



cutting through complexity

'One Golf' Model

Strategic rationale for transition to
'One Golf' Model

1 April 2015





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Australian Sports Commission
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08 October 2014

For the attention of Gavin Macdonald

Dear Gavin,

Strategic Rationale for transition to the 'One Golf' Model

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG The Strategy Group is a division) (KPMG) has been engaged by Australian Sports Commission (ASC) to prepare a review of the current business model of Golf Australia (GA) and its State organisations. The services consist of a current state assessment, business model re-design and recommendations & implementation plan.

This report sets out KPMG's findings and has been prepared in accordance with the Consultancy Agreement dated 14 August 2014 and the basis of preparation set out on the following page.

KPMG as the lead consultant has relied on work performed by Gemba Group, Bastion, GA and the ASC to prepare the data and provide an analysis, to outline the rationale for transitioning to the 'One Golf' model.

This report is prepared solely for use by the ASC and GA and for the purpose detailed above. It is confidential to ASC and GA and it is given on the understanding that it is not communicated, in whole or in part, to any third party without KPMG's prior written consent. KPMG expressly disclaims any and all liability for any loss or damage of whatever kind to any person acting on information contained in this report other than ASC.

We thank you for the opportunity to work with you on such a critical decision for the game of golf, and look forward to working with you again in the near future.

Yours faithfully

Adele Thomas

Partner

Noel Leung

Engagement Director

Important notice to recipients of this report other than ASC and GA

No reliance unless reliance letter executed

The basis of preparation of the attached report is discussed on the following page

The attached report should not be regarded as suitable for use by any person or persons other than ASC and GA

A party, other than ASC, may only rely on the attached report if it has executed a formal letter of reliance with KPMG. If you have not executed a formal letter of reliance with KPMG, KPMG :

- owes you no duty (whether in contract or in tort or under statute or otherwise) with respect to or in connection with the attached report or any part thereof
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Basis of preparation

The services provided under the Consultancy Agreement ('Services') have not been undertaken in accordance with any auditing, review or assurance standards. Any reference to 'audit' and 'review', throughout this report, is not intended to convey that the Services have been conducted in accordance with any auditing, review or assurance standards. As our scope of work does not constitute an audit or review in accordance with any auditing, review or assurance standards, our work will not necessarily disclose all significant matters about GA and State Organisations or reveal errors and irregularities, if any, in the underlying information.

We have prepared this report on the basis of information provided to us by ASC, GA, State Organisations, Bastion and Gemba and representations made to us by their management. We have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it. We do not accept responsibility for such information which remains the responsibility of management. Details of our principal information sources are set out in Appendix 1.

This report makes reference to 'KPMG Analysis'. This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented

We have provided ASC with a draft of our report prior to its issue in final form. ASC has not indicated anything to KPMG to suggest that the information contained therein is not materially accurate, complete and fair in the manner of its portrayal or that it does not form a reliable basis for the financial analysis.

ASC has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG and would have reasonably been expected to have been made available to KPMG. ASC will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis.

We note that caution should be taken in drawing conclusions based on the financial information provided by GA.

The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We do not make any statement in this report as to whether any forecasts or projections included in this report will be achieved, or whether the assumptions and data underlying any prospective financial information are accurate, complete or reasonable. We do not warrant or guarantee the achievement of any such forecasts or projections.

KPMG and the individuals responsible for preparing this report have acted independently. KPMG was remunerated a fixed fee amount, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

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A 'One Golf' model unifies the governance and management of golf and could deliver a benefit of \$2.2 - \$3.6m, to be reinvested into the game

1. Current Situation: *The journey so far*

The governance and delivery of golf in Australia is currently disaggregated across Golf Australia (GA) and 7 autonomous bodies, who primarily cooperate to grow and develop the game of golf

- Whilst GA and the 7 state / territory organisations are committed to governing, promoting and developing the game of golf, each organisation is ultimately focused on making the best decisions for golf within their State / Territory
- This current fragmented model presents some challenges in effectively responding to issues and opportunities facing golf, driving the need for structural change
 - Strategic and execution misalignment, confusion and duplication
 - Declining club membership – membership has declined steadily over the past 12 years with accelerated rates of decline in female and junior membership in recent years
 - Limited income streams and funding pressures constraining ability to grow and develop the game consistently
 - Continued membership decline (-2.5%p.a. between 2011-13) is a potential risk to state incomes which are heavily reliant on affiliation revenues
 - Lack of scale resulting in operational duplication and inefficiency, and increasing cost pressures

2a. Future State – 'One Golf' model: *The path forward*

The proposed 'One Golf' model restructures the governance and management of golf to effectively respond to issues and opportunities facing the sport now and in the future

- The 'One Golf' model delivers a number of outcomes that will support the growth and development of the game
- 'One Golf' establishes one organisation, governed under national rules and behaviours, with national management funding, resources and processes and continued state based asset holding
 - National rules & behaviours – a common set of rules and behaviours aligned with strategic goals and objectives
 - Core functions managed nationally and delivered locally
 - National corporate functions, including Commercial, Finance, Legal and HR
 - National governance structure with State / Territory representation – whilst the broad governance model will remain, roles and responsibilities will change
- Other organisations, have successfully undertaken structural change to deliver significant financial and operational benefits to ensure future organisational viability

A 'One Golf' model unifies the governance and management of golf and could deliver a benefit of \$2.2 – \$3.6m, to be reinvested into the game

| | |
|---|---|
| <p>2b. Benefits of 'One Golf' model: <i>The opportunity</i></p> | <p>The 'One Golf' model could deliver benefits of \$2.2 - \$3.6m for re-investment into the growth and development of golf into the future</p> <ul style="list-style-type: none">• The 'One Golf' model can deliver some significant benefits that cannot be achieved under the current structure<ul style="list-style-type: none">– Internally Controllable Synergies – synergies based on cost efficiency from consolidating corporate functions and improved commercial outcomes from the scale of a national approach– Externally Impacted Benefits – estimated benefits from increased sponsorship opportunities driven by greater utilisation of partnerships and increased exclusivity under a national approach |
| <p>3. Next steps: <i>Socialisation, Design and Governance & Resourcing</i></p> | <ul style="list-style-type: none">• 3 key activities are required prior to implementation kick-off – Socialisation, Design of Implementation Approach and Governance & Resourcing:<ul style="list-style-type: none">– <i>Socialisation</i>: Socialisation of the <i>One Golf</i> model with states (and their members) is critical to obtaining buy-in and agreement to transition to the <i>One Golf</i> model– <i>Design of Implementation Approach</i>: A 'Big Bang' approach is GA's preferred approach to implementation, however will require adequate resources to undertake and needs to consider the organisation's change readiness– <i>Governance & Resourcing</i>: Key to the success of implementation is having the right team(s) and governance structure in place |

The journey so far

The governance and delivery of Golf in Australia is currently disaggregated across GA and 7 autonomous bodies, who primarily cooperate to grow and develop the game of golf

Structure of Golf Administration in Australia

Whilst Golf Australia and the 7 state / territory organisations are committed to governing, promoting and developing the game of golf, each organisation is ultimately focused on making the best decisions for golf within their State / Territory.

National Golf Body



Strategic Goals

- Optimal **governance** and delivery model for Golf Australia
- Improve **club viability**, retain and grow membership and assist operations
- **Innovate** offerings to make the game more visible, attractive and **accessible**
- Improve ability to invest in the development and growth of golf

State Bodies (National Member Organisations)



- **Innovate** the game to make it more **accessible** and enjoyable
- **Diversify revenue** streams
- Improve the **governance** structure to ensure growth and **sustainability**



- Encourage GA to lead collaboration with States and consolidate the focus
- Seek to improve the **governance** of the organisation and adopt recommended ASC principles
- Assess and review current **revenue** and expenses stream



- Develop and promote State-wide programs to increase **participation**
- Develop initiatives and strategic partnerships to grow Golf QLD's business
- Ensure best practice **governance** and management principles are used by Golf QLD



- Improve participation, increase **membership** and develop strong programs
- Promote the game, enhancing its media exposure and presence
- Enhance **governance** and management practices



- Increase **membership** by expanding and improving services offered
- Enhance **governance** and management practices of the Board and committees
- Diversify and increase the range of **revenue** streams



- Generate more **revenue** to grow golf
- Improving **club viability**
- Improving **participation**



- Improve **club viability**
- Grow the game through **accessibility**, flexibility and fair play
- Increase investment in golf through transparency, teamwork and **innovation**

This current fragmented model presents some challenges in effectively responding to issues and opportunities facing golf, driving the need for structural change

