

# Our risk management

## The Board's role in risk management – stewardship and active partnership

The Board is ultimately accountable for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed, and is supported by the Audit Committee, Executive Committee and delegated committees. Our governance framework and Committee agendas establish procedures for Board members to receive information on risk from the Executive Committee and Senior Leaders and a range of other internal and external sources.

In 2020, our Board and management team, supported by the Risk and Assurance team, have reviewed our risk profile with increased frequency, and evaluated the appropriateness and resilience of our risk management and internal control arrangements. Throughout the management of the Covid-19 crisis, the Board has also considered the longer-term impact of the pandemic and other external and internal factors on our risk profile.

### Emerging risks

During 2020, alongside the close focus on responding to Covid-19, Board and Committee discussions have allowed for consideration of other emerging and evolving risks, including:

- competitor and macroeconomic risk factors within the Board's discussion of strategy and key management presentations (e.g. for Brand strategies, Commercial & Technology, Loyalty, Corporate Governance and Regulatory Developments);
- workforce related risks at the Remuneration and Nomination Committees, including the impact of Covid-19 on attraction, retention and succession arrangements; and risks relating to the competitiveness of Executive remuneration and Board composition;

- regulatory and financial governance risks at the Audit Committee (e.g. tax risks relating to digital businesses, treasury and liquidity risks linked to volatility and sentiment in the capital markets, and financial control risks in a cost-constrained environment);
- risks relating to people and culture at the Responsible Business Committee, including updates on employee engagement and well-being; diversity and inclusion; community impact; sustainability; human rights; and our continuing responsibilities across our supply chain; and
- potential risks relating to the impact of climate change on IHG in the future at a dedicated Board briefing on our progress to comply with the TCFD reporting requirements.

The most prominent emerging risk we face is a sustained downturn caused by further waves of the pandemic and/or a slower than anticipated industry recovery. This could create further volatility in our risk factors and also challenging conditions in the capital markets, making it more difficult to obtain additional funding if required and manage our liquidity, potentially impacting financial performance. Our financial planning includes identifying levers which could be pulled to enable flexibility and adaptability to changes to our financial assumptions and circumstances. More detail on the topics covered by the Board and Committees is available in the Governance Report, pages 74 to 95.

## Procedures for identifying, discussing and escalating emerging risks

Many topics and potential risks to longer term viability and sustainability are considered as part of our ongoing management decision making, as well as Board and Committee agendas and presentations, enabling escalation of emerging risks where appropriate. These combined elements have also enabled us to react to uncertainties and changing circumstances as the Covid-19 crisis evolved.

### Ongoing escalation of emerging risks:

- Risks when the nature and value of the impact is not yet fully known or understood
- Factors with an increasing impact and probability over a longer time horizon (i.e. 5+ years)

### Risks identified within first line decisions

Management teams have day-to-day responsibility for identifying and managing risk within key decisions, programmes and transactions and escalating where appropriate.

### Risks identified and monitored by second line management functions

Specialist functions provide expertise, support, monitoring and challenge to decision makers on risk-related matters.

### Risks considered at Executive Committee

Ongoing dynamic review of risks as part of decision making and strategy setting, including consideration of longer term trends which could impact future growth, competitiveness or reputation.

### Oversight by Board and Committees

The Board is responsible for carrying out a robust assessment of the Company's emerging risks and oversees the culture across the Group through which employees are encouraged to learn and work at pace, focus on solutions and take the right risks to get ahead of the market.

The Board and Committees receive presentations from management teams, second line functions, Risk and Assurance and external parties throughout the year.

### Supported by the Risk and Assurance team

Collaboration with first- and second-line teams including Group Strategy to maintain and evolve risk profiles, provide intelligence on fast moving threats, develop scenarios for crisis and continuity planning, and track early warning indicators and any potential changes to risk tolerance and appetite. The team also works with our insurers to anticipate other emerging risks.

The third-line Internal Audit team evaluates the culture and capability to identify risks across management teams, providing assurance throughout the year to the Audit Committee, and also monitor the confidential disclosure channel to identify any emerging trends requiring management and/or Board intervention.

