Annual Implementation Statement – covering 1 October 2019 to 30 September 2020 (the "Scheme Year")

William Hill Pension Scheme (the "Scheme"): Defined Benefit Section

Introduction

In accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee of the Scheme is required to produce an annual statement to set out:

- how and the extent to which, in the opinion of the Trustee of the Scheme, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the Scheme Year;
- details of any review of the SIP during the Scheme Year;
- subsequent changes made with the reasons for the change; and
- the dates of the last review of the SIP.

The Implementation Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is set out in the table below.

This Implementation Statement covers the Scheme's defined benefit ("DB") section. A separate statement covers the Scheme's defined contribution section. The statement flows directly from and should be read in conjunction with the SIP for the DB section of the Scheme (in place at the Scheme Year end and dated September 2020) which is available here - www.williamhillpensions.co.uk/library.

Investment Objectives of the Scheme

The purpose of the DB Section is to enable benefits to be paid as and when they fall due, and to do this the Trustee takes steps where appropriate to ensure that:

- dependency on the covenant of the Employer will be significantly reduced;
- other material risks (e.g. longevity) will be reduced;
- the Trustee is able to secure the DB Section liabilities with an insurance provider.

Review of the SIP

The Scheme's SIP was reviewed in the final two months of the Scheme Year by the Trustee's investment advisers, the focus of the review was to reflect new legislative requirements. The revised SIP was signed on 23 September 2020. The reason the SIP was updated was to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustee's policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset managers' performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

Assessment of how the policies in the SIP have been followed for the Scheme Year

The information provided in the table below summarises the work undertaken by the Trustee during the Scheme Year (or over a longer term where relevant) and sets out how this work has followed the Trustee's policies in the SIP (insofar as the SIP relates to the DB section of the Scheme). The Trustee considers that it has generally adhered to all of its policies as set out in the SIP over the course of the Scheme Year.

Implementation Statement – William Hill Pension Scheme: DB Section

	Matter	Summary of Trustee's policy / key extracts from policy	Summary description and evaluation of work undertaken during the Scheme Year
1	Securing compliance with the legal requirement to obtain and consider proper advice on the question of whether an investment is satisfactory.	*An investment consultant has been appointed by the Trustee to provide relevant advice to the Trustee.* *SIP Introduction*	No new investments were implemented over the period.
2	The kinds of investments to be held.	The Trustee has adopted investment arrangements to enable benefits to be paid as and when they fall due. The Trustee takes steps to ensure where appropriate that dependency on the Employer covenant will be reduced, and other material risks (e.g. longevity) will be reduced. *SIP section 1.1*	The current investment strategy was agreed on 11 June 2018 and has been effective since 1 November 2018. There were no changes to the investment strategy over the Scheme Year. The Trustee selected the current investments on the basis that changes in the Scheme's liabilities are closely related to changes in the value of the UK government bond markets. The Trustee expects there will be a small return premium above government bonds from corporate bonds and a higher return premium from Multi-Asset Credit ("MAC"). The Trustee receives quarterly investment performance reporting from the investment consultant and uses the reports to monitor whether these assumptions are being borne out.

			The Trustee holds a buy-in policy with JUST, the policy insures the interest rate, inflation and longevity risks associated with the pensioner members covered by the policy.
3	The balance between different kinds of investments.	*The Trustee has adopted a strategic investment benchmark for the DB Section assets (excluding the buy-in policy).* *SIP section 1.2*	As part of the quarterly performance reporting at each Trustee meeting, the actual allocation has been (and will continue to be) compared to the strategic benchmark allocation. An under or overweight position acts as a trigger for discussion. As at the end of March 2020 the MAC allocation was identified as underweight relative to the strategic benchmark allocation. The portfolio was rebalanced towards the strategic benchmark in June 2020.
4	Risks, including the ways in which risks are to be measured and managed.	*The Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Scheme.* *SIP section 1.3*	Interest rate and inflation risks were managed by investing a significant proportion of DB Section assets in Liability Driven Investments ("LDI"), which are expected to offset c.90% of changes in the value of the Technical Provisions liabilities caused by changes in interest rates and inflation. To manage liquidity risk, the Trustee held a portion of assets in LGIM's sterling liquidity fund. The risk associated with the growth assets, including underperformance, was monitored as part of the quarterly investment performance reporting.
5	Expected return on investments.	*The Trustee expects there will be a small return premium above government bonds from corporate bonds and a higher*	The investment performance report was reviewed by the Trustee on a quarterly basis. As part of the review, the Trustee considered how each investment manager was delivering against their specific mandates.

