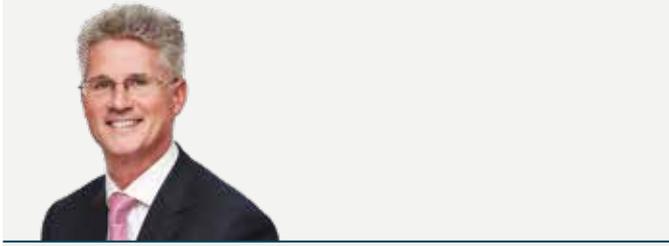


Audit Committee



I am pleased to present the Committee's report for the year ended 31 December 2020. These pages outline how the Committee discharged the responsibilities delegated to it by the Board over the course of the year, and the key areas of focus for the Committee in doing so.

While the Committee's core duties were unchanged, a number of areas became increasingly critical through the year due to the impact of the Covid-19 pandemic and the risks that this posed. Reviewing the impact of the pandemic on, and the nature of the changes made to, the Group's risk management and internal control arrangements was a priority in light of the unpredictable and dynamic nature of the risk environment.

There was also additional focus on the approach to financial reporting throughout the year given the uncertainty and complexity caused by the pandemic and considering the guidance updates from regulatory bodies including the FRC.

Despite the challenges brought by the pandemic, I am pleased to report that the external Auditor transition from Ernst & Young LLP (EY) to PricewaterhouseCoopers LLP (PwC) is progressing well.

The Committee fulfils a vital role in the Company's governance framework, providing valuable independent oversight across the Company's financial reporting and internal control procedures. In a year of heightened risk and uncertainty, in order to ensure the Committee was able to fulfil its role through this most challenging period, Audit Committee agendas were designed to anticipate key risk areas and those significant matters (outlined on page 90) most impacted by Covid-19. This provided ample opportunity for early scrutiny and challenge. Also, throughout the year, management and EY have worked closely together to manage to a challenging timetable. In this regard, I would like to thank all those across the business who have assisted the Committee in fulfilling its role during the year, and who have worked so hard to complete the necessary work within our usual timelines.

Ian Dyson

Chair of the Audit Committee
22 February 2021

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 areas of focus over the year have been:

- reviewing the Group's approach to the management of risk in light of the impact of Covid-19;
- assessing and obtaining assurance on the effectiveness and resilience of the Group's internal control environment throughout the Covid-19 disruption;
- reviewing the measures taken in respect of employee and guest safety and operational risk in response to Covid-19;
- reviewing and challenging financial reporting throughout the year to ensure the impact was appropriately reflected, particularly in key areas including going concern and impairments;
- reviewing the Group's Internal Audit plan and budget; and
- overseeing the transition of the external Auditor.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 75. The CFO, General Counsel and Company Secretary, Group Financial Controller, Head of Risk and Assurance and our external Auditor, EY, attended all meetings in 2020. Other attendees are invited to meetings as appropriate; and the CEO and all other Directors attended Committee meetings where the approval of financial reporting was considered and discussed. PwC also attended certain meetings as part of the external Auditor transition. 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 76 to 79.

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.