

13 October 2017

Marilyn Croser  
Director  
CORE  
London

Dear Mrs. Croser,

**Re: Report on company statements published in compliance with the UK Modern Slavery Act**

We have received and reviewed the report “Risk Averse?” published on October 3<sup>rd</sup> covering 25 companies’ statements published in compliance with the Transparency in Supply Chains clause in the Modern Slavery Act 2015 (“MSA statement”). We understand the report was based on the actual MSA statements, as well as additional relevant information available on company websites.

We appreciate CORE’s focus on modern slavery. This is an important topic that Hilton and others in the travel industry seek to address through policy and practice. At Hilton, we are committed to transparency and integrity, including in our human rights practices and efforts to combat modern slavery. Our commitments and progress are clearly outlined in our [Code of Conduct](#), [Human Rights Policy Statement](#), [Responsible Sourcing Policy](#), and reported on in our [MSA Statement \(2017\)](#) and [Corporate Responsibility Report \(2017\)](#). These documents are all publicly available and regularly updated.

We are concerned that CORE’s analysis of Hilton’s commitments, policies, transparency and progress is incomplete and potentially misleading. Specifically:

- 1) **Incomplete scope of document review.** The report suggests that Hilton does not have a published Code of Conduct or Responsible Sourcing Policy, despite both being included with the relevant hyperlinks in our MSA statement. This treatment contrasts with the analysis of other companies in the industry where their related core policies are mentioned, reviewed, and recognised.
- 2) **Inaccurate reference to annual report.** The report notes a review of the [10-K form from 2016](#) and does not reference the [10-K form for 2017](#).
- 3) **Misleading analysis of the 10-K form.** The report focuses on “risks” disclosed in the 10-K form and notes potential disregard for topics including the right to collective bargaining and the right to freedom of association. This shows a flawed understanding of the scope and purpose of SEC financial disclosure documents. Hilton’s commitment to respecting the right to collective bargaining and the right to freedom of association are included in our Code of Conduct, Human Rights Policy, and Responsible Sourcing Policy.
- 4) **Overlooked commitment to labour rights.** The report claims that the MSA statement makes no reference to labour rights. Labour rights feature prominently in our Code of Conduct, Human Rights Policy and Responsible Sourcing Policy, all of which are included in the MSA statement.
- 5) **Overlooked structure and identified key risks in the supply chain.** Both topics are clearly mentioned in the MSA statement.

We have provided additional supporting information for these points in the following five pages.

We are only seeking fair treatment from CORE, based on our shared values of transparency and integrity. We urge you to update the report, as the current version could inadvertently mislead the public and reflect poorly on CORE’s commitment to accountability and fair analysis.

Kind regards,

Maxime Verstraete  
VP Corporate Responsibility

## Concerns about CORE's analysis of Hilton's MSA statement

CORE published on October 3<sup>rd</sup> the report [“Risk Averse? Company reporting on raw material and sector-specific risks under the Transparency in Supply Chains clause in the UK Modern Slavery Act 2015”](#).

In a letter addressed to Hilton on 30 August 2017, CORE shared that their report would look at “if and how companies include information in their statements on: (i) their structure, business and supply chain; (ii) due diligence processes; and (iii) the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk. These correspond to paragraphs (a), (c) and (d) of s54 (5) of the Modern Slavery Act. [CORE would] also examine whether information pertinent to these issues is included in other publicly-available company documents.”

Based on the intent and purposes of this report, we have a few serious concerns about the accuracy and thoroughness of the methodology and analysis used by CORE to assess Hilton's commitments, policies, transparency and reporting on human rights and modern slavery.