### How risk management and our appetite for risk have supported decision making in 2020

Our risk management and internal control systems remain fully integrated with the way we run the business, and IHG's risk appetite is visible through the nature and extent of risk taken by the Board in pursuit of strategic and other business objectives. We cascade this appetite through our culture, values and behaviours, see pages 24 and 25, the goals and targets we set, and our Code of Conduct and other global policies, all of which are further reinforced by frequent leadership communications to guide behaviours and set priorities.

The short- and medium-term uncertainties created by Covid-19 led to active 'real time' consideration of acceptable risk tolerances and whether any adjustments were required to financial and operational controls. Enhancements were made to controls to enable effective and efficient management of risk throughout the crisis, including the decentralisation of decisions to front line crisis teams within a framework of agreed

principles. This was balanced with updates to the Global Delegation of Authority Policy, reinforcement of policies (e.g. Code of Conduct, Information Security) and updates to other entity level control arrangements.

After the initial operational disruption of Covid-19, additional adjustments to controls were required to maintain acceptable risk levels during IHG-initiated changes to the workforce and to safeguard continuity across our supply chain. These changes were guided by principles developed by the Executive Committee to ensure that any actions taken were not disproportionately de-stabilising, and supported by communications plans.

Formal and informal monitoring, reporting and assurance arrangements, also described on pages 24 and 25 have been reinforced during 2020 to enable the Board and Executive Committee to maintain ongoing oversight of key areas of uncertainty and the effectiveness of our risk management and internal control arrangements.

As we move into 2021 the Board will continue to focus on whether levels of risk in the business are managed or controlled to an acceptable level (either individually or in total) and whether we are appropriately balancing opportunities for efficiency or investment with the need to build in resiliency in the short and longer term. Many leadership teams, including the Executive Committee, plan to continue to meet more frequently than pre-pandemic, which will also enable more active consideration and reaction to changing risks.

Our Annual Report and Form 20-F provide more detail on formal risk appetite and tolerance in a number of places. For example, our appetite for financial risk is described in note 24 to the Group Financial Statements, see page 179.

 This section should be read together with the rest of the Strategic Report, Governance on pages 74 to 111, the going concern statement on page 223, and Risk Factors on pages 224 to 229.

### A practical illustration of IHG's risk management system in action during 2020:

The wider primary public health concerns of Covid-19 created several secondary impacts for IHG, including rapidly emerging risks relating to customer demands, how we operate our hotels and the standards required of our franchisees.

The table below illustrates how we managed these risks in a systemic way across IHG, working with our owners and third-party experts to develop and deliver enhancements to our "IHG Way of Clean" brand standards to reassure our guests, colleagues and owners of our response to Covid-19 risks across all our hotels globally.

#### Policies, procedures and principles

Executive, regional and functional leadership formed a Cleanliness Board to provide a clear "tone from the top" of the importance of safety and cleanliness, and to engage third-party expertise.

Communications were coordinated centrally to ensure consistency of internal and external messaging, including with owners.

Regional teams quickly mobilised to adopt and communicate the global policy to operational teams and hotel colleagues.

#### ...applied by our people within key processes...

We created a suite of guidance including:

- enhanced standards and supporting guidance for the IHG Way of Clean programme;
- training for colleagues on how to wear face coverings and gloves;
- physical distancing and hand washing best practice;
- procedures for colleague symptom screening; and
- appropriate signage to be used throughout the hotels.

Our Procurement team worked with regional Operations and Safety teams to source protective items ranging from masks and gloves to hand sanitiser machines and brand appropriate signage.

#### ... with close monitoring and reporting

We implemented a frequent and effective monitoring system to ensure that these cleanliness standards are upheld throughout our hotel portfolio.

This includes new virtual hotel audits allowing us to monitor the implementation of the IHG Way of Clean standards despite travel and restrictions on face-to-face interactions.

In addition to the hotel audits, we also track the completion levels of training materials and monitor social media to enable us to respond to guest or colleague feedback.

# Our risk management continued

## IHG's principal risks and uncertainties

While the Covid-19 crisis has not fundamentally changed the principal risks to our business and strategy, it has heightened the uncertainty we face in the short term and also created the potential for longer term impacts based on trade-offs that have been required to protect liquidity in 2020. The crisis has also accentuated the increasingly interconnected nature of risk.

