The skills matrix should clearly set out the skills required of the Board and include an assessment of the current position. Any gaps can then inform the preparation of the role description and person specification for any new director which the organisation is seeking to appoint. This assessment also enables the organisation to have a clear picture of the skillset of its current directors and draw on this experience as necessary when relevant matters arise, and to assess training and development needs.

The Requirement states that the skills matrix must be kept up-to-date. The Board should therefore review and if necessary amend it from time to time (it is suggested annually), and it may be convenient to undertake this review alongside the annual Board evaluation (see Requirements 4.1 and 4.2).

1.11 No one individual on the Board may have the unfettered ability to take a decision.

Commentary

A Board's terms of reference will normally include a provision that ensures a certain number of people (a quorum) is required in order for a decision to be made. In determining this number, it is helpful to consider what would work from a practical viewpoint given the size of the Board. However, to avoid a situation where one individual is able to unduly influence or make a decision, this should, at the least, be greater than one.

If authority is delegated to an individual by the Board then the terms of the delegation should be clearly and fully recorded.

1.12 If a member of the executive management of the organisation (e.g. the chief executive or senior finance officer) is appointed to the Board, then they may only be appointed in an Ex Officio capacity.

Commentary

Some organisations may determine that it is appropriate for a member of its executive or senior management team to be a director because of the way the organisation operates and the knowledge, experience or insight brought by that role (see definition of 'Ex Officio' in the Appendix). In these circumstances, the appointment relates to the role rather than the individual and if an individual ceases to be in that role, they should also cease to be a director. As a vacancy arises the organisation may take the opportunity to consider if it is still appropriate for the Ex Officio position to be a director based on the skills and knowledge required by the Board.

❖ Term Limits

(Requirements 1.13.–1.15)

1.13 Subject to the exceptions set out in Requirement 1.14 below, a director may serve on the Board for a maximum of either,

- (A) Four terms of two years;
- (B) Two terms of four years; or
- (C) Three terms of three years.

Commentary

Term limits ensure the Board benefits from a periodic injection of new people and ideas and that power is not perpetually concentrated in one group. Terms limits also enable a Board to recruit the right skills at the right time to suit the strategic objectives of the organisation. In a broader sense, term limits can also enlarge the group of people who promote the organisation as former directors leave but continue to speak positively about the organisation.

The term limits required by this Code will apply to all current directors, i.e. their terms of office to date will be included in the computation of their maximum term limits.

1.14 The exceptions referred to in Requirement 1.13 are as follows.

- (A) A director may serve on the Board for a maximum of twelve years if appointed as chair of the organisation or to a senior position with an international federation.
- (B) A director appointed in an Ex Officio capacity may serve on the Board for the duration of their holding the relevant office.
- (C) In exceptional circumstances (for example to assist succession planning), a chair or director may hold office for a further year.

Commentary

Requirement 1.14 (A)

If an individual holds a senior position with an international federation, they may need to be directly connected with the leadership of the sport at a national level, to ensure they have up-

to-date insight and knowledge to inform their international work. There are several ways to manage this:

- they may serve on the Board (for a maximum of twelve years); or
- they may be appointed to an honorary position, and/or attend Board meetings as an observer (i.e. not as a director, and on a non-voting basis); and/or
- the organisation may establish an international relations management group so that international postholders can discuss matters with directors and executives of the organisation.

A 'senior' position with an international federation means:

- the presidency;
- membership of the board or executive committee;
- membership of the council

Requirement 1.14 (B)

This is in line with the definition of 'Ex Officio' at the Appendix..

Requirement 1.14 (C)

As noted at Requirement 1.8(C), the size of the Board should be sufficient to handle changes to its composition. In addition, Requirement 2.7 requires succession plans for orderly appointments to the Board. However, where it would make sense to retain an individual beyond their normal term of office, and they are willing to do this, the Board may decide to extend their term for a further year.

Whilst it is for the Board to decide when this is the right course of action, the expectation is that the rationale would be clear and it would only be done on an exceptional basis (e.g. because of unforeseen succession planning issues or because an individual brings a particular skill that is needed at that time). UK Sport/Sport England would expect to be consulted on any proposal to extend a director's term.

1.15 When a director has completed their maximum term, at least four years must elapse before they can be eligible to stand as a director for that organisation again.

Organisations may wish to set a longer period if they consider this appropriate.

❖ The Chair (Requirements 1.16–1.18)

1.16 Each Board must appoint a chair who shall be responsible for the leadership of the Board.

Commentary

The chair has an important role in leading the Board and establishing an environment that enables the Board to achieve its potential and secure the long term success of the organisation. As part of this leadership role, chairs often:

- set the Board's agenda;
- ensure the effectiveness of the Board, including how individual directors perform and interact at meetings (see Requirement 4.1 regarding Board evaluation);
- ensure that the directors receive accurate, timely and clear information;
- ensure that adequate time is available for discussion of all agenda items, in particular strategic issues, and that this time is used productively ;
- ensure that Board decisions are executed;
- promote a culture of openness and debate amongst the Board by facilitating the effective contribution of all directors and ensuring constructive relations between executives and directors;
- act as a link between the Board and executive, particularly the chief executive;
- manage conflicts of interest;
- take a lead on governance matters; and
- set an example in the values and behaviour they adopt, acting at all times in line with the mandatory director's code that has been agreed by the Board (see further Requirement 4.4).

1.17 The roles of chair and chief executive shall not be exercised by the same individual and the division shall be established in writing and agreed by the Board.

Commentary

This re-enforces Requirement 1.1 (C) which requires a clear division between the Board's management and oversight role and the executive's operational role. A chair is only able to provide objective oversight if they have sufficient separation from, and are not directly responsible for, the day to day management of an organisation. Conversely, a chief executive is often required to become intimately involved in developing and executing management plans for an organisation. Keeping the roles separate therefore ensures each has the opportunity to perform their respective functions to the best of their ability.

1.18 UK Sport and Sport England reserve the right to require that an organisation in which they invest appoint an independent chair. This right will only be exercised after appropriate consultation and if UK Sport / Sport England reasonably believes that it is necessary to safeguard public funding or further the purposes for which that funding was granted.

Commentary

Organisations are not required to appoint an independent chair but it may be prudent, when a chair vacancy arises, to consider whether the appointment of an independent chair would be the right step for the organisation. Independent chairs offer the potential to have a more detached, objective view.

There may be occasions, however, when Sport England and UK Sport intervene to require an organisation in which they invest to appoint a chair who meets the definition of 'independent' (set out in the Appendix). UK Sport and Sport England would only exercise this right in the circumstances set out in Requirement 1.18, upon a natural vacancy occurring and after discussion with the organisation, providing support as appropriate to make the change.

❖ Independent non-executive directors

(Requirements 1.19–1.20)

1.19 At least 25% of the Board shall be independent non-executive directors.

Commentary

'Independent' is defined in the Appendix.

There are a number of reasons why it is beneficial to have independent non-executive directors on a Board. They enhance decision-making by providing objective scrutiny and offering an independent perspective, drawing on their current and previous experience from outside of the organisation. Having an element of independence in an organisation's governance structure often enhances the reputation of the organisation and makes it a more favourable proposition to potential partners, investors or sponsors.

In some funded organisations, the majority of the Board is independent. However, other organisations may have good reasons for not adopting this model.

To perform effectively independent non-executive directors need to receive a good induction (see Requirement 2.12), have access to the right information at the right time, and have the confidence and space within the boardroom to offer constructive challenge. In return, independent non-executive directors need to ensure they are able to commit sufficient time to their role and to understanding the business of the organisation.

In order to preserve the value deemed from having an element of independent challenge in the decision-making process, organisations may want to consider if a quorum of the Board should include a certain number of independent directors.

If 25% is not a whole number, then this should normally be rounded up for the purposes of calculating the required number of independent non-executive directors (unless otherwise agreed with Sport England/UK Sport).

