Our purpose is to provide True Hospitality for everyone.

It shapes our culture, brings our brands to life every day and ensures we grow our business in the right way for all our stakeholders.

**Culture**

Our values, behaviours and ethical work practices are critical to IHG’s long-term success.

**Strong brands**

Our 16 distinct brands sit at the heart of our owner offer and deliver rich experiences to millions of guests every day.

**Talented people**

Our engaged, diverse and talented people are key to our success and delivering our purpose.

**Responsible business**

We respect the environment and communities we work in, and engage and nurture our relationships with our stakeholders.

**Sustainable growth**

Delivering a focused strategy designed to achieve industry-leading net rooms growth over the medium term.

**Proven business model**

A proven track record of strong returns for our hotel owners and shareholders.
2019 key highlights

Financial highlights

<table>
<thead>
<tr>
<th>Total revenue</th>
<th>Revenue from reportable segments</th>
<th>Net system size growth</th>
<th>Rooms signings</th>
<th>Operating profit</th>
<th>Operating profit from reportable segments</th>
<th>Global RevPAR growth</th>
<th>Dividend per share</th>
<th>Basic EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,627m (+6.7%)</td>
<td>$2,083m (+7.8%)</td>
<td>+5.6% from +3.1% in 2016</td>
<td>97.8k (88.8k)</td>
<td>$630m (+8.2%)</td>
<td>$865m (+4.0%)</td>
<td>(0.3)%</td>
<td>125.8¢ (+10%)</td>
<td>210.4¢ (+15%)</td>
</tr>
<tr>
<td>2018: $4,337m</td>
<td>2018: $1,933m</td>
<td></td>
<td></td>
<td>2018: $322m*</td>
<td>2018: $832m*</td>
<td>2018: +2.5%</td>
<td>2018: 114.4¢</td>
<td></td>
</tr>
</tbody>
</table>

Strategic progress

<table>
<thead>
<tr>
<th>New prototypes launched for Holiday Inn and Extended Stay brands</th>
<th>Signed key global and regional loyalty partnerships to enrich member experiences</th>
<th>Two brands added to portfolio; Atwell Suites™ and Six Senses Hotels Resorts Spas</th>
<th>200+ hotels now signed under franchise agreements in Greater China</th>
<th>Top 10 FTSE 100 listing for IHG in the Hampton-Alexander review for female representation among our senior leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total gross revenue in IHG’s System*</td>
<td>+11% growth in IHG app downloads</td>
<td>Trial of attribute pricing underway for industry-leading Guest Reservation System</td>
<td>1st Global hotel company to commit to removing miniature bathroom amenities in favour of bulk-size products</td>
<td>Launched colleague share plan</td>
</tr>
<tr>
<td>$27.9bn (+1.8%)</td>
<td>2018: +2.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018: $27.4bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Responsible business

<table>
<thead>
<tr>
<th>5.9% Reduction in our carbon footprint per occupied room from a 2017 baseline</th>
<th>3.6% Reduction in water use per occupied room in water stressed areas since 2018</th>
<th>188k Hours volunteered by colleagues for Giving for Good month</th>
<th>Committed to science-based targets in accordance with climate science</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Where we operate

Revenue from reportable segments ($2,083m) | Operating profit from reportable segments ($865m) | Number of rooms open (883,563) | Number of rooms in pipeline (283,043) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$60%</td>
<td>$30%</td>
<td>$15%</td>
<td>$57%</td>
</tr>
<tr>
<td>35%</td>
<td>30%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>50%</td>
<td>41%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>9%</td>
<td>29%</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>6%</td>
<td>30%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Americas</td>
<td>Europe, Middle East, Asia and Africa (EMEAA)</td>
<td>Greater China</td>
<td>Central</td>
</tr>
</tbody>
</table>

Key

* Restated to reflect the adoption of IFRS 16 (see pages 146 to 149) in the Group Financial Statements.

** 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.

c Adjusted EPS 303.3¢ (+3%), 2018: 293.2¢**
Our brands

Mainstream

IHG | Annual Report and Form 20-F 2019 | Strategic Report | 2019 key highlights
Chair’s statement

After a crucial period of transformation across our business, teams, priorities and processes, 2019 was a year in which a sharper and more agile execution of IHG’s strategy moved us closer to ambitious levels of growth and strengthened our long-term prospects.

The backdrop to this important work is one of an increasingly competitive industry. All peers are seeking to deliver on both evolving consumer expectations and aggressive growth strategies, focusing on system size expansion, market consolidation and big investments in service, loyalty, partnerships and technology.

We are clear that what will underpin IHG’s scale and success in key growth markets globally is a focus on enhancing and growing at pace, a distinct, high-quality portfolio of brands designed for great guest experiences and strong owner returns.

Despite a weaker RevPAR environment, the fundamental drivers supporting our industry remain strong, with a growing global economy, increasing disposable income and an expanding middle class all fuelling long-term demand.

As a company we recognise the increasing importance of ensuring our culture, actions and aspirations also reflect a broader responsibility to contribute to society, local communities and the environment.

This is particularly important at a time of increasing political, societal, economic and environmental complexity. Climate change, trade tensions, nationalism and eroding trust in institutions represent some of the biggest themes of our time. IHG’s ability to act with integrity, transparency and conviction is key to our reputation with all stakeholders and to long-term future growth.

Accelerating growth

Over the past two years, our transformation has sparked the change needed to take IHG to the next level in terms of our capability and growth aspirations. This includes a refined structure and ways of working, and more targeted investments that strengthen our brands and business – be it fresh designs, signature marketing campaigns, new hotel tools, or new additions to our brand portfolio, such as Six Senses Hotels Resorts Spas (Six Senses) and Atwell Suites in 2019. Collectively this is delivering positive results.

On a performance level, our system size growth continues to accelerate in line with our aim to reach industry-leading levels, and we have achieved record signings in key markets that will support future growth.

Patrick Cescau
Chair

Final dividend

85.9¢ 

to be paid on 14 May 2020
(2018: 78.1¢)

Total Shareholder Return

25.1%

IHG’s Total Shareholder Return in 2019 versus the FTSE 100 Index at 17.3%

Return of funds

Since March 2003, the Group has returned over $11 billion of funds to shareholders by way of special dividends, capital returns and share repurchase programmes.

Full-year dividend

Five-year progress (%) 

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>125.8</td>
</tr>
<tr>
<td>2018</td>
<td>114.4</td>
</tr>
<tr>
<td>2017</td>
<td>104.0</td>
</tr>
<tr>
<td>2016</td>
<td>94.0</td>
</tr>
<tr>
<td>2015</td>
<td>85.0</td>
</tr>
</tbody>
</table>

Since 2014:

- $500 million special dividend paid 29 January 2019
- $400 million special dividend paid 22 May 2017
- $1.5 billion special dividend paid 23 May 2016
- $500 million share buyback completed in 2014
- $750 million special dividend paid 14 July 2014

Strategic Report
“Over the past two years, our transformation has sparked the change needed to take IHG to the next level in terms of our capability and growth aspirations.”

Together, this illustrates the attractiveness of our evolving brand portfolio for guests and shows the trust owners have in our ability to listen to their needs and drive strong returns.

More broadly we have enriched the type of company we want to be, strengthening our environmental commitments and ties with local communities, launching a new share plan for corporate employees, and increasing our focus on diversity and inclusion at global and regional levels through our D&I Board. We have also put great effort into promoting the behaviours we see as critical to driving IHG’s growth and contributing to a workplace everyone is proud of.

Inspiring change
I spent time in many of our markets in 2019, meeting with owners, investors and colleagues and staying in our hotels, and I have seen first-hand how the changes we are making are resonating with different stakeholders. From a conference with Crowne Plaza owners in the Americas, to a marquee InterContinental opening in France, and events in China and Japan, it is clear from my discussions that IHG is being recognised for a real focus on competitiveness and quality.

These results would not be possible without a rich company culture, whereby employees are engaged with our strategy, values and our purpose of providing True Hospitality for everyone. Special credit must go to Chief Executive Officer Keith Barr and his leadership team for uniting the business and for leading by example on what’s required to go above and beyond for guests, owners, investors and each other.

The evolution of our culture and nurturing of talent is critical to IHG’s long-term success, and as a Board we engage regularly with leadership on executive development, succession planning and bench strength in management teams. In 2019, we also appointed a designated non-executive director to ensure the Board’s engagement with IHG’s workforce, with several forums providing a valuable cross-section of views that ensures an employee voice is represented on key matters.

Our Board
The importance of the Board’s role in challenging and supporting corporate decision making during such a formative time for IHG cannot be underestimated, and we place great emphasis on ensuring that we keep pace with evolving topics that are central to our industry and organisation.

Alongside the evolution of a strong company culture, focus areas in 2019 included audit reform, the Greater China market, and consumer and technology trends. The changing cybersecurity landscape was also considered at length, alongside progress against our 2018 action plan, and the Board spent time understanding different environmental, social and governance (ESG) factors as part of the work being done to evolve our Corporate Responsibility strategy.

During 2019 we developed proposals for our refreshed Directors’ Remuneration Policy, details of which are set out in the Remuneration Committee Chair’s Statement on pages 96 to 98. As part of this work, we consulted with shareholders who made up more than 50% of the share register, as well as shareholder representative bodies. Please also see the Directors’ Remuneration Policy on pages 110 to 117.

Equally important to an effective Board is the right mix of diversity, experience and backgrounds around the table – something we want to ensure is felt consistently throughout IHG. In 2019 we were delighted to again be named in the Hampton-Alexander Review as one of the top 10 FTSE 100 companies for female representation across our Executive Committee and direct reports. At a Board level, I am pleased to report that an external evaluation found the Board to be well functioning and effective.

During the year, we appointed Arthur de Haast as an Independent Non-Executive Director, effective from 1 January 2020. Chair of the Capital Markets Advisory Council of NYSE-listed professional services firm Jones Lang LaSalle, Arthur brings more than 30 years of capital markets, hotels, hospitality and sustainability experience to IHG, as well as significant insight into Asia. Arthur will serve on IHG’s Remuneration and Corporate Responsibility Committees.

Shareholder returns
Continuing IHG’s long track record of increasing shareholder returns, I am pleased to announce the Board is recommending a final dividend of 85.9 cents per ordinary share, an increase of 10% on the final dividend for 2018. This results in a full-year dividend of 125.8 cents per share, up 10% on 2018.

As we look to the future, our successful strategy and cash generative business model remains a great strength of IHG. It is one that allows us to invest in initiatives that drive demand for our brands and returns for our owners, motivate colleagues for high performance, and still deliver on our commitment to shareholder returns.

As ever, our achievements are the result of the hard work of everyone in our hotels and offices. I would like to thank all colleagues for their dedication and commitment to bringing our brands to life, and to our owners for their continued confidence.

Patrick Cescau
Chair
Chief Executive Officer’s review

We continue to improve the strength and breadth of IHG’s brand portfolio and enterprise offer to create the rich guest experiences and owner returns that are so integral to our growth, and to delivering our purpose of True Hospitality for everyone.

For the past two years, we have been united as a business behind delivering our strategy to evolve and expand our brand portfolio, sharpen our operations, loyalty and owner offer, and put our global scale and resources to greatest use.

Building upon a position of great strength as one of the world’s leading hotel companies, this period has been characterised by a desire to add pace, agility and ambition to our operations, culture and enterprise offer, and ensure that IHG is well positioned to reach its full potential for the long-term.

Central to this is our ability to accelerate the pace at which we sign and open more hotels in key growth markets globally. In turn, this drives our successful fee business model and generates more cash for further investment in our enterprise and to return to shareholders.

The importance and effectiveness of this model is amplified at times when industry RevPAR growth slows. We saw such conditions arise in 2019, led by macro and geopolitical factors, supply growing ahead of demand in some markets, and ongoing unrest in Hong Kong SAR.

Delivering results

Against this backdrop and the progression of key strategic growth initiatives, we delivered a solid annual performance, with underlying operating profit increasing 6% and new openings for the year reaching record levels.

Our commitment to quality remains a key ingredient in the success of our brands, with consistent investment in our design, service, technology and loyalty offer.

Testament to this is our Holiday Inn Brand Family, for years IHG’s growth engine, which delivered its highest ever level of openings in 2019. Helping fuel demand has been the continued roll out of modern public space and room designs like Open Lobby and H4 for Holiday Inn, and Formula Blue for Holiday Inn Express, both of which have led to increased guest satisfaction scores and owner returns.

In the year, we also launched transformative new prototypes for what are already award-winning extended stay brands in Candlewood Suites and Staybridge Suites. Underlining the commitment to quality and modern service that we share with our owners, many of our Crowne Plaza and InterContinental properties are also being refreshed with important renovations and enhancements.
“In 2019, we have taken more important steps to be the best long-term partner for owners, a great place to work for employees, and a brand of choice for guests.”

It has also been another year of impressive demand for our boutique brands, with a best ever year of signings for Hotel Indigo, and the global expansion of Kimpton Hotels & Restaurants taking the brand’s combined system and pipeline to almost 100 hotels.

New brands
Altogether our established brands, we have added new brands to our portfolio in fast-growing segments to further accelerate future growth. In a period of less than two years we have launched or acquired five new brands, with the acquisition of Six Senses Hotels Resorts Spas (Six Senses) and launch of Atwell Suites in 2019, following the addition of Regent Hotels & Resorts and voco in 2018, and avid in 2017.

A world-renowned wellness and sustainability brand, Six Senses represents the very top tier of luxury, whilst Atwell Suites offers a new option in an $18bn US all-suites market.

Illustrating the strength of these new brands, avid has surpassed 200 signings since launch in September 2017, Atwell Suites already has 10 signings, and voco is growing ahead of expectations in EMEAA, with plans to expand into more markets globally in 2020. In the luxury space, a redefined Regent is attracting owner interest, and signings for Six Senses have accelerated, with some fantastic locations added, including London and the Galapagos Islands.

As well as the right brands, we know our success relies on having an attractive loyalty offer, a rich digital guest experience, and the tools, support and systems that unlock greater hotel performance for our owners. Our IHG Rewards Club partnerships in 2019 with the US Open Tennis Championships and travel club and boutique hotel specialist, Mr & Mrs Smith, underline our ambition to strengthen the programme through world class partnerships and help attract, reward and retain high value guests.

We are heavily investing in technology too, with the continued development of our industry-leading cloud-based Guest Reservation System within IHG Concoro and our wifi solution IHG Connect. In 2019, we also launched IHG Studio, our new digital in-room guest entertainment solution, which allows guests to stream content, make service requests and pay with loyalty points through their TV.

For every priority and programme we have, there is insight, data and expertise behind it that makes sure we are delivering relevant and effective solutions. Owners and guests vote with their feet, and we have seen improved guest satisfaction scores in the year, and increasing owner confidence illustrated by a growing market share of signings. Continuing this progress in 2020 is a key priority.

As a global industry leader, we understand how to operate in an ever-changing macro-economic environment to drive in-year performance and future growth. This includes dealing with the more recent challenges associated with the outbreak of Covid-19 in Greater China and the impact on other parts of the world.

Focusing on the quality of our brands and owner offer, and investing in our culture and the colleagues that deliver for us every day, will continue to allow us to grow our estate and revenues, and in turn drive our ability to reinvest in growth and deliver returns.

Operating responsibly
Our commitment to acting in responsible and sustainable ways is a critical component of our purpose to provide True Hospitality for everyone. Every day, it ensures that we do the right thing when it comes to our culture and operations, local communities and the environment.

In a period of internal change, we continue to listen carefully to employees to improve processes and empower them to be at their best. While there is more to do, key progress in 2019 included strengthening our commitment to flexible working, launching a new employee share plan, providing additional paid leave volunteering opportunities, and introducing conscious inclusion training as part of a focus on diversity and inclusion.

Recognising how through our scale we have the potential to positively impact communities and the world around us, we also further developed our human rights programme, including material updates to our Human Rights Policy and launching a new, free e-learning module for all colleagues to combat human trafficking.

In addition, it was fantastic to see more than 160,000 colleagues take part in our Giving for Good month and help support IHG charity partners. During 2019, we also started projects including an AI technology partnership to reduce food waste, and a programme with Junior Achievement Worldwide to build young people’s hospitality skills.

Proudly, IHG also became the first global hotel group to commit to switching all bathroom amenities to bulk-size products, which together with our 2018 pledge to eliminate plastic straws, will reduce plastic waste in our hotels each year.

It is very clear that the actions we take to grow in the right way are being evermore closely followed. Alongside the delivery of our 2018-2020 Responsible Business Targets, we are working on an ambitious and effective future Corporate Responsibility strategy and associated targets, which includes setting a 2030 science-based target to reduce greenhouse gas emissions.

Thank you
In 2019, we have taken more important steps to be the best long-term partner for owners, a great place to work for our employees, and a brand of choice for guests. Testament to this is the many awards we’ve received, including IHG being recognised as a Kincentric (formerly a part of Aon) Global Best Employer and as a Best Place to Work for LGBTQ equality. EVEN Hotels named one of hospitality’s most customer centric brands by Forbes, and Six Senses, InterContinental and Kimpton hotels all being recognised by Conde Nast’s Readers’ Choice Awards.

Our 400,000 colleagues make all this possible, and I would like to sincerely thank everyone at IHG, and our owners, for their contribution, passion and commitment.

Keith Barr
Chief Executive Officer
Industry overview

Despite a more challenging global economic backdrop, leading to RevPAR growth moderating, increasing room supply illustrates the positive fundamentals for the industry overall, such as increasing disposable incomes and growing appetite for branded hotels.

The $535 billion hotel industry remains fragmented, with 54% of rooms affiliated with a global or regional chain. Competition among branded players continues to increase as companies seek growth through acquisitions, organic expansion and diversification in their offer.

Evolving consumer expectations in areas such as sustainability, luxury and technology continue to influence how the industry operates, whilst increasing digital commerce has led to a broader competitive landscape involving online travel intermediaries, serviced apartments and peer-to-peer home rental companies.

2019 Industry performance
In terms of key performance metrics, room supply reflects how attractive the hotel industry is as an investment from an owner’s perspective. RevPAR is an important indicator of the value guests ascribe to a given hotel, brand or market, and grows when guests stay more often or pay higher rates.

2019 saw the industry delivering its 10th year of consecutive RevPAR growth at +1% globally, slower than previous years due in part to lower growth in the global economy. In a slower RevPAR environment, rooms supply growth becomes an important driver of value creation for hotel groups. In 2019, global rooms supply grew by +2%, driven by attractive owner returns across a number of segments.

The hotel industry is cyclical; long-term fluctuations in RevPAR tend to reflect the interplay between industry demand, supply and the macroeconomic environment. At a local level, political, economic and factors such as terrorism, oil market conditions and hurricanes can impact demand and supply in the short term.

Geography
The US is the largest hotel market, whilst Greater China continues to grow.

Branded hotels
The top five hotel groups have increased their market share by 5 percentage points.

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>22.1</td>
<td>22.7</td>
<td>23.3</td>
<td>24.4</td>
<td>24.9</td>
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<tr>
<td>Rest of the world</td>
<td>39.9</td>
<td>39.9</td>
<td>39.9</td>
<td>39.9</td>
<td>39.9</td>
</tr>
<tr>
<td>Greater China</td>
<td>38.9</td>
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<td>37.8</td>
<td>37.3</td>
<td>36.2</td>
</tr>
</tbody>
</table>

% of room revenue

Global hotel industry performance
Global Industry RevPAR ($) RevPAR growth suggests solid lodging demand

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
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<td>79.2</td>
<td>79.9</td>
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<tr>
<td>Midscale</td>
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<td>17.9</td>
<td>18.3</td>
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<td>Upscale</td>
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<td>15.7</td>
<td>19.4</td>
<td>23.7</td>
<td>22.1</td>
</tr>
<tr>
<td>Upper Upscale</td>
<td>6.2</td>
<td>15.4</td>
<td>18.7</td>
<td>22.7</td>
<td>23.7</td>
</tr>
<tr>
<td>Luxury</td>
<td>6.2</td>
<td>15.4</td>
<td>18.7</td>
<td>22.7</td>
<td>23.7</td>
</tr>
</tbody>
</table>

Global rooms supply (m rooms)
Supply growth reflects the attractiveness of the hotel industry

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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<td>Midscale</td>
<td>17.2</td>
<td>17.5</td>
<td>17.9</td>
<td>18.3</td>
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<td>Luxury</td>
<td>6.2</td>
<td>15.4</td>
<td>18.7</td>
<td>22.7</td>
<td>23.7</td>
</tr>
</tbody>
</table>

Hotel business models
There are two principal business models used by branded hotel groups:

- Fee-based, asset-light model
  - Franchised: owned and operated by parties distinct from the brand, who pay fees to the hotel company for the use of their brand.
  - Managed: operated by a party distinct from the hotel owner. The hotel owner pays management fees and, if the hotel uses a third-party brand name, fees to that third-party also.
- Owner-operated, asset-heavy model
  - Owned: operated and branded by the owner who bears the costs but benefits from all the income.
  - Leased: similar to owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner.

Asset-heavy business models allow tighter control over hotel operations, whilst asset-light models enable faster growth with lower capital investment.
Trends shaping our industry

Sustainability

Operating with a social purpose

Employees, consumers, investors, governments and industry bodies are paying closer attention to how committed companies are to caring for communities and the environment. Many businesses, including IHG, have aligned their efforts to the United Nations Sustainable Development Goals, focusing on priorities most relevant to their operations. The goals range from wiping out poverty and delivering decent work and economic growth, to driving gender equality and climate action. All require creativity, commitment and collaboration in order to drive real change at global scale.

See pages 24 to 40 for more information on how IHG is addressing this trend.

Technology

Enriching the digital guest experience

As technology continues to play an increasingly important role in our lives, the hospitality industry is investing in data, platforms and partnerships capable of integrating digital services and connectivity at the right moments of a stay experience. The overarching ambition is to deliver richer, personalised and frictionless experiences for consumers, and to create more effective, efficient operations and greater revenue opportunities for businesses.

See page 21 for more information on how IHG is addressing this trend.

Consumer trends

Instagrammable experiences

For many guests, the hotel they choose to stay in needs to be as much a part of their travel experience as the destination they are preparing to explore. This requires an abundance of boutique and lifestyle hotels with character, authentic neighbourhood roots, and memorable designs and service style, without compromise on quality.

Large hotel groups have seized on the opportunity to grow these brands at pace, based on their ability to offer consistently rich experiences in multiple locations, alongside those all-important distinctive twists worthy of a snap for social media.

See page 23 for more information on how IHG is addressing this trend.

IHG Studio uses either the IHG app or in-room TV connection to offer guests easier ways to manage their stay – from directly casting their own content or ordering room service, to using loyalty points to pay for services. IHG Studio was launched in 2019 following a successful trial and will become a brand standard globally.

As consumers spend increasingly more time online exploring and researching travel options, IHG continues to invest in providing engaging and seamless digital guest experiences. The IHG mobile app is a critical component of our offer, with revenues increasing 18% in 2019 and downloads rising by 11%.

IHG's digital (web and mobile) revenue in 2019, up 7% on 2018

IHG is significantly reducing the 200 million bathroom miniatures used in its hotels annually

In an industry first, in 2019 IHG committed to replacing all our miniature bathroom amenities with bulk-size products across all brands. The move, which will significantly reduce plastic waste, has been followed by several industry peers.

5.9% IHG's reduction in carbon per occupied room from 2017 baseline

Working alongside our owners and hotels, one of our 2018-2020 Responsible Business targets is a commitment to reduce our carbon footprint per occupied room by 6-7%, and we are on track to do so.

100 Hotels adopting IHG Studio

IHG Studio uses either the IHG app or in-room TV connection to offer guests easier ways to manage their stay – from directly casting their own content or ordering room service, to using loyalty points to pay for services. IHG Studio was launched in 2019 following a successful trial and will become a brand standard globally.

100+ Hotels adopting IHG Studio

IHG's digital (web and mobile) revenue in 2019, up 7% on 2018

5.6bn IHG's digital (web and mobile) revenue in 2019, up 7% on 2018

Since launching in 2004, IHG’s Hotel Indigo brand has grown to become one of the world’s largest branded boutique chains, with no two properties the same. Demand continues to increase, with its estate set to double in size over the next five years.

~100 hotels Kimpton Hotels & Restaurants has been adding exciting new international destinations at a rapid rate

Since acquiring Kimpton in 2015, IHG has focused on taking the brand’s highly personal service and playful design from its US base to top luxury boutique destinations globally. From Bali and Bangkok to London and Shanghai, Kimpton has grown to almost 100 open and pipeline hotels.

5,290 rooms 2019 was a record year of signings for Hotel Indigo

Since launching in 2004, IHG’s Hotel Indigo brand has grown to become one of the world’s largest branded boutique chains, with no two properties the same. Demand continues to increase, with its estate set to double in size over the next five years.

These pages should be read together with our principal risks on pages 46 to 53 and risk factors on pages 226 to 230.
Our business model

We predominantly franchise our brands and manage hotels on behalf of third-party hotel owners. As an asset-light business, we focus on growing our fee revenues and fee margins, with limited requirements for capital. This enables us to grow our business whilst generating high returns on invested capital.