### (1) Incomplete scope of information reviewed

The report seems to have reviewed exclusively our Modern Slavery Act Statement (“MSA Statement”) and 10-K form. Unlike the review conducted for other companies (Hyatt, IHG, Marriott), the report failed to consider key policies that are referred to in the MSA statement with a hyperlink, all of which are publicly available:

- [Code of Conduct](#), which includes our commitment to respecting human rights, and our expectation that our suppliers and business partners will do the same (p.21). Hilton should have been listed amongst the companies publishing their Codes of Conduct, including a provision on respecting employees' rights to freedom of association on p.52 of the report. The Code of Conduct should have been mentioned as part of the “other relevant information available on the company's website” on p.53
- [Human Rights Policy Statement](#), which dives deeper in Hilton's commitments to respecting all human rights, and to address the company's human rights impacts. The Policy should have been mentioned as part of the “other relevant information available on the company's website” on p.53
- [Responsible Sourcing Policy](#), which outlines Hilton's expectations from suppliers, including respect for human rights (e.g. the right of association, the right to choose (or not to choose) bargaining representation). The Policy mentions that Hilton reserves the right to conduct unannounced audits, and that violations may lead to disciplinary actions, including termination of the supplier relationship. The Policy should have been mentioned as part of the “other relevant information available on the company's website” on p.53

It is misleading to have only a section of the 10-K form listed under the “other relevant information available on the company's website” where the core policies relevant to human rights and modern slavery are completely ignored. We urge you to review and amend the references under that section to include Hilton's core policies, like it has done for the other companies mentioned in the Hotels and Accommodation section.

### (2) Inaccurate reference to 10-K form / annual report

On p.52, the report focuses on the 10-K form as a source of analysis for Hilton's commitment to human rights. Both the reference, and the inferred analysis are flawed in concept and content:

- The reference document is unclear. The report mentions claims to have reviewed the [10-K form from 2016](#), and does not reference the [10-K form for 2017](#). Unless the report mistakenly referred to the [Annual report 2016](#). The document referred to on p.52 of the report must be clarified for accuracy.
- If the report was referring to the [10-k form 2017](#), it is mentioned in the very first section defining our business that Hilton's corporate responsibility strategy, Travel with Purpose, aims to create a positive impact on our communities, including through a commitment to human rights (p.12). The report fails to mention this.
- In the case that the report was actually referring to the [2016 Annual Report](#), it failed to recognise and mention that Corporate Responsibility ("Travel with Purpose") features prominently in the top navigation, including our commitments to human rights.

### **(3) Misleading analysis on right to collective bargaining and freedom of association**

The report focusses solely on the "risks" section of the 10-K, and suggests on p.52 that listing collective bargaining in that section could be an indication that the company may place limitations on the right to organise. The report fails to mention that Hilton is also a company that published its Code of Conduct, including provisions on respecting employees' right to freedom of association

- The Risk section of a 10-K looks at risks to the company, which the investors and regulators require full transparency on, as per the SEC regulations. This is very different from a human rights approach to risk, where risk is defined as risk to the individual. We make a clear distinction between these two approaches, and as listed above, we have strong commitments and policies in place to ensure that we respect the right to freedom of association and right to collective bargaining. The analysis put forward on p.8 and p.52 of the report is both deceiving and inaccurate, blurring the lines of accurate risk analysis in financial terms (10-K) vs. from a human rights perspective (human rights policy, Code of conduct).
- The report ignores our core policies where we list the rights in question:
  - o In our [Code of Conduct](#) (p.21), we clearly state that "We respect the ability of Team Members to exercise their lawful right of free association. We respect the lawful rights of our Team Members to choose (or not choose) collective bargaining representation." Hilton should have been included as one of the companies that "publish their codes of conduct, [...] including provisions on respecting employees' right to freedom of association" on p.53 of the report
  - o In our [Human Rights Policy Statement](#) (p.1), we state that prohibited conduct under the policy include "failure to respect Team Members' right to freedom of peaceful assembly and association, including their right not to be compelled to belong to an association and their right to choose whether or not to be represented for collective bargaining purposes. Failure to respect the right of freedom of opinion and expression, including the freedom to hold opinions without interference provided, however, that the exercise of such rights does not interfere with the safe and efficient performance of work by persons on working time."

This shows a flawed understanding of the scope and purpose of SEC financial disclosure documents. It questions the credibility of an organisation with the mission to drive transparency, accountability

and integrity. We would urge you to clarify the source documents the report is basing its analysis on, and to fundamentally review the analysis itself to reflect Hilton's commitments to respecting rights in good faith.

