

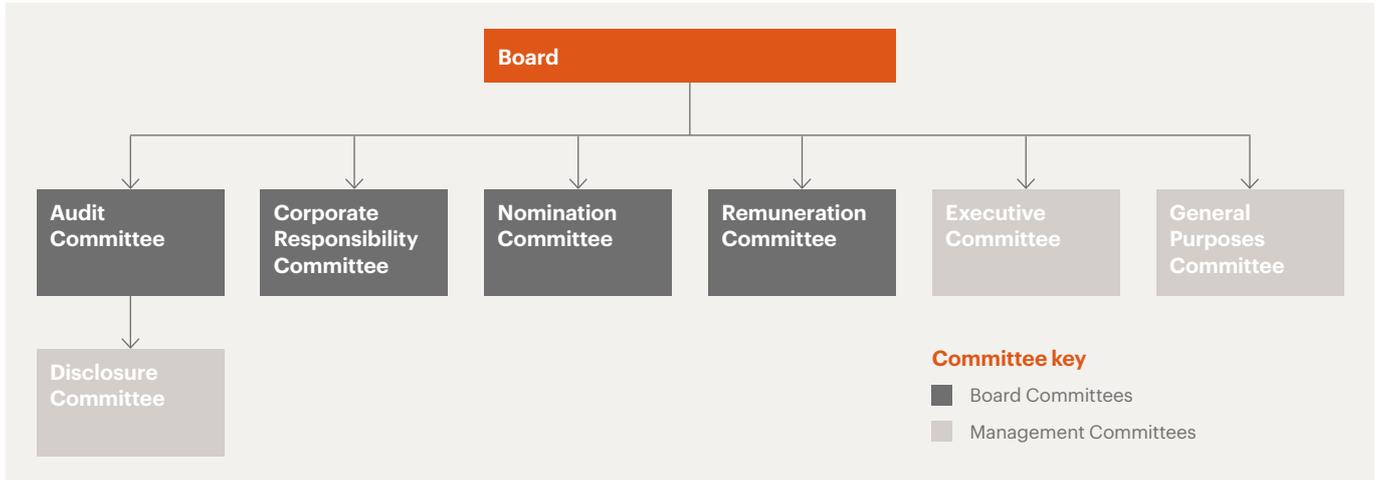
Our culture

We know that our colleagues, guests, hotel owners, investors and other stakeholders want to engage with a company with strong values, a respect for everyone and a commitment to looking after our communities and the environment in which we work.



Governance

Our culture of responsible business begins with strong leadership and the highest standards of governance. Our Board leads our governance framework, which supports IHG's culture, our values and our commitment to doing business responsibly.



Board governance

The Board is responsible for ensuring leadership through effective oversight and review of the Group's activities.

Supported by its principal Committees (the Audit, Corporate Responsibility, Nomination and Remuneration Committees), the Board sets the strategic direction of the Group and aims to deliver sustainable shareholder value for the long term.

The Audit Committee: monitors the effectiveness of the Group's system of internal controls and risk management framework, the Group's risk appetite, and the integrity of the Group's financial reporting, whistleblowing and regulatory compliance.

The Nomination Committee: reviews and considers the size, structure and composition of the Board and its Committees, giving due regard to ongoing succession planning, and makes recommendations to the Board.

The Remuneration Committee: reviews all aspects of executive remuneration, reviewing trends across the industry and setting executive remuneration policies, which are designed to incentivise and retain talent to support the delivery of our long-term strategy.

The Corporate Responsibility Committee: provides direction, oversight and advice to the Board on the Group's corporate responsibility objectives and strategy, including its environmental impact, social and community impact, human rights considerations and stakeholder engagement.

 Please see the **corporate governance** section on the Company's website for the schedule of matters reserved for the Board, which sets out those matters that are not delegated by the Board to its Committees, and the terms of reference for each Board Committee, which set out their respective roles and responsibilities in more detail.

Our Management Committees

The Executive Committee: has responsibility for implementing operational decisions. Day-to-day management of the business is delegated to the Chief Executive Officer and the Executive Committee. There is clear delegation and oversight from the Board to the Executive Committee, which strengthens decision-making across key areas of the business.

The General Purposes Committee: attends to business of a routine nature with parameters set by the Board or an appropriate committee.

The Disclosure Committee: ensures proper procedures are in place for information disclosures required pursuant to UK and US accounting, statutory or listing requirements.

