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# Governance Reform in Sport: Discussion Paper

# Introduction

In line with the Australian Sports Commission (ASC) taking a clearly stated position on the governance of national sporting organisations (NSO), this discussion paper aims to present statements of better practice which may in the future become a part of the ASC's sports governance principles. The paper's focus is on various voting systems within NSOs, and the member rights attributed to those votes. This is considered in the context of the nuances that exist within not-for-profit industries, and various governance models evolving within NSOs.

Traditionally, NSOs have used two fundamentally different voting systems - a 'one member, one vote' system and a proportional voting system. These systems exist within federated governance structures and the system adopted is often related to the sport's governance maturity and its prevailing cultural environment.

Particularly within Olympic sports where commercial and broadcast revenue is challenging, these voting systems and governance structures provide the funding for basic administration costs through what is commonly referred to as a 'capitation' funding model. Typically these are funds collected at the sport's base with a proportional amount allocated up to each layer. This model is an integral part of providing financial stability but presents sports with a significant challenge in addressing the fundamental value proposition to stakeholders. This challenge is further exacerbated where those responsible for passing through the funds have been provided a constitutional right to set the levels collected.

This paper examines the origins and merits of the models and systems by looking at Australian and international examples within not-for-profit and for-profit environments. The paper goes on to:

- introduce an alternative voting structure, whereby a 'double majority' is required to pass a motion, as a means to address the inequality that is perceived in alternative voting systems
- articulate where voting members should have rights in decision making within these models
- discuss treatments for funding distribution as a way of reorienting the value proposition in traditional governance structures.

**This paper explores concepts that warrant discussion within the sports industry. The ASC invites sports to provide their feedback on the validity of the concepts, and how the concepts would provide governance improvements to the sport.**

Responses to the paper can be submitted to [sportsgovernance@ausport.gov.au](mailto:sportsgovernance@ausport.gov.au)

## Background: Contrast between a not-for-profit and a for-profit organisation

A for-profit business is created to serve the interests of its shareholders. Such businesses solely operate to maximise shareholder return on investment (ROI) and almost all strategic decisions are made with this intent in mind. The shareholders own a for-profit business and are defined as any person, company or any other institution that owns at least one share of a company's stock. Shareholders do not play a major role in the running of a company but are able to vote on corporate matters such as who sits on the board of directors, and other significant matters such as whether a proposed merger should go ahead. Preferred stockholders usually do not have voting rights.

A not-for-profit organisation such as an NSO serves the interests of beneficiaries with varying expectations on what benefits they should receive. No one person or group of people own a not-for-profit organisation. Individuals in a position of power or influence within a sport are temporary custodians, there to 'protect the sport' and 'pass the baton' onto the next generation of leaders and decision-makers. As such, the concept of membership, rather than ownership, exists within the sport governance model.

The members or beneficiaries of an NSO are not the owners of the national governing body in the same way as shareholders or institutional investors own a for-profit company. In the case of an Australian NSO, the state sporting organisations commonly are the 'members' defined by the constitution, while the sport's beneficiaries are arguably the clubs, club members, or anyone participating in the sport in an organised or non-organised way. Most significantly, each entity in a sport has a critical role in the development and delivery of the sport which is a vastly different position to a shareholder.

All of the money earned by, or donated to, a not-for-profit organisation (the 'inputs') is reinvested to pursue the organisation's purpose as defined by the board and the objects articulated in the organisation's constitution. Statements of purpose are typically characterised as expanding the sport/game for the enjoyment of its participants and fans. This ultimately results in various experiential (non-financial) benefits to the beneficiaries of the sport and arguably this is the ROI in a not-for-profit organisation.

