



Hilton UK Pension Plan - Implementation Statement

May 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report covers the year to 31 December 2024 and is to provide evidence that the Hilton UK Pension Plan (the "Plan") continues to follow and act on the principles outlined in the Statement of Investment Principles ("SIP").

The SIP can be found online at the web address [HUKPP Statement of Investment Principles 2024 | Hilton](#). Any changes to the SIP are detailed on the following page.

The Implementation Report details:

- actions the Plan has taken to manage financially material risks and implement the key policies in its SIP.
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks.
- the extent to which the Plan has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate. Voting behaviour is not covered as the Plan has no relevant investments, i.e. no equity mandates.

Summary of key actions undertaken over the Plan's reporting year:

- In accordance with the Schedule of Contributions, in January 2024, a deficit repair contribution of £5.5m was received from the sponsor which resulted in a c.£4.0m surplus in the Trustee Bank Account ("TBA"). The surplus was invested with Insight, to provide external liquid collateral to support the LDI mandate.
- In March 2024, Alcentra returned capital of c.£1.8m. This resulted in an excess balance of c.£1.9m in the TBA after allowing for other cashflows. The excess balance was also transferred to Insight, to be used as external liquid collateral supporting the LDI mandate.
- In April 2024, Alcentra proposed a two-year extension to EDL II to delay the Fund maturity from 30 September 2024 to 30 September 2026. This is the second Fund extension that Alcentra has requested and provides them with additional time to exit the remaining positions given challenging market conditions for portfolio exits following the Covid-19 pandemic, the impact of rising interest rates and limited M&A activity over the last couple of years. Isio were comfortable with the proposed Fund extension and the Trustee approved Alcentra's proposal to extend the current term of the Fund. In May 2024, Alcentra confirmed that, following consent from the majority of investors, the extension of the fund to 30 September 2026 was approved.

- Due to the fall in gilt yields over August and September, some of the Plan's LDI funds contained more capital than was required to maintain the current hedge ratio. As a result, this caused the LDI funds to distribute c.£3.8m into the Insight Liquidity Fund ("ILF").
- Following the distributions received from the Plan's illiquid managers, Alcentra and PATRIZIA, the TBA had an excess balance of c.£2.2m in September 2024. To further support the Plan's LDI mandate, c.£2.0m was invested into the external collateral assets to support the LDI mandate.
- In November, following the UK Autumn budget announcement, Insight issued a capital call notice of c.£2.8m to rebalance the leverage in two of the Plan's LDI funds. Following this, in December, Insight issued another capital call notice of c.£1.2m in relation to one of the Plan's LDI funds, due to ongoing volatility in the market. The Trustee has ensured the Plan maintains a strong collateral position to withstand potential shifts in yields, and therefore was well positioned to comfortably meet both capital calls using the external collateral assets.
- Strategic discussions continued throughout 2024, including the Trustee exploring an increase to the LDI target hedge ratio and the potential for implementing a higher return investment strategy. Whilst strategic discussions will continue over 2025, the Trustee agreed to increase the target hedge ratio to c.90% of liabilities on a Technical Provisions basis (equivalent to c.100% of assets). This was completed post year-end, during February 2025, and utilised excess collateral within the ABS mandates.

Implementation Statement

This report demonstrates that the Plan has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Changes to the SIP

Over the 12-month period to 31 December 2024, updates were made to the SIP, listed below:

- Following discussions with the Plan's LDI and ABS manager in November 2023, the Trustees agreed to include the Insight Global ABS Fund within the LDI collateral framework. In Q1 2024, the SIP was updated to reflect this agreement and the terms of the newly updated Investment Manager Agreement held with Insight. See the table below for more exact details:

Updates to the SIP

Date updated:

March 2024

Investment Strategy

- The Trustee updated the Plan's present strategy to reflect the new investment into Insight Global ABS, and the Trustee's agreement to invest in line with a 75% / 25% split between High-Grade ABS and Global ABS respectively.