Our approach to risk management

We continue to assess our risk management system, ensuring it remains appropriate to support our growth ambitions and decision making in line with our appetite and tolerance for risk.

Strategy and risk

Our strategy, business model and the way we do business present a number of risks and opportunities. There are risks we are willing to take, and areas where we have less tolerance for uncertainty. 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, who oversee our risk management system to ensure that risks and opportunities are appropriately identified and managed to an acceptable level in relation to IHG's appetite and tolerance for risk.

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. This risk appetite is cascaded through the goals we set, our Code of Conduct, decisions we make and how we allocate resources and it evolves with the strategy of the organisation. Examples of how we articulate our risk appetite are included in note 22 to the Group Financial Statements of the IHG Annual Report and Form 20-F; see page 144.

IHG's appetite and tolerance for risk is further articulated and implemented through our governance committees, structures, policies and targets we select, as well as in development guidelines for new hotels. In 2018 the Board and Board Committees again reviewed many of these aspects directly through their meetings and discussions of principal risks, and through their close oversight of IHG's organisational changes and the portfolio of growth initiatives.

Our risk management system

Our risk management system is fully integrated with the way we run the business through our culture, processes, controls and reporting, and is reflected in our strategy. The Risk and Assurance function is responsible for the support, enhancement and monitoring of the effectiveness of this system and focuses on culture, process, control, monitoring and reporting.



Our approach to risk management continued

IHG's principal risks, uncertainties and review process

Our risk profile remains dynamic – we continue to face inherent uncertainties linked to a challenging external environment. Our efficiency programme to realise savings for reinvestment, organisational changes and focus on strategic initiatives have also required us to evaluate and evolve our risk management system to maintain an appropriate level of control within our levels of risk tolerance.

Throughout 2018 the Risk and Assurance team has co-ordinated 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. The review of our principal risks this year again focused both on the internal and external risk environment. We have included factors relating to third parties across many of our risks, reflecting the increasing importance of our relationships with partners to our growth ambitions. We have also considered within our approach to financial planning, a separate risk responding to an increasingly volatile macro-economic

environment (for example trade wars, environmental and climate-related matters) which creates inherent uncertainties to our performance and prospects.

The focus on executing our strategy at a faster pace emphasises the importance of the steps we take to consider risk explicitly as part of decision making. During 2018 this has been supported by the continued development of IHG's risk culture and governance processes, including review of the delegation of authority, and communication of revised leadership behaviours and performance management processes, which continue to reflect the principles of our Code of Conduct. The implementation of organisation and process changes creates inherent risks of disruption to control routines and accountabilities, and these have been actively considered by management teams.

Frequent senior leadership discussions throughout the year, and our more structured strategic programme management and financial planning processes, have also included regular 'pulse checks' of emerging risks requiring management attention. These are considered both in the context of individual initiatives, and at an aggregated level, as part of resilience planning. 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.

Our principal risks remain structurally similar to those reported in previous years. We continue to highlight uncertainties relating to our growth agenda and 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 routine operational risk management and resilience planning. The impact of a potential movement in the value of sterling is articulated in note 22 of the Financial Statements in the IHG Annual Report and Form 20-F 2018; see page 145.

The Group's asset-light business model, diverse brand portfolio and wide geographical spread however contribute to IHG's resilience to events that could affect specific segmental or geographical areas.



IHG's principal risks are supplemented by a broader description in the IHG Annual Report and Form 20-F 2018 on page 26 to 30.

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 if unmanaged or managed inappropriately. The trend and speed of impact are summarised in the diagram (on the right).

Principal risk – assessment of trend and speed of impact



Responsible attitudes and ethics

We take steps to ensure that there is a culture of responsible business across IHG and that our employees act with integrity.

Code of Conduct

The bedrock of our culture is our Code of Conduct, (Code), which sets out our commitment to operating honestly and with the highest ethical standards. Our Code principles help us to act responsibly at all times and set out the value we place on being trusted by our guests, those who do business with us, the communities we work in and by our colleagues. It provides an introduction to our key global policies, including anti-bribery, diversity and inclusion, environment, confidential reporting and human rights. The Code is reviewed annually by the Board to ensure it reflects and responds to changes in the external environment and ensures our culture supports our purpose and strategy. In 2018, we published our refreshed Code, updated our Code e-learning module, and reiterated where colleagues can go for further details and guidance. All colleagues working in IHG corporate offices, reservation centres and managed hotels must comply with the Code and the policies and procedures it refers to. The principles, spirit and purpose of the Code of Conduct are also relevant to IHG franchised hotels who share our commitment.

