

# OUR MATERIAL ISSUES



Prior to launching our Travel with Purpose 2030 Goals in 2018, we updated our materiality assessment to test the validity of our direction and inform the definition of our Goals. We consulted with key internal and external stakeholders and integrated strategic insights. To ensure that our program remains aligned with our most material issues, we have undertaken the following:

- Mapped 100% of our hotels and pipeline against selected external social and environmental risk indices
- Integrated social and environmental risk questions, including questions around climate change risk, in Hilton’s annual internal Global Enterprise Risk Survey, which is distributed to over 200 Hilton leaders
- Surveyed more than 145,000 Hilton guests and meeting planners to understand how they value a hotel company’s corporate responsibility practices
- Continually undertake gap analyses against best practices and expectations from external organizations, including companies, investors, clients, governments, benchmarks and rankings in order to inform our program and our reporting
- Map our programs against the UN SDGs

Further detail on our materiality assessment and the steps we take to continually evaluate the materiality of our CR programs to our business and the industry can be found in the Appendix. We plan to re-complete our detailed materiality assessment in the near future to further inform our programs and focus our efforts as we work towards our 2030 Goals.



Each impact area corresponds to each section of our value chain:

- Our Operations
- Our Communities
- Our Supply Chain
- Overarching Impact

## 2014 MATERIALITY ASSESSMENT

We engage with stakeholders on an ongoing basis to inform our strategy and get insight on their expertise, expectations, feedback and priorities. In 2014, we conducted an in-depth materiality assessment. We interviewed a panel of internal and external stakeholders and reviewed a number of internal and external documents to gather the information.

### Internal stakeholders on their sustainability and responsibility priorities for Hilton and beyond:

**1,100**

Team Member surveys across markets

**50+**

corporate Team Member interviews

### Internal data and documents review:

- Spend data (to identify areas of impact)
- LightStay data – data on all of our hotels' energy, water and waste reported since 2009
- Strategic documents, policies and sustainability reports

### External stakeholders on their sustainability and responsibility expectations from hotels:

**400**

guest surveys (U.S. and China)

**400+**

hotels covered by owner interviews

**200**

nongovernmental organizations in six markets

- [International Tourism Partnership materiality matrix](#), based on stakeholder engagement roundtables with investors, labor unions, NGOs, ownership groups, certification bodies and industry groups in London and Hong Kong
- In-depth engagement with key partners (e.g., the International Youth Foundation and the World Wildlife Fund)

### External data review:

- Competitor benchmark
- Utility cost trends in key markets
- Media analysis
- Online hotel discussion and rating platforms (reviewed for insight on traveler priorities)
- Priorities of suppliers, clients, investors and policymakers

The materiality assessment was complemented with deeper analysis in two key areas: **supply chain and human rights.**



### The supply chain mapping exercise analyzed:

- Interviews with 17 internal supply chain stakeholders across seven support functions and operations
- Gap analysis against best practices from other external organizations
- Spend data through Hilton Supply Management (the procurement arm of Hilton)
- Category risk assessments across environmental, social and economic factors based on external indices



### The global human rights impact assessment followed a robust methodology informed by the United Nations (UN) [Guiding Principles on Business and Human Rights](#), and based on:

- Interviews with 14 internal human rights stakeholders across eight support functions and operations
- Gap analysis against best practices from other external organizations
- Likelihood, scale, severity and remediability of impacts
- Company's operating context (influence, business dependencies, structure)

## 2017-18 ENHANCEMENT AND SITUATIONAL ASSESSMENT OF KEY TOPICS

Throughout 2017 and early 2018, we conducted an update of our materiality assessment to test the validity of our direction and inform the definition of our Travel with Purpose 2030 Goals (launched in May of 2018). We consulted with key internal and external stakeholders and integrated strategic insight based on the following reviews:

- Mapped 100% of our Hotels and pipeline countries** against 24 chosen social and environmental risk indices from Verisk-Maplecroft. We found that the prevalence of water and modern slavery risks were more significant and higher than in 2014.
- Surveyed 73,000 Hilton Guests in November 2017, and 72,000 Hilton Guests in May 2018** who recently stayed at our hotels. The results confirmed that Guests value a hotel company's corporate responsibility practices and that local sourcing is important to them.
- Gap analysis against best practices and/or expectations from other external organizations** (companies, investors, clients, governments, benchmarks and rankings). The trend shows increasing expectations for transparent, science-based and meaningful targets, practices and impact in terms of human rights and environmental management. We notably reviewed the expectations for the following rankings, which we report to each year.

**86% guests** say hotel environmental and social responsibility is important to them, and that it will have at least some influence in their booking decisions over the next 12 months, an 8 point increase compared to the previous 12 months.

