

Substantiation of the Reform Proposals Presented at the FIFA Executive Committee Meeting of 20 July 2015

Report submitted to the FIFA Executive Committee by the independent
Chairman of the FIFA Audit and Compliance Committee

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I. Introduction

At its 20 July 2015 meeting, the FIFA Executive Committee vowed to undertake further reforms in respect of structures and procedures within the world football's governing body. In particular, the Executive Committee welcomed the details proposed during the meeting by the Chairman of the FIFA Audit and Compliance Committee on the necessity for further reforms and on the specific areas in which such reforms need to be pursued. The Executive Committee also decided to establish a "Task Force"/ "2016 FIFA Reform Committee". With regard to the next meeting of the FIFA Executive Committee due to take place on 24 and 25 September 2015, specific reform proposals are now to be elaborated.

During his presentation, the Chairman of FIFA's Audit and Compliance Committee identified a total of eight areas that are subject to (further) reforms. The current report substantiates these areas; in addition specific elaborated proposals detail how individual reforms would need to be implemented. The report was compiled independently and separately from the work of the 2016 FIFA Reform Committee. However, on 2 September 2015, the members of the Reform Committee were informed by the Chairman of the FIFA Audit and Compliance Committee of these reform proposals and the decisions taken by the FIFA Executive Committee on 20 July 2015.

In respect of the reforms that would be necessary with regard to FIFA's structures and procedures, a broad public discussion has taken place - and is still taking place. Proposals submitted range from single, practical aspects through to comprehensive concepts, founded in theoretical ideas, that would fundamentally revolutionise FIFA. This present report has adopted a more realistic or concrete approach, which takes account of the fact that comprehensive and significant reforms have already taken place within FIFA and which have considerably improved the association's corporate governance. Therefore, the reforms described in this present report have not started from scratch, but, much more, can - and have had to - build on what has already been achieved. There is no particular reason to start a fundamental rethink of (or to 'revolutionise') the structures and procedures within FIFA. In this regard, radical solutions are not conducive to achieving objectives. It is much more favourable to pursue practicable advancements of existing structures in a self-regulatory framework.

In the light of this, the present report contains practical reform proposals, housing a realistic expectation that they will ultimately be implemented. They take account of the current state of affairs within FIFA, its 209 Member Associations and the Confederations, while at the same time effectively addressing the areas to be reformed with an eye on the relevant objectives. Furthermore, it does not lose sight of the fact that FIFA is a unique organisation that operates in an exceedingly specific, global and highly complex field of activity and tension and which in many respects is atypical. First and foremost it is a *sporting* organisation, although it also exhibits – sometimes significant – economic implications. This does not make it a business enterprise or corporation, however. Accordingly, governance and compliance standards (or even ideals) which might well apply to companies cannot be transferred or applied indiscriminately and unaltered to FIFA. Rather, in respect of the reforms that have now become necessary individual approaches and solutions need to be elaborated that take account of the specific conditions and characteristics of FIFA.

When it comes to implementing the proposed reforms, the FIFA Executive Committee will play a key role. As is detailed in this present report, the Executive Committee is currently one of the most problematic hotspots within the FIFA organisation and structure. At the same time, the Executive Committee has it in its hand not only to initiate but ultimately to precipitate the solutions to the relevant problems by implementing the proposals submitted in this report. In doing so, the Confederations will also have a key role to play. Confederation representatives on the FIFA Executive

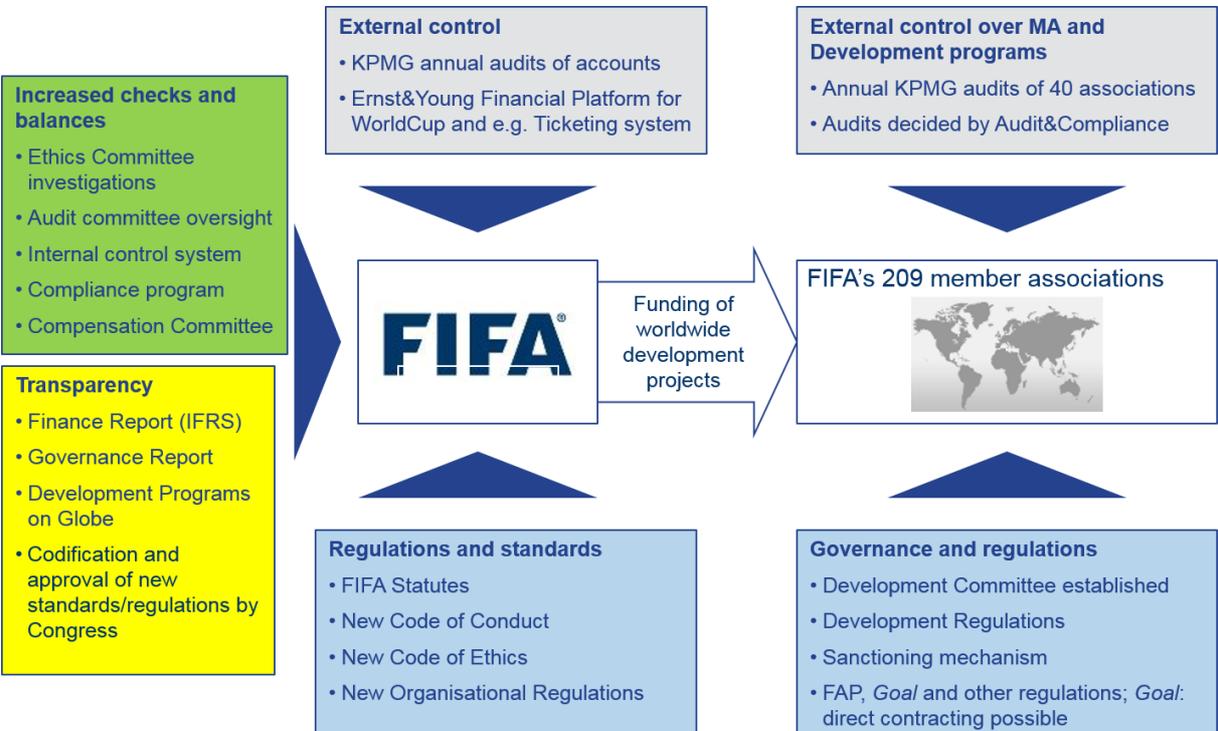
Committee essentially need to neglect the 'Confederation perspective' in discussions and resolutions on the reforms that have become necessary and focus stronger on the interests and well-being of FIFA as a whole than has been the case to date. FIFA is an association of (currently 209) national football associations but is at present heavily influenced by the Confederations – who are not FIFA members. This influence has not always served FIFA well. The members of the FIFA Executive Committee need to be reminded that they are representatives of a body *of the association, or federation, FIFA* and that they are being perceived as such. In future this notion needs to be reflected much stronger particularly in the conduct of FIFA Executive Committee members. The interests of the Confederations and those of FIFA overall need to be separated more strictly. This present report also contains proposals on how this can be effectively achieved.

