

Section 172 statement

The impact of Covid-19 during 2020 presented an unprecedented challenge for the Board, with the Company’s response to the pandemic dominating decisions and considerations. The Directors guided, supported and challenged management, giving them, where appropriate, a clear mandate to take short-term decisions at pace whilst still keeping focus on long-term strategic impact, helping to weigh competing priorities, and ensuring that all factors and stakeholders were taken into consideration. In their deliberations they focused on IHG’s values, business ethics, purpose, other stakeholders, risks, post-pandemic strategy and the financial and organisational resilience of the Company.

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires directors to have regard, amongst other matters to: the likely consequences of any decision in the longer term; the interests of the company’s employees; the need to foster the company’s business relationships with suppliers, customers and others; the impact of the company’s operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the company.

IHG’s Directors give careful consideration to the factors set out above in discharging their duties under Section 172 including in taking decisions of strategic importance to the Group. The information set out on pages 22 and 23 below describes the importance of each factor set out in Section 172(1)(a) – (f) to IHG and gives examples of how the Directors have had regard to each of those factors in certain decisions taken during 2020.

Factor	Our engagement and commitment	2020 examples of key decisions and considerations
<p>The likely consequences of any decisions in the long-term</p>  <p>See pages 14 and 16 to 21</p>	<ul style="list-style-type: none"> As set out in the Schedule of Matters reserved for the Board, there are a number of key decisions and matters the Board is responsible for, including the Group’s overall business and commercial strategy, annual operating and capital expenditure budget and financial plans. The Board, through its schedule of meetings, focuses on strategic and operational matters, corporate governance, investor relations and risk management. Board papers, reports and presentations are structured to include relevant stakeholder considerations and the likely consequences of each decision for the long-term success of the Company. 	<ul style="list-style-type: none"> As detailed on pages 2, 7 and 14, the Board, in the face of the pandemic and its impact on the business, took decisions throughout 2020 to protect the Company and position the business for recovery by reducing costs, strengthening liquidity and preserving cash. All discretionary costs were challenged, and salary and incentive reductions were made, including substantial remuneration decreases for Board and Executive Committee members. The Board withdrew its recommendation for a final 2019 dividend of 85.9¢ (-\$150m), deferred consideration of further dividends until visibility improved, and took other decisions in relation to IHG’s financing arrangements to bolster IHG’s liquidity. In taking these decisions, the Board considered both the short and long term impact on its people, owners and investors. During the course of the year, the Board, having taken into consideration the impact of Covid-19, changing guest and societal expectations, and considering the long-term success of the Company, approved a refreshed strategy and purpose. See pages 16 to 21 for further information.
<p>The interests of the company’s employees</p>  <p>See page 26</p>	<ul style="list-style-type: none"> IHG’s direct workforce is made up of employees working in corporate offices, reservation centres and owned, managed, leased and managed lease hotels. Our employees are key to delivering both our purpose of True Hospitality for Good and our strategic initiatives. The Board acknowledges that their key concerns include continued employment, remuneration, diversity and inclusion and career development. The designated non-executive director with responsibility for workforce engagement provides a vital portal for the Board to hear employee views and receive their feedback, alongside regular Board and Committee agenda items relating to employee matters and Company culture. In addition, wherever and whenever possible all Directors directly engage with employees. 	<ul style="list-style-type: none"> During 2020, the Board made decisions and supported management to ensure employee engagement methods were prioritised and effective for working remotely during the pandemic, and concentrated on employee wellbeing and business cohesion. Regular internal communications and Staying In Touch forums were put in place to make sure employees were kept up to date on business performance and developments. Tools and resources were also selected to aid flexible and remote working, as well as the extension of our Employee Assistance Programme to cover mental health and wellbeing. The Board took key decisions to temporarily reduce compensation, furlough a large proportion of employees and implement a programme of redundancies. When considering these decisions, the Board balanced the immediate impact on the affected employees with the broader implications for all stakeholders. Measures to temporarily reduce compensation were taken quickly in recognition of the immediate and severe impact on revenues. Decisions on the scale and extent of furlough and redundancies were deferred until informed by a greater understanding of the impact of Covid-19 on the business. The Board kept all measures under regular review, and with growing confidence in the delivery of cost savings and successful management of cash flows, was able to reverse salary reductions ahead of original expectations.
<p>The need to foster the company’s business relationships with suppliers, customers and others</p>    <p>See page 31</p>	<ul style="list-style-type: none"> Building and maintaining relationships with both new and long-standing hotel owners, managing connections with critical suppliers and others within our supply chain, and focusing on guest experiences and loyalty are vital to our continued success. These stakeholders in turn look to IHG and rely on our trusted reputation, the advantages of our scale, our owner proposition, consistent guest experiences and rewards for loyalty. The Board maintains oversight and fosters relationships through focusing on strategic and operational matters as part of its regular meeting agendas and interactions with owners, either through the IHG Owners Association or in one to one meetings. It also reviews Guest and Owner HeartBeat surveys to understand the needs and interests of guests and owners. In addition, the Responsible Business Committee keeps under review the Group’s approach to its supply chain and our Supplier Code of Conduct. 	<ul style="list-style-type: none"> During the first quarter of the year the Board supported decisions to put Covid-19 health and safety operating procedures into place globally, including the IHG’s Way of Clean programme and IHG Clean Promise, protecting both guests and hotel colleagues. Decisions also allowed for revised flexible booking and cancellation options to be implemented, and protection of guest loyalty membership status. With Board review and support, IHG worked with owners to balance the need to keep hotels open with reduced occupancy, and reduce costs, advising them on adjusting operations, providing fee relief and payment flexibility, delaying renovation requirements, and relaxing brand standards to conserve owner funds. In addition, the Board supported the repurposing of many hotels to provide essential services including accommodation to frontline workers, military personnel and vulnerable members of society. The Company, including Executive Directors, supported hotel owners and lobbied to secure broad government support for the industry, including reliefs and other hospitality-related incentives. The Board reviewed and supported management in engaging with strategic suppliers to adjust service levels, anticipate continuity risks, and address payment terms.