These differences between for-profit and not-for-profit organisations are significant. Adopting best-practice methods holistically from the corporate world would ignore the nuances of an NSO, characterised by its collaborative nature and the need for symbolism and equality among stakeholders. These nuances have been recognised by the Australian Institute of Company Directors (AICD), which developed specific not-for-profit 'Good Governance Principles and Guidance' policies. The AICD recognised the need to take good practice from the corporate world and apply it in the not-for-profit context, adopting those principles which align from for-profit to the not-for-profit environment and introducing new ones where appropriate.

## Discussion: Members' voting rights in an NSO

To discuss the best practice for NSO voting systems it is first important to articulate the rights of a voting member irrespective of the voting system. The question is, what is appropriate for members to vote on and what decisions are best left to the board and management?

NSO members have the right to a vote, like a shareholder, however the purpose of the vote arguably is different and only relevant in certain, defined circumstances. In the NSO environment, a voting member typically has:

- The right to dismiss and appoint a director and replace parts of or the whole board. This power provides the members with the ultimate accountability of directors and, by extension, the administration.
- The right to approve or reject amendments to the constitution. The constitution is the organisation's primary charter and provides members with transparency and process for governance.
- The right to approve or reject significant changes to the NSO's core business.
- The right to vote on a resolution to voluntarily wind up the company.
- The right to approve or reject 'usual business' items at annual general meetings (AGM), such as acceptance of an audit or general business motions.

In all other matters, the management and board should have the authority to act in the best interests of the whole of the sport and its beneficiaries. Given this, it could be argued the voting system adopted by the NSO should be as equitable as possible. This stance is complicated by the potential for decisions made by the NSO to have a significant strategic or operational impact on the member organisations. However 'this is no different to a company making dividend policy decisions that impacts in a negative way on a particular shareholder like a major institutional investor'<sup>1</sup>.

Problems arise where sports establish voting on management issues as opposed to strategic governance. It is not uncommon for NSOs, through their constitutions, to allow members to vote on matters which should be under the control of the board and management. For example, an existing constitution of an Australian NSO enables the annual general meeting of the federal assembly to transact on the 'establishment of the membership fees, capitation fees, affiliation fees and levies'.

By allowing the federal assembly, effectively the members, to make decisions on fees, management is hamstrung in its endeavour to effectively execute the organisation's strategy and ensure its financial sustainability. If an assembly, council or any group of members is able to prevent the board and management from altering fees, the entire financial model of the organisation is potentially compromised. In this instance, resources must be withdrawn from strategic initiatives to supplement the enforced change to revenue, hindering the organisation in its progress to grow and provide better participation experiences. If such issues were not subject to voting the need to deal with perceived inequity may not exist.

*This paper argues voting rights for NSO members should be limited to decisions on board positions, changes to the constitution, significant changes to the core business of the NSO, and 'usual business' conducted at an AGM. This would ensure the board and management have appropriate powers to influence required change within an organisation to achieve whole of sport outcomes.*

The voting rights of members are relevant for two types of resolutions under the *Corporations Act*:

- an ordinary resolution (requiring more than 50 per cent of the vote)
- a special resolution (requiring more than 75 per cent of the vote).

The table below illustrates suggested categories of voting rights for members, and the type of resolution required under the *Corporations Act*. For a full list of suggested voting rights for members, please refer to *Appendix A*.

Member right category	Resolution required
The right to dismiss and appoint a director and replace parts of or the whole board	Ordinary (>50% of the vote)
The right to approve or reject amendments to the constitution	Special (> 75% of the vote)
The right to approve or reject significant changes to the NSO's core business	Special (>75% of the vote)
The right to vote on a resolution to voluntarily wind up the company	Special (>75% of the vote)
The right to approve or reject 'usual business' items at AGMs	Ordinary (> 50% of the vote)

Figure 1: Member rights and resolutions required

<sup>1</sup>Arbib, M 2012, *Strengthening the Governance of Australian Rugby*.

## Discussion: Voting structures

Understanding that some resolutions require an ordinary majority and others require a special majority, it is necessary to look at the types of voting structures within NSOs that allocate votes to their members. There are currently two common voting structures within NSOs – ‘proportional voting’ and ‘one member, one vote’.

