

## GOVERNANCE

Council charged the Board at the 2015 Annual General Meeting with bringing forward, not later than the 2016 Annual General Meeting, proposals based on the recommendations contained in the report of the Independent Constitutional and Governance Review Commission (the "**Pearce Report**"). Several recommendations concerning the website have been implemented. Other matters, such as those concerning the conduct of Board meetings, are considered internal to the Board and are in hand. Of the matters requiring Council approval, priority has been given to those concerning elections; namely, the re-introduction of the post of Non-Executive Chairman of the Board, establishing the post of Chairman of Council and the basis of appointing the FIDE Delegate. The objective in these instances is that if Council approve the proposals at the 2016 Finance Council, they can be implemented in elections from the 2016 Annual General Meeting.

Implementation of these recommendations requires various amendments to be made to the Company's Articles of Association, together with some related changes to Bye-Law No.3 and Regulation No.2. In addition, the recommendations to redraft Bye Law No. 4 and to introduce a power to dismiss a Director are addressed in the following proposals. The amendments to the Articles of Association are being proposed as six separate resolutions, thus enabling separate consideration being able to be given to various of the proposals. All six are special resolutions, requiring 75% of votes to be cast in favour if the resolution is to be passed. The resolutions effecting the amendments relating to the Chairman of Council and the FIDE Delegate (resolutions (B) and (E)) are conditional on the relevant resolution making the related changes to Bye-Law No.3 being passed. The resolutions amending Bye-Law No.3 and Bye-Law No.4 require a simple majority of votes cast in order to be passed. The proposed amendments to Regulation No. 2 are for Council to note.

Accompanying the Notice of Meeting is a proposed draft of the amended Articles of Association ("Draft Articles"). A draft of the amended Bye-Law No.3, Bye-Law No.4 and of the amended Regulation No.2 can be found on the ECF website at <http://www.englishchess.org.uk/about/ecf-council-and-board>.

Set out below is some explanation in relation to each resolution:

### **Resolution (A)**

It is a recommendation of the Pearce Report that the post of Non-Executive Chairman of the Board be re-introduced. This is part of the Pearce Report's recommendations for the improvement of reporting lines and efficient operation of the Board. Resolution (A) sets out the necessary changes to the Articles of Association. The role of the Non-Executive Chairman is set out in the revised Regulation No. 2 to include the organising and conduct of Board Meetings, jointly reporting to Council with the Non-Executive Directors and formally annually reviewing the work of the Board. More minor consequential amendments to the Articles of Association are that the Non-Executive Chairman and their immediate predecessor are Full Members, are not liable to membership fees and the Non-Executive Chairman is a Requisitionist.

## **Resolution (B)**

The Pearce Report also recommends the introduction of the post of Chairman of Council. This is designed to improve the efficiency of Council Meetings. The Chairman of Council shall be elected at an Annual General Meeting and shall hold office until the end of the following year's Annual General Meeting. The Chairman of Council should be independent and so, accordingly, is not permitted also to be a Director (or alternate director) or a Chairman of a Standing Committee. Regulation No. 2 will set out the duties of the Chairman of Council, which will include agreeing the agenda of Council Meetings, being responsible for the efficient conduct of Council Meetings and approving draft Minutes for publication. The Chairman of Council and their immediate predecessor are Full Members, are not liable to membership fees and the Chairman of Council is a Requisitionist.

## **Resolution (C)**

Resolution (C) sets out proposed changes to Bye-Law No.3 (consequent upon the adoption of Resolution (B)) that reflect the role of the Chairman of Council.

## **Resolution (D)**

The Pearce Report recommends that Directors should serve for an initial period of three years but may be re-elected for a further period of three years. It also recommends that the re-elections be phased so that each year has only three or four elections. A further recommendation is that Council considers whether similar arrangements should apply to the members of the Standing Committees. In light of these recommendations:

- (a) it is proposed, in relation to the Directors, that a rota be established pursuant to which each position on the Board comes up for re-election every three years as part of a separate three year cycle for each such position. The intention (reflected in the Draft Articles) is that at any given Annual General Meeting no more than one of the Chief Executive, Director of Finance and the Non-Executive Chairman shall be due for re-election nor more than one of the Non-Executive Directors. This is designed to minimise the extent of disruption caused by Board changes. The election rota will come into effect for all Annual General Meetings from 2016 onwards (all the Directors will be due for re-election at this year's Annual General Meeting). The initial proposed rota is set out in the changes to Regulation No. 2.
- (b) as regards Standing Committees, the Draft Articles provide that one-third of the members of each Standing Committee be due for re-election at each Annual General Meeting from 2017 onwards (all members of the Standing Committees being due for re-election in 2016).