Golf – Issues & Opportunities

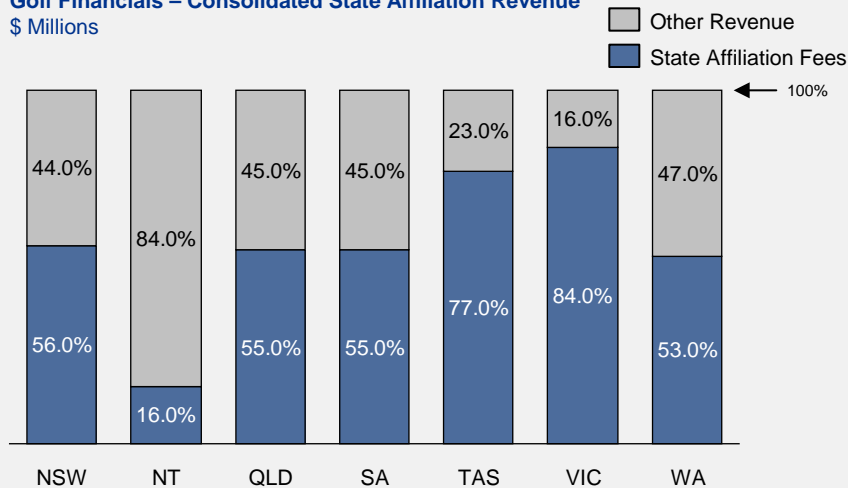
Issues

Opportunities

| | | |
|---|--|--|
| <p>Strategic and execution misalignment, confusion and duplication</p> | <ul style="list-style-type: none"> • Strategic goals are broadly aligned but differences exist • Relationship based co-operation with no clear chain of command • Duplication of effort and processes drives inefficiencies and creates waste • Lack of 'single voice' to all external stakeholders results in unclear engagement | <ul style="list-style-type: none"> • Alignment of strategic goals creates a stronger purpose and focus • Clear set of behaviours and reporting relationships drives efficient decision making • Nationalisation of common functions reduces duplication and waste • Single voice to external stakeholders, enabling better communication of objectives and improving end to end accountability |
| <p>Declining club membership</p> | <ul style="list-style-type: none"> • Club viability is under threat as overall club membership is in decline, despite an increase in participation of casual / social golfers • Lack of a co-ordinated and targeted approach to development (i.e. attracting younger generations, beginners / non golfers) • No clear golf 'pathway', with inconsistent and duplicative offerings creates confusion | <ul style="list-style-type: none"> • A co-ordinated approach and consistent 'pathway' for golfers to lift membership and improve club viability: <ul style="list-style-type: none"> – Increased participation and membership – Targeted programs to attract different groups (i.e. junior, non-golfer, mature) – Integrated, national program can strengthen club offerings |
| <p>Limited income streams and funding pressures</p> | <ul style="list-style-type: none"> • Income streams constrained by continued decline in club membership • Limited new revenue streams available to grow revenue / re-invest in growing golf • Current fragmented model does not provide scale for maximising sponsorship and funding revenue | <ul style="list-style-type: none"> • Grow revenue with better focus on game development and consistent offerings targeting participation and membership growth • Pool resources / capabilities to better exploit new revenue streams • Reduce duplication / waste for re-investment • Improved negotiating position through a coordinated approach to sponsorship / funding |
| <p>Lack of scale</p> | <ul style="list-style-type: none"> • States / Territories operating on various IT systems and applications • Procurement of services and supplies conducted separately by States • Smaller scale of operations can constrain ability to attract / develop the right skills and capabilities | <ul style="list-style-type: none"> • Larger scale operations can deliver: <ul style="list-style-type: none"> – A single IT platform, creating efficiencies and improving information sharing – Improved procurement outcomes as part of a larger organisation – More attractive to potential recruits – Development opportunities for staff |

Continued membership decline (-2.5%p.a. between 2011-13) is a potential risk to state incomes which are heavily reliant on affiliation revenues

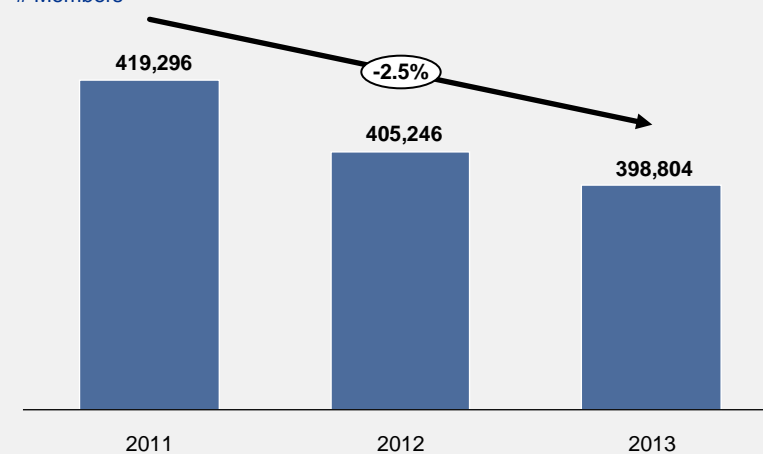
Golf Financials – Consolidated State Affiliation Revenue
\$ Millions



Source: 2013 Revenue by State provided by Golf Australia

- For all States (with the exception of NT), State affiliation fees account for more than 50% of all revenue received
- This highlights the significant reliance States have on affiliation fee revenue as its major source of funding for investment the development of the game

Golf Membership – National membership
Members



Source: 2013 National Golf Participation and Club Operations Report

- National club membership for the state organisations has fallen from 419,296 to 398,804 between 2011-2013, a decline of 2.5% p.a.

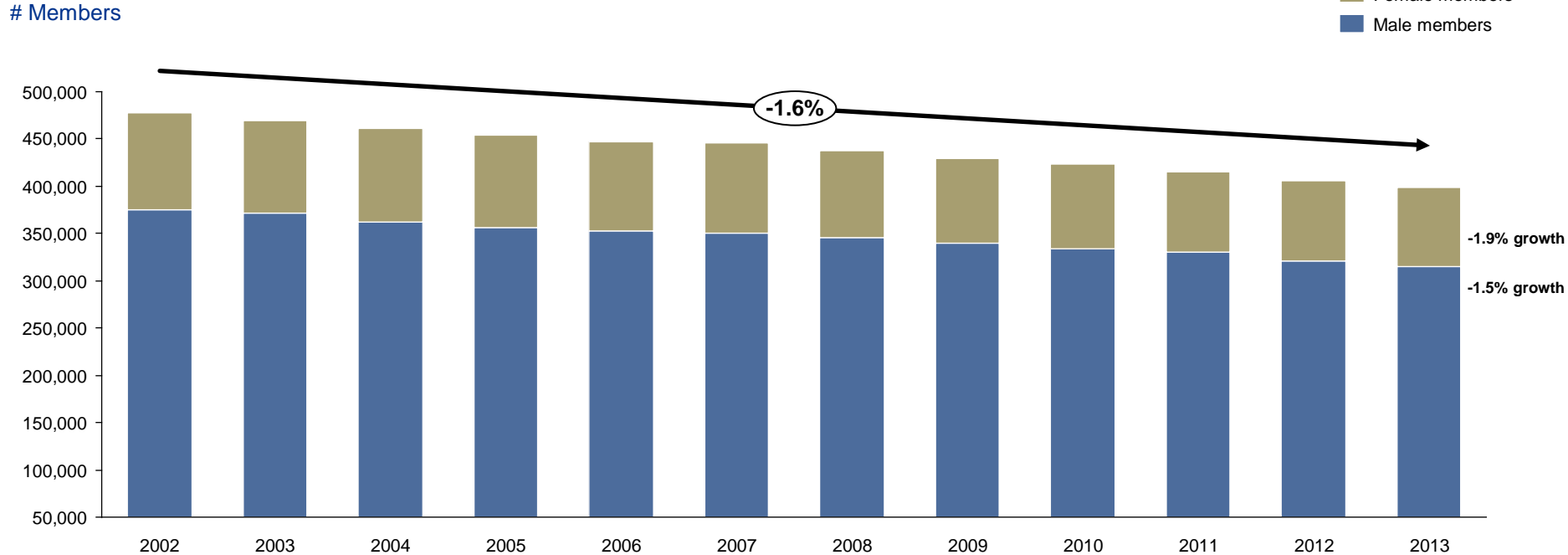
- This divergent trend in revenue vs. membership growth is unsustainable in the long term:
 - Continued membership decline erodes golf's platform for growth
 - Continued reliance on affiliation revenue as a key source of income is a potential risk
- A number of other sporting organisations – Netball Australia, Softball Australia and Tennis Australia – have recognised the need to grow membership, moving away from a capitation fee driven model to a more progressive model focused on facilitating membership growth

The journey so far

Membership has been declining steadily for the past 12 years, with female membership declining marginally faster than the male membership base

Golf membership has declined at 1.6% CAGR since 2002, with female membership declining at a faster rate (-1.9%) than the male membership base (-1.5%)

Golf Membership (2002-2013)

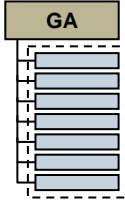
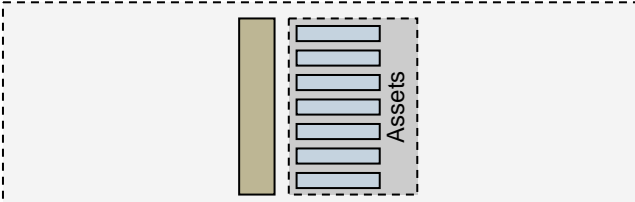
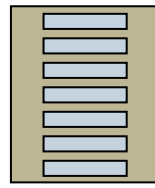


Source: 2013 National Golf Participation and Club Operations Report
Gender Split provided by GA

- Golf membership across all members has experienced declining growth at -1.6% CAGR since 2002
- Female members account for only 21% of the total Australian membership base, and between 2002 and 2013 declined by 1.9%, faster than the male membership base which declined by 1.5%

A 'One Golf' model addresses the structural changes required to respond to the issues and opportunities facing golf now and in the future