II. Reforms already implemented

For all intents and purposes, FIFA has been in a process of continual reform since 1998. Since then, significant changes and developments have been instigated on the internal structures and procedures of world football's governing body. In particular, these include:

- Modified bidding, application and awarding procedures for hosting the final rounds of the men's World Cups;
- FIFA Ethics Committee: Continual advancement of the FIFA Code of Ethics; development of an independent Ethics Committee comprising an Investigatory and an Adjudicatory Chamber;
- Establishing a FIFA Audit and Compliance Committee with independent Chairmen and far-reaching competences;
- Establishing a FIFA Development Committee; strict monitoring of the distribution and appropriation of FIFA development funds;
- Accounting standards based on IFRS; introduction of comprehensive auditing;
- Introducing a "Best Practise Compliance Program", supervised by the FIFA Audit and Compliance Committee.

The reforms implemented to date can be illustrated as follows:



III. Necessity for further reforms

Irrespective of the adaptations and restructuring activities described above that FIFA has already instigated, further reforms are urgently needed. Such necessity arises from an analysis of the legal and economic risks FIFA (despite the reforms already introduced) is exposed to.

The greatest current risk in/for FIFA is the present institutional position and structure of the FIFA Executive Committee and the conduct of some of its members. Particular problems include:

- The extent of decision-making powers and/or competences: This is quite comprehensive, i.e. the Executive Committee has too many powers and competences and is *de facto* more powerful than the Congress;
- The existence of 'old boys' networks') along the Executive Committee - Confederations - Member Associations line (as well as within these bodies);
- The most significant single problem in terms of the Executive Committee lies in the misconduct of some Executive Committee members combined with the problem of 'double' or even 'triple heads' (with some officials holding multiple functions as a member of FIFA's Executive Committee, as a member of executive bodies of Confederations and/or national associations);
- Under these circumstances, the misconduct of some, even if it happens 'only' at Confederation/national association level, has a tremendous impact on FIFA itself or as a whole (this includes loss of image, financial loss [as a consequence of losing sponsors, for example]);
- This, in turn, can result in an individual and personal liability of FIFA Executive Committee members (it is worth noting here that FIFA needs to consider taking legal action against former Executive Committee members in order to claim damages for losses incurred);
- The most recent incidents and developments - especially those that occurred in May 2015 - manifested the considerable virulence of these risks;
- The FIFA Executive Committee and its members have a collective and individual responsibility, or duty, to address these risks and/or problem areas;
- FIFA and the members of the Executive Committee need to be better protected against the effects of potential misconduct of Executive Committee members and other officials at all levels of their activities.

As mentioned above, the phenomenon of 'double' or even 'triple heads' is a particularly virulent problem. If a member of FIFA's Executive Committee - just to explore a possible scenario - is simultaneously president of a national football association and, in his capacity at national association level, infringes the law in some manner (e.g. by taking a bribe or accepting a kickbacks or such like), this also has a direct negative impact on FIFA.

This specific problem could be effectively and speedily resolved by imposing a strict separation of roles (members of the FIFA Executive Committee cannot at the same time hold executive positions in confederations or national associations). However, given the specific particularities of sports organisation, it is almost impossible to do without official representatives from the Confederations and national associations in the FIFA Executive Committee, making this strict separation of roles therefore untenable. Consequently, FIFA and members of the FIFA Executive Committee have to be better protected - a fact described above as a necessity - by other means.

Specifically, such measures would have to include:

- 1) Enhanced and centralized integrity checks
- 2) Introduction of Term limits
- 3) Direct election of FIFA Executive Committee members by the Congress
- 4) Disclosure of individual compensations
- 5) Increased efficiency and enhanced independence of Standing Committees
- 6) Introduction of higher standards of governance at Confederation and member association levels
- 7) Revised World Cup bidding rules and procedures
- 8) Improvements regarding FIFA's organisation and structure

These measures are detailed below together with concrete proposals on how they can be implemented.

Given the on-going legal proceedings in the USA and in Switzerland, other measures may have to be taken into consideration should the necessity arise.

IV. Details on the additional reform measures

IV.1. Enhanced and centralized integrity checks

IV.1.1. Why this particular measure is necessary

As already described (cf. section III. above), misconduct of members of the FIFA Executive Committee can have a negative impact on all members of this body (liability). In the light of this, each member of the Executive Committee has an interest and the right to expect that the other members of the Committee are selected carefully. Furthermore, it is possible for a member of the Executive Committee to seek redress against FIFA. A member may be entitled to take legal action if it can be shown that another member of the Committee has committed wrongdoings and that due care has not been applied when selecting this member. This is particularly the case if previous misconduct was not uncovered during the selection process but could have been uncovered if due care would have been applied. Finally, FIFA members also have the right to expect due care to be exercised in the selection of suitable candidates for the Executive Committee; this arises from the right to expect an association to be administered in a manner compliant with the law and the association's statutes.

This gives rise to the following consequences:

- (1) For members of the FIFA Executive Committee - and/or the newly envisaged governing boards and independent committees (see IV.8. below) – *central integrity checks carried out by FIFA* are necessary. This is also related to the proposed introduction of all members of the FIFA governing boards being directly elected by the Congress (see IV.3., IV.8. below). Integrity checks for members of the present-day Executive Committee (President, female members) elected by the Congress are already being conducted by FIFA in accordance with existing FIFA regulations (cf. Section 13.2 of the Standing Orders of the Congress). If - as proposed - *all* FIFA governing boards are to be elected by the Congress (see IV.8. below), it is only logical and essential that all relevant integrity checks be conducted by FIFA.
- (2) At the same time, integrity checks need to be improved and enhanced. In the past, we saw that integrity checks (both at FIFA and Confederation level) were not particularly stringent. As a private organisation, FIFA is however subject to certain limitations in this regard. Nevertheless, within the framework of these restrictions, all available options (more than has been the case to date) have to be explored. In particular, integrity checks need to comprise a comprehensive disclosure of all circumstances that could possibly lead to conflicts of interest.

