Annual Implementation Statement – covering 1 October 2020 to 30 September 2021 (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 date 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 dated September 2021 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.

Review of the SIP

The Scheme's SIP was reviewed and updated to reflect the change in investment strategy following the buy-in transaction with Rothesay Life, which secured the remaining uninsured liabilities. The updated SIP was signed on 16 September 2021.

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.

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	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.	*The Trustee has consulted a suitably qualified person in obtaining appropriate written advice from its investment adviser, Mercer.* *Mercer has provided advice to the Trustee in relation to the appropriateness of the asset allocation, manager structure and investment products.* *SIP Introduction*	Mercer provided the Trustee with formal Section 36 advice before the Trustee entered into the buy-in contract with Rothesay Life in June 2021.
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 Trustee selected the investments held at the beginning of the Scheme year on the basis that changes in the Scheme's liabilities were closely related to changes in the value of the UK government bond markets. The Trustee expected there would be a small return premium above government bonds from corporate bonds and a higher return premium from Multi-Asset Credit ("MAC"). Following the buy-in transaction with Rothesay Life in June the Scheme's investments consist of two buy-in contracts, which together insure all liabilities in the DB section. The longevity and investment risk associated with the liabilities has therefore been transferred to the insurers.

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3	The balance between different kinds of investments.	*The Trustee holds buy-in contracts with JUST and Rothesay Life which were purchased in May 2018 and June 2021 respectively.* *SIP section 1.2*	As part of the quarterly performance reporting the Trustee received up to and including the 30 June 2021, the actual allocation was compared to the strategic benchmark allocation. An under or overweight position acted as a trigger for discussion. The strategic allocation in place at the beginning of the Scheme year (excluding the buy-in contract with JUST) was as follows: • 40% LDI and cash • 10% Corporate bonds • 50% Multi-asset credit In June 2021, the Scheme entered into a buy-in contract with Rothesay Life. Together with the JUST buy-in, the contracts cover all DB liabilities in the DB section. The Scheme holds residual cash in the Trustee Bank Account.
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*	Until June 2021, interest rate and inflation risks were managed by investing a significant proportion of DB Section assets in Liability Driven Investments ("LDI"). In April 2021, the hedge was increased to offset c.100% of changes in the value of the Technical Provisions liabilities caused by changes in interest rates and inflation. Upon purchase of the buy-in contract with Rothesay Life, the interest rate and inflation risks associated with the remaining uninsured liabilities were transferred to Rothesay Life. The Trustee does not expect to be able to obtain cash from the buy-in contracts, other than to meet promised benefits as agreed with the insurer. Therefore, the

			Plan is exposed to illiquidity risk and has set aside cash, held in the Trustee Bank Account, in order to meet expenses and other potential liquidity needs. The Scheme is exposed to the risk of the insurers defaulting on their obligations under the buy-in contracts. To mitigate this risk, before entering into the buy-in contracts the Trustee took appropriate advice and paid close attention to the financial strength, security and operational soundness of the chosen insurers at the point of purchase. The insurers are regulated by the PRA and therefore this risk is further mitigated by protection from the Financial Services Compensation Scheme ("FSCS").
5	Expected return on investments.	*n/a*	The investment performance report was reviewed by the Trustee on a quarterly basis up to and including the second quarter of 2021. As part of the review, the Trustee considered how each investment manager was delivering against their specific mandates. Over the 3 years to 30 June 2021, the DB Section returned 6.7% p.a., on a gross of fees basis, relative to the benchmark return of 4.6% p.a. Over the year to 30 June 2021, the DB Scheme delivered -1.1% p.a. on a gross of fees basis, relative to a benchmark return of -4.8%.
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 set aside cash, held in the Trustee Bank*	Before purchase of the buy-in contract with Rothesay Life, funds with weekly or more frequent dealing cycles represented c. 75% of uninsured DB assets and the Scheme administrator sourced all required disinvestments over the period from the sterling liquidity fund managed by LGIM.