Golf Organisational Options – One Golf Model

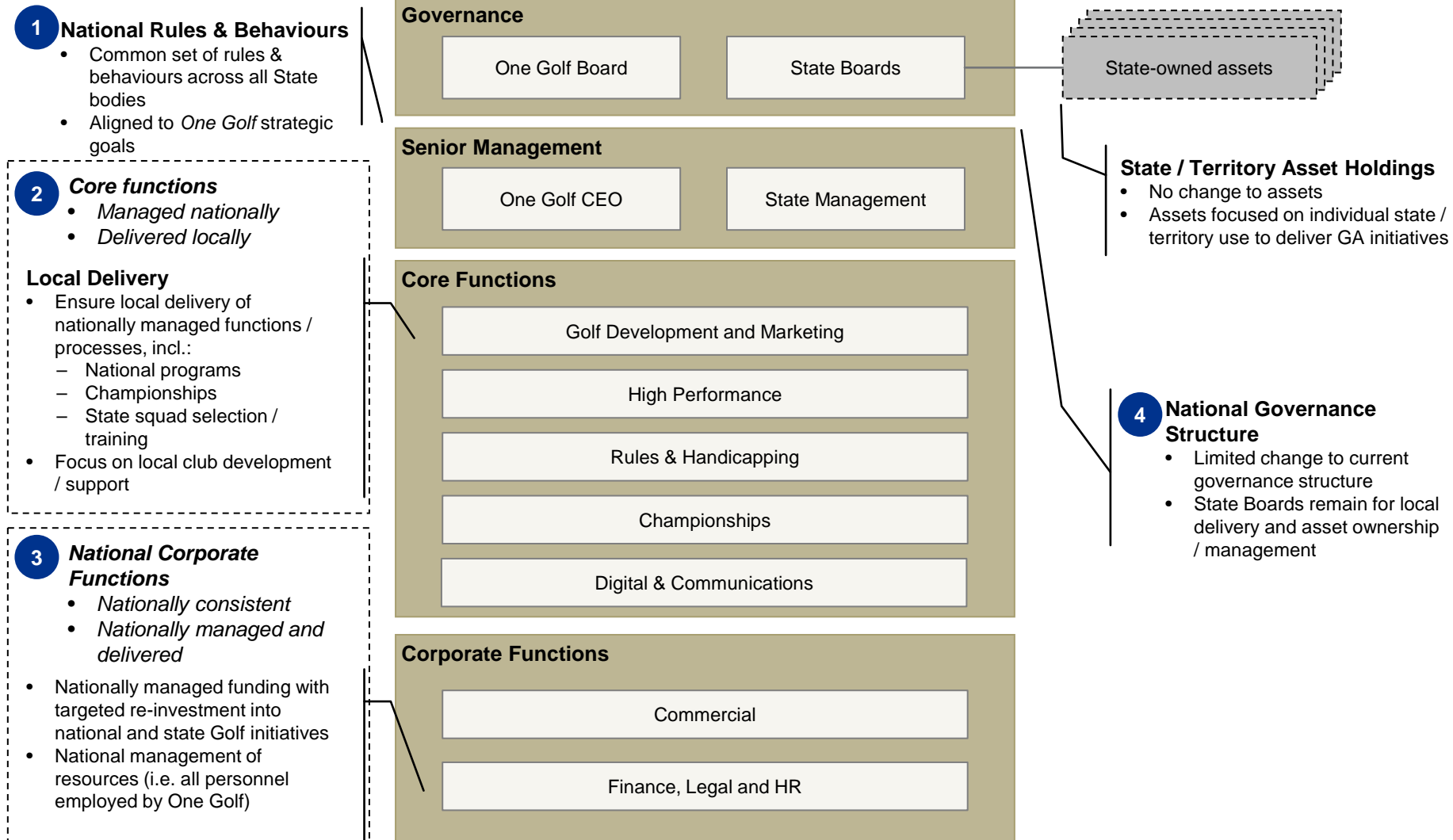
| |  Status Quo | <i>'One Golf' Model</i>  One Management |  One Organisation | |
|--------------------|--|--|---|----------------------|
| | ← Decentralised | | | Centralised → |
| Description | <ul style="list-style-type: none"> Maintain current disaggregated, autonomous structure and work on reducing disadvantages through co-operation | <ul style="list-style-type: none"> Combine management of GA and States / Territories into one organisation, with consistent governance structures and behaviours. State / Territories maintain assets for use | <ul style="list-style-type: none"> Merge management and governance of GA and States / Territories with top down constitutional control and asset integration | |
| Governance | <ul style="list-style-type: none"> No change | <ul style="list-style-type: none"> National behaviours, governance, and practices Change to Board roles may require changes to constitution(s) | <ul style="list-style-type: none"> One governance structure – i.e. one Board New constitution required | |
| Management | <ul style="list-style-type: none"> No change | <ul style="list-style-type: none"> Creation of one management / administration model (no change to assets), with national corporate functions and all staff reporting into One Golf | <ul style="list-style-type: none"> One management (including asset integration) | |
| Advantages | <ul style="list-style-type: none"> Limited change implications – continue to work together as autonomous organisations | <ul style="list-style-type: none"> Operational and cost efficiencies from national management and administration of the game Scale economies from national corporate functions Clear alignment of strategic objectives Stronger negotiation position with sponsors, government Clear behaviours / relationships to reduce confusion (for members, sponsors, clubs) Better focus on game development, marketing, etc. Reduce administrative burden for States Retain local game development capability and approaches (i.e.. funding, competitions, etc.) | <ul style="list-style-type: none"> Further operational, cost and scale efficiencies in transitioning from 8 to 1 organisation (i.e. no shell companies holding assets) Clear alignment of strategic objectives Stronger negotiation position with sponsors and government Clear behaviours / relationships to reduce confusion (for members, sponsors, clubs) | |
| Risks | <ul style="list-style-type: none"> Does not effectively address challenges / issues Personalities, politics, individual needs drive how well organisations cooperate | <ul style="list-style-type: none"> Change in roles and responsibilities of State / Territories and their personnel Loss of state approaches (i.e. local innovation) Potential for relocation of some employees | <ul style="list-style-type: none"> Difficult to execute - requires significant change effort over a longer timeframe with higher implementation cost (increased complexity and stamp duty of asset transfers) Loss of state approaches (i.e. local innovation) Potential for relocation of some employees | |

One Golf Model – Key Outcomes

| Key Outcomes | Alignment of One Golf Model to Key Outcomes |
|---|--|
| Robust governance | <ul style="list-style-type: none"> • A national approach will provide greater role clarity with clearer reporting lines that can be more effectively governed / managed • Improved ability to ensure strategic alignment and achievement of a common set of organisation objectives |
| Maximise participation and retention | <ul style="list-style-type: none"> • Improved ability to grow participation in golf across all age groups and abilities • Grow capabilities and consolidate resources to strengthen club offerings to better retain participants across all age groups (from Junior to Senior) • Improved ability to share and leverage knowledge and learnings nationally for more effective and efficient ways to maximise participation and retention |
| Maximise participants pathways and prospects | <ul style="list-style-type: none"> • Clearer, streamlined national participant pathways across age groups and target markets enables a more effective talent identification process • Streamlined national approach to transition talented golfers into the high performance program – and potential feedback loop to golf development (e.g. professional golfers involved in amateur programs to promote participation) • Continued support of elite golfers in the pursuit of success |
| Maximise golf's profile | <ul style="list-style-type: none"> • Creation of a national brand for Golf with consistent brand and marketing messaging delivers greater impact • Ability to leverage combined marketing resources, cross-promotional activities nationally to maximise awareness of Golf and the Golf Australia brand |
| Maximise financial investment and sustainability | <ul style="list-style-type: none"> • Greater scale from a national approach can improve negotiating power and impact in attracting larger, higher quality national sponsorships • Significant efficiencies through removing duplication and consolidation of resources and effort to execute on 'whole of sport' opportunities |
| Minimise duplication and inefficiency | <ul style="list-style-type: none"> • A national approach removes duplication across a number of core and corporate functions • Greater efficiency of investments and deployment of resources is possible with a national approach that is focused on a common set of priorities |

'One Golf' establishes one organisation, governed under national rules and behaviours, with national management of funding, resources and processes and continued state based asset holding

One Golf Model – Overview



One Golf Model – 1. Examples of National Rules & Behaviours



Core functions under the 'One Golf' model will be nationally managed but delivered locally

One Golf Model – 2. Core Functions

| Core Function | Role of 'One Golf' National Team | Role of Local Delivery Team |
|--|---|---|
| Golf Development & Marketing | <ul style="list-style-type: none"> Develop national golf programs to align with overall golf development goals and strategy Define national golf 'pathway' across age groups, other target markets and associated programs to address the needs of each group / market Conduct ongoing market research to inform golf development requirements (e.g. participation trends, demographics, etc.) Collaborate with local delivery teams to implement programs in each state (within the parameters of national program guidelines) | <ul style="list-style-type: none"> Responsible for implementing national participation programs designed by the national team Assist with aligning club offerings with national programs Key contact for communications between clubs and national teams Seek guidance from state management and boards as required |
| High Performance | <ul style="list-style-type: none"> Development and ongoing improvement of national High Performance program for elite golfers at national and state level Selection of elite golfers at national and state events via coordination with local delivery teams. Support local delivery teams in implementing national High Performance programs | <ul style="list-style-type: none"> Report to the national team on potential High Performance representatives and implement High Performance programs with consideration of local specificities Selection and management of teams and squads competing in interstate championships (incl. selection of coaches), with oversight provided by State Board and State Manager |
| Championships (including Australian Opens) | <p>National Championships</p> <ul style="list-style-type: none"> Manage national championship calendar (including Australian Opens) Organisation and coordination of national championships, including procurement of appropriate services / supplies, logistics, advertising & marketing planning Coordinate with local delivery teams to ensure smooth running of national championships <p>State Championships</p> <ul style="list-style-type: none"> Assist local delivery teams to leverage national supplier arrangements for state championships | <p>National Championships</p> <ul style="list-style-type: none"> Assist with 'on-the-ground' running and coordination of national events (including Australian Opens) under the guidance and instruction of the national team <p>State Championships</p> <ul style="list-style-type: none"> Manage state championship calendar with oversight from the State Board and State Manager Organisation and coordination of state championships, including procurement of appropriate services / supplies, logistics, advertising & marketing planning Leverage national procurement agreements and align with national sponsorship opportunities where appropriate |
| Digital & Communications | <ul style="list-style-type: none"> Management of One Golf website and technology platform Manage One Golf communication requirements (including content development and management, stakeholder liaison) | <ul style="list-style-type: none"> Deliver media content under the guidance of the national team Liaise with local media stakeholders |
| Rules & Handicapping | <ul style="list-style-type: none"> Maintain changes to national rules and communicate to local contacts in each state Determine and publish course ratings | <ul style="list-style-type: none"> Local contact point for Rules & Handicap inquiries |

