

Key performance indicators (KPIs)

Our KPIs are carefully selected to allow us to monitor the delivery of our strategy and long-term success. They are organised around our Strategic Model, which is underpinned by doing business responsibly, (see page 18). KPIs are reviewed annually by senior management to ensure continued alignment to our strategy and Responsible Business targets and are included in internal reporting and regularly monitored. Measures included are those considered most relevant in assessing the performance of the business and

relate to our growth agenda and commitment to our major stakeholders including owners, guests, colleagues, shareholders and the communities in which we work. KPIs should be read in conjunction with the other sections of the Strategic Report, and where applicable, references to specific relevant topics are noted against each KPI.

A guide to this KPI section

Link between KPIs and Director remuneration

As we continued our focus on delivering high-quality growth as in prior years, Directors' Remuneration for 2019 was directly related to key aspects of our Strategic Model. The following indicates which KPIs have impacted Directors' Remuneration:



The Annual Performance Plan

- 70% was linked to operating profit from reportable segments
- 30% was linked to strategic measures, of which:
 - 15% was linked to improvements in net System size growth
 - 15% was linked to the delivery of our comprehensive efficiency programme^a



The Long Term Incentive Plan

- 40% was linked to Total Shareholder Return
- 20% was linked to rooms growth
- 20% was linked to Total Gross Revenue growth
- 20% was linked to cash flow generation



For more information on Directors' Remuneration see pages 96 to 117

Link to our Strategic Model

Our Strategic Model is at the heart of our success. The five strategic initiatives are represented as follows:



- 1 Build and leverage scale
- 2 Strengthen loyalty programme
- 3 Enhance revenue delivery

- 4 Evolve owner proposition
- 5 Optimise our preferred portfolio of brands for owners and guests

Link to Responsible Business

We consult with our stakeholders to determine the issues that are most relevant to them and IHG. Based on this feedback there are four priority areas, which are indicated by the following icons:



Our people



Environment



Community



Responsible procurement

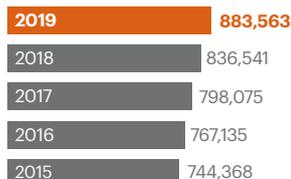
KPIs

Net rooms supply

Net total number of rooms in the IHG System.



Increasing our rooms supply provides significant advantages of scale, including increasing the value of our loyalty programme. This measure is a key indicator of achievement of our growth agenda (see page 18).

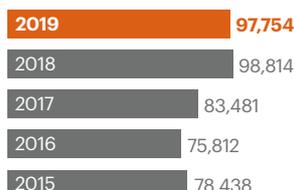


Signings

Gross total number of rooms added to the IHG pipeline.



Continued signings secure the future growth of our System and continued efficiencies of scale. Signings indicate our ability to deliver sustained growth (see page 18).



2019 status and 2020 priorities

2019 status

Increased net System size growth to 5.6%, our highest growth rate in over 10 years and acceleration from -3% in 2016, taking total rooms supply to 883,563 rooms.

Signings decreased -1%, with a record performance in Greater China and EMEAA offset by a decline in the Americas where 2018 signings were boosted by the launch of avid hotels. We increased our share of signings in key markets globally, driven by the addition of five new brands in the last two years.

2019 performance was driven by:

- Further growth of our established brands:
 - Our highest ever number of openings for the Holiday Inn Brand Family.
 - InterContinental Hotels & Resorts reinforcing its position as the largest global luxury hotel brand with nine openings in 2019.
- Record openings and signings in Greater China and record signings in EMEAA.
- The acquisition of Six Senses and signing of a further ten deals post-acquisition.
- Launch of new mainstream brand Atwell Suites with ten signings in 2019.
- Scaling of recently launched brands with:
 - avid hotels adding six openings and 54 signings in 2019.
 - voco hotels growing to 12 hotels opened by the end of 2019, with a total of 33 signed since launch.

