

Implementation Statement for the year ending 31 March 2022

## IHG UK Defined Contribution Pension Plan Implementation Statement for the year ending 31 March 2022

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Plan's Statement of Investment Principles during the year ending 31 March 2022.

### Why do the Plan's investments matter to me?

The Plan provides you with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds your pension savings are invested in grow over the years.

### What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Plan's investments. It describes the rationale for the investment options which you can choose (including the default arrangement if you don't make a choice). It also explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including considerations regarding climate change). The Trustee maintains an Investment Implementation Policy Document ('IIPD') which contains details of the Plan's investment arrangements and sits alongside the SIP.

The last review of the Plan's SIP was completed on 10 December 2021 and the next review will take place no later than 10 December 2024.

The following changes were made to the SIP during the last year:

- The "Investment Objectives" section was updated to highlight that the Trustee has taken advice from its investment advisers (Hymans Robertson LLP) that the drawdown lifestyle is still appropriate as a default for the Plan based on the demographics of Plan members.
- The section on "Inadvertent Default" arrangements was simplified to reflect developments with respect to the property fund closure experience in 2020.
- The section on "Expected Returns" was reviewed in line with asset return projections as a part of the 2021 strategy review.
- The IIPD was also updated during the period to reflect the changes to the investment strategy over the year.

If you want to find out more, you can find a copy of the Plan's current SIP (and the latest Plan's Chairs Statement) at <https://www.ihgplc.com/en/business/pensions>

### What is this Implementation Statement for?

The Trustee is required to prepare an annual Implementation Statement, which sets out how it has complied with the Plan's SIP during the last year.

**Overall, the Trustee is satisfied that:**

- The Plan's investments have been managed in accordance with the SIP; and
- The provisions in the SIP are suitable for the Plan's members.

**Implementation Statement for the year ending 31 March 2022** continued

**How the Plan's investments are governed**

The Trustee has overall responsibility for how the Plan's investments are governed and managed in accordance with the Plan's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There were no changes to the Plan's governance structure over the year to 31 March 2022.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the Plan's platform provider and underlying fund managers.

The Trustee undertook the following training/actions during the last year to ensure that their knowledge of investment matters remained up to date:

- DC trends in design and delivery (monitoring of investment Hot Topics provided by the Investment Adviser on a quarterly basis);
- Being up to date on regulatory items pertaining to investment – the most recent important regulatory changes are related to enhanced Value for Members assessments; and
- The Trustee is a professional Trustee so also receives training and brings experience from its other appointments of other schemes and market developments.

In line with the requirements from the Competition & Markets Authority, the Trustee monitors how well its Investment Advisers meet the objectives agreed with them. The Investment Advisers agreed the following specific investment objectives for the Plan with the Trustee:

- Risk and return objectives at each stage of the default investment strategy are as follows:

	Return Objective	Risk Objective
Growth	CPI+ 4% p.a.	Negative return in 7/20 years
Consolidation	CPI+ 3% p.a.	Negative return in 3/10 years
Pre-retirement	CPI+ 1-2% p.a.	Negative return in 1/5 years

- The Investment Adviser is also assessed on strategic decisions, manager and ratings decisions and the timeliness and accuracy of compliance and regulatory reporting. This is inclusive of the default and self-select fund options.

**The Trustee is satisfied that during the last year:**

- **The Plan's DC governance structure was appropriate;**
- **The Trustee has maintained its understanding of investment matters; and**
- **The Plan's Investment Advisers performed in line with the objectives they were set.**

## Implementation Statement for the year ending 31 March 2022 continued

### How the default arrangement and other investment options are managed

The objectives and rationale are set out in the SIP in section 2.1 for the default arrangement and the other investment options.

