

Chair's overview



At IHG, we recognise the critical role that strong corporate governance plays in achieving long-term sustainable success. Our purpose, culture, values and strategy are all underpinned by our commitment to conducting business responsibly. The Board oversees the long-term strategic aims of the Group and is responsible for the leadership of the Group, ensuring our actions are in keeping with the strong ethics and values that shape our culture and deliver long-term, sustainable value for all our stakeholders.

Focus areas and activities

During 2019, the Board monitored and reviewed progress against strategic and operational objectives, with particular focus on growth. The Board had regard to levels of risk taken and shareholder and stakeholder interests in its decision making.

The ongoing challenge of cybersecurity was a particular area of focus, with the Board engaging with, and receiving regular presentations and updates from, management on the Group's approach to cybersecurity risk management. The Board also assessed the progress of the cybersecurity action plan put in place in 2018.

Culture and talent continued to feature prominently on the Board agenda, reflecting the Board's belief that continuing to evolve our culture in support of our purpose, values and strategic objectives, and continuing to focus on diversity and the talent pipeline, is essential for the long-term success of the Group. The Board recognises the importance of setting the tone of IHG's culture.

The Board's engagement and dialogue with the Group's workforce and other stakeholders was a further key area of focus during the year. The Board appointed a designated non-executive director to lead and coordinate its engagement with the workforce, approved an engagement plan, and actively engaged with employees through various forums (see pages 32 and 33 for further details).

Governance framework

The Board delegates certain responsibilities to the Audit, Corporate Responsibility, Nomination and Remuneration Committees to assist in ensuring that effective corporate governance pervades the business.

We have considered our governance framework in light of the evolving governance landscape and to ensure that our governance structure and processes align with the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018.

During the year, the composition of the Nomination Committee was reviewed and adjusted so that it now consists of only one representative from each of the Board Committees as well as the Senior Independent Non-Executive Director, allowing for more focused discussion on Board composition, performance and succession.

A key area of focus for the Audit Committee this year has been overseeing the external audit tender process and the ongoing assessment of the Group's governance and risk control processes; the Corporate Responsibility Committee has been focused on the refresh of the Group's Corporate Responsibility strategy and the delivery of ongoing targets; the Nomination Committee has been focused on the approach to Board engagement with the workforce, the composition (including diversity) of the Board and succession planning, and the continuing development of our diversity and inclusion framework; and the Remuneration Committee has been

focused on developing a new Remuneration Policy and approval of the Colleague Share Plan.

Board culture and composition

We have a disciplined approach to Board composition and succession to ensure that we continue to have around the table the right mix of skills, experience, behaviours and knowledge as well as gender and geographical representation to add value as the Company pursues its strategic objectives.

In December 2019, we announced in this respect the appointment of Arthur de Haast as an independent Non-Executive Director. Previously a Senior Director of Jones Lang LaSalle Inc., Arthur brings more than 30 years' experience of capital markets and the hotel and hospitality sectors. Arthur joined the Board with effect from 1 January 2020 and serves on the Remuneration and Corporate Responsibility Committees.

Training, development and Board performance review

The training and development needs of each Director continue to be reviewed regularly. During 2019, Directors received training on a variety of topics, further details of which can be found on page 86.

An external Board evaluation was carried out during the year. I am pleased to report that the key conclusion of the review was that the Board is well-functioning and operates effectively. Further details of the evaluation can be found on page 86. We also conducted another peer-to-peer Chair and Non-Executive Director assessment, where Directors provide structured feedback on each of their fellow Directors. Further details can be found on page 87.

Compliance and our dual listing

IHG continues to operate as a dual-listed company with a premium listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange. As such, we are required to file an Annual Report in the UK and a Form 20-F in the US. To ensure consistency of information provided to both UK and US investors, we have again produced a combined Annual Report and Form 20-F. Our statement of compliance with the 2018 UK Corporate Governance Code (the Code) is located on pages 94 and 95. I am pleased to report that, during 2019, we complied in all material respects with all principles and provisions of the Code. A statement outlining the differences between the Group's UK corporate governance practices and those followed by US companies can be found on page 240.

Looking forward

In 2020, the Board will continue to progress the actions arising from the external evaluation and we look forward to continuing to engage with, and foster our regard for the interests of, shareholders, the workforce and other key stakeholders. We see this as essential to building and maintaining a successful and sustainable business.

Patrick Cescau
Chair of the Board
17 February 2020

Corporate Governance

Our Board and Committee governance structure

We remain committed to maintaining the highest standards of corporate governance. Our governance framework is led and directed by the Board, which in turn delegates certain responsibilities to its Committees to support IHG's purpose, values and strategy, as well as our commitment to conducting business responsibly.

The Board and its Committees

The Board establishes the Group's purpose, values and strategy, and is responsible for promoting the long-term sustainable success of the Group. A number of key decisions and matters are reserved for the Board and are not delegated to management. The schedule of matters reserved was reviewed for the Board at the February 2020 Board meeting and is available on our website. The Board has responsibility for reviewing the means for the workforce to raise concerns in confidence and the reports arising from its operation, which was previously undertaken by the Audit Committee.

The Board is supported by its Principal Committees, namely the Audit Committee, Corporate Responsibility Committee, Nomination Committee and Remuneration Committee, to assist it in carrying out its functions, overseeing the delivery of strategic objectives and driving sustainable value for shareholders and considering the impacts on, and interests of, other stakeholders. Details of how the Board spent its time during 2019 can be found on pages 84 and 85.

Management Committees

Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees.

The Executive Committee is chaired by the CEO and considers and manages a range of day-to-day strategic and operational issues facing the Group, including the development of the Group's strategy and budget for the Board's approval, executing the strategic plan once agreed by the Board, monitoring the Group's performance and providing assurance to the Board in relation to overall performance and risk management.

The General Purposes Committee is chaired by an Executive Committee member and attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

The Disclosure Committee is chaired by the Group's Financial Controller and ensures that proper procedures are in place for statutory and listing requirements. This Committee reports to the Chief Executive Officer, the Chief Financial Officer and the Audit Committee.

More information on our Board and Committees is available on our website at www.ihgplc.com/investors under Corporate governance.

Board and Committee membership and attendance in 2019

	Appointment date	Committee appointments	Meetings				
			Board	Audit Committee	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
Total meetings held			7	5	3	6	6
Chair							
Patrick Cescau ^a	01/01/13	N	7/7	-	-	6/6	-
Chief Executive Officer							
Keith Barr	01/07/17		7/7	-	-	-	-
Executive Directors							
Paul Edgecliffe-Johnson	01/01/14		7/7	-	-	-	-
Elie Maalouf	01/01/18		7/7	-	-	-	-
Senior Independent Non-Executive Director							
Dale Morrison	01/06/11	A N R	7/7	5/5	-	6/6	6/6
Non-Executive Directors							
Anne Busquet	01/03/15	A C	7/7	5/5	3/3	2/6 ^b	-
Ian Dyson	01/09/13	A R	7/7	5/5	-	2/6 ^b	6/6
Jo Harlow	01/09/14	N R	7/7	-	-	6/6	6/6
Luke Mayhew	01/07/11	A C N	7/7	5/5	2/3 ^c	6/6	-
Jill McDonald	01/06/13	A C N	7/7	5/5	3/3	6/6	-
Malina Ngai	01/03/17	C R	6/7 ^d	-	3/3	2/6 ^b	5/6 ^d

^a In principle the Chair attends all Committee meetings, and the full Board attends the relevant sections of the Audit Committee meetings when results, and risk management processes and controls are discussed and considered.

^b The composition of the Nomination Committee was adjusted during the year to comprise one member of each Board Committee and the Senior Independent Non-Executive Director. Accordingly Anne Busquet, Ian Dyson and Malina Ngai resigned from the Nomination Committee in July 2019.

^c Luke Mayhew was unable to attend a Corporate Responsibility Committee meeting due to prior engagement.

^d Malina Ngai was unable to attend a Board meeting and a Remuneration Committee meeting due to a prior commitment.

Board Committee membership key

A Audit Committee member	R Remuneration Committee member
C Corporate Responsibility Committee member	Chair Chair of a Board Committee
N Nomination Committee member	

Corporate Governance continued

Our Board of Directors



N

Patrick Cescau
Non-Executive Chair
Appointed to the Board: 1 January 2013

Skills and experience: From 2005 to 2008, Patrick was Group Chief Executive of Unilever Group, having previously been Chair of Unilever PLC, Vice-Chair of Unilever NV and Foods Director, following a progressive career with the company, which began in France in 1973. Prior to being appointed to the board of Unilever PLC and Unilever NV in 1999, as Finance Director, he was Chair of a number of the company's major operating companies and divisions, including in the US, Indonesia and Portugal. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc, Tesco PLC and International Airlines Group, and a Director at INSEAD.

Board contribution: Patrick has held board positions for more than 20 years in leading global businesses and brings extensive international experience in strategy, brands, consumer products, and finance. As Chair, Patrick is responsible for leading the Board and ensuring it operates in an effective manner, and promoting constructive relations with shareholders and wider stakeholders. As Chair of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group's leadership needs.

Other appointments: Patrick is a trustee of The Leverhulme Trust, Patron of the St Jude India Children's Charity and Member of the TEMASEK European Advisory Panel.



Keith Barr
Chief Executive Officer (CEO)
Appointed to the Board: 1 July 2017

Skills and experience: Keith has spent more than 25 years working in the hospitality industry across a wide range of roles. He started his career in hotel operations and joined IHG in 2000. Since April 2011 he has been a member of IHG's Executive Committee. Directly before being appointed CEO, Keith served as Chief Commercial Officer for four years. In this role, he led IHG's global brand, loyalty, sales and marketing functions, and oversaw IHG's loyalty programme, IHG® Rewards Club. Prior to this, Keith was CEO of IHG's Greater China business for four years, setting the foundations for growth in a key market

and overseeing the launch of the HUALUXE® Hotels and Resorts brand.

Board contribution: Keith is responsible for the executive management of the Group and ensuring the implementation of Board strategy and policy.

Other appointments: Keith is a Non-Executive Director of Yum! Brands. He also sits on the Board of WiHTL (Women in Hospitality Travel & Leisure). Keith is a graduate of Cornell University's School of Hotel Administration and is currently a member of the Dean's Advisory Board for The School of Hotel Administration, Cornell SC Johnson College of Business.



Paul Edgecliffe-Johnson
Chief Financial Officer (CFO) and
Group Head of Corporate Strategy
Appointed to the Board: 1 January 2014

Skills and experience: Paul is a fellow of the Institute of Chartered Accountants and is a graduate of the Harvard Business School Advanced Management Programme. He was previously CFO of IHG's Europe and Asia, Middle East and Africa regions, a position he held since September 2011. He joined IHG in August 2004 and has held a number of senior-level finance positions, including Head of Investor Relations, Head of Global Corporate Finance and Financial Planning & Tax, and Head of Hotel Development, Europe. Paul also

acted as Interim CEO of the Europe, Middle East and Africa region (prior to the reconfiguration of our operating regions).

Board contribution: Paul is responsible, together with the Board, for overseeing the financial operations of the Group and for leading Group strategy.



Elie Maalouf
Chief Executive Officer, Americas
Appointed to the Board: 1 January 2018

Skills and experience: Elie was appointed CEO, Americas at IHG in February 2015 and has 20 years' experience of working in major global franchise businesses. He joined the Group having spent six years as President and CEO of HMSHost Corporation, where he was also a member of the board of directors. Elie brings broad experience spanning hotel development, branding, finance, real estate and operations management as well as food and beverage expertise. Elie was Senior Advisor with McKinsey & Company from 2012 to 2014.

performance of all hotel brands and properties in the Americas region and has global responsibility for customer development, providing oversight of the Global Sales organisation, as well as our owner management and services strategy.

Other appointments: Elie is a member of the American Hotel & Lodging Association Executive committee of the Board, and the U.S. Travel Association CEO Roundtable. In addition, Elie serves as a member of the Global Advisory Council at the University of Virginia Darden School of Business and is a board member of the Atlanta Committee for Progress.

Board contribution: Elie brings a deep understanding of the global hospitality sector to the Board. He is responsible for business development and



A N R

Dale Morrison
Senior Independent Non-Executive Director (SID)
Appointed to the Board: 1 June 2011

Skills and experience: Dale is a founding partner of TriPointe Capital Partners and subsequently Twin Ridge Capital, both private equity firms. Dale was previously President and CEO of McCain Foods Limited, President and CEO of Campbell Soup Company and Non-Executive Chair of Marlin 1 (holding company for Young's Seafood International Holdings Ltd.).

Board contribution: Dale has over 10 years' experience in sales and marketing positions, and over 25 years' experience in general management, having held senior positions in the branded foods sector. Dale's role as Senior Independent Non-Executive Director is fundamental to the successful operation of the Board.

Other appointments: Currently a Non-Executive Director of International Flavors & Fragrances Inc.



A C

Anne Busquet
Independent Non-Executive Director
Appointed to the Board: 1 March 2015

Skills and experience: Anne began her career at Hilton International in Paris, before joining American Express Company in New York, where she held several executive positions and served for 23 years. Anne was also the CEO of Local and Media Services at InterActiveCorp.

multinational companies, predominantly in the financial, branded and digital-commerce sectors.

Other appointments: Anne is currently the President of AMB Advisors, an independent consulting firm, and Managing Director at Golden Seeds LLC, an angel investment company. She also serves on the boards of Pitney Bowes, MTBC and Elior Group and on the advisory boards of JEGI and SheSpeaks.

Board contribution: Anne brings more than 20 years' experience in senior positions in



C R

Arthur de Haast
Independent Non-Executive Director
Appointed to the Board: 1 January 2020

Skills and experience: Arthur has held several senior roles in the Jones Lang LaSalle (JLL) group, where he is currently Chair of JLL's Capital Markets Advisory Council, having previously acted as Chair and Global CEO of JLL's Hotels and Hospitality Group. Arthur is also a former Chair of the Institute of Hospitality.

Board contribution: Arthur has more than 30 years' experience in the capital markets, hotels and hospitality sectors, along with significant Board-level knowledge around sustainability.

Arthur serves on the Remuneration and Corporate Responsibility Committees.

Other appointments: Arthur is Chair of JLL's Capital Markets Advisory Council, a member of JLL's Global Sustainability Board, an Independent Non-Executive Director of Chalet Hotels Limited and a member of the Advisory Board of the Scottish Business School, University of Strathclyde, Glasgow.



A R

Ian Dyson
Independent Non-Executive Director
Appointed to the Board: 1 September 2013

Skills and experience: Ian has held a number of senior executive and finance roles, including Group Finance and Operations Director for Marks and Spencer Group plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was CEO of Punch Taverns plc, Finance Director for the Rank Group Plc, a leading European gaming business, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc.

Board contribution: Ian has gained significant experience from working in various senior finance

roles, predominantly in the retail, leisure and hospitality sectors. Ian became Chair of the Audit Committee on 1 April 2014, and, as such, is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place.

Other appointments: Currently a Non-Executive Director and Chair of the Audit Committee of SSP Group plc, Senior Independent Non-Executive Director and Chair of the Audit Committee of ASOS plc and Senior Independent Non-Executive Director of Flutter Entertainment plc.



N R

Jo Harlow
Independent Non-Executive Director
Appointed to the Board: 1 September 2014

Skills and experience: Jo most recently held the position of Corporate Vice President of the Phones Business Unit at Microsoft Corporation. She was previously Executive Vice President of Smart Devices at Nokia Corporation, following a number of senior management roles at Nokia from 2003. Prior to that, she held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble Company from 1984 to 1992.

Board contribution: Jo has over 25 years' experience working in various senior roles, predominantly in the branded and technology sectors. Jo became Chair of the Remuneration Committee on 1 October 2017, and as such she is responsible for setting the remuneration policy. Jo is also a member of the Nomination Committee.

Other appointments: Currently a member of the Supervisory Board of Ceconomy AG and a Non-Executive Director of Halma plc and J Sainsbury plc.



A C N

Luke Mayhew
Independent Non-Executive Director
Appointed to the Board: 1 July 2011

Skills and experience: Luke served for 12 years on the Board of John Lewis Partnership plc, including as Managing Director of the Department Store division. Luke also spent five years at British Airways Plc and seven years at Thomas Cook Group plc in senior positions. He was also Chair of Pets At Home Ltd, a Non-Executive Director of WH Smith PLC and until recently Senior Independent Director of DFS Furniture plc.

Board contribution: Luke has over 40 years' experience in senior roles and directorships in the branded service sector. As the designated Non-Executive Director for workforce

engagement, he is responsible for leading on, and the consideration of, employee perspective in Board deliberations and for ensuring effective channels of feedback between IHG employees and the Board. Luke was the Remuneration Committee Chair at Brambles Limited from 2006 to 2014 and at IHG from July 2011 to September 2017.

Other appointments: Currently a trustee of BBC Children in Need and the National Youth Orchestra of Great Britain and a Governor of the Southbank Centre.



A C N

Jill McDonald
Independent Non-Executive Director
Appointed to the Board: 1 June 2013

Skills and experience: Jill started her career at Colgate-Palmolive Company, spent 16 years with British Airways Plc and has held a number of senior marketing positions in the UK and overseas. Jill was CEO UK and President for the North West Europe division for McDonald's, and held a number of other senior roles in the company from 2006. From May 2015 until September 2017, Jill served as CEO of the Halfords Group plc. From 2017-2019, Jill served as Managing Director, Clothing, Home and Beauty, at Marks and Spencer plc.

Board contribution: Jill has over 30 years' experience working with high-profile international consumer-facing brands at both marketing and operational level. As Chair of the Corporate Responsibility Committee, she is responsible for corporate responsibility objectives and strategy and approach to sustainable development.

Other appointments: Currently CEO of Costa Coffee.



C R

Malina Ngai
Independent Non-Executive Director
Appointed to the Board: 1 March 2017

Skills and experience: Malina is CEO of A.S. Watson (Asia & Europe) Limited, and Group Chief Operating Officer of A.S. Watson Group, which is part of Hong Kong-based conglomerate CK Hutchison Holdings Limited. A.S. Watson is the world's largest international health and beauty retailer with thirteen brands including Watsons, Superdrug, Savers, The Perfume Shop, Kruidvat, ICI Paris XL and ParknShop. In addition, Malina is Vice Chair of the Hong Kong Retail Management Association and was previously a member of the Board of Directors of the Hong Kong Sports Institute Limited.

Board contribution: Malina has over 20 years' experience gained from working in senior positions in global organisations across a broad range of sectors, with particular understanding of consumer-facing branded companies and the role that technology and digital commerce play in transforming the consumer experience.

Other appointments: Currently CEO of A.S. Watson (Asia & Europe) Limited, Group Chief Operating Officer of A.S. Watson and Vice Chair of the Hong Kong Retail Management Association.

Corporate Governance continued

Our Executive Committee

In addition to Keith Barr, Paul Edgecliffe-Johnson and Elie Maalouf, the Executive Committee comprises:



Claire Bennett
Global Chief Marketing Officer
Appointed to the Executive Committee:
October 2017 (joined the Group: 2017)

Skills and experience: Claire joined IHG with an in-depth knowledge of the hospitality industry having spent 11 years at American Express in a range of senior leadership roles across marketing, consumer travel and loyalty. In her tenure there, Claire was General Manager (GM), Global Travel and Lifestyle, where she led a team responsible for delivering luxury lifestyle services, and she held additional roles including GM for Consumer Loyalty, GM for US Consumer Travel, and Senior Vice President, Global Marketing and Brand Management. Claire has also held senior marketing positions at Dell, as well as finance and general management roles at PepsiCo/Quaker Oats Company, building significant expertise across technology, retail e-commerce, financial services, and travel and hospitality sectors.

Claire has been an Executive Board Member of the World Travel and Tourism Council (WTTTC), served as a Board Member of Tumi Inc. and participated on multiple industry advisory boards. Claire is a Certified Public Accountant and holds an MBA from the J.L. Kellogg Graduate School of Management at Northwestern University.

Key responsibilities: These include all aspects of brand design and commercial delivery, loyalty, partnerships, customer experience, and marketing execution.



Jolyon Bulley
Chief Executive Officer, Greater China
Appointed to the Executive Committee:
November 2017 (joined the Group: 2001)

Skills and experience: Prior to his appointment as CEO for Greater China, Jolyon was Chief Operating Officer (COO) for the Americas, leading the region's operations for franchised and managed hotels, in addition to cultivating franchisee relationships and enhancing hotel operating performance. Jolyon has also served as COO for Greater China for almost four years, with oversight of the region's hotel portfolio and brand performance, food and beverage brand solutions, new hotel openings and owner relations.

Jolyon joined IHG in 2001, as Director of Operations in New South Wales, Australia, and then held roles of increasing responsibility across IHG's Asia-Pacific region. He became Regional Director Sales and Marketing for Australia, New Zealand and South Pacific in 2003, relocated to Singapore in 2005 and held positions of Vice President Operations South East Asia and India, Vice President Resorts, and Vice President Operations, South East and South West Asia. Jolyon graduated from William Angliss Institute in Melbourne with a concentration on Tourism and Hospitality.

Key responsibilities: These include the management, growth and profitability of IHG's fastest growing region, Greater China.



Yasmin Diamond
Executive Vice President, Global Corporate Affairs
Appointed to the Executive Committee:
April 2016 (joined the Group: 2012)

Skills and experience: Before joining IHG in April 2012, Yasmin was Director of Communications at the Home Office, where she advised the Home Secretary, ministers and senior officials on the strategic development and daily management of all the Home Office's external and internal communications. She was previously Director of Communications at the Department for Environment, Food and Rural Affairs; Head of Communications for Welfare to Work and New Deal and Head of Marketing at the Department for Education and Skills. Before joining government communications, Yasmin was Publicity Commissioner for the BBC, where she led communications activity around the launch of a new digital learning channel and around the BBC's educational output for both adults and children.