Whether we franchise or manage hotels is largely determined by market maturity, owner preference and, in certain cases, the particular brand. For instance, in more developed markets such as the US and Europe, over 90% of IHG hotels are franchised. These hotels tend to be limited service. By contrast, in emerging markets such as Greater China over 80% of IHG hotels are managed by IHG, where we look after the day-to-day running of the hotel on behalf of the owner. These hotels tend to be full service.

Over time, we expect the Chinese market to move towards a franchised model. We successfully launched the first tailored franchised offer for Holiday Inn Express® in 2016, and have since extended this to include Holiday Inn® and Crowne Plaza®.

Since launch, we have signed over 200 franchise hotels in Greater China, which attract full franchise fees.

Our asset-light business model means that we do not generally employ colleagues in franchised hotels, nor do we control their day-to-day operations, policies or procedures. That being said, IHG and our franchised hotels are committed to delivering a consistent brand experience, conducting business responsibly and delivering our purpose of providing True Hospitality for everyone. See page 28 for more information.

IHG owner proposition
We focus on ensuring our brand portfolio, loyalty proposition, systems and expertise provide a rich and distinctive offer that stands out to consumers and is attractive to owners.

To keep our brands relevant to guests and evolving trends, we commit to developing our established brands with new designs, service enhancements and operational support that drive demand and returns, and keeps True Hospitality at the heart of our offer.

In addition to our core brands, we are focused on growing our portfolio in high-potential areas, and have launched and acquired new brands in the mainstream, upscale and luxury segments in recent years.

We have also developed state-of-the-art technology to drive hotel demand, be it through our mobile booking app or cloud-based hotel solutions. Our distribution channels (booking sites and call centres through which hotel rooms are marketed and booked) allow hotel owners to reach potential guests at lower costs of sale, with the proportion of revenue from rooms booked through IHG’s direct and indirect channels having steadily increased over the last few years.

Our investments in development resources has meant that we can provide outstanding operational support to owners. We have embedded new processes to help reduce the time taken from hotel signing to ground break and opening. Our hotels also have access to a suite of applications designed to help them manage and improve performance, with the aim of further boosting returns.

How we generate revenue

Franchised hotels
We receive a fixed percentage of rooms revenue following a guest staying at a hotel. This is our fee revenue.

Managed hotels
From our managed hotels, we generate revenue through a fixed percentage of the total hotel revenue and a proportion of each hotel’s profit.

Owned, leased & managed lease hotels
For hotels which we own or lease, we record the entire revenue and profit of the hotel in our financial statements. Our owned, leased and managed lease hotels have reduced from over 180 hotels 18 years ago, to 26 hotels at 31 December 2019.

How we deliver value

Franchised hotels
We deliver value to our hotel owners through the cultivation of hotel brands, economies of scale, access to shared systems and resources, and centralised marketing activity to drive hotel guest bookings.

Managed hotels and owned, leased and managed lease hotels
As well as the benefits we deliver through our franchise model, we drive value to our managed hotel owners, and owned, leased and managed lease hotels, by optimising the performance of these hotels.

Other stakeholders
As part of our purpose to provide True Hospitality for everyone we believe it is important that we deliver value to all our stakeholders. Whether it is our workforce, hotel owners, guests, suppliers, shareholders or society, we want to create a positive impact on them and the world around us. See pages 24 to 40 for more information.

Revenue from reportable segments* Our revenue is directly linked to the revenue generated by the hotels in our system.

Franchised
614,974 rooms

Managed
262,253 rooms

Central
Revenue is principally technology fee income see page 72

Owned, leased and managed lease
6,336 rooms

\* Excludes System Fund results, hotel cost reimbursements and exceptional items.
IHG revenue from reportable segments and the System Fund

**System Fund**
IHG manages a System Fund on behalf of our third-party hotel owners, who pay contributions into it. This includes a marketing and reservation assessment and a loyalty assessment.

The System Fund also receives proceeds from the sale of IHG Rewards Club points under third-party co-branding arrangements.

The System Fund is managed by IHG for the benefit of hotels within the IHG system and is run at no profit or loss over the long-term. In 2019, IHG recognised $1.4 billion of System Fund revenue.

**Total Gross Revenue**
2019: $27.9 billion. This comprises:
- Franchised hotels = total rooms revenue
- Managed hotels = total hotels revenue
- Owned, leased and managed lease hotels = total hotels revenue

(Only owned, leased and managed lease hotel revenue is directly attributed to IHG.)

Third-party hotel owners pay:

**Fees** to IHG in relation to the licensing of our brands and, if applicable, hotel management services.
- Franchise fees = RevPAR x rooms x royalty rate.
- Management fees = fee % of total hotels revenue plus % of profit.
- Central revenue (principally technology fee income – see page 72).
- All revenue from owned, leased and managed lease hotels.

**Assessments and contributions** are collected by IHG for specific use within the System Fund.

**System Fund revenues**
2019: $1.4 billion

The System Fund is not managed to a profit or loss for IHG over the longer term, but for the benefit of hotels in the IHG system, and comprises:
- Assessments and contributions paid by hotels.
- Revenue recognised on consumption of IHG Rewards Club points.

(See page 72 for more information.)

**IHG reported Group revenues (excluding reimbursable revenue)**

**Profit from hotel revenues**
After operating costs of sale, our margin by business model is:
- Fee margin: 54.1%.
- Owned, leased and managed lease: 9.1%.
Not all of our costs can be allocated directly to revenue streams and these are shown as central costs.

**Key elements of System Fund expenditure**
- Marketing and sales activity.
- IHG Rewards Club loyalty programme.
- Global distribution systems, such as our Guest Reservation System.
For examples of how we have deployed the System Fund in 2019 to support our strategic priorities, please see pages 19 to 23.

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* Excludes System Fund results, hotel cost reimbursements and exceptional items.
* Definitions for Non-GAAP measures can be found on pages 55 to 59. The reconciliation for fee margin can be found on page 216.
* The margin for owned, leased and managed lease is calculated from the results related to owned, leased and managed lease included within reportable segments (see page 214 revenue of $573m and operating profit of $52m).
Disciplined approach to capital allocation

Our asset-light business model is highly cash generative and enables us to invest in our brands and strengthen our enterprise. We have a disciplined approach to capital allocation which ensures that the business is appropriately invested in, whilst maintaining an efficient balance sheet.

Beyond this, we look to return surplus cash to shareholders through ordinary and special dividends and share buybacks.

Our objective is to maintain an investment-grade credit rating. One of the measures we use to monitor this is net debt: EBITDA and we aim for a ratio of 2.5-3.0x. This is equivalent to our previous guidance of 2.0-2.5x before the adoption of IFRS 16 ‘Leases’.

Dividend policy

The Board consistently reviews the Group’s approach to capital allocation and seeks to maintain an efficient balance sheet and investment-grade credit rating. IHG has a progressive dividend policy and an excellent track record of returning funds to shareholders through ordinary and special dividends, and share buybacks, with the ordinary dividend seeing 11% CAGR since 2003. This is in addition to special returns of funds detailed on page 242. When reviewing dividend recommendations, the Directors take into account the long-term consequences of any recommendation. The Company looks to ensure that any recommendation does not harm the long-term sustainable success of the Company and that there are sufficient distributable reserves to pay any recommended dividend.

For more details on our dividend policy and approach, see pages 4 and 73.

Our priorities for the uses of cash are consistent with previous years and comprise of three pillars:

1. **Invest in the business to drive growth**
   Through strategic investments and our day-to-day capital expenditures, we continue to drive growth.

2. **Maintain sustainable growth in the ordinary dividend**
   IHG has a progressive dividend policy which means we look to grow the dividend per ordinary share each year.

3. **Return surplus funds to shareholders**
   In January 2019, we paid a $500m capital return to shareholders via a special dividend and share consolidation.

* The 2018 comparatives have been restated to reflect the adoption of IFRS 16 ‘Leases’
**Disciplined approach to capital expenditure**
Capital expenditure incurred by IHG can be summarised as follows.

<table>
<thead>
<tr>
<th>Type</th>
<th>What is it?</th>
<th>Recent examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance capital expenditure, key money and selective investment to access strategic growth.</td>
<td>Maintenance capital expenditure is devoted to the maintenance of our systems and corporate offices along with our owned, leased and managed lease hotels. Key money is expenditure used to access strategic opportunities, particularly in high-quality and sought-after locations when returns are financially and/or strategically attractive.</td>
<td>Examples of maintenance spend include maintenance of our offices, systems and our owned, leased and managed lease hotels. Examples of key money include investments to secure representation for our brands in prime city locations.</td>
</tr>
<tr>
<td>Recyclable investments to drive the growth of our brands and our expansion in priority markets.</td>
<td>Recyclable investments are capital used to acquire real estate or investment through joint ventures or equity capital. This expenditure is strategic to help build brand presence. We would look to divest these investments at an appropriate time and reinvest the proceeds across the business.</td>
<td>Examples of recyclable investments in prior years include our EVEN Hotels brand, where we used our capital to develop three hotel properties in the US to showcase the brand. Over time, we expect to divest our interest in these hotels.</td>
</tr>
<tr>
<td>System Fund capital investments for strategic investment to drive growth at hotel level.</td>
<td>The development of tools and systems that hotels use to drive performance. This is charged back to the System Fund over the life of the asset.</td>
<td>Recently, we rolled out our new pioneering cloud-based Guest Reservation System (GRS), one of IHG Concerto’s comprehensive set of capabilities, which we developed with Amadeus (see page 224). In addition, during the year we made a strategic investment, alongside other large hotel companies, in Groups360 to create an online sourcing and booking solution for meetings.</td>
</tr>
</tbody>
</table>
To drive growth at scale in high-value markets globally, we are investing in an attractive portfolio of distinct brands that generate strong demand from both guests and owners.

Underpinning the continued success of our established brands is a commitment to understanding evolving consumer trends and delivering the modern designs, service, hotel tools and digital innovation needed to meet guest expectations and strengthen owner returns. We also continue to expand our portfolio, by acquiring or developing new brands in fast-growing and underserved segments with significant growth potential.

Combined, this approach has seen us accelerate our rate of net system size growth over the last three years from ~3% to 5.6%.

While all our brands stand for something different, they share a common purpose, which is to provide True Hospitality for everyone.

Here are some highlights from across the portfolio in 2019:

**Mainstream**
IHG is the clear global leader in the mainstream segment, with 15% of existing global market share by rooms and 25% of the pipeline. Our mainstream brands operate across the midscale and upper midscale market segments, ranging from full-service hotels and extended stay properties, to franchising our Holiday Inn Club Vacations brand to a single timeshare operator.

We are focused on using our mainstream expertise to enhance and expand our iconic established brands, and to quickly grow at scale newer ones like avid hotels and Atwell Suites in areas of high demand.

<table>
<thead>
<tr>
<th>Annual industry global segment revenue</th>
<th>Industry revenue growth potential to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>$115bn</td>
<td>$65bn</td>
</tr>
</tbody>
</table>

**Holiday Inn Hotels & Resorts®**
- Delivering warm, welcoming service in environments that connect people, inspire trust and deliver exceptional value
- Best year of openings for one of the world’s most iconic brand families
- Global service programme launched; more than 180 Americas hotels adopting new room and public space designs; >90% of Europe estate adopting Open Lobby concept
- Global rollout of ‘We’re There’ Holiday Inn & Holiday Inn Express marketing campaign

1,256 Open hotels
274 Pipeline hotels

**Holiday Inn Express®**
- Delivering simple smart travel, with easy, hassle-free stays
- Highest number of room openings in 11 years for the world’s largest brand by rooms
- Over 70% of Americas estate committed to modern guest room and public space Formula Blue design; 95% of Europe hotels adopting next-generation guest rooms
- New breakfast offer in almost 2,000 hotels across the Americas

2,875 Open hotels
754 Pipeline hotels

**Holiday Inn Club Vacations®**
- Creating meaningful travel experiences that bring families closer together
- Brand’s first urban location secured in New Orleans, US
- New US destinations in Tahoe added to the portfolio for our family of more than 350,000 Holiday Inn Club Members
- Launched “Innsider Events” programme, tripling the number of events for members

28 Open hotels
1 Pipeline hotel
<table>
<thead>
<tr>
<th>Brand Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>avid™ hotels</td>
<td>Delivering the essentials exceptionally well at good value for guests</td>
</tr>
<tr>
<td></td>
<td>More than 200 hotels signed since launch in 2017</td>
</tr>
<tr>
<td></td>
<td>Presence secured in US, Canada and Mexico</td>
</tr>
<tr>
<td></td>
<td>More than 80 hotels under construction or with planning approved</td>
</tr>
<tr>
<td>Open hotels</td>
<td></td>
</tr>
<tr>
<td>Pipeline hotels</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>207</td>
</tr>
<tr>
<td>Staybridge Suites®</td>
<td>Providing spacious suites and meaningful connections to help guests break from the travel norm</td>
</tr>
<tr>
<td></td>
<td>Highest number of hotel openings in a decade</td>
</tr>
<tr>
<td></td>
<td>Transformational brand prototype launched with revitalised amenities, elevated designs and greater</td>
</tr>
<tr>
<td></td>
<td>market flexibility</td>
</tr>
<tr>
<td></td>
<td>New breakfast offer rolled out in US and Canada with increased hot and cold variety and daily</td>
</tr>
<tr>
<td></td>
<td>specials</td>
</tr>
<tr>
<td>Open hotels</td>
<td></td>
</tr>
<tr>
<td>Pipeline hotels</td>
<td></td>
</tr>
<tr>
<td>300</td>
<td>182</td>
</tr>
<tr>
<td>Atwell Suites™</td>
<td>A new upper-midscale all-suites brand launched for the US in 2019</td>
</tr>
<tr>
<td></td>
<td>Targets an $18 billion US industry segment</td>
</tr>
<tr>
<td></td>
<td>10 signings in Q4 2019 following registration of franchise documents in September</td>
</tr>
<tr>
<td></td>
<td>First hotels expected to begin construction in 2020 and open in 2021</td>
</tr>
<tr>
<td>Open hotels</td>
<td></td>
</tr>
<tr>
<td>Pipeline hotels</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Candlewood Suites®</td>
<td>Providing a comfortable and familiar space to settle for US travellers on an extended stay</td>
</tr>
<tr>
<td></td>
<td>Opened 400th property and launched new contemporary brand logo</td>
</tr>
<tr>
<td></td>
<td>Unveiled refreshed brand prototype with more spacious and comfortable lobbies and suites</td>
</tr>
<tr>
<td></td>
<td>Strong owner interest in new designs</td>
</tr>
<tr>
<td>Open hotels</td>
<td></td>
</tr>
<tr>
<td>Pipeline hotels</td>
<td></td>
</tr>
<tr>
<td>410</td>
<td>91</td>
</tr>
</tbody>
</table>
Upscale

IHG offers a broad range of upscale brands in what is a diverse, fast-growing segment spanning everything from business travel and wellness focused stays, to lifestyle and boutique experiences.

We are focused on driving growth of our brands internationally through modern designs and distinctive style and service. Through our newest upscale brand, voco, which principally focuses on conversion opportunities, we are also offering owners a new way to quickly take advantage of IHG’s scale, systems and expertise.

<table>
<thead>
<tr>
<th>Annual industry global segment revenue</th>
<th>Industry revenue growth potential to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40 bn</td>
<td>$20 bn</td>
</tr>
</tbody>
</table>

Hotel Indigo®

• Inspiring discovery by delivering inviting guest experiences that truly reflect local neighbourhoods
• Record year of signings for one of the industry’s largest branded boutique chains by number of hotels
• Estate set to double in size in next five years, heading to 16 new countries
• Strengthening aided brand awareness illustrates brand’s attractiveness to owners and guests

118 Open hotels 101 Pipeline hotels

HUALUXE® Hotels and Resorts

• The first upscale international hotel brand designed for Chinese guests
• Highest number of signings in six years, including Nanjing Yangtze River and Hainan Clear Water Bay
• Partnered with Chinese modern artist to bring to life brand’s commitment to Chinese culture
• Named Best Hotel Brand 2019 by Voyage

9 Open hotels 22 Pipeline hotels

EVEN® Hotels

• Designed for travellers seeking to prioritise wellness and stay balanced when away from home
• Celebrated a record signings performance in the year, alongside openings including EVEN Alpharetta, Georgia, and EVEN Ann Arbor, Michigan
• New prototype and enhanced design launched to drive signings
• Ranked 9th in hospitality in Forbes 2019 “100 Most Customer-Centric Companies”

13 Open hotels 26 Pipeline hotels

Crowne Plaza® Hotels & Resorts

• Championing a modern way of business travel through distinctive stays and meeting experiences
• Best signings performance in a decade
• New service programme rolled out and flagships opened in Europe, Greater China and the Americas showcasing future of the brand
• Next phase of Accelerate programme launched to enhance quality of the Americas’ estate and drive commercial success

431 Open hotels 88 Pipeline hotels

voco™ hotels

• A distinctive upscale brand offering hotels reliable enough to depend on, but different enough to be fun
• Offering conversion opportunities to owners of high-quality unbranded hotels
• Presence secured in 16 countries across EMEA since launch in June 2018
• Brand to expand into more markets globally in 2020

12 Open hotels* 17 Pipeline hotels*

* Figures do not include three open and one pipeline hotel that will rebrand to voco.
Luxury

With a strong heritage and expertise in luxury, we are growing our offer in the world’s most desirable destinations to ensure we cater for a range of needs from the top tier of luxury through to boutique stays.

Our acquisition of Six Senses Hotels Resorts Spas in 2019 followed the purchase of a majority stake in Regent Hotels & Resorts in 2018, and has helped create a comprehensive luxury offer that strengthens our loyalty proposition, attracts more corporate guests and creates a broader owner base to work with.

<table>
<thead>
<tr>
<th>Annual industry global segment revenue</th>
<th>Industry revenue growth potential to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60 bn</td>
<td>$35 bn</td>
</tr>
</tbody>
</table>

Six Senses Hotels Resorts Spas

- Creating perfect moments in some of the world’s most spectacular locations
- A world-renowned reputation for sustainability and wellness
- 10 new signings and two openings since acquisition, including London, the Galapagos Islands and Loire Valley
- Long-term potential to grow estate to >60 properties

Regent Hotels & Resorts

- Heralding a new era of luxury where guests can experience both the serene and the sensational
- 3 hotels signed since acquisition of majority stake in July 2018; renovation projects launched for existing estate
- Redefining brand hallmarks, design and service based on a deep understanding of the modern luxury consumer
- On track to grow portfolio to more than 40 aspirational hotels over the long term

<table>
<thead>
<tr>
<th>Open hotels</th>
<th>Pipeline hotels</th>
</tr>
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<tbody>
<tr>
<td>18</td>
<td>25</td>
</tr>
</tbody>
</table>

Kimpton® Hotels & Restaurants

- Creating heartfelt human connections through highly personal service, superlative style and playful design
- Presence secured in 14 countries as part of international expansion into luxury markets, including London, Paris, Tokyo, Barcelona, Bali and Bangkok
- Combined system and pipeline now at almost 100 hotels
- Named 5th in Fortune 100 Best Companies to Work For 2019

<table>
<thead>
<tr>
<th>Open hotels</th>
<th>Pipeline hotels</th>
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<tr>
<td>66</td>
<td>33</td>
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</tbody>
</table>

Loyalty

A rich loyalty offer allows IHG to build valuable relationships with members who are often strong advocates for our hotel brands, and seven times more likely to book directly, which helps deliver higher-value revenue to our estate.

IHG® Rewards Club

One of the industry’s leading loyalty programmes, IHG Rewards Club is our way of ensuring that travel is experienced the way it should be: personal, seamless and rewarding.

All our members receive free internet worldwide, have access to exclusive rates and can select personal preferences that ensure their stays are just as they like them.

On top of a stay, members can earn points on everyday activities such as shopping, dining or car rentals through our many partners globally, and these can be used to redeem Reward Nights or book flights with more than 400 airlines. In addition, our IHG Rewards Club Concierge can be used for access to one-of-a-kind opportunities.

Further enhancing the programme, we added more world-class global and regional partnerships in 2019, and progressed important trials, including an option for members to use loyalty points to pay for amenities and services during their stay. See page 20 for more detail.

IHG® Rewards Club

- Exhilarating the mind with a worldly perspective gained from pioneering luxury travel for more than 70 years
- Reinforced position as world’s largest luxury hotel brand with nine openings in 2019
- Significant owner investment with a number of properties being refurbished
- Driving brand preference with InterContinental ‘ICons’ and National Geographic ‘Worldly’ campaigns

<table>
<thead>
<tr>
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<th>Pipeline hotels</th>
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<tbody>
<tr>
<td>212</td>
<td>65</td>
</tr>
</tbody>
</table>

InterContinental® Hotels & Resorts

- Exhilarating the mind with a worldly perspective gained from pioneering luxury travel for more than 70 years
- Reinforced position as world’s largest luxury hotel brand with nine openings in 2019
- Significant owner investment with a number of properties being refurbished
- Driving brand preference with InterContinental ‘ICons’ and National Geographic ‘Worldly’ campaigns

<table>
<thead>
<tr>
<th>Open hotels</th>
<th>Pipeline hotels</th>
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<tbody>
<tr>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

Regent Hotels & Resorts

- Heralding a new era of luxury where guests can experience both the serene and the sensational
- 3 hotels signed since acquisition of majority stake in July 2018; renovation projects launched for existing estate
- Redefining brand hallmarks, design and service based on a deep understanding of the modern luxury consumer
- On track to grow portfolio to more than 40 aspirational hotels over the long term

<table>
<thead>
<tr>
<th>Open hotels</th>
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Kimpton® Hotels & Restaurants

- Creating heartfelt human connections through highly personal service, superlative style and playful design
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- Combined system and pipeline now at almost 100 hotels
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<tr>
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<td>33</td>
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</table>
Our strategy

Our strategy for high quality growth

Our clearly defined strategy is focused on delivering industry-leading net rooms growth over the medium term. We consistently enhance and grow our mainstream, upscale and luxury brands in high-value markets with strong consumer demand to create scale positions and develop a differentiated guest and owner offer.

With disciplined execution, we focus on key markets with high potential, investing ahead of demand to drive high-quality growth. This means consistent, sustained growth in cash flows and profits over the long-term.

Our strategy is executed through a strong set of values, business behaviours and talented people, with a clear commitment to grow in the right way for our communities and the world around us, delivering on our purpose to provide True Hospitality for everyone.

Strategic model

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

Industy-leading net rooms growth over the medium term

Whilst committing to responsible business

Robust assurance processes, business ethics, values and behaviours

Strong, diverse, innovative and inclusive culture

Respect for the environment and the communities we work in

Engagement with our stakeholders and nurturing relationships

On the following pages we set out some examples of how we implement each element of our strategic model

Our strategy should be read together with our culture, responsible business and stakeholders section, pages 24 to 40, and our principal risks and uncertainties, pages 47 to 53.

For further information about our strategy, go to www.ihgplc.com/about-us under Our strategy.
Scale provides significant advantages in the hospitality industry at both a global and national level. Focusing on the highest opportunity segments, IHG uses a diverse brand portfolio, loyalty offer, strong systems and depth in attractive markets to drive significant efficiencies that lead to increased operating leverage and ultimately higher margins.

In 2019, our scale provided further competitive advantage, allowing us to accelerate our net system size growth to 5.6%. Moreover, we increased our market share of signings in key markets, helping to expand our high-quality pipeline and position us well for future growth.

Illustrating the attractiveness of our enterprise offer, our established brands continue to expand at pace globally. This expansion included a best ever openings performance for our Holiday Inn Brand Family, underscoring our leading position in the mainstream segment.

Within upscale and luxury markets more broadly, our Hotel Indigo estate is set to double in size in the coming years and we are bringing Kimpton Hotels & Restaurants to new international destinations at an excellent pace. We continue to use our scale to build new brands too, including avid hotels, which has had over 200 signings in the US, Canada and Mexico since September 2017, with seven hotels already open.

Increase in share of signings in key markets, taking total pipeline to 283k rooms

65k new rooms opened in 2019

200+ avid hotel signings with seven properties now open

200+ Hotel Indigo to almost double estate in next five years

$125m efficiency programme on track, fully re-invested in growth initiatives

14 international countries for fast-expanding Kimpton Hotels & Restaurants brand

avid Oklahoma City – Quail Springs, US
Having an attractive, differentiated loyalty offer tailored to our guests’ needs is critical to IHG’s success. We are continually innovating IHG Rewards Club to build lifetime relationships with our members. This creates a sustainable long-term revenue source for our hotels and transforms previously unaffiliated travellers into powerful advocates for our brands.

In 2019, our focus on global and regional partnerships helped deliver richer experiences for our IHG Rewards Club members and increased awareness of our brands. This included our inaugural sponsorship of the US Open Tennis Championships, which attracted almost 21 million social media impressions, with members able to use loyalty points to bid for ‘money can’t buy’ experiences. We also announced a partnership with Mr & Mrs Smith that makes around 500 hand-selected luxury and boutique properties exclusively available for IHG Rewards Club members, and we extended our InterContinental Alliance Resorts partnership with Sands Macao to include The Venetian Macao and The Parisian Macao in Greater China.