The objectives, in summary, look to provide a range of investment options suitable to meet Plan members' needs, by providing options that give members a reasonable expectation of:

- Influencing the value of their assets at retirement, allowing for individual members' risk tolerances;
- Where required, maintaining the purchasing power of their savings in real (i.e. post-inflation) terms; and
- Providing protection for accumulated assets in the years approaching retirement against a sudden (downward) volatility in the capital value and, where required, against fluctuations in the cost of annuities;

The Trustee carries out an annual high-level monitoring of the default arrangement and other investment options to ensure they remain suitable for most members. This involves:

- Ensuring that the default arrangement complies with the charge cap (this is also monitored quarterly within the administration reports);
- Monitoring the investment performance of each fund (this is done on a quarterly basis);
- Monitoring the turnover of the assets in which each fund is invested (this is done by the research team of our Investment Advisers);
- Considering whether the funds still meet the investment objectives the Trustee has set for the default arrangement and other investment options; and
- Checking whether there have been any significant changes in the demographic profile of the Plan's membership, members' choices of investment options and members' choices of benefits when they retire. This is done through a review of the quarterly administration report provided by the Plan's platform provider.

#### **The Trustee also completed and implemented its in-depth, triennial investment strategy review during 2021 and made the following changes:**

- **Changed the underlying allocation of the IHG Long Term Growth fund to align with the Trustee's ESG beliefs and to introduce currency hedging into the arrangement. The fund is now a composite of the following funds:**
  - 30% Aegon Schroders Sustainable Multi-Factor Equity (unhedged).
  - 30% Aegon BlackRock World ESG Equity Tracker (unhedged).
  - 34% Aegon BlackRock MSCI Currency Hedged World Index (hedged).
  - 6% Aegon BlackRock Emerging Markets Equity Index (unhedged).

**Fees in this fund are now 0.29% p.a.**

- **Changing the underlying allocation of the IHG Diversified Assets fund to address concerns surrounding the Invesco Global Targeted Returns Fund and reduce the fund's fees. The fund is now a composite of the following funds:**

- 50% Aegon LGIM Future World Multi-Asset Fund.
- 50% Aegon Schroders Dynamic Multi-Asset Fund.

**Fees in this fund are now 0.46% p.a.**

- **Adding a new ESG fund to the self-select range.**

**The Trustee believes that the above changes will help the Plan to better meet its objectives, particularly in terms of protecting member's assets close to retirement and improving member outcomes, after charges.**

## Implementation Statement for the year ending 31 March 2022 continued

### The Trustee's investment beliefs

The Trustee has developed a set of investment beliefs which are set out in section 2 of the SIP which it follows when making investment decisions.

**There have been no changes to these beliefs in the last year.**

### The expected risks and returns on your savings in the Plan

The investment risks relating to members' benefits are described in the SIP in Section 2.3 and the expected returns from each type of investment used by the Plan are set out in the SIP in Section 2.4.2.

During the last year the Trustee, with the help of its Investment Adviser, reviewed the appropriateness of the risks and expected returns detailed by the Plan. No changes were made to these as the Trustee was satisfied that the changes made to this section in September 2020 remained appropriate.

**The Trustee believes that the main investment risks members face in the Plan are described within the SIP and are suitable for managing the Plan.**

**The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable, relative to the risks that members face.**

### Platform providers and fund managers

#### Choice of platform providers and funds

The Trustee monitors the service of the platform provider used by the Plan by:

- Periodically reviewing the performance of the platform provider against the wider market.
- Assessing the Value for Members of the service offered by the platform provider on an annual basis, including administration services, governance practices, investment performance, investment options and retirement support. The Trustee considers the Plan to offer Good value for money to members when compared to similar pension schemes.

The Trustee monitors the performance of the funds used by the Plan by:

- Receiving quarterly monitoring reports from their Investment Adviser.
- Discussing investment performance, in line with these reports, at Trustee meetings.

The Trustee reviewed the platform provider, Aegon, during the Plan year in June 2021. This review concluded that:

- Aegon had performed broadly in line with overall expectations, subject to potential future improvements in fees, and as such they should be retained as the Plan's DC pension provider for the time being.
- Aegon's continued investment in their communication materials and online tools is, overall, in line with their competitors.

As mentioned, the Trustee also reviewed the fund managers and made the changes outlined above.

**The Trustee is satisfied that the platform provider and fund managers used by the Plan remained appropriate.**

## Implementation Statement for the year ending 31 March 2022 continued

### Ability to invest / disinvest promptly

It's important that your contributions can be invested promptly in the default arrangement, or the investment options you have chosen. It is also important that your investments can be sold promptly when you want to change where they are invested, transfer your pension pot to another pension scheme or your benefits are due to be paid out when you retire.