**33% guests** actively seek this information before booking, including 44% of under-25-year-olds.

**56% guests** buy local, organic or fair trade at least once a week.

- Included social and environmental risk questions** in the annual internal Global Enterprise Risk Survey, distributed internally to over 200 Hilton leaders. We identified human rights as a material issue at an enterprise level.



HIGH

**Human Rights** were included in one of the top risk categories that emerged from the Survey.

**Corporate Responsibility (CR)** was included in the annual financial report for the first time in 2018.



The **Dow Jones Sustainability Indices** tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. The Indices' methodology is aligned with their research on the most financially material topics as well as accepted sustainability reporting frameworks such as GRI, SASB and CDP. We also evaluate our performance against the **JUST Capital** rankings, which assesses companies that put workers, customers, communities and the environment at the heart of just business practices. This year, we are publicly reporting more of our social impact metrics in line with their focus on transparency.

- Mapped our CR programs against the UN Sustainable Development Goals (SDGs)**. We found that we contribute to all 17 of the SDGs, and can have the most significant impact on four SDGs in particular.



# MATERIALITY ASSESSMENT DETAIL



## DEFINING OUR 2030 GOALS

We developed our [Travel with Purpose 2030 Goals](#), in line with our materiality matrix, with an overarching commitment to cut our environmental footprint in half and double our investment in social impact by 2030. This framework is supported by 23 detailed objectives which address our material issues. See below for our list of material issues mapped against our Hilton enterprise and Travel with Purpose 2030 Goals.

Impact Area	Material Issue	Hilton Goals	Value Chain Area	SDG
<b>Social Impact</b>				
Inclusive Growth	Talent Pipeline	Double our investment in youth opportunity programs in countries with lowest youth well-being	Communities	SDG 1 SDG 4 SDG 8
	Diversity and inclusion	Double our investment in programs that contribute to sustainable solutions and economic opportunity for all (e.g., women, veterans, persons with disabilities, etc.)	Operations	
	Equal opportunities	Double our sourcing spend from local, small and medium-sized enterprises and minority-owned suppliers	Supply Chain	
Human Rights	Human trafficking	Embed human rights due diligence in our supply chain and partner with suppliers to eradicate any form of forced labor or trafficking	Supply Chain	SDG 8
		Create and partner with cross-industry networks to advance international human rights	Communities	
Community Investment	Economic impact	Promote environmental awareness and open our LightStay technology in school educational programs	Communities	SDG 1 SDG 11 SDG 12
	Volunteering	Contribute 10 million volunteer hours to activate our Travel with Purpose commitment in our communities	Communities	
	Disaster relief support	Double our monetary response, empowerment efforts and investment in resiliency against natural disasters	Communities	
	Philanthropic giving	Double Action Grants for social and environmental impact projects in our communities	Communities	
		Participate in food donation programs where allowed by law	Communities	

# MATERIALITY ASSESSMENT DETAIL



Impact Area	Material Issue	Hilton Goals	Value Chain Area	SDG
<b>Environmental Impact</b>				
Energy & carbon	Energy and climate change	Reduce Scope 1 and 2 carbon intensity by 61%	Operations	SDG 7
		Create and partner with cross-industry networks to support policies for a low carbon future and to advance international human rights	Communities	SDG 12 SDG 13
Water	Water	Reduce water use in our managed operations by 50%	Operations	SDG 6
		Activate 20 context-based water projects in our communities and watersheds of top water risk	Communities	SDG 12
Waste	Waste	Reduce waste output in our managed operations by 50%	Operations	SDG 3 SDG 12
		Zero soap to landfill by recycling all used Guest soap bars where available	Operations	
		Reduce food waste sent to landfill by 50% in our managed operations	Operations	
Responsible sourcing	Responsible sourcing	Sustainably source (e.g., certified) all meat and poultry, produce, seafood and cotton at managed hotels (where available)	Supply Chain	SDG 12 SDG 14 SDG 15
<b>Overarching Impact</b>				
Team Member Engagement	Career Development	Train employees at Hilton-managed hotels on relevant environmental and social issues	Operations	SDG 13
Supplier Engagement	Effective partnerships	Encourage suppliers to set goals and validate through auditing and incentive program	Supply Chain	SDG 12
		Increase data visibility by incorporating social and environmental criteria into supplier registration and enquiry processes	Supply Chain	
		Create framework for collaboration program with top-tier suppliers	Supply Chain	
Driving Responsible Tourism and Travel	Guest awareness of CR issues	Adopt a global standard for responsible travel and tourism, complementing our existing environmental certifications	Operations	SDG 11
		Engage Guests in supporting responsible travel in destination hot spots	Operations	
	Modern slavery	Create and partner with cross-industry networks to advance international human rights	Communities	