One Golf Model – 2. Core Functions – One Digital Platform

Key Features

One common platform nationally

- All states operate on a common digital platform
- Potentially keep platform outsourced (i.e. DotGolf)

Automation and online capability for better customer experience

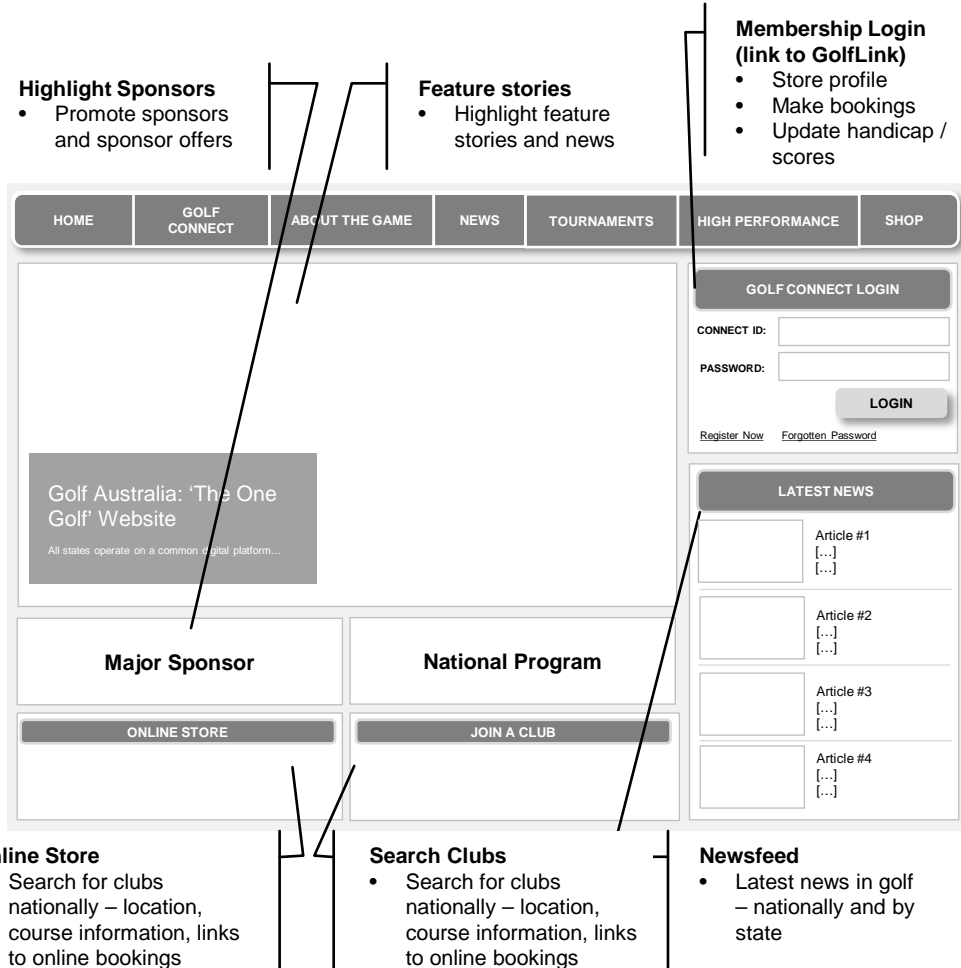
- Improved website provides a platform for a range of additional customer services, including:
 - Handicapping (GolfLink)
 - Tee booking (GolfLink)
 - Membership updates
 - Competition scores
 - Online shop
 - Online payments
 - Golfer engagement (i.e. social media)

Nationally managed website and content

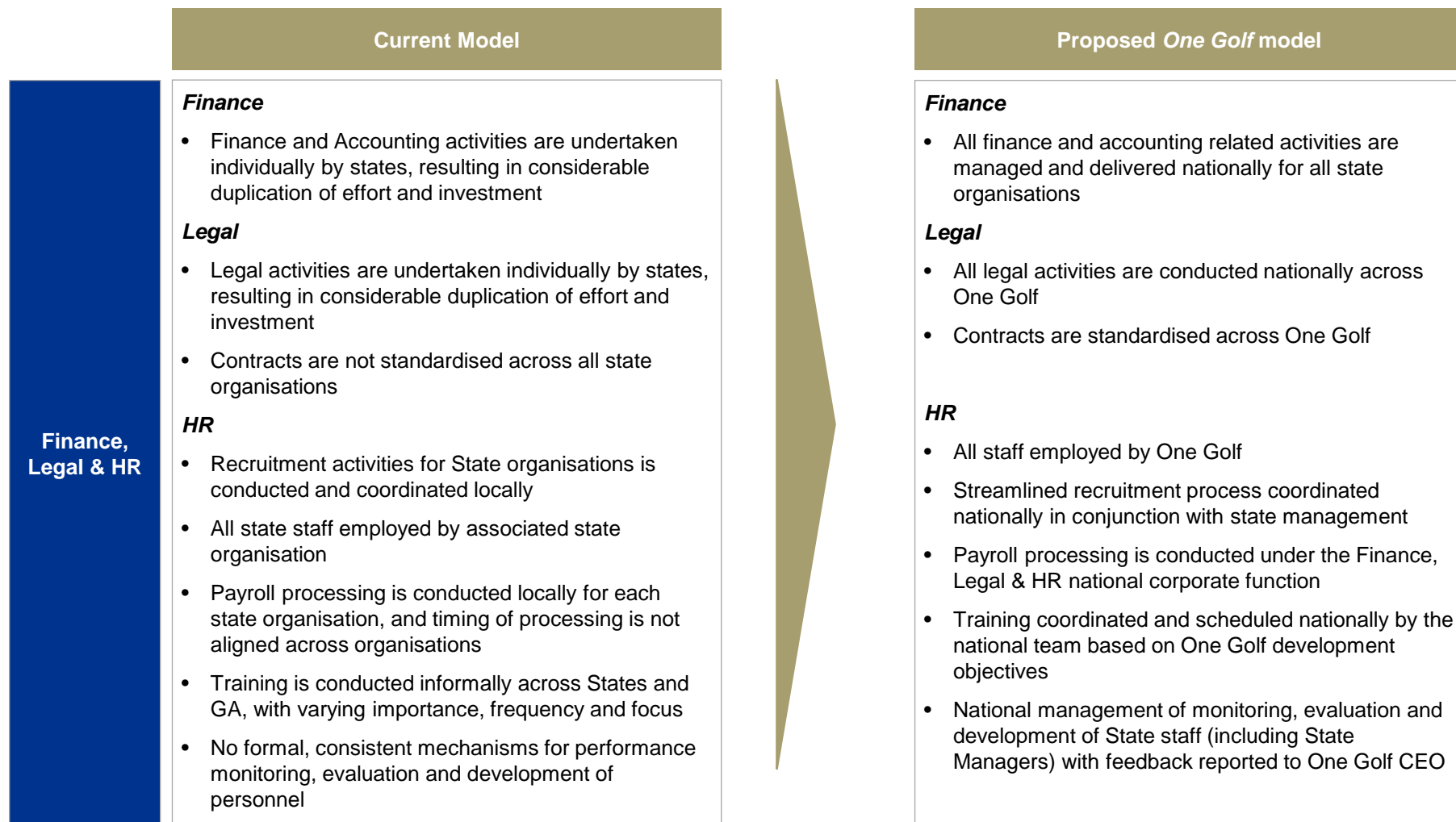
- National team manages the website and all digital content, including:
 - Golf's digital strategy
 - Website content updates
 - Website design and maintenance
- Improved cost and resource efficiencies with nationally managed model
- Consistency of website and communications nationally