The Trustee ensures this happens by selecting pooled investment funds that can be dealt daily. Aegon are expected to notify the Trustee promptly should a situation arise where member's ability to invest/ disinvest has been or may be impacted.

During the Plan year, there were ongoing issues surrounding the Aegon DC Property Fund as it was suspended, meaning members were unable to invest in and/or disinvest from the fund. This situation was experienced across the property funds of many different providers during the pandemic but the closure for this fund lasted longer than others. **As a result of concerns surrounding this issue, the Trustee has removed the fund from the self-select range for new investment (although it has been retained for the investments of existing members due to the costs involved in moving them to an alternative arrangement). This means members will no longer be able to invest new contributions into the fund. The Trustee has sent communications to members who are invested in the fund, noting the issues and providing guidance on how to exit their investments in these funds if they wish to do so.**

### Changes in where funds are invested

The Plan's Investment Adviser monitors the volume of buying and selling of the underlying funds of the Plan.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

**The Trustee is not aware of any underlying turnover within the funds used in the Plan that is inconsistent with those funds' objectives and have set up a process to monitor this. The investment adviser monitors turnover within the funds as part of their research process and will alert the Trustee to any issues.**

### Security of your savings in the Plan

In addition to the normal investment risks faced when investing in the funds used by the Plan, the security of your savings in the Plan depends upon:

- The financial strength of the investment platform provider used by the Plan;
- The financial strength of the fund managers used by the investment platform; and
- The legal structure of the funds the Plan invests in.

The financial strength of the platform provider and the fund managers has a bearing on the risk of losses to the Plan's members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

**Although there have been changes to the funds used by the Plan over the year, the Trustee is not aware of any material changes in the financial strength of the investment platform provider or the fund managers used by the platform in the last year. Aegon are given an S&P rating of A+ (Outlook Stable, last reviewed Feb 2022).**

## Implementation Statement for the year ending 31 March 2022 continued

### Conflicts of interest

As described in Section 1.2 of the SIP, the Trustee considers potential conflicts of interest:

- When choosing fund managers;
- When monitoring the interests of the Trustee and the Plan's advisers;
- When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
- When the fund manager is making decisions on where each fund is invested.

The Trustee expects the fund managers to invest the Plan's assets in members' best interests. As the funds used by the Plan are held at arms-length from the Trustee via an investment platform, the Trustee plans to ask the platform provider to report on its own investment governance of the funds including potential conflicts of interest. The Trustee liaised with Aegon regarding their conflicts of interest management. On 20 September 2021, Aegon confirmed that they maintain an internal conflicts of interest policy.

**The Trustee maintains a conflicts of interest log and reviews this on a quarterly basis. The Trustee is satisfied that there have been no material conflicts of interest during the year, which might affect members' benefit expectations.**

### Manager incentives

As described in Section 2.10 of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

The funds used by the Plan are held at arms-length from the Trustee via an investment platform. Nevertheless, the Trustee believes it is in the platform provider's best commercial interests to ensure that the fund managers are suitably incentivised to meet their funds' investment objectives.

Incentivisation is assessed based on the fees paid to the underlying asset managers and the appropriateness of their risk and return objectives. The most recent triennial strategy review, which was implemented during the year, focused on incentivisation for managers. The Trustee notes that none of the asset managers used by the Plan use performance related fees.

**The Trustee is satisfied that the Plan's underlying fund managers are suitably incentivised to deliver good outcomes for the Plan's members.**

### Responsible Investment

The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Plan invests in.

Investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (collectively known as "ESG" factors) can have on the value of the Plan's investments and in turn the size of your retirement benefits.

The Trustee has considered the length of time members' contributions are invested in the Plan when choosing and reviewing the funds used in the investment options.

The Trustee periodically reviews the fund managers' approaches to sustainable investing. The Trustee receives quarterly reports from the fund managers on how they have handled these risks.