### Proportional voting

In Australian sport, proportional voting has posed significant challenges to the effectiveness and performance of NSOs operating in a federated or delegate governance model. In some cases the inequality of voting rights inherent in the model has allowed larger member state associations to dominate the direction of NSOs, creating a level of disenfranchisement for an array of other stakeholders.

Typically the organisation of sport in Australia grew from the community level up. Essentially a group of people within a local area shared a common desire. In due course, organised structures with multiple pathways and local responsibilities were required. As each level grew, administrative and governance arrangements were needed and the delegate system of governance within the federated model evolved. As an example, this explains in some part how Cricket Australia came to have a board of directors made up of 14 delegates representing state interests until its recent governance reform.

This governance structure is complex and unwieldy, and can be associated with ineffective and compromised decision-making characterised by vested interest. It also does not reflect the modern business environment a sport now operates within. In many cases, the instruction on how to vote on behalf of a state association was based on how the decision impacted a respective state as opposed to how it benefited the sport as a whole. Where proportional voting exists under this structure, the argument is made that larger associations may collude with smaller members to block decisions based on the interests of their state rather than the sport as a whole.

It is worth noting that the Australian Rugby Union (ARU) faced similar governance issues to cricket and in 2012 had an independent review conducted. The ARU had a governance framework dominated by two jurisdictions where one held a veto power over other members. In recommending changes to the voting structure, the review proposed to have one vote for each member association plus one additional vote for each member association with more than 50,000 registered players (for a maximum of one additional vote). It was also recommended that each Super Rugby franchise have one vote and another vote be assigned to the players’ association. The votes linked to participation levels reflected a need to recognise the contributions that New South Wales and Queensland had made and would continue to make to the sport. It would also limit the power of their influence thereby creating a more collaborative approach between partners<sup>2</sup>.

In a review of rowing in 2013, the key to effective proportional voting was to ensure that the methodology did not ‘allow for a minority of member associations to vote together to create a majority of votes in a poll’<sup>3</sup>. It was recognised that the danger of traditional proportional voting was allowing power to be concentrated within a few organisations, which led to back-room deals that forced decisions which disenfranchised members and may not have been in the sport’s best interest.

The origins of proportional voting in sport are understandable, however, in a contemporary sports model the way in which the system has impeded collaboration and effective decision-making has been detrimental to the progress of NSOs. Adopting a proportional voting structure to ensure that a minority of members cannot control the vote is one way of overcoming some of these issues.

The alternative to proportional voting has been the introduction of a ‘one member, one vote’ structure, which gives each member an equal voice regardless of size.

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<sup>2</sup>Arbib, A 2012 *Strengthening the Governance of Australian Rugby*.

<sup>3</sup>DHW Consulting 2013, *Governance Development for Rowing Australia*.

## One member, one vote

The voting structure more recently supported by the ASC has been the 'one member, one vote' model. This is the general principle commonly applied to international sporting organisations. It allocates each country one vote to exercise in democratic decisions, irrespective of the country's size, financial contributions, or influence in the world. This general principle is seen extensively within international sport including FIFA, where the German FA (with 6.3 million participants) gets one vote, whilst the British Virgin Islands (435 participants) also gets one vote.

The structure exists because the concept of partnerships between stakeholders is a critical characteristic to not-for-profit organisations such as NSOs. As discussed earlier, this differentiates the sporting sector (and more broadly, the not-for-profit sector) from for-profit corporations. For example, NSO partnerships with member associations are more critical than a for-profit organisation's partnerships with shareholders because an NSO often relies heavily upon its member associations to deliver the strategy.