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 74% of these risks on a Technical Provisions basis.	There have been no changes to this policy over the reporting year (changes occurred post year-end which will be reported next year)
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	The Trustee has a cash management policy which is revisited as cash is required. The Trustee maintains a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Trustee and Isio monitor the liquidity of the portfolio on a quarterly basis through the Investment Performance Report. This includes valuations for the liquid mandates and measuring the proximity of the LDI mandate to capital calls. During 2024, there were a number of recapitalisation events within the LDI portfolio. However, these were comfortably managed by the collateral assets, and there remained, afterwards, a sufficient amount of headroom within the LDI portfolio to withstand further market movements (if required).
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable. To maintain an appropriate allocation to contractual and illiquid assets in line with the Plan's investment objective and liquidity requirements.	The Trustee maintained a diversified portfolio over the year to 31 December 2024.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	The Trustee maintained a portfolio of diversified credit investments over the year to 31 December 2024, including Infrastructure Debt, Direct Lending and Asset-Backed Securities.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory <p>The Trustee monitors the managers on an ongoing basis.</p>	More details of the ESG policy and how it was implemented are presented on page 7 and 8 of this report.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge all currency risk by entering into a GBP hedged share class where possible.	Currency risk was hedged over the reporting period as the Plan invests in GBP hedged share classes.
Non-financial	Any factor that is not expected to have an impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Plan's policy with regard to ESG as a financially material risk. This page details how the Plan's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Plan's managers' ESG policies and procedures. The next page details Isio's view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The Trustee monitor and engage with the Plan's investment managers and other stakeholders on a variety of issues. The below table outlines the areas which the Plan's investment managers are assessed on when evaluating their ESG policies and engagements.

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights.	<p>The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</p> <p>The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.</p> <p>The Trustee will engage, via their investment adviser, with investment managers and / or other relevant persons about relevant matters at least annually.</p>	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager's policies are not in line with the Trustee's policies in this area.</p>

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Areas of assessment and ESG beliefs

Risk Management	<ol style="list-style-type: none"> 1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Plan. 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustee.
Approach / Framework	<ol style="list-style-type: none"> 3. The Trustee should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> 6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustee will receive further training as required to develop their knowledge. 8. The role of the Plan's asset managers is prevalent in integrating ESG factors; the Trustee will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none"> 9. The Trustee will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none"> 11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG summary and actions with the investment managers

Manager and fund	ESG Summary	Potential actions identified
Insight – LDI	<p>Insight demonstrates a strong commitment to ESG principles at a firm-level, and integrate ESG factors for counterparty evaluation in their LDI funds.</p> <p>Insight has a strong approach to stewardship and collaboration, formally recognising climate implications, societal factors, and environmental considerations as foundational components of stewardship priorities.</p>	<ul style="list-style-type: none"> • There are no specific fund-level ESG objectives for the LDI funds, therefore Insight could consider reporting ESG scores and metrics for counterparties within the pooled funds or segregated mandates. • Insight could consider further expanding connections with academic institutions to develop risk management frameworks.
Insight – ABS (covering High Grade ABS and Global ABS)	<p>Insight has a strong firm-wide approach to stewardship as they have dedicated stewardship analysts who are responsible for setting key engagement priorities. They are also a key industry collaborator and member of several initiatives.</p> <p>However, at the fund level they remain limited by the quantity and quality of data in the ABS market.</p>	<ul style="list-style-type: none"> • Insight could explore developing an approach to estimate carbon footprint and include it in ESG reporting (Scope 1 & 2 emissions). • They may wish to expand their ESG objective criteria by formally establishing a formal exclusion of thermal coals and tar/oil sands.
Insight – Liquidity (covering Liquidity Fund and Liquidity Fund Plus)	<p>Insight demonstrates a strong firm-level commitment to ESG integration and principles, including setting a net zero commitment by 2050, in line with the industry-led initiative, Net Zero Asset Manager Initiative ('NZAMI').</p>	<ul style="list-style-type: none"> • Insight could develop their reporting to include a wider range of ESG metrics at fund-level. • Insight could further expand their connections with academic institutions to develop risk management frameworks.
Alcentra – European Direct Lending ("EDL")	<p>Alcentra have a Responsible Investment Team who review the output of the quantitative ESG Scorecard and help to integrate ESG into the EDL Funds. ESG metrics are well-integrated into Alcentra's quarterly reports and dedicated ESG reports are available on an annual basis.</p>	<ul style="list-style-type: none"> • Alcentra could review the ESG scorecard and risk framework annually. • Alcentra could consider reporting on individual issuer ESG scores rather than a fund-level distribution of scores.

<p>M&G – Secured Property Income Fund (“SPIF”)</p>	<p>M&G has strong firm-level policies in place including a net zero commitment by 2050 covering all AUM.</p> <p>There is, however, limited engagement at an underlying asset level and a lack of an engagement policy given the underlying assets are buildings.</p>	<ul style="list-style-type: none"> • M&G were unable to provide Scope 1 & 2 emissions due to lack of clarity of tenant activities and may wish to develop an approach to estimate carbon footprint. • M&G could introduce sector related exclusions for controversial behaviour. • M&G could consider reviewing the ESG scorecard annually.
<p>IFM – Global Infrastructure Fund (“GIF”)</p>	<p>IFM comprehensively integrate the firm’s Responsible Investment Charter throughout the Fund’s investment process and have a clear approach for ESG integration. IFM have incorporated sustainable investment factors into the due diligence on new investments.</p> <p>IFM ensures each asset has a net zero transition and an emissions reduction pathway in place.</p>	<ul style="list-style-type: none"> • IFM could consider reviewing its ESG scorecard on an annual basis. • IFM could provide social and nature-based metrics as part of regular reporting.
<p>PATRIZIA – Junior Infrastructure Debt</p>	<p>PATRIZIA has a strong focus on sustainable investment knowledge implemented through a robust training program across the firm.</p> <p>PATRIZIA’s reporting covers climate risk mitigation and opportunities and ESG metrics are provided annually for the fund.</p> <p>Ongoing monitoring processes are supported by ESG scores and assessments of each asset within the fund.</p>	<ul style="list-style-type: none"> • PATRIZIA could provide examples and evidence of engagement initiatives which have been carried out to mitigate ESG-related risks for assets.