1.20 Each Board shall appoint one of its independent non-executive directors to be the Senior Independent Director.

Commentary

The Senior Independent Director has a specific role set out in the definition in the Appendix. Senior Independent Directors can assist the working of the Board through the exercise of these special responsibilities. It is for organisations to decide whether this replaces the role of vice chair should organisations decide to appoint a vice chair (which is not a mandatory Requirement).

❖ Board Conduct (Requirement 1.21)

1.21 Boards shall adopt policies and practices that:

- (A) foster openness and debate amongst directors; and
- (B) set out clear expectations with respect to the running of Board meetings and director behaviour.

Commentary

A Board's effectiveness is determined not only by who sits on it, but also what it does and how it acts. To garner the benefits brought by having a diverse Board with independent non-executive directors, it is important that each director feels they can offer their view in a trusted environment where different opinions are respected. Any policies and practices adopted by the Board should therefore foster an environment where directors feel they can openly debate matters and are clear about how meetings are run and what is expected of them. As noted under Requirement 1.16, the chair plays a key role in ensuring the right environment exists and that meetings are run according to the policies and practices that have been agreed by the Board.

❖ Board Meetings (Requirement 1.22)

1.22 The Board and its committees shall:

- (A) meet sufficiently regularly to discharge their duties effectively; and
- (B) maintain a proper record of their meetings and decisions.

Commentary

The regularity of Board (and committee) meetings is a matter for an organisation to decide and is often determined by the chair in consultation with other directors and the chief executive. However, in deciding what is appropriate, the organisation may wish to consider:

- the role the Board plays in monitoring and scrutinising performance against key strategic and financial priorities; and
- the benefits of scheduling meetings to fit with key business milestones (such as financial reporting periods) and to ensure dates are set well in advance to secure time in directors' diaries.

Boards may choose to make provision in their terms of reference to enable meetings to take place 'virtually' to handle urgent matters that arise outside of the normal Board (or committee) meeting calendar.

Maintaining a proper record of meetings and decisions promotes accountability and transparency by providing clarity about what was agreed, why a decision was made and who made it.

If a director has any concerns about the running of the organisation or a proposed action, these concerns should be recorded in the Board minutes.

Minutes from committee meetings should be made available to the Board so that directors are aware of any decisions made under delegated authority. In the interests of wider transparency, organisations are also encouraged to think about publishing the minutes (or summary reports) from Board and committee meetings to provide stakeholders with information about decisions (see also the commentary under Requirement 3.1).

In order to assist the organisation with the administrative aspects of the Board, it may wish to consider whether it can have access to company secretarial expertise on a voluntary, paid or shared basis.

❖ Board Committees (Requirements 1.23–1.24)

1.23 The Board shall maintain an audit committee and (either on a permanent or an ad hoc basis) a nomination committee unless the particular circumstances of the organisation are such that it is appropriate for the Board to act as the nomination committee.

Commentary

Audit committee

The audit committee has particular responsibility in relation to ensuring the adequacy of the organisation's financial reporting and internal controls. It is for the Board to determine the composition of the audit committee but best practice suggests this should be comprised of at least two, and preferably three, independent non-executive directors, with at least one member of the committee having recent and relevant financial experience. The chair of the Board should not ordinarily be a member of the audit committee.

The audit committee is usually responsible for making a recommendation on the appointment, reappointment and removal of the external auditors and would meet the external and internal auditors at least annually, without management, to discuss matters relating to its remit and any issues arising from the audits.

Formal terms of reference for the audit committee should be agreed by the Board, these terms of reference and reports on the committee's work may be made available on the organisation's website in the interests of transparency.

Nomination committee

A nomination committee has responsibility for leading the process for Board and senior executive appointments and making recommendations to the Board. In respect of Board appointments, this includes evaluating the Board's current capability against the agreed skills matrix, and, in light of this evaluation, agreeing a description of the role and capabilities required for a particular appointment. See also Requirement 1.10 (skills matrix).

An organisation need not have a nomination committee (which in any event can be ad hoc rather than permanent) if the nature of the organisation and of its scope and operations are such that the whole Board can conveniently act as the nomination committee. The expectation is that large, complex organisations with significant and sizeable operations (which will include many sports national governing bodies) will find it helpful to have a standing nomination committee.

Terms of reference for the nomination committee should be agreed by the Board; these terms of reference and reports on the committee's work may be made available on the organisation's website in the interests of transparency.

1.24 The Board shall establish any further committees which it considers necessary to support its work.

Commentary

As noted in Requirement 1.1(A), the Board may decide to delegate certain responsibilities to other committees or groups. Generally, delegation to committees does not detract from the Board's collective responsibility for delegated issues, but can help significantly with the Board's management of them.

Typically, Boards often delegate consideration of the following governance-related issues to committees (in addition to the work of the audit committee and nomination committee).

- Risk management and internal control.
- Remuneration.
- Ethics and compliance

Sometimes these issues are part of the work of other committees (e.g. the audit committee's remit may include risk management and internal control, and the nomination committee's remit may include remuneration); sometimes separate committees are established. Whether and how to delegate consideration of the above issues is for the Board to determine.

In addition, the nature of sports national governing bodies is such that their Boards sometimes constitute committees to give detailed and expert consideration of sport-specific issues, e.g. particular disciplines of the sport.

A committee may include individuals who are not directors, if the Board considers this appropriate. Recruiting individuals to serve on committees can bring specialist skills to them, and also act as a development opportunity, giving valuable experience to individuals who may in the future wish to pursue becoming directors. It is recommended that any such appointments of non-directors to committees are skills-based, and if appointments are to be made from outside the sport (e.g. the recruitment of technical specialists to audit or nomination committees), that they are publicly advertised, e.g. on the websites of UK Sport and Sport England (which are free services). Consideration should be given to ensuring that any relevant codes of conduct or expected behaviours are passed down to such appointees.

1.25 Each committee established under Requirements 1.23 or 1.24 shall report to the Board and have clear terms of reference which identify its responsibilities and any powers delegated to it by the Board.

Commentary

Terms of reference for Board committees should set out the reasons for the delegation and the responsibilities and powers the Board has agreed to delegate. They should be agreed by the Board. Best practice suggests that terms of reference should also include details about the membership of the committee, the frequency of meetings, how decisions are recorded and reported to the Board and how

many committee members should be present for a decision to be made (i.e. the quorum). As well as sharing minutes from committee meetings, it is important that the chair of each committee has an appropriate reporting mechanism to the Board to ensure directors are aware of key decisions made under delegated authority.

The terms of reference of each committee may be made available on the organisation's website in the interests of transparency.

1.26 A majority of the members of the nomination committee shall be independent non-executive directors and it shall be chaired by the chair (except when it is dealing with the appointment of a successor to the chair, when it shall be chaired by an independent non-executive director).

Commentary

Having a majority of independent non-executive directors on the committee provides assurance to the Board and stakeholders (including interested candidates) that the appointment process benefits from independent and objective scrutiny. The size of the nomination committee is up to the organisation but in practice many organisations find a nomination committee of three is appropriate.



❖ Principle 2: People

Organisations shall recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take effective decisions that further the organisation's goals.

Why is this important?

Diverse, skilled and experienced decision-making bodies which contain independent voice and engage in constructive, open debate enable good decision-making.

❖ Diversity (Requirements 2.1–2.3)

2.1 Each organisation shall:

- (A) adopt a target of, and take all appropriate actions to encourage, a minimum of 30% of each gender on its Board; and
- (B) demonstrate a strong and public commitment to progressing towards achieving gender parity and greater diversity generally on its Board, including, but not limited to, Black, Asian, minority ethnic (BAME) diversity, and disability.

2.2 Each organisation shall identify proportionate and appropriate actions to be taken to support and/or maintain (as appropriate) the diversity targets set out in Requirement 2.1.

2.3 The Board shall ensure that the organisation prepares and publishes on its website information (approved by the Board) about its work to foster all aspects of diversity within its leadership and decision making, including an annual update on progress against the actions identified in Requirement 2.2.