Ultimately, the need for this specific measure arises from the necessity not to accept any person found guilty of past misconduct in FIFA's supreme governing bodies and from the necessity to inhibit 'old boys' networks' and nepotism (see section III. above).

IV.1.2. Description

Comprehensive and thorough integrity checks to be conducted by the Investigatory Chamber of the FIFA Ethics Committee in respect of the following individuals:

- All members of the FIFA Executive Committee;
- All members of the judicial bodies (members of the Ethics Committee would have to be subject to special regulation as they should not be allowed to check themselves);
- All members of the Audit and Compliance Committee;
- Chairpersons and deputy chairpersons of the Standing Committees;
- Secretary General.

In case the structural reforms proposed in section IV.8. are to be implemented, such integrity checks would have to be envisaged for the following individuals:

- All members of the Governing Board (including the President);
- All members of the Management Board;
- All members of the judicial bodies (members of the Ethics Committee would have to be subject to special regulation as they should not be allowed to check themselves);
- All members of the Audit and Compliance Committee;
- All members of the Commercial Board;
- All members of the Development Board;
- Chairpersons and deputy chairpersons of the Standing Committees (cf. IV.8 below);
- Secretary General.

Furthermore, the integrity check would in any event have to be enhanced and/or extended to include the following:

- Requiring candidates to submit an extract from their criminal record and an extract from the bankruptcy or debt enforcement register (or the equivalent under the respective national law) to supplement the Declaration of Integrity;
- Requiring candidates to provide FIFA with the necessary authority to allow it to enquire with the Confederation, the member association, CAS, the IOC and the like whether sanctions have been imposed against the candidate (including releasing the respective organisation from its obligations regarding confidentiality and maintaining secrecy);
- Including an express reference in the Declaration of Integrity to the fact that failure to disclose a potential conflict of interest and/or other details in the Declaration of Integrity may lead to sanctions (up to and including a lifelong ban);
- Introducing an express duty to report any subsequently occurring potential conflicts of interest in the Declaration of Integrity;
- Including an express 'reminder' in the Declaration of Integrity of Article 19 of the FIFA Code of Ethics, requiring individuals to recuse themselves as soon as a potential conflict of interest arises;

In respect of the integrity checks and/or the disclosure of interests, appropriate procedures and documents from other organisations or companies (e.g. UN, EU, Siemens, etc.) could be drawn on as examples or templates; these would have to be adapted to meet FIFA's special needs. The respective templates in the FIFA Organisation Regulations (FOR) would have to be replaced, or transferred to the 'FIFA Election Regulations' (still to be drafted).

Prospective candidates for positions would be required to pass the integrity check to be eligible for elections. In other words, should the prospective candidate be negatively assessed by the Investigatory Chamber of the FIFA Ethics Committee (which is/would be responsible for the check), the person concerned would not qualify for the election process. Within the scope of its decision-making, the Investigatory Chamber should be permitted a certain degree of discretion. In this context, it is clear that not every act of misconduct from a candidate's past would lead to him/her being disqualified in the context of the integrity check; rather, there has to be a connection between the misconduct in question and the office for which the candidate is applying.

Finally, in the context of implementing this reform point, an obligation for Confederations and national associations to conduct integrity checks of a similar scope and depth/thoroughness in relation to persons considered for their supreme bodies would have to be introduced. This obligation would be enforced by way of requirements to qualify for elections, i.e. persons would only be eligible for

elections to the FIFA Executive Committee and other relevant bodies if the national associations and Confederations from which the relevant candidates come have implemented this particular obligation.

IV.1.3. Implementation

These two points - the passing of the integrity check and the introduction of equivalent integrity checks by Confederations and Member Associations to qualify for elections to FIFA governing bodies - need to be included in the FIFA Statutes and therefore need to be adopted by the Congress. By contrast, details regarding the integrity checks would have to be regulated in other FIFA regulations (in particular in the FIFA Organisation Regulations and/or in new FIFA Electoral Regulations) and could be adopted by the FIFA Executive Committee or, if the structural reforms proposed in section IV.8. are implemented, by the Governing Board.

IV.2. Introduction of Term limits

IV.2.1. Why this particular measure is necessary

It is generally recognised and conforms to established practises of good governance that (too) long periods of office create dependencies and increase the risk of conflicts of interest. In addition, after a certain period of time, officials and/or holders of certain (management) functions are no longer considered independent. As a consequence, it is necessary to introduce term limits in relation to the Executive Committee and other key FIFA (management) committees in order to secure the integrity of the respective position and/or function and thus of FIFA as a whole (in this respect, see III. above).

A periodic renewal of officials in management functions of entities also promotes innovation and is an effective means of countering any potential negligence connected with increasing routine in exercising an office.

IV.2.2. Description

Given the necessities described above, the proposal is to limit the terms of office of the President, the (other) members of the Executive Committee, the Secretary General and members of the independent committees to three (each of four years).

Furthermore, equivalent term limits would also be envisaged at Confederation and Member Association level. This obligation would be implemented via the requirements to qualify for elections for the the FIFA Executive Committee. Accordingly, persons would only be eligible for elections to the FIFA Executive Committee and other relevant bodies when the national associations and Confederations from which candidates come have implemented this particular obligation.

As an alternative to term limits, another issue discussed were age limits. However, in view of the relevant objectives (cf. IV.2.1. above), this would appear to be less effective. For example, if a person is elected to a given position rather early, he/she can remain in office for a very long time, despite age limits, which would run counter to achieving the objectives presently relevant. What is more, age limits are subject to certain legal considerations (age is insufficient reason to differentiate and/or restrict the passive right to vote; age restrictions would represent unjustified discrimination and infringe FIFA's prohibition of discrimination described in Article 3 of its Statutes). Last but not least, age restrictions are more often being abolished in national jurisdictions.