Beyond this, we are piloting several programme enhancements, including an option for guests to pay with points for services including spa treatments, food and beverages.

- 100m+ enrolled members in IHG Rewards Club
- ~46% Loyalty rooms night contribution
- InterContinental Alliance Resorts partnership with Sands China in Macau
- Partnership with Mr & Mrs Smith: Exclusive access to ~500 hand-selected properties
- Sponsorship of US Open Tennis Championships, rewarding members with new experiences

Hotel Borgo Pignano, Italy, part of the Mr & Mrs Smith collection
By striving to drive business through our direct channels, IHG maximises returns for our owners, delivering revenue at a lower cost than alternatives such as third-party intermediaries. Digital and technological innovation, alongside strong brands and a compelling loyalty offer, is key to ensuring IHG continues to manage revenue delivery effectively.

We continue to develop IHG Concerto, our proprietary, cloud-based hotel technology system. In 2019, we began piloting attribute pricing for our Guest Reservation System, which was developed with Amadeus and rolled out in 2018. Rather than simply choosing a room at booking, guests will be able to customise their stay by selecting specific attributes, whilst hotel owners will unlock value by optimising pricing for desirable items. In addition, our Revenue Management for Hire programme has now been rolled out to over 3,500 hotels, providing owners with data-driven insights for setting room rates. A compelling B2B offer is also a crucial source of revenue, and we are focused on enhancing our leading global sales enterprise that drives high-quality, low-cost revenue to our hotels. In 2019, with three industry peers, we made a strategic investment in Groups360 to enhance the GroupSync™ platform and make group travel easier for meeting planners. Using an online tool, planners will be able to source and book meetings and events across a wide selection of brands.
Our strategy continued

Evolve our owner proposition

Maintaining positive relationships with long-standing owners and constantly forging new ones is vital for IHG. Our outstanding operational support, preferred brands, industry-leading franchise offer and continued investment in innovation deliver a compelling owner proposition and strong returns.

Our global procurement solutions provide support to our owners in opening and running their hotels. Progress in 2019 included delivering a supply chain solution for new Holiday Inn Express hotels in Greater China, which helps get hotels open in a faster time period and offers high quality products at lower costs.

In the Americas, following the success of our 2017 launch of avid hotels, which encompassed a streamlined process for owners from signing a hotel, to building and running the property, we launched cost-efficient prototypes in 2019 for Holiday Inn and our extended stay brands, Candlewood Suites and Staybridge Suites.

In Greater China, we have provided owners with more opportunities to work with IHG through our franchise offer for Holiday Inn Express, which launched in May 2016. Since then, we have extended franchising to our Holiday Inn and Crowne Plaza brands too, achieving more than 200 signings to date.

Focus on accelerating signings into openings

200+
franchise signings for Holiday Inn Express, Holiday Inn and Crowne Plaza in Greater China since launch in 2016

More cost-efficient prototypes launched for Holiday Inn, Staybridge Suites and Candlewood Suites

Sustainability brand standards for new brands such as voco, with recycled filtered water solutions and recycled bedding

200
green solutions delivered via IHG Green Engage

2019 Americas Investors and Leadership Conference, Las Vegas, US
As competition intensifies, distribution channels proliferate and consumers become more demanding, actively building a strong portfolio of distinct brands for both our owners and guests is key to IHG’s success and future growth.

As an example of this, in the mainstream segment with Holiday Inn Express, our new guest room designs have delivered a five percentage points premium in guest satisfaction and strong owner returns. We are on track for adoption of these new designs in over 1,600 hotels in our Americas estate by the end of 2020, and the successes have informed enhancements rolling out for Holiday Inn, Crowne Plaza, Staybridge Suites and Candlewood Suites.

In addition to enhancing our established brands, we have added new brands in fast-growing markets that will support future rooms growth. This includes using our mainstream expertise to launch avid and Atwell Suites, targeting underserved guests in the midscale and all-suites segments. In upscale, our voco brand offers owners of high-quality assets a chance to quickly convert to a strong brand and leverage IHG’s scale and systems to drive improved performance. In the luxury space, the acquisitions of Regent Hotels & Resorts and Six Senses builds on our existing heritage to offer a more comprehensive offer to guests and to owners wanting to work with IHG in the top tier of luxury.
Our culture, responsible business and stakeholders

Our purpose to provide True Hospitality for everyone is at the centre of our culture. It underpins, reinforces and supports our strategy, sets the tone for our commercial activities, drives performance, and creates value for our stakeholders.

We are committed to:

• Robust business ethics, values and behaviours;
• A strong, diverse, innovative and inclusive culture;
• Respect for the environment and the communities we work in; and
• Engaging with and nurturing relationships with our stakeholders.

IHG believes that good culture is more than written values, policies and principles. It is the demonstration of our culture, the ethical and inclusive behaviours that matter, be it the way our Board and Executive Committee lead us, the way our office spaces are set out, the way we prioritise resources, monitor performance, respond to climate and societal change, or how our performance support teams partner with General Managers in our hotels.

The Company culture is driven through a mixture of the Board leading by example, delegating to the Executive Committee and Senior Leadership, setting and monitoring values, behaviour and ethical business practices, standing Board agenda items on key areas of culture, reviewing and approving policies, and direct or delegated interactions with stakeholders.

Our culture is crucial to who we are, how we work together, how we make our strategic decisions, how our stakeholders view us and how we grow our business.

The following pages should be read in conjunction with:

Our business model pages 10 to 13
Our strategy pages 18 to 23
KPIs pages 42 to 45
Our risk management pages 46 to 53
Governance on pages 78 to 117
Directors’ Report on pages 221 to 224
How we engage

Engagement with our stakeholders and day-to-day management is a multi-layered and delegated process. At all levels of the business, from front line operations, through corporate functions, Senior Leadership, the Executive Committee, the Board and its Committees, we engage both internally and externally.

The Board delegates oversight of day-to-day operations and execution of strategic priorities through the Executive Committee and Senior Leaders, and sets, approves, embeds, reviews and course corrects (where necessary) the Company’s strategy, values, policies, principles, behaviours and responsible business culture in line with our purpose and business model.

We use a variety of mechanisms to engage with employees and other stakeholders, including face-to-face meetings, conferences, feedback and performance reviews, employee forums and training, and we monitor this through, for example, our employee and investor engagement surveys, reports and presentations to the Board. We have an open, collaborative and inclusive approach. We take the information we glean from those interactions and use it to make informed judgements in our decision making.

We also take into consideration the views and interests of other stakeholders, such as regulators and industry bodies, when determining our strategy, values and behaviours, as well as awareness of environmental and social concerns. They help provide a framework against which we measure ourselves, protect our reputation and develop our commercial and social awareness.

More information about our culture, approach to responsible business and stakeholders is set out on the following pages. See Board agenda items on pages 84 and 85 for more information on which stakeholders were considered as part of Board decisions.
Our values, behaviours and work practices

Who leads at IHG
- Board and Committees
- Executive Committee
- Senior Leaders
- D&I Board
- Human Resources and Business
  Reputation and Responsibility functions
- Functional business partners including
  Corporate Affairs, Finance and Global
  Commercial and Technology

How we engage
- Board and Committee oversight, monitoring and review
- Formal reporting and escalation processes to Senior Leadership
  and management teams
- Virtual Learning Summits
- Employee engagement surveys
- Company intranet site including ‘our
  people’, and ‘Code of Conduct’ portals
- E-learning relating to Code of
  Conduct, Anti-bribery, Antitrust and
  Handling Information Responsibly
- Cybersecurity training and awareness
- Incident handling

Our commercial success is dependent on
our values and behaviours, together with
our Code of Conduct, key policies, and
monitoring and assurance processes, to
support our decision-making. Combined
they ensure that we continue to build trust
in the Company.

Our culture is monitored and assessed
through a number of metrics, including our
employee engagement survey, employee
forum feedback, e-learning participation,
reports from our confidential reporting
hotline, and third-party consultant surveys.

IHG Values
IHG’s Values, formerly Winning Ways, reflect
the values and beliefs of our employees and
leadership. They underpin the way we
behave, the decisions we make, our strategy
and our commitment to providing True
Hospitality for everyone. They reflect the
diversity of our colleagues, business
partners, guests and other stakeholders.

Do the right thing. We always do
what we believe is right and have
the courage and conviction to put it
into practice, even when it might be
easier not to. We are honest and
straightforward and see our
decisions through.

Show we care. We want to be the
company that understands people’s
needs better than anyone else in our
industry. This means being sensitive
to others, noticing the things that
matter and taking responsibility for
getting things right.

Aim higher. We aim to be
acknowledged leaders in our
industry, so we have built a team
of talented people who have a real
will to win. We strive for success
and value individuals who are
always looking for a better way
to do things.

Celebrate difference. We believe
that it’s the knowledge of our
people that really brings our brands
to life. Our global strength comes
from celebrating local differences
whilst understanding that some
things should be kept the same.

Work better together. When we
work together, we are stronger.
We’re at our best when we
collaborate to form a powerful,
winning team. We listen to each
other and combine our expertise to
create a strong, focused and trusted
group of people

Behaviours
We have a set of growth behaviours that
encourage corporate employees to be
decisive, work at pace, be collaborative,
develop talent and focus on performance to
deliver our strategic objectives and purpose
to provide True Hospitality for everyone.

During 2019 we continued to increase our
efforts to establish a high-performing culture
through a series of learning events across
the organisation. We also initiated a
programme to help our employees sustain
high impact and unlock performance
throughout the organisation. The
programme, focusing on holistic physical,
mental and emotional health, was rolled out
to 200 IHG employees.

In addition, local teams led a range of
wellbeing programmes, which will be further
enhanced during 2020.

Our Code of Conduct
IHG’s Code of Conduct (Code) is
fundamental in supporting employees
working in IHG corporate offices, reservation
centres and managed hotels in making 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 Board, Executive Committee and all
employees must comply with the Code and
the policies and procedures it refers to. 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.

In 2019, new processes were put in place to
ensure the Code e-learning modules are
automatically populated in employees’
learning plans, including for all new starters.
All our Board and Executive Committee,
along with employees across the
organisation, have affirmed their
commitment to the Code.

The Code is available on our website
www.ihgplc.com/responsible-business
under Policies, and also displayed on our
Company intranet.

Information security
During our cybersecurity week we ran a variety of
activities to help employees better understand cyber threats
and mitigation strategies.

10 years ago IHG became a member of
the United Nations Global Compact
(UNGC). We remain committed to
aligning our operations, culture and
strategies with its 10 universally
accepted principles in the areas of
human rights, labour, environment and
anti-corruption.

Simulated phishing
Awareness exercises help
strengthen employees’
ability to recognise
suspicious emails and
promote behaviours to
help protect data.
The following policies and principles are key areas within the Code, each of which is supported by its own guidance and training materials.

Human rights and modern slavery
Helping combat human rights abuses, including modern slavery, is an ongoing commitment at IHG, and we continue to develop our policies and processes. During 2019 we enhanced our human rights programme, including significantly updating our Human Rights Policy and making available a new e-learning module for all colleagues to support in preventing human trafficking.

In 2019 IHG joined the Tourism Child-Protection Code of Conduct to benefit from ECPAT-USA’s expertise in addressing human trafficking and child sexual exploitation risks within the hospitality industry.

Our Modern Slavery statement is available on our website www.ihgplc.com/modernslavery

Bribery and financial crime
Bribery and financial crime, including improper payments, money laundering and tax evasion, are not permitted at IHG under any circumstances. This also applies to any agents, consultants and other service providers who do work on IHG’s behalf. Our Anti-Bribery Policy sets out IHG’s zero-tolerance approach and is applicable to all Directors, IHG employees and our managed hotels. It is accompanied by a mandatory anti-bribery e-learning module.

Our Gifts and Entertainment Policy supports our approach to anti-bribery and corruption. Increased targeted engagement was undertaken in 2019, including face-to-face training for employees in our corporate offices.

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

Handling information responsibly
As set out in our Code, we want everyone, including guests booking via our reservation channels, members of our loyalty programmes, colleagues, shareholders and other stakeholders, to trust the way we manage their information and are addressing cybersecurity threats. We have standards, policies and procedures in place to manage how personal data should be used and protected. In 2019 we relaunched our e-learning training for employees on handling information responsibly, covering topics such as how to work with vendors and transfer data securely.

We continue to enhance our privacy programme to address evolving privacy requirements, such as the California Consumer Privacy Act 2018.

Our monitoring and assurance processes
The trusted reputation of IHG and its brands is one of IHG’s most important assets. Our due diligence practices, monitoring of the health and performance of our working practices, are critical to protect this, and support our commitment to responsible business and drive commercial advantage through risk identification and mitigation.

Specific monitoring arrangements are in place for key risk areas. For example, our operational risk specialists track a range of indicators of safety and security risks to assess their potential impact on hotel operations, and to consider where additional guidance, learning materials or adjustments to existing controls may be required. Despite best efforts, incidents occur across our hotel operations. IHG management reviews reported incidents as appropriate.

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. A central committee of senior IHG decision-makers considers and reviews any material issues, such as concerns or allegations of human rights violations, financial crime including bribery and corruption, or any other activities which may have a reputational, legal or ethical impact on IHG, prior to approval for any new hotel or entry into a new market.

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.

Our internal audit team aims to provide objective and insightful assurance to the Board and management over our control environment. 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 & 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.

Crisis management training
In 2019 crisis management training and awareness exercises were run across seven IHG offices.
Our culture, responsible business and stakeholders continued

Our people

Who leads at IHG

- Board and Committees
- Designated non-executive director ‘Voice of the Employee’
- Executive Committee
- Senior Leaders
- D&I Board
- Human Resources function

How we engage

- Board and Committee oversight, monitoring and review
- Responsible Business Targets 2018-2020
- Colleague HeartBeat
- Town Halls, conversation series and blogs
- Employee Resource Groups (ERGs) and other employee forums
- Sustainable Leadership programmes
- Rise programmes
- Conscious inclusion workshops
- Virtual Learning summits
- IHG® Academy
- Careers and job portals

IHG is constantly developing, with a new organisational structure deployed in 2018, and a focus on accelerating our growth. Our people are key to delivering both our purpose of True Hospitality for everyone and our strategic initiatives. We believe that an engaged and diverse workforce, and inclusive environment are necessary to our competitiveness. We seek to employ talented people, develop and train them, and provide a diverse and inclusive culture in which they can thrive. We also seek to ensure that our approach to compensation and benefits remains competitive.

Our activities

The Board and Executive Committee considered the impact on employee interests regularly during the year, including in relation to the acquisition of Six Senses, diversity and inclusion initiatives, such as the adoption of a flexible working policy, and employee engagement matters. The Corporate Responsibility Committee reviews progress against our people 2018-2020 Responsible Business Targets and our CEO continues to chair our D&I Board, (see the Governance section on pages 92 and 93 for more information).

Employee engagement

At IHG we foster a culture of open and honest feedback. Responsibility for employee engagement is a company-wide activity. Through our wide range of engagement forums, management-led performance updates and Voice of the Employee, (see pages 32 and 33), we talk to employees about our performance, key metrics, values, diversity and inclusion initiatives, and we give them the opportunity to talk to each other and give feedback to the Board, Executive Committee and Senior Leaders. This information assists them in their decision making.

Our employee engagement survey, ‘Colleague HeartBeat’, is measured bi-annually and is completed by our corporate, customer reservations office and managed hotel employees (excluding our joint ventures). In 2019 the survey focused on key areas associated with our business strategy. 96% of the participants responded and our overall employee engagement was 87%. We saw several positive shifts across our employee engagement, most notably in relation to questions about our growth behaviours. Areas for improvement include a focus on enabling effective work processes for employees, resource deployment, and ways of working between regional and global teams. The Executive Committee and Senior Leaders continue to look for ways to appropriately address this feedback.

Reward culture

Our reward packages aim to attract, retain and motivate top talent, and are centred around a set of core principles:

- Our employees are recognised and paid competitively for their contribution to the Group’s success;
- Reward and recognition practices are consistent across our employee population regardless of gender and other aspects of diversity; and
- There is alignment between the wider workforce and how executives are rewarded.

Applying a consistent approach to reward across the corporate business, which we regularly review against our competitors, ensures that we meet the needs of employees by offering market-driven rewards packages. We place great emphasis on aligning everyone to our business strategy, so that shareholders and employees have a shared interest in the performance of the Group. This alignment was further strengthened in 2019 with the launch of an employee share plan, which will encourage shared ownership and align the interests of employees with our external stakeholders.

Our wider Remuneration policies are regularly reviewed by the Remuneration Committee. See the Remuneration Report and Directors Remuneration Policy on pages 96 to 117 for more information on how we align workforce and executive reward.

Early talent development

Recognising the significance of people to our business, we aim to attract the very best talent into our hotels through our Early Careers programme, where we provide programmes to young people looking for work experience, internships, apprenticeships and graduate opportunities. During 2019 we recruited over 15,000 participants into our Early Careers programme globally, providing them with first look experiences, work placements and permanent roles with IHG.

Colleagues worldwide

<table>
<thead>
<tr>
<th>400k+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees whose costs were borne by the Group or the System Fund</td>
</tr>
</tbody>
</table>

IHG’s direct workforce includes employees working in IHG corporate offices, reservation centres and owned, managed, leased and franchised hotels. Due to our business model, we do not employ the vast majority of people working in IHG branded hotels. Franchised hotels are independently owned and operated.
As at 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Executive Committee</td>
<td>7</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Executive Committee direct reports</td>
<td>40</td>
<td>23</td>
<td>63</td>
</tr>
<tr>
<td>Senior managers (including directors of subsidiaries)</td>
<td>102</td>
<td>34</td>
<td>136</td>
</tr>
<tr>
<td>All employees (whose costs were borne by the Group or the System Fund)</td>
<td>6,498</td>
<td>7,938</td>
<td>14,436</td>
</tr>
</tbody>
</table>

We also signed a partnership with Swiss hospitality schools Les Roches, Glion and EHL to develop global hospitality talent. As a result of this partnership, IHG leaders visited the schools to participate in curriculum development and welcomed over 100 of their students into our hotels and support centres to share with them our passion for True Hospitality for everyone.

As part of our Responsible Business Targets we are committed to increasing the number of young people coming through IHG’s Academy. The IHG Academy is a collaboration between individuals, IHG hotels, corporate offices, local education providers and community organisations. It provides local people with the opportunity to develop skills and improve their employment prospects in one of the world’s largest hotel companies.

In 2019, several improvements were made to the programme, including first look and internship ‘Learning Pathway’ toolkits, designed to enhance the participant’s experience and support consistent execution of the programme globally.

**Attracting and developing top talent**

To ensure we achieve our strategic priorities as a business, we know we need to attract, develop and retain a diverse and talented workforce.

In 2019 we continued to use our Learning Management System to ensure that all IHG employees have a more seamless experience accessing IHG learning content. In addition to improvements across our Learning offer, we launched a job posting portal (available in 13 languages) that allows our franchisees access to IHG’s career website and have their open positions included in search results.

It was also a foundational year for the development of our Talent Attraction Strategy, which recognises that as the business grows, we will need to develop more creative and efficient ways to attract people to work in our hotels. Our plans include revitalising our Employer Brand to create a more enduring and distinctive value proposition and candidate experience.
IHG is a global business with a global reach and as such D&I is fundamental for us to succeed. Our colleagues and guests represent multiple nationalities, cultures, races, sexual orientation, backgrounds and beliefs. It makes for a diverse and inclusive culture we are proud of, underpins our purpose to provide True Hospitality for everyone and is key to our ‘celebrate difference’ value.

Our culture is crucial to who we are, how we work together and how we grow our business. We are proud to have been recognised as a Kincentric (formerly a part of Aon) Global Best Employer three years running, Best Place to Work for LGBTQ Equality, by the Human Rights Campaign’s Corporate Equality Index in the US for the past six years, and for our CEO to be awarded third place in the HERoes awards for advocating women in business.

We are committed to a continual review of our practices and policies, such as raising awareness of bias at all levels in our hiring processes and reviewing flexible working processes and policies. We have signed up to the WiHHT’s Diversity in Hospitality, Travel and Leisure Charter, a 10-point action plan that ensures diversity and inclusion not only remains a priority but that we openly track progress towards our goals.

We also support the UN LGBTI Standards for Business, which focus on tackling discrimination against lesbian, gay, bi, trans and intersex people. And at the beginning of 2020, IHG became signatories of the CEO Action for Diversity and Inclusion, and The Valuable 500.

The Nomination Committee was accountable for our global D&I Policy during 2019, but this responsibility will move to the Corporate Responsibility Committee in 2020. The operational D&I Board ensures that we put the D&I policy into practice. For more information see the Governance section on pages 92 and 93.
1. Strengthening a culture of inclusion
At IHG one of the core pillars of our D&I strategy is to foster a culture of inclusion so all employees feel included, valued and respected. Last year our Senior Leaders took part in a conscious inclusion programme to equip them to role model inclusive leadership and champion the flexible working guidelines that we have launched globally. We piloted changes to our recruitment practices which we plan to scale globally in 2020.

We also expanded our existing Employee Resource Groups (ERGs) globally following regional success, and now have more than 1,700 members across groups such as Out and Open, FAVE (field and virtual employees), PATH (pan Asians for true hospitality), BBX (baby boomers and Gen X), and DAWN (disability and well-being network).

For example, Out and Open is a forum for colleagues to get involved with LGBTQ+ focused activities and conversations. The ERG has more than 150 active members, who come together throughout the year to celebrate key dates in the LGBTQ+ calendar.

Through collaboration with Hotel Indigo, Out and Open helped launch the #ColorOfPride campaign, which all Hotel Indigo properties in the Americas celebrated. They continued the theme into our Atlanta Pride celebrations, which is the biggest event for IHG Out and Open each year. Annually, around 250 colleagues, friends and family volunteer their time in the IHG booth and walk with the IHG float in the Pride parade.

At the Holiday Inn Singapore Orchard City Centre, approximately 12% of staff are colleagues with disabilities. The hotel, which has been recognised for its work in this area by the UN, invests in providing training for managers to adjust to the different ways of communicating with persons with disabilities. This includes encouraging managers to give more regular feedback, supervision and encouragement to colleagues with disabilities to ensure they always feel a part of the IHG family.

Within India, Nepal and Bangladesh, we have close to 100 colleagues with disabilities working for IHG branded hotels. To cultivate a supportive environment for them, we have partnered with the Sarthak Educational Trust to deliver training sessions for hotel colleagues and developed a toolkit and a series of guidance videos on working with colleagues with disabilities.

2. Increasing the diversity of our leadership talent
As part of our 2018-2020 Responsible Business Targets we made a commitment to increase the diversity of our Senior Leaders, as well as increase the number of females working in General Manager and Operations roles in managed hotels.

Although our overall percentage of female Senior Leaders, currently 37% globally, is the same as our 2017 baseline, we are committed to furthering the opportunities for female leaders. We continue to drive increased representation through initiatives such as the development of our Future Leaders’ programme, which provides graduate-level talent with the opportunity to work across a range of departments and geographies.

We have also extended our Rise mentoring initiative for aspiring female General Managers to China, India, the Middle East, Europe and the Americas, which enabled us to increase the percentage of women in General Manager and Operations roles from 24% to 26%.

3. Putting the right decision-making around our actions
In 2018 we established our Global Diversity & Inclusion Board, (D&I Board), led by our CEO and other Senior Leaders in IHG who are responsible for shaping IHG’s diversity and inclusion priorities. The D&I Board worked with a third-party independent partner to gain a different perspective of our business and help us identify areas for improvement.

The key objectives of the partnership were to identify the ‘typical profile’ of individuals deemed to be successful at IHG, understand real and perceived barriers to success for women, and define actions to address those barriers and improve leadership gender balance. As a result of this work we took several actions, such as the launch of our flexible working policy.

As part of our ongoing commitment to diversity and inclusion we also launched Diversity & Inclusion Councils across our regions in 2019, which represent the voice of our regions and markets, making sure we listen to employees and engage on local priorities, as well as collaborating to roll out initiatives.

IHG CEO Keith Barr ranked within top 3
40 Advocate Executives
The HERoes Women Role Model List

For the ninth consecutive year, IHG has earned a spot on the Atlanta Journal-Constitution’s Top Workplaces list

Listed by the Hampton-Alexander Review in the top 10 of FTSE 100 companies for female representation among senior leadership

100% rating in the Human Rights Campaign’s Corporate Equality Index making IHG a best place to work for LGBTQ+ Equality in the US or the last six years

Kincentric (formerly a part of Aon) Global Best Employer for three years running

IHG Change 100 winner: Best Initiative in HR Talent & Management at the Worldwide Hospitality Awards
As part of IHG’s commitment to compliance with the UK 2018 Corporate Governance Code, the Board asked Luke Mayhew, Non-Executive Director (NED), to conduct a review and recommend the best way for the Board to engage with, and take fully into account, the views of employees, and how that would align with IHG’s existing employee forums, feedback mechanisms and monitoring by the Board. Luke was supported in the review by the CEO, Chief Human Resources Officer and Company Secretary. He reported to the Nomination Committee during the course of the year, which in turn made a proposal to the Board that a designated non-executive director was the most appropriate approach for IHG, as it aligned with existing employee engagement forums. The Board formally appointed Luke as the designated non-executive director with responsibility for workforce engagement (Voice of the Employee) in August 2019.