Engagement

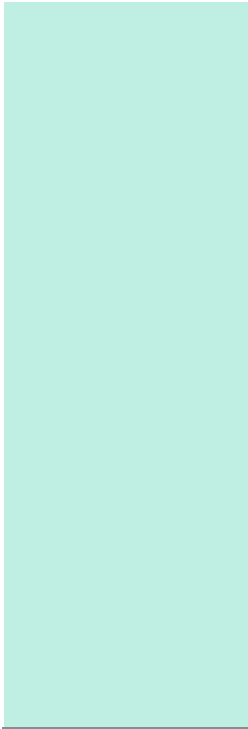
As the Plan invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 31 December 2024. Notable engagement activity along with engagement statistics are provided in the table below.

Fund name	Engagement summary	Commentary
Insight – LDI	<p>Total Engagements: c.16</p> <p>At this time, the Fund is not able to provide engagement activity at a topic level.</p>	<p>Insight Investment is committed to accountability and transparency in its stewardship program, prioritising its clients’ interests and collaborating with stakeholders. Insight believe effective stewardship requires engagement with stakeholders to improve sustainability and reduce ESG risks.</p> <p>Isio is working with Insight to evolve engagement reporting, but fund level metrics are not currently available. All engagement themes are currently at a firm-level.</p> <p>An example of a significant engagement includes:</p> <p>Morgan Stanley – Insight has engaged with Morgan Stanley, a global financial services firm. Insight’s engagement with the bank focused on their disclosures on the impact of financing on natural capital and their commitment to decarbonisation initiatives via green and social bond issuance. Insight felt the financial firm didn’t have a clear approach around how to deal with clients that are subject to the EU Deforestation Regulation. Insight communicated that they expect EU Deforestation Regulations to be part of the due diligence of clients going forward.</p>
Insight – High Grade ABS	<p>Total Engagements: c.40</p> <p>At this time, the Fund is not able to provide engagement activity at a topic level.</p>	<p>Insight engages with the Fund’s portfolio companies with respect to Environmental, Social and Governance factors.</p>

		<p>An example of a significant engagement includes:</p> <p>Columbus Capital – Insight has engaged with Columbus Capital, to discuss their proposal to provide residential financing to borrowers for the refinancing of energy efficient homes subject to pre-specified eligibility criteria. Insight focused on understanding the eligibility criteria on Columbus Capital’s green bond framework. Insight recommended that performance reporting on these loans against non-green ones would assist with the credit underwriting and market absorption of their green bonds programme. As a result, Columbus Capital will incorporate this feedback into their green mortgage lending program.</p>
Insight – Global ABS	<p>Total Engagements: c.40</p> <p>At this time, the Fund is not able to provide engagement activity at a topic level.</p>	<p>Insight engages with the Fund’s portfolio companies with respect to Environmental, Social and Governance factors.</p> <p>An example of a significant engagement includes:</p> <p>Angle Auto (PANO) – Insight has engaged with PANO to discuss the issue that provision of carbon metrics is limited within the auto lending sector. PANO stated it is unable to produce this information since the data is not readily available, however, they agree with Insight around the increasing importance of transparent reporting. Therefore, PANO agreed to work to build the provision of required ESG and carbon metrics into their regular reporting of underlying collateral pools.</p>
Insight – Liquidity Fund	<p>Total Engagements: c.3</p> <p>At this time, the Fund is not able to provide engagement activity at a topic level.</p>	<p>Insight engages with the Fund’s portfolio companies with respect to Environmental, Social and Governance factors.</p> <p>An example of a significant engagement includes:</p> <p>Bank of Nova Scotia – Insight has engaged as part of its counterparty engagement programme, in order better understand its ESG capabilities and identify areas of improvements. This included discussions on their fossil fuel financing policies as they were considered very weak compared to peers.</p> <p>Whilst there is still progress to be made, the Bank has now signed up to</p>