In 2011, Yasmin was awarded a Companion of the Order of the Bath (CB) in the New Year's honours list in recognition of her career in government communications. In addition, Yasmin sits on the Board of Trustees for the British Council, the UK's international organisation for cultural relations and educational opportunities and is a Board member of the International Tourism Partnership.

Key responsibilities: She is responsible for all global communications activity, ensuring that it supports and enables IHG's broader strategic priorities. This includes all external and internal activity, covering both corporate and brand communications, as well as leading IHG's Corporate Responsibility strategy and key public affairs work.



Nicolette Henfrey
Executive Vice President, General Counsel and Company Secretary
Appointed to the Executive Committee:
February 2019 (joined the Group: 2001)

Skills and experience: Nicolette joined IHG in 2001, and was appointed Deputy Company Secretary in August 2011, during which time she worked very closely with the Board, Executive Committee and wider organisation to ensure best-in-class delivery and compliance across our legal and regulatory areas. Nicolette is a solicitor and prior to joining IHG worked for Linklaters in London and Findlay & Tait (now Bowman Gilfillan) in South Africa. Nicolette was appointed as Company Secretary on 1 March 2019.

Key responsibilities: These include overseeing our approach to corporate governance, risk management, insurance, regulatory compliance, internal audit, legal and hotel standards.



Kenneth Macpherson
 Chief Executive Officer, EMEA
 Appointed to the Executive Committee:
 April 2013 (joined the Group: 2013)

Skills and experience: Kenneth Macpherson became CEO, EMEA in January 2018. Kenneth was previously IHG's CEO for Greater China, a role he held from 2013 to 2017. Kenneth has extensive experience across sales, marketing strategy, business development and operations. In addition to 12 years living and working in China, Kenneth's career includes experience in Asia, the UK, France and South Africa. Before IHG, Kenneth worked for 20 years at Diageo, one of the UK's leading branded companies. His senior management positions included serving as Managing Director of Diageo Greater China, where he helped to build the company's presence and led the landmark deal to acquire ShuiJingFang, a leading manufacturer of China's national drink, and one of the first foreign acquisitions of a Chinese listed company.

Key responsibilities: Kenneth is responsible for the management, growth and profitability of the EMEA region. He also manages a portfolio of hotels in some of the world's most exciting destinations, in both mature and emerging markets.



Ranjay Radhakrishnan
 Chief Human Resources Officer
 Appointed to the Executive Committee:
 December 2016 (joined the Group: 2016)

Skills and experience: Ranjay joined IHG as Chief Human Resources Officer in December 2016. He previously spent 23 years at Unilever, in a range of senior leadership roles at global, regional and country levels. At Unilever, Ranjay was most recently Executive Vice President Global HR (Categories and Market Clusters), where he led HR for Unilever's eight regions (Market Clusters) and four global Product Categories under a unified global HR leadership role. Ranjay has worked and lived in several countries, including the UK, the Netherlands, Singapore, UAE and India.

Key responsibilities: These include global talent management, learning and capability building, diversity, organisation development, reward and benefit programmes, employee relations, and all aspects of the people and organisation strategy for the Group.

Ranjay has resigned as Chief Human Resources Officer with effect from the end of February 2020.



George Turner
 Executive Vice President, Chief Commercial and Technology Officer
 Appointed to the Executive Committee:
 January 2009 (joined the Group: 2008)

Skills and experience: George joined IHG in 2008 and spent over a decade as IHG's EVP, General Counsel and Company Secretary, with responsibility for corporate governance, risk and assurance, legal, corporate responsibility and information security. He is a solicitor and qualified to private practice in 1995. Prior to joining the Group, George spent over 10 years with Imperial Chemical Industries PLC, where he held various key positions including Deputy Company Secretary and Senior Legal Counsel. In February 2019 George was appointed as Chief Commercial and Technology Officer, continuing as Company Secretary until 1 March 2019.

Key responsibilities: As EVP, General Counsel and Company Secretary, these included corporate governance, risk management, information security, insurance, regulatory compliance, internal audit, legal and hotel standards. As EVP, Chief Commercial and Technology Officer, these include global sales, distribution, revenue management, hotel and owner solutions, reservations and customer care, digital, information security and technology.

Changes to the Board and its Committees, and Executive Committee

Arthur de Haast	Arthur was appointed to the Board from 1 January 2020
Anne Busquet	Anne stepped down from the Nomination Committee in July 2019
Ian Dyson	Ian stepped down from the Nomination Committee in July 2019
Malina Ngai	Malina stepped down from the Nomination Committee in July 2019
Ranjay Radhakrishnan	Ranjay has resigned as Chief Human Resources Officer with effect from the end of February 2020

Corporate Governance continued

Board meetings

The Chair and Company Secretary continue to operate a thorough two-tiered collaborative process for setting the Board agenda to ensure that the focus and discussion strikes the appropriate balance between short-term needs of the business and the longer-term. The Chair, CEO and Company Secretary also meet in advance of each Board and Committee meeting to finalise the agendas and ensure that sufficient time is allocated and in which order each matter is considered. The Company Secretary maintains an annual agenda schedule for Board meetings that sets out strategic and operational matters to be considered. Board papers are circulated to all Board members at least one week in advance of each meeting, to ensure that Directors have sufficient time to fully prepare for the meetings and ensure that effective, focused and relevant discussions take place. Each Board meeting begins with an update from the Chair and CEO, and the CFO then provides a review of the Group’s financial performance. Executive Committee members and other members of senior management present updates and ‘deep-dives’ on key initiatives and developments throughout the year, including functional, market and brand reviews, enabling all Directors to engage with senior management, have a strong understanding of Group operations, challenges and successes and contribute to strategic discussions.

The Board continues to receive presentations in the less formal context of pre-dinner meetings, scheduled the day before Board meetings, and invites external experts to provide ‘outside-in’ perspectives. This year the Board discussed the Greater China market and consumer and technology trends with external experts.

The Board held seven scheduled meetings during the year, and individual attendance is set out on page 79. All Directors are expected to attend all Board meetings and relevant Committee

meetings unless they are prevented from doing so by prior commitments, illness or a conflict of interest. If Directors are unable to attend Board or Committee meetings, they are sent the relevant papers and asked to provide comments to the Chair of the Board or Committee in advance of the meeting so that their comments can be duly considered.

Time is set aside at the start and end of each Board meeting for the CEO to meet with the Chair and Non-Executive Directors, and for the Chair to meet privately with the Senior Independent Non-Executive Director (SID) and Non-Executive Directors to discuss any matters arising. The SID continues to be available to discuss concerns with shareholders, in addition to the normal channels of shareholder communication.

During 2019, the Board focused on strategic and operational matters, corporate governance, investor relations and risk management. Board papers expressly reference the relevant stakeholder considerations and the interests of key stakeholders were considered throughout discussions. The Board is committed to maintaining an active and effective dialogue with all of our key stakeholders, as well as taking their interests into consideration in our decision making. Details of the Board’s engagement with the Group’s employees (pursuant to the ‘Voice of the Employee’ approach approved by the Board during the year) is set out on pages 32 and 33. Information in relation to our regard for the environment and local communities is provided on pages 34 and 35. Details of our engagement with suppliers, hotel owners and guests are included on pages 38 to 40, and information about our engagement with shareholders and investors is on pages 36 and 37.

The key focus areas for the Board during 2019 are outlined below:

	Area of discussion	Discussion topic
Strategic and operational matters	Accelerating our growth	Regular updates were received on progress against key strategic initiatives, including ongoing refinement of IHG’s operating model and key processes, benefit realisation, and risk management.
	Strategic initiatives	Consideration of merger and acquisition activity, including the acquisition of the Six Senses brand and business. In considering the acquisition, the Board had regard to the value proposition for our owners and our guests and for shareholders and reviewed the conclusions of the due diligence across a number of areas, including in relation to employees, human rights and the environment.
	Operating regions	Operating performance, competitive positioning, and outlook and strategy for all regions, including progress against KPIs, were reviewed at each Board meeting. Deep-dive sessions on strategy, performance, risks and opportunities in each region including key market development opportunities were presented during the year. Hotel lifecycle management, with a particular focus on the Group’s owner proposition, was also considered.
	Commercial delivery	Review of long-term channels and sales strategy and the plans for omnichannel revenue delivery, digital experiences, and data enterprise capabilities.
	Brands	Brand performance and initiatives for all brands, including approving the launch of Atwell Suites and monitoring the integration and delivery of the voco, avid, Regent and Six Senses brands. In considering the Atwell Suites brand, the Board took into account the brand proposition for guests and for our owners, including, for example, owner cost to build.
	Our people and culture	The Board reviewed and adopted a ‘Voice of the Employee’ plan designed to strengthen the understanding of employee engagement and the impact of business proposals on employees, where relevant. Following such adoption, the Board reviewed various employee feedback channels, and members of the Board actively engaged with employees at various meetings and forums. Further information is set out on pages 28 and 32 to 33.
	Finance	In addition to approving the budget, review of the Group’s funding and liquidity position. In approving the budget, the Board considered a number of factors, including long-term viability, employee considerations, the need for investment in our business and the expectations of shareholders.

	Area of discussion	Discussion topic
Corporate governance	Updates from each of the Board Committees	Details of Committee activities during 2019 can be found on pages 88 to 93 and 96 to 117.
	Confidential Disclosure Channel Reports	Having assumed responsibility for overseeing the Group's Confidential Disclosure Channel, the Board received reports of confidential matters disclosed.
	Quarterly corporate governance and regulatory updates, including reviews of regulatory developments and any upcoming legislative changes affecting the business, the Board and/or its Committees	Internal quarterly updates are provided to the Board covering key regulatory and corporate governance developments in areas such as audit reform, the role of the Board in cyber risk, remuneration trends, and ESG considerations, and how the Group is responding.
	Year-end matters, including the Annual Report and Form 20-F	Details of the review process of the Annual Report and Form 20-F can be found on page 88.
	Board effectiveness evaluation	Details of the process and outcome of the external Board effectiveness review can be found on page 86.
Risk management	Cybersecurity	Presentations and updates were received on cybersecurity, including the overall threat landscape, IHG's multi-year plan to enhance security capability, and the status of 2019 initiatives. The Board further considered the approach to cybersecurity risk management, key risk areas, and enhanced governance, including approval of an updated information security governance policy.
	Internal controls and risk management systems, our risk appetite and our global insurance programme	Regular updates were received on internal controls, risk management systems, principal and emerging risks, our risk appetite and global insurance programme. Reports on risk topics were delivered by the Chair of each Committee.
	Terms of Reference for each Board Committee	Changes to the composition and Terms of Reference of the Nomination Committee were considered and approved during the year. The Terms of Reference for all Committees and the Matters Reserved for the Board can be found on our website.
Investor relations and communications	Updates on investor perceptions and shareholder relations, consideration of analysts' reports and media updates	The Board receives a regular report outlining share register movement, relative share price performance, Investor Relations activities and engagement with shareholders. The Board also considered feedback from the regular investor and analyst perception survey as well as individual meetings with investors.
	Global communications updates	The Board receives a regular report on global communications covering areas including the changing external landscape, trends on consumption of information, communications priorities, activity across key regions, our brands, people, and owners.
	Review and approval of shareholder returns strategies for 2019	During the year, the Board considered and, after taking into account stakeholder interests, distributable reserves and long-term success of the Company, recommended two dividends.
	Preparations for the AGM	Details of the 2020 AGM can be found on page 36.

Annual Strategy Meeting – June 2019

The 2019 Annual Strategy Meeting was held in New York and the Board undertook a detailed review of the performance and achievements of the business in the broader context of the changing competitive environment, as well as completing an assessment of the key strategic choices and priorities required to deliver long-term success for the Group. Members of the Executive Committee attended and discussed with the Board various topics, including hospitality market dynamics, IHG's brand portfolio and loyalty strategy, market opportunities and choices, and opportunities for investment in capabilities and platforms in areas such as distribution

and channels, loyalty, and owner and hotel lifecycle. The Board received updates on the Group's People and Culture roadmap and its Corporate Responsibility strategy. Board members also had the opportunity to engage directly with our owners at a reception hosted at the InterContinental Times Square hotel as part of the NYU International Hospitality Industry Conference.

Each Board member received a full briefing in advance of the Annual Strategy Meeting to ensure they had the time to reflect on the key information ahead of engaging in the discussions at the meeting.

Corporate Governance continued

Director induction, training and development

New Director inductions

All new Directors, upon appointment, undergo a comprehensive and formal induction programme which is tailored to meet their individual needs. We believe this is crucial to ensure our Directors have a full understanding of all aspects of our business and familiarity with the Group's purpose, culture and values, to ensure they are able to contribute effectively to the Board.

A tailored induction plan was prepared for Arthur de Haast in advance of his appointment to the Board from 1 January 2020. This includes:

- Information on the Group's purpose, culture, values and strategy, including its business model, brands and the markets in which it operates;
- An overview of how the Group generates value for its shareholders, has regard for its stakeholders and the environment and how it contributes to wider society;
- Our approach to internal controls and our risk management strategy;
- Information on the Board, its Committees and IHG's governance processes, with a particular focus on the Remuneration and Corporate Responsibility Committees in light of Arthur's appointment to these Committees;
- A reminder of the rules relating to maintaining the confidentiality of inside information and restrictions in dealing in IHG shares, together with a briefing on the policies and procedures IHG has in place to ensure compliance with such rules;
- Meetings with members of the Board and the Executive Committee, senior management from functions across the Group, the external Auditor and other key external advisors; and
- Visits to IHG hotels across our brands, meeting owners and spending time with our General Managers.

Ongoing Director training and development

We understand the importance of an ongoing training programme for Directors to enable them to fully understand the Group's business and operations in the context of the rapidly developing environment in which it operates. The Chair continues to review the training and development needs with each Director on a regular basis and the Board is made aware of training opportunities.

Board and Committee meetings are regularly used to update Directors on developments in the environment in which the business operates and in-depth presentations are provided on key topical areas. The Company Secretary provides regular updates on regulatory, corporate governance and legal matters and Directors are able to meet individually with senior management if necessary. Focus trends and areas in 2019 included audit reform and environmental, social and governance (ESG) considerations, as well as cybersecurity developments. Directors are also encouraged to attend external training events to update their skills and knowledge.

Board meetings continue to be held at IHG hotels around the world to provide first-hand experience of our different brands. We believe that this opportunity to meet our workforce, suppliers and owners across the business broadens the Board's understanding of the markets in which we operate. In 2019, Board members attended Board and Committee meetings at the InterContinental® London Park Lane and the Kimpton Fitzroy Hotel London in the UK, the Barclay InterContinental Hotel in New York, USA as well as meetings at the Group's head offices in Denham, UK. Directors are also encouraged to continue to visit hotels across our brands on an informal basis.

Board effectiveness evaluation

External evaluation

Following an internal evaluation in 2018, in 2019 the Board undertook a full external evaluation. The Nomination Committee considered proposals for the conduct of the evaluation and recommended to the Board that the evaluation be carried out by Mr. Christopher Saul of Christopher Saul Associates. As Mr. Saul and the Chair both serve as Board members of The Leverhulme Trust, the Chair excluded himself from the decision to appoint Mr. Saul, who has no other connection with the Company or the Directors.

Mr. Saul met with the Chair and the Company Secretary to devise a detailed evaluation process, which comprised:

- Reviewing the Terms of Reference for the Board and each of its Committees, minutes of Board and Committee meetings for the previous two years, various Board papers and notes from the Chair's discussions with large shareholders;
- Individual face-to-face interviews with each Board member, covering Board dynamics and culture; Board focus and discussion; Board processes; Board engagement with management, performance and strategy and areas for improvement;
- Face-to-face interviews with the General Counsel and Company Secretary and other members of the Executive Committee and senior risk, finance and HR management, as well as key external advisers (including the external audit partner); and
- Attendance at, and observation of, Board and Committee meetings held in October 2019.

The review's findings and recommendations were reported to and discussed by the Board and its Committees in December 2019.

Overall, the review concluded that the Board is well-led and operates effectively to high standards of professionalism. It found that the Board Committees are well integrated into the Board decision-making process and that the relationship between the Executive and Non-Executive Directors is constructive. The Nomination Committee is also effectively overseeing Board composition and succession.

The review identified some areas where changes could appropriately be made and the Board agreed to take the actions outlined on the following page, recognising the benefits of continuous improvement:

Area for focus	Actions agreed
<p>Board processes, dynamics and engagement with management:</p> <ul style="list-style-type: none"> revising the cadence of meetings over the year and re-shaping the meeting agendas to allow (i) for extended discussion of key strategic and operational initiatives and (ii) the CEO to engage more with Non-Executive Directors. further enhancing and streamlining the information provided to the Board to include more forward-looking information. 	<p>The number of Board meetings for 2020 will be reduced from seven to six face-to-face meetings (with more time allowed for each meeting), and two CEO Board update calls focusing on operational and performance matters will be added.</p> <p>The balance between time spent on updating the Board and discussion items will be reviewed to ensure that there is continued appropriate distribution between providing the Board with essential information and allowing time for Board in-depth discussion and debate.</p> <p>More time will be allocated for the CEO to meet alone with Non-Executive Directors in an informal environment outside the full Board meeting, in addition to the private sessions with the CEO on the agenda.</p> <p>The information pack provided to the Board in advance of meetings will be reviewed and revised as appropriate to ensure there is sufficient key trend data and balance between performance to date and forward-looking information.</p> <p>The Directors will continue to suggest agenda items for deeper dive consideration and the Chair and Company Secretary will continue to set the agenda to ensure that sufficient time is dedicated to key strategic and operational projects and priorities and the meeting cadence allows for appropriate discussion.</p>
<p>Board Committees:</p> <ul style="list-style-type: none"> revising the Terms of Reference of the Committees to avoid the overlap in remit, particularly around Diversity and Inclusion and Voice of the Employee. refreshing the approach to agenda items for Audit Committee meetings, given the broad scope of its remit. 	<p>The Terms of Reference of the Nomination and Corporate Responsibility Committees have been amended so that from 1 March 2020, the Nomination Committee will continue to lead the process for Board composition, appointments and succession planning, while the Corporate Responsibility Committee (which is to be renamed the Responsible Business Committee) shall assume responsibility for overseeing the Group's Diversity and Inclusion agenda and the Board's engagement with the Group's workforce.</p> <p>The Audit Committee agendas will be evaluated to ensure that the pre-read information pack and agenda items allow for an improved balance between areas for discussion and regular routine updates.</p>

Directors' performance evaluation

In addition to the external Board evaluation process outlined above, internal performance evaluations of Directors were undertaken during 2019 in order to enhance the accountability and effectiveness of each Director. Feedback was collected for each Director's peer review by the Chair and the SID through an interview format, combining structured interview questions and a more open-ended discussion. Board members were asked to provide comments on their fellow Directors' preparedness, contribution, strengths and weaknesses, industry and company understanding and opportunity for development.

The summary of the feedback was reviewed by the Chair and the SID before being communicated to each Director.

The assessment of the performance of the Chair was led by the SID. The Chair's evaluation consisted of interviews with the Non-Executive Directors, together with feedback provided by Mr. Saul as part of the external evaluation detailed above. The evaluation focused on:

- The relationship between the CEO and Chair;
- Board succession;
- Board culture and the Chair's ability to promote and maintain an open, transparent and constructive atmosphere, encouraging co-operation and communication;
- Managing the Board in accordance with high standards of corporate governance; and
- The effectiveness of the analysis and action taken from the results of last year's evaluation.

The CEO evaluation was led by the Chair in a process involving all Directors by means of a structured interview process. Key areas of focus included:

- IHG's performance;
- Effectiveness in developing and implementing strategy, talent and culture;
- Effectiveness in shaping IHG's reputation and relationships with key stakeholders;
- Value stewardship;
- Leadership of the Executive Committee; and
- Areas for further development.

The length of tenure of Non-Executive Directors continues to be reviewed as part of the Directors' performance evaluation process. Dale Morrison and Luke Mayhew have served on the Board for more than eight years, and accordingly they were subject to particular review. It was concluded that each Director continues to contribute effectively and to demonstrate commitment to the role including devoting the necessary time. Given the tenure of some Directors, it was noted that succession planning would be a particular focus area for the Board and the Nomination Committee in 2020.

Directors' additional appointments and time commitments also form part of the internal performance evaluation process. Any potential additional appointments are thoroughly discussed with the Chair before being accepted, with the time commitment required for each role being carefully assessed. During 2019, particular consideration was given to Jill McDonald and Malina Ngai's commitments in light of their appointments to new roles. It was concluded that their additional appointments should not adversely impact their performance, but should enhance their ability to provide constructive challenge and strategic guidance.

Corporate Governance continued

Audit Committee Report



Key duties and role of the Committee

Key objectives and summary of responsibilities

The Audit Committee is responsible for ensuring that IHG maintains a strong control environment. It monitors the integrity of IHG's financial reporting, including significant financial reporting judgements, maintains oversight and reviews our systems of internal control and risk management, monitors and reviews the effectiveness and performance of internal and external audit functions, as well as reviewing the behaviours expected of IHG's employees through the Code of Conduct and related policies.

The Committee's role, responsibilities and authority delegated to it by the Board are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

 The ToR are available at www.ihgplc.com/investors under Corporate governance.

