

## Statement of Corporate Governance

25 February 2011

### Principles statement

The Board remained committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors.

### Statement of compliance

During the year, the Board considers that it and the Company have complied with the best practice provisions of Section 1 of the Combined Code on Corporate Governance (the 'Code') of June 2008 issued by the Financial Reporting Council (FRC). In June 2010, following lengthy review and consultation, the FRC published a new code, the UK Corporate Governance Code (the Governance Code) which will replace the Code for financial years beginning on or after 29 June 2010. The Company is also supportive of the Institute of Chartered Secretaries and Administrators (ICSA) consultation document 'Improving board effectiveness', published in July 2010.

### Board of Directors

As at 28 December 2010, the Board comprised four non-executive directors (including the Chairman) and two executive directors. The roles of Chairman (as fulfilled by Charles Scott prior to 1 September 2010 and Gareth Davis with effect from 1 September 2010) and Chief Executive (as fulfilled by Ralph Topping) are separated, clearly defined, and approved by the Board. David Allvey is the Senior Independent Non-executive Director. The Company regards Gareth Davis, David Allvey, David Edmonds and Ashley Highfield as Independent Non-executive Directors.

Details of Board and committee attendance are set out in the table below. Appropriate insurance cover is in place in respect of legal action against directors.

	Board		Audit and Risk Management Committee	Corporate Responsibility and Regulated Issues Committee	Nomination Committee	Remuneration Committee
	Scheduled	Ad hoc				
<b>Number of meetings held</b>	10 <sup>1</sup>	2	6	5	4	4
<b>Meetings attended</b>						
Gareth Davis <sup>2</sup>	3	0	n/a	2	0	1
Charles Scott <sup>2</sup>	6	2	n/a	3	2	2
David Allvey	9	2	5	n/a	3	2
Neil Cooper <sup>2</sup>	5	0	n/a	n/a	n/a	n/a
David Edmonds	10	2	6	5	4	4
Ashley Highfield	10	1	6	5	3	4
Simon Lane <sup>2</sup>	3	2	n/a	n/a	n/a	n/a
Ralph Topping	10	1	n/a	5	n/a	n/a

Notes:

Registered Office: Greenside House, 50 Station Road, Wood Green, London N22 7TP

Registration number 4212563 England

1 The Board held 10 scheduled meetings (including an off-site Strategy Day with senior managers) during the year and two ad hoc meetings were held to consider specific issues during the year.

2 Charles Scott retired as a director and Chairman on 31 August 2010 and Gareth Davis was appointed as a director and Chairman on 1 September 2010. Simon Lane resigned as Group Finance Director on 31 March 2010 and Neil Cooper was appointed Group Finance Director on 10 May 2010. David Allvey missed one scheduled board meeting. The figures shown in the table include both attendances in person and by telephone.

The Board comprises individuals with wide business experience gained in various sectors of industry and in the public sector. They have access to all information relating to the Group, the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed and is also the Company's General Counsel), and, as required, external advice at the expense of the Group.

The Board operates within a formal schedule of matters reserved to it. This schedule is reviewed and updated on a regular basis. Other powers are delegated to the various Board Committees and senior management. Details of the roles and responsibilities of the Board Committees are set out within this report. Papers for Board and Committee meetings are circulated in advance of the relevant meeting and where a director is unable to attend he continues to be provided with a full copy of the papers and has the opportunity to comment on the matters to be discussed.

The Board considers that its primary role is to provide leadership to the Group, to set the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices. The Schedule of Matters Reserved to the Board and delegated authorities are regularly reviewed and approved by the Board. Matters reserved to the Board include, amongst other matters:

- setting the overall direction, long-term objectives and strategy of the Group and delegating day-to-day management to the Chief Executive;
- reviewing Group performance;
- reviewing the arrangements in place relating to regulatory and industry issues;
- approving the appointment and removal of any board member and the Company Secretary;
- reviewing and approving the terms of reference of the various board committees and receiving reports from committee chairmen on a regular basis;
- approving changes to the Group's capital structure; any significant acquisitions and disposals; capital investment projects and material contracts;
- approval of the Group's annual plan, Annual Report and Accounts and Interim Statement, and setting the Group's dividend policy;
- approval of the Group's charitable donations and Group-wide corporate social responsibility policies;
- undertaking reviews of board, committee and individual director performance at least annually; and
- succession planning for senior management and the Board (on the recommendation of the Nomination Committee).

The authority delegated to senior management provides a practical framework to executive management, which seeks to achieve the dual objectives of maintaining

effective financial and operational controls whilst providing sufficient flexibility to manage the business. Examples of areas of such delegated authority include the release of capital expenditure against approved budgets; treasury activity within approved limits; payroll processing; property transactions; LBO development activities; the setting of bet acceptance limits and routine transaction processing.

During the year, both Mr Scott and Mr Davis met with the non-executive directors without the executive directors being present and, as part of the process to appraise Mr Scott's performance, the Senior Independent Non-executive Director met with Mr Edmonds and Mr Highfield.