Anti-bribery

Bribery and any form of financial crime, including improper payments, money laundering and tax evasion or the facilitation of 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 to bribery and corruption. It is applicable to all IHG employees, directors and our managed hotels and is accompanied by a mandatory anti-bribery e-learning module. Our Gifts and Entertainment Policy is also part of our approach to anti-bribery and corruption. The policy was updated in 2018 following a review of our thresholds and reporting requirements.

As a member of its Business Integrity Forum, IHG participated in Transparency International UK's Corporate Anti-Corruption Benchmark in 2018. IHG is using the feedback and results from this exercise to identify areas for improvement and development in its anti-bribery and corruption programme to continue to help mitigate risk.

Ethical concerns

It is extremely important that our people feel comfortable reporting ethical concerns. To facilitate this, we have a confidential reporting channel which provides colleagues with a means to share any ethical concerns they may have. Colleagues are made aware of this through regular internal communications, as well as through a dedicated website, ihgethics.com. Regular reporting on the channel is provided to our Board.

Human rights

We understand the importance of ensuring that the human rights of all those that work with us, whether directly or indirectly, are protected, and we passionately promote this on behalf of the industry as a whole.

Our commitment to respecting human rights is made clear to colleagues as soon as they start working for IHG through the Code of Conduct and Code of Conduct e-learning module. This is reinforced through the IHG Human Rights Policy and brand standard, which requires all IHG branded hotels to adopt our Human Rights Policy or an equivalent policy.

Risk assessment

In 2018, we undertook a human rights impact assessment across IHG's operations covering our supply chains, hotels and corporate offices. In line with expectations of the UN Guiding Principles, the assessment included:

- Saliency mapping – assessing actual and potential risks of IHG's operations against internationally recognised human rights, including the International Bill of Rights and International Labour Organisation Core Labour Standards; and
- Gap analysis – review of IHG's existing policies and processes to determine the degree to which identified risks are being managed.

The findings from the assessment will be used to help us continue to develop our human rights programme.

Training

A standalone human rights e-learning module is available, which contains more detailed information on our overall approach to human rights and how to spot signs of, and help combat, modern slavery and human trafficking. This forms the foundation of our human rights training and we continue to focus on ensuring our frontline facing colleagues at corporate and hotel level have access to this material to ensure they are better placed to identify any potential risks. In 2018, close to 45,000 colleagues completed the training. We also have additional training materials available to colleagues across all our hotels.

Identifying risk

We are aware of the risk that major sporting and other events can bring and by working closely with colleagues in operational support roles, we utilise hotel communications channels to ensure our colleagues are fully informed on the risks of modern slavery. We have continued this for major sporting events in 2018, for example, in preparation for the 2018 football World Cup in Russia.

Industry collaboration

In 2018, along with industry peers, IHG helped develop and publicly committed to a new set of Principles on Forced Labour, launched by the International Tourism Partnership (ITP) at the Global Forum for Responsible Recruitment and Employment in Singapore.

Modern Slavery Statement

In February 2019, we published our 2018 Modern Slavery Statement.

To view our statement, visit ihgplc.com/modernslavery



Responsible procurement

Responsible procurement considerations play a key role both in our supplier selection process and how we conduct business with our existing suppliers.



Responsible procurement

2018-2020 targets

Supply chain

Increase the percentage of supplier risk profiles and supplier audits for IHG preferred suppliers.

In 2018, we partnered with the British Standards Institute (BSI) for an end-to-end risk profiling, assessment and audit programme. The assessment was rolled out to all IHG Marketplace suppliers.

Increase ethical supplier awareness

Roll out new training for corporate and hotel colleagues.

We have developed a mandatory education programme on responsible procurement and this was launched in January 2019.

Green criteria

Increase the percentage of suppliers that meet IHG Green Criteria.

We have developed a green criteria that is now included with our BSI supplier assessment programme.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

Our supply chain

Our supply chain activities are split into two broad categories – corporate supply chains and hotel supply chains. Our corporate supply chains cover procurement for our corporate offices and mainly focus on items such as technology and professional services. Procurement of goods and services at hotel level covers all items required for operating a hotel, such as food and beverage, furniture, cleaning products, linen and electrical goods.