Due to the global reach of IHG, Luke is supported in his role by Jill McDonald (Chair of the Corporate Responsibility Committee), as well as other NEDs depending on the forum and topic matter. All Directors engage with employees during the course of the year as part of hotel and office visits. The Board will review this approach annually in the light of any changing governance expectations and ongoing feedback.

Luke’s role is to:

- Ensure that employee interests and feedback are structured into the Board’s deliberations and the setting of KPIs;
- Support management in the design and content of structured Board discussions on culture and employee engagement; and
- Review the effectiveness of wider employee engagement approaches.

His responsibilities include ensuring that:

- The Board, through the Executive, has effective methods of receiving feedback from employees and communicating Board and executive decisions and priorities throughout the organisation;
- All significant business and budget proposals include a management assessment on the impact on employees;
- Executives share employee feedback openly, transparently and in a balanced way, including reviewing employee engagement surveys and other employee reports including whistleblowing;
The Board considers any dissonance between what is reported to it and what emerges from feedback to the Voice of the Employee; and

Other NEDs gather feedback and perspectives from employees too.

Human Resources (HR) provides Luke with support regarding planning and engagement forums, and shares findings on employee engagement surveys and HR scorecards. Luke is expected to seek feedback from other NEDs, in a private session at each Board meeting, from their meetings with employees and discuss insights with the CEO and Board as appropriate. In addition, he will respond to shareholders on questions of governance in respect of the Voice of the Employee.

During 2019 a schedule of employee forums and meetings was agreed with Luke to attend and appreciate the scope of existing engagement methods, employee concerns and points of view on company culture, diversity and inclusion, career opportunities, strategy and performance, as well as to discuss the role of the Board and its Committees.

Luke visited our corporate offices in Atlanta in the US, and Branston and Denham in the UK and observed a number of Town Hall meetings, attended a variety of employee meetings and focus groups, including Lean In Circles and employee resource group (ERG) meetings, with employees from all band levels, across all IHG functions. Those locations were chosen as they are our main corporate headquarters where we have 3,098 employees. Branston was a key location in our 2018 transformation programme, where 78 new roles were created. In Atlanta there are eight active employee groups reflecting employee communities.

The Board actions

The Board did not consider that any significant change of direction or overall approach to engagement was needed in light of Luke’s activities.

However, following his observations and feedback the following are being actioned by HR:

- Improved employee dashboards and scorecards to better enable the Board’s appreciation of employee concerns and engagement results;
- Revised and additional wording in engagement surveys to gain more relevant feedback on the impact and progress of the transformation programme; and
- Active Board support for diversity and inclusion initiatives being launched across IHG and the optimisation by the Executive Committee of ERGs as the most effective touchpoint with the Voice of the Employee.

2020 plans

With the responsibilities and expectations agreed and fully trialled in 2019, a plan of meetings and review sessions has been scheduled for 2020.

The schedule includes opportunities to meet and talk to a range of employees in different locations across band levels, and further develop Luke’s understanding of employee issues and concerns. He will meet them at a variety of IHG’s existing employee engagement forums, such as Town Halls, virtual interface meetings and corporate regional office visits. The meetings will also give employees the opportunity to give feedback to the Board, through Luke.

Meeting and engagement topics to include:

- Performance results – employee questions and management responses;
- Employee feedback on the transformation programme and IHG competitiveness;
- Manager-level employee issues and observations;
- D&I Board perspectives;
- Lean In peer support issues and activities;
- European Employee Forum – engagement with Forum representatives; and
- Regional ERG activities.

Planned 2020 Voice of the Employee and Board reviews and interactions, ahead or as part of Board meetings, include:

- Review of the engagement dashboard with Luke and Jill;
- Review of the HR scorecard and employee engagement dashboard, and deep-dive into specific areas of Board interest;
- Participation in a virtual employee interface session with Company managers in Asia; and
- People and Culture Strategy and Voice of the Employee feedback discussion.

In addition:

- Luke and other NEDs will discuss any material feedback from their meetings with employees, as and when it is received;
- All relevant Board and budget papers will continue to have an employee impact assessment; and
- The Board will regularly review the approach in line with best practice and changes in regulation.
Our culture, responsible business and stakeholders continued

Environment

Who leads at IHG
- Board and Committees
- Executive Committee
- Senior Leaders
- IHG Responsible Business Governance Committee (represented by senior management from across the business)
- Corporate Responsibility function

How we engage
- Board and Committee oversight, monitoring and review
- Responsible Business Targets 2018-2020
- Dashboards sent monthly to Executive Committee on progress against our hotel carbon reduction target
- Responsible Business Report
- IHG Green Engage™ system

With 5,903 hotels operating in more than 100 countries, we recognise the risks presented by climate change, which have the potential to impact our performance and growth, and our responsibility to keep adapting to meet the challenge. In 2019, the Board considered the Company’s post-2020 environmental sustainability approach and ambitions, and the Corporate Responsibility Committee endorsed new sustainability commitments, including a science-based target for carbon reduction by 2030, and reporting in line with the Task Force on Climate-related Financial Disclosures.

Tackling climate change related issues involves collaboration with our key stakeholders to find solutions and innovations to drive positive outcomes. We are uniquely placed to educate and support behavioural change amongst our third-party hotel owners, suppliers and millions of guests, and will continue to develop our approach.

Our activities

Environmental sustainability
Our environmental policy sets out our approach to measuring and managing our environmental impact, and guides our colleagues and hotels to find innovative ways to reduce our environmental footprint. Our group-wide online digital sustainability platform, the IHG Green Engage™ system, helps hotels and colleagues measure and reduce energy, carbon, water and waste.

Carbon and energy
One of our Responsible Business Targets is to reduce our carbon footprint per occupied room by 6-7% over the period 2018-2020. Over a two year period, we have reduced our carbon footprint by 5.9% per occupied room, including a 3.7% reduction in 2019, from a 2017 baseline.

As we look at our longer-term ambitions, we know that we have to do more, which is why we have set a 2030 science-based target to reduce greenhouse gas emissions.

Waste

Food waste is a big challenge for our industry and we recognise we have more to do in this area. We have partnered with a third-party technology company in 24 hotels to use their AI technology to track, measure and reduce food waste for more sustainable and efficient restaurant and bar operations. On average we have achieved reductions of 35%.

Water
Following a comprehensive water risk assessment in 2016, and reassessment in 2019 of our open hotels and pipeline, we have identified risks related to water quantity and quality and developed water stewardship action plans for our hotels in water stressed areas.

In 2018 we committed to launching two water stewardship projects each year, and in 2019 we launched two projects in Beijing and Bali.

To signal our continued water stewardship work, CEO Keith Barr has signed a commitment of membership to the UN Global Compact CEO Water Mandate. This represents a pledge to six core commitments that mobilises business leaders on water, sanitation, and the UN Sustainable Development Goals.

Further information about our Responsible Business Targets and our responsible business approach is available on our website www.ihgplc.com/responsible-business

See details of our greenhouse gas (GHG) emissions on page 223.

Task Force on Climate-related Financial Disclosures (TCFD)
Building on the work we have done to set science-based targets, we have made a formal commitment to implement the recommendations of the TCFD, and in 2020 we will be developing a disclosure roadmap for the coming years.

Further information about our Responsible Business Targets and our responsible business approach is available on our website www.ihgplc.com/responsible-business

See details of our greenhouse gas (GHG) emissions on page 223.
The travel and tourism industry accounts for 1 in 10 jobs globally with hotels in thousands of communities. The resilience and the prosperity of those communities and their people are important factors to how we operate and our long-term success. Our community policy supports and guides our hotels and colleagues on how to be a responsible partner with our communities, whilst ensuring that our business objectives enhance the quality of life in the community.

Our activities
We aim to maximise the positive contribution we make by creating shared value in our communities through our True Hospitality for Good programme. We form strategic partnerships with non-government organisations, (NGOs), and charities that can help to make a difference in communities and wider society, helping shape a positive future for generations to come. In 2019 we launched volunteering guidelines and encouraged employees to take two paid days each year to help charitable causes. Our Board and Executive Committee have evaluated our future approach to supporting local communities, as part of our post-2020 responsible business ambitions, and recognise that we need to keep developing our approach.

Charitable partnerships
In 2019, through our partnerships with NGOs and charities, we contributed more than $1.3m to projects and causes in areas of hospitality skills building, environmental sustainability and disaster relief, supporting 25,000 people globally. We work with global disaster relief agencies to provide support and preparedness training in the event of natural disasters for our colleagues and local communities.

Giving for Good month
Our Giving for Good month in September 2019 brought colleagues together to make positive change through volunteering, taking care of the environment, and activities focused on health, fitness and wellbeing. A record-breaking 160,000 colleagues in 88 countries took part in 2019, volunteering 188,000 hours of their time.

IHG First Look
In 2019 as part of our commitment to helping young people gain skills and experience in hospitality, we partnered with JA (Junior Achievement) Worldwide, one of the world’s largest youth-serving NGOs, which focuses on preparing people for future employment and entrepreneurship. Through an IHG Foundation legacy grant, we worked to develop a curriculum to run hotel work-experience events called IHG First Look; providing young people with the opportunity to receive hands-on experience working in a hotel. Combining classroom working and a practical hotel takeover, students receive a close-up look at what a career in hospitality involves. Initiated during 2019, this year-long partnership will support more than 750 young people to gain skills and experience in hospitality, in nine major markets.

Building on the relationship, in early 2020 we began running a set of innovation camps, which focus on solving a sustainability-based problem core to the hospitality industry.
Our activities
Shareholder meetings
We consider our AGM and, when we need to hold them, General Meetings, to be invaluable forums for communicating with investors and shareholders, both formally as part of the meeting, and informally afterwards.

During 2019 we held a General Meeting in January to approve a share consolidation proposal, and held our AGM in May to conduct our usual statutory business.

The 2020 AGM will be held at 11:00 on Thursday 7 May 2020. The notice convening the meeting, including details of the conditions of admission, will be sent to shareholders and be available at www.ihgplc.com/investors under Shareholder centre in the AGMs and meetings section, along with the results of the 2019 AGM and General Meeting.

Results presentations
Each year Keith Barr and Paul Edgecliffe-Johnson present to institutional investors, analysts and the media following our half-year and full-year results announcements. Telephone conferences are held following the release of our first and third-quarter trading updates, including Q&A sessions with sell-side analysts.

We recognise that our purpose, culture, business model and strategy are fundamental to attracting and retaining investment in our Company. With a commitment to open dialogue we maintain a comprehensive programme of investor relations activities.

In order to keep up-to-date with best practice and market views, the Company solicits independent advice and assesses guidance provided by a number of agencies, including the Investment Association.

A formal external review of investor perceptions is presented to the Board on an annual basis and both the Executive Committee and the Board receive regular updates on shareholder relations to ensure that they are made aware of and understand the views and perceptions of our major shareholders, in order to develop a balanced understanding.

In addition, our Registrar, Equiniti, and J.P. Morgan Chase Bank, N.A., custodians of our American Depositary Receipts (ADR) programme, have teams equipped to deal with shareholder and ADR holder queries.

Investors and shareholders
Who leads at IHG
• Board and Committees
• Executive Committee
• Investor Relations function
• Functional business partners including Corporate Affairs, Human Resources and Business Reputation and Responsibility

How we engage
• Board and Committee oversight, monitoring and review
• Annual General Meeting (AGM) and General Meetings
• Results presentations
• Investor roadshows, face-to-face meetings and presentations
• Annual investor perception survey
• Asset reunification programme
• Shareholder dealing programme
• Annual Report and Form 20-F, Responsible Business and other publications
• Website, media and regulatory announcements
Investor meetings
As part of our annual cycle we have a programme of one-to-one meetings with major institutional shareholders, including Non-Executive Director meetings, hosted by the Chair.

We also attend key institutional investor conferences and hold a series of investor roadshow events in the UK, US, Canada and Europe. In addition, we hold telephone conference events with investors and shareholders in other countries to keep them up-to-date with IHG performance and strategy, and engage with them on their areas of interest.

Elie Maalouf and Kenneth Macpherson held investor roundtables during the year and investor hotel tours took place in both London and Cardiff. During November we hosted an education event about our business in Greater China, with Keith Barr and Jolyon Bulley outlining our competitive position and strategy in that region.

The Investor Relations team also engaged with retail shareholders and hosted two investor forums in London during 2019 to help shareholders understand our strategy and performance. The feedback and insights from these events will help us develop and shape future engagement.

In addition to this, we held a series of investor consultation meetings between our Chair of the Remuneration Committee, Jo Harlow and major shareholders seeking feedback on the proposed Directors’ Remuneration Policy.

The Senior Independent Director, Dale Morrison, was and remains available to shareholders if they have concerns they wish to discuss.

Shareholder services
During 2019, IHG ran its annual share-dealing programme for shareholders with shareholdings of up to 225 shares, giving them the option to sell or increase their shareholdings at a preferable set fee. Shareholders who sold their shares had the option to donate their proceeds to charity.

To enable as many shareholders as possible to access conferences and presentations, telephone dial-in facilities are made available in advance and live audio webcasts are made available after results presentations, together with associated data and documentation. These can be found at www.ihgplc.com/investors under Results and presentations. Details of the sell-side research analysts who publish research on the Group are available at www.ihgplc.com/investors under Analyst details and consensus.

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Our culture, responsible business and stakeholders continued

Suppliers

Who leads at IHG

- Board and Committees
- Oversight from the Chief Financial Officer
- IHG Responsible Business Governance Committee
- Procurement function, including Strategic Supplier Management Office (SSMO)

How we engage

- Board and Committee oversight, monitoring and review
- Responsible Business Targets 2018-2020
- Supplier Code of Conduct
- IHG Green Supplier scorecard
- Employee education programme on responsible procurement
- Supplier risk assurance programme

Being a trusted business with a strong reputation is critical to our long-term operational growth. Our scale gives hotels under our brands the benefits of broader supply chain opportunities and consistent products and services, which in turn benefits our guests. We have a complex supply chain and work with suppliers who share our commitment to our responsible business agenda and ethical work practices.

The Procurement function drives IHG’s Responsible Business agenda into our supply chains. During 2019 the function focused on enhancing the foundations for responsible procurement in IHG, through the supply chain risk assurance programme, employee awareness of responsible procurement and our IHG Green Supplier programme, which evaluates prospective suppliers across a number of sustainability factors.

During 2019, we made progress with our supplier risk assurance programme pilot, with support from the British Standards Institute. As part of the introductory pilot, which began in 2018, we issued a desktop-based risk assessment questionnaire to all IHG Marketplace suppliers to help us understand their governance, human rights and environmental practices. In 2019, we reviewed responses and categorised them based on their risk profile. We will expand the scope beyond the IHG Marketplace suppliers group in the next phase of our programme. The initial pilot has been an important step in understanding our supply base.

The Strategic Supplier Management Office, (SSMO), supports strategic suppliers, identified for their contractual and operational value, via business performance reviews to promote value realisation, risk mitigation and create healthy supplier partnerships.

Our activities

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. 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. Procurement predominantly occurs at local hotel level as our hotels are largely owned by independent third-party owners, who are responsible for managing their own independent supply chains.

In certain cases, IHG provides a centralised procurement programme for both managed and franchised hotels, such as IHG® Marketplace in the Americas region (for US, Canada, Mexico) and IHG Mall in Greater China. IHG also provides purchasing support and leverages procurement platforms for managed hotels in some countries within EMEAA.

During the year our Supplier Code of Conduct was updated and approved by the Corporate Responsibility Committee. The Supplier Code sets out our requirement for suppliers to demonstrate that they act with integrity and respect for human rights and the environment. We expect our suppliers to adhere to these standards, both within their own business and across their supply chains.

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

IHG Green Supplier Scorecard introduced in 2019

3,688

Suppliers signed the IHG Supplier Code of Conduct at 31 December 2019

In 2019, our spend with diverse suppliers in the US, increased by 43% to $102m

Responsible procurement education programme launched in 2019

Gender-inclusive supply chain

Following a review of our supply chain, we identified textiles as a priority supply chain commodity, given they are widely present in our hotels. At IHG, we know that gender-inclusivity is essential for a sustainable business, leading to more productive, resilient and secure value chains. This is why in partnership with CARE International and our key suppliers, we are exploring the social impacts that can be gained through creating more gender-inclusive workplaces via a detailed supply-chain mapping and gender risk analysis exercise.
Our global network of hotel owners is one of IHG’s greatest strengths and we continually look to evolve our owner proposition. Our success is reliant on matching owners with the right brands in our portfolio and markets, sharing a common outlook on responsible business and working together to use our scale and resources to drive strong returns. From meeting to discuss a new project, to planning every facet of a hotel’s operations, to the opening itself, we focus on building businesses. Once open, we support owners with world class, brand-specific resources that help drive hotel employee performance, improved guest satisfaction and increased revenues.

Our activities
Across our managed estate hotel operations, including operations leaders, General Managers, hotel employees and corporate operations support, regularly engage with owners on hotel performance. Our franchise performance support teams engage with franchised owners and operators through annual portfolio or hotel reviews.

We also engage with the IHG Owners Association (IHGOA), the representative body of more than 4,500 hotel owners and operators for nearly 3,600 IHG branded hotels worldwide, in relation to brand initiatives, industry topics and hotel operations. In 2019, we worked with various IHGOA committees to obtain owner feedback on IHG standards, programmes and initiatives that impact both owners and guests. In particular, we engaged with the IHGOA on our System Fund. We also establish, when appropriate, working groups with key owners in relation to major public issues relevant to the hospitality sector. In 2019, for example, we formed a group to consider Brexit.

In 2019, members of the Board and Executive Committee engaged with a number of our key owners at events including:
- The 2019 World Economic Forum in Davos;
- The 2019 NYU International Hospitality Industry Conference in New York;
- Strategic Owners Gathering at the InterContinental Zhuhai Yanheng, celebrating Greater China’s 400th hotel milestone;
- Hotel openings, including InterContinental Beppu Resort and Spa in Japan, InterContinental Houston – Medical Center in the US, and Kimpton Da’an in Taipei;
- Dinners at the InterContinental Berlin (as part of the IHIF), and at the InterContinental Shanghai Wonderland;
- Face-to-face meetings during visits to priority markets, including Mainland China, Japan and Mexico; and
- Americas Investors and Leadership Conference for owners and General Managers in Las Vegas.

See page 23 for details about how we are optimising our brand portfolio for our owners and guests.

For more information on the IHGOA see www.owners.org
Our culture, responsible business and stakeholders continued

Hotel guests and corporate clients

Who leads at IHG
- Board and Committees
- Executive Committee
- Senior Leaders
- Global Marketing function
- Hotel-facing operations

How we engage
- Board and Committee oversight, monitoring and review
- Hotel visits
- Corporate and brand websites
- IHG Rewards Club
- Guest HeartBeat surveys
- Guest relations
- Social media channels

We recognise that our hotel guests and corporate clients want to do business with a trusted company, with a reputation for strong business ethics, and a wide portfolio of hotel brands, which understands and responds to their environmental and community concerns.

See page 23 for details about how we are optimising our brand portfolio for our owners and guests.

Our activities
Strengthening our loyalty programme is one of our strategic drivers and a key foundation for engaging with our guests. See page 20 for more information.

As part of our purpose to provide True Hospitality for everyone we consider guest experience extremely important:

- We have a dedicated team with a customer-centric agenda focused on measuring guest satisfaction through data-driven insights derived from post-stay surveys and social reviews, which are validated and posted on IHG branded websites and social media. Data collected informs us how our hotels are performing, and helps us to support hotels to improve where required.
- We have nine contact centres in six countries, with over 3,300 agents on hand to help guests. They speak 13 different languages and handled 26.6 million guest issues and questions in 2019.
- Agents assist our guests with reservations, loyalty programme support and other customer service enquiries via telephone, email, on-line chat and social media.

During 2019 we continued to enhance guest experience through several technology initiatives, including IHG Connect, where guests can connect to wifi in our hotels with ease, and IHG Studio, where content from guests’ devices can be streamed in their individual hotel room. See page 9 for more information.

Whether for business or leisure, we know, through our guest insight efforts, that hotel guests increasingly want their stays to be more sustainable without any impact on the quality of their experience. See page 9 for information about our environmental activities, including our commitment to reducing plastic bathroom miniatures, which has received positive guest feedback.
Compliance Statements

As a UK publicly listed company we have to comply with numerous regulations. In order to make it easier to assess compliance, we have presented some of our compliance statements below. Our statement of compliance with the UK Corporate Governance Code can be found on pages 94 and 95.

Section 172(1)

A director of a company must act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

• the likely consequences of any decisions in the long-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 environment;
• the desirability of the company maintaining a reputation for high standards of business conduct; and
• the need to act fairly as between members of the company.

The Board considers that it has complied in all material respects with their s172(1) duties. Details of how the Board of Directors discharged its duties are set out in the Strategic Report pages 24 to 40 and should be read in conjunction with information disclosed in the Governance section, on pages 78 to 117. The Board and its Committees received Board papers, presentations and reports, participated in discussions and considered the impact of the Company’s activities on its key stakeholders, (wherever relevant), against the backdrop of the Company’s purpose, values and strategies.

Employee engagement

IHG has a number of forums, such as Town Halls, weekly office updates and performance metrics, through which employees are provided with information on matters of concern to them, including awareness of financial and economic factors affecting the performance of the Company, career development opportunities and Company policies and principles. In addition there are opportunities to give feedback to Senior Leaders, Executive Committee members and the Board through Q&A sessions, engagement surveys and the Voice of the Employee meetings. During 2019, an employee share plan was introduced, which also continues to raise awareness of the performance of the Company with employees. Further information about how the Board and Senior Leaders engaged with employees during the year, and have taken their interests into account, is set out on pages 28 to 33, and in the Governance section on pages 78 to 117.

Business relationships with suppliers, customers and others

As part of our strategic growth initiatives, the interests of our suppliers, guests and hotel owners are taken into account in our commercial decisions. We engage with them at all levels of the Company. Details of our relationship with them are set out on pages 38 to 40, and should be read together with our disclosures in the rest of the Strategic Report, as well as the Governance and Directors’ Report sections on pages 78 to 117 and 221 to 224.

Non-financial information

Non-financial information, including a description of policies, due diligence processes and outcomes, where applicable, is set out as follows:

• Environmental matters on page 34
• Social matters on page 35
• Anti-corruption and anti-bribery matters on pages 26 and 27
• Employee matters on pages 28 to 33
• Respect for human rights on pages 26 and 27
• A description of the Group’s business model on pages 10 to 13
• The Group’s principal risks on pages 48 to 53
• The Group’s KPIs on pages 42 to 45
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:

- 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

The Annual Performance Plan
LT The Long Term Incentive Plan

1. Build and leverage scale
2. Strengthen loyalty programme
3. Enhance revenue delivery
4. Evolve owner proposition
5. Optmise our preferred portfolio of brands for owners and guests

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

1. Our people
2. Environment
3. Community
4. Responsible procurement
5. Procurement

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:

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 EMEA 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.
  - The acquisition of Six Senses and signing of a further ten deals post-acquisition.
  - 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.

KPIs

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</tr>
<tr>
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</tr>
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Signings

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<td>75,812</td>
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*See reorganisation costs on page 72 for further information.*
2019 status and 2020 priorities

Continued Crowne Plaza Accelerate programme, a multi-year LT
Rolled out new prototypes and designs for Holiday Inn and Holiday Inn (see page 10).

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
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).

KPIs

Growth in underlying fee revenues
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.

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<tr>
<td>2019</td>
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Total gross revenue from hotels in IHG’s System

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<td>2019</td>
<td>$27.9bn</td>
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<tr>
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<td>$27.4bn</td>
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<tr>
<td>2017</td>
<td>$25.7bn</td>
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System contribution to revenue

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<tr>
<td>2019</td>
<td>79%</td>
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<td>76%</td>
<td>2016</td>
</tr>
<tr>
<td>2015</td>
<td>73%</td>
<td></td>
</tr>
</tbody>
</table>

Global RevPAR growth

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>-0.3%</td>
<td>2018</td>
</tr>
<tr>
<td>2017</td>
<td>2.7%</td>
<td>2016</td>
</tr>
<tr>
<td>2015</td>
<td>4.4%</td>
<td></td>
</tr>
</tbody>
</table>

Guest Love

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>82.4%</td>
<td>2018</td>
</tr>
<tr>
<td>2017</td>
<td>80.9%</td>
<td>2016</td>
</tr>
<tr>
<td>2015</td>
<td>79.5%</td>
<td></td>
</tr>
</tbody>
</table>

2019 status

- Net System size growth of 5.6% supported growth in underlying fee revenue of 2% in a weaker RevPAR environment.
- Drew 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.

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.

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.

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.