We have not managed Covid-19 as a separate risk during the year, as the pandemic has increased the risk profile across many of our existing principal risks as we look forwards. This is most obvious in relation to the continuing significance of the safety and security of our colleagues and guests, government regulations impacting domestic and international travel, consumer

confidence and appetite to travel internationally in the longer term, how we operate our hotels and the overall impact on our business resilience.

The necessary response to Covid-19 safety concerns has also created several secondary impacts and the potential for disruption and additional stress on our risk management and internal control arrangements. In addition, continued scrutiny of the social performance of major corporates may also lead to any incident or failure to manage risk receiving significant and rapid attention.

All the risks on the grid below meet the definition of 'principal', however we have reviewed the trends carefully to more accurately reflect the current behaviour of these risks. In relative terms, some risks continue to trend upwards as we move into

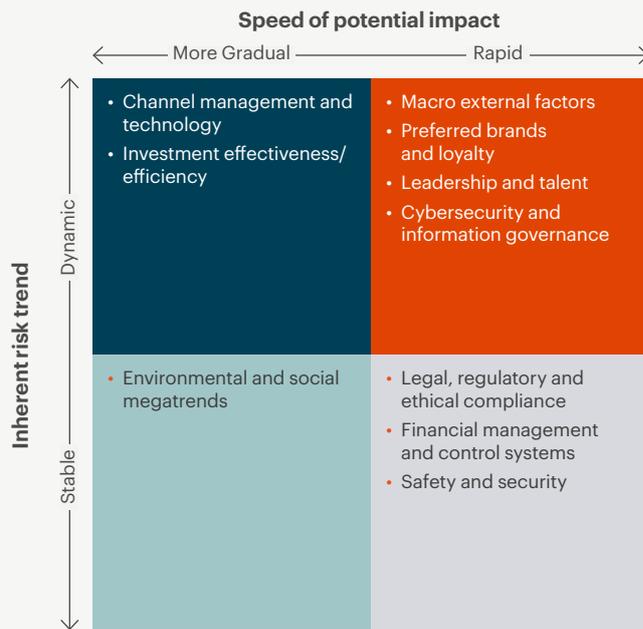
2021 while other risks remain more stable on 2020 levels. Where we have indicated changes on the grid this is typically because of something we have noted in the nature of the risk itself, for example as a result of changes in the external environment, our extended enterprise, or a specific internal initiative.

By distributing the risks across the grid in this way based on their behaviour, it allows the Board and management to consider what different responses may be required to individual factors (for example, rapid factors which may require continuity planning), or the overall level of risk we are facing and what it means for governance of the whole portfolio.

### Risk trend and speed of impact

We assess whether the risk area is stable or dynamic in its impact and/or likelihood (inherent risk trend), and the rate at which there could be a material impact on IHG. The trend and speed of impact are summarised in the diagram with further detail on activities to manage each of these risks in the following pages.

### Principal risk – assessment of trend and speed of impact



### Principal risks descriptions

#### Inherent risk trend

- Dynamic/Rapid
- Dynamic/Gradual
- Stable/Rapid
- Stable/Gradual

#### Risk impact – link to our strategic priorities

- Build loved and trusted brands
- Customer centric in all we do
- Create digital advantage
- Care for our people, communities and planet