Commentary on Requirements 2.1 to 2.3

It is recognised that decision-making is improved when a Board is able to draw on, and harness, a diverse range of opinions. An overwhelming majority of those who responded to the online consultation on this Code agreed that Boards should demonstrate how they attract a diverse range of candidates and also recognised a need to increase diversity within their organisation.

Gender is an important aspect of diversity and an organisation will be expected to work towards achieving at least 30% of each gender on its Board, while also demonstrating publicly its commitment to achieving gender parity and greater diversity generally on its Board. It should demonstrate the actions it is taking to meet these targets.

If 30% is not a whole number, then this should normally be rounded up for the purposes of calculating the required number of male/female directors (unless otherwise agreed with UK Sport/Sport England).

The targets referred to in Requirement 2.1 are explicitly targets, and not fixed quotas. The obligation on funded organisations is to demonstrably commit to working towards achieving them, and to take all appropriate actions in order to do so. Nevertheless, in order to drive real change in the sector (in accordance with the feedback received in the consultation) UK Sport and Sport England expect this commitment and the actions taken to be meaningful.

Requirement 2.1(B) references Black, Asian, and minority ethnic and disability diversity expressly within the context of greater diversity generally. Data from the sector shows that representation from these groups on Boards remains low and that organisations need to do more to increase it, and to be able to demonstrate the actions they are taking to do so.

It is also important to think about what ‘greater diversity’ means. Here the Code is referring not only to the protected characteristics of the Equality Act 2010 (which are gender, age, disability, gender reassignment, race, sexual orientation, religion or belief, marriage and civil partnership and pregnancy and maternity) but also socio-economic background and diversity of thought. Organisations should seek to recruit to their Boards people who think in different ways as well as those who have different backgrounds. For example, organisations may wish to consider the possibility of addressing the diversity of formal structures other than the Board, in order to build internal capacity for succession planning.

In order to drive greater diversity, funded organisations need to consider their practices in both board recruitment and capacity building. Attention is drawn to the Requirement in the Government’s sports strategy, *Sporting Future*, for ‘public bodies in receipt of public funding to use tools such as *Women in Sport’s Checklist for Change* to make changes within their organisation to improve diversity in leadership at all levels’.

Any member or related organisation or body (e.g. a Council) which has the right to appoint directors of the funded organisation should do so in a way that encourages a diverse range of candidates, e.g. by use of a structured process which allows for the consideration of candidates from a range of backgrounds. Where diversity is being driven exclusively or primarily from independent, non-executive directors, Sport England/UK Sport may wish to challenge whether organisations really are taking all appropriate actions to drive diversity.

It will be for an organisation to decide how it identifies and agrees the actions that should be taken to support and/or maintain the diversity targets set out in Requirement 2.1. However, the Board should have a role in this process and should monitor progress against the actions, in particular discussing the annual progress update and the plan for the following year before this information is published.

UK Sport/Sport England will be giving further consideration to how they can support organisations to meet these diversity Requirements.

Requirements 2.1 to 2.3 do not override or replace any obligations placed on funded organisations by the terms of the funding agreements of Sport England and UK Sport regarding equality, e.g. to comply with the Equality Standard, a Framework for Sport (published by UK Sport, Sport England and the other Home Nations Sports Councils).

❖ Board Recruitment (Requirements 2.4–2.10)

2.4 Each organisation shall have a formal, rigorous and transparent procedure for the appointment of new directors to the Board, and all appointments shall be made on merit in line with the skills required of the Board.

Commentary

The aim of the recruitment process is to secure the best candidates for the Board, and to do so in a formal and transparent way which builds trust in the organisation (thereby demonstrating integrity, as required by Principle 4).

The appointment process may well differ for independent and Nominated directors but whatever the process, it should comply with Requirement 2.4. Thus, it should be documented, and information about the process should be available to the Board and relevant stakeholders as appropriate. For example, if a Nominated director is appointed by the membership, it is important to ensure all members have access to the information about the process in a timely manner.

Irrespective of the process of appointment, all appointments should also be made on merit in line with the skills required of the Board. Requirement 1.10 requires each organisation to maintain an up-to-date matrix detailing the skills, experience and knowledge required of its Board. This skills matrix enables the organisation to prepare the role description and person specification for any new director which the organisation is seeking to appoint, whether this be for an independent non-executive director or a Nominated director position. The organisation’s succession plan (Requirement 2.7) also informs this process.

In order to ensure that the appointment of Nominated directors who, under the terms of the organisation's constitution, are elected to the Board (e.g. by a particular constituency or by the membership as a whole) are made on merit and in line with the required skills, organisations may wish to give consideration to the following process.

- As noted above, a role description and person specification are prepared.
- Vacancies (including the role description and person specification) are communicated widely (e.g. by publication on the websites of Sport England and UK Sport).
- The nomination committee reviews applications and provides a view on whether proposed candidates have the required skills and experience. If this is the case, in the interests of transparency, it would be appropriate for the view of the nomination committee to accompany any election materials relating to that candidate so that those making the selection have access to that information.

(Note: see further Requirement 1.23 about nomination committees.)

2.5 In exceptional circumstances a director may be Co-opted onto the Board if this is necessary to ensure that the Board has the skills and/ or experience necessary to fulfil its role.

Commentary

A Co-opted director as defined in the Appendix is a director who is 'temporarily appointed as such by the Board outside of the customary appointment process'. It is for the Board to determine why and if a Co-opted director is required and the length of time the Co-opted director remains on the Board. However, this period should be limited and would not normally be longer than a year. The Co-opted director's voting rights should be decided by the Board at the time of appointment.

If a director joins the Board in this capacity it is helpful to ensure the reasons for this are documented and that the Co-opted director has a clear understanding of their position.

2.6 The appointment of the Chair and independent non-executive directors must be via an open, publicly advertised recruitment process.

Commentary

Open recruitment is the best way to find high quality candidates. In addition, the active promotion of diversity is a core element of the Code and to support this it is crucial that Board positions are advertised widely and not solely through personal connections. Organisations are encouraged to post any Board vacancies on the jobs section of the UK Sport and Sport England websites (there is no cost to an organisation to do this). Organisations should also consider where else they can be advertised, in order to obtain the widest possible reach. UK Sport and Sport England will give further consideration to how they can support organisations with this.

2.7 The Board shall have in place succession plans for orderly appointments to the Board and to key positions within senior management.

Commentary

Effective succession planning reduces the risks associated with the loss of experienced leadership and helps maintain an appropriate balance of skills and experience within the organisation and on the Board, as well as ensuring progressive refreshing of the Board. Having plans in place also enables the Board or organisation to act swiftly in response to abrupt changes to the Board or senior management, helping to reduce any associated risks or costs.

It will be for the organisation to determine which positions within senior management should be captured by the succession plan.

2.8 The nomination committee shall lead the process for Board appointments on behalf of the Board (unless, as set out in Requirement 1.23, the organisation does not have a nomination committee, in which case the Board shall be responsible for the appointment process).

Commentary under Requirement 1.23 sets out the role of the nomination committee.

The nomination committee (or Board) may also want to consider the following when leading the process for Board appointments.

- As well as referring to the Board skills matrix (Requirement 1.10) when preparing the role description and person specification for each director role, it is helpful for the documentation to include an assessment of the time commitment expected (recognising the need for availability in the event of crises).
- In order for the Board to decide whether to approve a recommendation, it is important that it has sufficient and timely information about the recommended candidate, and the chair of the nomination committee would ordinarily be responsible for ensuring this is the case.
- If the candidate recommended by the nomination committee is rejected by the Board, the Board should be clear about its reasons and refer the matter back to the nomination committee: the nomination committee may be able to recommend a suitable alternative candidate from the current process, or alternatively that the recruitment process is re-run.

2.9 The Board or nomination committee shall inform UK Sport / Sport England of any appointment process being carried out by the organisation in relation to:

- (A) any directors; and
- (B) the chief executive;

and shall permit UK Sport / Sport England to observe any such process.

