

Implementation Statement for the year ending 31 March 2021

IHG UK Defined Contribution Pension Plan Implementation Statement for the year ending 31 March 2021

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 2021.

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 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), explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

The last review of the Plan's SIP was completed on 30 September 2020 and the next review will take place no later than 30 September 2023.

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

- A section was added to state that the Trustee seeks to ensure that, when appointing platform providers and fund managers, they seek to ensure that they have adequate conflicts of interest policies.
- So as to provide a more comprehensive understanding of the risks associated with the Plan, the Trustee added in a section detailing the risks surrounding the default arrangement including:
 - Responsible Investment risks and a section of beliefs of the Trustee;
 - whether the default arrangement will meet the reasonable expectations of members; and
 - whether the fund managers will meet their objectives and the operational risks related to the fund managers and other third parties involved in the default investment option.
- A section on temporary default arrangements was added to the SIP as, in the event that member's contributions cannot be invested in certain funds, the Trustee needed to set a policy for how these contributions should be invested. More information can be found in "Temporary default option" in section 2.1 of the SIP.
- The Trustee added a section detailing the importance of the ability of members to invest / disinvest promptly and a strategy for monitoring this through Aegon, the Plan's investment platform provider. Further information can be found in "Ability to invest/disinvest promptly" in section 2.3 of the SIP.
- The Trustee highlighted that they intend to meet with fund managers on a periodic basis in order to sufficiently monitor the investments held by the Plan. This is especially important in light of the recent suspension of the property fund offered to members in the self-select range. See section 2.5 of the SIP for more information.
- Sections were added on Portfolio Turnover, Portfolio Duration and manager incentives. See sections 2.8 to 2.10 of the SIP.
- The Trustee added clarification that their stewardship activities are to be focused on the default arrangement, which is where the largest number of members are invested.

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- In light of the new requirements to produce an implementation statement, the Trustee added in a section detailing how they will monitor the voting and engagement actions and policies of the underlying fund managers. See section 5 of the SIP for more information.

If you want to find out more, you can find a copy of the Plan's SIP (and the Plan's Chairs Statement) at <https://www.ihgplc.com/-/media/ihg/files/pensions/2020/sip---1-october-2020-finalpublished.pdf?la=en&hash=849121C7EA288F4201BF0C7A34EDA78C>

What is this Implementation Statement for?

The Trustee is now required to prepare an annual Implementation Statement, which sets out how they have 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 remain suitable for the Plan's members.**

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 2021.

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

The Trustee undertook the following during the last year to ensure that their knowledge of investment matters remains up to date:

- DC trends in design and delivery (exceptions reporting and monitoring of hot topics provided by the Investment Adviser); and
- Being up to date on regulatory items pertaining to investment – the most recent important regulatory changes are related to Responsible Investment.

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

- Risk and return objectives 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

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- The Investment Advisor is also assessed on strategic decisions, manager and ratings decisions and the timeliness and accuracy of compliance and regulatory reporting.

The Trustee is satisfied that during the last year:

- **The Plan's DC governance structure was appropriate;**
- **The Trustee has maintained their understanding of investment matters; and**
- **Investment adviser objectives were set up and their investment advisers will be monitored against these agreed objectives going forward.**

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 investment 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;

whilst taking into account the impact that increased complexity may have on administration requirements and the overall cost of the arrangements.

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 involved:

- Ensuring that the default arrangement complies with the charge cap;
- 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.

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 they use as a guide when making investment decisions.