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

**Fee margin**
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).

<table>
<thead>
<tr>
<th>Year</th>
<th>Fee Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>54.1%</td>
</tr>
<tr>
<td>2018</td>
<td>53.3%</td>
</tr>
<tr>
<td>2017</td>
<td>53.4%</td>
</tr>
</tbody>
</table>

**Free cash flow**
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).

<table>
<thead>
<tr>
<th>Year</th>
<th>Free Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$509m</td>
</tr>
<tr>
<td>2018</td>
<td>$611m</td>
</tr>
<tr>
<td>2017</td>
<td>$516m</td>
</tr>
<tr>
<td>2016</td>
<td>$551m</td>
</tr>
<tr>
<td>2015</td>
<td>$466m</td>
</tr>
</tbody>
</table>

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.

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* 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.

* 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.

* 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.
KPIs

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).

<table>
<thead>
<tr>
<th>2019</th>
<th>15,081</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>13,531</td>
</tr>
<tr>
<td>2017</td>
<td>13,633</td>
</tr>
<tr>
<td>2016</td>
<td>11,985</td>
</tr>
<tr>
<td>2015</td>
<td>9,287</td>
</tr>
</tbody>
</table>

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.

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).

<table>
<thead>
<tr>
<th>2019</th>
<th>26.70kgCO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>27.71kgCO₂e</td>
</tr>
<tr>
<td>2017</td>
<td>28.37kgCO₂e</td>
</tr>
<tr>
<td>2016</td>
<td>29.36kgCO₂e</td>
</tr>
<tr>
<td>2015</td>
<td>30.84kgCO₂e</td>
</tr>
</tbody>
</table>

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).

Employee Engagement survey scores
Average of our revised 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).

<table>
<thead>
<tr>
<th>2019</th>
<th>86.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>86.0%</td>
</tr>
<tr>
<td>2017</td>
<td>85.0%</td>
</tr>
<tr>
<td>2016</td>
<td>88.7%</td>
</tr>
<tr>
<td>2015</td>
<td>87.3%</td>
</tr>
</tbody>
</table>

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.
• 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.

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* 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.

* 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.
Our risk management

Our growth ambition in a fast-moving and innovative business environment means that we must consider risk as a central part of the definition and execution of our strategy. The Board and Executive Committee have collaborated closely throughout 2019 to ensure that risk assessment, mitigation strategies and plans are integrated into broader consideration of our short-term goals and longer-term strategic initiatives and key projects.

The Board’s role in risk management – stewardship and partnership
The Board is ultimately accountable for the effectiveness of our risk management and internal control systems, and is supported by the Audit Committee, Executive Committee and delegated committees. Our regional and functional leaders, supported by the Risk & Assurance team, conduct strategic planning and business performance reviews throughout the year which monitor emerging risks – new or changing factors which require further consideration to determine the potential significance to our business. Our governance framework and committee agendas establish procedures for Board members to receive information from the Executive Committee and Senior Leaders and a range of other internal and external sources on emerging risks. More detail on the topics covered by the Board and committees is available in the Corporate Governance section, pages 78 to 117.

During 2019 the topics have included:
• many long-term industry and macroeconomic risk factors (within Board strategy meeting and committee discussions), often alongside management’s own presentations of plans and projects;
• discussion of risks relating to longer-term sustainability, shifting societal expectations, human rights and our evolving responsibilities across our supply chain (Corporate Responsibility Committee);
• emerging tax, treasury and regulatory risks, for example relating to privacy and data protection (Audit Committee);
• cultural, succession and retention risks and the competitiveness of director and executive remuneration (Remuneration and Nomination Committees).

While the Board oversees the risk management system to ensure that risks and opportunities are appropriately identified and managed to an acceptable level, it works in partnership with the Executive Committee and Senior Leaders to maintain and, where necessary, accelerate the understanding of key risk topics. This is particularly relevant in relation to cybersecurity, where the Board have met regularly with management outside of formal meetings to enable a more detailed appreciation of the risks and risk management strategies available to us to manage them.

Our enterprise risk management framework adopts a mitigate/transfer/accept approach, taking into account the potential impact on the ability of the Group to execute and deliver our objectives and strategy.

Risk appetite
IHG’s risk appetite is visible through the nature and extent of risk taken by the Board in pursuit of strategic and other business objectives. We cascade this appetite through the goals and targets we set, our Code of Conduct and other global policies, our formal Delegation of Authority policy including the governance structure of approval committees, decisions we make and how we allocate resources. It evolves with the IHG strategy. Our Annual Report and Form 20-F describes risk appetite in a number of places. For example, our appetite for financial risk is described in note 24 to the Group Financial Statements, see page 182. As a day-to-day example, decision makers in the business can refer to guidelines which articulate parameters for new hotel development deals.

This section should be read together with the rest of the Strategic Report, Governance on pages 78 to 117, the going concern statement on page 224, and Risk Factors on pages 226 to 230.

Risk management supports decision making
Our risk management and internal control system is fully integrated with the way we run the business and how we create and protect value in pursuit of our objectives.

Our culture, values and behaviours, see pages 26 and 27, establish authorities, capabilities and appropriate incentives for empowered and agile decision-making across our portfolio of risks by teams across IHG, supported by functional expertise.

Formal and informal monitoring, reporting and assurance arrangements, see page 27, enable the Board and Executive Committee to maintain ongoing oversight of key areas of uncertainty and the effectiveness of our risk management and internal control arrangements.
IHG’s principal risks and uncertainties

Our risk profile is structurally similar to that of a year ago, although the context within which we operate is highly dynamic reflecting the cyclical nature of our industry and global macroeconomic uncertainties.

Our discussions of risk also take place within a context of increasing scrutiny of the impact of our business on our stakeholders, and our longer-term sustainability. We have therefore split out our consideration of external factors to recognise both the risks relating to political and economic headwinds on our growth ambitions (for example disruption in key markets and trade wars) and also the requirement to anticipate and respond appropriately to the risks and opportunities relating to our environmental and social responsibilities.

We have also refreshed our crisis and incident management procedures during 2019, with the Executive Committee and many regional and functional leadership teams working through training and tabletop crisis scenarios to review and practice ways of working. The Risk and Assurance team provides support and intelligence on emerging threats and will continue to provide advice to management on procedures for risk identification and mitigation and control. We are continuing to monitor the evolving situation relating to Covid-19 and its impact on both our business and the industry as a whole, and we are working closely with relevant authorities.

Our programme to realise savings for reinvestment has led to a range of changes to organisation, accountabilities and processes, and a wide portfolio of initiatives is in place to pursue growth opportunities.

Our approach to risk management has therefore also evolved as part of our organisational focus on growth and how we take informed decisions in a fast moving environment. The Risk and Assurance team has continued to coordinate assessments of the principal risks facing the Group, including those which would threaten its business model, future performance, solvency or liquidity and reputation. These risks are formally reviewed with the Group’s Directors on a bi-annual basis and considered in more detail through the activities of the Board and committees, however risks are also discussed as an integral part of decision making across the year. In addition, focus on the behaviours necessary to drive growth has included cross-business participation in virtual learning summits, including how to make decisions at pace with the right governance and structure to maintain control.

Our strategy requires us to work increasingly with partners, intermediaries and other third parties, and access expertise and services which enable us to anticipate and respond to the needs of our owners, guests and colleagues, and to work efficiently and at scale. Many of our risks therefore reflect the changing nature of our extended enterprise and our responsibilities to our stakeholders. Some of these responsibilities, particularly in relation to our stewardship of data, are subject to significant changes in law and therefore highlighted as dynamic and demanding regular attention by senior management and the Board.

We continue to conclude that the potential impact of Brexit on IHG is not likely to have a material impact on our overall strategy or operations although, as with other external factors, this is considered as part of operational risk management and resilience planning, and a standing group reviews our preparedness for operational disruption. The impact of a potential movement in the value of sterling is articulated in note 24 of the Group Financial Statements, see pages 182 to 185.
### Risk trend and speed of impact

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

<table>
<thead>
<tr>
<th>Inherent risk trend</th>
<th>Speed of potential impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable/Rapid</td>
<td>More gradual</td>
</tr>
<tr>
<td>Dynamic/Gradual</td>
<td>Rapid</td>
</tr>
<tr>
<td>Dynamic/Rapid</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Principal risk</th>
<th>Trend</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cybersecurity and information governance</td>
<td>Dynamic/Rapid</td>
<td></td>
</tr>
<tr>
<td>Preferred brands and loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership and talent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal, regulatory and ethical compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety and security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial management and control systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Channel management and technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerate growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macro external factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental and social mega trends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Channel management and technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerate growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macro external factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental and social mega trends</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Principal risks descriptions

#### Inherent risk trend

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Trend</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent threats to cybersecurity and information governance</td>
<td>Dynamic/Rapid</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dynamic/Gradual</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stable/Rapid</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Risk impact – link to our strategic priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent threats to cybersecurity and information governance</td>
<td>Build and leverage scale</td>
</tr>
<tr>
<td></td>
<td>Strengthen loyalty programme</td>
</tr>
<tr>
<td></td>
<td>Enhance revenue delivery</td>
</tr>
<tr>
<td></td>
<td>Evolve owner proposition</td>
</tr>
<tr>
<td></td>
<td>Optimise our preferred portfolio of brands for owners and guests</td>
</tr>
</tbody>
</table>

#### Initiatives to manage these risks

- Effective and appropriate leveraging of data that we have a right to use is a key aspect of the interface between our marketing and our commercial and technology activity. We take account of regulatory and ethical factors as part of the decision-making processes in relation to marketing and technological initiatives, and we also rely on appropriate governance and control arrangements to mitigate risks that the validity of data that we use is undermined by cyber-attacks or operational failures.
- Our 2019 focus has been on progressing a Board-endorsed roadmap of the highest priority and highest-value initiatives to build and maintain core elements of our cybersecurity posture.
- During the year our Chief Information Security Officer has worked with teams across IHG to increase sophistication in how we identify, protect, detect, respond and recover in relation to cyber risks. This has involved developments in our security governance and risk tracking, including discussion and assessment of an approach to high-value assets with the Executive Committee.
- We have continued to drive awareness of cybersecurity risk, including an anti-phishing campaign which tested corporate employees on phishing attacks. We also developed a cybersecurity incident response playbook which is aligned with wider IHG resilience and incident preparation protocols.
- The nature of our operating model means that significant amounts of IHG’s confidential information assets are also held by or shared with third-party suppliers and owners, and we review those risks as part of our broader supply chain risk management arrangements.
- Our information security programme is supported and reviewed by internal and external assurance activities, including our Internal Audit and SOX teams and PCI assessments.
- During 2019 we have reported regularly to the Board and the Executive Committee on the information security roadmap using key risk indicators to track trends in risk and mitigation initiatives. We also continue to work closely with our insurers to review the adequacy of protection for our risks and have assessed potential cyber incident scenarios, including quantification of value at risk, to better aid in risk-based discussions on remediation investment against risk acceptance and available risk transfer opportunities.
Failure to deliver preferred brands and loyalty could impact our competitive positioning, our growth ambitions and our reputation with guests and owners. Competitor and intermediation activity creates inherent risks and opportunities for the hospitality industry and is relevant to the longer-term value of IHG’s franchised/managed proposition and our ability to deliver returns to current and potential owners of our various brands.

In a fast growth environment, it is essential that we attract, develop and retain leadership and talent and failure to do this could impact our ability to achieve growth ambitions and execute effectively. Our people are essential to delivering our objectives, and our ability to develop talent is a key way we can deliver value to our existing and potential owners of both managed and franchised hotels. It is also essential that we retain key executive talent, both at the corporate and hotel levels, in the face of attractive roles and competitive rewards available in the global markets where we operate and compete.

Risk description

Trend

Impact

Initiatives to manage these risks

• To enable our growth ambitions, we need to continuously strengthen our portfolio of brands to build an industry-leading offer which delivers leading-edge guest preference, and competitive owner returns. For a description of our brands and brand initiatives see pages 14 to 17, and page 23.

• We are building the underlying capabilities to achieve our vision by: strengthening our new brand development; enhancing our marketing capability; refining our brand portfolio strategy; building improved data analytics capabilities; and scaling the production and efficiency of our global marketing assets.

• During 2019, our Global Marketing team has continued to evolve an operating framework to provide additional clarity and alignment on prioritisation and focus areas. We have also implemented changes to several ways of working between our global functions and regional operations teams to drive commercial performance, supported by learning events and engagement sessions.

• We are also executing a loyalty roadmap that includes tactical improvements to drive short-term performance and foundational levers to enable a longer-term step change to improve member benefits, owner economics and programme technology. See page 20 for more details on our 2019 initiatives.

• Our approach to managing our people is outlined in detail on pages 28 to 31 and our annual business planning process includes a review of workforce risks. We consider workforce risks when designing business initiatives and we regularly review talent and succession across the organisation. Our Human Resources team partners across IHG, and performs regular reviews including in relation to the diversity of our talent and competitiveness of our compensation and benefits plan.

• IHG has the ability to manage the risk directly in relation to IHG employees but relies on owners and third-party suppliers to manage the risk in related activities. Our Procurement, Legal and Risk teams also consider more indirect workforce risks relating to our third-party relationships.

• During 2019, we have continued to refine and streamline our performance management systems and embed a common set of leadership behaviours across IHG through employee participation in various virtual learning summits.

• Several policies supporting our Code of Conduct (for example our Human Rights Policy which is reviewed annually) relate to the management of our people, describing our intolerance for inappropriate behaviours, and appropriate adherence to those helps manage our risk.

• As our business expands through mergers and acquisition, we also undertake due diligence prior to transactions, and as part of integration activities, to evaluate and adapt relevant people practices.
Risk management continued

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Trend</th>
<th>Impact</th>
<th>Initiatives to manage these risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>The global business regulatory and contractual environment and societal expectations continue to evolve. Failure to ensure legal, regulatory and ethical compliance would impact IHG operationally and reputationally. Regulators are moving to impose significant fines for non-compliance, most notably in relation to privacy obligations and data security, and there is increasing attention on environmental, social and governance matters (for example relating to consumer protection, human rights including modern slavery, human trafficking and labour laws, and financial crime) from a range of external stakeholders such as corporate sales clients, investors and NGOs. With trading headwinds in some markets, increased pressure can be placed on compliance programmes, and a heightened risk of liabilities relating to our franchise model both in relation to brand reputation issues as well as litigation.</td>
<td></td>
<td></td>
<td>• Our global Ethics and Compliance team (E&amp;C team) are focused on ensuring IHG has a globally coordinated approach to material ethical and compliance risks, taking into account the regulatory environment, stakeholder expectations and IHG’s commitment to a culture of responsible business. • The overarching framework for Ethics and Compliance is the IHG Code of Conduct (Code), (see pages 26 and 27). In addition to the Code, the E&amp;C team manage the global compliance programmes for Anti-Bribery and Corruption, Antitrust/Competition Law, Sanctions and Human Rights. • A number of processes and initiatives are used by the E&amp;C team to manage ethical and compliance risks. For example, IHG is a member of Transparency International UK’s Business Integrity Forum and participates in its annual Corporate Anti-Corruption Benchmark. The findings from the Benchmark assessment are utilised predominantly by the E&amp;C team to identify improvements to the design of the IHG Anti-Bribery and Corruption programme. • The E&amp;C team are also responsible for, and have oversight of, the owner legal due diligence process. This is designed to ensure that risk-based due diligence is carried out on third-parties with whom IHG enters into hotel relationships. This includes sanctions monitoring, third-party screening and internal communications – for example, an annual update is communicated to the Legal, Development and Strategy teams and other relevant colleagues providing a reminder of ‘No Go’ countries and sanctions issues that may restrict IHG. • The E&amp;C team currently monitor training completions, gifts &amp; entertainment reporting and owner due diligence escalations. These areas help demonstrate whether the design of the Ethics &amp; Compliance framework and core processes of the underlying programmes are operating effectively. The E&amp;C team monitor activity of the Confidential Disclosure Channel and have regular discussions with regional Legal teams to help identify emerging issues. In addition, the E&amp;C team receive informal queries/escalation of issues via an Ethics and Compliance email channel, which is publicised in training and awareness materials, and directly from employees, for example in face-to-face training sessions. • The Board receives regular reports on the Confidential Reporting Channel and matters directly related to our responsible business agenda.</td>
</tr>
</tbody>
</table>

Failure to capitalise on innovation in booking technology and to maintain and enhance the functionality and resilience of our channel management and technology platforms (including those of third-parties on which we rely directly or indirectly), and to respond to changing guest and owner needs remains a dynamic risk to IHG’s revenues and growth ambitions. The pace of change in the hospitality industry continues to accelerate and IHG must evolve to effectively grow and compete in the marketplace. Technology is crucial to our strategy as we face increasing competition from both existing and new players in the travel space. | | | • Our comprehensive channels strategy is a key driver and enabler of accelerated growth. We continue to seek opportunities to align and innovate our channels and technology platforms (see page 21). Our IHG Concerto™ platform is operating at all IHG hotels, and we are continuing to add more capabilities to the platform to enhance revenue delivery. • Our Guest Reservation System (GRS) is hosted by a third-party vendor, Amadeus, in the cloud and supported by infrastructure which serves to decrease the likelihood of downtime. Availability of GRS and other key systems continues to be monitored on a 24/7 basis by the Network Operations Centre. Metrics are regularly reported to Commercial and Technology leaders so they can monitor performance. • As our industry evolves, and with our acquisition of new brands, we have continued to review the capabilities of our systems in relation to market trends and expectations. • In 2019, we also introduced regional revenue forums to focus on forecasting future business and determining integrated commercial plans to address challenges. |
IHG’s continuing agenda to accelerate growth gives rise to inherent risks, for example as we transition systems, operating models and processes. The potential exists to impact commercial performance and financial loss, and undermine stakeholder confidence. As we move towards larger, more strategic outsourcing relationships for business-critical services, inherent risk levels are also raised.

**Macro external factors** such as political and economic disruption, the emerging risk of infectious diseases, actual or threatened acts of terrorism or war, natural or man-made disasters could have an impact on our ability to perform and grow. Heightening of macro-economic tensions could lead to a downturn impacting our ability to grow.

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Trend</th>
<th>Impact</th>
<th>Initiatives to manage these risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHG’s continuing agenda to accelerate growth</td>
<td></td>
<td></td>
<td>• The progress of our Group-wide efficiency programme has been tracked by the Board and Executive Committee, and the majority of our centrally driven transformation activity has now transitioned to Senior Leaders.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Following the changes to our organisational structure in 2018, in 2019 we conducted corporate-wide virtual learning summits and we maintain a central digital hub for process and learning materials to enable our employees to find details about processes, learning content and key process owners.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Our focus on accelerating growth has included review of risks relating to offshoring and outsourcing by Senior Leaders and the Board. Our Strategic Supplier Management Office has been established to manage existing critical supplier relationships as well as new outsourcing and/or business-critical relationships driving our strategic objectives. Our legal teams review contracts and provide advice on litigation, where required, and our insurance programme also provides a degree of protection in the event of supplier failure.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Oversight teams, including our finance experts, have evolved governance and control frameworks and we also regularly review delegated approval authorities and processes to enable decisions on investments to be made quickly and efficiently with consideration of the risks involved. HR Business Partners continue to work with Senior Leaders to identify and retain key individuals across the business, and succession planning practices are in place to ensure continuity of key initiatives and business operations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• During 2019 we reviewed our financial governance and controls relating to the integration of our acquisitions. For example, the integration of Six Senses into IHG’s financial control environment has been overseen by a dedicated governance committee.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• We have an established approach to System Development Lifecycle, and specific risks to delivery of the Global Reservations System have been managed throughout the programme of implementation (including those relating to technical delivery, business process testing and operation readiness testing).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• While these factors are mostly outside our direct control, we track uncertainties which may impact the hospitality industry and which need to be considered in our strategic and financial planning. These types of risks are addressed in strategic review, including our market participation choices, particularly in emerging and key growth markets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• During 2019, many leadership teams have used formal and informal scenario planning to anticipate the potential impact of these risks. The Board and Executive Committee receive regular updates on these types of factors from both operational and subject matter experts so that possible implications for IHG can be considered.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Our in-house threat intelligence capability, supplemented by third-party expertise and methodology, supports development, hotel operations and customer-facing sales teams with planning and response to macro factors, for example concerns relating to terrorism, extreme weather events, or infectious diseases such as Covid-19. We are also increasingly able to complement more traditional sources with digital intelligence to anticipate potential impacts on IHG’s interests.</td>
</tr>
</tbody>
</table>
As a global business, we are conscious of greater focus from a wider range of stakeholders on environmental and social mega-trends. These include regulators and investor groups (such as the Task Force on Climate-related Financial Disclosures (TCFD), and emerging risks presented by climate change which have the potential to impact performance and growth in key markets.

During 2019, our Corporate Responsibility team worked collaboratively with teams across IHG (including Human Resources, Business Reputation and Responsibility and Procurement) to consider the broader environmental and social risks associated with our business. These risks and opportunities are considered as an integral part of Board strategy discussions in relation to our commitment to responsible business. In 2019, this culminated with the approval of a science-based target relating to carbon reduction.

As part of our responsible business strategy refresh work, we are also working with third-party experts to develop our responsible business targets for post 2020 and have made a formal commitment to implement the recommendations of the TCFD. In 2020 we will be developing a disclosure roadmap for the coming years. More broadly we recognise that continued collaboration across the wider industry is required to collectively combat climate change. We are taking an active role in this via our membership and active participation in several industry bodies, including the International Tourism Partnership (ITP) and the World Travel and Tourism Council (WTTC).

Our values and behaviours, underpinned by our Code of Conduct, inform our decision-making at all levels. For example, specific elements of our Code of Conduct define expectations for IHG employees in relation to human rights and the environment. Our Supplier Code of Conduct and Human Rights Policy have been updated during 2019 and our Procurement, Legal and Risk teams monitor supply chain and human rights risks, see pages 26 and 27.

The environment in which IHG develops and operates hotels continues to evolve and impacts the safety and security risks faced by IHG. These risks are assessed as stable overall, but our approach is reviewed continuously to ensure that it remains fit for purpose, and able to anticipate and respond to the risk of an incident damaging the Group’s reputation.

Our design and engineering, hotel opening and operations teams work together with our risk management experts to evaluate standards and develop capability to respond to an incident via training, intelligence tracking and standard operating procedures, and also deploy crisis management procedures where required for less predictable events.

For example, the risks of epidemics such as Covid-19, earthquakes and extreme weather events continue to pose a threat to IHG’s operations, and are managed through refresher training, advanced monitoring and warning and standard operating procedures.

In relation to geopolitical and terrorism risks, we deploy external industry benchmarking to allocate all pipeline and operational hotels a threat category. The category definitions are designed to guide hotels to make their own risk-based decisions on how to mitigate local security threats. Categories are reviewed regularly to adjust to the dynamic threat environment in which IHG develops and operates hotels.

We continue to monitor UK Government and Local Authority investigations into the Grenfell tragedy. We will review our own fire and safety requirements once any changes and/or recommendations to building regulations and best practice are published, and will work with owners and operators of IHG branded hotels to provide appropriate support and guidance.

IHG has also created a toolkit and resources for hotels to use to provide guests with menu allergen information, making it easier for them to identify ingredients they need to avoid.

Failure to maintain an effective safety and security system and to respond appropriately in the event of disruption or incidents affecting our operations more broadly could result in an adverse impact to IHG, such as reputational and/or financial damage and undermining confidence from our colleagues, guests, major sales accounts and wider stakeholders. This risk relates both to our direct operations in hotels and other locations where we have management responsibility, and also to outsourced activities and others with whom we collaborate and trade, including the owners of our franchised hotels which operate as independent businesses.
A material breakdown in financial management and control systems would lead to increased public scrutiny, regulatory investigation and litigation. This risk includes our ongoing (and stable) operational risks relating to our financial management and control systems; the continuing expectations of IHG’s management decision making and financial judgements, in response to evolving accounting standards, which have added complexity to our control responsibilities; and our own business model and transactions.

- We continue to operate an established set of processes across our financial control systems, which is verified through testing relating to our Sarbanes-Oxley compliance responsibilities. See pages 73 and 160 to 163 for details of our approach to taxation, page 73 for details of our approach to internal financial control, and pages 182 to 185 for specific details on financial risk management policies. These processes and our financial planning continue to evolve to reflect the changes in our management structure and business targets.
- To mitigate risks from adoption of the new accounting standard, IFRS 16 ‘Leases’, existing controls were modified and new controls added. Controls are revisited at least once a year for modification or addition.
- As our hotel estate evolves and grows, we also adapt our approach to financial control. Given the differences in the culture and ways of working across our regions, we apply globally and/or regionally consistent policies and procedures to manage the risks, such as fraud and reporting risks, wherever possible.
- Our Group insurance programmes are also maintained to support financial stability.
The Group’s annual planning process builds a robust three-year plan. The detailed three-year plan takes into consideration the principal risks, the Group’s strategy, and current market conditions. That plan then forms the basis for strategic actions taken across the business. The plan is approved annually by the Directors. Once approved, the plan is then cascaded to the business and used to set performance metrics and objectives. Performance against those metrics and objectives is then regularly reviewed by the Directors. The key assumptions included in the three-year plan relate to RevPAR, System size, no change to our stated dividend policy and existing debt facilities are being renewed as they mature.