### **Chairman and Chief Executive**

Until 31 August 2010 the Chairman, Charles Scott, was responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. Since 1 September 2010, Gareth Davis has been responsible for this role as Chairman of the Company. The Chief Executive, Ralph Topping, is the executive responsible for the running of the business. The Senior Independent Non-executive Director's main role is to satisfy the function outlined in the Code of being available to shareholders if there are concerns which normal contact has failed to resolve, to lead the process for evaluating the Chairman's performance and to chair the Nomination Committee when it is considering succession to the role of Chairman. No one individual has unfettered powers of decision-making.

Mr Scott satisfied the independence criteria detailed in provision A.3.1 of the Code during his appointment as Chairman and Mr Davis was considered to have met the independence criteria on his appointment as Chairman on 1 September 2010. Details of the Chairman's other significant commitments are set out on page 34 of the 2010 Annual Report and Accounts.

### **Board balance, independence and appointments**

During the year, the Nomination Committee and the Board reviewed the structure, size and composition of the Board (together with an evaluation of the Board's balance of skills, knowledge and experience); the membership of the various board committees and the expected time commitment and policy for multiple board appointments for executive and non-executive directors.

The directors' aim is to ensure that the balance of the Board reflects the changing needs of the Group's business.

The Nomination Committee and the Board will continue to monitor the Board balance and skills at least annually.

As at 28 December 2010, the Board comprised four independent non-executive directors and two executive directors. During the year, the Company satisfied the Code requirements that at least half the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent.

Appointments to the Board are the responsibility of the full Board, on the recommendation of the Nomination Committee. On joining the Board, non-executive directors receive a formal appointment letter, which identifies the time commitment expected of them. A potential director candidate is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional appointments for executive or non-executive directors. The terms and conditions of appointment of non-executive and service contracts of executive directors are available to shareholders for inspection at the Group's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

### **Information and professional development**

The Board receives detailed reports from executive management on the performance of the Group at monthly board meetings and other information as necessary and senior management regularly make presentations to the Board on their areas of responsibility. Regular updates are provided on relevant legal, corporate governance and financial reporting developments and directors are encouraged to attend external seminars on areas of relevance to their role. The Board has approved an information and professional development policy for directors.

A formal induction programme has been developed by the Company Secretary and approved by the Chairman. A range of both general and Group-specific information is provided in hard copy and this is supplemented by a series of meetings with external advisers and employees. Induction programmes are in place for appointment to the Board, the Audit and Risk Management Committee, the Remuneration Committee and the Corporate Responsibility and Regulated Issues Committee.

All directors have access to the advice and services of the Company Secretary. The removal and appointment of the Company Secretary is a matter reserved for Board approval. The Board also obtains advice from professional advisers as and when required.

### **Performance evaluation**

A process of performance evaluation of the Board, its committees and directors is undertaken on an annual basis and recently the process undertaken has involved the following:

- the four Board committees conducting a review of their terms of reference and continued to assess committee performance;
- one-to-one meetings held between the Chairman and each director to assess individual director performance and to allow any other issues to be raised; and
- a performance evaluation process including an assessment by the Board of its own performance, feedback to the Board from the chairman of each committee and the Board, and the approval of action to address issues raised.

The Senior Independent Non-executive Director led the process for the evaluation of the Chairman's performance, involving discussions with each other director, a meeting with the other independent non-executive directors and feedback to the Chairman.

## Re-election

All directors are subject to election at the first annual general meeting following their appointment by the Board. The Company's Articles of Association state that each year one third of directors should retire by rotation but that if a director has at the start of the AGM been a director for more than three years since his last re-appointment they shall retire. In practice, this means that every director stands for re-election at least once every three years.

In accordance with a new provision included in the Governance Code, all Directors will seek re-election at the next AGM. Although the provision of the Governance Code would not apply to the Company until the financial year ending December 2011, the Board has decided to comply this year.

The Board explains the reasons why it believes each director should be elected or re-elected in the Notice of Meeting for the next AGM. As referred to above, those directors who held office during the year have been subject to formal performance evaluation and the Board believes that their performance continues to be effective and to demonstrate commitment to their relevant role. Their re-election is also consistent with the Board's evaluation of the size, structure and composition of the Board.

## Remuneration

The Directors' Remuneration Report is set out on pages 39 to 45 of the 2010 Annual Report and Accounts.

## Relations with shareholders

The Board remains committed to maintaining good relationships with both institutional and private shareholders. There continues to be a regular dialogue with institutional shareholders although care is exercised to ensure that any price-sensitive information is released at the same time to all shareholders, in accordance with the requirements of the UK Listing Authority. Slide presentations provided to institutional shareholders and analysts following the publication of the Group's final and interim results are made available on the Group's investor relations website, [www.williamhillplc.co.uk](http://www.williamhillplc.co.uk), and the results presentations can be accessed both live and as a recording for a period following the meeting.

The Chairman is available to discuss strategy and governance issues with shareholders and Mr Allvey, as the Senior Independent Non-executive Director, is available to shareholders if they have concerns that have not been, or cannot be, addressed through the Chairman or Group Finance Director. Meetings between the Chairman, Chief Executive and/or the Group Finance Director and shareholders have been held on request to discuss governance and corporate responsibility issues generally.