Retained State / Local content development as appropriate

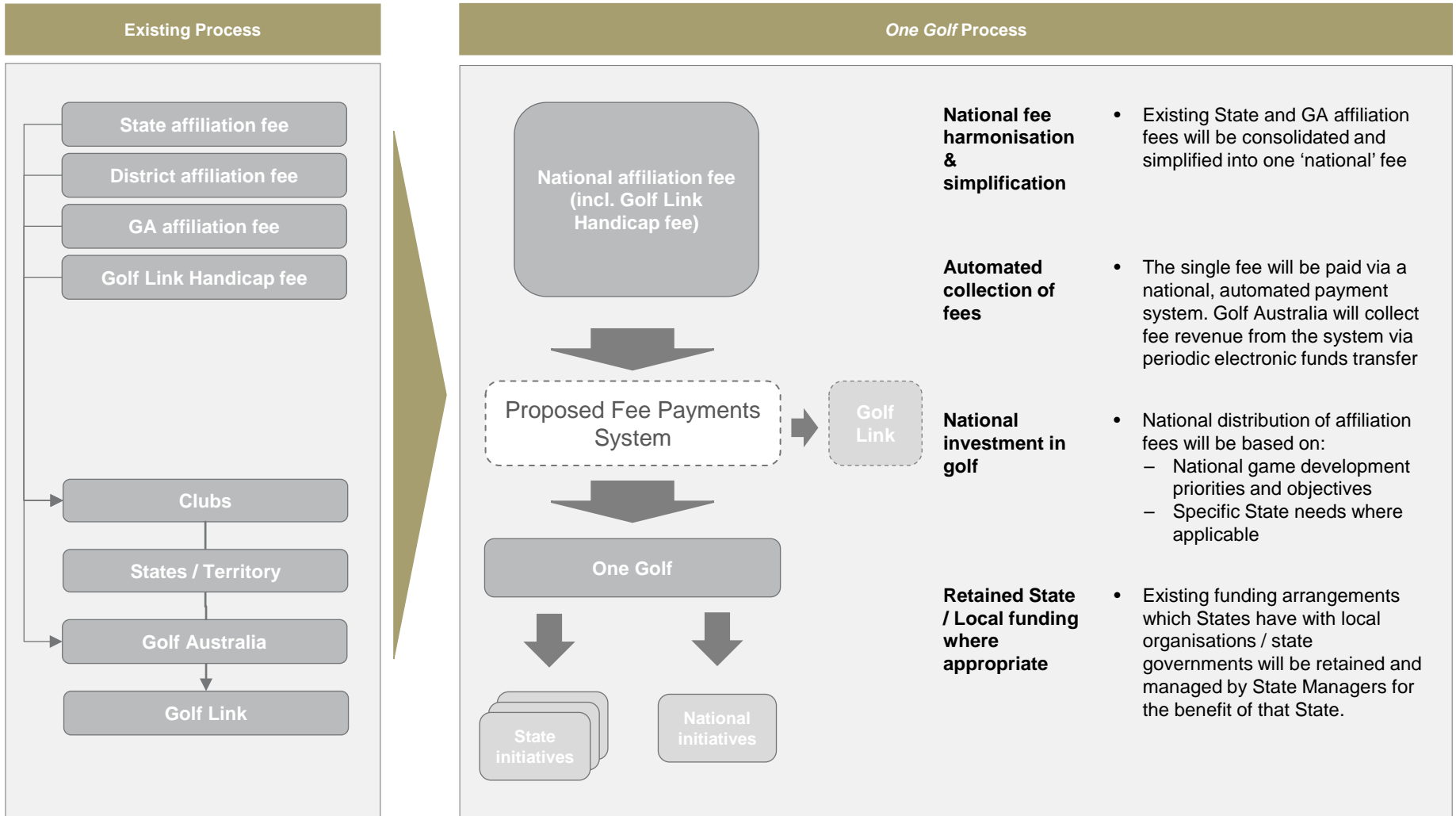
- States maintain ability to develop content specific to their location
- States benefit from ability leverage content from other states / nationally developed



One Golf Model – 3. Corporate Functions – National Finance, Legal & HR



One Golf Model – 3. Corporate Functions – Nationally managed funding



A national Commercial & Marketing team will focus on attracting a smaller number of high quality sponsorships under the One Golf model

One Golf Model – 3. Corporate Functions – Commercial

Key Features

Attracting bigger brands

- Improved ability to attract new and larger brands
- Promote message of exclusivity with a national Golf brand

Seamless branding of Golf nationally

- Consistent brand image and marketing messages across one national organisation
- Larger, national campaigns with scale to driver greater brand impact
- Eliminate competitive sponsorships (between States / Territories)

Focus on fewer, high quality sponsorships

- Target fewer, larger national sponsorships focused on ~6-8 major products
- National team organised to service national sponsors
- Build and grow long term sponsorship relationships with targeted sponsors

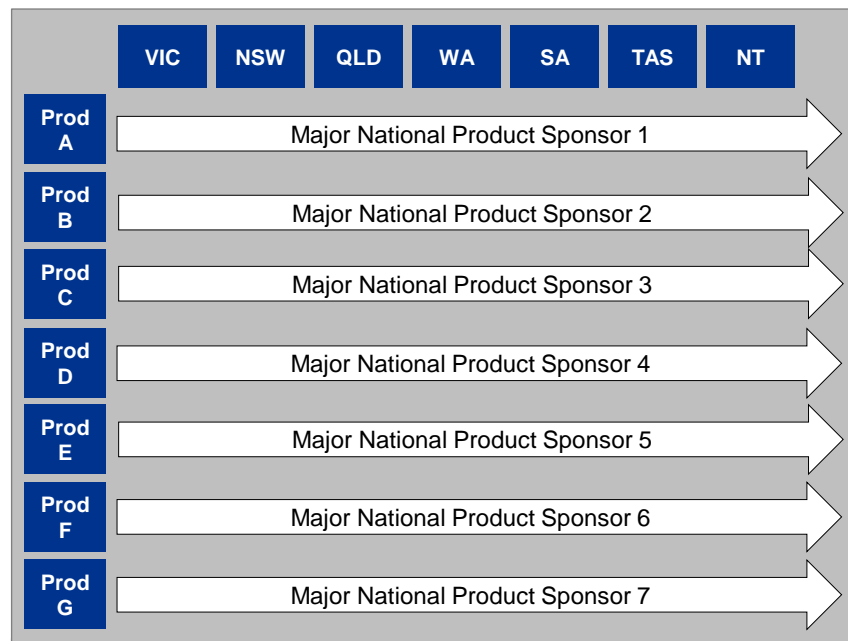
Marketing execution effectiveness

- Scale of a national organisation improves marketing executing effectiveness, e.g.:
 - Remove duplication of marketing effort and spend
 - Elimination of competitive sponsorships
 - Ability to leverage and consolidate learnings and capability of States / Territories
 - Scale efficiencies in media buying
 - Focused campaigns with consistent messages

Retained State / Local sponsorship as appropriate

- States to maintain local relationships with local sponsors / relationships where appropriate (no conflict with national sponsors)
- States benefit from the relationships built with national sponsors (e.g. national marketing campaigns and events, etc.)

Proposed One Golf Sponsorship Model



Sponsorship of ~6-8 major national products provides increased incentive to potential sponsors:

- Sponsorship of a national product, guaranteeing national exposure
- Exclusive brand association with the national product, and therefore consumers of the product (i.e. participants)

This added incentive is subsequently expected to increase the commercial value of sponsorships to *One Golf*, and therefore increase revenue for re-investment into the game

The 'One Golf' model can deliver a more robust governance model to enable the new organisation to continue to grow and develop the game

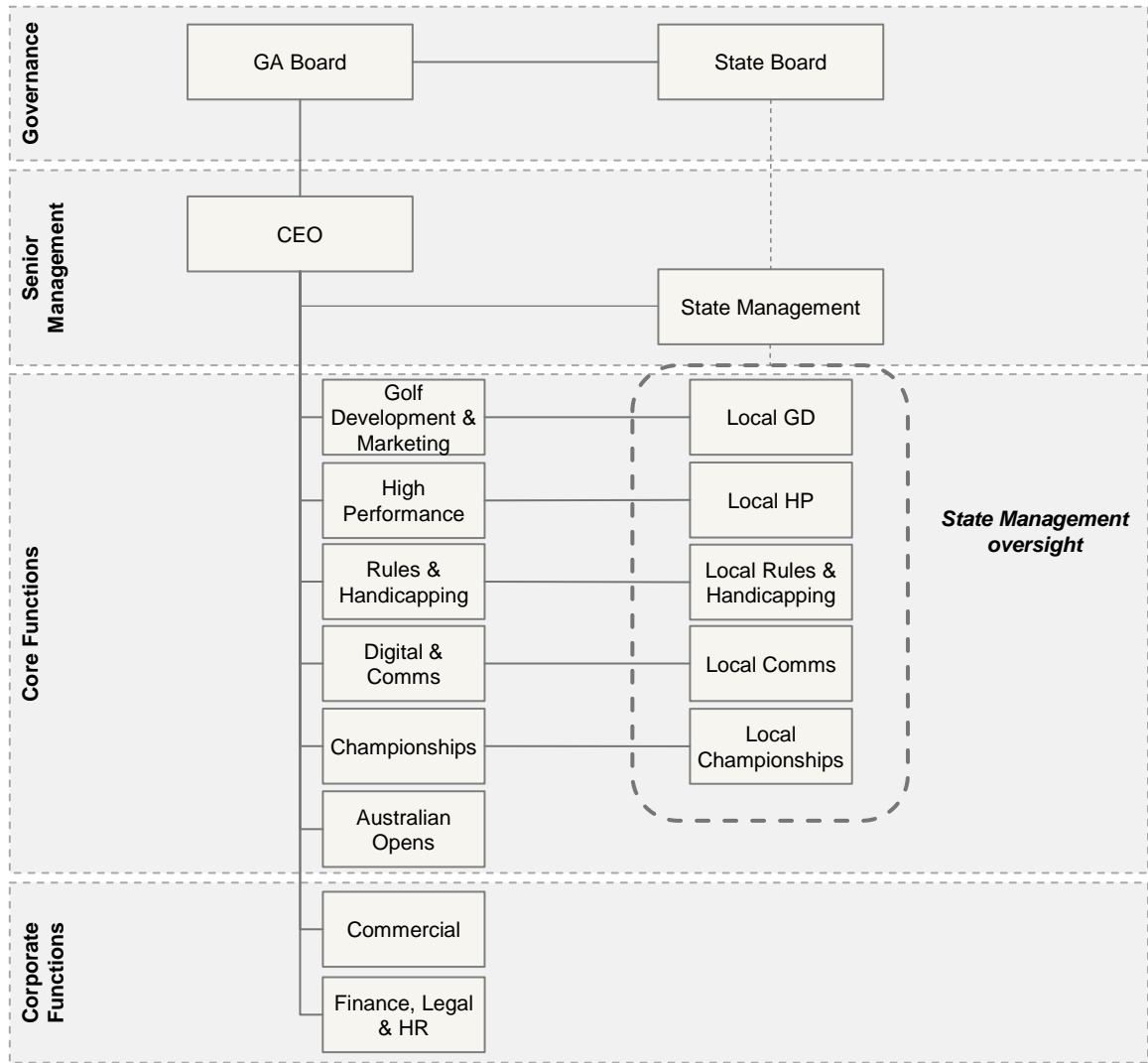
One Golf Model – 4. National Governance Structure – Key Features