In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighting downside risks that would threaten the business model, future performance, solvency and liquidity of the Group more heavily than opportunities. The scenarios modelled and their link to our principal risks outlined on pages 48 to 53 are set out below:

**Scenarios Modelled**

<table>
<thead>
<tr>
<th>Widespread cybersecurity breach</th>
<th>Link to Principal Risk(s)</th>
</tr>
</thead>
</table>
| This scenario models the impact of a specific material incident, which could relate to cybersecurity or an alternative material impact on the cash flow and income statement. | • Cybersecurity and information governance  
• Legal, regulatory and ethical compliance  
• Accelerate growth |

<table>
<thead>
<tr>
<th>Changes in RevPAR</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>This scenario models a prolonged decrease in RevPAR, which may be driven by external or internal factors.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>2008-2009 Financial Crisis</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>This represents the downturn that occurred from 2008 to 2009 (when the Board maintained the dividend despite the severity of the downturn in trading).</td>
<td></td>
</tr>
</tbody>
</table>

A reverse stress test of the business starting from the presumption of the Group having insufficient liquidity to continue trading was also modelled.

In each of the scenarios, the Directors also considered actions that would be taken if such events became a reality. These actions include a reduction in capital expenditure, salary freezes and suspension of bonus plans and the ordinary dividend. The results confirmed that the Group would be able to withstand the impact of each scenario.

The Directors have determined that the three-year period to 31 December 2022 is an appropriate period to be covered by the viability statement. Although hospitality industry business cycles are on average longer than three years, the end of those cycles has only resulted in declining RevPAR when that has been caused by exogenous shocks, and the decline in RevPAR has only lasted two years. The Board has therefore determined that no additional insight can be gained from assessing these scenarios over a longer period.

The Directors have assessed the viability of the Group over a three-year period to 31 December 2022, taking account of the Group’s current position, the Group’s strategy and the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2022.
Key performance measures (including Non-GAAP measures) used by management

The Annual Report and Form 20-F presents certain financial measures when discussing the Group’s performance which are not measures of financial performance or liquidity under International Financial Reporting Standards (IFRS). In management’s view these measures provide investors and other users with an enhanced understanding of IHG’s operating performance, profitability, financial strength and funding requirements. These measures do not have standardised meanings under IFRS, and companies do not necessarily calculate these in the same way. Accordingly, they should be viewed as complementary to, and not as a substitute for, the measures prescribed by IFRS and as included in the Group Financial Statements (see pages 132 to 138).

### Measure & Commentary

<table>
<thead>
<tr>
<th>Measure</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global revenue per available room (RevPAR) growth</strong></td>
<td>RevPAR is the primary metric used by management to track hotel performance across regions and brands. RevPAR is also a commonly used performance measure in the hotel industry.</td>
</tr>
<tr>
<td><strong>RevPAR</strong></td>
<td>RevPAR comprises IHG’s System (see Glossary, page 249) rooms revenue divided by the number of room nights available and can be derived from occupancy rate multiplied by average daily rate (ADR). ADR is rooms revenue divided by the number of room nights sold.</td>
</tr>
<tr>
<td><strong>References to RevPAR, occupancy and ADR</strong></td>
<td>References to RevPAR, occupancy and ADR are presented on a comparable basis, comprising groupings of hotels that have traded in all months in both the current and prior year. The principal exclusions in deriving this measure are new hotels (including those acquired), hotels closed for major refurbishment and hotels sold in either of the two years.</td>
</tr>
<tr>
<td><strong>RevPAR and ADR are quoted at a constant US$ conversion rate</strong></td>
<td>RevPAR and ADR are quoted at a constant US$ conversion rate, in order to allow a better understanding of the comparable year-on-year trading performance excluding distortions created by fluctuations in exchange rates.</td>
</tr>
<tr>
<td><strong>Total gross revenue in IHG’s System</strong></td>
<td>Total gross revenue is not wholly attributable to IHG, however, management believes this measure is meaningful to investors and other users as it provides a measure of System performance, giving an indication of the strength of IHG’s brands and the combined impact of IHG’s growth strategy and RevPAR performance.</td>
</tr>
<tr>
<td><strong>Owned, leased and managed lease revenue as recorded in the Group Financial Statements is reconciled to total gross revenue on page 61.</strong></td>
<td>Total gross revenue refers to revenue which IHG has a role in driving and from which IHG derives an income stream. IHG’s business model is described on pages 10 to 13. Total gross revenue comprises:</td>
</tr>
<tr>
<td><strong>Total rooms revenue from franchised hotels</strong></td>
<td>• total rooms revenue from franchised hotels;</td>
</tr>
<tr>
<td><strong>Total hotel revenue from managed hotels including food and beverage, meetings and other revenues and reflects the value IHG drives to managed hotel owners by optimising the performance of their hotels; and</strong></td>
<td>• total hotel revenue from managed hotels including food and beverage, meetings and other revenues and reflects the value IHG drives to managed hotel owners by optimising the performance of their hotels; and</td>
</tr>
<tr>
<td><strong>Total hotel revenue from owned, leased and managed lease hotels</strong></td>
<td>• total hotel revenue from owned, leased and managed lease hotels.</td>
</tr>
<tr>
<td><strong>Other than total hotel revenue from owned, leased and managed lease hotels, total gross hotel revenue is not revenue attributable to IHG as these managed and franchised hotels are owned by third-parties.</strong></td>
<td>Other than total hotel revenue from owned, leased and managed lease hotels, total gross hotel revenue is not revenue attributable to IHG as these managed and franchised hotels are owned by third-parties.</td>
</tr>
</tbody>
</table>

Revenue and operating profit measures

The reconciliation of the most directly comparable line item within the Group Financial Statements (i.e. total revenue and operating profit, accordingly) to the non-IFRS revenue and operating profit measures are included on pages 214 to 216.
Revenue and operating profit measures continued

- Revenues related to the reimbursement of costs – as described within the Group’s accounting policies (page 144), there is a cost equal to these revenues so there is no profit impact. Cost reimbursements are not applicable to all hotels and growth in these revenues is not reflective of growth in the performance of the Group. As such, management do not include these revenues in their analysis of results.
- Exceptional items are identified by virtue of either their size or nature and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, and reorganisation costs. As each item is different in nature and scope, there will be little continuity in the detailed composition and size of the reported amounts which affect performance in successive periods. Separate disclosure of these amounts facilitates the understanding of performance including and excluding such items.

In further discussing the Group’s performance in respect of revenue and operating profit, additional non-IFRS measures are used and explained further below:

- Underlying revenue;
- Underlying operating profit;
- Underlying fee revenue; and
- Fee margin.

Operating profit measures are, by their nature, before interest and tax. Management believes such measures are useful for investors and other users when comparing performance across different companies as interest and tax can vary widely across different industries or among companies within the same industry. For example, interest expense can be highly dependent on a company’s capital structure, debt levels and credit ratings. In addition, the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate.

Although management believe these measures are useful to investors and other users in assessing the Group’s ongoing financial performance and provide improved comparability between periods, there are limitations in their use as compared to measures of financial performance under IFRS. As such, they should not be considered in isolation or viewed as a substitute for IFRS measures. In addition, these measures may not necessarily be comparable to other similarly titled measures of other companies due to potential inconsistencies in the methods of calculation.

Underlying revenue and underlying operating profit

These measures adjust revenue from reportable segments and operating profit from reportable segments, respectively, to exclude revenue and operating profit generated by owned, leased and managed lease hotels which have been disposed and significant liquidated damages, which are not comparable year-on-year and are not indicative of the Group’s ongoing profitability. The revenue and operating profit of current year acquisitions are also excluded as these obscure underlying business results and trends when comparing to the prior year. In addition, in order to remove the impact of fluctuations in foreign exchange, which would distort the comparability of the Group’s operating performance, prior year measures are restated at constant currency using current year exchange rates.

Management believe these are meaningful to investors and other users to better understand comparable year-on-year trading and enable assessment of the underlying trends in the Group’s financial performance.

Underlying fee revenue growth

Underlying fee revenue is used to calculate underlying fee revenue growth. Underlying fee revenue is calculated on the same basis as underlying revenue as described above but for the fee business only. Management believes underlying fee revenue is meaningful to investors and other users as an indicator of IHG’s ability to grow the core fee-based business, aligned to IHG’s asset-light strategy.
<table>
<thead>
<tr>
<th>Measure</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fee margin</strong>&lt;br&gt;A&lt;sub&gt;106&lt;/sub&gt;</td>
<td>Fee margin is presented at actual exchange rates and is a measure of the profit arising from fee revenue. Fee margin is calculated by dividing ‘fee operating profit’ by ‘fee revenue’. Fee revenue and fee operating profit are calculated from the revenue from reportable segments and operating profit from reportable segments, as defined above, adjusted to exclude the revenue and operating profit from the Group’s owned, leased and managed lease hotels and significant liquidated damages. In addition, fee margin is adjusted for the results of the Group’s captive insurance company, where premiums are intended to match the expected claims (see page 144 to the Group Financial Statements), and as such these amounts are adjusted from the fee margin to better depict the profitability of the fee business. Management believes fee margin is meaningful to investors and other users as an indicator of the sustainable long-term growth in the profitability of IHG’s core fee-based business, as the scale of IHG’s operations increases with growth in IHG’s System size.</td>
</tr>
</tbody>
</table>

**Adjusted interest**<br>Financial income and financial expenses as recorded in the Group Financial Statements is reconciled to adjusted interest on page 218. | Adjusted interest excludes the following items of interest which are recorded within the System Fund: • IHG records an interest charge on the outstanding cash balance relating to the IHG Rewards Club programme. These interest payments are recognised as interest income for the Fund and interest expense for IHG. • The System Fund also benefits from the capitalisation of interest related to the development of the next-generation Guest Reservation System. As the Fund is included on the Group income statement, these amounts are included in the reported net group financial expenses, reducing the Group’s effective interest cost. Given results related to the System Fund are excluded from adjusted measures used by management, these are excluded from adjusted interest and adjusted earnings per share (see below). Management believes adjusted interest is a meaningful measure for investors and other users as it provides an indication of the comparable year-on-year expense associated with financing the business including the interest on any balance held on behalf of the System Fund. |

**Tax excluding the impact of exceptional items and System Fund**<br>A reconciliation of the tax charge as recorded in the Group Financial Statements to tax excluding the impact of exceptional items and System Fund can be found in note 8 to the Group Financial Statements on page 161. | As outlined above, exceptional items can vary year-on-year and, where subject to tax at a different rate than the Group as a whole, they can therefore impact the current year’s tax charge. The System Fund is not managed to a profit or loss for IHG over the long term and is, in general, not subject to tax either. Management believes removing these provides a better view of the Group’s underlying tax rate on ordinary operations and aids comparability year-on-year, thus providing a more meaningful understanding of the Group’s ongoing tax charge. |

**Adjusted earnings per ordinary share**<br>Basic earnings per ordinary share as recorded in the Group Financial Statements is reconciled to adjusted earnings per ordinary share in note 10 to the Group Financial Statements on page 164. | Adjusted earnings per ordinary share adjusts the profit available for equity holders used in the calculation of basic earnings per share to remove System Fund revenue and expenses, the items of interest related to the System Fund as excluded in adjusted interest (above), change in fair value of contingent purchase consideration, exceptional items, and the related tax impacts of such adjustments. Management believes that adjusted earnings per share is a meaningful measure for investors and other users as it provides a more comparable earnings per share measure aligned with how management monitors the business. |
**Net debt**
Net debt is used in the monitoring of the Group’s liquidity and capital structure and is used by management in the calculation of the key ratios attached to the Group’s bank covenants and in maintaining an investment grade credit rating (see page 12 for further discussion). Net debt is used by investors and other users to evaluate the financial strength of the business.

Net debt comprises loans and other borrowings, lease liabilities, the exchange element of the fair value of derivatives hedging debt values, less cash and cash equivalents.

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**Net capital expenditure**
Net capital expenditure provides an indicator of the capital intensity of IHG’s business model. Net capital expenditure is derived from net cash from investing activities, adjusted to include contract acquisition costs (net of repayments) and to exclude any material investments made in acquiring businesses, including any subsequent payments of deferred or contingent purchase consideration included within investing activities, which represent ongoing payments for acquisitions. In addition, System Fund depreciation and amortisation relating to property, plant and equipment and intangible assets, respectively, is added back, reducing the overall cash outflow. This reflects the way in which System Funded capital investments are re-charged to the System Fund, over the life of the asset (see page 13).

Management believes net capital expenditure is a useful measure as it illustrates the net capital investment by IHG, after taking into account capital recycling through asset disposal and the funding of strategic investments by the System Fund. It provides investors and other users with visibility of the cash flows which are allocated to long-term investments to drive the Group’s strategy.

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**Gross capital expenditure**
Gross capital expenditure represents the consolidated capital expenditure of IHG inclusive of System Fund capital investments (see page 13 for a description of System Fund capital investments and recent examples).

Gross capital expenditure is defined as net cash from investing activities, adjusted to include contract acquisition costs (key money). In order to demonstrate the capital outflow of the Group, cash flows arising from any disposals or distributions from associates and joint ventures are excluded. The measure also excludes any material investments made in acquiring businesses, including any subsequent payments of deferred or contingent purchase consideration included within investing activities, which represent ongoing payments for acquisitions.

Gross capital expenditure is reported as either maintenance, recyclable, or System Fund. This disaggregation provides useful information as it enables users to distinguish between:

- System Fund capital investments which are strategic investments to drive growth at hotel level;
- recyclable investments (such as investments in associates and joint ventures), which are intended to be recoverable in the medium term and are to drive the growth of the Group’s brands and expansion in priority markets; and
- maintenance capital expenditure (including contract acquisition costs), which represents a permanent cash outflow.

Management believe gross capital expenditure is a useful measure as it illustrates how the Group continues to invest in the business to drive growth. It also allows for comparison year-on-year.

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**Net capital expenditure, gross capital expenditure, free cash flow**
The reconciliation of the Group’s statement of cash flows (i.e. net cash from investing activities, net cash from operating activities, accordingly) to the non-IFRS capital expenditure and cash flow measures are included on page 217.

These measures have limitations as they omit certain components of the overall cash flow statement. They are not intended to represent IHG’s residual cash flow available for discretionary expenditures, nor do they reflect the Group’s future capital commitments. These measures are used by many companies, but there can be differences in how each company defines the terms, limiting their usefulness as a comparative measure. Therefore, it is important to view these measures only as a complement to the Group statement of cash flows.
<table>
<thead>
<tr>
<th>Measure</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>Free cash flow is net cash from operating activities adjusted to exclude: (1) the cash outflow arising from the purchase of shares by employee share trusts reflecting the requirement to satisfy incentive schemes which are linked to operating performance; (2) maintenance capital expenditure (excluding contract acquisition costs); (3) the principal element of lease payments; and (4) payments of deferred or contingent purchase consideration included within net cash from operating activities. In 2016, free cash flow was also adjusted for the cash receipt arising from the renegotiation of a long-term partnership agreement. Management believe free cash flow is a useful measure for investors and other users, as it represents the cash available to invest back into the business to drive future growth and pay the ordinary dividend, with any surplus being available for additional returns to shareholders.</td>
</tr>
</tbody>
</table>

The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 214 to 220 and the glossary on pages 248 to 249.

The following definitions have been amended and the prior year comparatives restated accordingly:

- The adoption of IFRS 16 ‘Leases’ (see pages 146 to 149 for further information) has impacted all but the revenue derived Non-GAAP measures. Prior year measures have therefore been restated to provide year on year comparability. The definitions of free cash flow and net debt have been amended following the adoption of IFRS 16:
  - Free cash flow: has been amended to include the principal element of lease payments, reflecting the non-discretionary nature of these lease payments.
  - Net debt: has been amended to include lease liabilities, providing consistency with metrics used by investors and rating agencies.
- The application of constant currency which impacts underlying revenue, underlying operating profit and underlying fee revenue has been amended so that prior period results are now restated using current year exchange rates, rather than restating current year results at prior period exchange rates. Management considers this to be a simplified approach and provides consistency between underlying results and the associated revenue and operating profit from reportable segments from which they are derived.
- Fee margin has been amended to exclude the results of the Group’s captive insurance company. Over the longer term, premiums are intended to match the expected claims, and as such these amounts are adjusted from the fee margin in order to provide a more comparable analysis of IHG’s year-on-year fee margin progression.
- Adjusted earnings per ordinary share have been amended to exclude the change in fair value of contingent purchase consideration. Since the changes in fair value are prone to volatility and are not necessarily reflective of the performance of the Group, excluding these amounts provides a more comparable year-on-year measure for investors and other users, aligned to how management monitor the business.
- Gross capital expenditure, net capital expenditure and free cash flow have been amended to adjust for payments of contingent and deferred purchase consideration, as applicable. As payments relate to prior year acquisitions the exclusion of these amounts provides a more representative year-on-year measure for investors and other users, aligned to how management monitor the business.
- Net capital expenditure has been amended to treat repayment of contract acquisition costs consistently with how this is reported internally.

The following Non-GAAP measure has been removed:

- Underlying earnings per ordinary share. This measure has been removed in order to rationalise the number of non-IFRS earnings per share measures.
During the year ended 31 December 2019, total revenue increased by $290m (6.7%) to $4,627m, whilst revenue from reportable segments increased by $150m (7.8%) to $2,083m, primarily resulting from 5.6% rooms growth and the annualised benefit of an addition of a portfolio of hotels in the UK in mid-2018. Operating profit and profit before tax increased by $48m (8.2%) and $60m (12.4%) respectively, due in part to a $97m lower in-year System Fund deficit, partially offset by an $82m increase in operating exceptional items, driven by $131m impairment charges ($81m recognised in relation to the UK leased portfolio and $50m in relation to Kimpton management agreements) as described in note 13 to the Group Financial Statements and on pages 139 and 140. Operating profit from reportable segments increased by $33m (4.0%) to $865m.

Underlying revenue and underlyihg operating profit increased by $123m (6.5%) and $47m (5.8%) respectively.

Comparable RevPAR decreased by 0.3% (including a decrease in average daily rate of 0.4%), IHG System size increased by 5.6% to 883,563 rooms, whilst underlying fee revenue increased by 2.0%.

Fee margin increased by 0.8% percentage points to 54.1%.

Basic earnings per ordinary share increased by 14.5% to 210.4¢, whilst adjusted earnings per ordinary share increased by 3.4% to 303.3¢.

For discussion of 2018 results, and the changes compared to 2017, prior to the restatements of those years in 2019 to reflect the adoption of IFRS 16, refer to the 2018 Annual Report and Form 20-F. The 2018 and 2017 results have been restated for IFRS 16 in the current year (see pages 146 to 149).

On a restated basis, profit before tax decreased by 26.2% from 2017 to 2018 (as previously reported: a decrease of 26.1%).

<table>
<thead>
<tr>
<th>Revenue*</th>
<th>2019 $m</th>
<th>2018 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>1,040</td>
<td>1,051</td>
<td>(1.0)</td>
<td>999</td>
<td>5.2</td>
</tr>
<tr>
<td>EMEAA</td>
<td>723</td>
<td>569</td>
<td>27.1</td>
<td>457</td>
<td>24.5</td>
</tr>
<tr>
<td>Greater China</td>
<td>135</td>
<td>143</td>
<td>(5.6)</td>
<td>117</td>
<td>22.2</td>
</tr>
<tr>
<td>Central</td>
<td>185</td>
<td>170</td>
<td>8.8</td>
<td>157</td>
<td>8.3</td>
</tr>
<tr>
<td>Revenue from reportable segments</td>
<td>2,083</td>
<td>1,933</td>
<td>7.8</td>
<td>1,730</td>
<td>11.7</td>
</tr>
<tr>
<td>System Fund revenues</td>
<td>1,373</td>
<td>1,233</td>
<td>11.4</td>
<td>1,242</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Reimbursement of costs</td>
<td>1,171</td>
<td>1,171</td>
<td>-</td>
<td>1,103</td>
<td>6.2</td>
</tr>
<tr>
<td>Total revenue</td>
<td>4,627</td>
<td>4,337</td>
<td>6.7</td>
<td>4,075</td>
<td>6.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating profit*</th>
<th>2019 $m</th>
<th>2018 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>700</td>
<td>673</td>
<td>4.0</td>
<td>648</td>
<td>3.9</td>
</tr>
<tr>
<td>EMEAA</td>
<td>217</td>
<td>206</td>
<td>5.3</td>
<td>175</td>
<td>17.7</td>
</tr>
<tr>
<td>Greater China</td>
<td>73</td>
<td>70</td>
<td>4.3</td>
<td>53</td>
<td>32.1</td>
</tr>
<tr>
<td>Central</td>
<td>(125)</td>
<td>(117)</td>
<td>6.8</td>
<td>(102)</td>
<td>14.7</td>
</tr>
<tr>
<td>Operating profit from reportable segments</td>
<td>865</td>
<td>832</td>
<td>4.0</td>
<td>774</td>
<td>7.5</td>
</tr>
<tr>
<td>System Fund result</td>
<td>(49)</td>
<td>(146)</td>
<td>(66.4)</td>
<td>(34)</td>
<td>329.4</td>
</tr>
<tr>
<td>Operating profit before exceptional items</td>
<td>816</td>
<td>866</td>
<td>19.0</td>
<td>740</td>
<td>(7.3)</td>
</tr>
<tr>
<td>Operating exceptional items</td>
<td>(186)</td>
<td>(104)</td>
<td>78.8</td>
<td>4</td>
<td>(2700.0)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>630</td>
<td>582</td>
<td>8.2</td>
<td>744</td>
<td>(21.8)</td>
</tr>
<tr>
<td>Net financial expenses</td>
<td>(115)</td>
<td>(96)</td>
<td>19.8</td>
<td>(91)</td>
<td>5.5</td>
</tr>
<tr>
<td>Fair value gains/(losses) on contingent purchase consideration</td>
<td>27</td>
<td>(4)</td>
<td>(775.0)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>542</td>
<td>482</td>
<td>12.4</td>
<td>653</td>
<td>(26.2)</td>
</tr>
</tbody>
</table>

| Earnings per ordinary share | | | | | |
|-----------------------------| | | | | |
| Basic | 210.4¢ | 183.7¢ | 14.5% | 276.7¢ | (33.6) |
| Adjusted | 303.3¢ | 293.2¢ | 3.4% | 243.0¢ | 20.7% |
| Average US dollar to sterling exchange rate | | | | | |
| $1: | £0.78 | €0.75 | 4.0 | £0.78 | (3.8) |

* Americas and EMEAA include revenue and operating profit before exceptional items from both fee business and owned, leased and managed lease hotels. Greater China includes revenue and operating profit before exceptional items from fee business.

b Definitions for Non-GAAP revenue and operating profit measures can be found on pages 55 to 59. Reconciliations of these measures to the most directly comparable line items with the Group Financial Statements can be found on pages 214 to 216.
### Total gross revenue in IHG’s System

<table>
<thead>
<tr>
<th>Analysed by brand</th>
<th>2019 $bn</th>
<th>2018 $bn</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>5.1</td>
<td>5.1</td>
<td>–</td>
</tr>
<tr>
<td>Kimpton</td>
<td>1.4</td>
<td>1.3</td>
<td>7.7</td>
</tr>
<tr>
<td>HUALUXE</td>
<td>0.1</td>
<td>0.1</td>
<td>–</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>4.3</td>
<td>4.5</td>
<td>(4.4)</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>0.6</td>
<td>0.5</td>
<td>20.0</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>0.1</td>
<td>0.1</td>
<td>–</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>6.3</td>
<td>6.5</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>7.3</td>
<td>7.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>1.0</td>
<td>0.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>0.9</td>
<td>0.8</td>
<td>12.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.8</td>
<td>0.5</td>
<td>60.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27.9</td>
<td>27.4</td>
<td>1.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysed by ownership type</th>
<th>2019 $bn</th>
<th>2018 $bn</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>27.3</td>
<td>27.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>0.6</td>
<td>0.4</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27.9</td>
<td>27.4</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Total gross revenue in IHG’s System increased by 1.8% (3.3% increase at constant currency) to $27.9bn, driven by a RevPAR decline of 0.3% more than offset by IHG System size growth.

---

**Accounting principles**

The Group results are prepared under International Financial Reporting Standards (IFRS) and following the adoption of IFRS 16 ‘Leases’ the 2018 comparatives have been restated. The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on pages 139 to 140 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this performance review are calculated after eliminating these exceptional items. An analysis of exceptional items is included in note 6 on page 158 of the Group Financial Statements.
During 2019, the global IHG System (the number of hotels and rooms which are franchised, managed, owned, leased or managed lease) increased by 300 hotels (47,022 rooms) to 5,903 hotels (883,563 rooms).

Openings of 411 hotels (65,220 rooms) were 13.5% higher than in 2018. Openings in the Americas included 150 hotels (16,993 rooms) in the Holiday Inn Brand Family. 90 hotels (15,335 rooms) were opened in EMEAA in 2019, with the Greater China region also contributing openings of 88 hotels (23,764 rooms). 111 hotels (18,198 rooms) left the IHG System in 2019, compared to 107 hotels (17,877 rooms) in 2018.