## Implementation Statement for the year ending 31 March 2022 continued

### Investment stewardship

As described within the SIP, the Trustee believes it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on significant issues which could affect a company's financial performance (and in turn the value of the Plan's investments).

As the Plan's investments are held at arms-length from the Trustee and members through an investment platform operated by Aegon, the Trustee is not able to instruct the fund managers how they should vote on shareholder issues. The Trustee nevertheless:

- Chooses fund managers whose voting policies are consistent with the Plan's objectives;
- Expects fund managers to vote in a way which enhances the value of the funds in which the Plan invests and be signatories of the UK Stewardship Code (all of the underlying fund managers are signatories);
- Monitor how the fund managers exercise their voting rights.

### How does the Trustees monitor stewardship?

The Trustee periodically reviews the platform provider's and fund managers approaches to stewardship including voting and engagement policies.

The Trustee is making arrangements to receive quarterly reports from the Aegon on how the fund managers have voted at shareholder meetings and what topics fund managers have discussed with the companies in which they invest.

The funds with voting rights attached that are available to members as part of the default fund range or the self-select fund range are listed below along with summary voting statistics for each fund.

#### Fund within the Default Arrangement

- |  |   |
|--|---|
| 1. Aegon BlackRock Emerging Markets Equity Index Fund    | 4. Aegon Schroders Sustainable Multi-Factor Equity Fund |
| 2. Aegon BlackRock World ESG Equity Tracker Fund         | 5. Aegon Schroders Dynamic Multi-Asset Fund             |
| 3. Aegon BlackRock MSCI Currency Hedged World Index Fund | 6. Aegon LGIM Future World Multi-Asset Fund             |

#### Self-Select Funds

- |  |   |
|--|---|
| 7. Aegon BlackRock UK Equity Fund                | 14. Aegon Baillie Gifford Positive Change Fund  |
| 8. Aegon BlackRock US Equity Fund                | 15. Aegon BlackRock Long Gilt Fund*             |
| 9. Aegon BlackRock European Equity Fund          | 16. Aegon BlackRock Index Linked Gilt Fund*     |
| 10. Aegon BlackRock Japanese Equity Fund         | 17. Aegon BlackRock Sterling Bond               |
| 11. Aegon BlackRock Pacific Rim Equity Fund      | 18. Aegon LGIM Pre-Retirement Fund              |
| 12. Aegon BlackRock World (ex-UK) Equity Fund    | 19. Aegon HSBC Islamic Global Equity Index Fund |
| 13. Aegon BlackRock Emerging Markets Equity Fund | 20. Aegon BlackRock Cash Fund                   |
|  | 21. Aegon Property Fund                         |

## Implementation Statement for the year ending 31 March 2022 continued

Default Funds:

	1	2	3	4	5	6
<b>No. of resolutions eligible to vote</b>	21,938	3,961	13,045	4,350	54	8,296
<b>% resolutions voted for management</b>	89.7%	92.8%	91.2%	81.7%	98.1%	79.1%
<b>% resolutions voted against management</b>	6.4%	6.5%	8.6%	11.4%	0.0%	20.4%
<b>% resolutions abstained and did not vote</b>	3.9%	0.7%	0.2%	2.1%	1.9%	0.5%

Self-Select Funds:

	7	8	9	10	11	12	13	14	15	16	17
<b>No. of resolutions eligible to vote</b>	10,693	7,364	7,213	589	3,369	24,008	21,938	N/A	N/A	9	1,642
<b>% resolutions voted for management</b>	94.7%	95.4%	85.3%	98.3%	88.4%	92.3%	89.7%	N/A	N/A	100.0%	88.5%
<b>% resolutions voted against management</b>	4.9%	4.6%	14.3%	1.7%	11.6%	7.2%	6.4%	N/A	N/A	0.0%	11.3%
<b>% resolutions abstained and did not vote</b>	0.4%	0.0%	1.4%	0.0%	0.0%	0.5%	3.9%	N/A	N/A	0.0%	0.2%

\*Reporting was not available for these fixed income funds and therefore was not provided by Aegon.