The Committee's key responsibilities and focus over the year have been:

- Regular reviews of the Group's information security risks and controls, including review and recommending to the Board for approval of the Group's Information Security Governance Policy;
- Reviewing, challenging and ensuring accurate financial and narrative reporting, including reviewing the Annual Report and Form 20-F and assessing the Group's approach to accounting for acquisitions, System Fund accounting as well as the implementation of the IFRS 16 standard;
- Reviewing and assessing the robustness of the Group's internal control and risk management systems and reviews of specific principal risk areas including the approach to strategic supplier management, System Fund accounting, and hotel safety and security;
- Overseeing the relationship with and appraisal of the Group's external Auditor, including regular analysis of audit and non-audit services;
- Overseeing the external audit tender process; and
- Monitoring and reviewing the role of Internal Audit.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 79. The CFO, Group Financial Controller, Head of Risk and Assurance and our external Auditor, Ernst & Young LLP (EY), attended all meetings in 2019. Other attendees are invited to meetings as appropriate; and the CEO and all other Directors attended Committee meetings where the principal risks and risk management systems and the approval of financial reporting were considered and discussed. The Committee continues to hold private sessions with the internal and external Auditors without the presence of management to ensure that a culture of transparency is maintained. The Committee Chair continues to have recent and relevant financial experience and all members of the Committee are Independent Non-Executive Directors. In accordance with the Code, the Board also considers that the Committee as a whole possesses competence relevant to the Company's sector, having a range of financial and commercial experience in the hospitality industry and the broader commercial environment in which we operate. Further details of the skills and experience of the Board can be found on pages 80 to 81.

Reporting to the Board

Following each Committee meeting, the Committee Chair updates the Board on key issues discussed. The papers and minutes for each meeting are circulated to all Board members, who are invited to request further information if required and to provide any challenge where necessary.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board. During 2019, the Committee was also reviewed as part of the external Board evaluation process where it was concluded that the Committee remains effective (see page 86). As Chair, given the broad scope of the Committee's remit, I will continue to monitor the balance between areas for discussion and regular routine updates.

Focus areas and activities

Financial and narrative reporting

During the year, the Committee reviewed and recommended approval of the interim and annual Financial Statements (considering the relevant accounting and reporting matters such as impairment reviews, key judgement areas, acquisition accounting, the going concern and viability statements) and the Group's quarterly trading updates. All members of the Board are asked to attend these meetings.

The Committee recognises the importance of understanding changes in accounting policies and practice, and continues to receive an annual update from EY on key changes in this area. In 2019, the Committee continued its review of the implementation of IFRS 16 'Leases' and reviewed and recommended approval of the restatement of the 2018 Financial Statements for its adoption.

The Committee continued to seek input and guidance from the external Auditor where appropriate to gain further assurance over the process of preparation of the Financial Statements. In addition, the Committee received regular reports from the Chair of the Disclosure Committee and copies of all minutes of that Committee were circulated to the Committee.

The Committee received early drafts of the Annual Report and Form 20-F 2019 (Annual Report), and when providing comments considered: (i) the process for preparing and verifying the Annual Report, which included review by members of the Executive Committee and input from senior employees in the Operations, Strategy, Human Resources, Finance, Risk and Assurance and Legal teams; (ii) a report from the Chair of the Disclosure Committee; and (iii) the checklist prepared by the Annual Report team confirming compliance with the relevant regulatory requirements.

The Committee also considered management's analysis of how the content taken as a whole, was 'fair, balanced and understandable', and whether it contained the necessary information for shareholders to assess the Group's position and performance, business model and strategy. In order to reach this conclusion, a dedicated project team worked on the contents of the Annual Report and a detailed verification process to confirm the accuracy of the information contained within the Annual Report was undertaken by the Financial Planning and Analysis department. The Committee then considered both the structure and content of the Annual Report to ensure that the key messages were effectively and consistently communicated and that meaningful links between the business model, strategy, KPIs, principal risks and remuneration were clearly identified throughout the Annual Report. The Committee specifically considered the Non-GAAP measures which have been enhanced to improve both the clarity of the descriptions and the explanation of the usefulness of the measures to different stakeholder groups.

Following a review of the contents of the Annual Report alongside the aforementioned criteria, the Committee reported its recommendation to approve the Annual Report to the Board.

During the year, the Group was selected by the Financial Reporting Council (FRC) for inclusion in a thematic review of companies' disclosures following the first full year of adoption of IFRS 15 'Revenue from Contracts with Customers'. Following completion of

the FRC enquiries, we have provided additional disclosures in this Annual Report and Form 20-F relating to the accounting policy for technology fee income and the judgements involved in the accounting for the System Fund.

Significant matters in the 2019 Financial Statements

The Committee discussed with management and the Auditor the key judgements applied in the Financial Statements, the exceptional items arising in the year and the impact of any accounting developments or legislative changes. The main items discussed are outlined below.

Area of focus	Issue/Role of the Committee	Conclusions/Actions taken
Accounting for IHG Rewards Club	Accounting for IHG Rewards Club requires significant use of estimation techniques and represents a material deferred revenue balance. Accordingly, the Committee reviews the controls, judgements and estimates related to accounting for the IHG Rewards Club programme.	In forming a conclusion on the appropriateness of the accounting for the IHG Rewards Club programme, the Committee reviewed the deferred revenue balance and questioned the valuation approach, the results of the external actuarial review and procedures completed, to determine the breakage assumption for outstanding IHG Rewards Club points. The Committee concluded that the deferred revenue balance is appropriately stated.
Accounting for the System Fund	Given the unique nature of the System Fund, the Committee reviews the controls and processes related to System Fund accounting.	In forming a conclusion on the appropriateness of the System Fund accounting, the Committee met with senior finance management to review and evaluate the risk areas associated with the System Fund. The Committee reviewed a paper from management outlining the financial oversight of the System Fund, the principles determining the allocation of revenues and expenses to the System Fund, and the related internal control environment. The Committee concluded that the accounting treatment of the System Fund, and related disclosures, were appropriate.
Impairment testing	Impairment reviews require significant judgement in estimating recoverable values of assets or cash-generating units and the Committee therefore scrutinises the methodologies applied and the inherent sensitivities in determining any potential asset impairment and the adequacy of the related disclosures.	The Committee reviewed a management report outlining the approach taken on impairment testing and key assumptions and sensitivities supporting the conclusion on the various asset categories. The Committee examined the assumptions related to non-current assets, assets previously impaired, and the assets acquired as part of the Kimpton and UK portfolio transactions in 2015 and 2018 respectively. The impairments (see pages 139 and 140, and note 13 on page 168), recorded in the year for the Kimpton management agreements (\$50m), the UK portfolio goodwill (\$49m) and IFRS 16 right-of-use asset (\$32m) and the related fair value adjustment to contingent purchase consideration (\$38m) were discussed in detail. The Committee concluded that it agreed with the determinations reached on impairment, and the related change in the fair value of the UK portfolio contingent purchase consideration, the classification of these as exceptional items and that the related disclosures were appropriate.
Litigation and contingencies	From time to time, the Group is subject to legal proceedings with the ultimate outcome of each being subject to many uncertainties. The Committee reviews and evaluates the need for any provisioning on a case by case basis and considers the adequacy of the disclosure.	At each meeting during the year, the Committee considered a report detailing all material litigation matters. The Committee discussed and agreed any provisioning requirements for these matters based on the factors set out on page 236. The Committee reviewed the need for, and the amount of, a provision in respect of a lawsuit filed against the Group in the Americas region, and the cost of an arbitration award in the EMEAA region, and the classification of these as exceptional items.
Exceptional items	The Group exercises judgement in presenting exceptional items. The Committee reviews and challenges the classification of items as exceptional based on their materiality or nature.	The Committee reviewed papers prepared by management and considered the consistency of treatment and nature of items classified as exceptional. The Committee reviewed and challenged the significance, timing and nature of the exceptional items disclosed in note 6, comprising reorganisation costs, acquisition and integration costs primarily relating to Six Senses, impairment, fair value adjustments to contingent purchase consideration and litigation. The Committee concluded that the disclosures and the treatment of the items shown as exceptional were appropriate.
Acquisition of Six Senses	Acquisition accounting involves judgement in establishing the fair values of the assets and liabilities acquired. The Committee reviews the accounting and challenges the appropriateness of the inputs and judgements to these valuations.	The Committee considered the work done to establish the fair value of the assets acquired. The Committee questioned the assumptions underlying the significant assets recognised and took into consideration a report from a third-party valuation expert. The Committee concluded that the fair values recognised were appropriate.
Adoption of IFRS 16	IFRS 16 'Leases' was adopted from 1 January 2019. Accordingly, the Committee reviewed the accounting, considered the adequacy of the disclosure and the related processes and controls.	Having previously reviewed the accounting under IFRS 16 in 2018, the Committee considered the work done to restate the 2018 results, the application of IFRS 16 and related disclosures in the Annual Report and Form 20-F 2019 and the refreshed internal control environment. The Committee concluded that the impact of the adoption of IFRS 16 on the financial statements was appropriate.

Internal control and risk management

The Board is responsible for establishing procedures to manage risk, overseeing the internal control framework and determining the nature and extent of the principal risks the Company is willing to take to achieve its long-term objectives. The Committee supports the Board by reviewing the effectiveness of the Group's internal control and risk management systems and assessing emerging and principal risks.

In order to effectively review the internal control and risk management systems, the Committee:

- Receives regular reports from management, Risk and Assurance and the external Auditor on the effectiveness of the systems for risk management and internal control, including financial, operational and compliance controls.

Corporate Governance continued

Audit Committee Report continued

- Reviews the process by which risks are identified (including procedures in place to identify emerging risks) and assesses the timeliness and effectiveness of corrective action taken by management, including regular reports and presentations on the Company's overall internal control, risk management system and principal risks.
- Receives additional reports throughout the year relevant to internal control and risk management, both financial and non-financial, to ensure that current and emerging risks are identified, assessed and appropriately managed (see pages 47 to 53 for further detail on our risks and initiatives to manage them).

As part of the Committee's review of the internal control and risk management systems, key financial, operational and compliance controls across the business continue to be monitored and tested throughout the year. The Committee assesses the approach to Sarbanes-Oxley Act 2002 (SOX) compliance in accordance with our US obligations and reviews reports on the progress of the SOX programme at each meeting. The Committee considers the Group's treasury and tax strategy policies annually and, during 2019 approved minor changes to the Group Treasury Policy and the Group's published 'Approach to Tax'.



Our Approach to Tax document is available at www.ihgplc.com/responsible-business

Having reviewed the internal control and risk management systems throughout the year, the Committee concluded that the Group continues to have an effective system of risk management and internal controls, and that there are no material weaknesses in the control environment and no significant failings or weaknesses.

Principal risk areas

The Committee's agenda complements those of other committees and it schedules reviews of specific risk areas not covered elsewhere, in addition to the regular risk management review. During 2019, the Committee considered the following areas:

- Information security and privacy continued to be key areas of focus for the Committee during the year.
- Ethical and social considerations, as stakeholder and societal expectations and regulatory requirements in these areas develop rapidly.
- Financial management and controls, including ongoing improvements to the framework for internal control at the managed and owned, leased and managed lease hotel level.
- Risk management and internal control arrangements for key reservations-related outsourced processes and general oversight of our strategic supplier relationships.
- Reports from management on preparation for Brexit scenarios.

Further details of our principal risks, uncertainties and review process can be found on pages 47 to 53.

Relationship with external auditor

A detailed audit plan was received from EY at the beginning of the audit cycle for the 2019 financial year, which gave an overview of their approach to the audit, outlining the significant risk areas and in particular the approach to materiality and scoping of the audit.

The Committee regularly reviewed the significant audit risks and assessed the progress of the audit throughout the year.

Non-audit services

The independence and objectivity of the non-audit services provided by EY to the Group are safeguarded by IHG's Audit and Non-Audit Services Pre-Approval Policy. The policy is reviewed by the Audit Committee annually, and minor changes were approved in 2019.

The policy requires that pre-approval is obtained from the Audit Committee for all services provided by the external Auditor before any work can commence, in line with US SEC requirements without any de minimis threshold. The Committee reviewed the audit and non-audit fees incurred with EY on a quarterly basis during 2019. Following these reviews, the Committee noted that there had been no prohibited services (as defined by the Sarbanes-Oxley Act of 2002) provided to the Group in each period. The Committee is prohibited from delegating non-audit services approval to management and compliance with the policy is actively managed.

IHG is committed to maintaining non-audit fees at a low level and the Committee is cognisant of investor advisory bodies' guidelines on non-audit fees. During 2019, 21% of services provided to the Group were non-audit services (2018: 21%), primarily related to SOC Reports. Details of the fees paid to EY for non-audit work during 2019, and for statutory audit work during 2019 can be found on page 157. The Committee is satisfied that the Company was compliant during the year with the FRC's Ethical and Auditing Standards in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by EY. Where non-audit work is performed by EY, both the Company and EY ensure adherence to robust processes to prevent the objectivity and independence of the external auditor being compromised. The Committee notes the revised FRC Ethical and Accounting Standards issued in December 2019, effective March 2020, and will incorporate any changes required in the next review of IHG's Audit and Non-Audit Services Pre-Approval Policy.

Risk and Assurance – Internal Audit

The Committee discusses the Internal Audit annual plan in December each year, which aims to provide objective and insightful assurance that our growth ambitions are delivered in a responsible and controlled manner. The 2020 plan presented to the Committee included a balanced portfolio of internal audit activities to focus on key assurance objectives and themes, for example new ways of working between centralised functions and front-line teams; data integrity controls over financial and non-financial metrics; and programme delivery and benefits realisation controls. Following consideration, the Committee confirmed its agreement to the 2020 Internal Audit plan, including the key control themes identified. Progress against the Internal Audit plan is reported to the Committee at each meeting and is actively monitored by the Committee. This includes reviewing the results of completed audits and the findings raised through these audits, as well as management action plans to address any issues raised.

A functional effectiveness review of Internal Audit is undertaken each year and reported to the Committee. Internal Audit has again undertaken an internal assessment using feedback from auditees and senior leadership. This highlighted positive feedback on the support provided to key programmes and outsourcing decisions in 2019, alignment with Global Institute of Internal Audit standards, and identified opportunities for continuous improvement in 2020.

Governance and compliance

The Committee is responsible for reviewing the Group's Code of Conduct (which is reviewed and approved annually) and related policies.

Looking forward

During 2020, the Committee will focus on preparation for the orderly transition of audit services to PwC and maintaining oversight of the Group's control environment.

Ian Dyson

Chair of the Audit Committee
17 February 2020

External auditor – Re-appointment of Ernst & Young LLP (EY)

The Committee assessed EY's performance during the year, including its independence, effectiveness and objectivity, and considered the appointment of its external Auditor, including the requirements for putting the audit out to tender as set out in EU and Competition and Markets Authority legislation. After due consideration, the Committee recommended the re-appointment of EY as the Auditor of the Group. EY has been our Auditor since IHG's listing in April 2003 and of the Group's predecessor businesses dating back to 1988.

As part of its annual review, the Committee determines the independence of the external auditor, considering, among other things, its challenge to management and level of professional scepticism, the amount of time passed since a rotation of audit partner and the level of non-audit work that it undertakes, details of which can be found on page 90.

To ensure the external Auditor's independence is safeguarded, lead audit partners are required to rotate every five years. Sarah Kokot, who was appointed lead audit partner in 2016, has continued her role during 2019. Another audit partner, Colin Brown, rotated following completion of the 2018 audit and is replaced for 2019 by Helen McLeod-Jones.

The Committee also considered the effectiveness of the relationship between EY and management as part of the annual review process. This included the completion of feedback questionnaires by the Committee members and 46 senior IHG employees. Feedback was requested on a number of topics including independence, assignment management and communication. The Committee also received reports from EY on its independence.

No significant issues were raised in the annual review of the auditor performance and effectiveness and, as a result, the Committee concluded that EY continues to provide an effective audit and maintain independence and objectivity. The Committee is satisfied with the external audit process as a whole and therefore recommended the reappointment of EY to the Board.

Audit tender

In accordance with regulations mandating a tender for the 2021 financial year, the Group conducted an audit contract tender in 2019. A sub-committee, including members of the Audit Committee, was established to manage and govern the audit tender process and was accountable to the Audit Committee, which maintained overall ownership of the tender process and ensured that it was run in a fair and balanced manner. The sub-committee was supported by a project team, led by the Group Financial Controller. A summary of the timeline and key activities carried out during the tender process is set out below:

- The request for proposal was issued to firms in May 2019. A data room was established to provide the firms with sufficient information to be able to establish an audit plan. A Q&A process was also set up through a centralised mailbox, allowing the firms to ask questions on the content of the data room or request further information.
- The audit firms participated in a series of meetings with management, which provided a forum for the firms to ask questions arising from their review of the data room, as well as enabling management to interact directly with each proposed audit team.
- Each firm met with the Chair of the Audit Committee.

- Due diligence activities conducted as part of the tender process included:
 - Consideration of the Competition and Market Authority's review of the effectiveness of competition in the audit market and Sir John Kingman's independent review of the FRC;
 - A review of audit quality reports on the firms issued by the FRC and the Public Company Accounting Oversight Board;
 - Each firm completed an independence return, which were reviewed to assess consistency with the Company's own assessment; and
 - Reference checks with comparable companies were completed.
- Written proposals were received in June 2019 and the participating firms presented their proposals to the sub-committee in July 2019.

The principal evaluation criteria used to assess the firms were:

- Audit Quality, including the firm's internal and external audit inspection results, the ongoing work in respect of quality being undertaken by the firm, how the firm will execute group oversight in areas of significant risk, and how the firm will challenge management; and
- Experience and Capability of each firm to address IHG's structure and its areas of uniqueness.

Following a detailed review of the performance of each firm and an evaluation against all of the criteria, the sub-committee recommended Pricewaterhouse Coopers LLP (PwC) as its preferred candidate. The factors contributing to the selection of PwC as the preferred candidate included its understanding of the complexities specific to IHG including IHG Rewards Club and the impact of a shared service centre structure on the audit; external quality ratings across the past six years, and the firm's response to quality findings; internal quality ratings for the proposed team; clear insight into IHG's control environment; and a robust approach to the audit of IT.

In accordance with statutory requirements, a report on the tender selection procedure and conclusions was prepared and validated by the Audit Committee. The Audit Committee and subsequently the Board approved the recommendation to appoint PwC. In August 2019, the Company announced the Board's intention to propose to shareholders at the 2021 AGM that PwC be appointed as the Company's statutory auditor for the financial year ending 31 December 2021.

EY will remain the Group's auditor for the financial year ending 31 December 2020. Over the intervening period PwC and IHG will run the transition process. The principal activities completed so far include reviewing non-audit services provided to the Group and taking appropriate steps to achieve audit independence during the first half of 2020.

The Group confirms that it has complied with the requirements of The Competition and Markets Authority Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

See page 232 for further disclosure under Item 16F of Form 20-F.

Corporate Governance continued

Corporate Responsibility Committee Report



Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews and advises the Board on the Group's corporate responsibility objectives and strategy, including its impact on the environment, social, community and human rights issues, its approach to sustainable development, and stakeholder engagement in relation to the Group's approach to responsible business.

The Committee's role, responsibilities and authority delegated to it by the Board are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

 The ToR are available at www.ihgplc.com/investors under Corporate governance.

The Committee's key responsibilities and focus areas over the year have been:

- Considering the Group's Corporate Responsibility Strategy, given developments in environmental, social and governance (ESG) considerations and the need to look beyond the Group's 2018-2020 targets;
- Monitoring the delivery of the Responsible Business targets for the year, with a focus on the Group's environmental, community and diversity targets;
- Reviewing the Group's approach to responsible business in the supply chain, including supplier audits and the Supplier Code of Conduct;
- Reviewing the Group's Human Rights programme and approving the Human Rights Policy; and
- Overseeing responsible business stakeholder engagement.

From March 2020, the Committee will also be renamed the 'Responsible Business Committee'.

Membership and attendance at meetings

The Committee's membership and attendance at meetings are set out on page 79. The Head of Corporate Responsibility and the Chair of the Board attended all meetings held during the year.

Reporting to the Board

The Committee Chair updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members, who are invited to request further information where necessary.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board. During 2019, the Committee was also reviewed as part of the external Board evaluation process, where it was concluded that the Committee remains effective (see page 86).

Focus areas and activities

Responsible Business targets

During 2019, the Committee assessed progress against the Responsible Business targets for 2018-2020.

The Committee discussed the Group's diversity and inclusion initiatives, including the work of the D&I Board, with the Chief Human Resources Officer. The Chief Procurement Officer provided an update to the Committee on the Group's approach to responsible

procurement, including progress on supplier audits, and the Committee endorsed the initiatives proposed for 2020 which include supply chain diversity and value chain mapping.

Approach to corporate responsibility

In 2019, the Committee regularly reviewed and considered the Group's approach to corporate responsibility and its post-2020 responsible business ambitions. The Committee endorsed new sustainability commitments for the Group including setting stretching science-based targets, plans to meet the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and commitment to the CEO Water Mandate.

The Committee also endorsed management's establishment of a Responsible Business Governance Committee, comprising senior executives.

Community and human rights issues

The Committee throughout the year continued to evaluate the Group's support to communities across the globe through the 'True Hospitality for Good' programme, which is funded by a \$1 million annual commitment from the business to support community impact projects. In 2019, the Group launched a new partnership with Junior Achievement Worldwide to open doors to young people in nine markets through their 'IHG First Look' work experience days. Community impact is brought to life across the hotel estate through 'Giving for Good' month, which took place in September and encouraged fundraising and volunteering for our colleagues with nearly 160,000 participating in 2019.