		Account, in order to meet expenses and other potential liquidity needs. *SIP section 1.3*	The Trustee does not expect to be able to realise the buy-in polices. The Trustee set aside cash, held in the Trustee Bank Account, in order to meet expenses and other potential liquidity needs.
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 over the future lifetime of the DB section (i.e. before completing buy-out and wind-up).* *SIP section 1.3*	In its investment considerations prior to the purchase of the buy-in contract with Rothesay Life, the Trustee followed 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 quarterly performance reports produced by Mercer up to and including the second quarter of 2021 include ratings (both general and specific ESG ratings). All investments were realised over the course of the Scheme year in order to purchase the buy-in contract with Rothesay Life. In selecting the buy-in providers the Trustee paid close attention to the financial strength, security and operational soundness of the chosen insurers at the point of purchase in order to mitigate the risk of the insurer defaulting on their obligations under the buy-in contracts.
8	The extent (if at all) to which non-financial matters are taken into account in the selection,	*The Trustee does not take account of non-financially material considerations.*	Not applicable.

	retention and realisation of investments.		
9	The exercise of the rights (including voting rights) attaching to the investments.	*The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate 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.* *SIP section 6*	Before purchase of the buy-in contract with Rothesay Life, the Trustee delegated its voting rights to the investment managers. In the Trustee's opinion, the investment managers had appropriate knowledge and experience for exercising voting rights. The Trustee did not use the direct services of a proxy voter. Given the nature of the Scheme's investments at the beginning of the Scheme year, 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 and little voting takes place. CQS does not use proxy voting advisers and will vote where it is proportionate and in the best interests of the fund. CQS is aware of the importance of voting securities in a timely manner and of giving due consideration to all proposed resolutions. By exercising the right to vote, CQS seeks both to add value to on behalf of clients and to protect the Fund's interests as shareholders. Prior to exercising voting rights, CQS will consider the issues, meet management if necessary, and vote accordingly. • **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 (ISS and Broadridge). • **LGIM (Investment Grade Corporate Bonds)** also does not generally have voting rights attached to assets held given the nature of its holdings. LGIM engaged with companies over the year on a wide range of different issues including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris agreement).
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*	As the Scheme invested solely in pooled funds until the purchase of the Rothesay Life buy-in contract, the Trustee relied on their investment managers to engage with the investee companies on their behalf. Investment managers were expected to provide reporting on a regular basis, at least annually, including stewardship monitoring results.
11	How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the	*Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the*	Over the period the Trustee believes that the appointments with its investment managers were consistent with its long-term objectives. In order to purchase the buy-in contract with Rothesay Life, the investment manager appointments were terminated and it was deemed that they had fulfilled their role to enable the Scheme to insure the full liabilities.

	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]	*asset class or classes they are selected to manage.* *SIP section 7.1*	
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;*	Historically, the Trustee reviewed the performance of each manager with a long-term perspective and was content that the investment managers maintained a long-term perspective when managing the underlying investments. The Trustee reviewed, and terminated, the investment manager appointments over the year in order to purchase the buy-in contract with Rothesay Life.

		• *There is a significant change to the investment consultant's rating of the manager.* *SIP section 7.2*	
13	How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for 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].	*The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.* *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*	The Trustee considered 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 had not been held for 3 years, performance since inception was provided. The investment managers were remunerated by way of a fee calculated as a percentage of assets under management and did 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	*The Trustee does not analyse portfolio turnover costs in detail.* *SIP section 7.3*	The Trustee did not monitor portfolio turnover costs in any detail, although it assessed 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.

	targeted portfolio turnover or turnover range.		
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.* *SIP section 7.4*	Over the Scheme year, all investment manager appointments were terminated as part of the strategic change to the overall strategy to fully insure the liabilities. The purchase of the buy-in contract with Rothesay Life was the sole new investment over the Scheme year.