2020 priorities

- Continued focus on delivering industry-leading net System size growth.
- Further scale avid hotels in the US and voco hotels globally.
- Grow the footprint of our new luxury brands Regent and Six Senses.
- Expand Kimpton and Hotel Indigo's international presence.
- Drive Atwell Suites signings and prepare for the first openings in the US.

^a See reorganisation costs on page 72 for further information.

KPIs

Growth in underlying fee revenues^{a,b}

Group revenue from reportable segments excluding revenue from owned, leased and managed lease hotels, significant liquidated damages and current year acquisitions, stated at constant currency.

Underlying fee revenue growth demonstrates the continued attractiveness to owners and guests of IHG's franchised and managed business (see page 10).



Total gross revenue from hotels in IHG's System^b

Total rooms revenue from franchised hotels and total hotel revenue from managed, owned, leased and managed lease hotels. Other than for owned, leased and managed lease hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties.

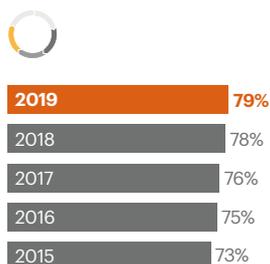
The growth in gross revenue from IHG's System illustrates the value of our overall System to our owners (see page 11).



System contribution to revenue

The percentage of room revenue booked through IHG's direct and indirect systems and channels.

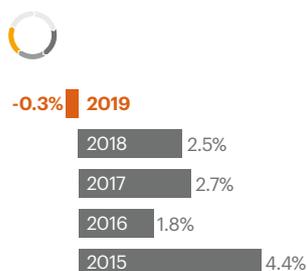
System contribution is an indicator of IHG value-add and the success of our marketing distribution channels (see page 10).



Global RevPAR growth

Revenue per available room: rooms revenue divided by the number of room nights that are available.

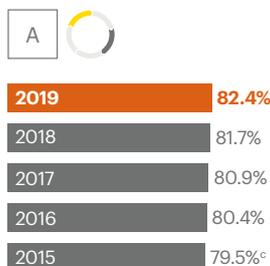
RevPAR growth indicates the increased value guests ascribe to our brands in the markets in which we operate and is a key measure widely used in our industry (see page 8).



Guest Love

IHG's guest satisfaction measurement indicator.

Guest satisfaction is fundamental to our continued success and is a key measure to monitor the risk of failing to deliver preferred brands that meet guests' expectations (see page 49 for details).



2019 status and 2020 priorities

2019 status

- Net System size growth of 5.6% supported growth in underlying fee revenue of 2% in a weaker RevPAR environment.
- Grew digital (web and mobile) revenue by 7% to \$5.6 billion.
- Revenue Management for hire now adopted in over 3,500 hotels across our estate.
- IHG Connect, our seamless wifi guest login, is now implemented or being installed in over 4,500 hotels globally.
- Continued to innovate through use of technology including initiation of a pilot for attribute pricing through our Guest Reservation System (see page 21).
- Further strengthened loyalty offer with new partnerships including the addition of Mr & Mrs Smith luxury and boutique properties to IHG Rewards Club and sponsorship of the US Open Tennis Championship (see page 20).
- Extended our InterContinental Alliance Resorts and Sands partnership to new hotels in Macau SAR, providing additional opportunities for guests to earn and redeem points in highly desirable locations.
- Conducted pilots of variable points pricing for redemption nights and pay with points for additional services during guest stays.

2020 priorities

- Commence roll out of attribute pricing via IHG Concerto.
- Continue to innovate our loyalty offering including in-hotel experiences and brand integrations, to provide greater opportunities for our members to earn and redeem IHG Rewards Club points.
- Maintain our focus on increasing contribution from IHG Rewards Club members and through direct bookings via our website or call centres.
- Continue to develop strategic partnerships to enhance the value of our loyalty programme for members.