| Features of Robust Governance | Current Model | One Golf Model |
|--|--|--|
| Clear lines of accountability | <ul style="list-style-type: none"> GA and states work autonomously with no established accountability between organisations Varying organisational structures and roles / responsibilities across GA and states | <ul style="list-style-type: none"> Local Delivery Teams within State golf bodies to report directly to national teams Consistent organisational structures and roles / responsibilities for local delivery teams |
| Efficiency of operations | <ul style="list-style-type: none"> Fragmented structure does not optimise the allocation scarce resources Duplication of effort across organisations (i.e.. Corporate functions - HR, Finance, etc.) | <ul style="list-style-type: none"> Optimised / targeted allocation of resources Key corporate functions consolidated into national functions |
| Flexibility & agility | <ul style="list-style-type: none"> Current allocation of scarce resources limits ability to adapt to emerging priorities Current structure constrains ability to respond collectively to needs of the sport | <ul style="list-style-type: none"> Efficient / targeted allocation of resources to meet emerging priorities National governance structure supports collaborative approach |
| Maximises sustainability | <ul style="list-style-type: none"> Separate organisations lack the scale to secure high value sponsorship / funding arrangements (i.e. national sponsorships with large, high value brands) Fragmented structure does not enable a whole of sport approach to maximising revenue | <ul style="list-style-type: none"> Increased scale and a national brand improves ability to secure larger value sponsorship arrangements with bigger brands National structure enables a whole of sport approach to maximising revenue |
| Enables common strategic focus | <ul style="list-style-type: none"> Common overall strategic objectives (participation, sustainability, etc.) but inconsistent approaches across GA and states | <ul style="list-style-type: none"> National strategic objectives and behaviours defined Consistent and collaborative approach to delivering common objectives |
| Aligns with broader sports funding objectives | <ul style="list-style-type: none"> Funding objectives not aligned between GA and states | <ul style="list-style-type: none"> Golf is funded under a national model and aligned with national objectives Local teams retain flexibility to align with state funding objectives to pursue state funds |

One Golf Model – 4. National Governance Structure – Roles & Responsibilities

| | | | | |
|---------------------------|---|--|--|---|
| Governance | State Boards | <ul style="list-style-type: none"> Election of the One Golf Board Oversee State championship program calendar and state squad / team programs Provide local strategic insight to One Golf Board to assist in national decision making Receive updates and reports from State Manager and provide feedback on state performance to One Golf CEO Management of state assets | | |
| | One Golf Board | <ul style="list-style-type: none"> Decision making authority with regard to One Golf strategy and national operations <ul style="list-style-type: none"> Determine strategic direction of One Golf Oversight of the national operations of One Golf Provide guidance / direction to One Golf CEO and management team | | |
| Management | CEO | <ul style="list-style-type: none"> Manage the national operations of One Golf Report to One Golf board on national operations Make informed recommendations to One Golf board on strategic and operational matters Oversight and support of State Manager in executing / managing national operations | | |
| | State Manager | <ul style="list-style-type: none"> Oversight of state operations and local implementation of national strategies and programs Report on state operations and requirements to CEO and State Board Manage state funding arrangements | | |
| Core Functions | Golf Development & Marketing | <ul style="list-style-type: none"> Planning and development of national programs Manage and support local development teams Develop and implement national / state marketing initiatives | Local Golf Development | <ul style="list-style-type: none"> Implement national programs locally Communicate local requirements / feedback to national team in the design / refinement of national programs |
| | High Performance | <ul style="list-style-type: none"> Identification of elite golfers at national and state events Planning and development of national HP program Coordinate / support HP coaches in program delivery Manage and support local HP teams | Local HP | <ul style="list-style-type: none"> Report to national HP team on potential HP candidates Provide feedback on national HP programs Implementing and coordinate HP programs locally Development and implementation of state team programs |
| | National Championships | <ul style="list-style-type: none"> Manage national championship calendar (incl. Australian Opens) Coordination / running of national events, using local teams Support local teams to leverage national supplier agreements | Local Championships | <ul style="list-style-type: none"> Manage a local (state) championship calendar Co-ordination and running of state championships Support running of national championships with guidance and instruction from national team Utilise national supplier arrangements for state events |
| | Rules & Handicapping | <ul style="list-style-type: none"> Maintain changes to national rules Determine and publish course ratings | Local Rules & Handicapping | <ul style="list-style-type: none"> Local contact point for Rules & Handicap inquiries |
| | Digital & Communications | <ul style="list-style-type: none"> <i>Digital</i>: Maintain One Golf websites and technology platforms <i>Communications</i>: Manage national communications team to fulfil One Golf communication requirements (incl. content development and management, stakeholder liaison) | Local Communications | <ul style="list-style-type: none"> Local content development Manage local media stakeholders |
| | Corporate Functions | Commercial | <ul style="list-style-type: none"> Maintaining key national commercial sponsors | Local Commercial |
| Finance, Legal, HR | | <ul style="list-style-type: none"> Conduct all One Golf finance, legal and human resource activities | | |

One Golf Model – 4. National Governance Structure – One Golf Structure



National Governance Structure

- Limited change to current governance structure
- State Boards remain for local delivery support and asset ownership / management

Core functions

- Managed nationally, delivered locally:
 - National programs developed by the national team and implemented by local delivery teams
 - National championships organised and coordinated by the national team with local assistance to deliver
 - State championships organised and coordinated by State teams, leveraging national procurement agreements
 - Management of the One Golf website and technology platform with content delivery support from local teams

National Corporate Functions

- Nationally managed and delivered, e.g.:
 - Funding model
 - Management of resources
 - National team servicing national sponsors



A number of drivers for change...

Key drivers of organisational change within Australian Red Cross were:

- Growing competition in the non-profit sector
- Annual operating budget limiting the ability for the organisation to grow
- Urgent need to diversify income, rationalise the cost of administration and develop on-going income streams
- Federated structure created duplication and inefficiency – at one point there were nine separate and divergent structures, systems, policies and processes for services ranging from HR, Finance, Marketing and Communications to delivery and support
- External engagement including marketing and communications, media relations, advocacy, government relations, business and social services sector was uncoordinated and ad hoc

Overall, Australian Red Cross was at a crossroads – embrace the urgent need to reform or be consigned to history as an organisation that failed to adapt to a changing operating context and community needs

...resulted in the implementation of organisational reforms...

The services and operations of Australian Red Cross were transformed primarily through:

Governance and management reforms

Bringing together 8 autonomous state and territory divisions under a unified national structure. This was primarily achieved through the National Functions Policy which sought to reduce duplication by defining areas which were to be managed nationally, and those remaining the responsibilities of state and territory divisions, reporting through their local executive directors and Divisional Boards.

A new strategic plan

The new plan was ambitious and broad, with the objective of transforming Australian Red Cross into a cohesive and united organisation – 'One Red Cross' – in which all areas of the organisation would be aligned to its vision, mission, strategy and culture.

Organisation-wide reviews

A series of organisation wide reviews, encompassing services and programmes, revenue generation and organisational support functions.

