

# Our culture

Our success and reputation are dependent on our commitment to our values, Code of Conduct, principles, policies, and monitoring and assurance processes. Combined they ensure that we continue to build trust with all our stakeholders, and deliver our purpose of providing True Hospitality for Good.



**T**he Board is committed to ensuring that IHG's culture supports its purpose and strategy. The Board oversees and monitors culture through direct engagement and regular agenda items, including employee engagement survey results, employee resource groups, diversity and inclusion reports, and updates from the designated non-executive director for workforce engagement. Board discussions focus on defining the culture needed to drive IHG's strategy and embedding it, including through the Code of Conduct, procedures and controls, training programmes, employee communications and tone from the top. These mechanisms ensure that the desired Company culture is promoted and IHG's purpose and strategy are aligned.

 See also Board meetings on pages 83 and 84.

### Our behaviours

IHG's behaviours are aligned to our purpose and strategy, encouraging employees to Move fast, be Solutions focused, Think return and Build one team. Our behaviours were brought into sharp focus in 2020, and we lived them in a range of ways, such as prioritising enhanced operational procedures, including the IHG Way of Clean programme to protect our guests and hotel colleagues, and creating hotel re-opening guides to deliver timely support and training for the re-opening of hotels under enhanced cleanliness and safety measures.

### IHG values

Our values, led by the Board, Executive Committee and Senior Leaders, underpin our behaviours, guide how we deliver our strategy, make decisions and live our purpose.

-  Do the right thing
-  Show we care
-  Aim higher
-  Celebrate difference
-  Work better together

### Code of Conduct

IHG's Code of Conduct (Code) sets out IHG's key principles and policies and is fundamental in supporting employees working in IHG corporate offices, reservation centres and managed hotels to make the right decisions, in compliance with the law and our high ethical standards. It provides information on our key principles and global policies, including human rights, diversity and inclusion, accurate reporting, information security, anti-bribery and the environment. It also provides employees with guidance on where to go if they are faced with a difficult issue and need further help. The Code is supported by mandatory e-learning on Anti-Bribery, Antitrust and Handling Information Responsibly.

The Board, Executive Committee and all employees working in IHG corporate offices, reservation centres and managed hotels must comply with the Code. Each year, they are asked to reaffirm their commitment to it. The principles, spirit and purpose of the Code are relevant to all of IHG and we expect those we do business with, including our franchisees, to uphold similar standards.

The Code is reviewed and approved by the Board on an annual basis to ensure it reflects and responds to changes in the external environment and continues to support IHG's purpose and strategy.

We continuously evolve our Code training, including our engagement and measurement approaches. During 2020, the Code provided a critical framework for responding to the challenges of Covid-19, and we focused on raising awareness, through targeted internal communications, of the annual Code e-learning requirement.

The following policies and principles are key areas of the Code, each of which are supported by their own guidance and training materials.

### Human rights and modern slavery

IHG is committed to respecting the human rights of all our colleagues, guests and the communities we operate in, and we continue to encourage those we do business with, including our suppliers and hotels owners, to prevent, mitigate and address adverse impacts on human rights, including modern slavery. We seek to advance human rights through our business activities and by working together with others to identify challenges and effective solutions.

A key focus of our human rights programme in 2020 has been on addressing risks relating to migrant workers, who may be increasingly vulnerable during the Covid-19 crisis. This work has included development of internal guidance, particularly in relation to staff accommodation for hotel colleagues.

 Further information is provided in our Modern Slavery Statement, which is available on our website [www.ihgplc.com/modernslavery](http://www.ihgplc.com/modernslavery)

### Bribery and financial crime

IHG does not permit any form of bribery or financial crime, including improper payments, money laundering and tax evasion, under any circumstances. This also applies to any agents, consultants and other service providers who work on IHG's behalf.

Our Anti-Bribery Policy sets out our zero-tolerance approach and is applicable to all Directors, Executive Committee members, employees and managed hotels, and is accompanied by a mandatory Anti-Bribery e-learning module. In addition, our Gifts and Entertainment Policy supports our approach to anti-bribery and corruption.

IHG is a member of Transparency International UK's Business Integrity Forum and participates in its annual Corporate Anti-Corruption Benchmark. Each year, the results from this benchmark help to measure the effectiveness of our anti-bribery and corruption programme and identify areas for continuous improvement.

### Handling information responsibly

IHG is committed to ensuring that the way we manage data and information received from the following is trusted and that we address cybersecurity threats: guests booking via our reservation channels, members of our loyalty programmes, colleagues, shareholders, and other stakeholders. We have standards, policies and procedures in place to manage how personal data can be used and protected. Our e-learning training for employees on handling information responsibly is a mandatory annual requirement, and covers topics such as password and email security, using personal data in accordance with our policies and privacy commitments, how to work with vendors and transferring data securely.

In 2020 we carried out additional awareness campaigns with communications to employees on a variety of topics such as phishing, passwords and security when working from home.

We continue to develop our privacy and security programmes to address evolving requirements and take account of developing best practice. The Board and Audit Committee regularly receive updates, and review our privacy and information security programmes.

 IHG's Code of Conduct is available in 10 languages on our website [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business) and also the Company intranet.

IHG is a member of the United Nations Global Compact (UNGC), and is committed to alignment of IHG's operations, culture and strategies with the UNGC's 10 universally accepted principles in relation to human rights, environment and anti-corruption.