No limit is being set on the number of three year terms that can be served by any Director or Chairman or Member of a Standing Committee. However, Regulation No. 2, will include a strong presumption that service in the same post will be limited to no more than two terms starting from the 2016 Annual General Meeting, subject to the availability of alternative candidates acceptable to Council.

### **Resolution (E)**

The Pearce Report proposes that the FIDE Delegate “should be appointed by the Board, subject to approval by Council, and should report to and take direction from the Board”. Currently, all Board members and Officers are either elected by Council or appointed by the Board. As worded, the Pearce recommendation would put the FIDE Delegate in a unique category of being appointed by the Board, but approved by Council. The Board accepts the recommendation that the FIDE Delegate be appointed but does not see a need to differentiate this appointment from that of all other Officers by requiring specific approval by Council. To implement this recommendation it is proposed that all references to the FIDE Delegate be deleted from the Articles of Association and so, for example, the FIDE Delegate will no longer be a Full Member nor a standalone Requisitionist. It is the intention of the Board that the FIDE Delegate shall continue to enjoy a standing invitation to attend Board meetings.

### **Resolution (F)**

Resolution (F) sets out proposed changes to Bye-Law No.3 consequent upon the adoption of Resolution (E).

### **Resolution (G)**

The Pearce Report recommends that any individual Director may be removed by unanimous decision of the other members of the Board if their performance is inadequate. The Board is, in principle, in agreement with this recommendation but believes that the grounds for removal need broadening so as to include, for example, dishonesty or grave reputational matters and also that suspension should be allowed for. In light of this, it is proposed to adopt wording that simply provides that if all the other Directors so resolve a director may be removed or suspended from office. It is, clearly, the Board’s intention that this power only be exercised in extreme circumstances.

### **Resolution (H)**

Resolution (H) is a resolution to adopt all the changes in the Draft Articles not covered by the preceding five resolutions. It covers a variety of matters including updating statutory references following the coming into force of the Companies Act 2006, deleting out of date references to game fees, defining Direct Members by reference to the Direct Members Bye Laws (rather than listing them in detail), deleting provisions of historic interest only relating to the transition from the British Chess Federation to the English Chess Federation and amending provisions in relation to game fees and voting rights in light of current rules.

### **Resolution (I)**

The Financial Bye-law No.4 has been revised to update its contents and introduce changes in scope to reflect the latest thinking. The key changes are clarification on how the Board is expected to manage the agreed budget, on additional points for sponsorship /donated monies, unbudgeted expenditure and the inclusion of the types of expenses which may be claimed by Directors and Officers. The role of the Finance Committee has been enhanced to provide greater emphasis on the financial and planning strategy of the Federation and its associated

bodies rather than involvement in day to day activities. This has been agreed by the newly appointed Chair of the Finance Committee.

## **Changes to Regulation No.2**

The changes to be adopted to Regulation No. 2, subject in each case to the passing of the relevant Resolutions, are:

- (i) In section 5 concerning the FIDE Delegate, delete “(This Officer post is elected by Council but is not a Directorship)” and add a new final sentence “In all dealings with FIDE and ECU seeks, and acts in accordance with, instructions from the Board”. The full text then reads:-

“In conjunction with the Director of International Chess, represents the interests of the Federation to FIDE and the ECU; communicates all relevant decisions by FIDE and the ECU to the Federation. Promotes the appointment of suitable English candidates to FIDE and ECU posts and committees. Works with the Manager of Congress Chess and the Director of Home Chess to advise the Federation of all FIDE and ECU matters. In all dealings with FIDE and ECU seeks, and acts in accordance with, instructions from the Board.”