The appointment process for directors and the chief executive is a matter for the organisation to determine and conduct and this Requirement does not signal an intention to lead or control the process. Indeed if UK Sport or Sport England ask to be involved in a particular process, it would only be in the capacity of an observer and would not include having a vote on which candidate to appoint. It may also be that Sport England or UK Sport could offer support during the process and act as a critical friend, ensuring that the

process is fair and accords with best practice. If an organisation is jointly funded, UK Sport and Sport England will endeavour to ensure that only one representative is involved as an observer in the process, reporting back to both bodies. If this is the case, Sport England or UK Sport would ask the organisation to ensure the representative has sufficient information about the process (e.g. timetable, job specification, CVs of those shortlisted) in a timely fashion.

2.10 No individual shall be appointed as a director until he or she has provided to the organisation a declaration of good character.

Commentary

Operating with integrity and transparency is a key element in this Code and asking individuals to complete a declaration of good character provides the Board with additional information concerning the individual's conduct which enables them to determine if the candidate would be a suitable appointment.

Some organisations already require directors to complete a similar declaration before appointment, and this is considered good practice. We will consider current sector practice and issue further guidance on the recommended content of the declarations.

2.11 On appointment, each director shall be given a written statement of their responsibilities.

Commentary

Directors need a clear understanding of their collective and individual responsibilities in order to perform effectively. It will be for an organisation to determine the form of this statement but it may include reference to:

- the responsibilities set out in the Board's terms of reference;
- the Requirement that they may act in the best interests of the organisation as a whole (rather than a particular group or constituency), and in a manner consistent with their legal duties (See Requirement 1.2);
- expectations about conduct (in line with the directors' code at Requirement 4.4); and

- any responsibilities specific to their particular role on the Board (e.g. Senior Independent Director).

It is good practice to review the statements periodically to ensure they remain up to date.

2.12 Each organisation shall ensure that new directors receive a full, formal and tailored induction on joining the Board.

Commentary

All directors should receive an induction on joining the Board. The objective of an induction process is to ensure all new directors have the information they need to become as effective as possible, as soon as possible. A good induction process should help build an understanding of the organisation and its main relationships and establish links with the key people within the organisation. The induction may be tailored in recognition of the different needs, skills and experience of each director but there is likely to be a baseline of common information shared with all. Organisations may also find it helpful to think about using different methods for the induction process (e.g. one to one meetings, attendance at events, information packs, and visits).

Topics that may be covered in an induction include the following.

- The role of a Board and the duties of a director (in line with the written statement of responsibilities at Requirement 2.11).
- The organisation's history and structure.
- The organisation's governing documents (e.g. articles, schedule of reserved matters, Board and committee terms of reference, recent Board and general meeting minutes), strategic plan, financial information, and significant issues.
- The organisation's key stakeholders (it may be appropriate to facilitate meetings with such stakeholders, e.g. staff, athletes' or members' representatives, funders etc).
- This Code.

Careful consideration should be given to the amount of time needed for a proper induction, and whether it should be staggered in order to promote incremental learning and avoid an immediate over-burdening of too much information. This could be discussed with a new director, also giving them an opportunity to contribute to the process by outlining any specific elements they would like included; for example, a newly appointed director who is taking a position on a Board committee may want to spend more time with those who are responsible for matters that come before that committee.

Organisations may wish to consider pairing a newly appointed Nominated director with an independent non-executive director, and vice versa, in order that each can learn from the other: Nominated directors often have unrivalled knowledge of the sport, and independent directors often bring experience from senior levels of the wider business community.

❖ Remuneration (Requirement 2.13)

2.13 Remuneration of directors and employees, if any, shall be determined in accordance with a formal, approved procedure.

Commentary

Having a formal, approved procedure for determining remuneration provides assurance to directors and employees that decisions are made on a consistent basis. In addition, a good remuneration policy is designed to support performance, encourage the underlying financial health of the organisation and promote sound risk management.

As noted in Requirement 1.24, a Board may choose to constitute a remuneration committee and delegate responsibility to it to agree the remuneration of directors and senior management. The committee may also have responsibility for agreeing a remuneration policy.

Whatever procedure an organisation chooses to adopt for determining remuneration, it should be clearly documented and made available to those with an interest in the outcome.

❖ Principle 3: Communication

Organisations shall be transparent and accountable, engaging effectively with stakeholders and nurturing internal democracy.

Why is this important?

Being responsive to stakeholders, understanding their interests and hearing their voice helps shape the organisation's governance and strategy. Transparency about why the organisation exists, what it is trying to do, how it is doing it and with what results empowers stakeholders by giving them the information about the organisation that they need to know.

3.1 Each organisation shall publicly disclose information on its governance, structure, strategy, activities and financial position to enable stakeholders to have a good understanding of them.

Transparency enables stakeholders to have timely access to important information about the organisation, thereby improving the accountability of the organisation, and helping with stakeholder engagement (which is dealt with further at Requirement 3.4).

This Code recognises that a balance must be achieved between ensuring that disclosed information is meaningful, while not creating an undue burden on the organisation, or indeed overloading stakeholders with documentation.

The overall aim is that sufficient information must be disclosed to enable stakeholders to have a good understanding of the organisation's governance, structure, strategy, activities and financial position. It is recognised and indeed expected that this increased emphasis on transparency may require organisations to disclose information about where they need to improve, but organisations are also encouraged to publicise and celebrate their governance progress and achievements.

It is for the organisation to think about what information it will disclose, and the style and tone of disclosure, but some pointers are set out below.

Governance

The expectation is that each funded organisation will publish an annual governance statement. Sport England and UK Sport will give further guidance about the content of the annual governance statement in due course but organisations may wish to consider the following high level approach to what should be included.

- A summary of any significant governance actions or changes over the preceding year. Examples could include changes to the articles, Board or Council; strategy development work; work undertaken to evaluate the effectiveness of the Board, Council or internal processes; stakeholder engagement work.
- An overview summary of whether the organisation complies with this Code. This could include a self-assessment, and/or a report on any external audit or assurance process that has taken place.
- Details of any areas of non-compliance, and how the organisation proposes to address them. If an organisation is working towards compliance with a Requirement but has not yet reached the time for compliance agreed with UK Sport/Sport England, then this is not non-compliance with this Code. The organisation may nevertheless wish to give an update on the work that it is doing on this particular issue.
- Director attendance at Board and committee meetings;

Structure

Information about structure is likely to be 'standing' information that does not need to be reported on every year, e.g:

- constitutional documents (i.e. articles of association or similar);

- terms of reference of the Board and key committees; and
- names and biographical details of directors (including identification of the chair, independent non-executive directors and Senior Independent Director).

Strategy

As noted in Requirement 1.1 (B), the Board must set a strategy for the organisation. Once this has been finalised, it should be published, and the Board should give regular (it is suggested annual) reporting on progress against the strategy. The directors may wish to include this in the annual governance statement.

These disclosures can be at a very high level (e.g. organisations are not expected to publish information which is confidential or has commercial or sporting sensitivity).

Activities

Many organisations publish an annual review of the activities of the organisation. From a governance perspective, this review could include reports on the working of the Board (as referred to in Requirement 1.22), its Council (if the organisation has one) and key committees.

Finance

Requirement 5.5 requires audited annual accounts to be published.

Diversity

Requirements 2.1 to 2.3 set out the obligations concerning transparency with regard to diversity.

To comply with these Requirements, the organisation should give consideration to publishing the following as standing information.

- a statement of intent about its commitment to equality and diversity goals, and
- its policies and procedures relating to equality and diversity.

Annual reporting could include details of the following.

- How the organisation has ensured that any Board recruitment activity that has occurred during the year has been undertaken in such a way as to increase diversity;

- Data on Board, staff, volunteers and participants;
- Identification of a strategic lead for equality and diversity;
- Any other activities that have been undertaken, e.g. shadowing and mentoring schemes, and/or programmes to reach out to particular communities to build capacity in the leaders of the future.

Other

Organisations may wish to go further and publish more information.

