

OUR APPROACH TO ESG RISK & SUPPLIER MANAGEMENT

Sourcing for properties in 126 countries and territories, we recognize the importance and opportunity to create positive economic, environmental and social impact across our supply chain.



SUPPLY CHAIN ESG PROGRAM

Hilton Supply Management (HSM) supports the Hilton enterprise ESG strategy, Travel with Purpose, through our Responsible Sourcing & Sustainability Program. Oversight of the company’s supply chain ESG program is managed by the Responsible Sourcing & Sustainability team, with direct oversight by Hilton’s Senior Vice President and Chief Procurement Officer and additional guidance provided by Hilton’s Head of ESG and the Assistant General Legal Counsel. Strategic focuses of the program include:

- 1** Conducting ESG due diligence to ensure responsible business practices and mitigate risk;
- 2** Engaging Team Members to drive actions that foster a responsible, diverse and sustainable supply chain;
- 3** Partnering with suppliers to advance shared ESG goals; and
- 4** Making progress against our industry-leading 2030 supply chain goals.



- 1 Identification**
 Corporate buyers leverage RFX processes (which includes Requests for Proposal, Information and Quotation) to receive information on suppliers' businesses and capabilities. Suppliers respond to a set of questions through the RFX, which include ESG-related items. Typically, ESG question responses are weighted at 5-10% of the supplier's overall score. Supplier scores are reviewed to identify finalists.
- 2 Screening**
 Hilton leverages Coupa Risk Assess (CRA) to collect supplier information to evaluate the company's risk. An initial screening questionnaire is completed to identify significant suppliers* and determine what additional assessments are needed. Further due diligence is conducted for applicable suppliers, such as Exiger Diligence review, our Human Rights Questionnaire (HRQ) and EcoVadis Sustainability Assessment. A supplier must pass screening to move to the contracting phase. More information on the platforms and tools we leverage is provided below.

* Significant suppliers include those that are high-spend and/or high-risk. High-spend includes suppliers with at least \$1 million USD actual and/or contracted Hilton spend annually. High-risk includes suppliers providing Hilton with labor, rubber, cocoa, packaging, paper, textiles, and/or crops (e.g., tea, coffee, soy, palm oil, rice, cotton, bananas) with annual spend of at least \$500,000 USD.
- 3 Contracting**
 All suppliers adopt Hilton's standard contract template. All contracts include the Hilton Responsible Sourcing Policy, which outlines our minimum ESG standards. In the contract, HSM also reserves the right to conduct audits and/or inspections of a supplier's facilities as deemed necessary. Any relevant clauses outlining supplier requirements, such as the completion of EcoVadis Sustainability Assessment, are added to the contract before signing. Should a supplier not be willing or able to accept Hilton's minimum ESG standards, the supplier contract will not be executed.
- 4 Performance Management & Assessment**
 Corporate buyers continuously review supplier performance once contracted. An extensive review is conducted when a supplier contract is up for renewal. Dependent on the commodity provided by the supplier and its associated risk, Hilton may require HSM or a third party to conduct an on-site audit of the supplier's facilities. Safety and security inspections are conducted of certain high-risk suppliers, such as labor and food suppliers.

Significant suppliers are required to complete EcoVadis Sustainability Assessment and meet Hilton's minimum scores. Should a supplier not meet Hilton's minimum scores, the supplier is consulted and follow-up actions may be required. This includes but is not limited to committing to an EcoVadis Corrective Action Plan (CAP) to improve their score when assessed the following year.¹
- 5 Continued Development**
 Suppliers have access to development opportunities, such as Hilton Supply Management's annual Supplier Diversity Summit and Hilton's EcoVadis program. HSM conducts its Supplier Diversity Summit annually for new and existing suppliers, which includes networking, category-specific breakout sessions, expert insights from leaders, and HSM sourcing needs. Through EcoVadis, participating suppliers have access to resources and information on how to improve their ESG performance. Suppliers can benchmark their performance against peers, identify areas of ESG improvement via the custom score analysis, and access the EcoVadis Academy.

¹In 2022, 223 of Hilton's suppliers were assessed by EcoVadis. 42 of these suppliers have committed to at least one corrective action and 47 suppliers have participated in at least one learning course through EcoVadis Academy.

LEVERAGING ADVANCED TOOLS TO ASSESS ESG RISK & PERFORMANCE

Coupa Risk Assess (CRA)



CRA is a third-party risk management tool that enables Hilton to collect supplier information to evaluate the company's risk. Through CRA, Hilton's procurement team creates supplier relationship records and completes an initial screening questionnaire. Screening questions focus on the supplier's provided commodities, geographic location, spend, and business practices to calculate the supplier's potential risk (including social and environmental impact) and determine further actions. The questionnaire is also used to identify Hilton's significant suppliers. The initial questionnaire could trigger subsequent questionnaires and supplier risk assessments dependent on their response. Risk assessments cover various functions, including Security, Privacy, Legal Due Diligence, ESG and Finance.

Exiger



Exiger Diligence is a third-party risk and compliance assessment service provider. Hilton uses Exiger Diligence's Exiger Express platform powered by DDIQ, an automated risk analytics product. DDIQ scans thousands of international sources to flag potential risk and compliance issues of the supplier. The platform can scan across 48+ languages and validate the identified flags. A researcher manually reviews all findings before sharing the report back to Hilton. Suppliers identified by CRA that meet a certain spend threshold, provide certain commodities, or operate in certain high-risk countries must undergo review by Exiger Diligence.

EcoVadis



Hilton leverages the EcoVadis platform to assess suppliers' ESG performance. EcoVadis, the world's largest provider of business sustainability ratings, is a collaborative platform where buyers and suppliers engage to assess and improve sustainability performance. Through their trusted methodology (based on international frameworks such as the Global Reporting Initiative and the United Nations Global Compact), EcoVadis assesses business practices related to the environment, labor & human rights, ethics, and procurement activities. Suppliers also receive access to the EcoVadis Academy, an e-learning platform that provides training and guidance on improvement areas. All of HSM's corporate buyers are trained in the Hilton EcoVadis program.

Human Rights Questionnaire



The Human Rights Questionnaire was developed internally by Hilton to assess human rights risks associated with significant suppliers. The questionnaire is comprised of key questions that evaluate a supplier's approach to protecting human rights and mitigating potential human rights risks across its operations and supply chain.