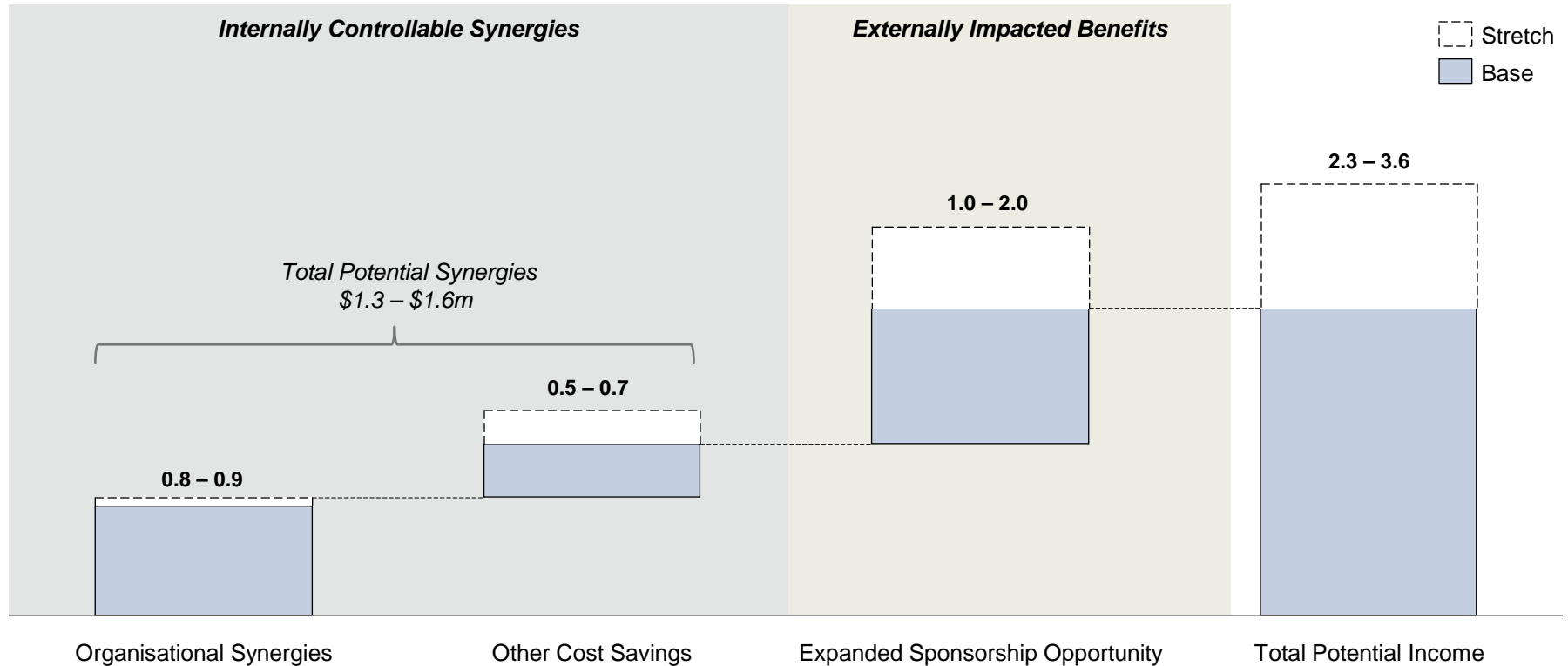
...which delivered significantly enhanced organisational performance

- Together, the reforms adopted by Australian Red Cross resulted in:
 - Renewal of domestic services, which enabled:
 - growth and expansion across all priority areas
 - increase in service to vulnerable people and communities, particularly those most disadvantaged, and
 - qualitative improvements in service development and delivery
- Greater efficiency and effectiveness of administrative and support services
- Improved resource mobilisation including dramatic increases in revenue generated by fundraising
- A strong national voice and clear policy positions, which enabled deeper engagement and influence with government, supporters, partners and the community
- Increased engagement, development and support for an expanded workforce, membership and supporter base

The 'One Golf' model could deliver additional annual income of \$2.3m - \$3.6m for re-investment into the growth and development of golf into the future

One Golf Model – Potential Annual Benefits

Income (\$ Millions)



1

Internally Controllable Synergies

Based on cost deficiencies from:

- Consolidating corporate functions
- Improved commercial outcomes from the scale of a national approach

2

Externally Impact Benefits

Estimated benefits from:

- Increased sponsorship opportunities from greater utilisation of partnerships and raising exclusivity under a national approach

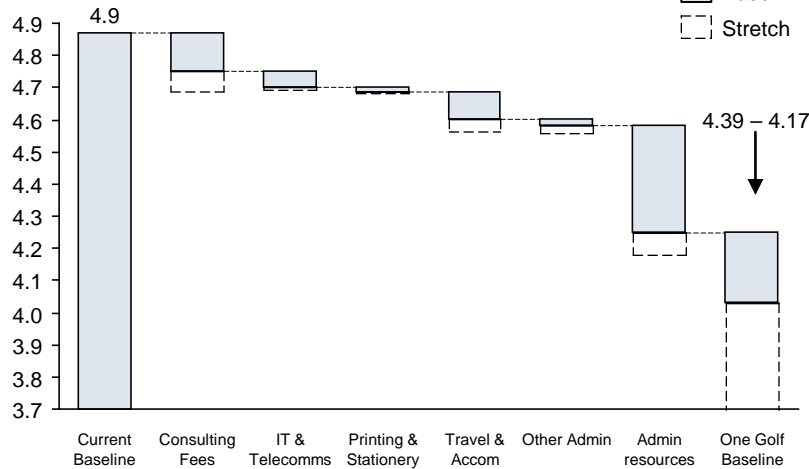
The opportunity

The 'One Golf' model could deliver \$1.3m - \$1.6m savings in annual costs for re-investment into the growth and development of golf into the future

1 Potential Benefits – Internally Controllable Synergies

Total Administration Expenditure

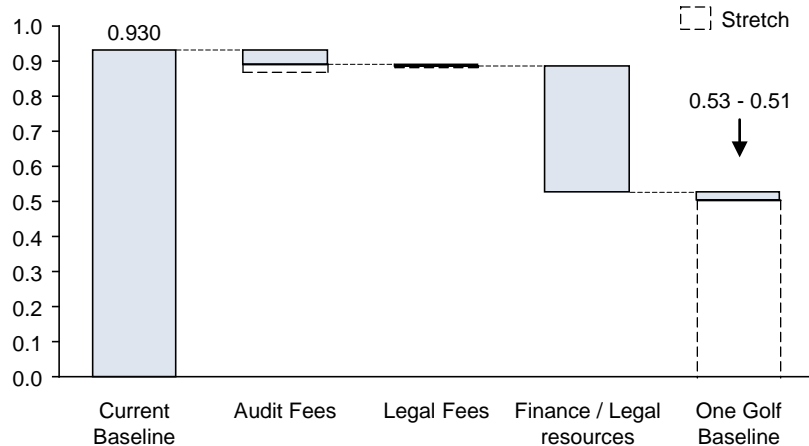
\$ Millions



1 Potential Benefits – Internally Controllable Synergies

Total Finance & Legal Expenditure

\$ Millions



Source: Consolidated financial data provided by GA; State positions, FTE and salaries provided by GA

| Element | B (\$m) | S (\$m) | Assumption |
|---------------------------------|--------------|--------------|---|
| ORGANISATIONAL SYNERGIES | | | |
| Admin resources | 0.225 | 0.295 | Consolidation of state administration functions into the national function will result in a reduction in duplicated activity and resource requirements by estimated 4 FTE (base) and 5 FTE (stretch). |
| OTHER COST SAVINGS | | | |
| Consulting Fees | 0.121 | 0.181 | Reduction in costs of 20% - 30% attributable to removal of duplication of strategic plan preparation, improved allocation of internal resources replacing spend on consultants for various roles, and leveraging increased scale / improved supplier arrangements. |
| IT & Telecomms | 0.045 | 0.058 | Reduction in costs of 2% - 5% attributable to procurement benefits from leveraging increased scale / improved supplier arrangements. An additional 10% - 17% reduction driven by a reduction in IT & Telecommunications requirements due to resource synergies on consolidation of the organisations. |
| Printing & Stationery | 0.018 | 0.023 | Reduction of between 2% - 5% attributable to procurement benefits in leveraging increased scale / improved supplier arrangements as well as an estimated 10%-17% reduction in organisation requirements. |
| Travel & Accom | 0.083 | 0.124 | Reduction in state costs of 10% - 15% attributable to procurement benefits based on corporate discounts from key suppliers - Qantas and Accor Hotel (10% and 15% respectively). |
| Other admin | 0.018 | 0.045 | Reduction in costs of 2% - 5% across ad hoc administration expenditure (i.e. Postage, etc.) attributable to procurement benefits from leveraging increased scale / improved supplier arrangements. |
| TOTAL | 0.510 | 0.726 | |

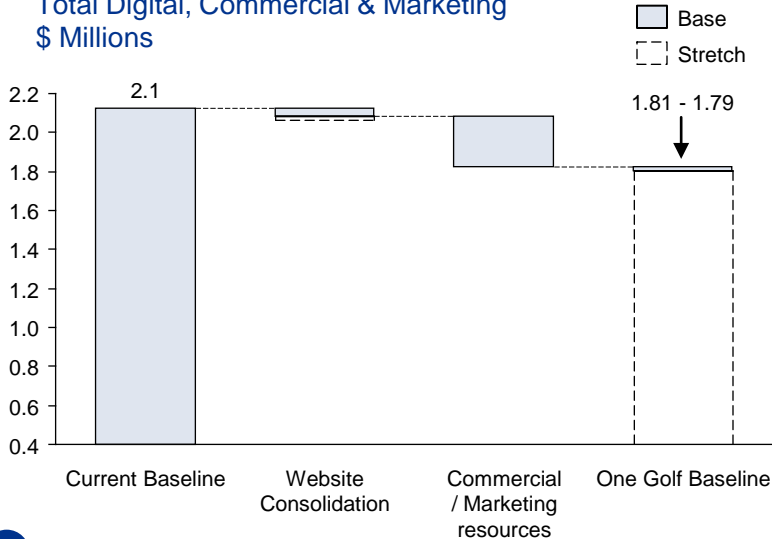
| Element | B (\$m) | S (\$m) | Assumption |
|---------------------------------|--------------|--------------|---|
| ORGANISATIONAL SYNERGIES | | | |
| Finance / Legal resources | 0.358 | 0.358 | Consolidation of state Finance / Legal functions into the national function removes duplication and therefore finance / legal resource requirements. Based on review of current roles, this is expected to reduce requirements by an estimated 3.2 FTEs across all states, with redeployment of some existing state finance / legal resources into the national function. |
| OTHER COST SAVINGS | | | |
| Audit Fees | 0.040 | 0.060 | Reduction of \$40,000 - \$60,000 per year (FY13 consolidated fees were \$132,255, with GA \$35,000) based on assumed reduction of audit requirements under <i>One Golf</i> |
| Legal Fees | 0.003 | 0.006 | Reduction of 5% - 10% attributable to the standardisation and reduction of contractual arrangements on consolidation. |
| TOTAL | 0.401 | 0.424 | |