In order to ensure that the disclosure required by this Code does not place too onerous a burden on organisations, UK Sport and Sport England will consider the extent to which public disclosure and transparency can replace some of the reporting that funded organisations were previously required to undertake (e.g. the annual governance statement may include matters previously reported on by the self-assurance process).

3.2 Each organisation shall publish:

- (A) in the case of organisations which employ more than 50 staff, the total remuneration paid to its senior management team; and
- (B) the remuneration (if any) paid to each of its directors (except for members of the senior management team who are Ex Officio directors).

Commentary

The Principle of disclosing senior remuneration is now accepted in many public sector bodies. The two Requirements listed received almost universal support in the online consultation which formed part of the development of this Code. In terms of Requirement 3.2 (A) it will be for the organisation to determine who is captured under the term 'senior management team'. The expectation is that this information would be published annually and it may be made available in the organisation's Annual Report.

- 3.3** Any information disclosed shall be fair, accurate and presented in an understandable manner.
- 3.4** Each organisation shall develop a strategy for engaging with, and listening to, its stakeholders (including elite athletes where appropriate) which the Board shall contribute to and review at least annually.

Commentary

A stakeholder is any person or group which has an interest in the organisation or is affected by its actions.

The stakeholder landscape of an organisation is likely to be complex, and one model is unlikely to fit all. For example, some sport national governing bodies have large numbers of participants running into the hundreds of thousands, and others may have only a few. Nevertheless, it is incumbent on each organisation to consider properly who its stakeholders are, and how it should best engage with them.

Accessibility and effective communication are important in order to give stakeholders timely and accurate information: see further Requirement 3.1 above.

While it is for organisations to consider how best to engage with their stakeholders, the following sets out the expectation with regard to certain stakeholders specific to the sports sector. It is not an exhaustive list.

Elite Athletes

Sport national governing bodies which have elite athletes programmes should ensure that there are suitable mechanisms to capture the views of athletes and feed these into the organisation's decision-making processes where appropriate.

The means by which this is to be achieved may depend on the circumstances of the national governing body, but some suggestions are below:

- Working with an established union for professional players in that sport (if there is such a union).
- Formalising a consultation process whereby there is structure in place for athletes to make representations to the Board, e.g. via an athlete advisory committee.

- Running focus groups with athletes.
- Developing an annual survey for athletes to provide feedback to the organisation.
- Having a nominated athlete as a spokesperson for elite athletes. The individual should be nominated by the athletes according to a fair, democratic process. The organisation should, in conjunction with the athletes, draw up a role description and consider whether the nominated individual would benefit from appropriate training.
- The establishment of an athletes' commission.
- Having an athlete representative on the Board (although the Requirements of this Code regarding the maximum size of Boards and the need for skills-based recruitment of all directors should be borne in mind).

Home Nations / UK Organisations

If the national governing body is a UK or GB body and there are equivalent governing bodies for the sport in any or each of the home nations, then it must develop good relationships with those home nations bodies in order to ensure that there is harmonious management and guardianship of the sport as a whole. Likewise, home nations bodies must engage and work effectively with any UK or GB wide body.

- 3.5** Each organisation shall be expected to carry out a regular staff survey (including their volunteers) at least once a year and:
- (A) act on the results internally, communicating clearly to their employees and volunteers how such actions are to be taken;
 - (B) make topline data available to Sport England to collate the results for the purpose of developing a greater understanding of the sport workforce.

This Requirement is set out in the Government's sport strategy, Sporting Future, and relates to a desire to better understand the sport workforce. Data will be shared with UK Sport as appropriate. Further information and guidance will be provided about this Requirement.

❖ Principle 4: Standards and conduct

Organisations shall uphold high standards of integrity, and engage in regular and effective evaluation to drive continuous improvement.

Why is this important?

Having the right values embedded in the culture of the organisation helps protect public investment and also enhances the reputation of the organisation, earning stakeholder trust. Constantly seeking to improve makes an organisation swift to respond to new challenges and opportunities.

❖ Development of the Board (Requirements 4.1–4.2)

4.1 The Board, led by the chair, shall undertake, and maintain in writing a record of, an annual evaluation of its own skills and performance and of individual directors, and that of its committees (committee evaluation need not be undertaken annually).

Commentary

Evaluation assists with the continuous improvement of the Board and its committees. The Requirement covers three Tiers of evaluation: the whole Board, Board committees, and individual directors.

Internal evaluation of the Board

The areas to be covered in the annual whole-Board evaluation will depend on factors specific to the organisation, e.g. its purpose, size and particular challenges it is facing, (it may be helpful to refer to the skills matrix) but it is expected that, broadly, it will cover the following issues:

- (i) the balance of skills, experience, independence and knowledge of the directors on the Board;
- (ii) its diversity, (See Requirements 2.1 to 2.3)
- (iii) the ability of the Board to function as a unit; and
- (iv) any other factors relevant to its effectiveness.

The above list is not exhaustive¹.

Evaluation of Board committees

The process should usually be led by the chair of the committee, reporting to the chair of the Board. It is for the Board to determine the frequency with which evaluations of Board committees should take place. Annual evaluation is considered best practice, but it is recognised that the size of many funded organisations means that their resource needs to be carefully focused so as to maximise governance performance.

Evaluation of individual directors

The purpose of individual evaluation is to determine whether each director continues to contribute effectively and demonstrate commitment to the role of a director. This process should normally be led by the chair of the Board. The non-executive directors, led by the senior independent director, are usually responsible for performance evaluation of the chair, taking into account the views of all other directors. It may be appropriate to agree individual development plans as a result of these evaluations; these should not be published.

The organisation should ensure that its directors continually update their skills, knowledge and familiarity with the organisation required to fulfil their role. It should provide them with the necessary resources in order to do so.

4.2 External evaluation of the Board shall be facilitated at least every four years or at the request of UK Sport / Sport England.

Commentary

External evaluation of the Board provides independent perspective on the performance of the Board. It should be facilitated at least every four years or at the request of UK Sport/ Sport England. If the external facilitator has any other connection with the organisation, then this should be disclosed to UK Sport/Sport England and, it is recommended, publicly in the annual governance statement. This is because if, for example, the facilitator also provides other services (e.g. recruitment services) to the

organisation, there can arise the perception of a lack of objectivity. The provision of other services is not in itself a bar to undertaking facilitation of a Board review, but the Board must consider any potential conflict of interest.

4.3 The Board shall agree and implement a plan to take forward any actions resulting from the evaluations.

Board evaluations are only worthwhile if the issues that are identified are addressed and followed up.

Following an evaluation, the chair should act on its results by recognising the strengths and addressing the weaknesses of the Board. This could include, where appropriate, proposing new members be appointed to the Board or seeking the resignation of directors.

Continuing development – governance expertise

Organisations should consider undertaking activity which will build their governance understanding and knowledge. This is to ensure that there is continuous development by organisations as a whole of their governance activity. Relevant activity may include attendance by a director or senior member of staff at a governance training event run by a recognised leader in the field (e.g. the Sport and Recreation Alliance, Sport England, UK Sport, the Institute of Directors, the Institute of Chartered Secretaries and Administrators, a law firm event, or a private sector conference provider etc), or by a bespoke training event run for the organisation perhaps in conjunction with other funded organisations in order to promote efficiency).

❖ Integrity (Requirements 4.4–4.5)

4.4 Each organisation shall adopt a mandatory directors' code that, amongst other things, requires all directors to act at all times, with integrity, in a forthright and ethical manner and in accordance with their organisation's conflicts policy.

Sport England and UK Sport will consider if further guidance and support can help organisations in order to fulfill this Requirement.

4.5 The directors' code, terms of reference and other policies of the Board and its committees shall be reviewed at least every four years to ensure compliance with current laws.

❖ Conflicts of interest (Requirement 4.6)

4.6 The chair shall proactively address and manage conflicts of interests amongst the directors. No director may participate in the discussion of, or vote in respect of, a matter in which they have a material conflict of interest.

Conflicts of interest can arise where there is a conflict between the interests of the organisation and either the director's personal interests or those of another body with which the director is involved.