### Our monitoring and assurance processes

In addition to our Code e-learning, we monitor and assess our culture through employee engagement surveys, feedback from employee forums, tracking of e-learning completion, our confidential reporting hotline, and third-party consultant surveys.

As a result of the pandemic, 2020 Executive Committee meetings were increased to a weekly cadence, in order to respond to the fast-moving industry and IHG environment. This increased frequency enabled regular performance and risk reviews, and allowed for rapid decision-making. The Executive Committee closely monitored high and trending risks, reviewed the status of hotel closures due to Covid-19, and tracked corporate and reservation employee sentiment aligned to our core values and behaviours.

Within IHG, various functions consider where additional guidance, learning materials or adjustments to existing controls are required. For example, during 2020 we enhanced our processes for handling information responsibly and our Information Security Team implemented additional monitoring to respond to heightened risks of data loss from stresses that Covid-19 placed on processes, people and supplier arrangements. The Board and Audit Committee received regular updates from key risk and control functions and considered the appropriateness of risk management and internal control arrangements.

In relation to our key business ethics, principles and policies, we carry out risk-based due diligence and compliance checks on new third-party hotel owners with whom we enter into hotel management or licence agreements. This includes the use of screening and monitoring tools and the provision of guidance for our Legal, Franchise Administration, and Development teams. In 2020, we successfully trialled and launched an enhanced version of our due diligence risk management platform, resulting in increased automation of internal escalation processes, faster counterparty searches and improved adverse media screening.

A central committee of senior IHG decision-makers considers and reviews any material issues identified in our due diligence, such as concerns or allegations of human rights violations, financial crime including bribery and corruption, or other activities which may have a reputational, legal or ethical impact on IHG. Contingent on any risks or concerns identified, external legal or consultancy expertise may also be utilised, including with respect to entry into new markets.

To help manage and monitor our corporate supply chain, an automated procurement system is used across many of our large corporate offices. In addition to acknowledging adherence to IHG's Supplier Code of Conduct, new suppliers onboarded to the system are required to complete due

diligence questionnaires, which include questions on human rights, labour, environment and anti-corruption relevant to suppliers' own operations and supply chains.

Our Internal Audit team provides objective and insightful assurance that we have appropriate controls in place to support our growth ambitions. Throughout 2020, Internal Audit focused on both specific reviews of processes and controls, and ongoing discussions with management, while considering the dynamic inherent risks created by the crisis and the organisational and process changes which have resulted from it. Internal Audit also provides independent oversight of the mechanisms in place for confidential reporting across IHG, including the design and operation of the reporting hotline, and maintains an ongoing dialogue with employees from Human Resources, Ethics and Compliance and Finance to monitor:

- the volume of reports received;
- the source and nature of allegations received; and
- the overall environment across the Group to promote a 'speak-up' culture.

### Non-financial information statement

Non-financial information, including a description of policies, due diligence processes in pursuit of policies, outcomes and risks and opportunities are set out as follows:

- Impact of the Company's activities on the environment on page 29
- Social matters on page 29
- Anti-corruption and anti-bribery matters on pages 24 and 25
- Employee matters on pages 26 to 28
- Respect for human rights on page 24
- A description of the Group's business model on pages 12 to 15
- The Group's principal risks on pages 34 to 41
- The Group's KPIs on pages 43 to 46

## Our key stakeholders and factors affecting IHG

The following pages describe the importance of our key stakeholders and factors affecting IHG, and our consideration for them during 2020.



**Our people**  
see page 26



**Communities and planet**  
see page 29



**Our guests, owners and suppliers**  
see page 31



**Shareholders and investors**  
see page 33

# Our people

Our people are fundamental to IHG achieving its purpose and strategic goals. IHG's business model means that we do not employ all colleagues. We directly employ individuals in our corporate offices, reservation centres, and managed, owned, leased and managed lease hotels. However, not all individuals in managed, owned, leased and managed lease hotels are directly employed, and we do not employ any individuals in franchised hotels (nor do we control their day-to-day operations, policies or procedures).



**W**e do not underestimate the immense amount of hard work, commitment and sacrifice that was shown by our people over the course of last year. The Board and Executive Committee are immensely proud of all our employees around the world as teams adapted and responded to such an unprecedented challenge – their determination demonstrated the very best of IHG and our industry, living up to our values and delivering our purpose of providing True Hospitality for Good.

#### Attracting, developing and retaining talent

To achieve our strategic priorities, we know we need to attract, develop and retain a diverse and talented workforce. This commitment is emphasised throughout our global hiring guidelines and initiatives, such as unconscious bias training, and is backed up by our D&I Policy, which ensures we

consider diverse attributes, perspectives, cultures and experiences. Our global flexible working guidelines are aimed at making IHG an attractive company to work for and we advocate work/life balance.

During 2020, our recruitment activities reduced significantly as a result of Covid-19. However, we are committed to securing future talent pipelines and our candidate relationship management tool has 184,000 subscriptions from over 81,000 potential candidates.

As the impact of Covid-19 deepened, steps were taken to curtail people-related costs in both corporate offices and the managed hotel estate. The Board was consulted and a global plan was created to reduce costs and help employees, including supporting the re-deployment of hotel colleagues into other work opportunities. In the Americas and EMEA, we launched the 'IHG Hotel

Colleague Job Center' to connect those impacted with organisations recruiting at scale. We also implemented IHG Alumni sites to stay connected with furloughed and former employees, sharing news and job opportunities.