As our franchised and managed hotels are owned by third parties, these hotels are typically responsible for managing their own independent supply chains. In certain cases, IHG provides a centralised procurement site for hotels. For example, for our hotels in the Americas region, we maintain IHG® Marketplace, which is a platform that enables managed and franchised hotels in the region to purchase goods and services directly from IHG preferred suppliers.

Our approach

In response to our complex supply chain, we have dedicated corporate responsibility and procurement functions, a Supply Chain Risk Council, and oversight from the Chief Financial Officer. This approach supports IHG's focus on working with partners and suppliers who share our commitment to our responsible business agenda and ethical standards of business. Our Vendor Code of Conduct, available in 42 languages, sets out the requirements, principles and practices that IHG has adopted to promote ethical conduct in the workplace, safe working conditions in the supply chain, treatment of persons with respect and dignity, and environmentally responsible practices. These are the minimum standards under which IHG suppliers are expected to operate. In total, as at December 2018, 2,809 suppliers have signed the Vendor Code of Conduct. The Vendor Code of Conduct is currently being reviewed and updated, with a new version planned for launch in 2019.

Policies and training

In 2018, we updated our Global Procurement Policy, which now includes clear guidance for corporate colleagues on how to spend responsibly. Alongside this, we continue to develop training materials for our corporate colleagues to educate them on our wider responsible procurement agenda, as well as supply chain risk. These training materials will include mandatory virtual training and bite-sized dedicated informational tools covering specific elements of risks and opportunities that are important for colleagues to be aware of.

For the fourth year, we continue to leverage our automated procurement system across many of our large corporate offices. This helps to improve central visibility of our corporate suppliers and increases coverage and involvement of our central procurement team in managing and monitoring our supply chain. In 2018, we increased the proportion of corporate spend that is managed through this system by 5%, further enhancing oversight and visibility of our corporate supply chain.

Supply chain risks

We previously commissioned external providers to undertake supply chain audit pilots covering each of our current operating regions in higher risk locations. In 2018,



we developed this by partnering with the British Standards Institute (BSI) and have established an end to end supplier assurance programme, the aim of which is to gain insight into risks associated with IHG's supply chain specifically focusing on corporate responsibility. The programme will give us a greater understanding of our suppliers and supply chain.

New suppliers being onboarded to our procurement system are required to complete due diligence questionnaires, which require adherence to the UN Global Compact Principles on human rights, labour, environment, and anti-corruption.

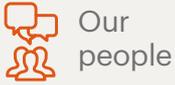
Diversity in the supply chain

As a global organisation operating in more than 100 countries, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate. At IHG, we celebrate difference and encourage diverse thinking and perspectives, and we seek to select suppliers who share the same mindset.

Our spend with diverse suppliers in the US was \$71 million vs \$66 million in 2017.

Making IHG a great place to work

Being a responsible business cannot be achieved without the support and active engagement of colleagues all around the world.



Our people

2018-2020 target Engagement

Track and report employee engagement each year.

In 2018, IHG achieved an average engagement score of 86%.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

We are a people business. Whether someone is a guest staying in one of our hotels, an owner investing in our brands, or they are joining us as a colleague, their choices are shaped by our people. The experiences we create, the services we offer, the opportunities we afford. A diverse and inclusive culture enriches all of this, and it plays a critical role in how we work better together, growing our business and delivering on our purpose of providing True Hospitality for everyone.

Guiding us all is a set of everyday values, which shape the way we work and provide a strong sense of shared purpose.



Do the right thing



Aim higher



Show we care



Celebrate difference



Work better together

Attracting, rewarding and developing talent

We took steps in 2018 to evolve our talent practices and enhance our Room to Grow promise. We launched our new approach to performance, and initiated frequent check-in conversations, giving our people more opportunities to gather feedback on their performance, and discuss development and career aspirations.

We are also establishing forums to help identify and retain top talent, and add rigour to our succession planning, ensuring we are developing a diverse pipeline of talent for

the future. In 2018, we launched a new toolkit to support individuals navigate their careers. And we're investing in our Leadership Development programmes, including Leading Others and Career Insights, to ensure we are developing the next generation of leaders.

Employee engagement

Understanding how our employees feel is important to us. Twice a year, we measure this through our employee engagement survey, Colleague HeartBeat, and ask for their feedback about how we can make IHG an even better place to work. In 2018, IHG achieved an average engagement score of 86%. Our results garnered recognition from AonHewitt as a Best Employer, benchmarked against industry scores.