The organisation may find it helpful to maintain a register of interests.

Acting in the best interests of the organisation includes disclosing to the Board (and in the annual report) any other significant commitments that might impede a director's ability to participate or make decisions without bias. This obligation is on-going, and conflicts must be reported if they arise subsequent to appointment.

❖ Principle 5: Policies and Processes

Organisations shall comply with all applicable laws and regulations, undertake responsible financial strategic planning, and have appropriate controls and risk management procedures.

Why is this important?

Understanding the legal environment and having in place appropriate financial and other controls help mitigate risk and enhance stakeholder trust.

❖ Legal Compliance and Control (Requirement 5.1)

5.1 The Board shall ensure that:

- (A) both individually and collectively it understands the key legal and regulatory obligations (including those which are specific to sport national governing bodies) which affect the Board and the organisation; and
- (B) the organisation has appropriate policies and procedures in respect of these obligations.

In order to assist directors in meeting these Requirements, the director's written statement of responsibilities (see Requirement 2.11) may include an outline of key legal and regulatory obligations, and the directors' induction process (see Requirement 2.12) could supplement this by explaining what each obligation means. The obligation is however on-going, and Boards should consider how they can keep their understanding of these obligations up to date.

Directors are not required to have absolute knowledge of all applicable regulations that may apply to the organisation. However, they must be sufficiently familiar with the applicable regulations to enable them to identify potential issues and, know the appropriate channels to elevate such issues for further investigation.

Organisations are best placed to determine which legal and regulatory obligations are pertinent to them. This could include the following topics (which is not an exhaustive list).

- Company law.
- Charity law (if applicable).
- Health and safety.
- Data protection.
- Bribery and anti-corruption. (In the case of sports national governing bodies, regard should also be had to any proportionate and risk-based actions which the organisation should take in respect of any threat presented by corrupt sports betting and associated activity. Further information and assistance can be found from the Sports Betting Group, www.sportsbettinggroup.org/code-of-practice/.)
- Whistle-blowing legislation.
- Safeguarding of vulnerable groups. (Note: the funding agreements of Sport England and UK Sport contain specific obligations concerning safeguarding. These require appropriate policies and procedures to be put in place, and that organisations implement and adhere to the Standards for Safeguarding and Protecting Children in Sport issued by the NSPCC's Child Protection in Sport Unit. Full reference should be made to the terms of the funding agreements).
- Organisations which are sports national governing bodies should have in place clear, legally compliant athlete disciplinary and grievance policies.

Further guidance may be developed following the report of the 'Duty of Care Review', a comprehensive independent review of safety and welfare in sport.

❖ Financial control (Requirements 5.2–5.5)

5.2 Each organisation shall exhibit honesty, integrity and competence in financial matters.

Commentary

The Board takes responsibility for ensuring that it and the organisation's staff have the relevant financial competence and qualifications to meet their obligations.

5.3 The Board shall adopt appropriate and proportionate finance policies and procedures. The organisation shall take all reasonable steps to ensure that these policies and procedures, where appropriate, are communicated to, and understood and followed by, its directors, staff and volunteers (where relevant). The Board must review and update them at least once every two years.

Commentary

The financial policies and procedures of an organisation are an important part of the overall control framework. Effective policies and procedures, that are understood by the directors, staff and volunteers will help to ensure effective management of the organisation's finances. The financial policies should be appropriate for the organisation but would be reasonably expected to include policies covering:

- Controls on expenditure – who can spend what and with whose authority
- Controls on travel and subsistence – when and what can be claimed for travel and subsistence
- Exercising budgetary control - who can spend how much and on what, and what expenditure needs special permission
- Banking – how income is banked, who can authorise direct debits and how bank accounts are reconciled
- Procurement – how an organisation ensures that effective competitive procurement processes are in place where appropriate; and

- Reserves – target levels and how these will be monitored

A policy around reserves is an important element of the financial management and forward financial planning and a policy would usually establish the target level of reserves for an organisation to hold. This level will vary from organisation to organisation, and the policy on reserves would set out why a certain level is appropriate for that organisation and therefore why holding these reserves is necessary.

Communication of the relevant policies to staff and volunteers will be important for ensuring that the policies are understood and followed. Organisations may want to consider including relevant policies within their induction processes and making policies readily accessible via an intranet page or staff handbook.

5.4 Each organisation must prepare annual accounts which:

- (A) comply with legal Requirements and recognised accounting standards;
- (B) give specific disclosure of income received from public investors and clearly account for the expenditure of such funding; and
- (C) are audited.

5.5 The audited annual accounts must be published on the organisation's website.

Commentary on 5.4 and 5.5

Most organisations will be required to follow the accounting standards set out under UK Generally Accepted Accounting Principles (GAAP). Responsibility for the approval of the accounts rests with the Board and directors should also ensure that the annual accounts are transparent and understandable to members, funders and the general public.

In addition to the Requirements under UK GAAP, as a recipient of public funds, the annual accounts of each organisation should provide visibility of the income received from Sport England and UK Sport via a note, together with an analysis of expenditure against that income.

The annual accounts should be audited by a recognised statutory auditor and published

where it is easily accessible to members and the public for instance on the organisation's website.

❖ Financial strategy (Requirement 5.6)

5.6 The Board must actively plan and monitor the financial position and performance of the organisation against an annually approved budget and at least four year financial forecast.

The Board should present a fair and transparent assessment of the organisation's long term position and future prospects.

This includes establishing a strategic plan and making judgements about the longer term financial viability and direction of the organisation. Typically, the strategic plan and financial forecast would be for a minimum of four years. The Board should have processes in place to monitor progress against that plan and the one year budget and how they will put in place remedial action if required.

Many organisations in the sporting sector have relied on public funding to contribute to their ongoing administration costs.

Boards should ensure that their strategy includes a balanced assessment of ways that they might realistically seek alternative sources of funding or could engage with other partners to deliver shared objectives. Examples would include engaging members, the public or private sector on sponsorship opportunities or commercialisation of sporting rights

❖ Risk Management and Internal Control (Requirements 5.7–5.8)

5.7 The organisation shall maintain robust risk management and internal control systems.

The Board is responsible for determining the nature and extent of the principal risks that it is willing to take in achieving its strategic objectives.

The board should ensure there are processes to:

- consider and maintain a record of identified risks;
- agree appropriate steps in order to mitigate their potential impact;
- monitor and review the risk management systems; and
- focus on those risks which could threaten the organisation's financial position, strategic objectives and future performance.

The board should describe in their annual report the principal risks and how they are being managed and mitigated. Risks may include financial, operational, reputational, behavioural or external risks.

5.8 The Board shall conduct an annual review of the effectiveness of the organisation's risk management and internal control systems to ensure that they provide reasonable assurance.

Although the design of risk management and internal control procedures will be influenced by the type, size and complexity of the organisation, the board should monitor the effectiveness of the risk framework and include this in their annual report.

