

WILLIAM HILL PLC (THE "COMPANY")

AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE – JANUARY 2019

Constitution

1. The Board has resolved to establish a committee of the Board to be known as the Audit and Risk Management Committee (the "**Committee**").

Purpose

2. The Committee has full power and authority to monitor and review the formal arrangements established by the Board in respect of:
 - (a) the financial reporting and narrative reporting of the Group;
 - (b) reviewing the effectiveness of the Group's internal controls, risk management and audit arrangements and investigating and advising on these or related matters which are referred to it or that it considers to be necessary; and
 - (c) discussing with the Company's external and internal auditors matters arising from their work and encouraging and monitoring compliance with relevant codes of best practice in corporate governance.

The Committee will act independently of the executive to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control, always within the principle of all the directors remaining equally responsible for the Company's affairs.

Membership

3. The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit and Risk Management Committee, exclusively from amongst the Non-executive Directors of the Company. The Committee shall consist of at least three members. A quorum shall be two members. All the members of the Committee shall be independent i.e. independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
4. Consideration shall be given to provisions of the UK Corporate Governance Code when considering membership of the Committee. At least one member of the Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the company operates. The Committee members will normally serve for a period of three years, extendable by no more than two additional three year periods, provided the Director still meets the criteria for membership of the Committee.
5. The Chairman of the Committee shall be appointed by the Board from the members of the Committee. The Chairman of the Board shall not be a member of the Committee.

6. The members of the Committee shall be identified in the Company's Annual Report.

Attendance at meetings

7. Only members of the Committee, who will be determined by the Board and may change from time to time at the Board's sole discretion, have the right to attend committee meetings. However, the external auditor, the Chief Executive, the Chief Financial Officer, the Director of Risk and Audit and the Company Secretary will be invited to attend meetings on a regular basis and other non-members may be invited to attend all or part of any meetings as and when appropriate.
8. At least once a year the Committee shall meet with the external auditors without executive Board members present, to discuss matters relating to the Committee's remit and any issues arising from the audit.
9. The Committee shall appoint the Company Secretary or his or her nominee to be the Secretary of the Committee.
10. Meetings may be held by video conference, telephone, or by any other manner permitted in the Company's constitution.
11. Where an internal audit, security or IT security function is discussed at a meeting, the Director of Risk and Audit, the Group Director of Security and Community Affairs or the Chief Information Security Officer should normally attend that meeting.
12. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
13. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board.

Frequency of meetings

14. Meetings shall be held at least four times a year. The external or internal auditors may request a meeting if they consider that one is necessary.
15. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall normally be forwarded to each member of the committee, any other person required to attend and all other Non-executive Directors, four working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

Authority

16. The Committee is authorised by the Board to investigate any activity which falls within these terms of reference. It is authorised to seek any information it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee. It shall have sufficient resources in order to carry out its duties.
17. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary at the cost of the Company. The Committee shall follow the "Guidelines for Seeking Independent Professional Advice" adopted by the Board.
18. The Committee is authorised to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.
19. The Director of Risk and Audit, the Group Director of Security and Community Affairs, and the Chief Information Security Officer shall have the right of direct access to the Audit Committee Chairman, should the need arise.

Duties

20. The Committee shall assist the Board by:
 - (a) monitoring the integrity of the Company's Annual Report and Accounts and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them;
 - (b) providing advice (where requested by the Board) on whether the Company's Annual Report and Accounts complies with statute and accounting standards, and, taken as a whole, is fair, balanced and understandable in accordance with applicable legislation and with the recommendations of the UK Corporate Governance Code, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. A review should be undertaken of all material information presented, such as the Strategic Report and the Corporate Governance statements, insofar as it relates to audit and risk management;
 - (c) ensuring that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency, liquidity, or reputation) and providing advice on the management and mitigation of those risks. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary;