This stark difference requires sport to have intensified attention to symbolism and fairness in voting to ensure the interests of all members, and therefore the beneficiaries, are accommodated. Where members are assigned differing proportions of votes, the symbolism of equality is eroded. Subsequently partnerships between members can break down and significantly undermine the ability of the NSO to deliver consistent 'national' programs and operate with 'one-company behaviour'. To demonstrate the importance of equality the Crawford and Carter report into cricket refers to the dissatisfaction about the voting system that was in place at the time, which was seen as inequitable. The report goes on to recommend that the states should agree to 'a common shareholding of two votes each'<sup>4</sup>.

The importance of symbolism should not be underestimated. Within major league competitions, such as the National Football League (NFL), National Basketball Association (NBA) and Major League Baseball (MLB) in the US, all stakeholders stand equal - large and wealthy clubs have the same vote as the new and smaller clubs. Despite private ownership of these clubs in the US (a different model to the majority of Australian professional sporting clubs), the need for equality is recognised within these competitions. This is entirely relevant to the federated structure of Australian sport where state member associations often have vastly different participation numbers and financial resources.

The 'one member, one vote' system poses its own set of challenges given the context and environment of many sports. The system does not recognise the significant contribution that larger states continue to make to the growth of many Australian sports. It can also be seen to create a risk of 'distorting the views of the membership'<sup>5</sup> within an NSO environment where vastly smaller states or territories are given equal voting representation.

*Where members are voting on a resolution that requires a special majority (more than 75 per cent of the vote), this paper proposes that NSOs adopt a 'one member, one vote' voting structure.*

## Double majority

Proponents of both the 'proportional voting' system and the 'one member, one vote' system suggest that each of the respective structures is the fair option but both have their disadvantages when applied to an ordinary majority vote. In order to address this, where members are voting on ordinary resolutions NSOs may look to implement a 'double majority' system, which attempts to combine the two aforementioned structures and introduce equity to the voting system.

The double majority voting system addresses the inequality in the systems by introducing two layers of vote counts where the calculations are made based on the following factors:

- the number of individual voters or members of the NSO (as in a 'one member, one vote' model)
- the sum of their weights (as in a proportional model).

<sup>4</sup>Crawford and Carter 2011, *A Good Governance Structure for Australian Cricket*.

<sup>5</sup>Speed M, 2014 *Voting Structures in Sport*, Interviewed by Steve Whately & Chris Conway.

A member's weight is determined in the same manner as under a proportional model, usually on the basis of participation numbers, but could also be determined by other measurements such as the level of affiliation fees remitted to the NSO. In determining the proportionate measure, serious consideration must be given to the number of votes allocated in order to achieve the desired outcome.

An advantage of this system is the simplicity of the procedure; it is generally comparatively easy to negotiate among members. It also avoids many of the unintended consequences of the individual systems which, as noted earlier, in spite of their intended purposes can sometimes increase the inequity between members and hinder collaboration as well as the progress of the NSO. The double majority system may provide an equitable way to help safeguard the minority members who lack a voice in many NSOs under the proportional system. Giving these members a genuine opportunity to be involved in decision making would also lead to a 'greater sense of ownership and accountability'<sup>6</sup>. Similarly, through the weighted vote, members with larger participation bases are appeased by recognising their contribution to the NSO.

Noting that a motion is passed when it attains a majority under both voting components, there are a number of variations to how an NSO could structure a double majority voting model. These variations will occur in the classification of the 'majority', and the number of votes allocated to members in the proportional component of the vote. These variations are discussed below.

### **Majority systems**

Under both calculations for the vote, various 'majority' options are available, and NSOs need to determine the appropriateness of each. A simple majority would see a motion pass if it receives greater than 50 per cent of the vote. A super majority may be implemented that would require anywhere between half and all of the votes. Often two thirds or three quarters is used in this scenario.

This paper proposes the following double majority system for consideration.

Calculation	Vote required
One member one vote	>50%
Proportional vote	>75%

*Figure 2: Proposed votes required to pass the motion*

This particular system would ensure the vote required the majority of members to vote in favour of the motion, while also requiring that greater than three quarters of the proportional vote are in favour of the motion for it to pass.