In the mid to long term, we are focused on implementing features of our Talent Acquisition Programme, with a priority focus on our Employee Value Proposition (EVP). Our aim is to make IHG an employer of choice, and we launched the refreshed EVP in February 2021, including a new consolidated careers website which brings together multiple careers sites and key messaging around opportunities to belong, develop and make a difference. The website features job alert functionality where potential candidates will receive email notifications of any recently posted jobs that match their predefined criteria.

#### Employee engagement statement

Our statement relates to only IHG's directly employed individuals and should be read in conjunction with our S172 statement.

At IHG we foster a culture of open and honest engagement and feedback. We have a wide range of engagement forums including an engagement survey, management-led performance updates and a designated non-executive director for workforce engagement. Through these forums we hear from and talk to employees about IHG's performance, key metrics, values, and diversity and inclusion initiatives.

With the shift to remote working, we implemented virtual solutions to ensure employees kept in touch, maintained working relationships and were provided with Company updates. This included video meetings, podcasts and regular global calls with the CEO and other Executive Committee members. Global calls covered performance and other metric updates, alongside a wide range of other topics, as well as live Q&As.

The Board and Executive Committee were kept updated of employee interest and concern areas, and this influenced, for example, the set up of an emergency support fund to provide immediate help for employees facing financial hardship. The Company provided nearly \$1.3m and assisted 2,134 employees across 10 countries.

The health and wellbeing of employees was a priority concern, and the Board and Executive Committee reviewed actions to help counter potential physical and mental effects of the pandemic and remote working, including re-charge days and no meeting Fridays. All corporate employees have access to an Employee Assistance Programme (EAP), which was extended to 31 countries. Other measures included a flexible learning summit, which more than 4,000 employees accessed, as well as surveys on employee remote working experiences, initiatives to raise mental health awareness, and HR and manager training programmes.

Due to the impact of the pandemic, our employee engagement survey, completed by employees in corporate and reservations offices and General Managers in managed hotels, was only conducted once during the year. The survey provided employees the opportunity to share their views on key issues relating to Company culture, IHG's Covid-19 response, working from home, and health and wellbeing. Overall engagement remained stable at 79%, above external top quartile benchmarks. There were significant engagement improvements in relation to employees having the right tools and resources to carry out their jobs, work collaboration and decision-making speed. The main area for improvement was career development opportunities. Short pulse surveys carried out during the year also showed significant positive responses to the transparent and open nature of communications from Senior Leaders.

 Further information about the activities of the designated non-executive director for workforce engagement can be found on page 92.



As at 31 December 2020	Male	Female	Total
<b>Directors</b>	8	5	13
<b>Executive Committee</b>	7	3	10
<b>Executive Committee direct reports</b>	37	23	60
<b>Senior managers</b> (including subsidiary directors)	73	27	100
<b>All employees</b> (whose costs were borne by the Group or the System Fund)	5,748	7,084	12,832

### Reward culture

IHG's reward culture aims to attract, retain and motivate top talent, and is centred around a set of core principles, managed through robust governance, including being recognised and paid competitively for contribution to the Group's success. Our principles ensure that reward and recognition practices are fair and consistent across our employee population, regardless of gender and other aspects of diversity, and that there is alignment between the wider direct workforce and executive remuneration. We regularly review our approach externally, ensuring we meet the needs of employees by offering market-driven rewards packages.

Our employee share plan is available to around 98% of our corporate employees below the senior/mid-management level (who receive LTIP and restricted stock units awards). IHG matches the number of shares bought by employees through the plan. 49% of eligible employees took up the plan in 2020, its first year of operation, with just over 82% opting to pay the maximum contribution rate each month. Registration for the 2021 plan took place in December 2020, with a take up of 50%.

In response to Covid-19, IHG made difficult decisions in relation to pay, furloughs, reduced hours and redundancies to protect the Company's long-term future. In March, the 2020 salary merit increase was cancelled, and at the end of Q1 reductions in salary and Company retirement contributions were implemented. However, bonuses earned over 2019 were honoured. In Q2, decisions to furlough and implement partial working hours were taken, and to further manage costs and set the business up for recovery, global redundancies were made from July. Though our recovery is still in progress, our efforts to manage our liquidity allowed us to return employees to full salaries ahead of schedule in October 2020.

 See pages 98 and 100 for more information about our wider remuneration policies.

## \$1.3m

### Emergency support fund

The Company provided \$1.3m and assisted 2,134 employees across 10 countries

## 79%

### Employee engagement survey

Overall engagement remained stable at 79%, above external top quartile benchmarks

## 152

### Future Leaders

Greater China successfully screened, recruited and onboarded 152 Future Leaders during 2020

## 49%

### Our employee share plan

49% of eligible employees took up the plan in 2020, its first year of operation, with just over 82% opting to pay the maximum contribution

### Early talent development

Our Early Careers Programme offers work experience, internships and graduate opportunities to individuals looking to have a career in the hospitality industry, and helps attract talent into our managed hotel estate. The vast majority of face-to-face offerings were impacted as a result of the global pandemic, however in Greater China we successfully screened, recruited and onboarded 152 Future Leaders during 2020, which will support IHG's continuing recovery in the region during 2021.