2019 status

- RevPAR declined slightly in 2019 as industry growth slowed, impacted by macro and geopolitical uncertainties, increased supply growth in some markets, and ongoing unrest in Hong Kong SAR.
- We continued to undertake activities to position our brands for future success:
 - Rolled out new prototypes and designs for Holiday Inn and Holiday Inn Express in Americas and Europe.
 - Continued Crowne Plaza Accelerate programme, a multi-year programme to transform Crowne Plaza in the Americas region, including flagship hotels showcasing the reinvention of the brand, with the first opening in Atlanta.
 - Modernised Staybridge Suites and Candlewood Suites brands with launch of new prototypes.

2020 priorities

- Continue to invest in brand innovation, including room design and hotel layout to meet evolving guest needs.
- Ensure that, whilst driving strong rooms supply growth, we maintain a high level of guest satisfaction across our entire portfolio with removals from the System.

^a In 2019 the underlying fee revenue calculation was restated for 2017 onwards following a change in the definition of how we calculate constant currency. The 2017 growth figure is not comparable and thus excluded from comparison.

^b Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 55 to 59 and reconciliations to IFRS figures, where they have been adjusted, are on pages 214 to 218. A reconciliation of total gross revenue to owned, leased and managed lease revenue as recorded in the Group Financial Statements can be found on page 61.

^c Changes to the method for calculating IHG's guest satisfaction scores (previously Guest HeartBeat) were introduced in 2016. The comparative for 2015 has been restated.

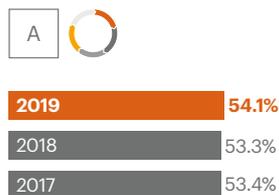
Key performance indicators (KPIs) continued

KPIs

Fee margin^{a,b}

Operating profit as a percentage of revenue, excluding System Fund, reimbursement of costs, revenue and operating profit from owned, leased and managed lease hotels, significant liquidated damages, the results of the Group's captive insurance company and exceptional items.

Our fee margin progression indicates the profitability of our fee revenue growth and benefit of our asset-light business model (see page 10).



2019 status and 2020 priorities

2019 status

- Grew fee margin by 80bps.
- Continued to embed our new operating structures and leverage operational efficiencies.
- Cost efficiency programme to deliver ~\$125m in annual savings, including System Fund, by 2020 substantially complete, with savings fully reinvested in growth initiatives.

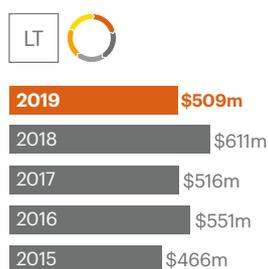
2020 priorities

- Continuation of our strong cost and efficiency focus.
- Leverage our growth and systems infrastructure to drive economies of scale.
- Continue to leverage AI to drive process efficiency, enhance revenue generation, and improve guest experience.
- Provide procurement solutions to help lower owner cost of sale.
- Continue to look for further operational efficiencies through greater application of technology.

Free cash flow^{b,c}

Cash flow from operating activities excluding payments of contingent purchase consideration, less purchase of shares by employee share trusts, maintenance capital expenditure and lease payments.

Free cash flow provides funds to invest in the business, sustainably grow the dividend and return any surplus to shareholders (see page 12). It is a key component in measuring the ongoing viability of our business (see page 54).



2019 status

- Free cash flow of \$509m was down \$102m year-on-year with higher levels of cash tax and working capital offsetting lower levels of exceptional items.

2020 priorities

- Continue to deliver consistent, sustained growth in cash flow.
- Control capital deployment in line with business priorities.
- Continue programme to recycle capital invested in minor equity positions, over time, when conditions are favourable.

^a In 2019 the fee margin calculation was restated for 2017 onwards following implementation of IFRS 16 'Leases'. The 2016 figure is not comparable and is thus excluded from comparison.

^b Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 55 to 59 and reconciliations to IFRS figures, where they have been adjusted, are on pages 214 to 218.

^c Cash flow was introduced as a new measure for the 2017/19 LTIP cycle. Cumulative free cash flow over the three-year performance period forms part of the measure, with some adjustments. The target for each successive cycle is determined annually, taking into account IHG's long-range business plan, market expectations and circumstances at the time.