Risk description	Trend	Impact	Initiatives to manage these risks
<p><b>Macro external factors</b> such as political and economic disruption, the emerging risk of infectious diseases, actual or threatened acts of terrorism or war, natural or man-made disasters could have an impact on our ability to perform and grow.</p> <p>Secondary impacts and continuing uncertainty from the Covid-19 pandemic may also exacerbate these factors across several markets and external sources indicate that these risks are likely to trend upwards in future years with the potential for more rapid impact on IHG.</p>			<ul style="list-style-type: none"> <li>• Our initial focus for Covid-19, both in China and in other markets, prioritised the safety and security of our colleagues and guests by supporting crisis management teams in our individual business units and global functions. This support included monitoring intelligence from a range of external and internal sources (e.g. government health and travel advice), and developing guidance for hotel and corporate offices on sanitation and cleaning procedures, including for when hotels have been used for quarantine and to house essential workers.</li> <li>• The Risk and Assurance and Global Corporate Affairs teams have developed guidance and internal and external communications strategies, and coordinated across regional and functional crisis management teams to review business continuity preparations for corporate offices (e.g. business service centres, reservation offices and corporate offices) and key supplier relationships. Furthermore, we established protocols for tracking and reporting on the status of hotels in China early in 2020, which then evolved into monitoring of hotels in other regions.</li> <li>• We maintain a range of intelligence sources at our disposal to horizon-scan for emerging threats, provide insight to leadership on incidents that impact operations, and analyse future political and economic scenarios to inform the business planning cycle, including at the Board and Executive Committee level. We are also applying lessons learned from Covid-19 and using data analytics to better prepare for future disruption, in particular in relation to other fire safety and security threats that continue to receive industry-wide scrutiny.</li> <li>• In addition to epidemics and pandemics, the risk of earthquakes and extreme weather events continues to pose a threat to IHG operations. IHG manages these events through training, advanced monitoring and warning, and standard operating procedures. As we moved into the 2020 hurricane season, regional operations teams planned and communicated with hotels, including those operating at reduced capacities, to ensure they were prepared to maintain safe operations for colleagues and guests.</li> </ul>
<p>Failure to deliver <b>preferred brands and loyalty</b> could impact our competitive positioning, our growth ambitions and our reputation with guests and owners.</p> <p>Competition from other hotel brands and third-party intermediaries create inherent risks and opportunities to the longer-term value of IHG's franchised and managed proposition for our brands. The Covid-19 crisis has also refocused guest expectations in relation to the cleanliness and safety of individual hotels and IHG's brands. In a potentially lower-demand environment it will also be critical to use our loyalty programme to drive business to our hotels and take share from our competitors.</p>			<ul style="list-style-type: none"> <li>• The focus of our brands and loyalty teams during the crisis has been on supporting our guests, owners and hotels. This has included adjusting our cancellation policy to allow guests flexibility to change or cancel bookings, rolling over our IHG Rewards Elite membership status to 2021 and reducing the achievement criteria for 2022, extending the deadline for points expiry until July 2021, and launching a suite of solutions to engage members.</li> <li>• We have implemented enhanced cleanliness and safety measures through the IHG Way of Clean programme to drive customer confidence. Initially established in 2015, the IHG Way of Clean programme is now a global brand standard that includes deep cleaning processes and operating protocols developed with expertise from third party partners, which reflect the advice of public health authorities. As travel resumes, we have also introduced other enhanced guest experiences such as a contactless journey through the hotel, modified food and beverage offers and 'Meet with Confidence' programmes to drive revenue recovery, and we have created new virtual quality audit and compliance processes to reinforce standards and drive consistency.</li> <li>• We also reduced costs for owners by relaxing brand standards and operational and food and beverage requirements to balance enhanced cleanliness and safety protocols.</li> <li>• While the focus of our marketing management shifted rapidly to respond to the pandemic and to support regional recovery, we have built on the active transformation already underway with enhancements to our Marketing organisation and processes which enable us to drive efficiency in a financially constrained environment and optimise resources and speed to market. We conduct regular monitoring of indicators, including loyalty member data, to identify emerging trends quickly.</li> <li>• Throughout 2020, we also have prioritised our commercial spend behind our loyalty programme towards the highest returning marketing investments that drive business to all brands through the loyalty programme umbrella. See page 17 for more details on our priority to Build loved and trusted brands.</li> </ul>