- (ii) Add a new section:

### **Non-Executive Chairman**

“Chairs meetings of the Board, is responsible for the organisation and conduct of Board meetings and manages the agenda and documentation for those meetings in conjunction with the Chief Executive and with the assistance of the Company Secretary.

“Ensures he or she is au fait with the ECF Memorandum, Articles, Bye Laws and Regulations.

“Is responsible for the efficient operation of the Board and ensuring, jointly with the Chief Executive, that agreed policies and procedures are adhered to.

“Prepares a joint report to Council with the Non-Executive Directors.

“Performs a formal annual review of the work of the Board.

“Is responsible for the work of the Company Secretary.”

- (iii) Add a new section:

### **Chairman of the Council**

“The Board and Council work cooperatively, but independently, in furtherance of the aims and objectives of the ECF and English chess. The Chairman of the Council will liaise with the Board primarily via the Secretary, although (s)he may be invited to attend Board meetings for specific items of discussion. The Chairman of the Council will agree the agenda of Council Meetings with the Secretary and approve draft minutes for publication on the ECF website. He or she must familiarise him / her self with all matters to be put before Council to ensure the efficient conduct of meetings and be conversant with the ECF’s Articles of Association, Bye Laws and Regulations. The ability to chair large meetings effectively is required. The Chairman of the Council ensures that the decisions and views of the membership are accurately and fully conveyed to the Board, and retaining the confidence of the membership in this regard is an essential aspect of the role.”

(iv) Add a new section:

### **Election Rota**

“With the adoption of elections for 3 year periods for Directors and Chairmen and Members of Standing Committees, but with elections staggered in order to maintain a level of continuity on the Board and Standing Committees, the election rota set out below will be established commencing at the 2016 AGM.

<b>Post</b>	<b>Initial Term from 2016 AGM</b>
President	2 years
Non-Executive Chairman	3 years
Chief Executive	2 years
Director of Finance	1 year
Non-Executive Director 1	1 year
Non-Executive Director 2	3 years
Director of Home Chess	1 year
Director of International Chess	3 years
Director of Junior Chess & Education	2 years
Director of Membership	1 year
Chairman of Governance Committee	2 years
Chairman of Finance Committee	3 years

“Members of Standing Committees shall be elected or re-elected on rotation, as determined by the Standing Committee concerned.

“Subsequent terms shall be 3 years for all posts.

“It is in the interest of Board renewal that no individual should serve continuously in the same post for more than 2 terms commencing

from the 2016 elections. There is therefore a strong presumption that service in the same post will be limited to not more than 2 terms thereafter, subject to availability of alternative candidates acceptable to Council.

## RESOLUTIONS

Set out below are the resolutions relating to governance to be proposed at the Finance Council meeting convened for April 16, 2016. Resolutions (A), (B), (D), (E), (G) and (H) shall be proposed as special resolutions.

- (A) That the articles of association of the Company be amended by:
- (i) inserting “the Past Non-Executive Chairman” after “Article 5(12)” in the definition of “Full Member” in article 1.1;
  - (ii) inserting in article 5 after the wording relating to the Past Chief Executive a consecutively numbered paragraph as follows:

““The Past Non-Executive Chairman” being the person who last held the office of Non-Executive Chairman of the Company before the most recent incumbent from time to time.”;
  - (iii) inserting “; the Past Non-Executive Chairman” after “the Past Chief Executive” in article 7(a);
  - (iv) inserting “, the Past Non-Executive Chairman” after the “Past Chief Executive” each time it appears in article 10 and inserting “, Non-Executive Chairman” after “Chief Executive” in article 10;
  - (v) inserting “(c) The Non-Executive Chairman” after “The Chief Executive” in article 43(1)(c) and re-lettering subsequent paragraphs accordingly;
  - (vi) replacing “five” with “four” in article 43(1)(e);
  - (vii) replacing “The Chief Executive” with “The Non-Executive Chairman” in article 63.
- (B) that, subject to the passing of Resolution (C) below, the articles of association of the Company be amended by:
- (i) inserting (in alphabetical order) in Article 1.1 the following definition:

“the Chairman of the Council” means the person elected to chair General Meetings of the Company pursuant to Article 17”;
  - (ii) inserting “the Chairman of the Council” after “the Directors” in the definition of “Full Members” in article 1.1;
  - (iii) inserting “and the Past Chairman of the Council as defined in article 5(14)” at the end of the definition of “Full Member” in article 1.1;

- (iv) inserting “(b) the Chairman of the Council; or” after “any Director; or” in the definition of “the Requisitionists” in article 1.1;
- (v) inserting “, the Chairman of the Council” after “if the member is a Director” in article 4(2);
- (vi) inserting “(7) the Chairman of the Council” in numerical order in article 5 and undertaking any necessary re-numbering;
- (vii) inserting as a final numbered paragraph (or penultimate numbered paragraph if resolution (H) below is duly passed) in article 5. ““The Past Chairman of the Council” being the person who last held the office of the Chairman of the Council before the most recent incumbent from time to time”;
- (viii) inserting “the Chairman of the Council and the Past Chairman of the Council” before “; the Chairmen of the Standing Committees” in article 7(a);
- (ix) inserting “the Chairman of the Council” before “, the Chairmen of the Standing Committees” in article 10;
- (x) inserting “or the Past Chairman of the Council” before “but they shall not be entitled” and before “were Direct Members” in article 10;
- (xi) deleting “or” before “the Past Chief Executive” each time it appears in article 10;
- (xii) inserting “or Chairman of the Council as” before “the case may be” at the end of article 10;
- (xiii) inserting “the Chairman of the Council” before “who shall” in article 17(2);
- (xiv) inserting at the end of article 17(2):
 

“Any person who is a Director, an alternate Director or a Chairman of a Standing Committee shall not be eligible to be the Chairman of the Council and no Chairman of the Council may, whilst holding such office, be a Director, an alternate Director or Chairman of a Standing Committee.”
- (xv) inserting “the Chairman of the Council, proposed by” after “proposed by” in article 17(8);
- (xvi) inserting “proposed by the Chairman of the Council,” before “proposed by or on behalf of” in article 18(7);
- (xvii) inserting “proposed by the Chairman of the Council,” before “proposed by or on behalf of” in article 18(8);

- (xviii) inserting “Chairman of the Council or, in the event of the absence or unavailability of the Chairman of the Council, the consent of the” before the word “President” in article 18(8);
  - (xix) replacing “the President” with “the Chairman of the Council” in article 24;
  - (xx) inserting “the Chairman of the Council” before “and the Chairmen of the Standing Committees” in article 49(2);
  - (xxi) inserting “Chairman of Council” before “, the Auditor” in article 57;
  - (xxii) inserting “or the Chairman of the Council” after “Auditor of the Company” in article 83(1);
  - (xxiii) inserting “, the Chairman of the Council” after “officer” in article 83(2).
- (C) That, subject to the passing of Resolution (B) above, Bye-Law No.3 be amended by:
- (i) amending “President” to read “Chairman of the Council” in paragraphs 3.1.1, 6.1.1, 6.1.10 and 6.1.11;
  - (ii) deleting “considered by the Board within 4 weeks and” in paragraph 5.2;
  - (iii) inserting “the Chairman of the Council” ahead of “the Chairmen of and the other members of Standing Committees” in paragraph 12.1;
  - (iv) inserting “and the Chairman of the Council” ahead of “as set out” in paragraph 12.4;
  - (v) inserting “the Chairman of the Council” ahead of “or a Chairman of a Standing Committee” in paragraph 12.6(a).
- (D) That the articles of association of the Company be amended by:
- (i) inserting (in alphabetical order) in Article 1.1 the following definitions:
    - ““the Board Positions” means the Board position of each Director as set out in the Directors’ and Officers’ Responsibilities Regulations as from time to time in force.
    - “The Board Rota” means the rota for the retirement of Directors referred to in Article 58.
    - “the Directors’ and Officers’ Responsibilities Regulations” means the Regulations setting out Board positions and the responsibilities of Directors.”