### Ongoing talent development

We are firmly committed to investing in our employees and have various toolkits to help plan for and shape their development. We believe in having conversations that count. Employees engage in quarterly check-in conversations with line leaders to plan personal development and discuss career aspirations. Our leadership teams regularly discuss talent pipeline pools to identify and develop succession groups for roles with similar characteristics.

We also invest in individuals who work in and support our managed hotels, and have developed and delivered new learning modules during 2020 to help hotel teams adapt during Covid-19. Examples of new training topics include how to conduct a virtual sales call, how to implement an evolved food and beverage offering, and the IHG Way of Clean programme.

## Our people continued



### Diversity and inclusion (D&I)

IHG is a global business, and our D&I Policy and approach are designed to represent our people and the guests who stay in our hotels, who are made up of multiple nationalities, cultures, races, sexual orientation, backgrounds and beliefs. We are proud of our diverse and inclusive culture. It underpins our purpose to provide True Hospitality for Good, and is crucial to who we are, how we work together and how we grow our business.

Our D&I Policy supports our recruitment, development and reward practices. Diversity and inclusion is a top priority for the Board, which, through the Responsible Business Committee, has assessed and realigned our priorities and commitments in 2020 to meet changing expectations and societal concerns. We bring our D&I Policy to life through a Global D&I Board and regional D&I Councils, who focus on locally relevant initiatives. Our diversity and inclusion framework is built on three core focus areas.

#### Strengthening a culture of inclusion:

We know we need to do more to support, nurture and strengthen our diverse and inclusive culture. During 2020, we made a number of commitments such as doubling ethnic minority representation in leadership, particularly to support our Black employees and communities in the Americas, which is helping to shape our response in other regions.

We continue to deliver ongoing inclusive leadership learning programmes and resources for leaders and managers, and we are developing an inclusion index to track perceptions of culture and behaviour in our employee engagement survey. We also are committed to supporting education, employability and empowerment in the community through partnerships with the National Urban League and National Center for Civil and Human Rights.

Our Employee Resource Groups (ERGs) have continued to expand and play a crucial role

in supporting our diversity and inclusion commitments. The BERG (Black Employee Resource Group) was instrumental in steering IHG's response to racial inequality issues in the US.

Our drive to celebrate difference and contribute to making sustainable changes in our organisation also led to the creation of several new ERGs to support other facets of diversity and inclusion, including the Family Network which launched globally in the first half of 2020, and a new ethnic minority diversity network for UK-based employees, EMbrace. Similarly, our Hype ERG, focusing on early career opportunities and networking, is expected to debut in UK in the first half of 2021, after successfully launching in Greater China, the Americas and wider EMEA. The importance of IHG's ERGs can be seen in activities such as awareness campaigns for Black History Month, Diwali celebrations, and Senior Leaders sharing their experiences with Lean In circles.

Other activities in 2020 included celebrating International Women's Day across our managed hotels and corporate offices, under the global theme of #eachforequal. A series of events was produced to celebrate equality throughout IHG and how we are supporting female progression and equality at work.

In June we committed globally to recognising and celebrating Pride month. Like many other companies, our approach in 2020 changed, initially to reflect the limitations of Covid-19 and then more significantly to support the fight against racism and inequality, particularly in the US. In collaboration with Senior Leaders, the BERG and Out & Open members, we adapted our celebration activities to emphasise the importance of inclusivity more broadly. We switched our visual support for Pride month from the traditional rainbow to a more inclusive Pride flag that reflected the rights of both people of colour and the transgender community.

### Increasing the diversity of our leadership talent:

As part of our refreshed responsible business plan, we aim to drive gender and ethnicity balance in particular in our leadership teams.

We will continue to deliver talent programmes, such as the Rise programme, which is focused on increasing the number of women in General Manager and Operations roles. During 2020, this programme played a critical role in developing and retaining key female talent across all regions through mentoring sessions, career development workshops, high-impact learning modules, and empowering conversations. In October 2020 we launched a monthly series of 'conversations with Leaders' for the RISE cohort and their mentors in the EMEA managed estate hotels. This inspiring platform connects the group virtually and continues to grow and develop critical leadership experiences.

In Greater China, a series of ERGs known as the 'Rose Alliance' was created for existing female General Managers to support further professional development and encourage networking.

In the Americas, as part of the commitments we announced in 2020, we are launching a bespoke programme to develop Black leadership talent and build partnerships with organisations dedicated to supporting Black employees.

### Putting the right decision-making around our actions:

IHG recognises that decision-making must be inclusive and take into consideration diverse viewpoints. In the Americas, we are rolling out mandatory unconscious bias training for more than 10,000 US corporate and managed hotel employees. We are also implementing processes to ensure that our recruitment initiatives include a diverse candidate shortlist and interview panel process. In the UK, we signed the UK Race at Work charter with the BITC (Business in the Community) in July 2020. We are committed to using the key focus areas outlined in the charter to further drive our race and ethnicity diversity and inclusion actions.

We will continue to build on our diversity and inclusion practices over the year ahead, with a refreshed set of commitments to ensure we continue to expand access to conscious inclusion training for employees, and strengthen our data capture alongside piloting new diverse talent programmes.