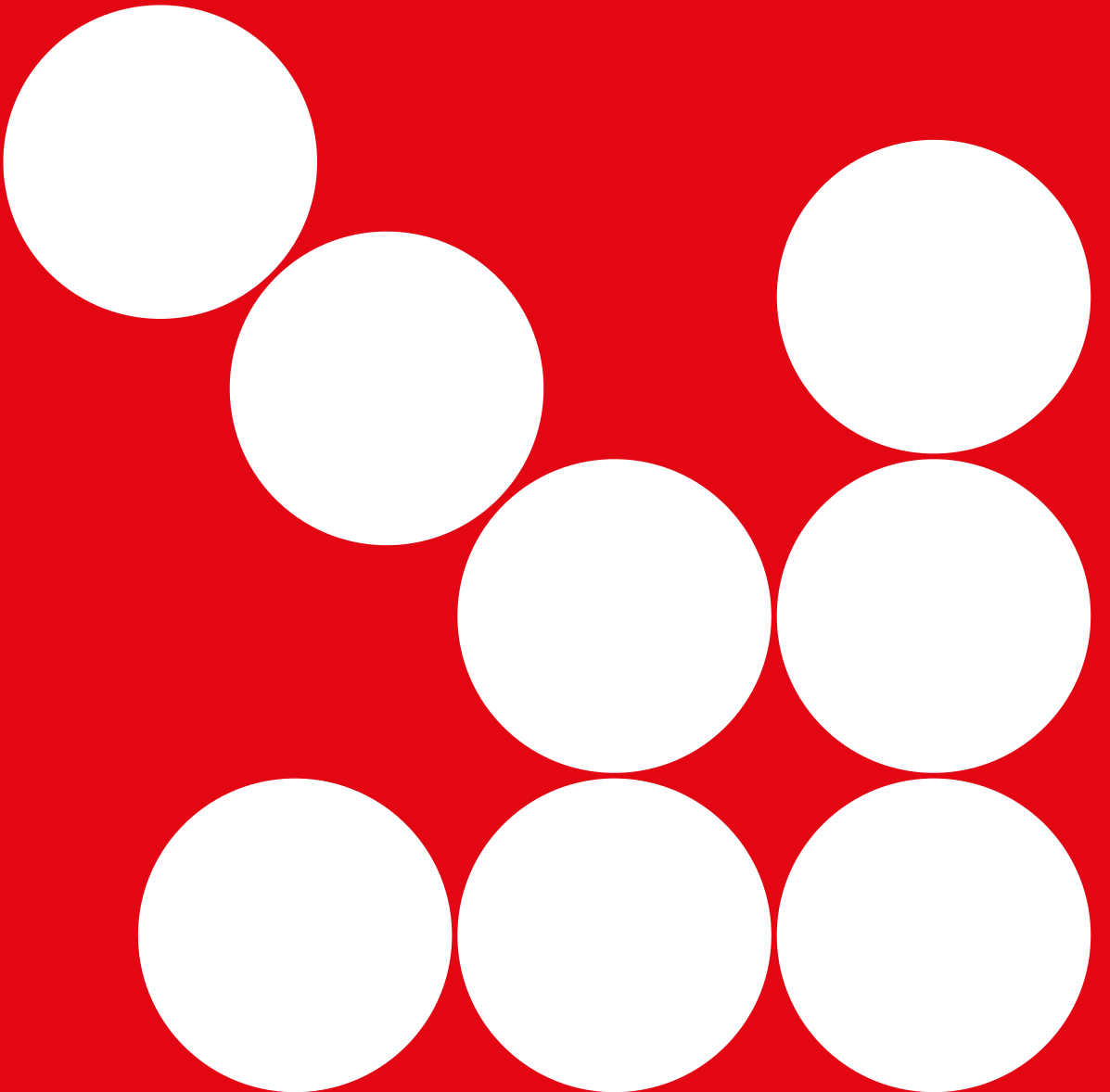
Examples of appropriate internal control systems which may help an organisation mitigate risks include:

- clear allocation of internal responsibilities and powers which are subject to appropriate authorisations and approvals;
- a robust system for the selection and training of employees to ensure suitably qualified individuals are appointed to positions within the organisation; and
- establishing clear lines of reporting and communication; and developing record-keeping systems (e.g. accounting systems).





8. Appendix



Definitions

The following are definitions of key terms which are used in this Code.

Board - this means the organisation's governing body. This may be called the board (or board of directors or board of governors), the trustees, the management committee or some other name. It is the body with overall and executive responsibility for governing the organisation, overseeing and controlling its management². This Code uses the word 'director' to mean members of the board (i.e. the organisation's governing body), and therefore should be interpreted as such, regardless of what the organisation calls them.

Co-opted – a Co-opted director is one who is temporarily appointed as such by the Board outside of the customary appointment process in accordance with Requirement 2.5.

Council - a body forming part of the constitutional or organisational structure of a sports national governing body ('NGB'), representing some or all of its stakeholders in some capacity, and having powers or rights with respect to its governance, but which is not the board of the NGB (or a committee of the board) or the shareholders in general meeting. A body will be treated as a Council for the purposes of this Code if it fulfils this definition, regardless of the name given to it by the NGB.

Ex Officio – a person holds a position (e.g. as a director or committee member) 'ex officio' if they do so by virtue of some other office they hold, and their position is therefore wholly dependent (and conditional) on them continuing to hold that office. For example, a chief executive officer who is on the Board in an ex officio capacity will automatically step down from the Board upon resignation as chief executive officer.

Independent - a person is independent if they are free from any close connection to the organisation and if, from the perspective of an objective outsider, they would be viewed as independent. A person may still be deemed to be 'independent' even if they are a member of the organisation and/or play the sport. Examples of a 'close connection' include:

- (A) they are or have within the last four years been actively involved in the organisation's affairs, e.g. as a representative of a specific interest group within the organisation such as a sporting discipline, a region or a home country;
- (B) they are or have within the last four years been an employee of the organisation; or
- (C) they have close family ties with any of the organisation's directors or senior employees.

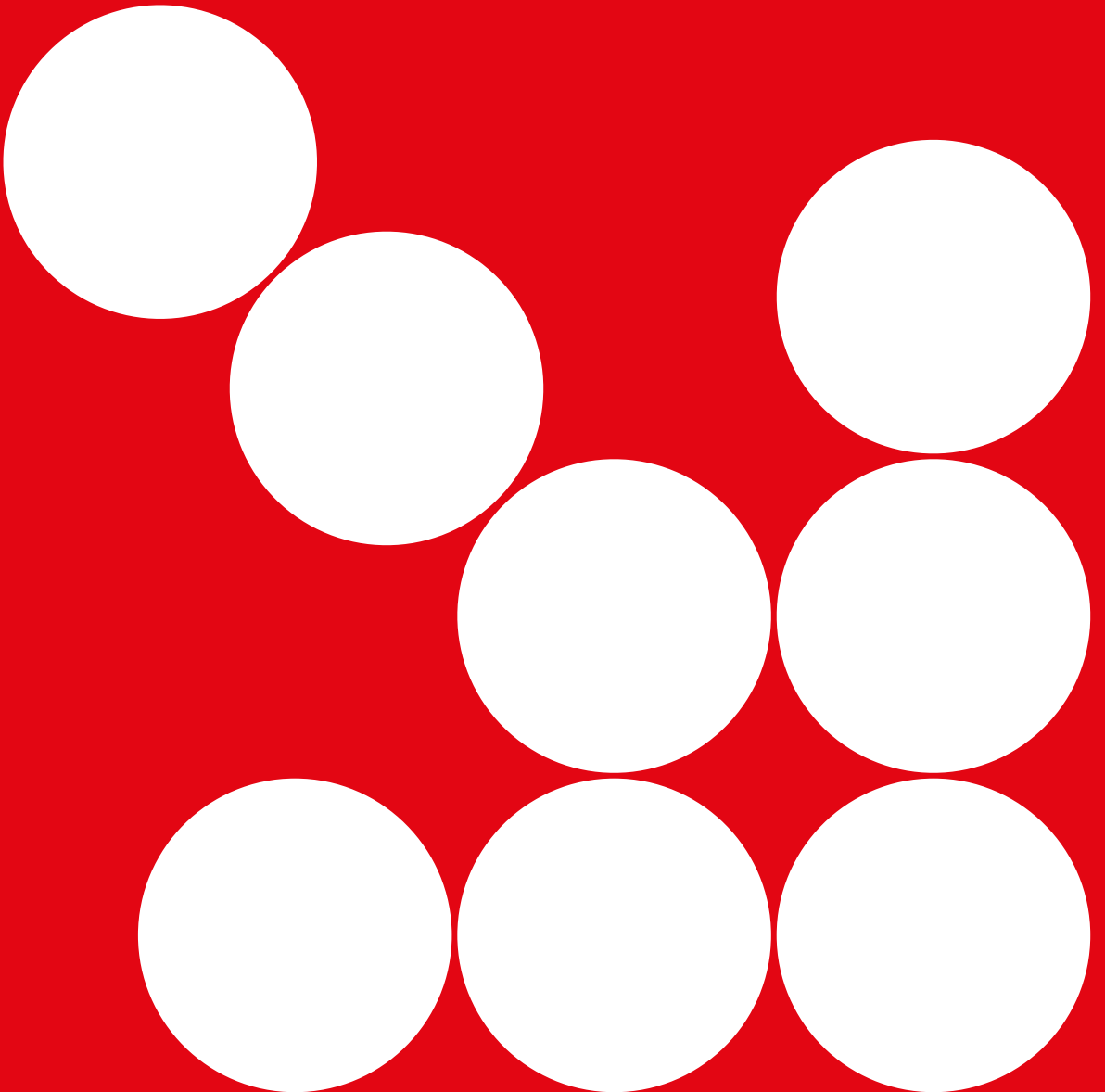
Nominated directors means directors whose appointment to the Board arises from provisions in the articles of association of the organisation permitting the election or nomination of directors by the sport's membership or by particular stakeholders (e.g. geographical areas or sporting disciplines) within the sport.