The Committee reviewed and considered the proposed approach to the Group's human rights programme, following completion of a human rights impact assessment. The Committee endorsed the programme, which focuses on human trafficking training and embedding the ITP Forced Labour Principles. The Committee also approved an updated Human Rights policy. The Group's Modern Slavery Statement was also reviewed and recommended for approval to the Board.

Stakeholder engagement

The Committee assessed the Group's stakeholder engagement activity, including our partnerships with NGOs and community partnerships. Committee members engaged with shareholders, including on environmental, social and governance matters.

 Information on our responsible business commitments can be found at www.ihgplc.com/responsible-business

Recognising the importance of corporate responsibility, we were pleased to be listed again on the S&P Dow Jones Sustainability Indices.

Looking forward

In February 2020, the Board approved the expansion of the Committee's remit to include overseeing the Board's workforce engagement (an overview of which is set out on pages 32 and 33) and the Group's diversity and inclusion agenda (set out on pages 30 and 31). Accordingly in 2020, the Committee will focus on the activities in these areas as well as supporting the creation of our post-2020 responsible business strategy and ambition, taking into account the importance of environmental, social and governance considerations to all our stakeholders and the importance of ensuring responsible business is core to our broader strategy.

Jill McDonald

Chair of the Corporate Responsibility Committee
17 February 2020

Nomination Committee Report



Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews the composition of the Board and its Principal Committees, evaluating the balance of skills, experience, independence, knowledge and diversity requirements before making appropriate recommendations to the Board as to any changes. It also ensures plans are in place for orderly succession for both Directors and other Senior Executives and is responsible for reviewing the Group's senior leadership needs.

The Committee's role, responsibilities and authority delegated to it by the Board are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. During 2019, the composition of the Committee was reviewed and adjusted to comprise one member of each of the Board Committees as well as the Senior Independent Non-Executive Director, to allow for more focused discussion on Board composition and succession.

The Committee's key responsibilities and focus areas during the year have been:

- Board and Committee composition and recommendations on appointments to the Board;
- Leadership development and succession planning including evaluating gender balance;
- Board engagement with the workforce;
- Overseeing the performance evaluation of the Board, its Committees and individual Directors; and
- Monitoring development in all matters relating to Corporate Governance.

Membership and attendance at meetings

The Committee's membership and attendance at meetings are available on page 79. All members of the Committee are Non-Executive Directors. When the Committee considers matters relating to my position, Dale Morrison, the Senior Independent Non-Executive Director, acts as Committee Chair.

Reporting to the Board

The Committee makes recommendations to the Board for all Board appointments. Minutes are circulated to Board members and I report back to the Board on the activities of the Committee following each meeting.

Effectiveness of the Committee and External Evaluation

During 2019, the Committee was reviewed as part of the external Board evaluation process. Details of the external evaluation, including how it was conducted, the nature and extent of the evaluator's contact with the Board and the actions arising from the evaluation, are set out on pages 86 to 87. The evaluation concluded that the Committee remains effective.

Focus areas and activities

Board and Committee composition

The Committee continued to review the current and future composition of the Board and Committees, particularly in light of the Group's focus on accelerated growth. Having reviewed the skills, experience and knowledge of the Board, and taking into account progressive refreshing of the Board, the Committee determined that additional expertise in the hotels and hospitality sectors would be

beneficial, and recommended the appointment of Arthur de Haast as a Non-Executive Director, with effect from 1 January 2020. An external search consultancy was not used in relation to this appointment. Arthur's biography is set out on page 81, and details of Arthur's induction plan can be found on page 86.

Leadership development and executive succession planning

During the year, the Committee continued to review the development plans for the Executive Committee and succession plans for senior management positions in order to ensure the development of a diverse pipeline for succession.

Board engagement with the workforce

During 2019, the Committee reviewed a proposal for the Board's engagement with employees, concluding that the most effective approach would be to designate a Non-Executive Director as having responsibility for employee engagement. Luke Mayhew was appointed to the role in August 2019. Luke's role is to work with Executive Directors and the Company Secretary to coordinate Board activities and interests in relation to employees, including undertaking a detailed review of employee engagement reporting, gaining a greater insight into the culture of the Company and ensuring robust methods of receiving feedback and communicating with employees are established. An outline of Luke's activities during 2019 is given on pages 32 and 33.

Diversity & Inclusion/Gender Balance

We recognise that diversity and inclusion is essential, across all levels of our business. All appointments are based on merit, experience and performance and the Board actively seeks diversity of skills, gender, social and ethnic backgrounds, cognitive and personal strengths.

Our Global Diversity and Inclusion Policy (D&I Policy) applies to all people employed by IHG and we encourage our franchised operations and those managed hotels where we do not directly employ people to follow the same principles. The objective of our D&I Policy is to celebrate difference, recognising that this underpins external, as well as internal, relationships.

During 2019, the Committee reviewed and discussed our commitments, the progress made and the work of the D&I Board (see pages 30 and 31).

We continue to deliver against our D&I Policy and are committed to our 2018-2020 Responsible Business Diversity target, as noted on page 31. As of 31 December 2019, 36% of the Board were female and two of our Principal Committees are chaired by women. In addition, 37% of senior operational leaders are now women, indicating our continued commitment to diversity at all levels of our business. Going forward, the Corporate Responsibility Committee (to be renamed the Responsible Business Committee) will assume responsibility for the Group's diversity and inclusion agenda.

Looking forward

In 2020, the Committee will continue to ensure that we have appropriate plans in place for orderly succession of appointments to the Board and to senior management, so that an appropriate balance of skills, experience, knowledge and diversity is maintained.

Patrick Cescau

Chair of the Nomination Committee
17 February 2020

Corporate Governance continued

Statement of compliance with the UK Corporate Governance Code

Our statement of compliance summarises how the Group has implemented the principles and provisions of the 2018 UK Corporate Governance Code (available at www.frc.org.uk/directors under UK Corporate Governance Code) as published in July 2018 (the Code).

This should be read in conjunction with the Strategic Report on pages 2 to 75, Corporate Governance on pages 76 to 93, the Directors' Remuneration Report on pages 96 to 109, and Directors' Remuneration Policy on pages 110 to 117, as a whole.

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2019.

1. Board Leadership and Company Purpose

A. The role of the Board

The Board continues to lead IHG's strategic direction, long-term objectives and success of the Group. Further responsibilities of the Board are set out on page 79.

The Board met seven times during 2019 and all Directors continue to act in what they consider to be in the best interests of the Company, consistent with their statutory duties. Further details of 2019 Board meetings, including information on the Board's assessment of strategic and operational matters, are set out on pages 84 and 85, attendance information on page 79, skills and experience and biographical information on pages 80 and 81.

A description of IHG's business model is set out on pages 10 to 13. An assessment of the principal risks facing the Group is included on pages 47 to 53.

Potential conflicts of interest are reviewed annually and powers of authorisation are exercised in accordance with the 2006 Act and the Company's Articles of Association.

During the year, if any Director has unresolved concerns about the operation of the Board or the management of the Company, these would be recorded in the minutes of the meeting.

B. The Company's purpose, values and strategy

Our purpose is to provide True Hospitality for everyone. A description of IHG's culture is included on pages 24 to 27 and an overview of our values is on page 26. Culture features prominently on the Board agenda and a summary of the Board's activities in relation to the 'Voice of the Employee' is included on pages 32 to 33. An outline of the Group's approach to rewarding its workforce is contained on page 28.

C. Resources

The Board delegates oversight of the allocation of day-to-day resources to management (principally through the Executive Committee).

Information on the Group's Key performance indicators, including the measures used to monitor them, are included on pages 42 to 45.

A summary of the framework of controls which enable risk to be assessed and managed is set out on page 46.

D. Shareholders and Stakeholders

The Board engaged actively throughout 2019 with shareholders and other stakeholders. The Chair hosted a number of one-to-one meetings with major institutional shareholders to promote mutual understanding of objectives, following which the Chair ensured that their views were communicated to the Board as a whole. The Chair of the Remuneration Committee also held a series of investor consultation meetings to seek investors' input on the proposed Directors' Remuneration Policy.

Further details of the Board's engagement with shareholders can be found on pages 36 and 37. Information on the Board's engagement with other stakeholders, including suppliers, hotel owners and guests is included on pages 38 to 40.

E. Workforce Policies and Practices

The Board has overarching responsibility for the Group's workforce policies and practices and delegates day-to-day responsibility to the CEO and Chief Human Resources Officer to ensure that they are consistent with the Company's values and support its long-term success.

Employees are able to report matters of concern confidentially through our Confidential Disclosure Channel. The Board routinely reviews reports generated from the disclosures and ensures that arrangements are in place for investigation and follow-up action as appropriate.

2. Division of Responsibilities

F. The Chair

Patrick Cescau leads the operation and governance of the Board and its Committees. The Chair has been in post for seven years and was independent on appointment. See page 80 for more details.

G. Board Composition

The size and composition of the Board and its Committees is kept under review by the Nomination Committee to ensure the appropriate combination of Executive and Non-Executive Directors. Details of the responsibilities, skills and experience on the Board can be found on pages 80 and 81.

At least half of the Board, excluding the Chair, are Independent Non-Executive Directors. Further details of the composition of the Board and Committees are available on pages 79 to 81.

H. Non-executives

Non-Executive Director terms of appointment outline IHG's time commitment expectations required to fulfil their role. The commitments of each Director are included in the Directors' biographical details on pages 80 and 81. Details of Non-Executive Director appointment terms are set out on page 117.

The Chair annually reviews the time each Non-Executive Director dedicates to IHG as part of the internal performance evaluation of each Director (see page 87) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

Dale Morrison was appointed as Senior Independent Non-Executive Director on 31 May 2014. He is available to liaise with shareholders who have concerns that they feel have not been addressed through the normal channels of the Chair, Chief Executive Officer and other Executive Directors. He also leads the annual performance review of the Chair with the other Non-Executive Directors (see page 87), and as necessary, provides advice and judgement to the Chair, and serves as an intermediary for other Directors when necessary.

After each Board meeting, Non-Executive Directors and the Chair meet without Executive Directors being present (see page 84).

I. Policies, Processes, Information and Resources

The Chair and Company Secretary ensure that the Board and its Committees have the necessary policies and processes in place and that they receive timely, accurate and clear information. The Board and its Committees also have access to the Company Secretary, independent advice and other necessary resources, at the Company's expense. They receive administrative and logistical support of a full-time executive assistant. See page 84 for more details.

3. Composition, Success and Evaluation

J. Appointments

Appointments to the Board are led by the Nomination Committee in accordance with its Terms of Reference (available on our website at www.ihgplc.com/investors under Corporate governance or from the Company Secretary's office on request). The Nomination Committee also supports the Board in succession planning for the Board and senior management. Further details of the role of the Nomination Committee and what it did in 2019 are in the Nomination Committee Report on page 93. The overall process of appointment and removal of Directors is overseen by the Board as a whole.

All of the Directors retire and seek election or re-election at each AGM.

K. Skills

Details of the skills, experience and biographical information of the Board are set out on pages 80 and 81.

The Chair and Company Secretary ensure that new Directors receive a full induction and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role (see page 86).

The length of service of Directors is reviewed regularly, details of the review in 2019 are included on page 87.

L. Annual evaluation

The Board undertakes either an internal or external annual Board effectiveness evaluation. In 2019, an external Board evaluation was carried out. A summary of the evaluation is set out on page 86.

Performance evaluations of all Directors, including the Chair, are also carried out on an annual basis. Directors' biographies are set out on pages 80 to 81 and details of their performance evaluations are on page 87.

4. Audit, Risk and Internal Control

M. Audit functions

The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 79 for membership details). Ian Dyson, the Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which we operate. Details of the Committee's role, responsibilities and activities are set out on pages 88 to 91.

The Audit Committee reviewed the effectiveness and independence of the Group's internal audit function and Ernst & Young LLP during 2019. Details of these reviews are set out in the Audit Committee report on pages 88 to 91.

N. Assessment of the company's position and prospects

The Statement of Directors' Responsibilities (including the Board's statement confirming that it considers that the Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy) is set out on page 120.

The status of IHG as a going concern is set out in the Directors' Report on page 224. An explanation of the Group's performance, business model, strategy and the risks and uncertainties relating to IHG's prospects, including the viability of the Group, is set out in the Strategic Report on pages 2 to 75.

O. Risk management

The Board determines the nature and extent of the principal risks the organisation is willing to take to achieve its strategic objectives. A robust assessment of the principal and emerging risks facing the Group was carried out during the year, including those risks that would threaten the Group's business model, future performance, solvency or liquidity and reputation (see pages 47 to 53 for further details of the principal risks). The Board and Audit Committee monitor the Group's risk management and internal controls systems and conduct an annual review of their effectiveness. Throughout the year, the Board has directly, and through delegated authority to the Executive Committee and the Audit Committee, overseen and reviewed all material controls, including financial, operational and compliance controls. See pages 79, 85, and 88 to 91.

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee is responsible for developing policy on executive remuneration and determining remuneration packages of Directors and senior management. The Directors' Remuneration Report is set out on pages 96 to 117. Details of the Remuneration Committee's activities during 2019 are set out on pages 96 and 97 and its membership details are on page 79.

The Remuneration Committee undertook a detailed review of the Director's Remuneration Policy (the DR Policy) in 2018, which continued in 2019. The revised DR Policy (which is subject to approval by shareholders at the Company's 2020 AGM), including a description of how each element of the DR Policy links to the Company's strategy, is set out on pages 110 to 117.

A description of how the Remuneration Committee addressed factors of the Code when determining the DR Policy is set out on page 114.

Q. Procedure for developing policy on executive remuneration

In connection with the review of the DR Policy referred to above, the Chair of the Remuneration Committee held a series of consultation meetings with major shareholders to seek their views on the proposed DR Policy. The Remuneration Committee will consider the DR Policy annually.

During 2019, no individual Director was present when his or her own remuneration was discussed.

R. Independent judgement and discretion

The Remuneration Committee has formal discretions in place in relation to outcomes under the APP and LTIP, and these are disclosed as part of the Directors' Remuneration Policy. When determining outcomes under these plans, the Committee considers whether it is appropriate to adjust outcomes under these discretions, taking account of the Group's performance, relative performance against competitors, and other relevant factors. Any use of discretion would be fully disclosed and explained in the relevant Director's Remuneration Report.

Directors' Remuneration Report

Remuneration Committee Chair's statement



We have updated our Directors' Remuneration Policy, taking into account our governance and stewardship responsibilities and the views of our major shareholders, to balance the risks and rewards for all of our stakeholders and to continue to support the Company's strategy for quality growth and returns

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100	Remuneration at IHG – the wider context		

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019. In a year characterised by a softening industry RevPAR environment, our System Size growth has continued to accelerate in line with our aim to reach industry-leading levels, supported by a strong and consistent increase in the pace of openings over the last three years. We have achieved record signings in key markets that will support future growth.

Executive Director incentive plan awards reflect our resilient business performance during 2019:

- APP award was 58.7% of the capped maximum pay-out, having achieved close to target operating profit from reportable segments^a (referred to as EBIT in our 2018 and earlier reports), target savings for reinvestment and above target NSSG objectives;
- the 2017-19 Long Term Incentive Plan (LTIP) cycle award was 78.9% of maximum as the business continued to deliver strong shareholder returns and exceeded expectations for growth in System Size, Cash Flow and Total Gross Revenue over the three years to 31 December 2019; and
- the total average of short and long-term incentive plan awards for the respective period ending 2019 was therefore 68.8% of maximum.

2019 was also an important year for the wider workforce as the new Colleague Share Plan was launched.

Directors' Remuneration Policy review

As indicated last year, the Committee commenced a detailed review of the Directors' Remuneration Policy (DR Policy) in 2018. We have consulted extensively with our major shareholders during 2019 to refine proposed areas of change. The key policy changes are summarised in the table after this statement on page 98, as well as in more detail on pages 110 to 117 of the Annual Report.

IHG has always had a strong 'pay for performance' culture. Our approach to executive remuneration has always been aligned with the interests of shareholders and the UK corporate governance environment. This is reflected in the highly stretching performance targets we set for our APP and LTIP. The total of short and long-term incentive plan awards for Executive Directors have averaged around 60% of maximum for the previous five years. Over the same period our Total Shareholder Returns have been top quartile amongst our key hotel competitors and more than double that of the average of the FTSE 100.

IHG is a global business in a global industry driven by US-based global competitors, including Marriott International, Inc., Hilton Worldwide Holdings Inc., Wyndham Hotels & Resorts Inc. and Choice Hotels International Inc. The remuneration structures in the US often drive more significant outcomes, as they are comprised of more elements; the total variable pay for similar performance of a Chief Executive Officer (CEO) at a US-based global hotel group can be three times or more than that of IHG. The quantum difference in US and UK executive pay is not a new phenomenon. IHG's approach in this environment has always been to attract and retain key talent in its succession plan, as Keith Barr's appointment to the CEO role in 2017 illustrates.

However, the US market is also IHG's largest source of revenue, and US-based hotel competitors and other US-based global companies are our most important source of talent. The Americas region represents 59.4% of our current System Size and around 50% of our corporate workforce is based in the region. From a long-term risk-management perspective, recruitment and retention of talent in IHG's succession plan is an increasing challenge. Since the last DR Policy update in 2017, we have seen an intensification of risk as we have lost high-potential talent in our succession plan to competitors and we have seen increased difficulty and subsequent delay in recruiting. The resulting internal pay compression impacts both our high-potential talent and our experienced leaders in key positions and is not sustainable. Over recent months, I have discussed these challenges with a number of our shareholders.

To address these increasing risks, we are proposing an increase in maximum LTIP quantum available to Executive Directors for the outperformance of our goals. The aim in doing this is not to materially reduce the gap in remuneration between IHG's Executive Directors and their US competitor peers, but rather to ensure IHG has a remuneration structure which provides differentiation between the CEO, other Executive Directors, Executive Committee members and high-potential talent in the succession plan.

A number of other changes to our DR Policy will further strengthen the alignment with shareholders:

- In light of the increased maximum potential LTIP quantum, we will significantly increase the shareholding requirements for Executive Directors.
- In line with recommended guidance, we have also extended the potential triggers under which the reduction and/or recovery of awards from Executive Directors may be sought through clawback.
- Last year, we introduced a two-year post-vest holding period for Executive Directors under our LTIP and this will now be formally adopted in our DR Policy.

^a See page 55 for Non-GAAP definitions.

- In 2018, in advance of such a requirement becoming a part of the Corporate Governance Code, we introduced a post-employment shareholding requirement. The full guideline employment shareholding requirements will apply for six months following cessation of employment, and 50% of the requirements for a further six months after that. In an asset-light business, key decisions can be implemented and changes reflected quickly in business performance and shareholder value as we have seen in practice to our benefit. Our post-employment shareholding requirement therefore holds former Executive Directors to account for the decisions they made and strategies they implemented. In the Committee's view, any longer period would unnecessarily subject them to decisions out of their control.

The pension benefit for any new UK Executive Director appointments will be aligned with the maximum employer contribution rate available to all other participants in the UK pension plan, which include UK corporate and eligible hotel employees. In addition, UK Executive Directors have agreed to a voluntary reduction in their company pension benefit by the end of 2022, so they will align on the same basis with effect from 1 January 2023.

Since implementing the 2017 DR Policy, IHG has seen the appointment of Keith Barr as CEO and a new organisational structure which is designed to leverage scale and accelerate growth. We have increased the pace of execution of our strategic initiatives with the aim of delivering industry-leading net System Size growth in the medium term. In this context, we have reviewed our LTIP measures with a focus on alignment with our strategy and this aim. The balance of absolute and relative growth and return measures has been carefully considered to ensure that growth, sound returns and responsible cash management are measured in determining reward. As set out on page 113, we are therefore proposing an increased weighting for Net System Size Growth, measured on a relative basis to our key competitors. This will be balanced by a Return on Capital Employed underpin to incentivise system size and fee income growth at a sustainable rate, taking account of the impact of capital investment to support growth of returns over time.

The Committee considered environmental, social and governance (ESG) measures in relation to the LTIP, such as carbon reduction. Although we are not recommending introducing such measures in our LTIP in 2020, we consider it important to have the flexibility within the DR Policy to do so once we are satisfied that performance targets can be set robustly and effectively in relation to long-term objectives. In doing this, we will build on the work carried out in setting stretching science-based targets that we have announced in the Corporate Responsibility Committee Report on page 92.

Wider workforce remuneration and employee engagement

In line with Corporate Governance Code guidance, the Committee has reviewed aspects of the Company's wider workforce remuneration policy over the course of 2019. The Company takes a fully aligned approach to remuneration throughout the organisation to support succession and career-planning and regularly engages directly with the workforce through a number of channels and on a wide range of topics, including pay. The Company's twice-yearly global engagement survey addresses employee satisfaction, covering a number of areas including competitive pay and benefits.

In 2019, the Company successfully launched its Colleague Share Plan, which brings a share-based benefit to most of its global corporate workforce and significantly widens the alignments of interests of its shareholders, executives and the wider workforce. Take-up in this first year of the plan's operation was 49% of eligible employees.

In addition, a full market review of the Company's UK pension benefit was carried out. Market practice has moved significantly since this was last reviewed, following initiatives such as the phased introduction of automatic enrolment minimum contribution rates and changes to pension tax relief for higher earners. As a result of this, during 2020, the Company will be increasing the maximum contribution rate available to current and future participants from at least 7.5% of salary to 12% of salary. Future Executive Directors will receive this same rate.

The Company's new UK pension contribution structure significantly closes the gap between existing Executive Directors' pension benefit and that of other employees, from a minimum difference of 17.5% to 13% of salary. Furthermore, given the agreement of the UK Executive Directors to a voluntary reduction in pension, the gap will reduce by the end of 2022, bringing it in line with all other IHG UK pension plan participants, as shown on page 100.

