

Key performance indicators (KPIs)

Our KPIs are carefully selected to allow us to monitor the performance of indicators that are critical to delivering our strategy and long-term success.

Our KPIs are organised around our Strategic Model and targeted portfolio, which is underpinned by disciplined execution and doing business responsibly, (see page 18). They 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. During 2018 our doing business responsibly KPIs were reviewed and changed to reflect the new Responsible Business 2018-2020 targets. The updated KPIs track IHG's progress in creating career building opportunities, managing our environmental impact, and our success in maintaining a motivated workforce. 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 2018 was directly related to key aspects of our Strategic Model and targeted portfolio. The following indicates which KPIs have impacted Directors' Remuneration:

A The Annual Performance Plan

- 70% was linked to EBIT
- 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

LT The Long Term Incentive Plan

- 50% was linked to Total Shareholder Return
- 25% was linked to rooms growth
- 25% was linked to RevPAR growth

 For more information on Directors' Remuneration see pages 72 to 85

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 Doing Business Responsibly

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



Environmental sustainability



Community and society impact



Responsible procurement

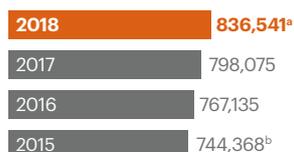
KPIs

Strategic Model and targeted portfolio

Net rooms supply

Net total number of rooms in the IHG System.

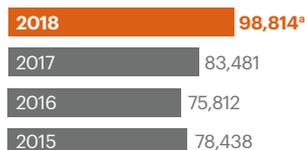
Increasing our rooms supply provides significant advantages of scale, including increasing the value of our loyalty programme. This measure is a key indicator of achievement of our growth agenda, (see page 19).



Signings

Gross total number of rooms added to the IHG pipeline.

Continued signings secures the future growth of our System and continued efficiencies of scale. Signings indicate our ability to deliver sustained growth (see page 19).



2018 status and 2019 priorities

2018 status

Accelerated net System size growth to 4.8%, and achieved our highest number of signings in 10 years driven by:

- Further growth of our mainstream brands with Holiday Inn and Holiday Inn Express representing nearly half of all signings.
- Expansion of our portfolio of brands:
 - Mainstream – opened the first avid hotel, made 129 signings in 2018 and signed a partnership agreement to bring avid to Germany.
 - Upscale – launched voco hotels with two openings in 2018.
 - Luxury – acquired a majority stake in Regent Hotels & Resorts.
- Bringing our existing brands to new markets:
 - Continued global expansion of Kimpton with 18 deals signed.
 - Opened 13 InterContinental hotels, our highest number in 10 years.

2019 priorities

- Continue progression towards industry-leading net System size growth.
- Further scale avid hotels including more openings (see page 40).
- Scale our new upscale brand, voco hotels (see page 43).
- Build greater international scale for Kimpton.
- Launch new upper midscale US all-suites brand, and scale Six Senses Hotels Resorts Spas.

^a Including the acquisition of Regent Hotels & Resorts (2,006 rooms) in 2018.

^b Including the acquisition of Kimpton (11,325 rooms) in 2015.

Key performance indicators (KPIs) continued

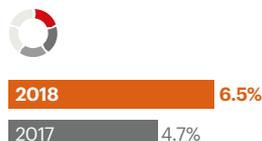
KPIs

Strategic Model and targeted portfolio continued

Growth in underlying fee revenues^{a, b}

Group revenue excluding revenue from owned, leased and managed lease hotels, significant liquidated damages and current year acquisitions.

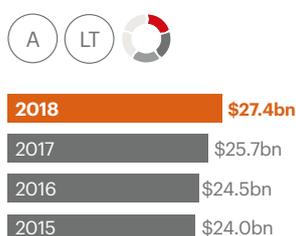
Underlying fee revenue growth demonstrates the continued attractiveness to owners and guests of IHG's franchised and managed business (see page 14).



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.

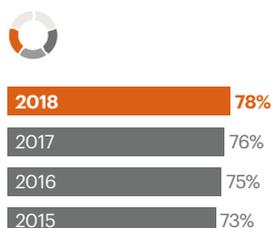
The growth in gross revenue from IHG's System illustrates the value of our overall System to our owners (see page 15).



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 14).



2018 status and 2019 priorities

2018 status

- Expansion of Holiday Inn Express Franchise Plus model in Greater China with 146 hotels open or in the pipeline.
- Combined our Commercial and Technology functions allowing us to maximise revenue delivery and bring new products and services to market faster.
- Grew digital (web and mobile) revenue, by 13% to \$5.3 billion.
- Launched two new US IHG Rewards Club co-branded credit cards (see page 13 for details).

2019 priorities

- Leverage the expansion of our franchise offer for Holiday Inn and Crowne Plaza in Greater China, alongside Holiday Inn Express Franchise Plus model.
- Continue to innovate our loyalty offering 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 grow our share of bookings through the IHG® App, whilst also increasing engagement within the App.
- Enhance our owner offer by leveraging technology and increasing investment in owner support.

^a In 2018 the underlying fee revenue calculation was restated for 2016 onwards following implementation of IFRS 15. The 2015 and 2016 growth figures are not comparable and thus excluded from comparison.

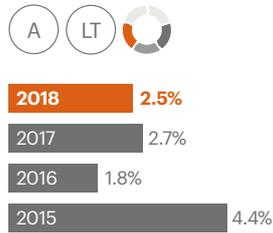
^b Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 36 and reconciliations to IFRS figures, where they have been adjusted, are on pages 172 and 173. Total underlying fee revenue growth is stated at constant currency.