 See also our Governance Report and statement on disability in the Directors' Report.

 See our D&I Policy on our website at [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business)

# Communities and planet

The Board's Responsible Business Committee oversees and agrees IHG's environment and community strategy and commitments, and our Responsible Business targets underpin both. We recognise changing expectations around environment and community matters, and as our 2018-2020 targets come to an end, we look ahead to our new 10-year responsible business plan and ambitious targets.



## Community

Our community policy promotes and guides us to support local communities, partner with global charities, assist communities impacted by disasters, and help build employment skills among the disadvantaged.

During our 2018-2020 target reporting period we contributed \$3.4m to charitable causes, supporting more than 400,000 people. Over the same period, 328,000 colleagues supported community projects across the globe. Our annual Giving for Good month was transformed in 2020 into our Giving for Good awards, in honour of the UN International Day of Volunteering, to reflect the efforts of our colleagues. We celebrated more than 28,000 colleague stories, who collectively spent 212,580 hours supporting people in need.

As a result of the pandemic, we saw social disparities and inequalities exacerbated. We assisted local communities by working with existing charity partners and building new partnerships with NGOs:

- We supported frontline workers by repurposing hotels to provide accommodation for frontline workers, military personnel and vulnerable members of society.
- We partnered with #FirstRespondersFirst in the US, donating accommodation through IHG Rewards point donations; and launched a 'heroes' rate for first responders and key workers.
- We supported foodbank infrastructure and services across 70 countries. Key partners included 'No Kid Hungry' (US), 'Trussell Trust' (UK), Global FoodBanking Network and European Food Banks Federation. Our partner, the Global FoodBanking network, provided meals to more than 27 million people, across a network of 900 foodbanks in 44 countries.
- In 2020, we supported 1,428 colleagues impacted by disasters; we continued to work with CARE International UK, the British Red Cross, American Red Cross and International Federation of Red Cross and Red Crescent Societies (IFRC); and enabled point donations to these organisations from IHG Rewards members.

## IHG® Academy and Change 100

IHG is committed to increasing the number of young people coming through the IHG Academy, a collaboration between our hotels, corporate offices, local education providers and community organisations. It provides local people with the opportunity to develop skills and improve their employment prospects. Despite having to pause the majority of programmes in 2020, we were able to support 3,277 participants, and achieved our target of supporting over 31,000 people between 2018 and 2020. We also have a partnership with Junior Achievement Worldwide, helping young people build hospitality skills. In 2020 we moved our offerings online.

Change 100 is a programme that takes place each summer and provides paid work placements and mentoring for students and recent graduates with disabilities. During 2020, in partnership with Leonard Cheshire, we held a virtual summer internship for 13 participants in the UK, that included a project focused on creating innovative ideas for IHG's sustainable hotel room concept.

## Planet

Our environment policy sets out our approach to measuring and managing our environmental impact, and supports and guides us to find ways to reduce our environmental footprint. Our Group-wide environmental management system, IHG Green Engage™, helps hotels measure, manage and reduce energy, carbon, water and waste consumption, and recommends green solutions.

## Waste management

Across the hospitality industry there is a significant amount of waste created. It is essential that we find ways to reduce this by reusing, recycling or designing out items at scale. IHG is committed to working with others to find innovative solutions. Examples of this include:

- removing single-use plastic miniature bathroom amenities and switching to bulk-size products;
- partnering with organisations and innovators to help reduce food waste. In Australia, we partner with OzHarvest to

help donate food to local communities. We're also working with Winnow Solutions to use technology to track, measure and reduce food waste at a number of our EMEA hotels; and

- working with suppliers to repurpose single-use plastic bottles into fillings for duvets and pillows in our voco hotels. To date, more than three million bottles have been diverted from landfill this way.

As a result of Covid-19, hygiene and cleaning measures are likely to have an impact on the environment. Whilst short-term allowances have been made, we have considered and implemented ways to reduce our impact, such as fewer printed items across hotels.

## Biodiversity

Through IHG Green Engage, we provide guidance aimed at preserving and protecting on-site local flora and fauna, and the wider regional ecosystems affected by hotel operations. This includes advice on management of green spaces and long-term strategies for protecting local habitats.

## Carbon footprint

Hotel energy consumption across the industry represents around 1% of total global greenhouse gas (GHG) emissions. Since 2012 we have tracked carbon reduction per occupied room (CPOR), and our 2018-2020 target was to reduce CPOR by 6-7%. At the end of 2019 we reported a 5.9% reduction. As a result of reduced occupancy levels during 2020, we ended the target period with a 10.2% increase, meaning we did not achieve our target. However, over the same period we reduced our absolute carbon emissions by 23.6%.

In 2020, we had our carbon science-based target approved by the Science-Based Target Initiative, which requires we achieve a 15% absolute carbon footprint reduction in our managed, owned, leased and managed lease hotels; and a 46% per m<sup>2</sup> carbon intensity reduction in our franchised estate by 2030, (from a 2018 base). From 2021 onwards we will be reporting in line with these targets.

## Water stewardship

In relation to previous risks identified and our stewardship action plan, we worked with the Alliance for Water Stewardship during 2020, and launched projects in China and Australia, taking our total to six projects, meeting our commitment in this area. As signatories of the UN Global Compact CEO Water Mandate we communicate progress each year against six core commitment areas. Water stress is a local issue, which varies considerably between markets. To ensure we collaborate at a local level, we have become members of the Water Resilience Coalition.