IV.2.3. Implementation

Term limits - in itself and as part of the requirements to qualify for election - need to be anchored in the FIFA Statutes and as such are the responsibility of the FIFA Congress.

IV.3. Direct election of FIFA Executive Committee members by the Congress

IV.3.1. Why this particular measure is necessary

At present, the members of the FIFA Executive Committee - except for the President and the female member - are determined by the Confederations. This first and foremost has its historical reasons and tradition; however, from an objective (especially institutional and organisational) perspective, this is inadequate for the following reasons:

- Confederations determine the members of the governing body of FIFA although they themselves are not members of FIFA
- Members of the Executive Committee determined in this way feel a sense of obligation/responsibility firstly towards their Confederations, less so towards FIFA.

These circumstances may lead to a certain degree of negligence in relation to the way members of the Executive Committee exercise their duties. As described above; this can have a negative impact for members of the Executive Committee, the Committee itself and FIFA overall in the event of misconduct (see section III. above). Moreover, in this constellation, FIFA as an association can be held vicariously liable (Article 55 par. 2 of the Swiss Civil Code) for the behaviour of persons who have not been determined by one of the association's bodies. Finally, there is currently no corresponding or adequate democratic legitimation to support the wide-ranging power the Executive Committee enjoys. Having the members of the FIFA Executive Committee directly elected by the Congress would significantly strengthen the legitimation of the persons concerned in their (management) functions.

The following consequences arise from these circumstances:

- The responsibility and accountability of members of the Executive Committee towards FIFA needs to be strengthened (also and in particular in the way they perceive themselves);
- The notion that members of the Executive Committee are also (and primarily) accountable to FIFA and its members overall (and not to the Confederations or single Member Associations) needs to be strengthened and made more transparent and perceptible;
- The Congress also needs to have the option of not re-electing members of the Executive Committee it is not satisfied with (relevant practice has shown that the right to remove a member pursuant to Article 30 par. 4 of the FIFA Statutes places too high a bar and is hardly used);
- As the supreme body of the association, the Congress must be capable of choosing the members of the executive body (strengthening the democratic process within FIFA; in this context it is worth noting a corresponding regulation in the law on stock companies according to which the election of the board of directors by the general assembly is mandatory (Article 698 par. 2.2 of the Swiss Code of Obligations)).

IV.3.2. Description

In the light of the details presented above, the members of the FIFA Executive Committee (as well as of other governing bodies or committees, where applicable) will have to be elected directly by the FIFA Congress in the future. In doing so, each member has to be elected in a secret vote.

However, given their special position in the structure of globally organised football, the Confederations should be involved in the relevant voting procedure. This could take place, in particular, by granting the Confederations the right to propose candidates. In order to ensure that a real election

actually takes place, the Confederations will have to compile lists of candidates that comprise more names than seats available.

In connection with the reform measures discussed above, it would also be worth considering modifying the distribution of members from the Confederations on the FIFA Executive Committee. See also section IV.8. below on this issue.

IV.3.3. Implementation

Direct elections of members of the FIFA Executive Committee mandatorily needs to be provided for in the FIFA Statutes; corresponding revisions would therefore have to be approved by the FIFA Congress. In contrast, details of the election procedure could be determined at regulation level and thus adopted by the FIFA Executive Committee.

IV.4. Disclosure of individual compensations

IV.4.1. Why this particular measure is necessary

It is a generally recognised principle of good governance that the disclosure of individual compensations of the members of governing bodies of entities leads to greater transparency. Transparency, in turn, is on the one hand a key principle of FIFA rules and regulations (see e.g. Article 2 (e) of the FIFA Statutes, Article 18 par. 2 of the FIFA Code of Ethics) and an important instrument to impede (potential) conflicts of interest. While the compensation paid to members of the FIFA Executive Committee is already today not determined by the Executive Committee itself but by the Compensation Sub-Committee (thereby avoiding conflicts of interest in the context of determining the compensation), it must be taken into account that FIFA's supreme body is the Congress (this body also approves the budget and the financial statements; cf. Article 25 par. 2 (k) and (l) of the FIFA Statutes). Disclosing the amount of compensation to the Congress would enable greater control by FIFA members.

In addition, it must be noted in the present context that such disclosure would provide an (additional) incentive to the Compensation Sub-Committee to decide on compensations in an adequate manner. Finally, it is worth noting that listed companies are obliged to disclose all compensation paid to members of the board and of the executive (Article 663b^{bis} of the Swiss Code of Obligations). Irrespective of the fact that FIFA, as an association, is not legally obliged to disclose this type of information, there are however certain parallels ('same business, same risk, same rules').

IV.4.2. Description

Compensation paid to the president, the other members of the FIFA Executive Committee, the Secretary General and (at least) the chairpersons of the independent committees (or to all members of FIFA's governing bodies proposed in accordance with section IV.8.) are to be disclosed individually and in detail.

Disclosure should comprise all income and/or compensation, i.e. all benefits, variable salary elements, fringe benefits, etc. which the respective person receives from FIFA. In addition, all other football-related income and/or compensation is also to be disclosed: only in this manner is it possible to effectively avoid or uncover (potential) conflicts of interest.

Detailed disclosures would have to be made to the Compensation Sub-Committee. However, no detailed disclosures would be made in the FIFA financial report (i.e. to the Congress and the public): income would only be disclosed divided into categories.

Example:

	Category of compensation and income received from FIFA	Category of other football-related compensation and income
(Name)	C	A
(Name)	A	D

A = up to USD 100,000 p.a.; B = up to USD 250,000 p.a.; C = up to USD 500,000 p.a.; D = over USD 1 m p.a.

IV.4.3. Implementation

The obligation to disclose does not necessarily have to be provided for in the FIFA Statutes; introduction at regulation level would be sufficient. Accordingly, the obligation could be introduced by the FIFA Executive Committee.

However, in view of the fact that the obligation in question would also affect members of the Executive Committee itself, it would be worth considering introducing the obligation to disclose through a decision adopted by the Congress. In such a case, it would be possible to anchor only the principle of the relevant obligation in the FIFA Statutes while the corresponding details could be regulated at regulation level.