As we franchise 82% of our hotels globally, we do not employ the majority of our colleagues. When our entire Group's estate is taken into account, more than 400,000 people work across IHG branded hotels and corporate offices. Of those employees directly employed by IHG, as at 31 December 2018:

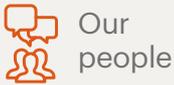
- 7,598 people globally (including those in our corporate offices, central reservations offices and owned hotels (excluding those in a category below)), whose costs were borne by the Group;
- 5,214 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund; and

- 22,518 General Managers and (in the US predominantly) other hotel workers who work in managed hotels, who have contracts or letters of service with IHG and whose costs are borne by those hotels.



Valuing diversity and inclusion

As a global organisation operating in more than 100 countries, we recognise the importance and benefit of ensuring our workforce embodies the communities in which we operate.



Our people

2018-2020 targets

Diversity

Increase diversity in terms of gender and nationality or ethnicity of IHG Senior Leaders.

In 2018, we increased the percentage of women represented in the senior leadership population from 37% to 38%.

Increase female representation

Increase number of females working in General Manager and Operations roles in managed hotels.

In 2018, we increased the percentage of females in General Manager and Operations roles from 22% to 24%.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

Our colleagues represent multiple nationalities, as well as the many cultures, religions, races, sexual orientations, backgrounds and beliefs that make the world such an interesting place. We celebrate difference and diverse thinking as part of our purpose to provide True Hospitality to everyone.

We understand the importance of having a culture that values and promotes diversity and inclusion, and we take pride in ensuring our colleagues feel this in their working environments. We also recognise how crucial this is to attracting, building and retaining the talent we need to continue growing our business at pace. Colleagues expect it. Around 30% of millennials have left a job for a more inclusive culture elsewhere, and two-thirds of people think about diversity when deciding where to work.

In recent years, we have implemented several successful programmes across IHG which have helped build high levels of colleague engagement and seen IHG recognised externally:

- We're a highly-rated employer, and when it comes to how colleagues feel, nine out of 10 people think we value diversity and offer a work environment that's open to individual differences.

- For the past four years, we've achieved a 100% rating in the Human Rights Campaign's Corporate Equality Index – making IHG a best place to work for LGBTQ equality.
- The 2018 Hampton-Alexander Review, for a third successive year, listed IHG in the top 10 companies for female representation across our Executive Committee and their direct reports.

To help us go further in this space, we launched our Global D&I Board in 2018, led by our CEO and other senior leaders. Working with Accenture, we surveyed colleagues to understand the barriers female colleagues face in progressing in hotel General Manager roles and corporate senior leader roles. These insights are shaping several initiatives prioritised by IHG's D&I Board around further strengthening its culture of inclusion; increasing the diversity of its leadership and talent; and putting the right decision-making processes around its actions.

We are committed to a continual review of our practices and policies such as reducing bias at all levels in our hiring processes, and reviewing flexible working processes and policies. We have signed up to the Diversity in Hospitality, Travel and Leisure Charter, a 10-point action plan that ensures diversity and inclusion not only remain a priority but that we openly track progress towards our goals. And we support the United Nations LGBTI Standards for Business, which focuses on tackling discrimination against lesbian, gay, bi, trans and intersex people.

Created through grass root efforts from our people across the organisation, several Employee Resource Groups (ERGs) have been launched over the past few years at IHG. Most notably, our Lean In Circles – small groups created to provide professional growth opportunities for women through mentoring, networking, outside speakers and more – have garnered great interest. Today, across all of our regions, hundreds of female colleagues have joined circles and many are also participating in mentoring programmes.

Colleagues in our Atlanta corporate office also have a number of ERGs and forums for LGBTQ colleagues, African American, Hispanic and early-career professionals and in 2019 we will launch these groups to more markets globally.

UK Gender Pay Gap Report

UK legislation requires that all UK companies employing at least 250 people publish differences in average hourly pay and bonus pay between their male and female employees; the proportion of men and women receiving bonuses; and the proportion of men and women in each quartile of the organisation's pay structure.

In accordance with these regulations, we publish an annual UK Gender Pay Gap Report.



Download our latest UK Gender Pay Gap Report.



Lean In Circles

In October 2018, at our global headquarters, we hosted an event in partnership with our Lean In Circles on the topic of diversity. We invited external speaker June Sarpong, a well-known British TV broadcaster and passionate advocate for diversity, to speak to colleagues about the importance of diversity and inclusion, and why we should all care about this subject.