- (d) reviewing and challenging, where necessary, the consistency, quality and appropriateness of the accounting policies, including any changes to accounting policies on a year on year basis across the Company and the Group;
- (e) monitoring the adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems and audit arrangements and carrying out at least annually a review of their effectiveness. Investigating and advising on these or related matters which are referred to it or that it considers necessary;
- (f) reviewing and approving the Company's statements on internal control and risk management to be included in the annual report, prior to endorsement by the Board;
- (g) reviewing the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence and – if they wish – anonymously, about possible wrongdoing in financial reporting or other concerns. The Committee shall approve the Group's whistle-blowing policy, periodically review its effectiveness and monitor any notifications made under it. The committee shall also ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- (h) monitoring the Group's procedures for detecting bribery and fraud by:
 - i. reviewing the systems and controls for the prevention of bribery and receiving reports on non-compliance;
 - ii. reviewing regular reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the company's anti-money laundering systems and controls;
- (i) in compliance with the Company's Policy on the Independence of External Auditors, overseeing the relationship with the external auditors including but not limited to the matters referred to below:
 - i. reviewing and approving the annual audit plan and discussing with the Company's auditors matters arising from their work and encouraging and monitoring compliance with relevant codes of best practice in corporate governance;
 - ii. keeping under review the scope and results of the annual audit and its cost effectiveness;
 - iii. reviewing and monitoring, and assessing annually, the external auditor's independence, objectivity, qualifications, expertise and resources and the effectiveness of the audit process and satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) and receiving a report from the auditor on its own

- internal procedures regarding quality and conflicts of interest, taking into consideration relevant UK professional and regulatory guidance;
- iv. monitoring the auditor's compliance with relevant legislation and ethical and professional guidance on the rotation of audit partners and the level of fees paid by the Group compared to the overall fee income of the firm and other related requirements;
 - v. approving the non-audit services policy and such non-audit service fees provided by the external auditor which are required to be approved by the Committee in accordance with this policy. The Committee shall also review at each meeting a summary of non-audit service fees;
 - vi. agreeing with the Board a policy on the employment of former employees of the Company's auditor and monitoring implementation of this policy;
 - vii. considering the annual re-appointment of the external auditor, any change in audit partner, the audit fee and terms of engagement, and any questions of resignation or dismissal of the external auditor and making appropriate recommendations to the Board and, where applicable, to shareholders for their related approval in general meeting;
 - viii. developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required;
- (j) conducting the tender process in accordance with applicable UK regulatory requirements and making recommendations to the Board about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor. In respect of such a tender, the Committee shall oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (k) reviewing the half-year and annual financial statements before submission to the Board, focusing particularly on the following matters and challenging where necessary:
- i. accounting policies and practices, and their compliance with accounting standards;
 - ii. major judgmental areas;
 - iii. significant adjustments resulting from the audit;
 - iv. any material uncertainties to the Company's ability to continue trading on a going concern basis, and the viability statement over the period selected as presented in the financial statements by the Board;

- v. compliance with the Financial Conduct Authority's/UK Listing Authority's Rules and other regulatory or legal requirements;
- (l) reviewing the report to shareholders on the role and responsibilities of the Audit Committee:
- (m) discussing problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss without executive Board members present;
- (n) reviewing the external auditor's management letter, and management's response and the letter of representation from the Board to the auditor, and considering this for recommendation to the Board;
- (o) approving the remit of the Internal Audit function and ensuring the function has adequate resources and appropriate access to information to enable it to deliver that remit effectively and in accordance with appropriate professional standards. The Committee will monitor and review the effectiveness of the internal audit function, ensuring that it has adequate standing and is free from management or other restrictions, including;
- i. approving the appointment and removal of both the Director of Risk and Audit and the Head of the Internal Audit function;
 - ii. reviewing the Internal Audit function's annual plan, and the effectiveness of delivery by the function against that plan;
 - iii. reviewing all reports on the Group and monitoring management's responsiveness to the findings and recommendations;
 - iv. meeting the Director of Risk and Audit at least once a year, without management being present, to discuss Internal Audit's remit and any issues arising;
 - v. reviewing the performance and effectiveness of the Internal Audit function on an annual basis in the context of the Group's overall risk management system;
- (p) reporting to the Board on how the Committee has discharged its responsibilities, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken; and
- (q) investigating, or providing advice to the Board regarding, any matters either referred to the Committee for its further review and recommendation, or that the Committee itself considers to be necessary.
21. The Committee shall consider other topics, as defined by the Board.
22. At least once a year, the Committee shall review its own performance, constitution and terms of reference.

23. In order to carry out its duties effectively, the Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the Finance and Security Departments and the Company Secretariat for assistance as required;
 - (b) call on any Director or employee to be present at a meeting of the Committee as and when required; and
 - (c) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

Reporting procedures

24. The Committee Chairman shall report formally to the Board on its proceedings after each meeting.
25. The Committee shall report to shareholders on its activities in the Annual Report. This will be dealt with by means of a report in a separate section within the Annual Report and in accordance with the recommendations of the UK Corporate Governance Code shall include:
- (a) the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;
 - (b) an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;
 - (c) information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - (d) in a case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); and
 - (e) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

Approved by the Board on 17 January 2019.