IV.5. Increased efficiency and enhanced independence of Standing Committees

IV.5.1. Why this particular bundle of measures is necessary

The present situation in relation to FIFA's standing committees is characterised by the fact that these commissions are partly populated by people who make decisions regarding transactions from which they themselves stand to gain (there is e.g. a significant number of representatives of national associations in the Development Committee who are in receipt of development funds). This particular circumstance harbours considerable risks of conflicts of interest and nepotism and must therefore be eliminated. Moreover, the present size of the Standing Committees harbours a high risk of nepotism and favouritism. In addition, the sheer number of Standing Committees today makes them very difficult to control.

Combined with the fact that the chairpersons and vice-chairpersons of the Standing Committees are virtually all members of the FIFA Executive Committee (cf. Article 34 par. 2 of the FIFA Statutes), the factors presented above lead to an unwieldy interdependence of various interests and positions. Ultimately, this results in the risks for the members of the Executive Committee, the Executive Committee overall and for FIFA as a whole as already described (see section III. above). These risks need to be eliminated.

IV.5.2. Description

Both the number and the size of the Standing Committees need to be reduced significantly. Corresponding proposals can be found in section IV.8. of the present report.

In addition, the chairperson and the vice-chairperson of the Finance Committee will have to meet the independence criteria described in Article 12 of the Standing Orders of the Congress in the future. Furthermore, all members of the Finance Committee as well as – in case the reforms proposed in section IV.8. of the current report are implemented – the chairpersons and vice-chairpersons of the other committees will have to be subject to enhanced integrity checks by FIFA (see IV.1. above). Finally, (at least) the chairperson of the committees should undergo an enhanced check with regard to possible conflicts of interest.

IV.5.3. Implementation

Changing the numbers of Standing Committees inevitably necessitates amendments of the FIFA Statutes, which, in turn, will require corresponding decisions of the Congress. Moreover, implementing the reforms proposed above will also require amendments of other FIFA rules and regulations (in particular of the FIFA Organisational Regulations); these would have to be adopted by the FIFA Executive Committee.

IV.6. Introduction of higher standards of governance at Confederation and Member Association levels

IV.6.1. Why this particular bundle of measures is necessary

Some Confederations and FIFA member associations have proved vulnerable when it comes to establishing and complying with governance standards. Combined with the phenomenon of 'double' and 'triple heads' in particular, this constitutes an especially virulent risk for FIFA Executive Committee members, the Executive Committee and FIFA as a whole (see section III. above). In an attempt to minimise this risk, the Confederations and the national associations - where applicable - have to be obliged to establish and comply certain minimum standards of governance.

IV.6.2. Description

If they have not already done so, Confederations and FIFA member associations have to issue adequate (i.e. reasonably strict) ethics and/or disciplinary regulations and set up the bodies or institutions required to implement them (ethics and/or disciplinary committees). In this regard, the Confederations and member associations are to be obliged to introduce and comply with high standards of governance based on relevant 'best practise', such as for example:

- Independent, external auditors;
- Independent audit and compliance committees;
- Independent judicial bodies;
- Term limits (cf. section IV.2. above);
- Giving greater consideration to women in governing and administration bodies.

Moreover, all persons elected to, appointed to or assigned to FIFA bodies or institutions have to pass independent and strict integrity checks in their respective Confederations and national associations (unless this does not result from the measures described in section IV.1. above already). This obligation is enforced by introducing appropriate requirements to qualify for election in relation to FIFA positions (see IV.1. above).

IV.6.3. Implementation

The obligation for Confederations and FIFA member associations to comply with the minimum standards described above are mandatorily to be established at the level of the FIFA Statutes. This requires a corresponding decision of the Congress. The requirements to qualify for election in relation to FIFA positions mentioned above are also mandatorily to be established at the level of the FIFA Statutes.

IV.7. Revised World Cup bidding rules and procedures

IV.7.1. Description

The bundle of measures presently relevant has already been approved and must therefore merely be implemented (further) now. Accordingly, the explanations in this section may be restricted to an overview of the specific measures still to be implemented. These include in particular:

- The award of country hosting football's World Cup to be decided by the FIFA Congress in open vote;
- The promotion of development projects by bid teams outside their own countries should no longer be permitted;
- Bid teams are to be subject to more stringent compliance rules and accounting regulations;
- The winning country/association shall be obliged to comply with UN standards regarding working conditions and human rights.

IV.7.2. Implementation

The particular measures listed above do not necessarily have to be implemented at the level of the FIFA Statutes; it is sufficient for them to be anchored at regulation level (especially in bidding regulations) and within the framework of the specific agreements between FIFA and the hosting countries. Therefore, only the FIFA Executive Committee has to be involved in this context (if at all required).

IV.8. Improvements regarding FIFA's organisation and structure

IV.8.1. Why this particular bundle of measures is necessary

As described in section III. above, the decision-making powers and competences of the FIFA Executive Committee are currently too extensive. This results in an inadequately large bundling of power within the Executive Committee. Moreover, the Executive Committee is, in part, too much occupied with 'micro management'. In other words, it is overly occupied with issues and procedures that do not fall within the competence of a supreme executive body. Furthermore, neither do the members of the body have sufficient connection to them. In terms of governance, this is clearly not the ideal situation. Today's Executive Committee must urgently be improved in the way it functions.

In addition, there has to be a better or stricter separation between sports-related responsibilities and commercial competences/procedures within FIFA's structures because:

- these two areas call for differing high standards of governance, best practise, duties of care in exercising activities, etc.,
- such a separation minimises the vulnerability of structures and individuals in respect of misconduct (corruption, nepotism, etc.), and
- the flows of finances (in particular, development funds) needs to be monitored and controlled more stringent than is the case today, independent of any (potential) influence from individuals or circumstances related to sports.

IV.8.2. Description

In order to achieve a clearer/better or stricter separation of strategic decision-making and/or supervisory functions/competences (today's Executive Committee) from the processing of day-to-day business (administration/General Secretariat), certain transactions and tasks need to be transferred from the Executive Committee to the General Secretariat. The Executive Committee in its present form needs to be split into two different bodies: A Governing Board dedicated to strategic issues, and a Management Board entrusted with business management (see below for details on these structural reforms and on the particular bodies).

Moreover, other improvements need to be made in the area of financial controls, in particular in relation to development funds (proper use, 'money trail', etc.). In this connection, stringent tender and bidding regulations need to be introduced for commercial and/or television rights contracts - if these have not already been instigated to an adequate extent.