Shareholder engagement

Whilst our current DR Policy was approved by 96% of shareholders at the 2017 AGM, the advisory vote on the Directors' Remuneration Report at the 2018 and 2019 AGMs received a lower level of support (82.33% and 83.95% respectively). We committed to understanding and addressing these concerns and engaged with those shareholders who voted against the Report to understand their reasons for doing so. Based on the feedback received, we have taken steps to clarify and to refine aspects of our remuneration structures to better reflect the long-term interests of shareholders.

Summary of key changes to our Directors' Remuneration Policy

In line with the required three-year cycle, we are seeking approval of our updated DR Policy, which can be found in full on pages 110 to 117, at the 2020 AGM. A high-level summary of the proposed changes is shown on the next page.

Our APP structure remains appropriate, with a 70% weighting for operating profit from reportable segments and 30% weighting for strategic measures. For 2020, the latter element will consist of a single absolute NSSG target. In a potentially more muted RevPAR environment, this aligns with our focus on System Size growth to drive our continued success. Whilst there is also an NSSG element in the LTIP, it is of a different nature due to the three-year timescale and relative measurement approach, and aligns with our strategic focus on accelerating growth in both the short and long-term. It is important to note that for 2020, targets for both operating profit from reportable segments and NSSG are set in an environment of greater uncertainty than in recent years. Further detail on incentive plan measures under the new DR Policy is shown on pages 112 to 113.

For 2020, the Executive Directors will receive a 2% salary increase, which reflects the overall budget available for salary increases to the UK and US wider corporate employee population.

About this report

As always, we strive to make this report as easy to read as possible. The 'At a glance' section on page 99 highlights the key points on 2019 performance and outcomes and further background on remuneration at IHG for the wider workforce is on page 100.

The Annual Report on Directors' Remuneration on pages 101 to 109 will be put to an advisory vote by shareholders and the revised Directors' Remuneration Policy, starting on page 110, will be put to a binding shareholder vote at the May 2020 Annual General Meeting.

Jo Harlow

Chair of the Remuneration Committee
17 February 2020

Directors' Remuneration Report continued

Remuneration Committee Chair's statement continued

Summary of DR Policy and proposed changes

Element	2020	2021	2022	2023	2024	Framework	Link to Strategy
Fixed							
Base salary						Generally in line with the range applying to the corporate population. Reviewed annually and fixed for 12 months from 1 April.	Recognises the value of the role and the individual's skills, performance and experience.
Benefit						Relevant benefits are restricted to the typical level for the role/location.	Competitive and consistent with role/location; helps recruit and retain.
Pension						Defined Contribution. Employee contributions with matching employer contributions. Salary is the only part of remuneration that is pensionable.	Competitive and consistent with role/location; helps recruit and retain.
						Proposed change	Rationale for change
						Pension contributions and/or cash allowance for new Executive Directors will be aligned with the maximum employer contribution rate available to all other participants in the UK pension plan. Incumbent UK Executive Directors have agreed to a voluntary reduction in pension provision by the end of 2022 such that the value will align on the same basis with effect from 1 January 2023.	Following a full market review of its UK pension benefit, the Company will offer all participants the same rate of pension benefit. Whilst there were very good reasons for having had a tiered contribution structure in the past, following significant change in the UK pension environment since the benefit was last reviewed, this is no longer prevalent in the market. To remain competitive in the UK workspace, a level pension benefit structure will be introduced. This will be kept under review as market practice continues to evolve.
Variable							
Annual Performance Plan (cash)						Maximum annual opportunity is 200% of salary with 70% an operating profit measure and 30% key strategic measures; 50% of the award is deferred into shares for three years. Awards are subject to a global affordability gate. Full vesting after three years. Malus and clawback apply.	For 2020, the KPIs that directly link remuneration to our business strategy include: <ul style="list-style-type: none"> Operating profit from reportable segments – a fundamental measure of our financial health and represents the financial outcomes of the KPI goals; and Net System Size growth – a KPI and measure of our strategy to build and leverage scale.
Annual Performance Plan (deferred shares)							
Long Term Incentive Plan (LTIP)						Proposed change	Rationale for change
						The maximum potential LTIP quantum is to increase from 205% to 350% of salary for the CEO and to 275% of salary for other Executive Directors. The net System Size growth (NSSG) element will increase to 30% and will measure performance relative to our closest peers, balancing the growth objectives with a Return on Capital Employed (ROCE) underpin to this part of the LTIP. The Total Shareholder Return (TSR) element will reduce from 40% to 30%. The remaining two measures of Cash Flow and Total Gross Revenue will remain at 20%. Formal adoption of the two-year post-vest holding period which was introduced for the 2019/21 cycle. Malus and clawback will continue to apply.	To incentivise achieving our stretching new growth ambitions; to compete more effectively in the US talent pool and to assist with recruitment and retention in succession planning given pay compression. A focus on industry-leading NSSG is at the heart of our new strategy, underpinned by ROCE to reflect our commitment to deliver quality growth whilst maintaining returns. Continued strong alignment between Executive Director remuneration and shareholder interests.
Other							
Minimum shareholding requirements						Proposed change	Rationale for change
						The guideline shareholding requirements will increase from 300% to 500% of salary for the Chief Executive Officer and from 200% to 300% of salary for other Executive Directors. The post-employment shareholding requirement, introduced in 2018, will continue to apply.	To demonstrate a commitment to the Company's success and strengthen alignment between the executives' and the shareholders' interests.
Malus and clawback						Proposed change	Rationale for change
						The range of potential triggers for the recovery of awards made to Executive Directors will be extended. See page 115 for details.	In line with guidance from the UK Corporate Governance Code, this is designed to protect shareholder value and disincentivise unwanted behaviours and actions.

At a glance

How to use this report

Within the Directors' Remuneration Report we have used colour coding to denote different elements of remuneration. The colours used and the corresponding remuneration elements are:

- Salary
- Benefits
- Pension benefit
- Annual Performance Plan (APP)
50% cash and 50% deferred shares
- Long Term Incentive Plan (LTIP)
- Shareholding

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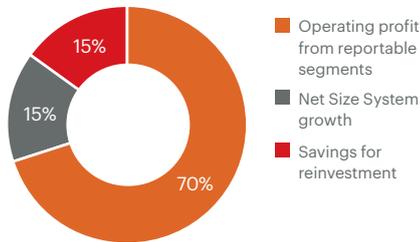
Audited information

Content contained within a tinted panel highlighted with an 'Audited' tab indicates that all the information within the panel is audited.

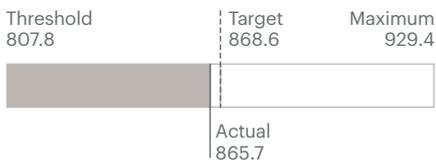
How we performed in 2019

In 2019, we achieved close to target operating profit from reportable segments, met our goal for savings to reinvest in the business to support future growth, and exceeded our target net System Size growth for the year. Looking back over the three years to 2019, we continued to deliver strong shareholder returns and have surpassed our expectations on the challenging targets we set for growth in Total Gross Revenue, System Size and Cash Flow over the period 2017 to 2019.

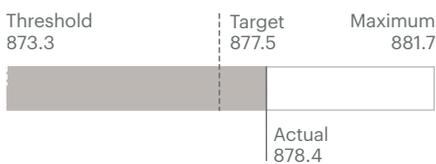
Measures used for APP^a



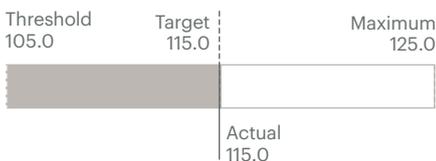
Operating profit from reportable segments: (\$m)



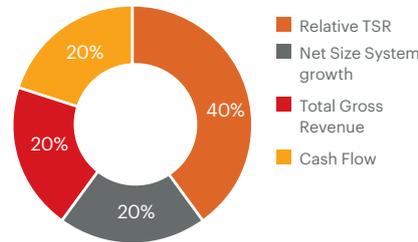
Net System Size growth^b (k rooms)



Savings for reinvestment (\$m)



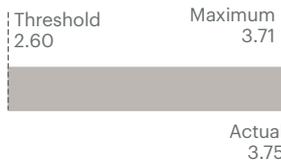
Measures used for LTIP^a



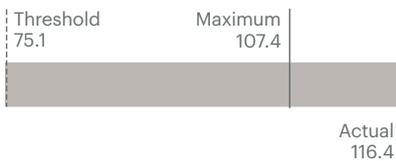
Relative TSR (%)



Total Gross Revenue^c (\$bn)



Net System Size growth^b (k rooms)



Cash Flow (\$bn)



^a Further details of APP and LTIP outcomes can be found on pages 102 to 104.

^b APP System Size target is based on closing year target; LTIP target is based on three-year growth performance.

^c The Total Gross Revenue target represents a target for growth over the LTIP period.

Executive Director remuneration

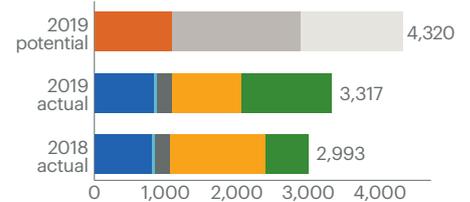
2019 remuneration

The table below shows the 2019 potential remuneration opportunity and actual achievement compared to 2018 actual achievement.

The relevant figures for each of the elements that make up the single total figure of remuneration, as shown below for the Executive Directors, can be found in the table on page 101.

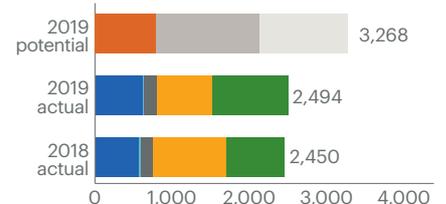
Keith Barr^a, Chief Executive Officer

Value (£000)



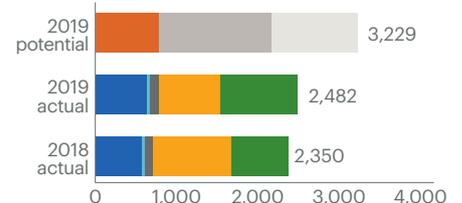
Paul Edgecliffe-Johnson, Chief Financial Officer

Value (£000)



Elie Maalouf, Chief Executive Officer, Americas

Value (£000)



Key for potential

- Maximum = Fixed pay and maximum award under APP and LTIP
- Target = Fixed pay and on-target award for APP (115%) and 50% of maximum LTIP vesting
- Minimum = Fixed pay

^a The 2018 amount for Keith Barr excludes the localisation payment detailed on page 101.

Directors' Remuneration Report

Remuneration at IHG – the wider context

Remuneration for all employees

Across the last two years, we have made a number of changes to how we manage reward, in particular strengthening how we use differentiation in reward decisions based on employee performance to drive a high-performing culture across the organisation.

- In 2018 and 2019 we introduced:
 - a new performance management approach;
 - a new bonus plan approach; and
 - updated culture, values and behaviours to support growth.
- We continue to embed the structures to facilitate cultural change in the organisation and the early signs are positive, for example the use of differentiation in our merit and bonus process.
- Our Colleague Heartbeat results reflect a positive view of how we reward employees across the business and continues to provide a useful vehicle for workforce engagement.

- As we look to 2020, we are further developing the performance culture across the organisation through:
 - a streamlined performance management approach that further supports differentiation;
 - a combined merit and bonus process which allows managers to take a more holistic view on reward; and
 - the introduction of a colleague share plan which will encourage shared ownership and alignment to our external stakeholders at all levels of the organisation.

How our reward practices are aligned across all levels of the organisation

Our reward packages are designed to attract, retain and motivate top talent. We apply a consistent approach to reward across the corporate business, ensuring we meet the needs of employees by offering a market driven rewards package, which we regularly review against our competitors for talent.

How our reward practices align across the organisation

Elements of Reward	Executive Directors	Executive Committee	Wider Workforce	Notes
Fixed				
Salary	■	■	■	
Benefits	■	■	■	
Pension benefit	■	■	■	See below in respect of UK pensions.
Variable				
Annual Performance Plan (APP)	■	■	■	For senior management (generally at Executive Committee level and their direct reports) a proportion of bonus is deferred into shares for a three-year period.
Long Term Incentive Plan (LTIP)	■	■	■	Senior/mid-management and certain specialist roles are eligible for a Long Term Incentive Plan (LTIP). Performance-based LTIP largely applies at the level of Executive Committee and their direct reports.
Restricted Stock Units (RSUs)		■	■	In line with typical market practice, particularly in the US, and due to line-of-sight to performance measures, a gradually greater proportion of the LTIP award is made as RSUs (which are not subject to performance conditions but still align employee interests with those of shareholders) for eligible roles from the Executive Committee down.
Colleague Share Plan (introduced in 2020)			■	Available to employees below senior/mid-management levels only.
Recognition Scheme			■	Available to employees below senior/mid-management levels only.
Other				
Shareholding requirements	■	■	■	Shareholding requirements are applicable at the level of Executive Committee and their direct reports.

How incentives align our workforce to our business strategy and culture

We place great emphasis on aligning everyone to our business strategy, which means shareholders and employees have a shared interest in the performance of the Company. We achieve this through the design of our incentive plans, which align individual performance and behaviour with our company purpose, values and strategy.

Performance metrics used for reward

Performance	Elements of Rewards Impacted	Metrics in 2020
Financial	Annual Performance Plan (APP)	<ul style="list-style-type: none"> • Operating profit from reportable segments • Net System Size Growth
	Long Term Incentive Plan (LTIP)	<ul style="list-style-type: none"> • Relative Net System Size Growth • Cash Flow • Total Gross Revenue • Total Shareholder Return
Individual	<ul style="list-style-type: none"> Salary Annual Performance Plan (APP) 	<ul style="list-style-type: none"> • Achievement of individual goals • Progress with personal development • Demonstration of value and behaviours

UK Pension Provision

In 2019, we undertook a full market review of the UK pension benefit (the IHG UK Defined Contribution Pension Plan) to ensure that it remained an attractive part of our reward package. The UK pension landscape has changed significantly since our arrangements were last reviewed, following the phased introduction of minimum automatic-enrolment contribution levels and changes to tax allowances for high earners. From 1 April 2020, we will introduce a single, simple matching-structure on the following basis:

Employee Grade	Employee Contribution	Matching Contribution Multiple	Maximum Matching Contribution
All	3-6%	2	12%

Annual Report on Directors' Remuneration

This Annual Report on Directors' Remuneration explains how the Directors' Remuneration Policy (DR Policy) was implemented in 2019 and the resulting payments each of the Executive Directors received.

This report is subject to an advisory vote by shareholders at the 2020 AGM. The notes to the single-figure table provide further detail, where relevant, for each of the elements that make up the total single figure of remuneration for each of the Executive Directors.

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Single total figure of remuneration – Executive Directors

Executive Directors	Year	Fixed pay			Variable pay				Total £000	
		Salary £000	Benefits £000	Pension benefit £000	Subtotal £000	APP £000	LTIP £000 ^a	Subtotal £000		Other £000
Keith Barr	2019	828	36	207	1,071	983	1,263	2,246	-	3,317
	2018	792	51	198	1,041	1,343	609	1,952	150	3,143
Paul Edgecliffe-Johnson	2019	602	24	158	784	723	987	1,710	-	2,494
	2018	554	24	166	744	942	764	1,706	-	2,450
Elie Maalouf ^b	2019	622	33	121	776	743	963	1,706	-	2,482
	2018	559	34	109	702	947	701	1,648	-	2,350

^a LTIP: Figures for 2018 relate to the value of shares for the 2016/18 LTIP cycle and have been restated using actual share price on date of vesting. Figures for 2019 relate to the value of shares for the 2017/19 LTIP cycle.

^b Elie Maalouf is paid in US dollars and the sterling equivalent is calculated using an exchange rate of \$1 = £0.78 in 2019 and \$1 = £0.75 in 2018 (page 150).

Notes to single figure table

Fixed pay

■ **Salary:** salary paid for the year.

■ **Benefits:** for Executive Directors, this includes, but is not limited to, taxable benefits such as company car and healthcare. Provision during 2019 was in line with previous years and the approved DR Policy.

■ **Pension benefit:** for current Executive Directors, in line with DR Policy, the value of IHG contributions to pension plans and any cash allowances, paid in lieu of pension contributions.

Keith Barr and Paul Edgecliffe-Johnson did not participate in any IHG pension plan in 2019 and instead received cash allowances of 25% of base salary (reduced from 30% in 2019 for Paul). Life assurance cover is provided for both Keith and Paul at four times base salary.

Elie Maalouf participated in the US 401(k) Plan and the US Deferred Compensation Plan. The US 401(k) Plan is a tax qualified plan providing benefits on a defined contribution basis, with the member and relevant company both contributing. The US Deferred Compensation Plan is a non-tax qualified plan, providing benefits on a defined contribution basis, with the member and the relevant company both contributing.

Contributions made by, and in respect of, Elie Maalouf in these plans for the year ended 31 December 2019 were:

	£ ^a
Director's contributions to US Deferred Compensation Plan	235,675
Director's contributions to US 401(k) Plan	19,500
Company contributions to US Deferred Compensation Plan	111,938
Company contributions to US 401(k) Plan	8,736
Age of Director at 31 December 2019	55

^a Sterling values have been calculated using an exchange rate of \$1 = £0.78.

Variable pay

■ **APP** (cash and deferred shares)

Operation

Award levels are determined based on salary as at 31 December 2019 on a straight-line basis between threshold and target, and target and maximum, and are based on achievement vs target under each measure:

- **Threshold** is the minimum level that must be achieved for there to be an award in relation to that measure; no award is made for achievement below threshold.
- **Target** is the target level of achievement and results in a target award for that measure.
- **Maximum** is the level of achievement at which a maximum award for that measure is received (capped at 200% of salary).

For 2019, the Remuneration Committee set a threshold award level of 50% of target award (57.5% of salary).

The threshold award was subject to global affordability gates:

- If operating profit from reportable segments was less than 85% of target, no award under net System Size growth and savings for reinvestment would be made; and
- If operating profit from reportable segments was 85% or more, but less than 93% of target, half of any award under net System Size growth and savings for reinvestment would be made.

Net system size growth was also dependent on achieving at least four out of 10 of the global metrics for 2019.

There was also Committee discretion to adjust awards to consider factors such as IHG's performance relative to competitors.

Other

Keith Barr received a lump sum of £150,000 in July 2018 to cover the transitional and transactional costs of localising to the UK. This was fully reported in the 2017 Annual Report, page 69.

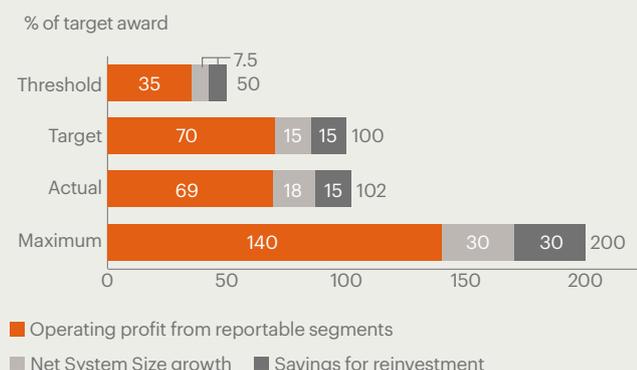
Directors' Remuneration Report continued

Annual Report on Directors' Remuneration

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APP Outcome for 2019

The performance measures for the 2019 APP were operating profit from reportable segments (70%), net System Size growth (15%) and savings for reinvestment (15%) and were determined in accordance with the DR Policy. Target award was 115% of salary. The table below shows threshold, target and maximum opportunity, as well as weighting and actual 2019 achievement.



APP

Performance	Achievement	Weighting	Weighted achievement
Operating profit from reportable segments: performance relative to target			
Threshold	\$807.8m	50%	
Actual	\$865.7m	98%	
Target	\$868.6m	100%	70%
Maximum	\$929.4m	200%	69%
Net system size growth (k rooms)			
Threshold	873.3	50%	
Target	877.5	100%	
Actual	878.4	121%	15%
Maximum	881.7	200%	18%
Savings for reinvestment			
Threshold	\$105.0m	50%	
Target	\$115.0m	100%	
Actual	\$115.0m	100%	15%
Maximum	\$125.0m	200%	15%

Operating profit from reportable segments is a Non-GAAP measure and excludes certain items from operating profit. Additionally, in determining operating profit from reportable segments for APP purposes, budgeted exchange rates for the year are used and certain adjustments to reported 2019 operating profit from reportable segments were agreed by the Committee in order to ensure like-for-like comparison with the APP target set at the start of the year:

Operating profit from reportable segments (at actual exchange rates) (see page 150)	\$864.7m
Difference due to exchange rates	\$1.0m
Operating profit from reportable segments, after adjustments (at 2019 budget exchange rates)	\$865.7m

The total weighted achievement for Keith Barr, Paul Edgecliffe-Johnson and Elie Maalouf is 102% of target bonus (58.7% of capped maximum award). The APP award for 2019 was therefore 117.3% of salary for each.

Awards for 2019 are payable 50% in cash and 50% in deferred shares, vesting three years after the date of grant, in February 2023. The deferred share awards are made in the form of forfeitable shares that receive dividends during the three-year vesting period and include the right to vote at shareholder meetings. They are not subject to any further performance conditions.

Executive Director	Salary as at 31 December 2019 £000	Award as % of salary	Total value of award £000
Keith Barr	838	117.3	983
Paul Edgecliffe-Johnson	616	117.3	723
Elie Maalouf ^b	634	117.3	743

^b Elie Maalouf is paid in US dollars and the sterling equivalent is calculated using an exchange rate of \$0.78.

