TOR
Saint-Cloud Way
Maidenhead
SL6 8BN

Tel: 01628 504 000
Fax: 01628 504 429
Web: www.rank.com

By email to: codereview@frc.org.uk

13 September 2023

Dear Sir/Madam,

UK Corporate Governance Code Consultation

Background to Rank

The Rank Group plc ("Rank" or "the Company") has been entertaining the UK since 1937, from its origins in motion pictures to today's gaming-based entertainment brands. Over the course of more than three-quarters of a century, the Group has entertained many millions of customers in the UK and around the world.

The Group's story is one of iconic brands and talented people with a mission to entertain. Whilst being a FTSE listed plc, the business is now UK focused, not particularly complex in nature of its operations and operates in competitive markets.

Consultation Response

Thank you for the opportunity to respond to the proposed changes to the UK Corporate Governance Code. Overall, Rank is broadly supportive of the currently proposed additions to the Code (and those in the prior BEIS consultation for Restoring Trust in Audit and Corporate Governance). Many of the changes would reinforce existing activity that listed companies already undertake and the proposals have the potential to provide clarity in certain areas. Indeed, in some areas of proposed change Rank already adopts large elements of the proposal and we report on them in our Annual Report and Accounts.

However, it is also important for a business of our scale that any changes to the Code are proportionate and do not lead to an excessive administrative burden for companies. Any changes that do not add value or add unnecessary length to annual reports are unwelcome. These documents are already extremely long and extensive and any further increases in reporting are likely to dilute the quality of these reports and make them less valuable to the reader.

We are concerned that the current additions could lead to the Code becoming too prescriptive, still encourages boilerplate plate disclosures in some areas and could remove the link to individual, company specific strategy.

Rank also notes that there are key structural changes required to implement the proposed reforms both of which are not fully affected yet. These being:

- Enforcement of the new requirements with the formation of ARGA (Audit, Reporting and Governance Authority), and
- Legislation to be passed by Parliament on the: Audit and Assurance Policy, Fraud and Resilience Statements.

The following points cover our comments on the proposed additions to the Code.

1. Board leadership and company purpose.

Rank is supportive of the outcomes-based approach but would like to see further clarity on what this means for implementation of reporting on governance activities as well as embedding of culture. In our view, company reporting is at its best when it focuses on the matters that are specific to the company and the implementation of its strategy. The more prescriptive the approach, the less likely it is to add value.

Engagement with shareholders is welcome but is not always necessarily forthcoming and therefore we would support guidance to promote this in the right areas. It is important to ensure that engagement with shareholders is focussed and relevant enough to provide good quality insight.

The most important requirement is to remove boilerplate statements from company reporting as this ultimately increases cost for limited value.

2. Division of responsibilities

Rank is supportive of providing greater transparency on Director's external commitments and already provides detail on directors' meeting attendance and external directorships in the ARA, alongside a review of how the Board has spent it's time during the year.

Further guidance over what a significant appointment or commitment would constitute would be useful to ensure consistency in interpretation and implementation.

3. Composition, succession and evaluation

We do not believe that the changes to the Code as proposed will enhance reporting on Board composition, succession and evaluation.

Rank already undertakes these assessments throughout the year with outcomes documented in the Annual Report and Accounts. We believe that the key aim should be delivering sufficient diversity of thought around the Board table, such that a Company is able to call on appropriately varied points of view and expertise when making decisions. In this context, consideration should be given to Boards promoting equal opportunities and diversity rather than just referencing protected and unprotected characteristics.

Targets that are set by other bodies, such as the Parker Review, are likely to be more effective in improving diversity and inclusion in the revised Code would lead to unnecessary duplication.

4. Audit, risk and internal controls

It is our expectation that this is where most of the effort will be required for not only the financial element, but strategic and operational requirements of the proposed changes. Rank is generally supportive of any measures that ensure a more robust framework of effective risk management and internal controls, but this needs to be balanced with a proportionate and pragmatic approach. We would want to avoid creating a "tick-box" exercise that requires significant further investment from management, and the Company's auditor, but does not add meaningful value to shareholders and other stakeholders.

Requirements and expectations in this area need further clarity to ensure that unnecessary effort is avoided in implementation as well as ensuring consistency and comparability across companies. Rank would like to see clearer guidance on the minimum activities expected to declare that risk management and internal control systems are effective. Without such guidance, it is difficult to feedback on what is currently proposed and there will likely be inconsistencies in the application of the proposals.

The period covered by Board control effectiveness declarations needs clarifying, including any minimum requirements for the performance of these declarations. Specifically, whether the expectation is for a year-end / balance sheet date disclosure versus a throughout the year attestation. Requirements for auditor responsibilities and definition of 'material' weakness and deficiencies in this context for reporting will also help promote understanding, consistency and comparability across companies. Clear guidance should be given to auditors in this regard.

Rank is supportive of the inclusion of the requirements for ESG and sustainability matters although it should be for our Board to determine the most appropriate governance structures for it to discharge these responsibilities. To mandate the remit of the Audit Committee to include this is overly prescriptive and does not recognise other committees with these responsibilities, for example our ESG and Safer Gambling committee.

Rank already includes a Viability Statement that considers key risks and mitigations in the Annual Report and Accounts and is pleased to see that the proposed resilience statement will subsume the existing Going Concern and Viability statements to avoid any duplication. It should be left for companies to determine over which period the resilience statement should be reported, to reflect their individual circumstances.

5. Remuneration

Rank operates a separate ESG and Safer Gambling committee and ESG matters are embedded in the business' strategy development and decision-making processes. However, we believe that Remuneration Committees already have the responsibility to determine the components of executive remuneration and for ensuring corporate performance is directly linked to outcomes. Making ESG targets compulsory is unlikely to significantly improve the profile of these matters.

Workforce pay and conditions are already taken into account when determining remuneration outcomes at Rank and we are happy to see this being formalised. Rank would encourage the streamlining of Provisions 40 & 41 and is supportive of the approach to strengthen reporting on malus and clawback.

On the other hand, the inclusion of reference to pay gaps and ratios is not necessary given this is covered by other existing legislation.

Finally, Rank notes the intention that the revised code will apply to accounting years commencing on or after 1 January 2025 but would note that some of the areas above are still pending further guidance from the regulator and wider governance reforms taking place. We would encourage a review of the timetable to ensure alignment with these to ensure implementation can be done on a first-time basis, thereby reducing the associated costs.

Thank you for the opportunity to respond on this consultation.

Yours faithfully

[redacted]