<sup>6</sup>Mittag and Putzmann 2012, *Reassessing the Democracy Debate in Sport Alternatives to the One-Association-One-Vote-Principle*.

## Allocation of votes

The other major consideration for the double majority structure is the method for allocating votes to the members for the proportionate component of the vote. There are endless possibilities for this allocation. The figure below highlights some methods currently used and others which could be implemented.

Method	Rationale
One vote is allocated to members for each registered participant within their state/territory.	Recognises the contribution of the larger participation members by allowing them directly proportionate voting power.
One vote for every member, with an extra vote allocated for those members with greater than a certain level of registered participants.	Recognises the larger participation members (over a certain number of participants) by allocating them one extra vote for greater voting power.
One vote for every member, with an extra vote allocated to members for reaching set participation levels.	Recognises the larger participation members by allocating them extra votes for reaching set participation thresholds, enabling them greater voting power.
One vote for every member, with an extra vote allocated for those members with greater than a certain percentage of the total registered participants.	Sets a percentage of total participation rather than a fixed number which helps to avoid any unintended consequences that could result from large increases in membership across all states and territories due to better capturing of data, or the introduction of new membership/participation categories.

Figure 3: Possible methods for allocating proportionate votes

If the first method of vote allocation was to be implemented, it would be critical the relevant NSO had absolute confidence they had access to accurate, consistent and regular data to be able to determine participant figures for the members. The benefits of collecting this data would not be limited to voting purposes. This is critical information necessary for the planning and reporting of the NSO and the members.

*The paper proposes a double majority voting system be implemented by NSOs where members are voting on an ordinary resolution that requires a simple majority.*

The specific modelling of the system will depend on the current structure and maturity of their governance model, which must be considered in an appraisal of the likely success of this approach for NSOs.

From the discussion earlier in the paper, the following table updates the information provided at Figure 1 to highlight the proposed approach to voting rights and voting structures within NSOs.

Member right category	Resolution required	Voting structure
The right to dismiss and appoint a director and replace parts of or the whole board.	Ordinary (> 50%)	Double majority
The right to approve or reject amendments to the constitution.	Special (> 75%)	One member, one vote
The right to approve or reject significant changes to the NSO's core business.	Special (> 75%)	One member, one vote
The right to vote on a resolution to voluntarily wind up the company.	Special (> 75%)	One member, one vote
The right to approve or reject 'usual business' items at AGMs.	Ordinary (> 50%)	Double majority

Figure 4: Member rights; resolutions required; and voting structures

The voting procedure reforms may constitute a variation of class rights for the purposes of section 246B of the *Corporations Act*. This will need to be determined by NSOs on a case-by-case basis, having regard to the existing constitution of the particular NSO. Varying class rights is not prohibited by the *Corporations Act*, however additional processes for amending the constitution will be imposed in accordance with any constitutional provision dealing with the variation of class rights, or section 246(B)(2) of the Act.

## Discussion: NSO governance models

### Federated model

A federated governance structure, as discussed earlier, typically originated from the historical context where a NSO focused on the management of national teams and liaising with international federations. The business model supporting the structure is characterised by state member associations, each with their own board of directors, operating as separate businesses.

Focusing on the sport as a whole, the traditional federated structure creates layers of administration and management. Each layer has its own relationships, investment, workforce development and service delivery. The structure leads to duplication in strategic planning, reporting, financial management, marketing and commercialisation and therefore a large number of inefficiencies for the entire sport. Such inefficiencies often impact on a sport's ability to generate sufficient revenues to be a sustainable business. Sports operating under this governance model are also synonymous with 'bottom-up' capitation funding. This is characterised by each layer of administration collecting fees from members and passing a portion of these fees up to the next layer of administration. This is another example of the duplication created under the federated model. Significant time and cost expended in the collection and distribution of these fees diverts resources away from core business and strategic initiatives, turning each layer of administration into debt collectors rather than providing leadership and support. Sports need an alternative to this arrangement to maximise already limited human and financial resources.