- (ii) deleting the existing article 17(1) and replacing it with “The Council shall elect Directors in accordance with the provisions of Articles 58 to 60”;
- (iii) replacing the existing lead-in of article 17(6) with:
  - “The Council shall appoint members of two Standing Committees in accordance with the provisions of this Article 17(6).”
- (iv) amending the reference in article 17(6)(b) to “Article 82” to a reference to “Article 85”.
- (v) inserting the following wording at the end of article 17(6):
  - “(e) At each Annual General Meeting held in or after 2017 any member of a Standing Committee who was not elected or re-elected at either of the two previous Annual General Meetings shall retire from office. In respect of the members of each relevant Standing Committee in office at the time of convening the 2016 Annual General Meeting the Board shall determine which members of each such committee shall be due for re-election at the Annual General Meetings to be held in 2017 and 2018 on the basis that:
    - (i) one third (or if their number is not three or a multiple of three then the number nearest to but exceeding one-third) of such members shall retire from office at the Annual General Meeting to be held in 2017;
    - (ii) one third (or if their number is not three or a multiple of three then the number nearest to but exceeding one-third save that it shall instead be the number nearest to but less than one third if as a result there would be no member falling within (iii) below) of such members shall be due to retire at the Annual General Meeting to be held in 2018; and
    - (iii) the balance shall be due to retire from office pursuant to Article 17(6)(e) shall be eligible for re-election at such Annual General Meeting.
  - (f) any member of a Standing Committee required to retire pursuant to Article 17(6)(e) shall be eligible for re-election at such Annual General Meeting.”
- (vi) deleting the existing first sentence of article 57 and replacing it with the following:
  - “The Board shall have power at any time, and from time to time, to appoint any person to a Board Position, but so that the total number of Directors shall not at

any time exceed any maximum number fixed in accordance with these Articles.”;

- (vii) inserting the following wording as new articles 58, 59 and 60 and re-numbering subsequent articles accordingly:

“58. The Board shall maintain a document setting out a rota pursuant to which there is, for each Board Position, a separate three year cycle pursuant to which there is an election in respect of such position at each third successive Annual General Meeting. The initial rota shall be as notified to Full Members prior to the Finance Council held in 2016 and the rota shall then be subject to amendment at the discretion of the Board to reflect changes in Board Positions. In exercising its discretion, the Board shall have due regard to the desirability of:

- (a) the elections in respect of not more than one of the Chief Executive, the Director of Finance and the Non-Executive Chairman occurring at the same Annual General Meeting; and
- (b) the election of not more than one of the Non-Executive Directors occurring at the same Annual General Meeting.

59. At each Annual General Meeting held in or after 2017 Directors shall retire in accordance with the Board Rota.

60. Any Director who retires at an Annual General Meeting pursuant to Article 59 shall be eligible for re-election at such Annual General Meeting.”

- (E) That, subject to the passing of resolution (F) below, the articles of association of the Company be amended by deleting:

- (i) the definition of “the FIDE Delegate” in article 1.1;
- (ii) “the FIDE Delegate” in the definitions of “Full Members” and “the Requisitionists” in article 1.1;
- (iii) “(7) the FIDE Delegate” from Article 5 and undertaking any necessary re-numbering;
- (iv) “the FIDE Delegate” from article 7, article 10, article 17(2), article 49(2) and article 57.

- (F) That, subject to the passing of Resolution (E) above, Bye-Law No.3 be amended by deleting “the FIDE Delegate” in paragraphs 12.1, 12.4 and 12.6(a).

- (G) That the articles of association of the Company be amended by:

- (i) deleting the word “or” at the end of article 54(3);
  - (ii) replacing “.” with “;” at the end of article 54(4); and
  - (iii) inserting as article 54(5) “(5) if he is removed from office by notice in writing signed by each other Director (and a Director may also be suspended from office by notice in writing from each other Director)”.
- (H) That the articles of association of the Company be amended by making all the amendments set out in the draft articles of association produced to the meeting and signed by the chairman of the meeting for the purposes of identification other than the amendments set out in resolutions (A), (B), (D), (E) and (G) above.
- (I) That the existing Bye-Law No.4 be replaced by the draft Bye-Law No.4 produced to the meeting and signed by the Chairman of the Meeting for the purposes of identification.