Finally, there has to be a clearer/better separation of sports-related responsibilities and commercial competences and transactions within FIFA. FIFA will continue to be an association within the meaning of Articles 60 *et seqq.* of the Swiss Civil Code but will be partially restructured. In detail, the following changes would be made to FIFA bodies and other institutions:

Congress

Composition

- Ordinary Congresses: no changes
- Extraordinary Congresses: A delegation system should be introduced (reduced number of member associations; the respective associations to be determined by the Confederations)

Majority rules

- The principle of 'one vote per member' is to be retained
- Majority rules remain unchanged

Competences and functions

- Decides on the awarding of venues for the final rounds of World Cups (only for men's A teams); open voting in one round; pre-selection by the Governing Board
- Adopts a 4-year (framework) budget
- Elects the FIFA President and the members of the Governing Board
- Chooses the auditors
- Other responsibilities as today

President

Competences and functions

- Chairs the Congress and the Governing Board
- Has a right to vote in the Governing Board but no longer has a casting vote
- Represents FIFA externally ('sporting representative')
- Representation powers and authority to sign: as per the relevant entry in the Commercial Register and separate provisions in the FIFA Statutes

Election and eligibility criteria

- Pursuant to the FIFA Statutes and Electoral Regulations
- Electoral body: Congress
- Term limit: maximum of 3 terms of office each of 4 years
- No age limit
- Election procedure in the Congress: must be adapted urgently (the present procedure is much too time-consuming); but simplifying the procedure by changing the majorities required for an election is not recommended

Provisions regarding bias

- Substantially corresponding to Article 68 of the Swiss Civil Code and Article 19 par. 3 of the FIFA Code of Ethics
- Already result from the appropriate regulations regarding the Governing Board; these should cover most of the relevant constellations

Governing Board (modified Executive Committee)

Composition

Option 1: 33 + x (maximum 40) members (new)

- FIFA President (Chair)
- 8 UEFA
- 8 CAF
- 8 AFC and OFC together
- 8 CONMEBOL and CONCACAF together
- x (max. 7) representatives of other stakeholders (e.g. FIFPro, ECA, EPFL, women's football, etc.)
- Additionally: Secretary General (merely administrative functions; no voting rights)

Option 2: Composition analogous to present Executive Committee (25 members)

- FIFA President (Chair)
- 8 UEFA
- 4 CAF
- 4 AFC
- 1 OFC
- 3 CONMEBOL
- 3 CONCACAF
- 1 Female member
- Additionally: Secretary General (mere administrative functions; no voting rights)

Note: Given the background of the objectives pursued by the reforms proposed in this particular section, option 1 is clearly the one to be preferred. In particular, option 1 reflects the composition of the Congress much better than option 2; moreover, it provides, by involving other stakeholders, a significantly more favourable implementation of Good Governance principles. Notwithstanding this, the structural changes proposed in the present section can be implemented through both options.

Election, Eligibility Criteria, Incompatibilities, Term Limits

- Members (including the maximum of 7 representatives of other stakeholders) are elected by the Congress based on recommendations from the Confederations and/or the respective stakeholders (short-list procedure)
- Eligibility criteria:
 - o A representative of a Confederation may only be elected if in his/her association and the confederation in which the association is a member of there is also a term limit for executive functions (Executive Committee or other executive or governing body, President; see also IV.2. above)
 - o Integrity checks (conducted by FIFA)
- Term limit: to a maximum of 3 periods of office each of 4 years (to be regulated separately)
- No age limit

Competences and functions

- In particular: (detailed/annual) budget, strategy, sports politics, adoption of regulations, awarding the hosts for the final rounds of World Cups (except for men's A teams)
- Pre-selecting candidate countries/associations for hosting the final rounds of World Cups (men's A teams) on behalf of the Congress
- Has a general 'filtering' function in respect of the Congress (right to submit motions, in particular for expulsions of Member Associations)
- Has competence to decide on matters not provided for pursuant to the current Article 85 of the Statutes
- Responsibilities in the area of development funds: The Governing Board determines the global sum in the budget for development projects, while the detailed distribution will be determined by the Development Board

Voting/Decision-making

- Fundamental principle: one member, one vote
- Decisions will be made by the majority of votes cast from those present (Article 67 par. 2 of the Swiss Civil Code)
- No proxy votes
- No casting vote by the Chair (in the case of a tied vote, the motion is not carried)

Provisions regarding bias

- Substantially corresponding to Article 68 of the Swiss Civil Code and Article 19 par. 3 of the FIFA Code of Ethics
- If necessary, to be explicitly stipulated in separate provisions

Other matters

- Cycle of meetings: In principle, twice per year
- Possibly: Provide for decision-making by way of circulars and/or in emergency formation (as today's Emergency Committee)

Management Board

Composition

- Headed/chaired by Managing Director; is identical to the Secretary General
- Other members: The respective directors of the departments in the General Secretariat

Competences and functions

- Management; exercising and/or supervising FIFA's day-to-day business
- Reports to the Governing Board

Manner of operation

- Collegial body, the principle of collegiality applies internally (decisions etc.)

General Secretariat

Head

- Secretary General (identical to the Managing Director; see above)

Appointment of the Secretary General/Managing Director

- Procedure: as today
- Term limit: maximum of 3 periods of office each of 4 years
- No age limit

Competences and functions

- Provides administrative support to other association bodies
- Participates in meetings of the Congress and of the Governing Board in a merely administrative function
- Transfer of specific day-to-day business transactions presently in the hands of the Executive Committee to the General Secretariat so that only strategic decision-making and/or supervisory functions/competences remain with the Governing Board

Auditor

- Ordinary audit (Article 69b par. 1 of the Swiss Civil Code; as today)

Judicial bodies (Disciplinary, Ethics and Appeal Committees)

- Responsibilities etc.: as today
- Term limits for members: maximum 3 periods of office each of 4 years
- No age limits

Commercial Board (modified Marketing and Television Committee)

Composition, election, etc.