## National behaviour or one management model

A national behaviour model is a hybrid between a federated and a unified model. This predominately federated governance structure is underpinned by a business model where centralised services and management structures support the organisation, but state member associations are still governed separately. This structure has been implemented by Triathlon Australia (TA) where stakeholders are genuinely committed to an improved organisation and there is strong alignment across all layers of the sport. The organisation demonstrates behaviours such as trust, transparency, integrity, collaboration and recognition. Some of the results from the alignment at TA include: a collective targeted investment approach; shared services; one strategic plan for the sport; a more agile organisation; and a collaborative approach to budgeting where funding is allocated on merit to projects aligned with the highest whole of sport priorities.

A recent independent review of an NSO looking to move toward a one-management model highlighted the following key outcomes that would flow from this move:

- improved robust governance
- increased participation and retention
- increased participant pathways and prospects
- increased profile of the sport
- increased financial investment and sustainability
- decreased duplication and inefficiency.

A key benefit of this model is the implementation of a centralised registration database management system. State member associations are able to enhance relationships with their members to focus more on the sport's development. This builds significant levels of trust within the sport and helps reallocate resources from managing cash flow to addressing strategic priorities for the sport. At a national level, time would also be saved in the collection of fees from members rather than focussing on debt collection and the NSO would be able to provide 'top down' managed funding to assist with implementing the sport's strategic needs.

## Unified model

The unified model of governance is arguably the ideal structure for a sport with fully aligned stakeholders throughout its system. This structure removes the governance inefficiencies present in the federated structure and retains the one management efficiencies, delivering substantial advantages in strategic direction and operational implementation. Each state member association operates as a branch of the single governing body and state committees play an advisory consultative role providing the NSO and its state officers critical local guidance. The structure adopts a unified management model where finances and other services are centrally pooled. Under this model, a double majority system may still be preferred, however the 'members' of the organisation may be individual participants or affiliated competitions or clubs. This would impact the voting model as the states would likely no longer be voting on behalf of registered participants. This highlights the need for some flexibility with the implementation of the double majority approach as NSOs move through the governance continuum.

This model has not yet been seen in practice to a large extent in the Australian sporting landscape. It is more likely a mix between unified and national behaviours would be achieved, leaving a spectrum of governance models present as seen in the current Touch Football Australia model.

*The paper proposes that an evolving governance model be adopted by NSOs, allowing the sport to capitalise on the benefits of better practice.*

## Discussion: funding within a federated model

As raised when discussing the governance models, the issue of member-based funding must be considered. This is particularly important in cases where sports have tied the funding directly into their governance model through the constitution. A major disadvantage and common practice in sports is where the capitation funding model is in place to provide supporting revenue for the sport. Although this model has its inherent issues for the participants where it is seen as a taxation system, it does play an important role where sports are unable to create significant alternate revenue streams from activity such as broadcast, sponsorships, sales or donations.

A complicating factor is when the members of the governing body, in this case both a customer and beneficiary, are provided the constitutional right to decide the level and in many cases the model adopted by the sport. This situation in itself is conflicted and often leads to an erosion of the value proposition for the fee and facilitates a culture of mistrust in how these funds are used. Ultimately each national or state governing body's core business is providing a level of administrative support and oversight to those entities under its direct auspices. To do this effectively the body needs to be able to set the level and model of generating revenue to fund its business functions uninhibited by members' individual views and fundamentally it must be set with the whole of sport interests in mind.