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

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The expected risks and returns on your savings in the Plan

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

During the last year the Trustee, with the help of their investment adviser, reviewed the appropriateness of the risks held by the Plan, and added in the following to the SIP:

- Inflation risk – the risk that the purchasing power of Plan members' retirement pots is not maintained is addressed by the range of asset classes available and the expected returns on those (see 2.4.2 below).
- Currency risk – the risk of the effect of currency movements on the capital value of the assets held in non-sterling denomination is addressed by investing in global or regional funds, or funds classified by asset classes rather than solely by jurisdiction.
- Liquidity risk – the risk of holding assets that cannot be easily sold should the need arise. This risk is addressed through the use of pooled funds and/or insurance policies with frequent dealing dates and, where appropriate, by limiting exposure to funds and/or policies that may be more difficult to realise at times (such as property funds) whilst recognizing that illiquid investments can still be a beneficial element of a balanced portfolio.
- Diversification risk – the risk of lack of diversification of investment is addressed through investing in a range of pooled funds and / or insurance policies with appropriate asset allocation range.
- Country/political risk – the risk of an adverse influence on investment values from political intervention is reduced by offering investment options for members to achieve diversification across several countries.
- Benefit conversion risk – investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits. For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.
- Volatility/Market risk – falls in fund values prior to retirement lead to a reduction in retirement benefits. However, funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

Furthermore, the Trustee added a paragraph detailing that Responsible Investment funds are expected to give a better risk adjusted net return over the long-term than the broader market for the type of assets involved (e.g. equities).

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.

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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 (the most recent provider review commenced after the end of the Plan year end in May 2021 – detailed results of this will be published in next year's Implementation Statement).
- 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 consider the Plan to offer Good value for money to members.

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

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

There have been no changes to the platform provider and funds during the last year.

The Trustees are satisfied that the platform provider used by the Plan remains appropriate.

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 and that your investments can be sold promptly when you want to change where they are invested, transfer your pension pot to another Plan 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 on a daily basis. Aegon are expected to notify the Trustee, should a situation arise where member's ability to invest/ disinvest promptly is affected.

During the Plan year, there were issues (and there continues to be issues) surrounding the Aegon DC Property Fund as it was suspended, meaning members were unable to invest and/or disinvest. This is not an uncommon occurrence and was seen across different providers during the pandemic. **As a result of concerns surrounding this issue, the Trustee has decided to remove the fund from the self-select range as soon as practicable.**

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 will set up a process to monitor this.

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Security of your savings in the Plan

In addition to the normal investment risks faced investing in the funds used by the Plan, the security of your savings in the Plan depend 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.

There have been no changes to the structure of the funds used by the Plan during the last 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 rated as B+ (very strong) by AKG in terms of their financial strength (at November 2020).

Conflicts of interest

As described in "Conflicts of interest" 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 advisors;
- 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 the 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 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.

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.

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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 focused specifically on the Invesco Global Targeted Returns Fund, which charged the highest fund fee within the default, but was also charged with generating the highest return objective (a Cash + 5% per annum return objective). After a review involving many factors including incentivisation, the Trustee decided to replace Invesco within the Diversified Assets Fund.

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 (called "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 platform provider's and fund managers approaches to sustainable investing. The Trustee receives quarterly reports from the platform provider on how the fund managers have handled these risks.

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);
- Monitors how the fund managers exercise their voting rights.

How does the Trustee monitor this?

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

The Trustee will make arrangements to receive quarterly stewardship reports from the underlying fund managers on how they have voted at shareholder meetings and what topics they have discussed with the companies in which they invest. A more in-depth review of the voting activity of the fund managers will be conducted annually as a part of this review.

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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.

- Aegon BlackRock UK Equity Index Fund (1)
- Aegon BlackRock World ex-UK Equity Index Fund (2)
- Aegon BlackRock UK Equity Index Fund (3)
- Aegon BlackRock US Equity Index Fund (4)
- Aegon BlackRock European Equity Index Fund (5)
- Aegon BlackRock Japanese Equity Index Fund (6)
- Aegon BlackRock Pacific Rim Equity Index Fund (7)
- HSBC Islamic Global Equity Index Fund (8)
- iShares Emerging Markets Equity Index Tracker (9)
- Aegon Schrodgers Dynamic Multi-Asset Fund (10)
- Aegon Invesco Global Targeted Returns Fund (11)