LTIP 2017/19 (shares)

Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance conditions. Conditions and weightings are described on page 103.

TSR measures the return to shareholders by investing in IHG relative to a comparator group containing the following major, globally branded competitors: Accor S.A.; Choice Hotels International Inc.; Hilton Worldwide Holdings Inc.; Hyatt Hotels Corporation; Marriott International, Inc.; Melia Hotels International S.A.; Millennium & Copthorne Hotels PLC; NH Hotel Group; and Wyndham Hotels & Resorts Inc., as per data provided by our corporate bankers sourced from Thomson Reuters Datastream. In respect of Wyndham Worldwide's split into two publicly traded companies in May 2018, the performance of Wyndham Worldwide was tracked up until the split, followed by the performance of Wyndham Hotels & Resorts Inc. subsequent to the split.

Following the acquisition and delisting of Millennium & Copthorne Hotels PLC by City Developments Limited, a Singapore-based real estate company, it was removed from the comparator group for all active LTIP cycles (2017/19, 2018/20 and 2019/21).

The share price in respect of the 2016/18 LTIP cycle has been restated using the volume weighted average price of 4,565p on the date of actual vesting on 20 February 2019. The corresponding values shown in the 2018 report (prior to the actual vesting) were an estimate calculated using an average share price over the final quarter of 2018 of 4,193p.

Outcome for 2017/19 cycle

The performance measures for the 2017/19 three-year LTIP cycle were in line with the 2017 DR Policy. The table below shows threshold and maximum opportunity, as well as weighting and actual achievement, for each performance measure.



Performance measure and weighting	Performance Targets		Result	Achievement (% of maximum)	Weighting	Weighted achievement
	Target	% Vesting				
Total Shareholder Return: Three-year growth relative to average of competitors 40%	Maximum 84.1%	Maximum 100%	Outcome 54.9%	47.2%	40%	18.9%
	Threshold 39.9%	Threshold 20%				
Total Gross Revenue: based on IHG's performance against an absolute total gross revenue target 20%	Maximum 3.71bn USD	Maximum 100%	Outcome 3.75bn USD	100%	20%	20%
	Threshold 2.60bn USD	Threshold 20%				
Net System Size Growth: based on IHG's performance against an absolute NSSG target 20%	Maximum 107.4k rooms	Maximum 100%	Outcome 116.4k rooms	100%	20%	20%
	Threshold 75.1k rooms	Threshold 20%				
Cash Flow: based on IHG's performance against an absolute cash flow target 20%	Maximum 1.72bn USD	Maximum 100%	Reported Outcome 1.6bn USD	100%	20%	20%
	Threshold 1.29bn USD	Threshold 20%	Adjusted Outcome 1.85bn USD			
Total achievement (% of maximum opportunity vested)						78.9%

Adjustments to cash flow outcome

Over the performance period of the 2017-19 LTIP award, there have been a number of accounting standard changes and events that have impacted IHG's cash flow that were unquantified or unforeseen when the original targets were set. The Committee carefully considered these and determined that it was appropriate to adjust the cash flow outcome for the impact of the events below in order to ensure that the outcomes are measured on a consistent basis with targets. An explanation of each adjustment is set out below and a reconciliation of the initial and adjusted outcome is set out to the right.

Adjustments due to changes in accounting standards:

The new accounting standards implemented during the period do not have an overall impact on Group cash flow, but do impact the LTIP target because of the reclassification of cash flows to different line items that are not included in the LTIP target:

- IFRS 15: The System Fund interest receipt was reclassified from Cash Flow from Operations to the interest line.
- IFRS 16: Operating leases cash flow has been reclassified from Cash Flow from Operations to interest and movements in net debt.

Adjustments due to events unforeseen when the targets were set:

- Six Senses acquisition: the material acquisition cost of Six Senses in 2019 has been removed. The Committee considered it was appropriate to exclude the cash impact because it was not incorporated into the original target and the cash flow benefits of the acquisition will be long-term.
- Comprehensive efficiency programme: There was additional Board approved expenditure as part of a three-year programme of savings to reinvest in the business for future growth, which was not budgeted for at the beginning of the 2017-19 plan when

the targets were set. The benefits from this comprehensive efficiency programme are long-term, beyond the timescale of the plan period, so the Committee considered it appropriate to exclude the cost. Stretching targets with regards to these benefits will be reflected in future incentive plans.

- Where applicable, the adjustments above will also apply to the cash flow outcomes of the 2018-20 and 2019-21 LTIP awards. These will be disclosed in full along with any other adjustments in the relevant year's Directors' Remuneration Report.

Cash flow definition for 2017-19 LTIP

Cash flow is defined as the cumulative annual cash generation over a three-year performance period. Cash generation is cash flow from Operations, excluding loyalty programmes and material movements in cash associated with the System Fund, and including net cash from investing activities.

Reconciliation	Cash flow \$bn
Reported cash flow from Operations	2.62
Net movement in loyalty programmes	(0.14)
Other movements relating to the System Fund	0.03
Net cash from investing activities	(0.91)
Reported outcome per definition	1.60
IFRS 15	0.03
IFRS 16	(0.17)
Six Senses acquisition	0.29
Comprehensive efficiency programme	0.10
Adjusted outcome	1.85

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

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LTIP

Achievement against target is measured by reference to the three years ending 31 December 2019. This cycle will vest on 19 February 2020 and the individual outcomes for this cycle are shown below.

The share price of 4,847p used to calculate the 2017/19 LTIP cycle value shown in the single-figure table is the average over the final quarter of 2019.

Executive Director	Award Cycle	Maximum opportunity at grant (number of shares)	% of maximum opportunity vested	Outcome (number of shares awarded at vest)	Total value of award £000	Value of award attributable to share price appreciation
Keith Barr ^a	LTIP 2017/19	30,303	78.9%	23,908	1,159	135
	RSU 2017/19	2,160	100%	2,160	105	13
Paul Edgecliffe-Johnson	LTIP 2017/19	25,811	78.9%	20,364	987	120
Elie Maalouf ^b	LTIP 2017/19	21,822	78.9%	17,217	835	102
	RSU 2017/19	2,645	100%	2,645	128	16

^a Keith Barr received an increased award, pro-rated from 1 July 2017, for the 2017/19 LTIP in accordance with the DR Policy as a result of his appointment to the Board. Prior to this, he was granted 17,822 shares and 2,160 restricted stock units on 22 May 2017 with a market price of 4,257p per share.

^b The award for Elie Maalouf was granted prior to his appointment to the Board. Elie was also granted 2,645 restricted stock units on 22 May 2017 with a market price of 4,257p per share.

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Other outstanding awards**Scheme interests awarded during 2018 and 2019**

During 2018 and 2019, awards were granted under the LTIP cycle and made to each Executive Director over shares with a maximum value of 205% of salary using an average of the closing mid-market share price for the five days prior to grant, as in the table below. These are in the form of conditional awards over Company shares and do not carry the right to dividends or dividend equivalents during the vesting period.

The vesting date for the 2018/20 LTIP award is the day after the announcement of our annual 2020 preliminary results in February 2021. These awards will vest, and shares will be transferred to the award-holder, to the extent performance targets are met.

The vesting date for the 2019/21 LTIP award is the day after the announcement of our annual 2021 preliminary results in February 2022. These awards will vest to the extent performance targets are met and will then be restricted for a further two years, transferring to the award-holder in February 2024.

The performance measures are as agreed in the 2017 Remuneration Policy. Total shareholder return, total gross revenue, net System Size growth and cash flow are measured by reference to the three years ending 31 December 2020 for the 2018/20 cycle and 31 December 2021 for the 2019/21 cycle. Minimum performance is equal to 20% of the maximum award.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant £	Face value of award at grant £000	Number of shares received if minimum performance achieved
2018/20 cycle					
Keith Barr	8 May 2018	35,381	46.25	1,636	7,076
Paul Edgecliffe-Johnson	8 May 2018	24,830	46.25	1,148	4,966
Elie Maalouf	8 May 2018	24,426	46.25	1,130	4,885
2019/21 cycle					
Keith Barr	10 May 2019	34,693	49.53	1,718	6,938
Paul Edgecliffe-Johnson	10 May 2019	25,509	49.53	1,263	5,101
Elie Maalouf	10 May 2019	25,802	49.53	1,278	5,160

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Payments for loss of office

There were no payments for loss of office in 2019.

Pension entitlements

No Executive Director is entitled to any Defined Benefit pension or related benefit from IHG.

Payments to past Directors – benefits**Sir Ian Prosser**

Sir Ian Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £2,281 during the year.

Statement of Directors' shareholdings and share interests

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between the individuals' personal interests and those of shareholders.

■ Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 300% of salary for the Chief Executive Officer and 200% for any other Executive Director within five years of their appointment. The number of shares held outright includes all directors' beneficial interests and those held by their spouses and other connected persons. It also includes the net value of APP shares that are not currently subject to ongoing performance conditions but are subject to ongoing holding periods.

Percentages are calculated using the 31 December 2019 share price of 5,208p.

Prior to the introduction of post-employment shareholding requirements under the new Code, we introduced a condition under our DR Policy for the full guideline minimum shareholding requirement to continue for six months after cessation of employment and 50% of the requirement to continue for an additional six months.

Current Directors' shareholdings

The APP deferred share awards are not subject to performance conditions. Details on the performance conditions to which the unvested LTIP awards are still subject can be found on page 103.

Shares and awards held by Executive Directors as at 31 December 2019: number of shares

	Number of shares held outright		APP deferred share awards		LTIP share awards (unvested)		Total number of shares and awards held	
	2019	2018	2019	2018	2019	2018	2019	2018
Keith Barr	52,832	42,782	32,697	28,262	102,537	97,211	188,066	168,255
Paul Edgecliffe-Johnson	38,562	25,669	25,637	26,742	76,150	87,482	140,349	139,893
Elie Maalouf ^a	43,652	24,773	32,591	42,058	74,695	82,694	150,938	149,525

^a Includes 35,961 shares granted prior to appointment to the Board

Other information relating to Directors' remuneration

Consideration of use of discretion

As discussed on page 72, the 2019 Financial Statements include impairments relating to Kimpton hotel management agreements acquired in 2015 and the UK hotel portfolio acquired in 2018 and, in this context, the Committee discussed whether the formulaic outcomes in relation to the APP 2019 and LTIP 2017/19 cycle were appropriate.

The Kimpton impairment does not relate to goodwill, which is unaffected. Since the acquisition of Kimpton Hotels & Restaurants in 2015, the intrinsic value of the brand has increased with over 40 new hotels signed into the pipeline and accelerated international expansion. The Committee considered that these factors outweigh the impact of the impairment.

Cash paid on acquisition of the UK portfolio was \$9m, with the goodwill recognised being attributable to the future trading potential of the hotel operations. The impairment has been driven by challenging trading conditions experienced across the UK hotel industry. The Committee took into consideration the strategic importance of the acquisition; three of the UK portfolio have been converted to voco hotels, which has been a key driver of the 33 signings since launch of that brand, three of the portfolio have been converted to Kimpton hotels, which has had a significant influence on the international growth of that brand.

Shares and awards held by Executive Directors as at 31 December 2019: % of salary



^a Percentages have been calculated using a combined tax and social security rate of 47% for Keith Barr and Paul Edgecliffe-Johnson and a rate of 45.1% for Elie Maalouf.

Having considered all these matters in the round, including the solid performance of the Company over the relevant periods, the Committee concluded that it was not necessary to exercise discretion relating to 2019 outcomes.

Dividends paid to Executive Directors

A final dividend for 2018 of 60.4p per ordinary share (78.1¢ per ADR) was paid on 14 May 2019 to shareholders on the Register of members at the close of business on 29 March 2019.

A special dividend of 203.8p per ordinary shares (262.1¢ per ADR) was paid on 29 January 2019 to shareholders on the Register at the close of business on 11 January 2019.

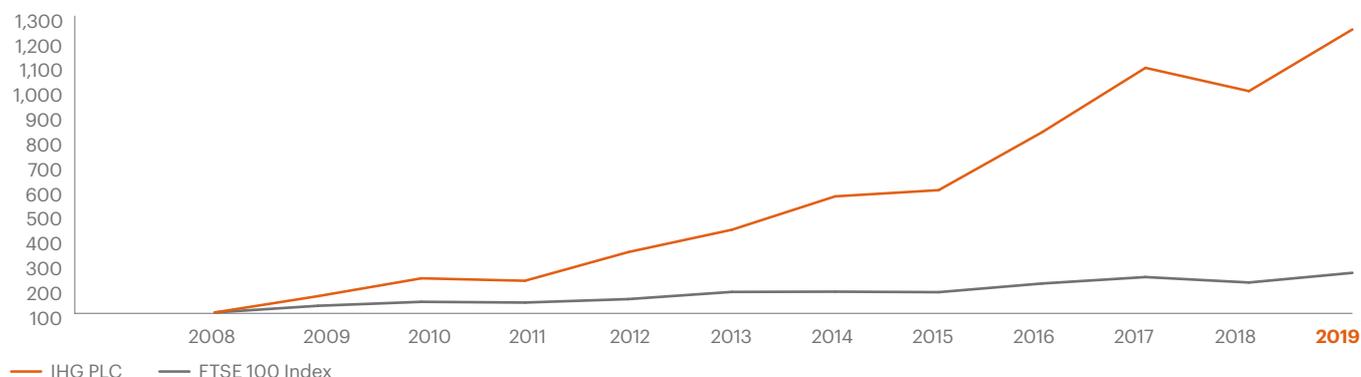
An interim dividend of 32.0p per ordinary share (39.9¢ per ADR) was paid on 3 October 2019 to shareholders on the Register of members at the close of business on 30 August 2019.

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

Relative performance graph

InterContinental Hotels Group PLC is a member of the FTSE 100 share index, and the graph below shows the Company's Total Shareholder Return (TSR) performance from 31 December 2008 to 31 December 2019, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100.



Chief Executive Officer's remuneration

The table below shows the Chief Executive Officer's single figure of total remuneration for the 10 years to 31 December 2019.

Single figure	CEO	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single figure of remuneration (£000)	Keith Barr								2,161 ^a	3,143	3,317
	Richard Solomons		4,724	4,881	3,131	6,611 ^b	3,197	3,662	2,207 ^c		
	Andrew Cosslett	5,430	3,770								
Annual incentive received (% of maximum)	Keith Barr								69.7	84.1	58.7
	Richard Solomons		83.0	68.0	74.0	74.0	75.0	63.9	66.8		
	Andrew Cosslett	100.0	43.3								
Shares received under the LTIP (% of maximum)	Keith Barr								46.1	45.4	78.9
	Richard Solomons		73.9	100.0	59.0	56.1	50.0	49.4	46.1		
	Andrew Cosslett	73.8	61.6								

^a For Keith Barr, the 2018 figure includes a one-off cash payment for relocation costs in lieu of benefits received whilst on international assignment prior to CEO position, fully explained in the 2017 report.

^b For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in the 2014 report.

^c In respect of period 1 January to 30 June 2017.

CEO Pay Ratio

As we noted in last year's Annual Report, pay ratios will differ significantly between companies, even within the same industry, depending on demographics and business model. Since last year's report, we have acquired a number of UK hotel employing entities under the terms of management agreements relating to the UK Portfolio. Prior to this, under our largely franchised UK business model, the majority of hotel employees were not directly employed by IHG. The Group's UK employee demographic, which previously consisted of largely professional, management and senior corporate roles, has therefore shifted significantly with the addition of a number of hotel employing entities including a large proportion of part-time and flexible-working support and service roles.

To illustrate the impact this has had on the pay ratio, the 2019 ratio is shown adjacent for both the full population and excluding the hotel employing entities. On a like-for-like population basis, the median ratio has increased from 47:1 in 2018 to 48:1 in 2019.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Financial year ending 31 December 2018	Option C	71:1	47:1	29:1
Financial year ending 31 December 2019 – Full population	Option C	177:1	119:1	58:1
Financial year ending 31 December 2019 – Excluding new hotel employing entities	Option C	70:1	48:1	31:1

What drives the difference in pay between our CEO and other employees?

Pay ratios reflect how remuneration arrangements differ as responsibility increases for more senior roles within the organisation, for example:

- A greater proportion of performance-related variable pay and share-based incentives applies for more senior executives, including Executive Directors, who will have a greater degree of influence over performance outcomes;
- Additional and enhanced benefit provision, such as company car and healthcare benefits, apply as roles and responsibilities increase throughout the organisation;

- Role-specific specialist plans apply in certain areas such as corporate reservations, sales, and hotel development. Incentive plans for General Managers of IHG owned, leased and managed lease and managed hotels commonly include targets based on gross operating profit, guest satisfaction and employee engagement. The target and maximum amounts that can be earned under these plans are typically a higher percentage of base salary for more senior employees, which in turn affects the pay ratio; and
- Incentive plans for other corporate employees are typically based on a combination of individual performance and the Group's operating profit from reportable segments.

Calculation methodology and supporting information

Option C has been selected for the identification of the percentile employees as, under this method, we are able to produce the most accurate total remuneration figure for all UK employees on a basis comparable with the statutory reporting for Executive Directors and using the data available at the time of producing the Annual Report. Specifically, this involves:

- Starting with the April 2019 Gender Pay Gap salary, bonus and long-term incentive data for all UK employees;
- Adjusting the value of total bonus so that it reflects only the amount earned in respect of FY 2018 and does not include the value of any deferred shares from the 2015 bonus which vested in 2019;
- Adding the employer pension contribution from pension plan data as at April 2019; and
- Adding non-cash benefit data (e.g. company car, healthcare, etc.) from the 2018/19 tax year P11D report.

Option C requires three UK employees to be identified as the equivalent of the 25th, 50th and 75th percentile. Having identified these employees, the 2019 total remuneration is calculated on the same basis as the CEO single total figure of remuneration. The only exception being that the bonus applicable to the relevant employees is assumed to be their respective target value, as the actual value is not known at the time of producing the Annual Report.

The 2019 salary and total pay for the individuals identified at the lower, median and upper quartiles are set out below:

Year		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Financial year ending 31 December 2018	Salary £	38,437	53,639	75,151
	Total Remuneration £	43,679	65,614	107,464
Financial year ending 31 December 2019 – Full population	Salary £	17,884	25,883	47,700
	Total Remuneration £	18,786	27,766	57,383
Financial year ending 31 December 2019 – Excluding new hotel employing entities	Salary £	40,989	59,088	77,030
	Total Remuneration £	47,645	69,464	106,545

Percentage change in remuneration of Chief Executive Officer

We believe that a group comprised of UK-based employees is an appropriate comparator for salary and taxable benefits because the structure and composition of remuneration for that group most closely reflects that of the UK-based Chief Executive Officer.

The table below shows the percentage change in the remuneration of the Chief Executive Officer compared with UK employees between 2018 and 2019. The salary figure for the UK employee population has been calculated using the 2019 budget for the annual pay review, taking into account any promotions/market adjustments made during the year. The taxable benefits figure is based on P11D taxable benefits for tax years ending 5 April 2018 and

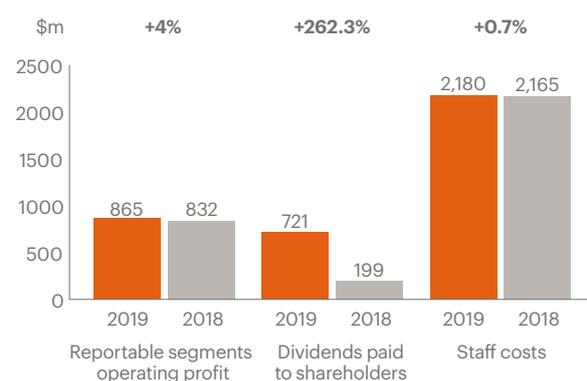
2019. For the annual incentive, a group of executives, who report directly to the CEO, is used as a comparator group as they are subject to the same performance measures as the CEO.

	Chief Executive Officer (% change)	UK employees (% change)
Salary	5	3
Taxable benefits	15	3
Annual incentive	-26.8	-22.5

As reported in the 2018 Annual Report, Keith Barr's salary was set below benchmark policy level on appointment as CEO and following strong performance in his first year in the role, he received an increase higher than that of the budget for the corporate UK workforce in 2019. The greater increase in the CEO's taxable benefit is attributable to the increased cost of his healthcare benefit compared to that of the average of the rest of the UK workforce.

Relative importance of spend on pay

The chart below sets out the actual expenditure of the Group in 2019 and 2018, showing the differences between those years. Further information, including where 2018 figures have been restated, can be found on the Group Financial Statements starting on page 132 and the accompanying notes. For 2019, the total distributions to shareholders included a special dividend of 208.3p per share which was paid in January 2019.



Implementation of Directors' Remuneration Policy in 2020

This section explains how the DR Policy will be applied in 2020 subject to a binding vote by shareholders at the 2020 AGM.

Salary: Executive Directors

Directors' salaries are agreed annually in line with the DR Policy. The following salaries will apply from 1 April 2020.

Executive Director	Increase %	2020 £	2020 \$	2019 £	2019 \$
Keith Barr	2	855,000		838,200	
Paul Edgecliffe-Johnson	2	628,700		616,300	
Elie Maalouf ^a	2	828,500			812,200

^a Elie Maalouf is paid in US dollars and his annual base salary for 2019 and 2020 is shown in US dollars. The sterling equivalent values calculated using an exchange rate of \$1 = £0.78 are: 2019 – £633,516 and 2020 – £646,230.

The increases above are in line with the budget for the wider UK and US corporate workforce.