# TCFD

**We are committed to doing our part to address climate change by reducing our carbon emissions, and in early 2020 we announced new 2030 science-based targets to reduce our greenhouse gas emissions in line with the Paris Climate Accord. While we have an asset-light business model, with the majority of IHG hotels owned by a third party, our commitments cover the operations of all our hotels globally, whether managed, owned, leased, managed lease or franchised.**

The Board recognises the importance of understanding and managing the impact of potential climate-related risks and opportunities on

IHG's business and strategy. In early 2020 we made a formal commitment to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and have engaged a third-party expert to support with the more technical elements of the project. During the year we completed a 'readiness review' to understand IHG's gaps to full TCFD alignment and developed a climate risk assessment framework tailored to our business which was used to conduct a qualitative risk assessment including scenario planning. This will be used as the basis for an in-depth quantitative risk assessment in 2021, which will enable detailed reporting against the TCFD recommendations in our 2021 Annual Report and Form 20-F.

## Governance

The IHG Board has collective responsibility for managing climate-related risks and opportunities and is advised by the Board's Responsible Business Committee on the Group's corporate responsibility strategy, including our approach to climate-related risks and opportunities. Committee meetings are regularly attended by our Chair, CEO, EVP, Global Corporate Affairs and VP, Global Corporate Responsibility.

Our CFO, EVP, Global Corporate Affairs and EVP, General Counsel and Company Secretary co-lead executive level management of climate-related risks and opportunities and report to our CEO. Our regional CEOs for the Americas, EMEA and Greater China lead the implementation of environmental programmes at an operational level, supported by IHG's Global Corporate Responsibility team.

During 2020, we established an internal TCFD Steering Group, with senior representation from Finance, Risk and Assurance, Strategy, Corporate Responsibility, and the Legal, Compliance and Company Secretariat team, who are responsible for leading the project.

## Strategy

Led by our TCFD Steering Group and working with specialist consultants, during 2020 we carried out over 30 Senior Leader stakeholder interviews to identify key value drivers for the business and completed a global qualitative risk assessment to understand where and how climate change may affect these value drivers over the short, medium and long term.

We held two scenario planning workshops with cross-functional Business Unit leaders, to review potential risks at 2°C and 4°C scenarios over one, five, 10, 15 and 30 year time horizons. Our analysis covered acute and chronic physical risks, including droughts or floods, water stress, wildfires and rising sea levels, as well as transition risks, such as changes in stakeholder expectations, travel patterns, climate policy and regulation.

This work culminated in a dedicated TCFD session with our Board in December 2020, to discuss climate change as a strategic resilience issue, review actions already completed and identify priorities for 2021 to close any gaps to TCFD alignment. The focus for next year will be an in-depth financial evaluation of key risks identified during the qualitative analysis, as well as an assessment of potential impacts on IHG's growth strategy and financial planning.

## Risk management

We consider climate change within the context of environmental and social megatrends as one of our principal risks. To reduce our carbon footprint and manage our exposure to climate-related risks, in 2019 we made carbon reduction a metric for all hotels globally (see below) and in 2020 we launched our science-based targets and started more formal implementation of the TCFD recommendations.

Our Risk Management team is part of our core TCFD working group and as such is closely involved in the work to assess in more detail IHG's potential exposure to both physical and transition risks over the short, medium and long term. This will facilitate further embedding of climate-related risks into our global risk management and mitigation procedures, as appropriate, to support the long-term resilience of the business.

## Metrics and targets

The IHG Green Engage™ system is our global environmental management platform and is critical to our ability to identify, assess and mitigate climate-related risks. As part of our brand standards, all IHG hotels globally are required to use the platform and report their monthly utility use on the platform, which in turn provides hotels with trend data, benchmarking information, green building solutions and return on investment information, to help them identify key opportunities for maximising carbon, energy, water and waste efficiency and reducing their overall utility costs.

Carbon reduction is one of IHG's 10 global metrics, with both Group and hotel level targets set on an annual basis. Achievement of the global metrics is one of the criteria used in the annual performance plan calculations for corporate employees and General Managers of managed hotels.

In 2020, we launched our science-based carbon reduction targets – to reduce absolute carbon emissions from our managed, owned, leased and managed lease hotels by 15% by 2030, and to reduce carbon emissions per square metre from our franchised hotels by 46% by 2030, both against a 2018 base year. For more information on our Scope 1, 2 and 3 emissions and our performance against our targets, please see page 221.

As we complete our financial impact assessment of climate-related risks, this will inform the development of any additional metrics and targets around the management and mitigation of risks and the strengthening of IHG's business resilience against climate change.

## Management objectives for 2021

- Complete financial quantification of key climate-related risks and opportunities.
- Analysis of the relative importance of these climate-related risks compared to our wider enterprise risks.
- Develop roadmap for embedding climate-related risks and opportunities into IHG strategy, financial planning and decision-making.
- Present findings and proposals for discussion at our annual Board strategy day.
- Embed findings into 2021 Annual Report disclosures, to demonstrate full alignment with TCFD recommendations.

 Please see further information in the preceding pages of the Strategic Report, as well as risk management and Governance and Directors' Reports.