		return premium from Multi-Asset Credit. *SIP section 1.2*	Over the 3 years to 30 September 2020, the DB Section has returned 8.2% p.a., on a gross of fees basis, relative to the benchmark return of 7.1% p.a. Over the year to 30 September 2020, the DB Scheme has delivered 2.1% p.a. on a gross of fees basis, relative to a benchmark return of 1.9%.
6	Realisation of investments.	*The Trustee does not expect to be able to obtain cash from the buy-in policy other than to meet promised benefits as agreed with the provider. The Trustee has considered this and has agreed upon a sufficiently liquid strategy for the remaining assets.* *SIP section 1.3*	Funds with weekly or more frequent dealing cycles represent c. 75% of uninsured DB assets, the remaining 25% of the portfolio can be liquidated within a month. The Scheme administrator sourced all required disinvestments over the period from the sterling liquidity fund managed by LGIM.
7	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments.	*The SIP sets out the risks the Trustee believe may be financially material to the Scheme.* *SIP section 1.3* *The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate*	In its investment considerations, the Trustee follows the basic principle that ESG factors (including climate risk) should only be taken into account to the extent they impact financial performance (either positively or negatively). The Trustee believes that, in some cases, ESG factors may have a financially material impact on investment risk and return outcomes and that good stewardship can create and preserve value for companies and markets as a whole. The SIP includes further detail on the Trustee's policy on ESG factors, stewardship and climate change, setting out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to

		change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will periodically review the investment managers' policies and engagement activities (where applicable). *SIP section 6*	voting rights and stewardship. In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by its investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. The Trustee's ESG beliefs were discussed at the 14 June 2019 Trustee meeting. The Trustee expects to review its policy at least every three years. The quarterly performance reports reviewed by the Trustee include ratings (both general and specific ESG ratings) from the investment consultant. All of the managers remained generally well rated during the Scheme Year. Where managers were not highly rated from an ESG perspective, the Trustee continues to monitor them and engage with the manager on any issues. The Trustee acknowledges that the investment grade credit and MAC managers do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class, whereby it is harder to engage with the issuer of debt. The investment performance report includes how each investment manager is delivering against their specific mandate objectives.
8	The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.	*The Trustee does not take account of non-financially material considerations.*	Not applicable.

9	The exercise of the rights (including voting rights) attaching to the investments.	*The Trustee has given appointed investment managers full discretion in exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice.* *SIP section 6*	The Trustee has delegated its voting rights to the investment managers. In the Trustee's opinion the investment managers have appropriate knowledge and experience for exercising voting rights and the managers are carrying out their work competently. Investment managers are expected to provide voting summary reporting at least annually to the Trustee. The Trustee does not use the direct services of a proxy voter. Given the nature of the Scheme's investments, the extent to which the investment managers are required to exercise voting rights on behalf of the Trustee is limited, the Trustee did not consider any significant votes were cast by it, or on its behalf, over the Scheme Year. • **CQS (MAC)** manage a portfolio predominantly comprising of fixed income assets and hence the securities held do not typically have voting rights attached to them. Occasionally there is a very small exposure to equity as a consequence of corporate restructurings (less than 0.8% of fund NAV as at 30 September 2020). CQS does not use proxy voting advisers and will vote where it is proportionate and in the best interests of the fund. In considering whether or not to vote, CQS will take into consideration a broad range of factors and the potential benefits of voting, including the extent to which ESG factors are a material consideration and the vote is in relation to the Firm working towards responsible operational activity.