#### (4) Omission of commitment to labour rights

On p.53, the report states that the MSA statement makes no reference to labour rights. Our MSA statement refers to our core policies that cover our compliance with all employment and labour laws, as well as specific labour rights.

- In our [Code of Conduct](#) (p.21), we clearly state that we comply "with the employment and labor laws in every country and region in which we operate" and list the following:
  - "We will not employ individuals who are under 15 years of age or the lawful age of employment (whichever is higher) in any country in which we operate.
  - We will comply with all wage and compensation requirements as defined under applicable laws and regulations, including those relating to minimum wages, and at a minimum provide legally mandated benefits.
  - We will not exceed maximum hours of work defined by applicable law and will appropriately compensate overtime.
  - We will not use forced labor, including prison, bonded or debt labor, physical punishment or abuse, slave labor or trafficked persons. Forced labor includes coercion such as threats, violence, and the retention of identity documents or non-payment of wages that traps a worker in a job they might otherwise want to leave. Workers must consent to employment and have the freedom to leave at any time, with reasonable notice.
  - We respect the ability of Team Members to exercise their lawful right of free association.
  - We respect the lawful rights of our Team Members to choose (or not choose) collective bargaining representation.
  - We are committed to the health and safety of our Team Members and comply with all applicable health and safety laws and guidelines."
- In our [Human Rights Policy Statement](#) (p.1), we state that "Hilton is committed to complying with the law in every country and region in which we operate. Where national law and international human rights standards differ, or are in conflict, Hilton shall respect the law of the land, while seeking ways to advance international human rights consistent with this Policy". We state further that:
  - "Prohibited conduct under the policy includes, but is not limited to:
    - Using forced or slave labor, including prison, bonded, or debt labor. This prohibition includes transporting, receiving, trafficking, harboring, recruiting or transferring, of persons by means of threat, force, coercion, abduction, or fraud.
    - Requiring Team Members\* and temporary employees to pay for their employment.
    - Employing individuals who are under 15 years of age or the lawful age of employment (whichever is higher).
    - Failing to comply with applicable laws and regulations regarding compensation, hours of work, overtime and benefits.

- Failure to respect Team Members’\* right to freedom of peaceful assembly and association, including their right not to be compelled to belong to an association and their right to choose whether or not to be represented for collective bargaining purposes.
- Failure to respect the right of freedom of opinion and expression, including the freedom to hold opinions without interference provided, however, that the exercise of such rights does not interfere with the safe and efficient performance of work by persons on working time.
- Failure to respect Team Members’\* and guests’ privacy rights. Hilton is committed to safeguarding information gathered for legitimate business purposes in a reasonable manner and in accordance with laws.
- Harassment & Non-Discrimination. Hilton values diverse people, talent and ideas. We do not tolerate any form of harassment or discrimination based on any personal characteristic, including race, color, gender, religion or nationality.
- Safe & Healthy Work Environment. Hilton is committed to the health and safety of our Team Members, our guests, and business colleagues. Each Team Member\* and business partner is responsible for understanding and complying with all applicable safety and health laws and guidelines. In addition, each Team Member is responsible for identifying and responding to health and safety hazards and security concerns.
- Prohibition Against Human Trafficking, including Sexual Exploitation. Hilton condemns all forms of slavery, forced labor, human trafficking and commercial exploitation. As signatories of the ECPAT Tourism Child-Protection Code of Conduct, Hilton is fully committed, in each and every one of the markets in which we operate, to protecting individuals from all forms of abuse and exploitation. Hilton expects Team Members\* as well as business partners to help us meet this commitment.”
- Our commitments are reflected in our [Responsible Sourcing Policy](#), where we state that “we expect our suppliers to adhere to the fundamental principles outlined in our Code of Conduct” and we encourage them to “to have appropriate management systems in place and take steps to comply with this Policy, including transparency concerning policies and practices and related employee education. We encourage our suppliers to hold their suppliers and subcontractors accountable to these standards.”
  - “Human Rights Hilton complies with the employment and labor laws in every country and region in which we operate. We support fundamental human rights for all people and expect our suppliers to uphold the same standards. This means, among other things, that:
    - We will not employ individuals who are under 15 years of age or the lawful age of employment (whichever is higher) in any country in which we operate.
    - We comply with all wage and compensation requirements as defined under applicable local laws and regulations, including those relating to minimum wages and at a minimum provide legally mandated benefits.
    - We will not exceed maximum hours of work defined by applicable law and will appropriately compensate overtime.
    - We will not use forced labor, including prison, bonded or debt labor.
    - We will not allow physical punishment or abuse of any Team Member.
    - We respect the ability of Team Members to exercise their lawful right of free association.