### Group hotel and room count

#### At 31 December

<table>
<thead>
<tr>
<th>Brand</th>
<th>Hotels 2019</th>
<th>Change over 2018</th>
<th>Rooms 2019</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six Senses</strong></td>
<td>18</td>
<td>18</td>
<td>1,448</td>
<td>1,448</td>
</tr>
<tr>
<td><strong>Regent</strong></td>
<td>6</td>
<td>-</td>
<td>2,003</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>InterContinental</strong></td>
<td>212</td>
<td>8</td>
<td>70,981</td>
<td>1,700</td>
</tr>
<tr>
<td><strong>Kimpston</strong></td>
<td>66</td>
<td>-</td>
<td>13,046</td>
<td>131</td>
</tr>
<tr>
<td><strong>HUALUXE</strong></td>
<td>9</td>
<td>1</td>
<td>2,710</td>
<td>375</td>
</tr>
<tr>
<td><strong>Crowne Plaza</strong></td>
<td>431</td>
<td>2</td>
<td>120,582</td>
<td>414</td>
</tr>
<tr>
<td><strong>Hotel Indigo</strong></td>
<td>118</td>
<td>16</td>
<td>14,574</td>
<td>1,825</td>
</tr>
<tr>
<td><strong>EVEN Hotels</strong></td>
<td>13</td>
<td>3</td>
<td>1,949</td>
<td>398</td>
</tr>
<tr>
<td><strong>voco</strong></td>
<td>12</td>
<td>10</td>
<td>4,293</td>
<td>3,762</td>
</tr>
<tr>
<td><strong>Holiday Inn</strong></td>
<td>1,284</td>
<td>33</td>
<td>239,894</td>
<td>6,042</td>
</tr>
<tr>
<td><strong>Holiday Inn Express</strong></td>
<td>2,875</td>
<td>149</td>
<td>299,234</td>
<td>19,718</td>
</tr>
<tr>
<td><strong>avid hotels</strong></td>
<td>7</td>
<td>6</td>
<td>635</td>
<td>548</td>
</tr>
<tr>
<td><strong>Staybridge Suites</strong></td>
<td>300</td>
<td>24</td>
<td>32,833</td>
<td>2,416</td>
</tr>
<tr>
<td><strong>Candlewood Suites</strong></td>
<td>410</td>
<td>14</td>
<td>38,332</td>
<td>1,122</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>142</td>
<td>16</td>
<td>41,249</td>
<td>7,125</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,903</td>
<td>300</td>
<td>883,563</td>
<td>47,022</td>
</tr>
</tbody>
</table>

#### Analysed by ownership type

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Hotels 2019</th>
<th>Change over 2018</th>
<th>Rooms 2019</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Franchised</strong></td>
<td>4,870</td>
<td>255</td>
<td>614,974</td>
<td>37,995</td>
</tr>
<tr>
<td><strong>Managed</strong></td>
<td>1,007</td>
<td>42</td>
<td>262,253</td>
<td>8,687</td>
</tr>
<tr>
<td><strong>Owned, leased and managed lease</strong></td>
<td>26</td>
<td>3</td>
<td>6,336</td>
<td>340</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,903</td>
<td>300</td>
<td>883,563</td>
<td>47,022</td>
</tr>
</tbody>
</table>

### Group pipeline

#### At 31 December

<table>
<thead>
<tr>
<th>Brand</th>
<th>Hotels 2019</th>
<th>Change over 2018</th>
<th>Rooms 2019</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six Senses</strong></td>
<td>25</td>
<td>25</td>
<td>1,770</td>
<td>1,770</td>
</tr>
<tr>
<td><strong>Regent</strong></td>
<td>5</td>
<td>2</td>
<td>944</td>
<td>430</td>
</tr>
<tr>
<td><strong>InterContinental</strong></td>
<td>65</td>
<td>5</td>
<td>17,018</td>
<td>1,223</td>
</tr>
<tr>
<td><strong>Kimpston</strong></td>
<td>33</td>
<td>6</td>
<td>6,203</td>
<td>1,729</td>
</tr>
<tr>
<td><strong>HUALUXE</strong></td>
<td>22</td>
<td>1</td>
<td>6,180</td>
<td>81</td>
</tr>
<tr>
<td><strong>Crowne Plaza</strong></td>
<td>88</td>
<td>9</td>
<td>24,506</td>
<td>2,372</td>
</tr>
<tr>
<td><strong>Hotel Indigo</strong></td>
<td>101</td>
<td>9</td>
<td>15,148</td>
<td>2,070</td>
</tr>
<tr>
<td><strong>EVEN Hotels</strong></td>
<td>26</td>
<td>8</td>
<td>4,342</td>
<td>1,158</td>
</tr>
<tr>
<td><strong>voco</strong></td>
<td>17</td>
<td>9</td>
<td>6,220</td>
<td>4,710</td>
</tr>
<tr>
<td><strong>Holiday Inn</strong></td>
<td>275</td>
<td>(13)</td>
<td>52,909</td>
<td>(2,742)</td>
</tr>
<tr>
<td><strong>Holiday Inn Express</strong></td>
<td>754</td>
<td>(30)</td>
<td>95,874</td>
<td>(2,550)</td>
</tr>
<tr>
<td><strong>avid hotels</strong></td>
<td>207</td>
<td>36</td>
<td>19,068</td>
<td>3,257</td>
</tr>
<tr>
<td><strong>Staybridge Suites</strong></td>
<td>182</td>
<td>-</td>
<td>20,734</td>
<td>(115)</td>
</tr>
<tr>
<td><strong>Candlewood Suites</strong></td>
<td>91</td>
<td>(11)</td>
<td>8,186</td>
<td>(935)</td>
</tr>
<tr>
<td><strong>Atwell Suites</strong></td>
<td>10</td>
<td>10</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>17</td>
<td>(7)</td>
<td>2,941</td>
<td>(1,363)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,918</td>
<td>59</td>
<td>283,043</td>
<td>12,095</td>
</tr>
</tbody>
</table>

#### Analysed by ownership type

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Hotels 2019</th>
<th>Change over 2018</th>
<th>Rooms 2019</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Franchised</strong></td>
<td>1,411</td>
<td>13</td>
<td>166,641</td>
<td>5,298</td>
</tr>
<tr>
<td><strong>Managed</strong></td>
<td>506</td>
<td>46</td>
<td>116,247</td>
<td>6,797</td>
</tr>
<tr>
<td><strong>Owned, leased and managed lease</strong></td>
<td>1</td>
<td>-</td>
<td>155</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,918</td>
<td>59</td>
<td>283,043</td>
<td>12,095</td>
</tr>
</tbody>
</table>

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“2019 was a year of growth for IHG’s largest region as we marked our highest number of new hotel openings in eight years. We also strengthened our established brands, drove continued growth of avid hotels including the first new property in Mexico, and launched the Atwell Suites brand, which now has projects signed across the US.”

Elie Maalouf
Chief Executive Officer, Americas

**Americas revenue 2019 ($1,040m)**

- 50%

**Americas number of rooms (524,647)**

- 60%

**Regional priorities**

- Strengthen our established brands through the adoption of the Formula Blue design for Holiday Inn Express and the introduction of new design prototypes for multiple other mainstream brands.
- Deliver on our upscale and luxury proposition with growth across brands, including adding 17 hotels to our pipeline in 2019. We’re also looking forward to bringing Six Senses to the region, with locations coming soon to New York City and the Galapagos Islands.
- Continue transformation of the Crowne Plaza brand with the Accelerate Ahead programme.
- Continue momentum for avid hotels with new hotels opened across the US in 2019, the first property under construction in Mexico and more than 200 in the pipeline.

**Regional highlights**

**Launch of Atwell Suites**

- Atwell Suites was created to target an estimated $18 billion industry segment which has grown by 70 percent over the last four years and is a complement to IHG’s established brands. The prototype for the all-suites hotel brand features 96 guest rooms with distinct zones for living and sleeping, public spaces such as a double-height, open lobby that suits guests’ transition from work to leisure, and inspiring food and beverage options.
- Atwell Suites has received strong owner interest with 10 signings in Q4 2019. The first hotels are expected to begin construction in 2020 and open in 2021.

**Comparable RevPAR movement on previous year**

(12 months ended 31 December 2019)

<table>
<thead>
<tr>
<th>Fee business</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>0.7%</td>
</tr>
<tr>
<td>Kimpton</td>
<td>2.2%</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>0.2%</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>0.1%</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>0.1%</td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>All brands</td>
<td>(0.1%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owned, leased and managed lease</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>InterContinental</td>
<td>3.0%</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>0.9%</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>6.2%</td>
</tr>
<tr>
<td>All brands</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

**Industry performance in 2019**

Industry RevPAR in the Americas increased by 1.0%, driven by 1.3% average daily rate growth that was partially offset by a 0.2ppt decline in occupancy. Occupancy levels remain high, falling just below the record set in 2018. Room demand grew 1.7%, a lower rate of growth than 2018. Supply growth remained broadly in line with 2018 at 2.0%.

US lodging industry room demand advanced 2.0% in 2019, whilst supply growth also increased 2.0%, remaining the highest it has been in ten years. US industry RevPAR increased by 0.9% in 2019, driven by average daily rate growth of 1.0%. RevPAR in the US upper midscale chain scale, where the Holiday Inn and Holiday Inn Express brands operate, declined by 0.2%, impacted by supply growth.

In Canada, industry RevPAR declined by 0.2%, driven by a 0.9ppt occupancy decline, and in Mexico, RevPAR declined by 5.1%, led by a 2.6% decline in average daily rate.

**IHG’s regional performance in 2019**

IHG’s comparable RevPAR in the Americas declined by 0.1%, driven by a 0.2ppt occupancy decline, impacted by lower group business, despite growth in average daily rate. The region is predominantly represented by the US, where comparable RevPAR declined by 0.2%. In the US, we are most represented by our mainstream brands Holiday Inn and Holiday Inn Express. RevPAR in our mainstream brands declined, due to increased supply in the upper midscale segment, whilst outperforming the segment overall. US RevPAR for the Holiday Inn Express brand increased by 0.4%, whilst the Holiday Inn brand declined by 1.1%.

In Canada, RevPAR declined by 1.4%, whilst Mexico RevPAR declined by 2.2%, led by occupancy declines.
For discussion of 2018 results, and the changes compared to 2017, prior to the restatements of those years in 2019 to reflect the adoption of IFRS 16, refer to the 2018 Annual Report and Form 20-F. The 2018 and 2017 results have been restated for IFRS 16 in the current year (see pages 146 to 149).

On a restated basis, operating profit decreased by 7.0% from 2017 to 2018 (as previously reported: a decrease of 7.1%).

<table>
<thead>
<tr>
<th>Revenue from the reportable segment*</th>
<th>2019 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2018 $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>853</td>
<td>–</td>
<td>811</td>
<td>5.2</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>187</td>
<td>(5.6)</td>
<td>188</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>1,040</td>
<td>(1.0)</td>
<td>999</td>
<td>5.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating profit from the reportable segment*</th>
<th>2019 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2018 $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee business</td>
<td>663</td>
<td>3.9</td>
<td>613</td>
<td>4.1</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>37</td>
<td>5.7</td>
<td>35</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>700</td>
<td>4.0</td>
<td>648</td>
<td>3.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating exceptional items</th>
<th>2019 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2018 $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(62)</td>
<td>(62)</td>
<td>72.2</td>
<td>37</td>
<td>(197.3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>2019 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2018 $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>638</td>
<td>638</td>
<td>0.2</td>
<td>685</td>
<td>(7.0)</td>
</tr>
</tbody>
</table>

With 4,307 hotels (524,647 rooms), the Americas represented 60% of the Group's room count. The key profit-generating region is the US, although the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 89% of rooms in the region are operated under the franchise business model, primarily under our mainstream brands (including the Holiday Inn Brand Family). In the upscale market segment, Crowne Plaza is predominantly franchised whereas, in the luxury market segment, InterContinental-branded hotels are operated under both franchise and management agreements, whilst Kimpton is predominantly managed. 12 of the Group’s 16 hotel brands are represented in the Americas.

Revenue and operating profit from the reportable segment are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue⁴ remained in line with 2018 at $853m, partly impacted by adverse foreign exchange⁵ ($2m), whilst fee business operating profit⁴ increased by $25m (3.9%) to $663m, also partly impacted by adverse foreign exchange⁵ ($2m).

Owned, leased and managed lease revenue⁶ decreased by $11m (5.6%) to $187m, whilst operating profit⁶ increased by $2m (5.7%) to $37m, benefiting from strong trading across a number of hotels and the mitigation of losses by business interruption insurance at one hotel. There was no material impact of foreign exchange⁵ on either revenue or operating profit.

For discussion of 2018 results, and the changes compared to 2017, prior to the restatements of those years in 2019 to reflect the adoption of IFRS 16, refer to the 2018 Annual Report and Form 20-F. The 2018 and 2017 results have been restated for IFRS 16 in the current year (see pages 146 to 149).

On a restated basis, operating profit decreased by 7.0% from 2017 to 2018 (as previously reported: a decrease of 7.1%).

⁴ Americas reportable segment includes revenue and operating profit before exceptional items, excluding System Fund revenues and expenses and reimbursement of costs, for both fee business and owned, leased and managed lease hotels.

⁵ Definitions for Non-GAAP revenue and operating profit measures can be found on pages 55 to 59. Reconciliations of these measures to the most directly comparable line items with the Group Financial Statements can be found on pages 214 to 216.

⁶ The impact of movements between the previous year’s average exchange rates and actual average exchange rates in 2019.
### Americas hotel and room count

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2018</th>
<th>Rooms</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>InterContinental</td>
<td>51</td>
<td>17,896</td>
<td>143</td>
<td></td>
</tr>
<tr>
<td>Kimpton</td>
<td>61</td>
<td>11,997</td>
<td>(310)</td>
<td></td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>149</td>
<td>39,875</td>
<td>(1,624)</td>
<td></td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>64</td>
<td>8,267</td>
<td>772</td>
<td></td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>13</td>
<td>1,949</td>
<td>398</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>783</td>
<td>135,286</td>
<td>794</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>2,368</td>
<td>214,993</td>
<td>8,373</td>
<td></td>
</tr>
<tr>
<td>avid hotels</td>
<td>7</td>
<td>635</td>
<td>548</td>
<td></td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>283</td>
<td>30,244</td>
<td>2,121</td>
<td></td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>410</td>
<td>38,332</td>
<td>1,220</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>118</td>
<td>25,173</td>
<td>2,090</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,307</td>
<td>524,647</td>
<td>14,518</td>
<td></td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** | | | | |
| Franchised | 4,008 | (155) | 465,265 | (1,163) |
| Managed | 292 | (9) | 57,160 | (644) |
| Owned, leased and managed lease | 7 | 2,222 | (1) |
| **Total** | 4,307 | 524,647 | 14,518 |

Percentage of Group hotel and room count 73.0 (1.3)ppt 59.4 (1.6)ppt

---

### Americas pipeline

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2018</th>
<th>Rooms</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Senses</td>
<td>5</td>
<td>5</td>
<td>422</td>
<td>422</td>
</tr>
<tr>
<td>InterContinental</td>
<td>7</td>
<td>1</td>
<td>1,549</td>
<td>72</td>
</tr>
<tr>
<td>Kimpton</td>
<td>21</td>
<td>5</td>
<td>3,459</td>
<td>1,124</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>5</td>
<td>(1)</td>
<td>1,093</td>
<td>(170)</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>37</td>
<td>2</td>
<td>5,172</td>
<td>649</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>15</td>
<td>5</td>
<td>1,866</td>
<td>570</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>98</td>
<td>(28)</td>
<td>12,506</td>
<td>(3,546)</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>448</td>
<td>(51)</td>
<td>43,103</td>
<td>(4,517)</td>
</tr>
<tr>
<td>avid hotels</td>
<td>206</td>
<td>35</td>
<td>18,853</td>
<td>3,042</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>162</td>
<td>(1)</td>
<td>16,874</td>
<td>(28)</td>
</tr>
<tr>
<td>Candlewood Suites</td>
<td>91</td>
<td>(11)</td>
<td>8,186</td>
<td>(935)</td>
</tr>
<tr>
<td>Atwell Suites</td>
<td>10</td>
<td>10</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>(6)</td>
<td>2,779</td>
<td>(1,103)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,121</td>
<td>(35)</td>
<td>116,862</td>
<td>(3,420)</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** | | | | |
| Franchised | 1,077 | (38) | 109,886 | (3,671) |
| Managed | 44 | 3 | 6,876 | 251 |
| **Total** | 1,121 | (35) | 116,862 | (3,420) |

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*Includes 22 Holiday Inn Resort properties (6,003 rooms) and 28 Holiday Inn Club Vacations properties (8,592 rooms), (2018: 23 Holiday Inn Resort properties (6,184 rooms) and 27 Holiday Inn Club Vacations properties (7,927 rooms)).

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Americas hotel and room count:

- **Total number of hotels**: 4,307
- **Total number of rooms**: 524,647

Americas System size increased by 146 hotels (14,518 rooms) to 4,307 hotels (524,647 rooms) during 2019. 233 hotels (26,121 rooms) opened in the year, compared to 208 hotels (22,248 rooms) in 2018. Openings included 150 hotels (16,993 rooms) in the Holiday Inn Brand Family, representing 64.4% of the region’s hotel openings.

87 hotels (11,603 rooms) were removed from the Americas System in 2019, demonstrating our continued commitment to quality, compared to 76 hotels (9,579 rooms) in 2018.

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Americas pipeline:

- **Total number of hotels in the pipeline**: 1,121
- **Total number of rooms in the pipeline**: 116,862

At 31 December 2019, the Americas pipeline totalled 1,121 hotels (116,862 rooms), representing a decrease of 35 hotels (3,420 rooms) over the prior year. Signings of 305 hotels (32,956 rooms) were behind last year by 111 hotels (9,810 rooms). The majority of 2019 signings were within our mainstream brands including the Holiday Inn Brand Family (117 hotels, 12,982 rooms), our extended stay brands, Staybridge Suites and Candlewood Suites (61 hotels, 5,856 rooms) and avid hotels (53 hotels, 4,819 rooms), which continues to make good progress towards becoming IHG’s next brand of scale.

107 hotels (10,255 rooms) were removed from the pipeline in 2018 compared to 94 hotels (9,340 rooms) in 2018.
“2019 was another year of strong growth for EMEAA, setting new records for hotel openings and signings through the expansion of both our established and newer brands in high-potential markets. Our agile business unit model continues to bring our teams closer to market and deliver benefits for guests and owners.”

Kenneth Macpherson
Chief Executive Officer, EMEAA

Industry performance in 2019
Industry RevPAR in EMEAA increased by 2.0%, driven by 1.5% average daily rate growth. In Europe room demand grew 1.9% and average daily rate advanced 2.6%, resulting in RevPAR growth of 3.2%. UK industry RevPAR increased 0.4% driven by 0.8% average daily rate growth. UK room demand was up 2.0%, slower growth than last year due to Brexit concerns, while supply growth was up from last year at 2.4% growth. In Germany, industry RevPAR was up 1.2%, driven by 0.7% growth in average daily rate and a 3.1% increase in demand.

RevPAR declined 1.8% in the Middle East. Excluding Egypt, RevPAR declined 5.3% in the Middle East, as supply increased 6.1%. India saw RevPAR increase 4.1%.

Elsewhere in EMEAA, several major markets saw RevPAR declines in 2019, including Japan (0.2%), Australia (1.9%), and Thailand (5.9%), driven by occupancy declines.

IHG’s regional performance in 2019
EMEAA RevPAR grew 0.3%, driven by a 0.7ppt growth in occupancy. In the UK, where IHG has the largest regional presence, RevPAR increased 0.6%, led by growth in London of 2.5%. Germany achieved RevPAR growth of 2.2% driven by average daily rate and occupancy growth, whilst France declined by 0.7%, impacted by social unrest in Paris.

RevPAR in the Middle East declined 2.8%, due to increased supply. Excluding Egypt, RevPAR declined by 3.1%. India RevPAR grew 6.1% driven by average daily rate. Japan RevPAR grew 1.2% driven by average daily rate whilst Australia RevPAR declined 1.2% due to oversupply in certain cities.
Highlights for the year ended 31 December 2019

Comprising 1,126 hotels (223,370 rooms) at the end of 2019, EMEAA represented 25% of the Group’s room count. Revenues are primarily generated from hotels in the UK and gateway cities in continental Europe, the Middle East and Asia. The largest portion of rooms in the UK and continental Europe are operated under the franchise business model, primarily under our mainstream brands (Holiday Inn and Holiday Inn Express). Similarly, in the luxury market segment, Crowne Plaza is predominantly franchised, whereas, in the luxury market segment, the majority of InterContinental-branded hotels are operated under management agreements. The majority of hotels in markets outside of Europe are operated under the managed business model.

Revenue from the reportable segment increased by $154m (27.1%) to $723m and operating profit decreased by $86m (44.3%) to $108m, impacted by a $97m increase in operating exceptional items, whilst both included the benefit of $11m significant liquidated damages (2018: $7m). Operating profit from the reportable segment increased by $11m (5.3%) to $217m. On an underlying basis, revenue increased by $112m (20.5%), and underlying operating profit increased by $19m (9.8%), driven by increases in net rooms supply and the annualisation of the UK portfolio transaction, that completed in July 2018.

Revenue and operating profit from the reportable segment are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue increased by $17m (5.3%) to $337m, partly impacted by adverse foreign exchange ($8m), whilst fee business operating profit remained in line with 2018 at $202m, but was also impacted by adverse foreign exchange ($6m). Comparable RevPAR increased by 0.3%, driven by gains in occupancy.

Owned, leased and managed lease revenue increased by $137m (55.0%) to $386m, due to the annualisation of the UK portfolio transaction, that completed in July 2018, and was partly impacted by adverse foreign exchange ($7m). Owned, leased and managed lease operating profit increased by $11m to $15m, driven by solid trading conditions outside the UK for a number of hotels and benefiting from partial usage of the IFRS 16 lease liability for the German lease hotels. Trading conditions in the UK in the second half of the year resulted in $17m of rental guarantee lease payments being charged against the IFRS 16 lease liability.

For discussion of 2018 results, and the changes compared to 2017, prior to the restatements of those years in 2019 to reflect the adoption of IFRS 16, refer to the 2018 Annual Report and Form 20-F. The 2018 and 2017 results have been restated for IFRS 16 in the current year (see pages 146 to 149).

On a restated basis, operating profit increased by 13.5% from 2017 to 2018 (as previously reported: an increase of 13.8%).

---

EMEAA results

<table>
<thead>
<tr>
<th>12 months ended 31 December</th>
<th>2019 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2018 Restated $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the reportable segment*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee business</td>
<td>337</td>
<td>5.3</td>
<td>294</td>
<td>8.8</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>386</td>
<td>55.0</td>
<td>163</td>
<td>52.8</td>
</tr>
<tr>
<td>Total</td>
<td>723</td>
<td>27.1</td>
<td>457</td>
<td>24.5</td>
</tr>
<tr>
<td>Operating profit from the reportable segment*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee business</td>
<td>202</td>
<td>-</td>
<td>167</td>
<td>21.0</td>
</tr>
<tr>
<td>Owned, leased and managed lease</td>
<td>15</td>
<td>275.0</td>
<td>8</td>
<td>(50.0)</td>
</tr>
<tr>
<td>Operating exceptional items</td>
<td>(109)</td>
<td>808.3</td>
<td>(4)</td>
<td>200.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>108</td>
<td>(44.3)</td>
<td>171</td>
<td>13.5</td>
</tr>
</tbody>
</table>

---

* EMEAA reportable segment includes revenue and operating profit before exceptional items, excluding System Fund revenues and expenses and reimbursement of costs, for both fee business and owned, leased and managed lease hotels.

** Definitions for Non-GAAP revenue and operating profit measures can be found on pages 55 to 59. Reconciliations of these measures to the most directly comparable line items with the Group Financial Statements can be found on pages 214 to 216.

---

The impact of movements between the previous year’s average exchange rates and actual average exchange rates in 2019.
EMEAA hotel and room count

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2018</th>
<th>Rooms</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Senses</td>
<td>17</td>
<td>17</td>
<td>1,326</td>
<td>1,326</td>
</tr>
<tr>
<td>Regent</td>
<td>3</td>
<td>–</td>
<td>771</td>
<td>2</td>
</tr>
<tr>
<td>InterContinental</td>
<td>113</td>
<td>7</td>
<td>33,515</td>
<td>1,216</td>
</tr>
<tr>
<td>Kimpton</td>
<td>4</td>
<td>2</td>
<td>920</td>
<td>312</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>186</td>
<td>4</td>
<td>46,411</td>
<td>152</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>41</td>
<td>6</td>
<td>4,439</td>
<td>691</td>
</tr>
<tr>
<td>voco</td>
<td>12</td>
<td>10</td>
<td>4,293</td>
<td>3,762</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>394</td>
<td>9</td>
<td>73,432</td>
<td>2,079</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>324</td>
<td>20</td>
<td>46,454</td>
<td>2,722</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>17</td>
<td>2</td>
<td>2,389</td>
<td>204</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>(2)</td>
<td>9,420</td>
<td>(195)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,126</td>
<td>75</td>
<td>223,370</td>
<td>12,271</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** |        |                  |       |                 |
| Franchised     | 773    | 47               | 126,455| 8,333           |
| Managed        | 334    | 25               | 92,801 | 3,597           |
| Owned, leased and managed lease | 19    | 3                | 4,114 | 341             |
| **Total**      | 1,126  | 75               | 223,370| 12,271         |

Percentage of Group hotel and room count: 19.1%

During 2019, EMEAA System size increased by 75 hotels (12,271 rooms) to 1,126 hotels (223,370 rooms). 90 hotels (15,335 rooms) opened in EMEAA in 2019, compared to 77 hotels (15,283 rooms) in 2018. 75 hotels (1,862 rooms) left the EMEAA System in the period, compared to 17 hotels (3,260 rooms) in the previous year.