			• **M&G (MAC)** manage a predominantly a fixed income fund which does not contain any equity. The securities therefore typically do not have voting rights attached to them and little voting takes place. The voting that does take place may occasionally be done via a proxy provider. Recently, M&G have engaged with issuers in relation to reducing COVID-19 impacts on holdings. • **LGIM (Investment Grade Corporate Bonds)** also does not generally have voting rights attached to assets held given the nature of its holdings. LGIM have noted, however, their firm-wide commitment to integrating ESG into their decision-making process, which also applies to the corporate bond fund in which the Scheme is invested.
10	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).	*The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. This includes the investment managers' policy on voting and engagement.* *SIP section 6* *Outside of those exercised by investment managers on behalf of the Trustee, no other*	As the Scheme invests solely in pooled funds, the Trustee relies on their investment managers to engage with the investee companies on their behalf. The Trustee wishes to encourage best practice in terms of corporate activism to the extent that it is expected to positively affect financial performance/ risk/ not result in any financial detriment. It encourages its investment managers to discharge their responsibilities in respect of investee companies in accordance with relevant legislation and codes. Investment managers are expected to provide reporting on a regular basis, at least annually, including stewardship monitoring results. At present, when the investment managers present to the Trustee, the Trustee asks the investment managers to highlight key engagement activity and the impact the actions have had on the portfolio. The investment

		engagement activities are undertaken.	adviser will be in attendance at such presentations and the Trustee will look to their adviser to ensure the appropriate questions are asked. Over the Scheme Year, M&G presented to the Trustee on the 17th January 2020, LGIM presented to the Trustee on the 18th September 2020 and CQS presented to the Trustee on the 23rd September 2020.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters described in rows 2-8 of this Statement]	*Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class or classes they are selected to manage.* *The Scheme currently invests entirely in pooled investment vehicles, and therefore the Trustee accepts that it has no direct ability to specify the risk profile and return targets of the managers, but appropriate mandates can be selected to align with the overall investment strategy.* *SIP section 7.1*	Over the period the Trustee believed that the appointments with its investment managers were consistent with its long-term objectives and no changes were made.

12	How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	*The Trustee's focus is on long term performance but, as noted above, may review a manager's appointment if:* • *There are sustained periods of underperformance;* • *There is a change in the portfolio manager or portfolio management team;* • *There is a change in the underlying objectives of the investment manager;* • *There is a significant change to the investment consultant's rating of the manager.* *SIP section 7.2*	On the 23rd September 2020 the Trustee met with CQS to discuss a range of matters following a downgrade in the investment consultant's rating and a period of underperformance. The Trustee was satisfied that CQS had a robust plan to improve long term performance. The Trustee continued to monitor CQS' performance via the quarterly investment performance reports provided by the investment adviser. Since the end of the Scheme Year, the Trustee decided to terminate CQS because the Trustee's objective to secure the DB liabilities with an insurer became increasingly immediate and retaining the appointment of CQS was not consistent with achieving this objective in the short term.
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for	*The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis.*	The Trustee considers a 3 year performance metric as part of its review of the quarterly performance reports for each of the pooled funds in which the Scheme invests. In cases where the pooled funds have not been held for 3 years, performance since inception is provided.

	asset management services are in line with the Trustee's policies required under sub-paragraph (b) of Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005 [concerning the matters described in rows 2-8 of this Statement].	*SIP section 7.4* *The Trustee receives investment manager performance reports on a quarterly basis, which present performance over a variety of periods.* *SIP section 7.2*	Outside of the usual quarterly performance monitoring, at the Trustee meeting on 25 March 2020 the investment consultant provided additional commentary from investment managers regarding performance in 2020 to date and the Trustee was satisfied that this should not impact on longer term goals, but kept performance under review via the quarterly performance reports provided by the investment adviser. The investment managers are remunerated by way of a fee calculated as a percentage of assets under management, and do not have short term performance targets.
14	How the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	*The Trustee does not analyse portfolio turnover costs in detail.* *SIP section 7.3*	At present, the Trustee does not monitor portfolio turnover costs in any detail, although it assesses quarterly performance results for CQS and M&G on a 'net of fees' basis, i.e. accounting for turnover costs as part of its overall assessment of performance.
15	The duration of the arrangement with the asset manager.	*The Scheme is invested in open-ended funds, for which there is no set duration for the manager appointments.*	The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or the manager appointed has been reviewed and the Trustee has decided to terminate the mandate.

		SIP section 7.4	No new investments were implemented, nor were any investment manager appointments terminated, over the Scheme Year. Following the end of the Scheme year CQS were terminated due to a change in strategy resulting from the acceleration of the Trustee's objective to secure the DB liabilities with an insurer.