LTIP and APP performance measures and targets

Full details of the measures and targets for the 2020 APP and 2020/22 LTIP cycle are contained in the separate DR Policy section on pages 112 to 113 of this report.

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

AUDITED

Single total figure of remuneration: Non-Executive Directors

Non-Executive Director	Committee appointments	Date of original appointment	Fees £000		Taxable benefits £000		Total £000	
			2019	2018	2019	2018	2019	2018
Patrick Cescau	N	01/01/13	435	422	14	20	449	442
Anne Busquet	A C	01/03/15	77	74	5	7	82	81
Ian Dyson	A R	01/09/13	102	99	2	3	104	102
Jo Harlow	N R	01/09/14	102	99	2	2	104	101
Luke Mayhew	A C N	01/07/11	77	74	2	2	79	76
Jill McDonald	A C N	01/06/13	90	87	2	4	92	91
Dale Morrison	A N R	01/06/11	110	107	11	66	121	173
Malina Ngai	C R	01/03/17	77	74	8	4	85	78



See page 79 for Board and Committee membership key and attendance.

Fees: Fees paid are in line with the DR Policy.

Benefits: For Non-Executive Directors, benefits include taxable travel and accommodation expenses to attend Board meetings away from the designated home location. Under concessionary HM Revenue and Customs rules, non-UK based Non-Executive Directors are not subject to UK tax on travel expenses to/from the UK as long as they remain non-UK resident; this is reflected in the taxable benefits for Anne Busquet, Malina Ngai and Dale Morrison.

Incentive awards: Non-Executive Directors are not eligible for any incentive awards.

Pension benefit: Non-Executive Directors are not eligible for any pension contributions or benefit.

Shares held by Non-Executive Directors as at 31 December 2019:

The Non-Executive Directors who held shares are listed in the table below:

Non-Executive Director	2019 ^b	2018
Patrick Cescau	3,605	3,795
Jo Harlow ^a	950	1,000
Luke Mayhew	1,305	1,373
Dale Morrison ^a	2,960	3,116

^a Shares held in the form of American Depositary Receipts.

^b 2019 shares were subject to a share consolidation on 14 January 2019 on the basis of 19 new ordinary shares for every 20 existing ordinary shares.

Fees: Non-Executive Directors

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy. The fee levels for 2020 will be as follows:

Non-Executive Director	Role	2020 £000	2019 £000
Patrick Cescau	Chair of the Board	444	435
Anne Busquet	Non-Executive Director	78	77
Arthur de Haast	Non-Executive Director	78	-
Ian Dyson	Chair of Audit Committee	104	102
Jo Harlow	Chair of Remuneration Committee	104	102
Luke Mayhew	Non-Executive Director	78	77
Jill McDonald	Chair of Corporate Responsibility Committee	92	90
Dale Morrison	Senior Independent Non-Executive Director	112	110
Malina Ngai	Non-Executive Director	78	77

Board Committee membership key

- A** Audit Committee member
- C** Corporate Responsibility Committee member
- N** Nomination Committee member
- R** Remuneration Committee member
- Chair of a Board Committee**

Remuneration Committee details

Key objectives and summary of responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of the remuneration of the Executive Directors and the Executive Committee, and agrees the strategy, direction and policy for the remuneration of the senior executives who have a significant influence over the Group's ability to meet its strategic objectives. Additionally, the Committee reviews wider workforce pay policies and practice to ensure alignment with strategy, values and behaviours and takes this into account when setting Executive Director remuneration. The Committee's role and responsibilities are set out in its Terms of Reference (ToR) which are reviewed annually and approved by the board.

The ToR are available on IHG's website at www.ihgplc.com/investors under Corporate governance.

The Committee's key focus areas during the year have been:

- Reviewing the Director's Remuneration Policy and associated feedback from stakeholders as part of the consultation process on potential Policy changes; and
- Evaluating potential measures and targets for 2020+ short and long-term incentive plans.

Membership and attendance at meetings

Details of the Committee's membership and attendance at the meetings are set out on page 79.

During 2019, the Committee was supported internally by the Chair, the Group's CEO and CFO, and the heads of Human Resources and Reward as necessary. All attend by invitation to provide further background information and context to assist the Committee in its duties. They are not present for any discussions that relate directly to their own remuneration or where their attendance would not be appropriate.

Reporting to the Board

The Committee Chair updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members for review and comment.

Stakeholder engagement

As part of the DR Policy review undertaken in 2018 and 2019, the Chair of the Remuneration Committee met with a number of our largest shareholders, proxy voting agencies and industry bodies, such as the Investment Association, to discuss our remuneration policy design and its link to business strategy. In terms of employee engagement, the Company's twice-yearly global engagement survey addresses employee satisfaction, covering a number of areas including competitive pay and benefits; and, during the year, the Committee reviewed key aspects of wider workforce remuneration policy and practice and its alignment with executive pay. As explained in the DR Policy on page 116 to 117, these stakeholder engagement processes have informed our review of executive director remuneration.



The Company's approach to wider workforce engagement under the Corporate Governance Code is set out on pages 32 to 33.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board. During 2019, the Committee was also reviewed as part of the external Board evaluation process, where it was concluded that the Committee remains effective (see page 86).

Other focus areas and activities

In addition to the DR Policy review and stakeholder consultation process, the other focus areas and activities discussed by the Committee during 2019 were:

- Reviewing and approving the 2018 annual and long-term incentive results for the Executive Directors and other members of the Executive Committee;
- Reviewing and approving 2019 measures and targets for annual and long-term incentive plans;
- Monitoring 2019 performance against agreed targets as well as in the wider business context;
- Reviewing wider workforce remuneration policy and practice;
- Tender process for remuneration advisory services to the Committee.

Remuneration advisers

PricewaterhouseCoopers LLP continued to act as independent adviser to the Committee throughout 2019. However, as part of the transition process for its role as IHG's statutory auditor for the 2021 financial year, the Committee undertook a competitive tender process and appointed Deloitte LLP as its adviser going forward. In order to ensure a full and efficient transfer of responsibilities, Deloitte were appointed and commenced work for the Committee in October 2019 and PwC will formally step down in early 2020.

PwC and Deloitte are both members of the Remuneration Consultants Group and, as such, operate under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received is objective and independent. Fees of £136,549 were paid to PwC and £6,000 to Deloitte in respect of advice provided to the Committee in 2019. This was in the form of an agreed fee for support in preparation of papers and attendance at meetings, with work on additional items charged at hourly rates. The terms of engagement for Deloitte are available from the Company Secretary's office upon request.

Voting at the Company's AGMs

There was no binding vote in respect of the DR Policy at the 2019 AGM as it remained unchanged from 2017.

The outcome of the votes in respect of the DR Policy and Report for 2017 to 2019 are shown below:

AGM	Directors' Remuneration Policy (binding vote)			Directors' Remuneration Report (advisory vote)		
	Votes for	Votes against	Abstentions	Votes for	Votes against	Abstentions
2019	-	-	-	120,939,401 (83.95%)	23,116,948 (16.05%)	3,867,287
2018	-	-	-	118,770,985 (82.33%)	25,486,193 (17.67%)	2,664,237
2017	120,328,350 (95.76%)	5,332,320 (4.24%)	261,819	119,155,451 (96.42%)	4,426,549 (3.58%)	2,340,489

Directors' Remuneration Policy

The Committee will consider the Remuneration Policy annually to ensure it remains aligned with strategic objectives. However, subject to approval by shareholders at the 2020 AGM, it is intended that the policy set out below will apply for three years from 2020; if any amendments need to be made to the policy within that timeframe, it will first be presented to be voted upon by shareholders. Where there have been changes to elements from the last policy, these are set out for each element in the table below. The reasons for the changes are described in the Remuneration Committee Chair's statement on pages 96 to 98.

Future policy table

Salary	100% cash	No change in policy
Link to strategy	To attract and retain the key talent responsible for delivering our strategic objectives. Recognises the value of the role and the individual's skill, performance and experience.	
Operation	Base salary is reviewed annually and fixed for 12 months from 1 April. In reviewing salaries, the Committee may consider: <ul style="list-style-type: none"> • business performance; • personal performance; • the average salary increases for the wider IHG workforce; and • current remuneration assessed against comparable opportunities for an individual to ensure competitiveness. 	
Maximum opportunity	Over the policy period, salaries for current Executive Directors will increase, subject to individual performance, in line with the range of increases applying to the corporate UK and US employee population, except where there is a change in role or responsibility, or another need arises to reassess the competitiveness of salary which warrants either a lesser or a more significant increase. Any such change will be fully explained. <p>Newly promoted or recruited Executive Directors may, on occasion, have their salaries set below the conventional remuneration level while they become established in role. In such cases, salary increases may be higher than the corporate UK and US employee population until the target positioning is achieved.</p>	
Performance framework	The results of an individual's annual performance appraisal are considered when reviewing salary levels.	
Benefits		No change in policy
Link to strategy	To attract and retain the key talent responsible for delivering our strategic objectives with competitive benefits which are consistent with an individual's role and location.	
Operation	IHG pays the cost of providing the benefits on a monthly basis or as required for one-off events.	
Maximum opportunity	The value of benefits is dependent on location and market factors. Benefits may include the cost of independent financial advice, car allowance/company car, private healthcare/medical assessments, life insurance, and other benefits provided from time to time. Benefits would be restricted to the typical level for the role and location of an Executive Director. Benefits may also include relocation and expatriate or international assignment costs where appropriate, including for example: <ul style="list-style-type: none"> • cost of living allowance; • travel costs; • housing allowance; • professional advice; • education allowances; • tax equalisation; • medical expenses; and • relocation allowance. Relocation and expatriate or international assignment costs would be restricted to the typical level for the role and location of an Executive Director.	
Performance framework	None.	
Pension		
Link to strategy	To attract and retain the key talent responsible for delivering our strategic objectives with appropriate contribution rates to provide funding for retirement.	
Operation	UK Executive Directors are eligible to join the IHG UK Defined Contribution Pension Plan (UK Plan). A cash allowance in lieu of pension contributions is offered, for example, where pension contributions would be less efficient than cash. <p>Non-UK Executive Directors may be eligible for an alternative local company retirement plan, for example, a DC 401(k) Plan and a DC Deferred Compensation Plan currently operating in the US.</p>	
Maximum opportunity	Salary is the only element of remuneration that is pensionable and the current maximum employer contribution level for executives in the UK Plan is shown below. Other contribution rates may apply in alternative non-UK local retirement plans and the Committee has the discretion to reduce or increase employer contribution rates for Executive Directors in exceptional circumstances where conditions so warrant.	
New for 2020 Policy:	<ul style="list-style-type: none"> • The maximum pension contributions and/or cash allowance for new UK Executive Directors will be aligned with the maximum employer contribution rate available to all other participants in the UK Plan (from April 2020, this will be 12%). • Incumbent UK Executive Directors have agreed to a voluntary reduction in pension provision by the end of 2022 such that the value will align on the same basis as above with effect from 1 January 2023. 	
Performance framework	None.	

 The policy will be available to view at www.ihgplc.com/investors under Corporate governance.

Annual Performance Plan (APP)	50% cash and 50% IHG PLC shares deferred for three years	No change in policy
Link to strategy	<ul style="list-style-type: none"> • Drives and rewards annual performance against both financial and non-financial metrics. • Aligns individuals and teams with key strategic priorities. • Aligns short-term annual performance with strategy to generate long-term returns to shareholders. 	
Operation	<ul style="list-style-type: none"> • Awards are made annually, 50% in cash after the end of the relevant financial year and 50% in the form of share awards which vest after three years subject to leaver provisions. • The Committee has discretion to make awards wholly in cash rather than part-cash and part-shares, in exceptional circumstances. • The share awards are made in the form of conditional awards or forfeitable shares, the latter having the right to receive dividends and vote at general meetings. • Malus and clawback apply to these awards. See page 115 for details. • The Committee may exercise reasonable discretion to adjust an award made under the APP upwards or downwards after application of the performance measures to take into account any relevant factors, including but not limited to, performance relative to IHG's competitors and extent of achievement across all measures, provided that in no case will an award exceed the maximum opportunity stated. 	
Maximum opportunity	The maximum annual award is capped at 200% of salary.	
Performance framework	<ul style="list-style-type: none"> • 70% is based on the achievement vs target of an operating profit measure. • 30% is based on a mixture of strategic and/or personal measures which are reviewed annually and the weighting, measures and targets are determined by the Committee and set in line with key strategic priorities. • Target award is 115% of salary; threshold is up to 50% of target award for each measure. 	
New for 2020 Policy:	<p>Malus and clawback has been extended. See page 115 for details.</p> <p>Measures for 2020 will be operating profit from reportable segments (70%) and Net System Size Growth (30%) – see page 112 for further detail.</p>	
Long Term Incentive Plan (LTIP)		
Link to strategy	Drives and rewards delivery of sustained long-term performance on measures that are aligned with the interests of shareholders.	
Operation	<ul style="list-style-type: none"> • Annual grants of conditional awards of shares subject to a performance period of three years or such longer period as the Committee determines, subject to the achievement of corporate performance targets. • The Committee may also impose such post-vesting holding periods as it may, at its discretion, determine. • The Committee also has discretion to make awards in cash rather than shares, in exceptional circumstances. • Malus and clawback applies to awards. See page 115 for details. 	
Maximum opportunity	The maximum annual award is up to 350% of salary for the CEO and up to 275% of salary for other Executive Directors.	
Performance framework	<ul style="list-style-type: none"> • The measures are reviewed and may be changed by the Committee annually to ensure alignment with strategic objectives. • Minimum performance results in 20% vesting and all targets measured over a performance period of at least three years. • The Committee may make adjustments to targets and/or measures if a significant one-off event occurs that makes one or more of the existing targets and/or measures no longer appropriate. The Committee may also adjust awards if a significant one-off event happens that makes the original performance measures no longer appropriate. Any such adjustments would be disclosed at the first appropriate opportunity. • The Committee will review the vesting outcomes under the LTIP measures at the end of each three-year cycle against an assessment of Group earnings, the quality of financial performance and growth over the period, including relative growth against the market, and the efficient use of capital. If the Committee determines that the vesting outcomes do not appropriately reflect the performance of the Group, it will consider applying discretion to increase or reduce the number of shares that vest. The performance and vesting outcomes and any use of discretion will be fully disclosed and explained in the relevant Directors' Remuneration Report. 	
New for 2020 Policy:	<p>The maximum opportunity has been increased from 205% to 350% of salary for the CEO and to 275% of salary for other Executive Directors. See the Chair's statement on pages 96 to 98 for rationale.</p> <p>A post-vest holding period, typically of two years, may apply. See the Chair's statement on pages 96 to 98 for rationale.</p> <p>Malus and clawback have also been extended. See page 115 for details.</p> <p>Measures for the 2020/22 cycle are Total Shareholder Return (30%); Relative Net System Size Growth (30%) subject to a Return on Capital Employed underpin; Cash Flow (20%) and Total Gross Revenue (20%) – see page 113 for further details.</p>	
Shareholding requirements		
New for 2020 Policy:	<ul style="list-style-type: none"> • Subject to maximum LTIP quantum outlined above, the guideline shareholding requirement will increase to 500% for the CEO and 300% for other Executive Directors. • This shareholding can include the net value of unvested shares that are not subject to any further performance conditions. • Executive Directors are expected to hold all shares earned (net of any share sales required to meet personal tax liabilities), until the previous guideline shareholding requirement is achieved (300% for the CEO and 200% for other Executive Directors) and 50% of all subsequent shares earned (net of any share sales required to meet personal tax liabilities) until the new guideline shareholding is met. 	
Post-Employment Shareholding	<ul style="list-style-type: none"> • The full guideline shareholding requirement will continue for six months, and 50% of the requirement for a further six months, post-cessation of employment. 	

Directors' Remuneration Policy continued

Illustrative scenarios

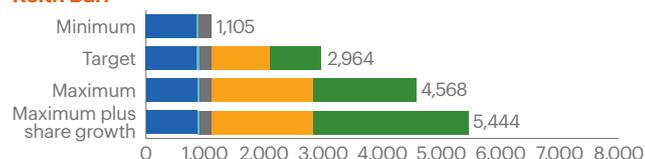
Shown below are illustrations of the value that could be received by each Executive Director under the Directors' Remuneration Policy in respect of 2020, showing:

- minimum, which includes salary, benefits and employer pension contributions only (total fixed pay);
- on-target, which includes total fixed pay and assumes an on-target award for the APP (115% of salary) and 50% of maximum LTIP award vesting; and
- maximum, which includes total fixed pay and a maximum award under the APP and LTIP.
- maximum plus share price growth, which includes total fixed pay, a maximum award under the APP and a 50% share price increment for LTIP.

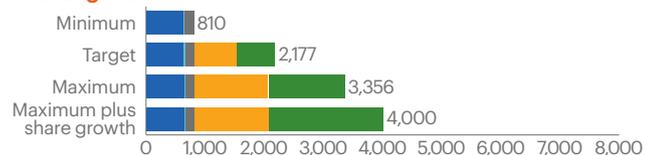
The salaries included are those that will apply from 1 April 2020. The benefit values included are estimates.

Old Policy (£000)

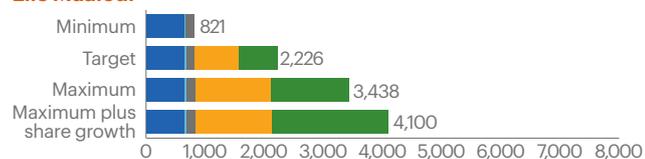
Keith Barr



Paul Edgecliffe-Johnson

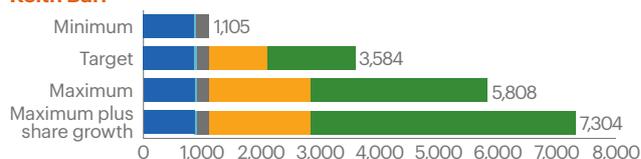


Elie Maalouf

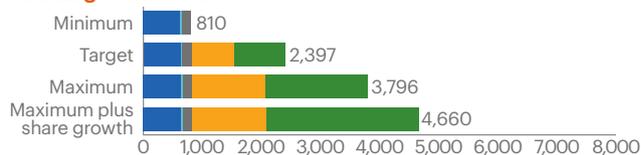


New Policy (£000)

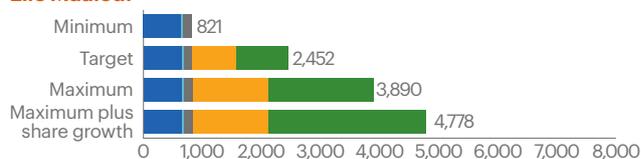
Keith Barr



Paul Edgecliffe-Johnson



Elie Maalouf



Notes to future policy table

In designing the new Remuneration Policy, the Committee followed a detailed decision-making process which included discussions on the proposals at nine Remuneration Committee meetings. The Committee considered multiple approaches and their possible impact, and sought input from management as well as advice from its independent advisors on market practice and shareholder expectations to inform the discussions. An extensive shareholder consultation exercise was also undertaken. To avoid any conflict of interest, no Executive Directors were present for Committee conversations relating to their own pay.

Measures for 2020 APP

Measure	Definition	Weighting (%)	Performance objective
Operating profit from reportable segments	A measure of IHG's operating profit from reportable segments for the year	70	Achievement against target
Net System Size growth	Increase in absolute number of rooms	30	Achievement against target

Why have we chosen these measures?

In line with the DR Policy, the 2020 APP measures will be 70% based on a measure of operating profit and 30% based on other key strategic measures that are reviewed annually and set in line with business priorities. Operating profit from reportable segments is a focal measure of business performance for our shareholders and is a function of other critical measures, such as RevPAR, profit margin and fee revenues. Having reviewed a number of potential strategic measures, the Committee has determined that, for 2020, it is particularly important to the Company's strategic objectives to incentivise and reward management for achieving a stretching target for absolute net System Size growth over the next year. In a

potentially more muted RevPAR environment, this aligns with our focus on growth to drive our continued success. While there is also an NSSG element in the LTIP, it is of a different nature due to the three-year timescale and relative measurement and reflects our longer-term growth ambition.

The Committee retains the flexibility to change the measures and/or weightings during the life of the policy and will consult with shareholders as appropriate on any proposed changes.

How are performance targets set?

Targets may be set relative to budget and/or by reference to prior results and may contain a performance range to incentivise outperformance and minimum performance levels relative to budget and/or prior experience to ensure that poor performance is not rewarded. The 2020 targets are set by the Committee and senior management, taking into account IHG's growth ambitions, market expectations and the circumstances and relative performance at the time, with the aim of setting stretching achievement targets for senior executives which will reflect successful outcomes for the business based on its strategic objectives for the year. It is important to note that for 2020, the targets and payment schedule for both operating profit from reportable segments and NSSG are set in an environment of greater uncertainty than in recent years.