The Group obtains feedback from its brokers, Citi and Investec, on the views of institutional investors on a non-attributed basis and the Chief Executive and/or Group Finance Director communicate the issues and concerns of major shareholders to the Board. As a matter of routine, the Board receives a monthly report from its brokers on

issues relating to recent share price performance, trading activity and institutional investor sentiment. The Board also receives copies of relevant analysts' reports on an ad hoc basis and has the support of an in-house Investor Relations department.

The Board regards the AGM as an important opportunity to communicate directly with all shareholders. Board members, including the chairmen of the Remuneration, Nomination, Audit and Risk Management and Corporate Responsibility and Regulated Issues Committees, attended the 2010 meeting and intend to attend the forthcoming meeting and will be available to answer questions. In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the meetings held in 2010 were announced at the relevant general meeting and were made available on the Group's website following the meeting. The website also contains copies of the Notices of Meeting and explanatory notes. A separate resolution was proposed on each substantially separate issue. It is intended to continue with these practices for 2011 and future shareholder meetings. It is planned to post the Notice of the 2011 AGM to shareholders with the Annual Report and Accounts at least twenty working days prior to the date of the meeting.

### **Board Committees**

The Remuneration Committee, the Nomination Committee, the Audit and Risk Management Committee and the Corporate Responsibility and Regulated Issues Committee, are standing committees of the Board.

The terms of reference of the Committees, including their objectives and the authority delegated to them by the Board, are available upon request or via the Group's investor relations website ([www.williamhillplc.co.uk](http://www.williamhillplc.co.uk)) and are regularly reviewed by the relevant committee and the Board. All committees have access to independent expert advice. Appointments to Board committees are for three-year terms extendable by no more than two additional three-year terms.

### **Audit and Risk Management Committee**

The role and operation of the Audit and Risk Management Committee is set out in its report on pages 52 to 53 of the 2010 Annual Report and Accounts.

### **Nomination Committee**

The role and operation of the Nomination Committee is set out in its report on page 51.

### **Remuneration Committee**

The role and operation of the Remuneration Committee is set out in the Directors' Remuneration Report on pages 39 to 45 of the 2010 Annual Report and Accounts.

### **Corporate Responsibility and Regulated Issues Committee**

Details of the membership and areas of key focus of the Corporate Responsibility and Regulated Issues Committee are set out in the Corporate Responsibility statement on pages 24 to 33 of the 2010 Annual Report and Accounts.

### **Internal control**

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. Executive directors and senior management are responsible for the implementation and maintenance of the internal control systems, which are subject to yearly review that is documented. The Internal Audit department maintains a database recording the system of internal controls in every division and department throughout the Group.

The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with both the Turnbull Guidance on Internal Control, and the revised guidance issued by the Financial Reporting Council in October 2005, and has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. Each year the Board assesses the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls and risk management systems) on the basis of:

- established procedures, including those already described, which are in place to manage perceived risks;
- regular reports by management to the Audit and Risk Management Committee on the adequacy and effectiveness of internal control systems and significant control issues;
- the continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives; and
- reports to the Audit and Risk Management Committee on the results of internal audit reviews and work undertaken by other departments.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of and benefit from internal control systems.

The Board regularly reviews the actual and forecast performance of the business compared with the annual plan, as well as other key performance indicators.

Lines of responsibility and delegated authorities are clearly defined. The Group's policies and procedures are regularly updated and distributed throughout the Group. The Audit and Risk Management Committee receives reports on a regular basis on compliance with the Group's policies and procedures.

No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Group's system of internal control.

### **Assessment of risk**

A corporate risk matrix has been developed and has been updated following detailed review by Internal Audit and senior management during the year. The matrix is approved annually by the Audit and Risk Management Committee and the Board.

The matrix records the key risks facing the business, the assessment of the likelihood of the risks crystallising and their potential materiality, and the Group's response to each risk. Responsibility for management of the risks is attributed typically to senior management.

The Board uses the control and risk management processes to identify and manage any significant risks arising from social, environmental and ethical issues. Further details of the Group's corporate responsibility practices are described on pages 28 to 33 of the 2010 Annual Report and Accounts.

### **Internal Audit**

The Internal Audit department reviews the extent to which systems of internal control: are effective; are adequate to manage the Group's significant risks; safeguard the Group's assets, and in conjunction with the Company Secretary (who is also the Company's General Counsel), ensure compliance with legal and regulatory requirements. It provides independent and objective assurance on risks and controls to the Board and senior management.

Internal Audit's work is focused on areas of greatest risk to the Group, as determined by a structured risk assessment process involving executive directors and senior management. The output from this process is summarised in an annual audit plan, which is approved by the Audit and Risk Management Committee. The Head of Internal Audit reports regularly to the Group Finance Director and the Audit and Risk Management Committee.

The role of the Internal Audit department and the scope of its work continue to evolve to take account of changes within the business and emerging best practice.

### **Going concern**

The directors have prepared the financial statements on a going concern basis consistent with their view, formed after making appropriate enquiries, that the Group is operationally and financially robust. Further details are set out in the Group's Financial Statements on page 69 of the 2010 Annual Report and Accounts.