 See our Responsible Business Report on our website at [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business)

# Our guests, owners & suppliers

During 2020, with the hospitality industry significantly impacted by Covid-19, the Board, through the Executive Committee, agreed and put in place a range of measures to assist owners, protect guests and help suppliers.



## Business relationships with suppliers, customers and others

As set out in our S172 statement, our business relationships with our guests, hotel owners and suppliers are fundamental to our commercial success.

During the year, the Board and Executive Committee focused on what was critical for guests, hotel owners and suppliers. They considered and agreed operational procedures, cost management solutions and payment terms to support these stakeholders through the pandemic.

The Board has standing agenda items to consider strategic and operational matters that include guests, owners and suppliers, and receives reports, presentations and feedback from management. Through the Responsible Business Committee, it monitors targets in relation to responsible procurement and reviews the Supplier Code of Conduct. In addition, the Chair and Executive Directors engage directly with hotel owners.

The following information sets out more detail about our relationships with our guests, hotel owners and suppliers, and describes how our relationships with these key stakeholders have been maintained and strengthened in 2020.

 See also our business relationships disclosure on page 222.

## Hotel guests

Operating with a clear focus on what's important to customers is key to ensuring consumer preference for our brands. Important to them is a consistent and safe stay experience, reward for their loyalty, and brands that can be trusted. In 2020, this came to the forefront more than ever with the need to provide clean and safe hotels, and flexibility in relation to hotel stays and the IHG Rewards programme.

Day to day accountability for ensuring that IHG's strategy relating to guests is prioritised lies with the Executive Committee, including the Executive Directors, who regularly receive guest data and insights including updates on guest satisfaction, Guest Heartbeat survey results, and loyalty contributions. To provide oversight, the Board also receives regular operational presentations and updates, including delivery against relevant metrics and KPIs.

During 2020, with Board agreement, IHG enhanced and drove implementation of the IHG Way of Clean programme and IHG's Clean Promise into all regions to protect guests, and also implemented a flexible cancellation policy, temporary loyalty

programme changes, including reducing stay qualification, and revised operational procedures in relation to food and beverage offerings. These decisions balanced local government guidelines, owner costs and guest expectations. In addition, 1,500 guest relations agents switched to remote working, ensuring we continued to provide quality service to our guests.

Positive guest sentiment is vital to our customer-centric strategy. Apart from Guest Love we have other metrics in relation to loyalty, sales and guest relation interactions. Measures put in place during 2020, such as the flexible cancellation policy, were in direct response to guest requests to cancel and rearrange their bookings because of the pandemic.

 See page 18 for more information on our customer-centric strategy.

IHG complies with the statutory reporting duty on payment practices and performance and is a signatory of the Prompt Payment Code.

# 8

guest relations contact centres in 5 countries

# 1,700+

guest relations agents speaking 12 languages

# 12 m+

lines of enquiry dealt with during 2020

# 2.5 m

Guest HeartBeat surveys completed in 2020

# 2.5 m

social reviews received in 2020

## Hotel owners

IHG predominantly franchises its brands, but also manages hotels on behalf of third-party hotel owners, and has a global network of hotel owners. Our success is reliant on our effective execution of our corporate strategy, a strong owner proposition, our shared commitment to delivering our purpose and desire to maintain high business standards.

We predominantly measure our relationship with hotel owners through the Owner HeartBeat survey, which the Board and Executive Committee receive and review, but other metrics, such as the Signings KPI, indicates the attractiveness of our owner proposition.

We engage with hotel owners in a variety of ways, depending on whether their hotels are franchised or managed. For example, we engage with franchised hotel owners through annual portfolio and hotel reviews, and also through the IHG Owners Association (IHGOA). The IHGOA represents the interests of more than 4,500 hotel owners and operators worldwide. We work with them

## Our guests, owners & suppliers continued



to obtain feedback on IHG standards, programmes and initiatives, including our System Fund.

During 2020, with the hospitality industry significantly impacted by Covid-19, the Board, through the Executive Committee, agreed and put in place a range of measures to help protect owner cash flow including supplier discounts, fee relief and flexible payment options. Decisions were reviewed against the impact on IHG's own cash flow and revenue requirements, hotel operational costs and what was needed to be done to protect guests. For example, the costs of implementing the IHG Way of Clean programme were balanced against reductions in other operational and brand standard costs, such as delaying planned refurbishments.

Further support for owners included provision of tailored recovery toolkits and targeted marketing campaigns to drive hotel demand. Our regional CEOs lobbied at the highest levels of government (including with the President of the United States and the speaker of the US House of Representatives), as well as through trade bodies, to gain support for the hospitality industry. In the UK, Keith Barr worked with other Executive Committee members to ensure that appropriate support was provided by the UK Government to help owners through the difficult trading period caused by restrictions and government lockdowns.

### Suppliers

Working with suppliers is vital for our operations and for driving our responsible business commitments. Our supply chain activities are split into two categories: corporate and hotel supply chains. Our corporate supply chain covers items such as

technology and professional services, and includes a number of strategic suppliers, identified for their contractual and operational value. For example, we have a technology agreement with Amadeus Hospitality Americas, Inc. for the development and hosting of the Group's Guest Reservation System.

Procurement of goods and services at hotel level covers items required for opening, renovating and operating a hotel, such as food and beverages, furniture, linen and electrical goods. However, most of our hotels are owned by independent third-party owners, who are responsible for managing their own independent supply chains.