Measures for 2020/22 LTIP cycle

Measure	Definition	Weighting (%)	Performance objective
Relative Total Shareholder Return (TSR)	IHG's performance against a comparator group of global hotel companies. TSR is the aggregate of share price growth and dividends paid, assuming reinvestment of dividends in the Company's shares during the three-year performance period.	30	Threshold – median of comparator group (20% of TSR element vests); Maximum – upper quartile of comparator group (100% of TSR element vests); and Vesting will be on a straight-line basis in between the two points above.
Relative Net System Size Growth with ROCE underpin	IHG's aggregated compound annual growth rate (CAGR) against our six largest competitors with over 500k rooms: Marriott International, Inc., Hilton Worldwide Holdings Inc., Accor S.A., Jin Jiang International Holdings Company Limited, Wyndham Hotels & Resorts Inc., Choice Hotels International Inc. Targets will be set based on increased room count that is consistent with the relevant company's business plan objectives and practice as at the start of the LTIP cycle.	30	Threshold – Fourth ranked competitor excluding IHG (20% of NSSG element vests); Maximum – First ranked competitor excluding IHG (100% of NSSG element vests); and Vesting will be on a straight-line basis in between the two points above. This measure is subject to the achievement of a Return on Capital Employed underpin. See below for further details.
Absolute Cash Flow	Cumulative annual cash generation over three-year performance period.	20	Threshold – US 1.91bn (20% of cash flow element vests); Maximum – US 2.54bn (100% of cash flow element vests); and Vesting will be on a straight-line basis in between the two points above.
Absolute Total Gross Revenue (TGR)	Cumulative increase over three-year performance period.	20	The targets for this measure are, in the opinion of the Directors, commercially sensitive, and will therefore be disclosed in full retrospectively at the end of the LTIP cycle. Disclosures in advance would give IHG's major competitors an unfair commercial advantage, providing them with access to key financial and growth targets from IHG's three-year plan. These competitors would not be subject to the same obligation to make such information available, as they are either unlisted or listed on a stock exchange other than the London Stock Exchange.

Operation of Return on Capital Employed (ROCE) underpin

The Committee has the discretion to reduce the amount of the award vesting under the net System Size growth measure by any amount, including to zero, in the event that a Return on Capital Employed (ROCE) falls below a predetermined level over the period of an LTIP cycle. The extent of reduction would be determined taking into consideration criteria including:

- the reason the ROCE underpin has not been met;
- the impact on other metrics, including cash flow and total gross revenue; and
- the materiality of the circumstances under which the underpin has not been met.

ROCE is defined as operating profit from reportable segments divided by Capital Employed. For Capital Employed, we expect to define this as Total Assets less Current Liabilities, adjusted for deferred revenue and deferred tax assets/liabilities. At the end of each cycle, the Committee will agree the appropriate capital base of the Company taking into account any short-term impacts that are not part of the long-term capital of the business.

For the 2020/22 LTIP cycle, the underpin has been set at an appropriate level in order to protect shareholder interests without disincentivising the pursuit of long-term strategically advantageous return-enhancing opportunities, which could have a short-term impact on ROCE. The underpin level will be disclosed in the 2020 AGM notice and performance and vesting outcomes and any use of discretion will be fully disclosed and explained in the relevant Directors' Remuneration Report.

Why have we chosen these measures?

We believe that TSR continues to be a key measure of long-term success and aligns the interests of Executive Directors with those of shareholders. A net System Size growth (NSSG) measure will remain but, reflecting our industry-leading growth ambition, this will have a

relative performance target measured against our closest competitors and the weighting for this measure will increase from 20% to 30%. To balance the delivery of strong growth whilst maintaining high returns, the NSSG measure will be subject to a Return on Capital Employed underpin, as described opposite.

There is no change to the 2020/22 cash flow measure to deliver consistent, sustained growth in cash flows and profits over the long term and the total gross revenue measure, which includes food and beverage income from owned and managed hotels and reflects our diverse income sources. Together, we believe these measures represent the right balance of focus on growth and quality and position our executive remuneration in line with both our long-term strategic aims and the expectations of our shareholders.

How are performance targets set?

Targets may be set relative to the expected outcomes of IHG's long-range business plan and other long-term strategic objectives and may contain a performance range to incentivise outperformance and minimum performance levels to ensure that poor performance is not rewarded. The targets for the 2020/22 LTIP are set by the Committee, taking into account IHG's long-range business plan, market expectations and the circumstances and relative performance at the time, with the aim of setting stretching achievement targets for senior executives which will reflect successful outcomes for the business based on its long-term strategic objectives.

The comparator group of companies against which TSR outcomes are measured for the 2020/22 cycle comprises of the following major, globally branded competitors: Accor S.A.; Choice Hotels International Inc.; Hilton Worldwide Holdings Inc; Hyatt Hotels Corporation; Marriott International Inc.; Melia Hotels International S.A.; NH Hotel Group; and Wyndham Hotels & Resorts Inc. The Committee reviews the comparator group each year and may make changes for future cycles if appropriate.

Directors' Remuneration Policy continued

Alignment of remuneration policy with the 2018 Code

2018 Code provision:	How the Remuneration Committee applies the principle
<p>Clarity</p> <p>Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.</p>	<p>Through the combination of short and long-term incentive plan measures, the DR Policy is structured to support financial objectives and the strategic priorities of the business which deliver shareholder returns and long-term value creation. Further alignment with shareholder interests is driven by the significant proportion of share-based incentives and Executive Director shareholding requirements.</p> <p>As shown on page 100, our reward policies are aligned and include a proportion of performance-related reward throughout the organisation, driving engagement for the whole of the workforce.</p> <p>We always seek to report our DR Policy and performance-related remuneration measures, targets and outcomes in a clear, transparent and balanced way, with relevant and timely communication with all of our stakeholders, including shareholders. See pages 116 to 117 for further information on how we engage with stakeholders on remuneration matters.</p>
<p>Simplicity</p> <p>Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.</p>	<p>Our remuneration structure comprises straightforward, conventional and well-understood components:</p> <ul style="list-style-type: none"> • Fixed pay: base salary, pension and benefits that are consistent with role and location and are designed to attract and retain talent. • Short-term incentive: annual performance-related bonus which incentivises and rewards the delivery of financial and non-financial strategic objectives. For senior employees, a proportion of this bonus (50% for Executive Directors) is paid in cash and the remainder deferred in shares for a period of three years. • Long-term incentive: a share-based award which incentivises performance over a three-year period, based on measures which drive long-term sustainable growth and value creation.
<p>Risk</p> <p>Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.</p>	<p>Our DR Policy contains a number of elements to ensure that it drives the right behaviours to incentivise the Executive Directors to deliver long-term sustainable growth and shareholder returns and to reward them appropriately:</p> <ul style="list-style-type: none"> • The maximum short and long-term incentive awards are capped as a % of salary. • The Committee has clear discretion policies, linked to specific measures where necessary, to override formulaic outcomes. • Executive Directors agree to clear and comprehensive malus and clawback provisions under which awards may be reduced, rescinded or claimed back. • Significant shareholding requirements apply for Executive Directors, including the deferral of 50% of bonus in shares; a post-vesting holding period for LTIP shares and minimum shareholding requirements for both during and after employment.
<p>Predictability</p> <p>The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.</p>	<p>The range of possible values of rewards for Executive Directors is clearly disclosed in graphical form both at the time of approving the policy and in the annual implementation report:</p> <ul style="list-style-type: none"> • See the charts on page 112 showing the potential future reward opportunity for the Executive Directors split between fixed, target and maximum remuneration scenarios and the effect of future share price increases on the LTIP assuming share price growth of 50% over the period. • See the charts on page 99 showing the minimum, target and maximum potential outcomes for the year.
<p>Proportionality</p> <p>The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear and outcomes should not reward poor performance.</p>	<p>As shown on pages 112 and 113, individual rewards are aligned to the delivery of strategic business objectives. The Committee sets robust and stretching targets to ensure that there is a clear link between the performance of the Group and the awards made to the Executive Directors and others; and that poor performance is not rewarded. The powers of discretion set out in the DR Policy on page 111 further strengthen the Committee's ability to ensure that award outcomes reflect business performance and context in both absolute and relative terms.</p>
<p>Alignment to culture</p> <p>Incentive schemes should drive behaviours consistent with the Company purpose, values and strategy.</p>	<p>As set out on pages 24 and 26, IHG has a clear purpose and well-established values and behaviours. Our Strategic Model for high-quality growth explained on page 18 and the KPIs which underpin the delivery of our strategy are shown on pages 42 to 45. Page 42 also sets out how our short and long-term incentive plans are aligned to these strategic objectives. We show on page 100 how other elements of reward, such as salary reviews and, across the wider workforce, the short-term incentive plan and our global recognition scheme reward employees for performance and actions which demonstrate our values and behaviours.</p>

Dilution of Company shares

Incentive plan rules provide that issuance of new shares or re-issued treasury shares, when aggregated with all other share schemes, must not exceed 10% of issued share capital in any rolling 10-year period.

Policy on payment for loss of office

As per the DR Policy, Executive Directors have a notice period from the Group of 12 months. However, neither notice nor a payment in lieu of notice will be given in the event of gross misconduct. In the event of an Executive Director terminating employment, any

compensation payable will be determined in accordance with the terms of their service contract and the rules of any relevant incentive plan. Where possible, the Group will seek to ensure that, if a leaver mitigates their losses, for example, by finding new employment, there will be a corresponding reduction in compensation payable for loss of office. An Executive Director may have an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or other relevant jurisdiction.

The following table sets out the basis on which payments for loss of office may be made:

Remuneration component	Circumstances and approach taken (including but not limited to):
Salary and contractual benefits, including pension	Good leaver: paid up to date of termination or in lieu of notice, if applicable. Other leaver: paid up to date of termination or in lieu of notice, if applicable. Death: paid up to date of death.
APP award for year of termination	Good leaver: pro-rated award for year up to date of termination, or later date in exceptional circumstances subject to Committee discretion. No accelerated payment, other than in exceptional circumstances and where permitted under the plan rules subject to Committee discretion. Award made 50% cash and 50% in shares deferred for three years from grant, other than in exceptional circumstances and where permitted under the plan rules subject to Committee discretion. Other leaver: no award for year of termination, other than in case of termination after end of performance period but before award date (in which case cash portion only of award will be paid), and in exceptional circumstances subject to Committee discretion. Death: pro-rated award for year up to date of death, paid fully in cash and accelerated, other than in exceptional circumstances subject to Committee discretion.
Unvested APP deferred share awards	Good leaver: vest on usual vesting date, other than in exceptional circumstances subject to Committee discretion. Other leaver: forfeited, other than in exceptional circumstances subject to Committee discretion; and in the event of a termination in connection with a takeover or reconstitution (in which case unvested APP deferred share awards will have accelerated vesting on the date of termination, unless the Committee determines otherwise). Death: accelerated vesting unless Committee decides otherwise.
Unvested LTIP awards	Good leaver: vest on usual vesting date to the extent that performance conditions are met, other than in exceptional circumstances subject to Committee discretion. Number of shares vesting is pro-rated to date of termination, or other date subject to Committee discretion. Other leaver: forfeited, other than in exceptional circumstances subject to Committee discretion. No shares awarded or cash paid under any circumstances in the event of termination due to gross misconduct. Death: accelerated vesting: Committee has discretion to determine number of shares vesting, taking into account proportion of performance period elapsed and extent to which performance conditions are satisfied.

Good leaver status will be applied in accordance with the rules of the APP and LTIP, where applicable, and will normally include retirement with Company agreement, ill-health, the individual's employing company or business ceasing to be part of the Group or redundancy. In the case of the LTIP rules, the Committee has discretion to apply good leaver status and, in doing so, will consider factors such as personal performance and conduct, overall Group performance and the specific circumstances of the Executive Director's departure including, but not restricted to, whether the Executive Director is leaving by mutual agreement. The Committee would only seek to exercise this and its other discretions under the APP and LTIP plan rules in exceptional circumstances and the application of any such discretion would be disclosed in full as required in the relevant announcement and Annual Report on Directors' Remuneration.

Use of discretion by the Remuneration Committee

1. Malus and clawback in incentive plans

The APP and LTIP rules allow the Committee discretion to reduce the level of unvested share awards if circumstances occur that, in the reasonable opinion of the Committee, justify a reduction in one or more awards granted to any one or more participants.

Malus provisions relate to unvested awards only. Clawback provisions apply to Executive Directors in respect of the APP cash awards and LTIP cycle awards from 2015/17 onwards. The provision applies for three years from the date of payment (for the APP cash award) and the date of vesting (for the LTIP award).

In respect of APP awards from 2020 onwards and LTIP awards from 2020/22 onwards, the circumstances in which the Committee may consider it appropriate to exercise its discretion for malus and/or clawback are extended to include the following:

- an event or series of events occurs which the Committee consider to constitute corporate failure of the Company or the Group;
- there has been a material misstatement, error, or misrepresentation in the financial statements of the Group, any member of the Group,

or any business unit or undertaking for which the Participant has significant responsibility (other than as a result of a change in accounting practice);

- an award was granted or vests on the basis of erroneous or misleading information, assumptions or calculations;
- the action or conduct of a Participant, in the reasonable opinion of the Committee, amounts to fraud or gross misconduct;
- the Participant leaves office or employment by reason of summary dismissal by any member of the Group or where the Committee subsequently determines that, prior to leaving, circumstances had arisen which would have justified the Participant's summary dismissal;
- serious reputational damage or significant financial loss to the Company, any member of the Group or a relevant business unit arises as a result of the Participant's conduct, misconduct or otherwise; or
- any other triggers or circumstances occur which the Committee determines justifies the application of malus and/or clawback. This may include, where appropriate, negligence on the part of the Executive Directors.

Directors' Remuneration Policy continued

These features help ensure alignment between executive reward and shareholder interests and are in line with Corporate Governance Code guidance. All Executive Directors are required to sign (electronically in respect of LTIP awards) forms of acceptance at the time of grant to indicate their acknowledgement and agreement that awards are subject to malus and clawback.

2. Other uses of discretion

The Committee reserves certain discretions in relation to the outcomes for Executive Directors under the Group's incentive plans. These operate in two main respects:

- enabling the Committee to ensure that outcomes under these plans are consistent with the underlying performance of the business and the experience of shareholders, at the same time as providing a high degree of clarity for shareholders as to remuneration structure and potential quantum; and
- enabling the Committee to treat leavers in a way that is fair and equitable to individuals and shareholders under the incentive plans.

The discretions that can be applied in the case of leavers under the APP and LTIP are set out in the section 'Policy on payment for loss of office' on page 115.

The discretions that can be applied in respect of the APP and LTIP in the event of corporate transactions, such as a takeover or merger, include the ability to determine:

- the period for which awards may be pro-rated;
- whether awards are payable as cash or shares;
- the vesting date for awards and whether or not they may be accelerated;
- if a transaction occurs prior to the end of a performance period, the extent to which performance conditions have been met;
- in the event that a transaction involves the exchange of IHG PLC shares for shares in another company, whether existing share awards may be replaced by an appropriate proportion of shares in a new company; and
- any such action as it may think appropriate if other events happen which may have an effect on awards

Any exercises of discretion by the Committee will be fully disclosed and explained in the relevant year's Annual Report on Directors' Remuneration.

Approach to recruitment remuneration

The remuneration of any new Executive Director will be determined in accordance with the Directors' Remuneration Policy on pages 110 to 111 and the elements that would be considered by the Group for inclusion are:

- salary and benefits, including defined contribution pension participation for a UK Executive Director;
- participation in the APP with 50% cash and 50% deferred share elements:
 - pro-rated for the year of recruitment to reflect the proportion of the year remaining after the date of commencement of employment; and
 - if commencement date is after 1 October in the year, no award would normally be made for that year
- participation in the LTIP:
 - pro-rated awards would be made in relation to LTIP cycles outstanding at the time of recruitment; but
 - no pro-rated award would be made for an LTIP cycle that has less than nine months to run at the date of commencement of employment.

In addition, the Committee may, in its discretion, compensate a newly recruited Executive Director for incentives foregone from previous employment as a result of their resignation. The Committee would seek validation of the value of any potential incentives foregone. Awards made by way of compensation for incentives foregone would be made on a comparable basis, taking account of performance achieved (or likely to be achieved), the proportion of the performance period remaining and the form of the award. Compensation would, as far as possible, be in the form of LTIP or deferred share awards in order to immediately align a new Executive Director with IHG performance.

The maximum annual level of variable remuneration that may be granted to a newly-recruited Executive Director would be in line with that of the existing Executive Directors:

- APP award: 200% of salary, of which 50% of any award will be paid in cash and 50% in the form of shares deferred for three years; and
- LTIP award: 350% of salary for a full LTIP cycle commencing after appointment for a CEO and 275% of salary for a full LTIP cycle commencing after appointment for other Executive Directors; plus pro-rated awards in relation to LTIP cycles outstanding at the time of recruitment (up to a further 350%/275% of salary).

This excludes any remuneration that constitutes compensation for incentives foregone and providing any relocation and expatriate or international assignment costs.

Consideration of shareholder views

In updating the DR Policy, as explained on page 109, we undertook a comprehensive review of executive remuneration, taking into consideration how it could support the Company's strategy and better align with shareholders' interests. Engagement with our largest shareholders has been key to this review and the Committee chair has consulted with shareholders to develop the policy, starting in late 2018 and continuing throughout 2019. This allowed the Committee to hear and reflect on shareholder feedback while developing the policy and helped shareholders better understand our business, the competitive environment for talent and the challenges we face. We have valued this engagement with shareholders and the policy has been refined in direct response to the feedback we received. We remain committed to continuing the dialogue in the run-up to the 2020 AGM and beyond.

Consideration of employment conditions elsewhere in the Group

Whilst decisions on remuneration for employees outside the Executive Committee remain the responsibility of Company management, the Committee has historically reviewed pay and employment conditions beyond those of the Executive Committee and has taken this into consideration when establishing and implementing policy for Executive Directors. In line with best practice under the revised Corporate Governance Code, the Committee has set out a schedule of rolling reviews of wider workforce remuneration and related policies to ensure the alignment of incentives and rewards with the Company's strategy and culture; and to take these into account when setting the policy for Executive Director remuneration.

Over the past year, the Committee has looked at the Company's reward philosophy and alignment of pay with culture, values and behaviours; and salary and incentives policies and practice, including how reward practices are aligned across all levels of the organisation. This has shown a consistent approach to reward and has informed the Committee's views on the structure and approach to executive pay. For example, as set out on page 96, there are concerns relating to pay compression at senior levels in the Group, which is part of the reason for addressing Executive Director quantum in the DR Policy; but it remains the Committee's view that Executive Director remuneration should be subject to robust and stretching performance conditions supported by strong shareholding and governance requirements.

Feedback from employee surveys provide views on a range of employee matters including pay. Throughout the Group, base salary and benefit levels are set in accordance with prevailing market conditions, policies, practice and relevant regulations in the countries in which employees are based. Differences between Executive Director pay policy and that of other employees reflect the position and responsibilities of the individuals, as well as corporate governance practices in respect of Executive Director remuneration. As set out on page 100, a key difference in policy for Executive Directors and other senior management is that a greater proportion of total remuneration is delivered as performance-based incentives.

The Company's approach to wider workforce engagement under the Corporate Governance Code is set out on page 32 and 33.

Service contracts and notice periods for Executive Directors

The Committee's policy is for all Executive Directors to have rolling service contracts with a notice period of 12 months. All new appointments will have 12-month notice periods, unless, on an exceptional basis to complete an external recruitment successfully, a longer initial notice period reducing to 12 months is used. This is in accordance with the UK Corporate Governance Code.

All Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the AGM.

Details of current Executive Directors' contracts:

Executive Director	Date of original appointment ^a	Notice period
Keith Barr	1 July 2017	12 months
Paul Edgecliffe-Johnson	1 January 2014	12 months
Elie Maalouf	1 January 2018	12 months

^a To the Board.

Non-executive directorships of other companies

The Group recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge and benefit the Group. IHG therefore permits its Executive Directors to accept one non-executive appointment (in addition to any positions where the Director is appointed as the Group's representative), subject to Board approval and as long as this is not, in the reasonable opinion of the Board, likely to lead to a conflict of interest. Any fees from such appointments may be retained by the individual Executive Director.

Remuneration Policy for Non-Executive Directors

The policy for Non-Executive Directors, set out below, will apply for three years from the date of the 2020 AGM.

 The policy for Non-Executive Directors is available to view at www.ihgplc.com/investors under Corporate Governance in the Committees' section.

If any changes are made to the Policy within that time frame, it will be presented to be voted upon by shareholders. Non-Executive Directors are not eligible to participate in the APP, LTIP nor any IHG pension plan.

Fees and benefits	100% cash	No change in policy
Link to strategy	<ul style="list-style-type: none"> To attract Non-Executive Directors who have a broad range of skills and experience that add value to our business and help oversee and drive our strategy. Recognises the value of the role and the individual's skill, performance and experience. 	
Operation	<ul style="list-style-type: none"> Non-Executive Directors' fees and benefits are set by the Chairman of the Board and Executive Directors; the Chairman's fees are set by the Committee. Fees are reviewed annually and fixed for 12 months from 1 January. Consideration is given to business performance, current remuneration competitiveness and average salary increases for the wider IHG employee population. Benefits include travel and accommodation in connection with attendance at Board and Committee meetings. Non-Executive Directors are not eligible to participate in IHG incentive or pension plans. A single fee is determined for each Non-Executive Director role rather than different elements being applied to directorship, or additional services such as Committee and Chair roles. 	
Maximum opportunity	<ul style="list-style-type: none"> Fee increases will be in line with median FTSE 100 increases, taking into account the circumstances of the business and increases in remuneration across the Group, other than where there is a change in role or responsibility or another need arises to reassess the competitiveness of fee level that warrants either a lesser or a more significant increase. Any such change will be fully explained. IHG pays the cost of providing benefits as required. 	
Performance framework	<ul style="list-style-type: none"> Non-Executive Directors are not eligible to participate in any performance-related incentive plans. 	

Details of letters of appointment and notice periods for Non-Executive Directors

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary's office.

Patrick Cescau, appointed Non-Executive Chairman on 1 January 2013, is subject to 12 months' notice. Other Non-Executive Directors are not subject to notice periods.

All Non-Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the AGM.

Details of Committee memberships and appointment dates are shown on page 79.

Jo Harlow

Chair of the Remuneration Committee
17 February 2020