- Just 7 members (new)
- Members proposed by the Governing Board and elected by the Congress
- Have to pass integrity checks carried out by FIFA prior to their election
- The Chair and three other members have to fulfil the independence criteria pursuant to Article 12 par. 1 of the Standing Orders of the Congress
- Decision-making by simple majority
- Possibility of decision-making by way of circulars
- Provisions on conflicts of interest (Article 19 of the FIFA Code of Ethics) to be strictly observed during each and every discussion and/or decision-making procedure: Obligation to refrain from performing functions in cases of conflicts of interest (Article 19 par. 3 of the FIFA Code of Ethics)
- Term limit: maximum of 3 periods of office each of 4 years
- No age limit

Competences and functions

- Development of overall strategies concerning the exploitation of marketing and TV rights for all FIFA football events, including tendering, etc.
- Concrete implementation of these strategies (in particular tendering and awarding rights to specific events)
- Equivalent responsibilities in all other revenue-generating areas
- Providing precise and full evidence of all flows of funds
- Where applicable, involving respective departments of the FIFA General Secretariat
- Reports to the Governing Board and the Congress but is independent

Development Board

Composition, election, etc.

- Just 7 members (new)
- Members proposed by the Governing Board and elected by the Congress
- Have to pass integrity checks carried out by FIFA prior to their election
- The Chair and three other members have to fulfil the independence criteria pursuant to Article 12 par. 1 of the Standing Orders of the Congress
- Decision-making by simple majority
- Possibility of decision-making by way of circulars
- Provisions on conflicts of interest (Article 19 of the FIFA Code of Ethics) to be strictly observed during each and every discussion and/or decision-making procedure: Obligation to refrain from performing functions in cases of conflicts of interest (Article 19 par. 3 of the FIFA Code of Ethics)
- Term limit: maximum of 3 periods of office each of 4 years
- No age limit

Competences and functions

- Approves, carries out and supervises all FIFA's global development programmes within the corresponding budget framework determined by the Governing Board
- Concrete implementation of the development programmes: Decisions on who receives how much, etc.
- Monitoring the correct (in particular the appropriate) use of support funds (if necessary, by involving individuals on site)
- Providing precise and full evidence of all flows of funds
- Authority to block or retain support funds if irregularities arise in their use or if any conditions have not been complied with
- Use of the (already existing) FIFA subsidiary "FIFA Development Zurich AG" and its subsidiaries in support of Development Committee activities

Other (Standing) Committees

- The ***Marketing and TV Committee*** and the ***Development Committee*** shall become independent; their composition, responsibilities and competences will be modified/expanded (Commercial Board and Development Board; see above)
- The competences of the other remaining, non-independent committees will be restricted to purely sporting issues; their overall size is to be reduced as is the number of the remaining committees. In detail:
 - o The Strategic Committee is to be abolished; its tasks are to be transferred to the Governing Board (pursuant to Article 37 of the FIFA Statutes, the Strategic Committee deals with global strategies for football and its political, economic and social status; these tasks are clearly suited to be assigned to the Governing Board)
 - o The Football Committee is to be abolished; its tasks are to be transferred to the Associations Committee and the Committee for Club Football
 - o The Media Committee is to be abolished; its tasks are to be transferred to the Commercial Board
 - o The Legal Committee is to be abolished; its tasks are to be performed by FIFA's legal department in cooperation with the Governing Board
 - o The number of organisation committees for FIFA competitions is to be reduced significantly; some committees are to be merged
 - o The competences of the Committee for Fair Play and Social Responsibility are to be expanded to include matters relating to human rights; notwithstanding this, the name of the committee shall not be changed
- ***Committees to be created:***
 - o Nomination Committee for appointments to certain key positions (such as the Chairs of the chambers of the Ethics Committee)

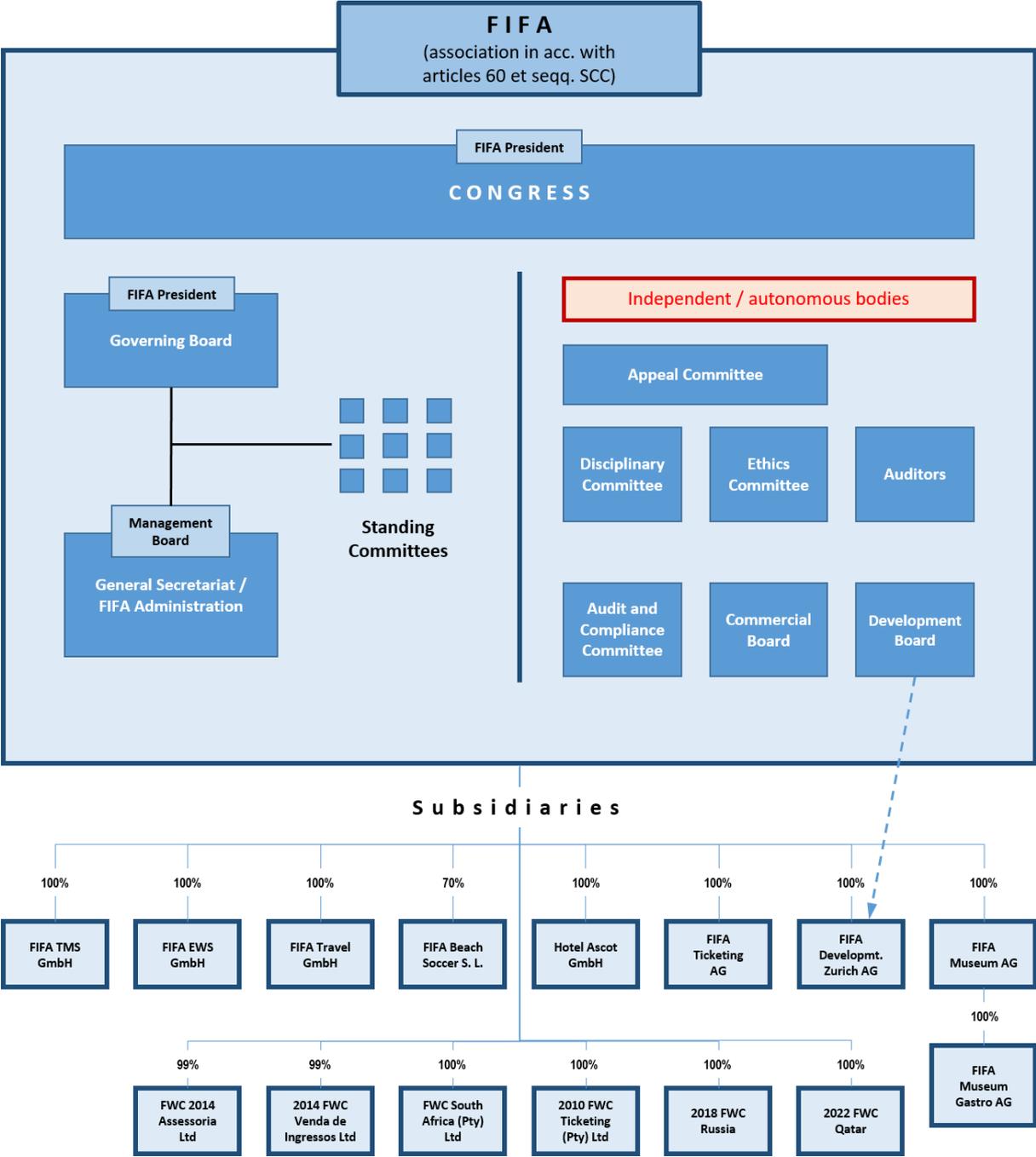
A more far-reaching alternative concerning the more strict separation of sports-related responsibilities and commercial competences and transactions within FIFA would be to establish a company, FIFA Services AG, which would cover all commercial transactions and leave the association FIFA to focus solely on sports-related transactions and responsibilities. However, such an approach would constitute an overly radical upheaval of present structures and shall therefore not be recommended (cf. section I. above).