## Our risk management continued

Risk description	Trend	Impact	Initiatives to manage these risks
<p>Attracting, developing and retaining <b>leadership and talent</b> and failure to do this could impact our ability to achieve growth ambitions and execute effectively.</p> <p>Risks relating to people underpin the majority of processes and controls across IHG, and our ability to develop talent is critical to delivering value to our brands and hotels in the global markets where we operate and compete. It is essential that we retain key executive, leadership and specialist talent, both at the corporate and hotel levels, in an uncertain hospitality industry and in a resource constrained, highly competitive, and remote working environment.</p>			<ul style="list-style-type: none"> <li>At the start of the Covid-19 crisis a cross-functional taskforce was established to guide how we protect our employer reputation and culture. While we have had to take actions to reduce costs at corporate and hotel levels, HR teams have partnered with operations and functional teams to develop guiding principles to protect our reputation as a responsible employer; maintain our culture during the crisis period; and equip teams to bounce back with great talent and people practices. This has enabled us to maintain engagement, avoid burnout and bolster support to leadership. Our approach to managing our people during 2020 is outlined in detail on pages 26 to 28 and our normal business planning process includes a review of workforce risks.</li> <li>Due to the Covid-19 crisis, our programme of engagement surveys and HR scorecards adapted to reflect the realities of virtual and remote working and a challenging period of furloughs and reduced hours. We have monitored key workforce indicators, leveraged our existing virtual learning platforms to understand employee sentiment, and utilised short pulse surveys to gather employee feedback throughout the crisis and to shape our thinking on returning to office working.</li> <li>The Executive Committee has regularly discussed talent retention risks, and the HR team is focusing on talent plans with each leadership team. We have refined our diversity and inclusion strategy to drive recruitment and retention, and employee resource groups help educate employees and build a culture of inclusion.</li> <li>Effective communications have been established for internal audiences, including regular all employee calls with the Chief Executive Officer to provide latest updates, ongoing leadership communications and virtual team meetings at regional and functional levels, and continued development of our flexible learning summits. Through these channels, leaders are able to answer questions from employees at all levels.</li> <li>IHG has the ability to manage talent and retention risks directly in relation to IHG employees but relies on owners and third-party suppliers to manage these risks within their own businesses. Our Procurement, Legal and Risk teams also consider more indirect workforce risks relating to our third-party relationships.</li> <li>The Remuneration Committee reviews our approach to executive remuneration, aligned with the interests of shareholders and the UK corporate governance environment.</li> </ul>
<p>Inherent threats to <b>cybersecurity and information governance</b> remain significant and dynamic and external attacks against the hospitality industry have continued in 2020.</p> <p>We are aware of our responsibilities in relation to a range of high-value assets (critical systems and employee and other sensitive data) which may be targeted by various threat 'actors' (including organised criminals, third parties and colleagues). Rapid societal, regulatory and media scrutiny of privacy arrangements mean that the potential impact of data loss to IHG financially, reputationally or operationally remains a dynamic risk factor. The disrupted working conditions (including increased remote access) caused by the pandemic for our employees and suppliers and advances in attack sophistication also heighten inherent information security risks.</p>			<ul style="list-style-type: none"> <li>While Covid-19 has modified the threat profile, our Information Security team has pivoted to implement new solutions and controls to address potential vulnerabilities, and to focus resources on those operational tasks that best protect our sensitive data sets and systems and detect and respond to potentially malicious events in an appropriate way.</li> <li>In the early stages of the pandemic, we deployed our Intelligence functions to gain early knowledge of potential new attack campaigns; implemented controls to prevent malicious emails from getting to email inboxes; and educated employees worldwide on the increased dangers from phishing, business email compromise and social engineering. We also accelerated the rollout of multi-factor authentication to limit successful phishing attacks. To respond to heightened inherent risks from remote working, we reviewed controls for remote access solutions and increased monitoring to more quickly identify malicious activity. Our Procurement team engaged key providers on their approach for maintaining operations and fulfilling their contractual obligations for the safety and security of our data and systems.</li> <li>We have continued to work with our specialist technology providers to continuously improve key operational security processes and capabilities such as Identity &amp; Access Management, Security Monitoring, Incident Response, and the support and maintenance of technical solutions architecture.</li> <li>Preserving security across our complex corporate and hotel estate requires continuous maintenance and enhancement or replacement of hardware and software. With finances at a premium for hotel owners, our Information Security and Technology teams collaborate to provide reliable, scalable and cost-effective solutions, targeted at areas of greatest opportunity for future attacks.</li> <li>Our information security programme is supported and reviewed by internal and external assurance activities, including our Internal Audit and Financial Governance teams and PCI assessments. The Board receives regular reports using key risk indicators to track inherent risk trends and mitigation activities. We also continue to work closely with our insurers to ensure we are adequately protecting against our risks, and have assessed and quantified potential cyber incident scenarios to drive risk-based discussions on investing in remediation versus risk acceptance and transfer opportunities.</li> </ul>

