

Directors' Remuneration Report continued

Remuneration at IHG – the wider context

We recognise that there is continued regulatory and shareholder focus on executive remuneration and particularly in relation to the justification of CEO pay in the context of business performance and the wider employee population. Our reward philosophy is to ensure reward arrangements are competitive, drive the creation of value for our stakeholders and make us think and act as one team. When considering remuneration matters, the Committee takes account a range of factors, for example:

The link to business strategy and performance

Our employees are rewarded in line with our strategic business objectives and principles:

Strategy	Reward
Our Strategic Model (see pages 14 and 15) has been established to maintain focus on the key areas of our strategy for high-quality growth.	<ul style="list-style-type: none"> Performance conditions for annual and long-term incentive awards are aligned to the strategic priorities over the performance period. A range of strategic metrics is set each year for our senior management and hotel teams, which can reduce annual incentive payouts if minimum conditions are not met. Additional financial performance underpins, and Remuneration Committee discretions are in place, to ensure poor performance is not rewarded.
Our Winning Ways (see page 18) are designed to drive the right values and behaviours to deliver our strategy.	<ul style="list-style-type: none"> Stretching and measurable targets for all performance conditions only reward employees for the successful delivery of the objectives set by the Committee, including the delivery of superior shareholder returns and value. Individual performance is measured by reference to the day-to-day application of the values and behaviours expected at each employee's position in the organisation. Malus and clawback terms apply in respect of the annual and long-term incentive plans for Executive Directors.

Remuneration outcomes are linked to our strategic business objectives, which are focused on the delivery of further high-quality, sustainable growth and value-creation through preferred brands, delivering a superior owner proposition, leveraging scale and generating revenue through the lowest-cost direct channels:

Strategic Model components	Measures used for APP			Measures used for LTIP			
	EBIT (70%)	Guest Love (20%)	Overall Performance Rating (OPR) (10%)	TSR (40%)	Net System size growth (20%)	Total gross revenue (20%)	Cash flow (20%)
 Build and leverage scale	■		■	■	■	■	
 Strengthen loyalty programme		■	■	■			
 Enhance revenue delivery	■	■	■			■	■
 Evolve owner proposition	■		■		■		■
 Optimise our preferred portfolio of brands for owners and guests			■		■		

 See pages 14 and 15 for further information on our Strategic Model.

The business and its competitive landscape

IHG is a global business with much of its senior management based outside its UK base. We need to ensure that there is a globally coherent remuneration approach and a clear and attractive progression path to the senior roles in the business. We also need to ensure that we do not undermine our ability to recruit great talent globally. We take our lead from the UK market and shareholder expectations in setting Executive Director remuneration levels while being mindful, for instance, that our major competitors for talent are mainly based in the US, where regulation and market practice can be different, particularly in areas such as executive share plan structure and related vesting and holding periods.

Diversity and inclusion

We have a global diversity and inclusion strategy, to be led by a Global Diversity and Inclusion Board, with specific and targeted actions to address any inequalities in the workplace, including:

- Addressing hotspots of under-representation in operational and senior leadership roles;
- Targeted leadership programmes aimed at accelerating the development of diverse leadership and talent;
- Maintaining a culture of inclusion through support networks, resource groups, awareness campaigns and training for our people; and
- Active senior leader engagement as part of the Global Diversity and Inclusion Board.