Factor

The impact of the company's operations on the community and planet



See page 29

The desirability of the company maintaining a reputation for high standards of business conduct



See page 24

The need to act fairly between members of the company



See page 33

The above statement should be read in conjunction with the rest of the Strategic Report and the Governance Report, including the Committee Reports and Board meeting focus areas.

Our engagement and commitment

- The Responsible Business Committee supports the Board by reviewing and advising on the Group's objectives and strategy in relation to its environmental and social impact.
- IHG's awareness of the impact it has on the environment, and the impact the environment has on IHG is vitally important to IHG's reputation and long-term viability. We take active steps to help our hotels measure and manage their environmental impact. We advise and assist hotel owners with making sustainable choices to tackle issues such as climate change, water scarcity and waste management.
- Our success and the wellbeing of those who work in and around our hotels are closely linked. With nearly 6,000 hotels in over 100 countries, we are proud to be at the heart of local communities and recognise the opportunity we have to make a real difference to others. IHG forms strategic partnerships with non-governmental organisations (NGOs) and charities that can help to make a difference in communities and wider society, with a focus on providing assistance in times of need and boosting economic empowerment through skills building.

- IHG's culture is based on its commitments to strong values and its Code of Conduct. Company culture promotes integrity and transparency, gives confidence to stakeholders and makes IHG a desirable company to work with and for. The Board directly, and through its Committees, has responsibility for the Company's adherence to its values, policies and procedures relating to business conduct, and has a number of standing agenda items to ensure it reviews policies for continued relevance.

- IHG's clear purpose, strong culture, resilient business model and evolved strategy are vital to attracting investment in the Company. Shareholders look to IHG to provide consistent shareholder returns, be committed to robust business ethics, have a strong, diverse, innovative and inclusive culture, and respect the environment and local communities.
- The Chair and Committee Chairs engage directly with investors on several matters including executive remuneration, diversity and inclusion and environmental, social and governance (ESG) matters. In addition, they receive formal reviews of investor perceptions and regular shareholder updates to ensure the Board is cognisant of their views and interest.

2020 examples of key decisions and considerations

- In 2020, the Responsible Business Committee reviewed and approved a new set of responsible business commitments and a 10-year strategy, covering areas such as diversity and inclusion, carbon reduction, waste and water. As the pandemic spread across the globe, these commitments continued to be refined to address the changing nature of operating responsibly.
- Despite the short-term challenges IHG faced in 2020, it was important for IHG to commence a project, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), to understand the risks and opportunities climate change poses for the business. With oversight from the Board and Responsible Business Committee, a readiness review was undertaken to understand where gaps to full TCFD alignment were, and a climate risk assessment framework tailored to our business was initiated. At the end of the year, the Board and third-party experts on climate change reviewed progress made and next steps for 2021, including financial qualification of climate-related risks and opportunities.

- In 2020, the Directors, through the Responsible Business Committee, reviewed and approved the Group's fifth Modern Slavery Statement, which includes information on our response to the pandemic, including monitoring its impact on modern slavery and human rights risks and where we have adapted our activities and priorities to respond to these. To affirm its importance and visibility within IHG, the statement is signed by the CEO and published externally.
- The Audit Committee oversaw enhancements made to enable effective and efficient management of risk in a crisis environment. This included updates to the Global Delegation of Authority Policy and reinforcement of key policies (e.g. Code of Conduct, Information Security and other entity level control arrangements). The Board and the Audit Committee also reviewed continuity arrangements for key corporate offices and critical processes underpinning financial control.

- The Board commitment to engagement with investors and shareholders was particularly pertinent during 2020 as the pandemic unfolded. The Board received an increased number of business updates in relation to IHG's liquidity and financing position, and further reviewed and approved an increased number of external trading updates. In addition, the Chair, Executive Directors, and Jo Harlow, Chair of the Remuneration Committee, held a series of meetings with investors in relation to a range of issues, including executive remuneration and IHG's response to Covid-19, and responded to and acknowledged investor communications.

The Schedule of Matters reserved for the Board and the Terms of Reference for each of the Board Committees are available on our website at www.ihgplc.com/investors under Corporate governance.

Key							
	Shareholders and investors	Our people	Hotel owners	Hotel guests	Community	Suppliers	Planet