Risk description	Trend	Impact	Initiatives to manage these risks
<p>Failure to capitalise on innovation in booking technology and to maintain and enhance the functionality and resilience of our <b>channel management and technology</b> platforms (including those of third-parties, on which we rely directly or indirectly), and to respond to changing guest and owner needs remains a dynamic and critical risk to IHG's revenues and growth ambitions.</p> <p>Increasing personalisation and understanding our guests and their needs will drive return stays and further build loyalty. Despite the pandemic placing cost pressures on our owners, the pace of change in the hospitality industry continues to accelerate and IHG must evolve to effectively grow and compete in the marketplace. It will be key for us to prioritise digital capabilities to drive our channels, actively expanding the breadth and depth of our digital relationships with current and new guests.</p>			<ul style="list-style-type: none"> <li>• Our comprehensive channels strategy is a key driver and enabler of accelerated growth. Rapidly evolving guest and owner expectations have increased the pressure to deliver commercial and technological change more quickly. We continue to seek opportunities to align and innovate our channels and technology platforms to Create digital advantage (see page 19 for more details). Our IHG Concerto™ platform is operating at all IHG hotels, and over time future releases will enhance the guest travel journey, deliver efficiencies for hotels, and drive sustainable revenue.</li> <li>• To respond to the initial disruption from Covid-19, a new Global Revenue Committee was formed across global and regional teams to manage and drive booking activity and revenue. The Committee developed and monitored specific leading indicators on market status, sentiment, search and demand, and loyalty member trends, and further tracked communications penetration, internal pulse surveys and public relations effectiveness. The relatively reduced level of booking activity in 2020 also created the opportunity to reorganise our technology delivery model, moving more development to technology partners and co-sourcing arrangements. We have also engaged with our strategic suppliers during 2020 to adjust service levels and anticipate continuity risks.</li> </ul>
<p>In a resource constrained environment, the importance of <b>investment effectiveness and efficiency</b> will be critical to balance short- and longer-term strategic needs (e.g. developing infrastructure, increasing growth, enhancing digital capabilities).</p> <p>Failure to manage risks associated with investments may impact commercial performance, lead to financial loss, and undermine stakeholder confidence.</p>			<ul style="list-style-type: none"> <li>• Our oversight and finance teams regularly review and evolve our governance and control frameworks, including delegated approval authorities and processes, to enable decisions on investments to be made quickly and efficiently with consideration of the risks involved. In early 2020 the Delegation of Authority Policy was specifically updated to help drive cost-conscious behaviours and close control of investment expenditure required in the business at that time.</li> <li>• With on-going uncertainty in the industry outlook, we need to retain flexibility in the extent to which we commit to expenditure until there is improved visibility. Our financial planning balances a disciplined approach to discretionary investments with a need to appropriately reward our people and invest in strategic growth initiatives. There is, and will continue to be, a constant focus on retaining flexibility within our cost base to ensure spend is being prioritised in the right areas given the ever-changing environment. Financial resource allocation is kept under regular review, with decisions taken as part of our quarterly forecasting process.</li> <li>• We have also sought to protect key functions that are critical for fulfilling our responsibilities as a publicly listed company and in maintaining our reputation across our external stakeholders. For example, we continue to ensure that we have the right level of support in our Legal, Corporate Affairs and Financial Reporting teams.</li> </ul>