Strategic Model and targeted portfolio continued

Global RevPAR growth

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

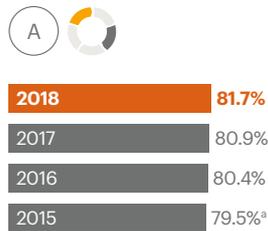
RevPAR growth indicates the increased value guests ascribe to our brands in the markets in which we operate and is a key measure widely used in our industry (see page 8).



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 27 for details).



2018 status

- Completed the global roll out of IHG Concerto™ (see page 21).
- Created a new global marketing function bringing together our brand, loyalty and marketing capabilities to drive greater agility and efficiencies.
- Continued roll out of new guest room designs across all regions and rapid deployment of new Holiday Inn Express breakfast offering in the US to over 1,500 hotels.
- In 2018 one third of the US Crowne Plaza estate underwent or completed renovations or property improvements as part of the Crowne Plaza Accelerate programme, a multi-year programme to transform Crowne Plaza in the Americas region.

2019 priorities

- Continue to build on IHG Concerto with phased roll out of additional functionality.
- Continue to invest in brand innovation, including room design and hotel layout to meet evolving guest needs, including refresh of our extended stay brands.
- 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 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

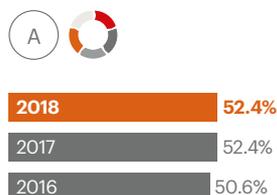
KPIs

Disciplined execution

Fee margins^{a,b}

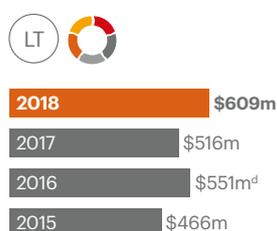
Operating profit as a percentage of revenue, excluding System Fund, reimbursement of costs, revenue and operating profit from owned, leased and managed lease hotels, significant liquidated damages, current year acquisitions and exceptional items.

Our fee margin progression indicates the profitability of our fee revenue growth and benefit of our asset-light business model (see page 14).

**Free cash flow^{b,c}**

Cash flow from operating activities (after interest and tax paid), less purchase of shares by employee share trusts and maintenance capital expenditure, including key money paid.

Free cash flow provides funds to invest in the business, sustainably grow the dividend and return any surplus to shareholders (see page 16). It is a key component in measuring the ongoing viability of our business (see page 30).



2018 status and 2019 priorities

2018 status

- Merged our Europe and Asia, Middle East and Africa regions to leverage scale and focus investment.
- On track to deliver ~\$125 million in annual savings, including System Fund, by 2020 for reinvestment to drive growth.

2019 priorities

- Continuation of our strong cost and efficiency focus.
- Leverage our increasing scale in operations and systems to drive economies of scale.
- Continue to strengthen our delivery capabilities to ensure that critical in-hotel initiatives are embedded on time and on target.
- Enhance our supplier management capabilities to drive efficiencies.
- Continue to look for further operational efficiencies through greater application of technology.

2018 status

- Free cash flow grew by \$93 million to \$609 million, due to growth in operating profit from reportable segments^b and reduction in cash tax.

2019 priorities

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

^a In 2018 the fee margin calculation was restated for 2016 onwards following implementation of IFRS 15. The 2015 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 36 and reconciliations to IFRS figures, where they have been adjusted, are on pages 172 to 175.

^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.

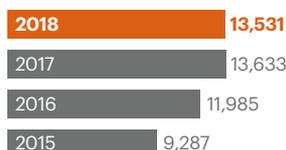
^d In 2016, free cash flow excluded the \$95 million cash receipt from renegotiation of long-term partnership agreements.

Doing business responsibly

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 24).



2018 status and 2019 priorities

2018 status

- We undertook a comprehensive review of the IHG Academy programme to create a series of recommendations to help us grow in the coming years.
- We ran 2,203 IHG Academy programmes across 70 countries.

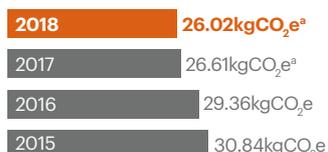
2019 priorities

- Continue to provide skills and improved employability to people through IHG Academy, ensuring a positive impact for local people, our owners and IHG.
- Build on programme review and refresh supporting materials to drive greater participation and deliver engaging candidate experience.
- Deliver a globally scaled approach to IHG Academy, utilising it as a frontline recruitment tool.
- Enhancing IHG Academy's reputation amongst academic institutions and community partners, as being an outstanding programme for students.
- Continue to drive quality growth in the programme towards our longer-term target of 30,000-40,000 IHG Academy participants by 2020.

Carbon footprint

Carbon footprint per occupied room.

We work with our hotels to drive reductions in carbon emissions, to reduce our overall carbon footprint (see page 24).



2018 status

- Achieved 2.2% reduction in our carbon footprint per occupied room from 2017 baseline.

2019 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 reductions.

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 23).



2018 status

- Launched improved and simplified performance management process.
- Launched a new tool to help IHG assess and prepare hotel leaders in Greater China, our fastest growing region (see page 23).

2019 priorities

- Continue to refine performance management processes, in order to focus on productive development conversations.
- Further drive adoption of improvements to our human resources systems, including online colleague training, to further our ability to develop and retain talent.
- Support the recruitment and development of General Managers for our managed hotels.
- Drive adoption of our learning solutions, such as the IHG Frontline training curriculums, and branded service culture programmes across all IHG hotels.

^a In 2018 the carbon reduction measure was restated in line with a new baseline for the 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.