Senior Independent Director means an independent director who is appointed as such by the Board, and whose responsibilities include:

- (i) providing a sounding board for the chair;
- (ii) serving as an intermediary for the other directors when necessary;
- (iii) acting as an alternative contact for stakeholders to share any concerns if the normal channels of the chair or the organisation's management fail to resolve the matter or in cases where such contact is inappropriate; and
- (iv) leading on the process to appraise the chair's performance.

² Source: Good Governance – A Code for the Voluntary and Community Sector (2010)

9. Acknowledgements and Further Resources and Information



❖ Acknowledgements and Further Resources and Information

As noted in the introduction, the development of this Code has not taken place in a vacuum: we have been able to draw on existing work, and in addition many people have given their time to discuss governance in the sport sector with us. We express our thanks to the organisations and individuals (over 200 in total) drawn from both within and outside the sport sector, whose work has contributed to the development of this Code. We would like to give particular acknowledgement to the Financial Reporting Council

(whose UK Corporate Governance Code sets high standards of corporate governance, many of which are transferable to the sport sector), Department for Culture Media and Sport, the Sport and Recreation Alliance, sportscotland, Sport Wales and Sport Northern Ireland, and to the many organisations we currently fund and whose views have fed into this Code.

Set out below is a list of further texts and resources that funded organisations may find helpful. We aim to build on this in due course, as well as work to develop template documents and to enable the sharing of best practice.

❖ Tier 1 Guidance – Further resources and information

Organisations seeking further guidance about governance may also find the following links helpful.

Charities

The Charity Commission provides guidance on trustees' duties, how to act in the charity's best interests, risk, governance documents and law, and trustee appointments.

www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3

Voluntary and community sector

The Good Governance Code includes useful resources on a board's role, working effectively, behaviours and integrity, and accountability www.governancecode.org/useful-resources

Local Government

The Local Government Association includes guidance on codes of conduct, allowances and expenses, roles and induction, support and training www.local.gov.uk/your-lga

Clubs

ClubMark is part of Sport England's Club Matters portal and is the universally acknowledged cross sport accreditation scheme for community sports. It has a separate section for guidance on governance matters including templates.

www.sportenglandclubmatters.com/club-planning/governance

❖ Corporate Governance – general

Financial Reporting Council, The UK Corporate Governance Code (April 2016),
www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf

Sport and Recreation Alliance, The Voluntary Code of Good Governance (2014),
www.sportandrecreation.org.uk/governance/voluntary-code-of-good-governance/what-is-the-voluntary-code-of-good-governance

Sport Wales, Governance and Leadership Framework for Wales (2015),
sport.wales/media/1602095/4180_sra_governance_and_leadership_frameworks_for_wales_english_translation_opt1_v6_-_final.pdf

Sportscotland, SGB Governance Framework (2015),
www.sportscotland.org.uk/media/1480369/Governance-Framework-web-final-Feb-2015.pdf

Sports Northern Ireland, The Code of Good Governance (2016),
www.volunteernow.co.uk/fs/doc/publications/revised-code-of-good-governance-jan16.pdf

The Sport and Recreation Alliance has an online library of useful resources:
www.icsa.org.uk/assets/files/policy/research/ey-nomination-committee-digital.pdf

❖ Boards: roles and responsibilities

Institute of Directors, The role of the chairman (February 2015)
www.iod.com/services/information-and-advice/resources-and-factsheets/details/the-role-of-the-chairman

Institute of Directors, What is the role of the non-executive director? (March 2016),
www.iod.com/services/information-and-advice/resources-and-factsheets/details/What-is-the-role-of-the-NonExecutive-Director

Institute of Directors, What is the role of the senior independent director? (January 2015),
www.iod.com/services/information-and-advice/resources-and-factsheets/details/what-is-the-role-of-the-senior-independent-director

Financial Reporting Council, Guidance on Board Effectiveness (March 2011),
www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Board-Effectiveness.pdf

Institute of Directors, Controls over directors' powers, (March 2015),
www.iod.com/services/information-and-advice/resources-and-factsheets/details/controls-over-directors-powers

Institute of Chartered Secretaries and Administrators, Guidance on Induction of Directors (June 2012), www.icsa.org.uk/assets/files/pdfs/guidance/Guidance%20notes%202012/Induction%20of%20directors.pdf

Charity Commission's Conflict of Interest Guidance (2014),
www.gov.uk/government/publications/conflicts-of-interest-a-guide-for-charity-trustees-cc29/conflicts-of-interest-a-guide-for-charity-trustees

❖ Board Recruitment

Lord Davis's report on Women on Boards (2011),
www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf

Financial Reporting Council, UK Board Succession Planning Discussion Paper (2016),
www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Feedback-Statement-Succession-Planning-Discussion.pdf

Sport and Recreation Alliance, Guidance on Board Recruitment,
www.sportandrecreation.org.uk/governance/governance-library/by-tag/board-recruitment

Equality and Human Rights Commission, How to improve board diversity: a six step guide to good practice - a guide (April 2016),
www.equalityhumanrights.com/sites/default/files/how_to_improve_board_diversity_web.pdf

Women in Sport, Checklist for Change (2015),
www.womeninsport.org/wp-content/uploads/2015/11/FINAL_Checklist-for-change_Trophy_Women_031115.pdf?938151

Sporting Equals, via SE Leaderboard, work to increase diversity within sports governing bodies and authorities: www.seleaderboard.com

English Federation of Disability Sport, Resources, www.efds.co.uk/how-we-help/resources

❖ Board committees

Institute of Directors, The roles of board committees (2015),
www.iod.com/services/information-and-advice/resources-and-factsheets/details/The-roles-of-board-committees

Financial Reporting Council, Guidance on Audit Committees (2016),
[www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Audit-Committees-\(2\).pdf](http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Audit-Committees-(2).pdf)

Institute of Chartered Secretaries and Administrators and EY, The nomination committee – coming out of the shadows (2016),
www.icsa.org.uk/assets/files/policy/research/ey-nomination-committee-digital.pdf

Sport and Recreation Alliance, Guidance on Terms of Reference for Board Committees,
www.sportandrecreation.org.uk/governance/governance-library/terms-of-reference

❖ Risk management and internal control

Financial Reporting Council, Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014),
www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management,-Internal-Control-and.pdf

Institute of Risk Management, A Risk Management Standard (2002),
www.theirm.org/media/886059/ARMS_2002_IRM.pdf

Institute of Risk Management, Risk management for charities (2014),
www.theirm.org/media/1238690/CharitiesGuidanceV6FINAL.pdf

❖ Standards and Conduct

Financial Reporting Council, Corporate Culture and the Role of Boards (2016),
www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Corporate-Culture-and-the-Role-of-Boards-Report-o.pdf

Institute of Business Ethics, Briefing on Business Ethics and Sport Governance (2016),
www.ibe.org.uk/userassets/briefings/b_53_sport_governance.pdf

Financial Reporting Council, Revised Ethical Standards (2016),
www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Revised-Ethical-Standard-June-2016.pdf



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