## Our risk management continued

Risk description	Trend	Impact	Initiatives to manage these risks
<p>The global business regulatory and contractual environment and societal expectations have continue to evolve throughout 2020. Failure to ensure <b>legal, regulatory and ethical compliance</b> would impact IHG operationally and reputationally, and non-regulatory stakeholders (including corporate sales clients) and investors continue to focus on IHG’s performance as a corporate entity to uphold ethical and social expectations. Significant fines can be imposed for regulatory non-compliance, most notably in relation to privacy obligations and data security. In an uncertain hospitality industry, there may be increased pressure on compliance programmes, and a heightened risk of liabilities relating to our franchise model both in relation to brand reputation issues as well as litigation.</p>			<ul style="list-style-type: none"> <li>• Our Ethics and Compliance team focuses on ensuring IHG has a globally coordinated approach to material ethical and compliance risks, taking into account the regulatory environment, stakeholder expectations and IHG’s commitment to a culture of responsible business. The overarching framework for ethics and compliance is the IHG Code of Conduct (see page 24) and we provide e-learning training on an annual basis to all corporate, reservation offices and managed hotel employees and new joiners.</li> <li>• We continue to monitor changes and advise stakeholders on risks across a range of regulatory issues, including safety, employment, contract, privacy, anti-bribery and anti-trust, while also addressing legal and regulatory issues that have emerged as a result of Covid-19. We also continue to participate in Transparency International UK’s 2020 Corporate Anti-Corruption Benchmark. This is a comprehensive tool that measures and compares the performance of anti-corruption programmes across companies on an anonymous and confidential basis.</li> <li>• We continue to focus on key human rights risks, particularly those heightened by Covid-19. For example, to address migrant worker staff accommodation risks which may have been heightened by the pandemic, we developed a guidance note on staff living accommodation for hotel teams.</li> <li>• Monitoring of sanctions continues to be an increasingly important part of our due diligence processes as their use by the US, UK and EU in particular continues to grow. A sanctions update is communicated annually to the Legal, Development and Strategy teams and other relevant employees providing a reminder of ‘No Go’ countries and sanctions issues that may restrict IHG. Our owner legal due diligence process also requires that all new owners are screened against sanctions lists and we utilise due diligence tools for this purpose. Ethics and compliance country-level due diligence is also undertaken for new country entry assessments, taking into account country-specific risks and impacts.</li> <li>• The Ethics and Compliance team currently monitors training completions, gifts and entertainment reporting and the owner due diligence process, and they receive informal queries/escalation of issues directly from colleagues and via an Ethics and Compliance email channel which is publicised in training and awareness materials. The Board receives regular reports on the Confidential Reporting Channel and matters directly related to our responsible business agenda.</li> </ul>
<p>The manner in which IHG responds to operational risk and the steps taken to safeguard the <b>safety and security</b> of colleagues and guests will continue to receive heightened scrutiny, particularly in light of the Covid-19 pandemic, and could affect IHG’s reputation for high standards of business conduct, result in financial damage, and undermine confidence in our brands.</p> <p>The rapid progression of Covid-19 has also given rise to significantly increased litigation risk across all markets. These risks relate both to our direct operations in hotels and other locations where we have management responsibility, and also to outsourced activities and others with whom we collaborate and trade, including the owners of our franchised hotels which operate as independent businesses.</p>			<ul style="list-style-type: none"> <li>• Our Business Reputation and Responsibility team coordinates and monitors IHG’s risk management system, which is designed to anticipate and identify relevant operational safety and security risks and provide appropriate levels of control necessary to mitigate against significant incidents, whether in hotels or corporate offices. Regional and global subject matter experts in safety and security work regularly with relevant stakeholders, including hotels, operations leaders, and operations support teams such as Design &amp; Engineering, Food and Beverage and Human Resources, to review and set operational safety and security policies and procedures.</li> <li>• The Covid-19 pandemic has led to the enhancement of IHG’s operational safety and crisis management procedures for hotels and corporate offices. In early 2020, our safety experts worked closely with Operations and Global Corporate Affairs to develop a Hotel and Corporate Office Response Toolkit of guidance, processes and procedures for operating a safe work environment in line with the advice issued by government authorities and public health officials. As the pandemic has progressed, this guidance has been revised and expanded to address emerging operational safety issues, and changes in local government requirements or public health advice.</li> <li>• Alongside Covid-19, subject matter experts in safety and security have continued to monitor external trends that may impact the safe operation of hotels, customer expectations, and development opportunities (e.g. fire safety, food allergens), and we continue to review our relevant standards and guidance as these issues evolve and/or new regulatory requirements and best practices are published.</li> <li>• Our experts also track a range of internal indicators relating to safety and security to assess their potential impact on the safety of hotels, colleagues and guests as well as the impact on the reputation of IHG and its brands. Despite our best efforts, incidents may occur across our global hotel operations and corporate offices and an assessment of severity and impact is made before the most serious are promptly forwarded to senior management. The Board receives and reviews regular safety reports and monitors safety performance. Through this monitoring, IHG can determine where additional standards or guidance may be necessary or whether existing controls may need to be adjusted.</li> </ul>