- The Trustee also considers how the fund managers voted on specific issues. The Trustee considers 'significant votes' to be either companies with relatively large weightings in the funds which members invest in (as this will impact the greatest number of members by the largest amount), or where there were shareholder issues that members are expected to have an interest in.
- The funds/managers in question fit into the strategy in the following ways:
  - Are underlying funds for the IHG Plan Long Term Growth Fund;
  - Are underlying funds for the IHG Diversified Assets Fund; or
  - Form a part of the self-select range of funds.



## Implementation Statement for the year ending 31 March 2022 continued

The Trustee has decided that significant votes are for companies in the top 10 holdings of the underlying funds. The most significant shareholder votes and how the fund managers voted during the last year were:

	Alphabet Inc	Amazon.com Inc	Apple Inc	Microsoft Corporation	Tesla Inc
Resolution	2 June 2021 Report on Whistleblower Policies and Practices	26 May 2021 Report on the Impacts of Plastic Packaging	4 March 2022 Report on Median Gender/Racial Pay Gap	30 November 2021 Report on Implementation of the Fair Chance Business Pledge	7 October 2021 Report on Diversity and Inclusion Efforts
BlackRock	Against	Against	Against	Against	For
HSBC Global Asset Management	For	For	-	For	For
Legal & General Investment Management	For	For	For	For	For
Schroders PLC	For	Against	For	For	For
Comments	BlackRock voted against this resolution as they argue that the company already addresses this issue.	Schroders and BlackRock believe the company already has suitable policies.	Votes in favour believe this information would be useful to shareholders.	BlackRock believe that the company already has suitable policies.	All managers believed this was in shareholders interests.

Source: Proxy Insights

### How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
BlackRock	BlackRock uses a firm called ISS for vote instruction and they also use proxy research firms for custom recommendations.
HSBC	HSBC use ISS for custom recommendations based on their own voting guidelines.
Schroders	Schroders utilise company engagement, internal research, investor views, governance expertise and external research (from ISS and IVIS) when considering voting decisions. Schroders make use of a third-party proxy voting service.
LGIM	LGIM uses ISS to place its electronic votes through ISS ProxyExchange. LGIM have a custom voting policy in place to ensure their provider votes in accordance with their position on ESG.

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**The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP.**

### Ethical Investing

The Trustee recognises that some members will have strong views on where their pension savings should be invested.

The Plan offers members a choice of funds which:

- Invest in a variety of global equity indices;
- Invest in a Shariah compliant manner; and
- Invest in a manner that is cognisant of ESG factors, including climate change.

Nevertheless, the Trustee recognises that it is not possible to cater for everyone's views on non-financial/ethical matters.

The Trustee monitors the investments held by the Plan's ethical investment options through quarterly reporting from the platform provider. The Trustee also monitors developments in ethical investing funds which could be appropriate to the Plan's members.

**The Trustee is satisfied that the Plan offers enough ethical investment options for members.**

### Communication and member engagement

The Trustees' approach to communicating the Plan's investment options and investment governance have not changed during the last year.

During the last year the Trustees undertook the following to support member engagement and obtain member feedback:

- An annual member newsletter, issued December 2021
- Notices related to the investment review and its implementation, and the impact on members and their investment choices
- Consulting the 3-person member forum to test the above investment notices for readability and accessibility.
- Consulting the 3-person member forum to obtain feedback on the online user experience of the member portal and app, and feeding that back to the administrator for future developments.

The key points to emerge from engagement with members during the last year were:

- The online experience using the app is not as developed as the member forum expected, although the portal is easier to navigate.
- There were no substantial complaints or difficulties arising from the investment changes introduced in late 2021, from either active or deferred members.

As a result of this feedback the Trustees will take the following action:

- Provide feedback regarding communications in general to Aegon, the Plan's administration platform provider. Continue to monitor the development of digital services and communications delivery by Aegon.

**During the last year the Trustee followed the policies and practices described in the SIP.**

### Looking forward

In the next Plan year, which will be covered by next year's Implementation Statement, the Trustee intends to undertake the following actions in relation to the SIP:

- Conduct the annual high-level review of the SIP;
- Work with their investment advisers and fund managers to understand more about their voting policies; and
- Monitor the performance, voting and engagement of the underlying investment managers.