- We respect the lawful rights of our Team Members to choose (or not choose) bargaining representation.
- Harassment & Non-Discrimination. Hilton does not tolerate any form of harassment or discrimination based on any characteristic protected by applicable law. Any behavior, communication, or other conduct that creates an intimidating, offensive, abusive or hostile work environment, or that otherwise interferes with any Team Member's ability to perform his or her job is unacceptable. It is the policy of Hilton Worldwide to employ qualified persons without regard to the individual's sex, color, race, religion, national origin, age, disability, sexual orientation, gender identity or any other protected group status as defined by and subject to applicable local laws. This policy describes the Company's commitment to equal employment opportunity, which supports the attraction and retention of a diverse workforce that will enhance the Company's competitiveness in attracting customers, corporate partners, and owners.
- Diversity. We seek to understand our unique global communities, while developing culture, talent and marketplace strategies that cultivate a work environment of inclusiveness. We will maintain our competitive position by valuing and leveraging the diversity of our Team Members, guests, suppliers, partners and owners. It is the policy of Hilton Worldwide to actively encourage diverse suppliers who provide quality products at competitive pricing to participate in our contracting and subcontracting activities.
- Safe & Healthy Work Environment. Hilton is committed to the health and safety of our guests, Team Members and business colleagues. Each Team Member and supplier is responsible for understanding and complying with all applicable safety and health laws and guidelines. In addition, we are each responsible for identifying and responding to health and safety hazards and security concerns.
- Prohibition Against Human Trafficking. Hilton condemns all forms of human trafficking and commercial exploitation, including the sexual exploitation of men, women or children. As signatories of the ECPAT Tourism Child-Protection Code of Conduct, we are fully committed, in each and every one of the markets in which we operate, to protecting individuals from all forms of abuse and exploitation. We expect our Team Members as well as our business partners to help us meet this commitment. Sex trafficking and sexual tourism is a large and growing problem worldwide, and Hilton must never allow any Hilton properties, products, or services to be used in any manner that supports or enables any form of abuse and exploitation."

## **(5) Overlooked structure and identified key risks in the supply chain**

On p.51, the report suggests that Hilton does not disclose information on its supply chain, whether structure, policy or identified risks.

- Our [Responsible Sourcing Policy](#) is included on p.3 of our MSA statement, with a hyperlink to the publicly available document. Hilton should have been mentioned as one of the companies that "include information in their statements on vendor/supplier codes of conduct" on p.51 of the report
- The MSA statement outlines the structure of procurement services offered to hotels, both managed and franchised, and that purchasing decisions are made by hotel owners. (p.2 in

# Hilton

the side box). Hilton should have been mentioned as one of the companies that “provides information on its supply chain” on p.8 and p.51 of the report

- The MSA statement mentions higher risk categories in our value chain, including “high-risk sourcing arrangements in the industry (i.e. recruitment and employment agencies)” (p.3), and “conditions of recruitment, work and accommodation for construction site workers” (p.3). Hilton should have been mentioned as one of the companies that “provide details on identified risks” on p.8 and p.51 of the report

Leaving the report unchanged would mislead the public and reflect poorly on CORE as a leading organization committed to and promoting accountability, transparency, integrity and fair analysis.