The opportunity

The 'One Golf' model could deliver \$1.3m - \$1.6m savings in annual costs for re-investment into the growth and development of golf into the future

1 One Golf Model – Internally Controllable Synergies

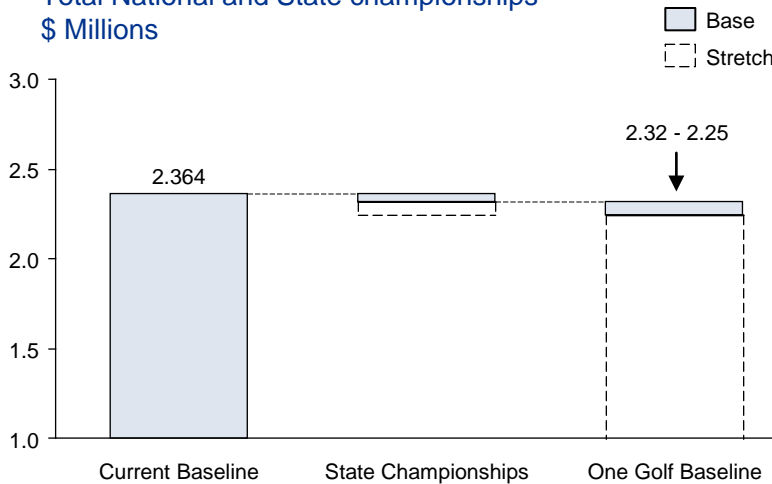
Total Digital, Commercial & Marketing
\$ Millions



| Element | B (\$m) | S (\$m) | Assumption |
|---|--------------|--------------|---|
| ORGANISATIONAL SYNERGIES | | | |
| Commercial / Marketing resources | 0.255 | 0.255 | Consolidation of state Commercial / Marketing functions into the national function will result in a reduction in related activity and therefore Commercial / Marketing staff resource requirements. Based on review of current roles, this is expected to reduce staff requirements by an estimated 3 FTEs across state associations, with the redeployment of some existing state Commercial / Marketing resources into the national function. |
| OTHER COST SAVINGS | | | |
| Website Consolidation | 0.040 | 0.060 | Reduction in costs of \$40,000 - \$60,000 from the consolidation of State websites into one website and technology platform. |
| TOTAL | 0.295 | 0.315 | |

1 One Golf Model – Internally Controllable Synergies

Total National and State championships
\$ Millions



| Element | B (\$m) | S (\$m) | Assumption |
|------------------------------------|--------------|--------------|--|
| OTHER COST SAVINGS | | | |
| National & State Champs | 0.047 | 0.118 | Reduction in costs of 2% - 5% attributable to procurement benefits from leveraging increased scale / improved supplier arrangements. |
| TOTAL | 0.047 | 0.118 | |

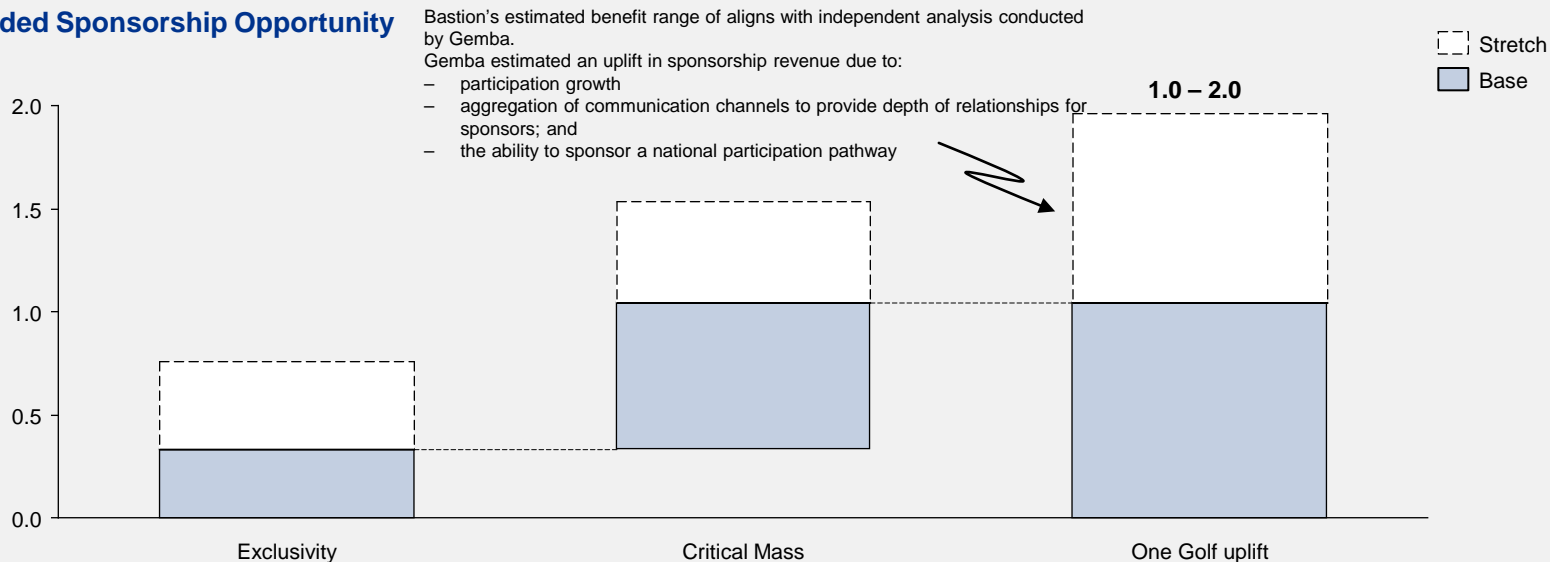
Source: Consolidated financial data provided by Golf Australia
State org structures by assumed salaries and FTE provided by Golf Australia

Better utilisation and exclusivity under the national approach of the *One Golf* model could deliver \$1.0 - \$2.0m annually in expanded sponsorship opportunities

2 Potential Benefits – Externally Impacted Benefits



Total Expanded Sponsorship Opportunity \$ Millions



Source: Refer to Bastion's report '*One Golf: A Commercial Partnership Analysis*' for detailed methodology and valuation of the benefit estimate provided in the summary table above

Appendices

Stakeholders Consulted

| | Name | Role |
|----------------------------------|-----------------------------|--|
| ASC | Gavin Macdonald | ASC Lead Governance & Business Development |
| Golf Australia Management | Stephen Pitt | Golf Australia CEO |
| | Gerard Kennedy | Golf Australia CFO / Company Secretary |
| | John Sutherland | Director – Digital and Communications |
| | Kent Boorman | Director – Commercial |
| | Cameron Wade | Director – Golf Development |
| Golf Australia Board | John Hopkins | Golf Australia – Board Chair |
| | Stuart Cox | Golf Australia – Board Member |
| | Robert Crosby | Golf Australia – Board Member |
| | John Karren | Golf Australia – Board Member |
| | Kerri-Anne Kennerley | Golf Australia – Board Member |
| | Michael Sammells | Golf Australia – Board Member |
| | Carmel Smith | Golf Australia – Board Member |
| | Jill Spargo | Golf Australia – Board Member |
| | Malcolm Speed | Golf Australia – Board Member |
| State Organisations | Simon Brookhouse | Golf Victoria CEO |
| | Lindsay Ellis | Golf Queensland CEO |
| | Chris Luz-Raymond | Golf SA CEO |

Appendices

KPMG SPORTS ADVISORY – recent credentials

| | | | |
|---|---|---|---|
|   <p>GolfAustralia</p> <p>KPMG Sports Advisory</p> <p>KPMG were engaged to provide indicative valuations related advice to Golf Australia</p> <p>2012</p> |   <p>Australian Government Australian Sports Commission</p> <p>KPMG Sports Advisory</p> <p>KPMG were engaged to create a financial analysis template / model for the ASC to collect detailed financial information from NSOs</p> <p>2013</p> |   <p>Athletics Australia Little Athletics Australia</p> <p>KPMG Sports Advisory</p> <p>Undertook financial analysis and prepared a business case for the proposed Athletics Australia and Little Athletics Australian merger</p> <p>2013</p> |   <p>swimming australia</p> <p>KPMG Sports Advisory</p> <p>Undertook financial analysis of the revenues and expenditure of Swimming Australia as part of the whole of sport strategic review</p> <p>2013</p> |
|   <p>Cycling AUSTRALIA</p> <p>KPMG Sports Advisory</p> <p>Undertook a financial risk assessment of Cycling Australia including reviewing financial governance, policies and procedures of CA</p> <p>2013</p> |   <p>Gymnastics Australia</p> <p>KPMG Sports Advisory</p> <p>Conducted a membership model review of Gymnastics Australia and provided a recommended model to support the sustainable future for the sport</p> <p>2014</p> |   <p>GolfAustralia</p> <p>KPMG Sports Advisory</p> <p>KPMG were engaged to conduct financial analysis and prepare a business case for the development of a "one golf" model</p> <p>2014</p> | |

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cutting through complexity

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