

WILLIAM HILL UK TAX STRATEGY

October 2017

Our primary objective is to maximise shareholder value in all aspects of the Group's business activity. We manage our taxes in the same manner as we manage our business – in a manner expected by our shareholders and consistent with our core values.

Maximising shareholder value includes maintenance of our corporate reputation and our relationships with governments. It also involves the management of risks such as disagreements with Tax Authorities over the application of the law. We will not do anything that is harmful to the Group's reputation or to the William Hill brand, and we comply with the Group's published Code of Conduct.

In meeting this primary objective we act in compliance with all relevant laws and regulations, and make every effort to pay the right amount of tax, at the right time, in each territory in which we operate.

Documenting this strategy provides direction and control over the tax activity in the Group. This Strategy applies specifically to UK taxation, and is published in accordance with Schedule 19 Finance Act 2016, although the same principles are applied in other countries that the Group operates.

RISK MANAGEMENT AND GOVERNANCE

The Board has ultimate responsibility for ensuring that the Group's tax affairs are conducted in accordance with the UK Tax Strategy. The Board delegates this responsibility to the Group Chief Financial Officer. However, day to day responsibility of the Group's tax affairs lie with the Group Head of Tax. The Board is provided with a tax update by the Group Head of Tax at least twice a year, setting out any significant changes in the Group's tax position, including but not limited to key disputes with tax authorities, the potential impact of proposed changes in tax legislation and the management of key tax risks.

The Group Head of Tax has responsibility for the Tax Department and reports directly to the Group Chief Financial Officer. Within the tax function we only employ people that have the necessary experience for the role that they are undertaking. All individuals are encouraged to identify external training opportunities to maintain their tax technical knowledge.

Our work is supported with documentation that evidences the facts and the conclusions reached, and where necessary we take additional advice from appropriately qualified external tax advisors. We observe all applicable laws, rules and regulations and apply diligent professional care and judgement in arriving at our conclusions.

Risk Management

Consistent with the Group's broader risk approach, the tax risk management process includes the proactive identification, evaluation, control and monitoring of tax risks and opportunities.

Key tax risks for the Group are:

- failure to meet our tax reporting obligations on an accurate and timely basis;
- failure to charge, withhold and pay the appropriate amounts of tax on a timely basis; and
- failure to accurately reflect our tax assets and liabilities in our Financial Statements.

Our key tax risks are mitigated by:

- ensuring the members of the Tax Department have the necessary skills, experience and training;
- ensuring strong technical positions are adopted with thorough documentation supporting those positions to prevent unnecessary disputes;
- seeking advice from tax advisors where the law is complex or where issues are beyond the experience of the Tax Department;
- obtaining opinions from Tax Counsel on complex issues where the amount of tax at stake is significant, and we expect our interpretation may be challenged by Her Majesty's Revenue and Customs (HMRC);
- ensuring senior management are aware of the importance of taxation, that the tax consequences of a transaction are considered in assessing the financial implications of that transaction, and involving the tax function from planning through to implementation; and
- ensuring appropriate systems and controls are in place to accurately calculate tax liabilities.

Systems and Controls

We operate appropriate systems, controls and processes to manage taxes effectively. Wherever possible risks of errors are mitigated by having a segregation of duties. For example, the risk of errors in tax computations is mitigated by having separate preparation and review of the tax returns.

Tax return processes are documented to provide a framework for employees to follow and to implement and monitor controls. Wherever possible we use automated processes and specialist tax software to minimise the risk of errors in the management of taxes. In the event of any inadvertent errors or omissions, full disclosure is made to HMRC.

At the end of each financial year the Group's Internal Audit department undertakes a review to ensure that the Tax Department's controls have been properly implemented in that year.

ATTITUDE TO TAX PLANNING

The commercial needs of the Group are paramount and all tax planning is undertaken in this context. All transactions must therefore have a business purpose. Our Tax Department works with the wider business to ensure tax obligations and consequences are considered and managed appropriately. Consideration is always given to the Group's reputation, brand and corporate responsibilities when considering tax initiatives.

Tax planning is not undertaken without careful consideration and approval by the Group's Board of Directors.

Where alternative routes exist to achieve the same commercial result then the most tax efficient approach is recommended, whilst observing all applicable laws, regulations and disclosure requirements. After a transaction has been undertaken the implementation is managed to ensure that the expected tax consequences result.

Where the tax consequences of a transaction are complex, or where the relevant tax legislation is unclear, we will seek external third party advice to ensure that the tax position we adopt is acceptable to HMRC.

This approach ensures we meet our overall objectives of maximising shareholder value whilst complying with all applicable laws and maintaining the Group's reputation.

ACCEPTABLE TAX RISK

The Group is not prescriptive in terms of the level of acceptable tax risk and each matter is assessed on its specific facts and circumstances. In the area of tax, we consider ourselves to have a prudent risk appetite and low risk tolerance. We rely on our risk management framework to ensure that tax risk is minimised and this approach is based on principles of reasonable care and materiality.

We manage tax risks to ensure compliance with all legal requirements and ensure payment of the appropriate amount of tax in a timely manner. We seek to maintain our reputation as a fair contributor to the economy, and apply tax rules in good faith and in accordance with the intentions of Parliament.

APPROACH TO DEALING WITH HMRC

We strive to have a good working relationship with HMRC and undertake all dealings in a professional and courteous manner. Openness, honesty and transparency are paramount, and we are compliant with all disclosure requirements.

We are proactive in our dealings with HMRC and where applicable, we discuss matters in advance with them to get their opinion or approval prior to reporting in our tax returns.

Enquiries and audits are managed by the Group Head of Tax, with the support of other finance teams where necessary. Where enquiries relate to interpretation of tax law we will attempt to reach agreement with HMRC based on the intentions of Parliament, where this is in accordance with our own interpretation, supported by external advice where required.