Unlike many for-profit companies, sport under this common model operates a decentralised funding system. Each body collects its share of the capitation fee rather than creating a centralised collection function and distributing the funds based on financial or investment need. This decentralised model is most likely a hangover from a time when money was collected in cash and moved among the sport via manual means such as cheque or electronic transfers. With today's increasingly sophisticated banking technology, handling of payments within most sports could be set-up and managed via central distribution systems. It is now common practice among technology providers in the industry to offer this type of functionality through an Advanced Technology Centre ecosystem. This type of centralisation is already in place when taking registration for sports programs such as SurfGroms, Auskick or NetSetGo. A centralised model would allow the sport to pool funding, creating greater opportunity to manage cash-flow across the sport and maximise the investment power of cash reserves, ultimately creating broad benefits for the sport.

*This paper proposes that sports introduce centralised fee collection and distribution based on the strategic needs of the sport.*

# Conclusion

Considering the various concepts discussed and their relevant challenges and benefits, the paper proposes the following statements to generate discussion within the sports industry. The ASC invites sports to provide feedback on the validity of the concepts, and how the concepts would provide governance improvements to the sport.

Responses to the paper can be submitted to [sportsgovernance@ausport.gov.au](mailto:sportsgovernance@ausport.gov.au)

The concepts for consideration and comment are as follows:

- ***Voting rights for members should be restricted to the following broad rights:***
  - to dismiss and appoint a director and replace parts of or the whole board
  - to approve or reject amendments to the constitution
  - to approve or reject significant changes to the NSO's core business
  - to vote on a resolution to voluntarily wind up the company
  - to approve or reject 'usual business' items at AGMs.

The list above illustrates the suggested categories of voting rights for members. For a full list of suggested voting rights for members, refer to *Appendix A*.

By restricting members' rights to the list at *Appendix A*, the NSO ensures board and management have appropriate powers to influence required change within an organisation.

- ***A one member, one vote system should be implemented by NSOs where a special resolution is required under the Corporations Act***

Where a vote of greater than 75 per cent is required, the implementation of this system is proposed due to the symbolism of an equal vote for all members and the working relationships that exist between these members.

- ***A double majority system should be implemented by NSOs where an ordinary resolution is required under the Corporations Act***

Where a vote of greater than 50 per cent is required, the implementation of this voting system addresses perceived inequality in the alternative systems. Passing a motion through a double majority ensures that smaller members are given a 'voice at the table' while recognising significant contributions from the larger members.

- ***An evolving governance model should be adopted by NSOs, allowing the sport to capitalise on the benefits of best practice***

The implementation of better practice in voting, constitutional change, governance modelling and business systems removes the business inefficiencies present in the federated structure, as well as delivering substantial advantages of strategic alignment, direction, and implementation.

- ***NSOs should introduce centralised fee collection and distribution based on strategic needs of the sport***

This model would allow the sport to pool funding, create greater efficiencies and opportunities to manage cash-flow across the sport, maximise the investment power of cash reserves and shift the administrative culture within the various layers to ultimately create broader benefits for the sport.

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## Appendix A: member voting rights

The table below illustrates the full list of suggested voting rights for members of NSOs. By restricting members' rights to the following, the NSO ensures that the board and management have appropriate powers to influence required change within an organisation.

Member right	Resolution required	Voting structure
Alter the company's constitution	Special resolution	One member, one vote
Adopt a constitution after the company's registration	Special resolution	One member, one vote
Change a company's name	Special resolution	One member, one vote
Change a company's status	Special resolution	One member, one vote
The power to set a board limit	Ordinary resolution	Double majority
Alter the company's status	Special resolution	One member, one vote
Electing/re-electing directors	Ordinary resolution	Double majority
Removing a director in the case of a public company	Ordinary resolution	Double majority
Approval to enter into related party transactions	Special resolution	One member, one vote
Power to vary class rights where the company's constitution provides no process for varying or cancelling class rights	Special resolution	One member, one vote
Appointment to replace auditor removed from office	Special resolution	One member, one vote
Removal of an auditor of a company	Ordinary resolution	Double majority
Winding up a company voluntarily	Special resolution	One member, one vote
Transferring the registration of a company	Special resolution	One member, one vote



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