		the Net Zero Banking Alliance and is in the process of setting sector-based carbon intensity reduction targets.
Insight – Liquidity Fund Plus	Total Engagements: c.7 At this time, the Fund is not able to provide engagement activity at a topic level.	Insight was not able to provide an additional engagement case study, other than the Bank of Nova Scotia example outlined above.
Alcentra – European Direct Lending (“EDL”) (EDL II and EDL III)	Total Engagements: 171 Environmental: 42 Social: 53 Governance: 27 Other: 49	Alcentra, as a signatory to the UK Stewardship Code, follows stewardship standards for asset owners and asset managers. While specific Fund-level stewardship priorities are not in place, Alcentra’s stewardship activities are intended to deliver strong, long-term investment returns for clients. Alcentra's ESG engagement efforts are aimed at improving disclosures, understanding risks, and encouraging sustainable practices among issuers in its portfolio companies. It is important to note that the ability to make retrospective ESG improvements can be limited for the EDL fund range, given the Funds have invested a large portion of capital and are closed-ended in nature. An example of a significant engagement includes: “Company A” – Alcentra engaged with this company as part of their plan to transition to a more robust framework of Sustainability Linked Loans (SLL’s) when lending to their borrowers. Alcentra suggested the company could improve ESG data disclosures and discussed how they can use the collected data during their baseline activities to support the structuring of robust, data backed Key Performance Indicators (“KPI”). Company A is working to incorporate Alcentra’s feedback into their ESG strategy.
M&G – Secured Property Income Fund (“SPIF”)	M&G SPIF exclusively allocates its investments towards real estate assets, thereby solely functioning as a landlord of the properties it owns, as opposed to a shareholder or bondholder of the tenants within. As such, the Fund does not possess a formal engagement policy, unlike a shareholder, to exert influence over the corporate strategy of its tenants.	Due to the nature of most leases within SPIF, M&G’s overall influence on ESG matters as the landlord is limited. Consequently, M&G does not have any direct control over the tenants' ESG-related business strategies. However, M&G maintains regular communication with the tenants concerning the properties they occupy. Examples of significant engagements include:

		<p>Sainsbury's – M&G have engaged with Sainsbury's on methods to decrease energy use in specific store areas. They are looking to install EV charging points at the store in Wandsworth.</p> <p>Swansea University – M&G engaged with Swansea University to discuss revised policies for assets it holds. Therefore, the university have been holding meetings and discussions regarding improvements identified to improve energy efficiency of the building.</p>
<p>IFM – Global Infrastructure Fund ("GIF")</p>	<p>IFM does not disclose information about the number of engagements related to the Fund. However, IFM is actively engaged, where appropriate, with its underlying portfolio assets, working closely with management to establish specific ESG action plans. IFM also puts in place governance structures that have responsible investment controls to ensure responsible investment practices are followed.</p>	<p>IFM's Infrastructure Team actively engages with assets held in GIF, focusing on various ESG matters including inclusion, diversity, employee terms, safety, and climate change.</p> <p>Examples of significant engagements include:</p> <p>Sydney Airport – IFM have engaged with Sydney Airport as they see the airline industry as a key sector that will benefit from decarbonisation initiatives. In Q3 2024, IFM discussed opportunities with Sydney Airport for the use of electric Ground Service Equipment and lower emissions ground taxing support vehicles. The role of renewable diesel in scope 3 decarbonisation was also explored.</p> <p>Naturgy – IFM's engagement focused on a long-term climate strategy. Naturgy is targeting to reduce its Scope 1 and 2 emissions by 48% compared to a 2017 baseline and transition to a 60% renewable energy generation mix. As part of its long-term strategy, Naturgy is also seeking to increase the installed capacity of renewable generation. In Q4 2024, Naturgy's total renewable installed capacity reached 6.9 GW, with 1.6 GW of additional capacity under construction. The company is also exploring the development of biomethane and green hydrogen as new products.</p>
<p>PATRIZIA – Junior Infrastructure Debt</p>	<p>Total Engagements: 5 (reflecting the 5 portfolio companies)</p> <p>PATRIZIA has engagement with all of the Fund's portfolio companies with respect to ESG factors.</p>	<p>The Fund has a Sustainable and Responsible Investment Policy and defines stewardship as engagement during investment due diligence, covering all ESG aspects. The investment team engages with portfolio companies on a broad spectrum of ESG topics. They do not</p>



At this time, the Fund is not able to provide engagement activity at a topic level

set clear objectives and milestones, and engagement is typically done on an ad-hoc basis.

An example of a significant engagement includes:

Yorkshire Water – PATRIZIA has engaged with Yorkshire Water to assess the risk related to the conduct of the overall business, sewage treatment operations and improvements in ESG KPI's. This involved calls throughout 2024 with the Company's Head of Corporate Finance, credit rating agencies and other stakeholders at the UK water conference. PATRIZIA have said the ESG data reported by Yorkshire Water has been satisfactory and will continue to closely monitor KPI satisfaction.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.