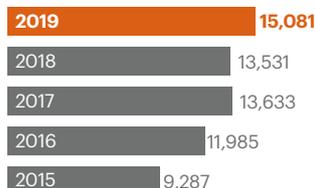
Responsible Business

IHG® Academy

Number of people participating in IHG Academy programmes.

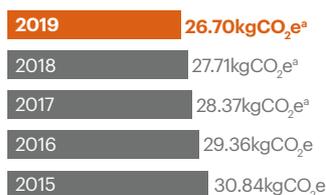


Sustained participation in the IHG Academy indicates the strength of our progress in creating career building opportunities and engagement with the communities in which we operate (see page 29).



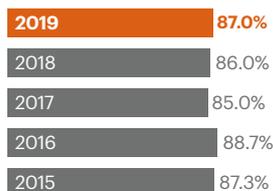
Carbon footprint per occupied room

We work with our hotels to drive reductions in carbon emissions to reduce our overall carbon footprint (see page 34).



Employee Engagement survey scores

Average of our revised^b bi-annual Colleague HeartBeat survey, completed by our corporate, customer reservations office and managed hotel employees (excluding our joint ventures).



We measure employee engagement to monitor risks relating to talent (see page 28) and to help us understand the issues that are relevant to our people as we build a diverse and inclusive culture (see page 30).

2019 status and 2020 priorities

2019 status

- Hosted a range of IHG Academy programmes globally throughout the year, including internships and other experiences.
- Formed a global partnership with Junior Achievement Worldwide offering young people opportunities to gain skills and experience, empowering them to consider career opportunities in the industry.
- Reviewed and refreshed supporting material to drive greater participation and deliver an engaging candidate experience.

2020 priorities

- Continue to provide skills and improved employability through IHG Academy, ensuring a positive impact for local communities, our owners and IHG. This will enable IHG to achieve our longer-term target of 30,000 – 40,000 IHG Academy participants in 2020.
- Realign focus of the IHG Academy programme, prioritising an increase in the length of the IHG Academy opportunities and placements to drive conversion of participants to permanent employment.
- Build on the IHG Academy programme offering through launching an internship toolkit in 16 hotel-ready languages.
- Continue to drive quality growth in the programme through enabling our regional teams to measure impact through a robust reporting solution and convert IHG Academy hires into employees for 2021 and beyond.

2019 status

- Achieved 5.9% reduction in our carbon footprint per occupied room from 2017 baseline.

2020 priorities

- Continue to reduce our carbon footprint across our entire estate.
- Partner with owners and our hotels to share best practices to help drive greater carbon reductions.
- Work to meet the requirements of Task Force on Climate-related Financial Disclosures (TCFD).

2019 status

- Commenced Non-Executive Director-led employee interface sessions across geographies to better understand workforce engagement (Voice of the Employee, see pages 32 and 33 for further information).
- Launched starters and leavers survey with employees (in managed hotels and corporate offices) to understand their feedback on these critical employee life cycle events.

2020 priorities

- Improve our talent acquisition systems and services to position IHG as a leading employer and deliver a great hiring experience for candidates.
- Continue to drive a high-performance culture across IHG through embedding performance and reward practices.
- Further drive the adoption of improvement to our human resources systems, to further our ability to attract, develop and retain talent.
- Support the recruitment and development of General Managers for our managed hotels.
- Embed a diverse and inclusive culture across our places of work, through key initiatives such as RISE and ERGs, to further our promise to provide True Hospitality for everyone.

^a In 2018 the carbon reduction measure was restated in line with a new baseline for the 2018-2020 target. The 2018 and 2019 impacts from the 2017 baseline year have been restated, aligned to annual changes to IHG's System size and increase in number of hotels reporting data to the IHG Green Engage system, to enable comparisons to be made for our 2018-2020 target. The 2016 and 2015 figures could not be restated and are not comparable.

^b In 2017 the employee engagement survey was revised and relaunched as the Colleague HeartBeat survey. The 2016 and 2015 figures relate to previous survey results, which could not be restated and are not comparable.



Please see www.ihgplc.com/responsible-business for our 2018-2020 Responsible Business targets.