Risk description	Trend	Impact	Initiatives to manage these risks
<p>A material breakdown in <b>financial management and control systems</b> would lead to increased public scrutiny, regulatory investigation and litigation.</p> <p>This risk includes our ongoing (and stable) operational risks relating to our financial management and control systems which have been adapted to cope with remote working arrangements during the pandemic; the continuing expectations of IHG's management decision making and financial judgements; and our own business model and transactions.</p>			<ul style="list-style-type: none"> <li>• Covid-19 inevitably impacted IHG's financial control environment, with heightened risks relating to liquidity, business continuity and fraud and a need to adapt and enhance existing processes for employees working remotely and, in some cases, with a reduced workforce. The Finance leadership team regularly monitors the primary risks to the function and to IHG and, as the impact of Covid-19 became clear, reviewed controls and implemented enhancements to provide additional mitigation, including controls over cash disbursements and expenditure, applying data analytics where possible.</li> <li>• We reviewed our business continuity arrangements, including for our India-based Global Business Service Centre, given the operational importance of processes located there such as accounts payable, billing and cash collection, and financial reporting for both corporate and hotels. In response to decisions to furlough corporate employees during 2020 we evaluated risks, processes and controls relating to accuracy of payroll; access to IT systems and company credit cards; as well as completeness of payment processes.</li> <li>• Throughout the year we have reinforced policies across the organisation, including particular emphasis on entity level controls. We have continued to operate an established set of processes across our financial control systems, which is verified through testing relating to our Sarbanes-Oxley compliance responsibilities. See pages 68, 144, 157 to 162 for details of our approach to taxation, page 87 for details of our approach to internal financial control, and pages 179 to 183 for specific details on financial risk management policies. These processes and our financial planning will continue to evolve to reflect the changes in our management structure and business targets, including system enhancements and further automation where possible.</li> <li>• While it remains difficult to assess trading conditions in 2021 with certainty, we will continue to adapt our approach to financial control across our hotel estate. Given the differences in the culture and ways of working across our regions, we apply globally and/or regionally consistent policies and procedures to manage the risks, such as fraud and reporting risks, wherever possible.</li> <li>• Our Group insurance programmes are also maintained to support financial stability.</li> </ul>
<p>As a global business, IHG faces uncertainties relating to evolving <b>environmental and social megatrends</b> and our response to these is subject to scrutiny from a wide range of stakeholders.</p> <p>These stakeholders include regulators and investor groups (such as the Task Force on Climate-related Financial Disclosures (TCFD)), who focus on various environmental, social and governance issues that have the potential to impact performance and growth in key markets. The focus on companies acting responsibly and being true to their purpose has been heightened by the pandemic and will continue into the future.</p>			<ul style="list-style-type: none"> <li>• Working together with governments and industry associations has been key in ensuring our voice is heard among key stakeholders, as well as being able to advocate for our industry and our owners. As the pandemic has progressed there has been an expectation from governments for companies to do the right thing by their stakeholders. We work with key industry bodies to engage governments and officials to take steps that support our industry and owners across a number of different markets.</li> <li>• To support our hotels in better understanding, managing and reporting their environmental footprint, while driving operational efficiency and reducing their utility costs, we are replacing IHG's Green Engage™ system with a more comprehensive and engaging platform as well as an automated data entry solution to enable much more accurate information capture. See pages 20 and 21, and 29 and 30 for details of our environmental policies and initiatives, including our commitment to support the TCFD recommendations.</li> <li>• Our long-standing commitment to operating our business responsibly has underpinned the actions we are taking in our local communities see page 29. The Corporate Responsibility team has established core principles to support our local communities, while establishing clear governance for our overall community support strategy in partnership with legal and communications.</li> <li>• Our values and behaviours, underpinned by our Code of Conduct, inform our decision-making at all levels. For example, specific elements of our Code of Conduct define expectations for IHG employees in relation to human rights and the environment, and our Procurement, Legal and Risk teams monitor supply chain and human rights risks (see pages 24 and 25).</li> </ul>