	1	2	3	4	5	6	7	8	9	10	11
No. of resolutions eligible to vote	15,296	25,744	11,044	7,597	9,327	6,221	3,150	1,597	23,180	Not available	Not available
% resolutions voted for management	94.3%	93.6%	94.9%	97.2%	87.6%	98.0%	90.1%	87.8%	96.8%	Not available	Not available
% resolutions voted against management	5.8%	6.4%	5.1%	2.8%	12.3%	2.0%	9.9%	12.2%	9.2%	Not available	Not available
% resolutions abstained and did not vote	1.9%	0.5%	0.6%	0.1%	0.8%	0.0%	0.1%	0.0%	2.8%	Not available	Not available

Source: Aegon

Please Note: Despite first requesting this information on 04 May 2021, and subsequently chasing on a number of occasions, Aegon were unable to provide voting statistics for the Aegon Schrodgers Dynamic Multi-Asset Fund or the Aegon Invesco Global Targeted Returns Fund. The Trustee note that this is a problem in the industry at the moment and will liaise with Aegon to make sure complete information is provided for subsequent reports.

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;
- Are underlying funds for the Aegon BlackRock 30/70 Global Equity Index Fund; or
- Form a part of the self-select range of funds.

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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:

	Apple	Microsoft	Amazon	Facebook
Resolution	23 February 2021: Resolution to improve the principles of executive compensation programme.	02 December 2020: Report on employee representation on the Board of Directors.	27 May 2020: Resolution to adopt/ amend Amazon's human rights policy including a risk assessment of these matters.	27 May 2020: Resolution to report on gender and racial pay gap.
BlackRock	Against	Against	Against	Against
HSBC	n/a	Against	_*	For
Schroders	Against	Against	For	For
Invesco**	_*	_*	_*	_*
Comments	All managers voting on this resolution voted against the proposal as they did not believe the creation of a remuneration report to be necessary	All managers voted against this resolution, on the basis that it had no demonstrable benefit to shareholders.	Schroders voted for this resolution as, although they believe that the company already has a good human rights and supplier code of conduct, it failed to evidence the effectiveness of these policies. Blackrock voted against the resolution as they believe that Amazon is already actively addressing any material issues.	Schroders and HSBC both voted in favour of this resolution, however BlackRock voted against, reasoning that the company already has policies in place to deal with these issues.

Source: Proxy Insights

* This holding does not represent one of the top 10 holdings for the funds held with this manager

**Please note: None of the top 10 holdings within the Invesco Global Targeted Returns Fund are equities and therefore their votes are not included within the report.

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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 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.
Invesco	Invesco may supplement internal research with information from ISS and Glass Lewis for global securities and uses IVIS for UK securities.

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 property (although this fund is no longer available for member contributions and is likely to be closed completely during 2022);
- Invest in a Shariah compliant manner; and
- Plan to add an ESG fund to the self-select range in 2021.

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. The Trustee also monitors developments in ethical investing funds which could be appropriate to the Plan's members.

The Trustee is not currently satisfied that the Plan offers enough ethical investment options for members and will improve the availability of these funds to members as a part of the current investment strategy review.

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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:

- Actively recruited 3 employees to join the Employee Member Forum. The 3 employees received initial training from the in-house Pensions team and attended their first meeting with the Trustee and its investment adviser in June 2021.
- Communications about the Plan investments are issued to all new employees and are available to be accessed at any time via the corporate website. The Plan's latest SIP is also available on the corporate website.
- A member newsletter was issued encouraging members to access their account online, where they can access fund factsheets and additional information about the investment

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

- The new employee member forum members reviewed and provided valuable feedback on the existing member engagement tools including video benefit statements and the new Aegon app.
- It is important to effectively and positively communicate the changes to the default and self-select fund ranges to all members.

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

- Provide the feedback received from the member forum to the administration provider to assist them with improving member engagement and their service to members.
- Ensure effective communication of the revised default investment strategy and changes to the self-select fund range when the recommendations from the strategy review are implemented.

During the last year the Trustees 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 Trustees intend to undertake the following actions in relation to the SIP:

- Update the SIP to align it with the changes being made to the new investment strategy.
- Communicate the benefits of the revised investment strategy in both default and self-select fund ranges to members and gather their feedback;
- Continue to drive engagement with the underlying fund managers regarding their voting policies and activity.