A *chart* graphically illustrating the structural changes within FIFA as proposed in this report is to be found *on the following page*.

IV.8.3. Implementation

The implementation of the reforms proposed in this section would require considerable revisions both of the FIFA Statutes and of other FIFA rules and regulations (in particular the FIFA Organisational Regulations [FOR]). Amendments to the FIFA Statutes would have to be adopted by the Congress, while adjustments to other FIFA regulations could be implemented by the Executive Committee - or (if carried out after the appropriate changes to the Statutes) by the Governing Board.

Chart: New FIFA structure according to the reforms proposed in the present report



Executive Summary

FIFA has been in a process of continual reform since 1998 already. Since then, significant changes and developments have been instigated on the structures and procedures of world football's governing body.

Notwithstanding this, there is currently a pressing necessity for further reforms. Such necessity arises from the legal and economic risks FIFA (despite the reforms already introduced) is exposed to. The greatest current risk in/for FIFA is the present institutional position and structure of the FIFA Executive Committee and the conduct of some of its members.

This specific issue could be effectively and speedily resolved by imposing a strict separation of roles (members of the FIFA Executive Committee cannot at the same time hold executive positions in confederations or national associations). However, given the specific particularities of sports organisation, it is almost impossible to do without official representatives from the Confederations and national associations in the FIFA Executive Committee, making this strict separation of roles therefore untenable. Consequently, FIFA and members of the FIFA Executive Committee have to be better protected by other means.

The Chairman of the FIFA Audit and Compliance Committee has identified eight areas of such means. These eight areas have been presented to the FIFA Executive Committee on 20 July 2015 and have been adopted, in principle, by the Committee.

With regard to these areas of reform, the present report contains practical substantiations, housing a realistic expectation that they will ultimately be implemented. They take account of the current state of affairs within FIFA, its 209 Member Associations and the Confederations, while at the same time effectively addressing the areas to be reformed with an eye on the relevant objectives. The relevant eight areas of reform constitute the essential and indispensable issues that have to be urgently addressed with regard to the further reforms at FIFA.

Specifically, the relevant reform proposals include the following matters:

1) Enhanced and centralized integrity checks

- Integrity checks performed by the Investigatory Chamber of the FIFA Ethics Committee with regard to all members of the present Executive Committee and other holders of positions in key FIFA bodies (and respective candidates)
- Enhancement and material expansion of the integrity checks
- Passing the integrity checks will be a precondition for eligibility
- Introduction of an obligation for Confederations and Member Associations to establish integrity checks with regard to positions in their top governing bodies as a precondition for eligibility

2) Introduction of Term limits

- Limitation of the mandate of the President, the (other) members of the Executive Committee, the Secretary General and members of independent committees to three terms of office (each of four years)
- Introduction of an obligation for Confederations and Member Associations to establish equivalent limitations (precondition for eligibility)

- 3) Direct election of FIFA Executive Committee members by the Congress**
 - The members of the FIFA Executive Committee (as well as, possibly, of other FIFA governing bodies or committees) to be directly elected by the FIFA Congress
 - Confederations will retain a right to propose candidates
- 4) Disclosure of individual compensations**
 - Individual and detailed disclosure of the remunerations of the President, the other members of the FIFA Executive Committee, the Secretary General and (at least) of the Chairmen of the independent committees
 - All football-related income and compensations must be disclosed comprehensively
 - Detailed disclosure only vis-à-vis FIFA internally; the FIFA financial report will merely feature listings by certain categories
- 5) Increased efficiency and enhanced independence of Standing Committees**
 - Significant reduction of the number and size of the standing committees
 - Committees that bear a high risk of conflicts of interests occurring must have independent chairmen
- 6) Introduction of higher standards of governance at Confederation and member association levels**
 - If they have not already done so, Confederations and FIFA member associations have to issue adequate ethics and disciplinary regulations and set up the bodies required to implement them
 - Confederations and FIFA member associations have to comply with high standards of governance based on relevant 'best practise'
 - All persons assigned to FIFA bodies have to pass strict integrity checks in their respective Confederations and national associations
- 7) Revised World Cup bidding rules and procedures**
 - No additional proposals, since this bundle of measures has already been adopted and is now merely to be (further) implemented
- 8) Improvements regarding FIFA's organisation and structure**
 - More clear and strict separation of strategic decision-making, or supervisory competences respectively, and performance of day-to-day business
 - Division of the present Executive Committee into two separate bodies: a Governing Body (strategic matters, supervision) and a Management Board (executive functions)
 - Composition of the Governing Body will be similar to the one applicable to the present Executive Committee; however, representation of the Confederations will be modified and other stakeholders from outside FIFA will be involved
 - Further improvement of financial control mechanisms, in particular with regard to development funds
 - More clear and strict separation of sports-related and commercial competences and matters, in particular by establishing a Commercial Board and a Development Board (both independent bodies)