EMEAA pipeline

<table>
<thead>
<tr>
<th>At 31 December</th>
<th>Hotels</th>
<th>Change over 2018</th>
<th>Rooms</th>
<th>Change over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Senses</td>
<td>17</td>
<td>17</td>
<td>1,179</td>
<td>1,179</td>
</tr>
<tr>
<td>Regent</td>
<td>4</td>
<td>1</td>
<td>664</td>
<td>150</td>
</tr>
<tr>
<td>InterContinental</td>
<td>31</td>
<td>2</td>
<td>7,507</td>
<td>588</td>
</tr>
<tr>
<td>Kimpton</td>
<td>7</td>
<td>–</td>
<td>1,247</td>
<td>7</td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>35</td>
<td>1</td>
<td>9,415</td>
<td>399</td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>40</td>
<td>–</td>
<td>5,652</td>
<td>(109)</td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>(200)</td>
</tr>
<tr>
<td>voco</td>
<td>17</td>
<td>9</td>
<td>6,220</td>
<td>4,710</td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>119</td>
<td>13</td>
<td>25,936</td>
<td>1,597</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>112</td>
<td>(2)</td>
<td>19,049</td>
<td>(105)</td>
</tr>
<tr>
<td>avid hotels</td>
<td>1</td>
<td>1</td>
<td>215</td>
<td>215</td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>20</td>
<td>1</td>
<td>3,860</td>
<td>(87)</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>–</td>
<td>162</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>404</td>
<td>42</td>
<td>81,106</td>
<td>8,363</td>
</tr>
</tbody>
</table>

| **Analysed by ownership type** |        |                  |       |                 |
| Franchised     | 165    | 6                | 27,331| 1,650           |
| Managed        | 238    | 36               | 53,620| 6,713           |
| Owned, leased and managed lease | 1     | –                | 155   | –               |
| **Total**      | 404    | 42               | 81,106| 8,363           |

Total number of hotels: 1,126

Total number of rooms: 223,370

The EMEAA pipeline totalled 404 hotels (81,106 rooms) as at 31 December 2019, representing an increase of 42 hotels (8,363 rooms) over 31 December 2018. Signings of 160 hotels (29,125 rooms), represented an increase of 27 hotels (2,207 rooms) from the prior year. 28 hotels (5,427 rooms) were removed from the pipeline in 2019, compared to 13 hotels (2,250 rooms) in the previous year.
“2019 marked IHG’s 35th anniversary of operating in Greater China with 800 opened and pipeline hotels. We continue our growth strategy focusing on quality and disciplined execution to build an ‘in China for China’ business, leveraging the benefit of IHG’s expertise and global scale.”

Jolyon Bulley
Chief Executive Officer, Greater China

Industry performance in 2019

Industry RevPAR in Greater China declined by 4.9% due to both average daily rate and occupancy declines. The rate of supply growth reduced compared with 2018 but weaker demand growth drove occupancy declines for the first time since 2015. Tier 1 cities RevPAR declined 5.3% led by a decline in average daily rate. Tiers 2, 3 and 4 also saw RevPAR declines. Tier 4 saw the largest increase in demand (5.4%) while tier 1 saw the smallest (0.0%). Demand in Mainland China was dampened by trade disputes and a broader economic slowdown, whilst ongoing unrest resulted in Hong Kong SAR RevPAR declining 25.7%. Macau SAR RevPAR marginally declined, with modest gains in average daily rate.

IHG’s regional performance in 2019

IHG’s regional comparable RevPAR in Greater China decreased by 4.5% in 2019, driven by a 4.7% decline in average daily rate, significantly impacted by political unrest in Hong Kong SAR with RevPAR declining 27.1%. Mainland China outperformed the industry, with RevPAR decreasing only 0.6%, due to lower corporate and meetings business. RevPAR declined in Macau SAR by 1.3%.
Performance continued
Greater China continued

Greater China results

<table>
<thead>
<tr>
<th>12 months ended 31 December</th>
<th>2019 $m</th>
<th>2018 Restated $m</th>
<th>2019 vs 2018 % change</th>
<th>2017 Restated $m</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the reportable segment</td>
<td>135</td>
<td>143</td>
<td>(5.6)</td>
<td>117</td>
<td>22.2</td>
</tr>
<tr>
<td>Fee business</td>
<td>135</td>
<td>143</td>
<td>(5.6)</td>
<td>117</td>
<td>22.2</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>143</td>
<td>(5.6)</td>
<td>117</td>
<td>22.2</td>
</tr>
<tr>
<td>Operating profit from the reportable segment</td>
<td>73</td>
<td>70</td>
<td>4.3</td>
<td>53</td>
<td>32.1</td>
</tr>
<tr>
<td>Fee business</td>
<td>73</td>
<td>70</td>
<td>4.3</td>
<td>53</td>
<td>32.1</td>
</tr>
<tr>
<td>Operating exceptional items</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Operating profit</td>
<td>73</td>
<td>69</td>
<td>5.8</td>
<td>53</td>
<td>30.2</td>
</tr>
</tbody>
</table>

Highlights for the year ended 31 December 2019

Comprising 470 hotels (135,546 rooms) at 31 December 2019, Greater China represented approximately 15% of the Group’s room count. The majority of rooms in Greater China operate under the managed business model.

Revenue from the reportable segment, decreased by $8m (5.6%) to $135m and operating profit increased by $4m (5.8%) to $73m, both impacted by a reduction in significant liquidated damages to $nil (2018: $6m). Operating profit from the reportable segment increased by $3m (4.3%) to $73m. On an underlying basis, revenue increased by $3m (2.3%), and underlying operating profit increased by $10m (15.9%), driven by 17.5% net rooms growth and cost efficiencies partially offset by a 4.5% decline in comparable RevPAR, impacted by ongoing unrest in Hong Kong SAR.

For discussion of 2018 results, and the changes compared to 2017, prior to the restatements of those years in 2019 to reflect the adoption of IFRS 16, refer to the 2018 Annual Report and Form 20-F. The 2018 and 2017 results have been restated for IFRS16 in the current year (see pages 146 to 149).

On a restated basis, operating profit increased by 30.2% from 2017 to 2018 (as previously reported: an increase of 30.8%).

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* Greater China reportable segment includes revenue and operating profit before exceptional items, excluding System Fund revenues and expenses and reimbursement of costs, for the fee business.

* Definitions for Non-GAAP revenue and operating profit measures can be found on pages 55 to 59.

Reconciliations of these measures to the most directly comparable line items with the Group Financial Statements can be found on pages 214 to 216.
<table>
<thead>
<tr>
<th></th>
<th>At 31 December</th>
<th></th>
<th>2019</th>
<th></th>
<th>Total number of hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hotels</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td>470</td>
</tr>
<tr>
<td><strong>Rooms</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td>135,546</td>
</tr>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Senses</td>
<td>1</td>
<td>1</td>
<td>122</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regent</td>
<td>3</td>
<td>–</td>
<td>1,232</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>InterContinental</td>
<td>48</td>
<td>1</td>
<td>19,570</td>
<td>341</td>
<td></td>
</tr>
<tr>
<td>Kimpton</td>
<td>1</td>
<td>1</td>
<td>129</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HUALUXE</td>
<td>9</td>
<td>1</td>
<td>2,710</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crowne Plaza</td>
<td>96</td>
<td>5</td>
<td>34,296</td>
<td>1,886</td>
<td></td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>13</td>
<td>3</td>
<td>1,868</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>107</td>
<td>15</td>
<td>31,176</td>
<td>3,169</td>
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</tr>
<tr>
<td>Holiday Inn Express</td>
<td>183</td>
<td>50</td>
<td>37,787</td>
<td>8,623</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
<td>2</td>
<td>6,656</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>470</td>
<td>79</td>
<td>135,546</td>
<td>20,233</td>
<td></td>
</tr>
<tr>
<td><strong>Analysed by ownership type</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchised</td>
<td>89</td>
<td>53</td>
<td>23,254</td>
<td>14,499</td>
<td></td>
</tr>
<tr>
<td>Managed</td>
<td>381</td>
<td>26</td>
<td>112,292</td>
<td>5,734</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>470</td>
<td>79</td>
<td>135,546</td>
<td>20,233</td>
<td></td>
</tr>
<tr>
<td><strong>Percentage of Group hotel and room count</strong></td>
<td></td>
<td></td>
<td>8.0</td>
<td>1.0ppt</td>
<td>15.3 1.5ppt</td>
</tr>
</tbody>
</table>

*Includes seven Holiday Inn Resort properties (1,895 rooms), (2018: six Holiday Inn Resort properties (1,726 rooms)).

---

<table>
<thead>
<tr>
<th></th>
<th>At 31 December</th>
<th></th>
<th>2019</th>
<th></th>
<th>Total number of hotels in the pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hotels</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td>393</td>
</tr>
<tr>
<td><strong>Rooms</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td>85,075</td>
</tr>
<tr>
<td><strong>Analysed by brand</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six Senses</td>
<td>3</td>
<td>3</td>
<td>169</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regent</td>
<td>1</td>
<td>1</td>
<td>280</td>
<td></td>
<td></td>
</tr>
<tr>
<td>InterContinental</td>
<td>27</td>
<td>2</td>
<td>7,962</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kimpton</td>
<td>5</td>
<td>1</td>
<td>1,497</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HUALUXE</td>
<td>22</td>
<td>1</td>
<td>6,180</td>
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<tr>
<td>Crowne Plaza</td>
<td>48</td>
<td>9</td>
<td>13,998</td>
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<td></td>
</tr>
<tr>
<td>Hotel Indigo</td>
<td>24</td>
<td>7</td>
<td>4,324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVEN Hotels</td>
<td>11</td>
<td>4</td>
<td>2,476</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>58</td>
<td>2</td>
<td>14,467</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>194</td>
<td>23</td>
<td>33,722</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>(279)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>393</td>
<td>52</td>
<td>85,075</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Analysed by ownership type</strong></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchised</td>
<td>169</td>
<td>45</td>
<td>29,324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed</td>
<td>224</td>
<td>7</td>
<td>55,751</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>393</td>
<td>52</td>
<td>85,075</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Includes eight Holiday Inn Resort properties (2,183 rooms), (2018: eight Holiday Inn Resort properties (2,711 rooms)).

The Greater China System size increased by 79 hotels (20,233 rooms) in 2019 to 470 hotels (135,546 rooms). 88 hotels (23,764 rooms) opened, our highest ever and 11 hotels (4,952 rooms) higher than 2018. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 54% of our open rooms. 70 Holiday Inn Brand Family hotels (14,130 rooms) were added in the year, compared to 47 hotels (9,090 rooms) in 2018. 9 hotels (3,531 rooms) were removed in 2019 compared to 14 hotels (5,038 rooms) in 2018.

At 31 December 2019, the Greater China pipeline totalled 393 hotels (85,075 rooms) compared to 341 hotels (77,923 rooms) at 31 December 2018. Signings (158 hotels, 35,673 rooms) were the highest ever, representing an increase of 22% (6,543 rooms) from the prior year. 108 hotels (18,667 rooms) were signed for the Holiday Inn Brand Family, including 76 franchised Holiday Inn Express hotels. 18 hotels (4,757 rooms) were removed from the pipeline in 2019, compared to 14 hotels (4,079 rooms) in 2018.
Other financial information

Central results

<table>
<thead>
<tr>
<th></th>
<th>2019 Restated</th>
<th>2018 vs 2018 % change</th>
<th>2017 Restated</th>
<th>2018 vs 2017 % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>185 m</td>
<td>170 m</td>
<td>8.8%</td>
<td>157 m</td>
</tr>
<tr>
<td>Gross costs</td>
<td>(310) m</td>
<td>(287) m</td>
<td>8.0%</td>
<td>(259) m</td>
</tr>
<tr>
<td>Operating exceptional items</td>
<td>(15) m</td>
<td>(117) m</td>
<td>6.8%</td>
<td>(102) m</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(140) m</td>
<td>(172) m</td>
<td>(18.6%)</td>
<td>(131) m</td>
</tr>
</tbody>
</table>

Highlights for the year ended 31 December 2019

Net operating loss decreased by $32m (18.6%) compared to 2018, driven by a $40m (72.7%) decrease in operating exceptional items. Central revenue, which mainly comprises technology fee income, increased by $15m (8.8%) to $185m, driven by IHG System size growth (5.6%) and partly impacted by adverse foreign exchange (2.3%). Gross costs increased by $23m (8.0%), driven by reinvestment of a substantial portion of growth investment funded by savings elsewhere in the business, also benefiting from the impact of $5m foreign exchange.

Net operating loss before exceptional items increased by $8m (6.8%) to $125m, benefiting from the impact of $3m foreign exchange, as an increase in central revenues was offset by continued investments in growth initiatives.

System Fund

The Group operates a System Fund to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System, and hotel loyalty programme, IHG Rewards Club. The Fund also receives proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for IHG over the longer term, although an in-year surplus or deficit can arise. The Fund is managed to benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

In the year to 31 December 2019, System Fund revenue increased by $140m (11.4%) to $1,373m. The primary driver was a favourable adjustment relating to a change in the actuarial assumptions around the ultimate rate of consumption of IHG Rewards Club points (‘breakage’) leading to increased revenue recognition year-over-year. The increase in non-loyalty revenue was driven by increased assessment fees and contributions from hotels, reflecting increased System size.

Reimbursement of costs

In the year to 31 December 2019, reimbursable revenue remained in line with 2018 at $1,171m.

Cost reimbursements revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added mark up, this revenue and related expenses has no impact on either our operating profit or net income.

Exceptional items

Pre-tax exceptional items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted earnings per ordinary share as well as other Non-GAAP measures (see pages 55 to 59) in order to provide a more meaningful comparison of performance and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, and restructuring costs (for more information see page 158).

2019 pre-tax exceptional items totalled a charge of $148m. The charge included: $28m relating to management’s best estimate of a settlement in respect of a lawsuit filed against the Group in the Americas region, together with the cost of an arbitration award made against the Group in the EMEAA region (see note 6 to the Group Financial Statements); $20m relating to reorganisation costs (see below); $131m arising from impairment charges further discussed below, the impact of which was partially offset by a corresponding fair value gain on contingent purchase consideration of $38m, and $7m relating to acquisition and integration costs arising from the Group’s recent acquisitions.

Impairment

Impairment of $131m comprises a $50m impairment on the Kimpton management agreements and an $81m impairment relating to the UK portfolio, comprising $49m related to goodwill and $32m related to right-of-use assets (see note 13 to the Group Financial Statements and pages 139 and 140 for further details). The impact of the impairment arising on the UK portfolio is partially offset by the fair value gain of $38m, see note 25 to the Group Financial Statements.

Reorganisation costs

In September 2017, the Group launched a comprehensive efficiency programme funding a series of new strategic initiatives to drive an acceleration in IHG’s future growth. The programme is centred around strengthening the Group’s organisational structure to redeploy resources to leverage scale in the highest opportunity markets and segments. The programme was completed in 2019.

The programme is expected to realise c.$125m in annual savings by 2020, of which c.$75m will benefit the System Fund. These savings, primarily in administrative expenses, are planned to be reinvested as they are realised to accelerate medium-term revenue growth.

Costs incurred since 2017 to achieve these savings, including amounts charged to the System Fund, total $196m. The exceptional cost charged to the Group income statement in 2019 of $20m includes severance costs of $8m and consultancy fees of $6m.
Performance continued

Other financial information

Net financial expenses
Net financial expenses, which were restated for IFRS 16, increased by $19m to $115m and adjusted interest, as reconciled on page 164, increased by $18m to $133m. The increase is primarily due to interest on the £500m bond issued in November 2018, and related currency swaps.

Financial expenses included $63m (2018: $48m) of interest costs on the public bonds, which are fixed rate debt. Interest expense on lease liabilities was $41m (2018: $39m).

Fair value gains / losses on contingent purchase consideration
Contingent purchase consideration arose on the acquisitions of Regent, the UK portfolio and Six Senses (see note 25 to the Group Financial Statements). The net gain of $27m (2018: loss of $4m) comprises an exceptional gain of $38m in respect of the UK portfolio (see above), offset by a loss of $11m in respect of Regent. The total contingent purchase consideration liability at 31 December 2019 is $91m.

Taxation
The effective rate of tax on profit before exceptional items and System Fund was 24% (2018: 22%). Excluding the impact of prior year items, the equivalent tax rate would be 26% (2018: 24%). The effective rate is higher than the UK Corporation Tax rate of 19% (2018: 19%), due mainly to certain overseas profits (particularly in the US) being subject to statutory tax rates higher than the UK Corporation Tax rate of 19% (2018: 19%), due mainly to certain overseas profits and in respect of the other financial information

Net tax paid in 2019 totalled $141m (2018: $68m). The 2019 tax paid was more than 2018 principally due to material amounts of tax recovered in 2018.

IHG pursues an approach to tax that is consistent with its business strategy and its overall business conduct principles. The approach seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. Policies and procedures related to tax risk management are subject to regular review and update and are approved by the IHG Audit Committee.

Tax liabilities or refunds may differ from those anticipated, in particular as a result of changes in tax law, changes in the interpretation of tax law, or clarification of uncertainties in the application of tax law. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying material tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance. As a result of its business profile as a hotel manager, and also as a residual legacy from prior acquisitions, IHG does have a small number of subsidiaries in jurisdictions commonly portrayed as tax havens. IHG manages such subsidiaries on a basis consistent with its business principles (for example, by making some foreign incorporated companies UK tax resident or by operating others so that local profits are commensurate with local activity). IHG’s contribution to the jurisdictions in which it operates includes a significant contribution in the form of taxes borne and collected, including taxes on its revenues and profits and in respect of the employment its business generates. IHG earns over 70% of its revenues in the form of franchise, management or similar fees, with over 80% of IHG-branded hotels being franchised. In jurisdictions in which IHG does franchise business, the prevailing tax law will generally provide for IHG to be taxed in the form of local withholding taxes based on a percentage of fees rather than based on profits. Costs to support the franchise business are normally incurred regionally or globally, and therefore profits for an individual franchise jurisdiction cannot be separately determined.

Dividends
The Board has proposed a final dividend per ordinary share of 85.9¢. With the interim dividend per ordinary share of 39.9¢, the full-year dividend per ordinary share for 2019 will total 125.8¢, an increase of 10% over 2018.

On 19 October 2018, the Group announced a $500m return of funds to shareholders by way of a special dividend and share consolidation. The special dividend (262.1¢ per ordinary share) was paid on 29 January 2019.

IHG pays its dividends in pounds sterling and US dollars. The sterling amount of the final dividend will be announced on 24 April 2020 using the average of the daily exchange rates for the three working days commencing 21 April 2020. See page 12 for details of IHG’s dividend policy.

Earnings per ordinary share
Basic earnings per ordinary share increased by 14.5% to 210.4¢ from 183.7¢ in 2018 whilst adjusted earnings per ordinary share increased by 3.4% to 303.3¢.

Share price and market capitalisation
The IHG share price closed at £52.08 on 31 December 2019, up from £42.49 on 31 December 2018. The market capitalisation of the Group at the year-end was £9.5bn.
Performance continued
Liquidity and capital resources

Sources of liquidity
In November 2018, the Group issued a £500m, 2.125% euro bond repayable in May 2027. The bond extends the maturity profile of the Group’s debt. Currency swaps were transacted at the same time the bonds were issued in order to swap the proceeds and interest flows into pounds sterling. The currency swaps fix the bond debt at £436m, with interest payable semi-annually at a rate of 3.5%. This is in addition to £400m of public bonds which are repayable on 28 November 2022, £300m repayable on 14 August 2025 and £350m repayable on 24 August 2026.

The Group is further financed by a $1.275bn revolving syndicated bank facility (the Syndicated Facility) and a $75m revolving bilateral facility (the Bilateral Facility) which mature in March 2022, under which $125m was drawn at 31 December 2019 (31 December 2018: $nil). The Syndicated and Bilateral Facilities contain the same terms and two financial covenants: interest cover; and net debt divided by operating profit before exceptional items, depreciation and amortisation and System Fund revenue and expenses. The Group is in compliance with all of the financial covenants in its loan documents, none of which are expected to present a material restriction on funding in the near future.

The Group has started to review and plan for the expected discontinuation of LIBOR after 2021. The Group’s main exposure to LIBOR is the underlying reference rate in the Syndicated and Bilateral Facilities. The terms of this agreement will need to be renegotiated to address the discontinuation of LIBOR. The replacement of LIBOR with alternative reference rates is not expected to have a material impact on the group at this stage.

Additional funding is provided by other uncommitted bank facilities (see note 22 to the Group Financial Statements). In the Group’s opinion, the available facilities are sufficient for the Group’s present liquidity requirements.

Borrowings included bank overdrafts of $87m (2018: $104m), which were matched by an equivalent amount of cash and cash equivalents under the Group’s cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution, and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed daily as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position, with the most significant balances in the US, and the matching overdrafts are held by the Group’s central treasury company in the UK.

Net debt of $2,665m (2018: $1,965m restated) is analysed by currency as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2019</th>
<th>2018 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling*</td>
<td>2,022</td>
<td>1,956</td>
</tr>
<tr>
<td>US dollar</td>
<td>721</td>
<td>620</td>
</tr>
<tr>
<td>Euros</td>
<td>44</td>
<td>37</td>
</tr>
<tr>
<td>Other</td>
<td>73</td>
<td>56</td>
</tr>
</tbody>
</table>

Cash and cash equivalents include $16m (2018: $2m) that is not available for use by the Group due to local exchange controls.

Information on the maturity profile and interest structure of borrowings is included in notes 22 and 24 to the Group Financial Statements.

Information on the Group’s approach to allocation of capital resources can be found on pages 12 and 13.

The Group had net liabilities of $1,465m at 31 December 2019, (2018: $1,131m restated).

Cash from operating activities
Net cash from operating activities totalled $653m for the year ended 31 December 2019, a decrease of $56m on the previous year, reflecting an increase of $75m in tax paid.

Cash flow from operations is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group. The Group believes that the requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

Cash from investing activities
Net cash outflows from investing activities increased by $296m to $493m, primarily reflecting the acquisition of Six Senses. Other movements in investing activities include property, plant and equipment refurbishment works involved in re-branding the UK portfolio hotels in 2019.

The Group had committed contractual capital expenditure of $197m at 31 December 2019, (2018: $137m restated), including $3m of commitments for leases.
## Liquidity and capital resources continued

### Cash used in financing activities
Net cash used in financing activities totalled $660m, which was $711m higher than 2018, primarily due to a cash outflow from the $500m special dividend paid in 2019, and the issue of the long-term bonds in 2018.

### Off-balance sheet arrangements
At 31 December 2019, the Group had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Group’s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Contingent liabilities
Contingent liabilities include guarantees over the debt of equity investments of $55m and outstanding letters of credit of $33m. The Group may also be exposed to additional liabilities resulting from litigation and security incidents. See note 31 to the Group Financial Statements for further details.

### Contractual obligations
The Group had the following contractual obligations outstanding as of 31 December 2019. See table opposite.

<table>
<thead>
<tr>
<th></th>
<th>Total amounts committed $m</th>
<th>Less than 1 year $m</th>
<th>1–3 years $m</th>
<th>3–5 years $m</th>
<th>After 5 years $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt obligations&lt;sup&gt;a,b&lt;/sup&gt;</td>
<td>2,074</td>
<td>654</td>
<td>1,420</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest payable&lt;sup&gt;b&lt;/sup&gt;</td>
<td>315</td>
<td>114</td>
<td>73</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>70</td>
<td>7</td>
<td>16</td>
<td>17</td>
<td>30</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>3,857</td>
<td>188</td>
<td>121</td>
<td>3,451</td>
<td></td>
</tr>
<tr>
<td>Agreed pension scheme contributions</td>
<td>6</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital contracts placed&lt;sup&gt;c&lt;/sup&gt;</td>
<td>197</td>
<td>197</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred and contingent purchase consideration&lt;sup&gt;d&lt;/sup&gt;</td>
<td>162</td>
<td>22</td>
<td>17</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,681</td>
<td>994</td>
<td>228</td>
<td>5,091</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Repayment period classified according to the related facility maturity date.

<sup>b</sup> Excluding bank overdrafts.

<sup>c</sup> See note 30 to the Group Financial Statements for further details. Also includes $3m related to leases that have not yet commenced.

<sup>d</sup> Relates to the acquisitions of Six Senses, the UK portfolio and Regent (see note 11 to the Group Financial Statements for further details).