During 2020, IHG considered and responded to the impact of Covid-19 on suppliers, taking actions such as renegotiating payment schedules across key vendors and increasing engagement with strategic suppliers on service levels and continuity risks.

The Procurement function drives IHG's responsible business agenda into our supply chains, which is agreed with the Responsible Business Committee. The responsible procurement agenda was significantly impacted by Covid-19 in 2020. However, the function was instrumental in supporting owners and hotels with sourcing PPE and other emergency supplies, and used IHG's scale to provide support to supplier negotiations.

Despite much otherwise reduced sourcing activity, the function, supported by the Responsible Business Committee, focused on the core elements of responsible procurement through (i) our supply chain risk assurance programme, (ii) our IHG Green Supplier programme, (iii)

improving employee awareness of responsible procurement, and (iv) ongoing collaboration with key suppliers bringing innovation, smarter choices and business efficiency for our hotels and owners.

We made good progress with our supplier risk assurance programme. Following the previous launch of desktop-based risk assessment questionnaires and risk profiling suppliers based on their responses, we requested additional information from a number of suppliers to better understand their practices in certain areas. We paused the programme during the year to focus on addressing the challenges of the pandemic, but are expecting to recommence the programme in 2021.

We were also able to introduce a new set of responsible procurement criteria for prospective suppliers. The pre-contract assessment is part of IHG's tendering process and includes questions about suppliers' governance, human rights and environmental practices relevant to suppliers' own operations and supply chains.

### Supply chain mapping

During the year, in partnership with CARE International UK and our key suppliers, we continued our programme focused on the textiles supply chain, aimed at creating a more gender-inclusive workplace, leading to more productive, resilient and secure value chains. Recognising the environmental impact of textiles, we also partnered with the University of Exeter to carry out an environmental assessment of IHG's textiles value chain in support of identifying opportunities for IHG to transition towards circularity.

# Our shareholders

Strong relationships and active, open engagement with our shareholders and institutional investors is fundamental to IHG's ability to access capital markets, maintain its trusted reputation and in turn its long-term success.



**W**e are committed to maintaining an open dialogue and a comprehensive programme of investor relations activities, and pride ourselves on keeping up-to-date with best practice and market views through independent advice and guidance from a number of agencies and brokers.

The Chair and Committee Chairs actively engage with investors to ensure they are aware and understand the views and perceptions of our major shareholders, and the Board receives formal external reviews of investor perceptions. In addition, our Registrar, EQ, and J.P. Morgan Chase Bank, N.A., custodians of our American Depositary Receipts (ADR) programme, have teams set up to deal with shareholder and ADR holder queries.

During 2020 both Keith Barr and Paul Edgecliffe-Johnson presented IHG's 2019 year-end and 2020 interim results to institutional investors, analysts and media. Telephone conferences were held following first and third-quarter trading updates, including Q&A sessions with sell-side analysts.

The Chair and other Board members continued with their annual cycle of investor meetings with major institutional shareholders during 2020, albeit meetings were held virtually and the usual range of meetings was adjusted as a result of the pandemic. Patrick Cescau engaged with our largest shareholders to discuss broader governance matters and the Company's situation and response to Covid-19. Jo Harlow, Chair of the Remuneration Committee, held a series of investor consultation meetings with major shareholders, in relation to Executive Directors' remuneration. In addition, following Sharon Rothstein's appointment

to the Board she undertook an introductory meeting with a major shareholder, and Dale Morrison, our Senior Independent Director, was and remains available to shareholders if they have concerns they wish to discuss.

As in previous years, significant engagement occurred with sell-side analysts and investors. The market was kept updated of IHG's business situation during the year through a number of stock exchange announcements, including updates on its financing and liquidity. Individual investor meetings and conferences were hosted, and both Keith Barr and Paul Edgecliffe-Johnson hosted virtual fire-side meetings. Below Board level, various business leaders including representatives from Corporate Responsibility and Ethics and Compliance, held meetings with shareholders to discuss responsible business focus areas.

## AGM

The 2020 AGM was held in constrained circumstances, following UK Government lockdown measures and advice from IHG's external legal advisors. Our belief is that AGMs are an invaluable forum for communicating with investors and shareholders. With the likelihood of continued constraints in place, due to UK Government Covid-19 physical distancing measures, we continue to evaluate how our AGM on Friday 7 May will be held. The notice of meeting, including details of the conditions of admission, will be sent to shareholders and be available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Shareholder centre in the AGMs and meetings section. If any changes to the meeting details are required due to UK Government Covid-19 guidance, they will be published in the aforementioned website section.

## Dividend

As the impact of Covid-19 became apparent the Board, after balancing the considerations of managing liquidity due to low hotel occupancy, with the expectations of investors and shareholders, withdrew its 2019 final dividend recommendation of 85.9¢ per share, a payment which would have had a cash outflow of ~\$150m in the first half of 2020, and did not pay an interim dividend in respect of 2020. The decision to suspend dividends was not made lightly, and the Board is not proposing to pay a final dividend. They will consider future dividends once the visibility of the pace and scale of market recovery has improved.



See also page 15 for information about our dividend policy.



Please see [www.ihgplc.com/investors](http://www.ihgplc.com/investors) for further information.