

Key performance indicators (KPIs)

Our KPIs are carefully selected to allow us to monitor the delivery of our strategy and long-term success. They remain organised around our refreshed strategy, which articulates our purpose and ambition and our four main priorities, (see page 16). KPIs are reviewed annually by senior management to ensure continued alignment to our strategy and are included in internal reporting and regularly monitored. Measures included are those considered most relevant

in assessing the performance of the business and relate to our growth agenda and commitment to our key stakeholders including owners, guests, employees, shareholders and the communities in which we work. KPIs should be read in conjunction with the other sections of the Strategic Report, and where applicable, references to specific relevant topics are noted against each KPI.

A guide to this KPI section

Link between KPIs and Director remuneration

Whilst performance was impacted by Covid-19 in 2020, our long-term focus remained to deliver high-quality growth and, as in prior years, Directors' remuneration for 2020 was directly related to key aspects of our strategy. The following indicates which KPIs have impacted Directors' remuneration:

A The Annual Performance Plan

- 70% was linked to operating profit from reportable segments
- 30% was linked to strategic focus on improvements in net System size growth

LT The Long Term Incentive Plan

- 40% was linked to Total Shareholder Return
- 20% was linked to rooms growth
- 20% was linked to total gross revenue growth
- 20% was linked to cash flow generation

 For more information on Directors' remuneration see pages 96 to 111.

Link to our strategy

In 2020 we evolved some key elements of our strategy (see pages 16 to 20 for more information). This evolution included definition of four strategic priorities, represented as follows:



Build loved and trusted brands



Customer centric in all we do



Create digital advantage



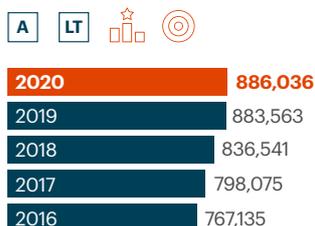
Care for our people, communities and planet

KPIs

Net rooms supply

Net total number of rooms in the IHG System.

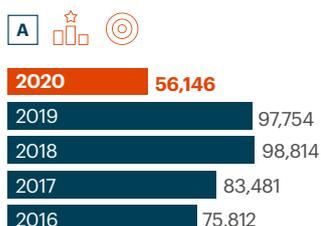
Increasing our rooms supply provides significant advantages of scale, including increasing the value of our loyalty programme. This measure is a key indicator of achievement of our growth agenda (see page 16).



Signings

Gross total number of rooms added to the IHG pipeline.

Continued signings secure the future growth of our System and continued efficiencies of scale. Signings indicate our ability to deliver sustained growth (see page 16).



2020 status and 2021 priorities

2020 status

Grew net System size by 0.3%, impacted by a slower pace of openings due to Covid-19 disruption to non-essential activity and removal of 16.7k rooms (102 hotels) associated with the SVC portfolio^a, taking total rooms supply to 886,036 rooms. Net System size grew +2.2% excluding the impact of the SVC portfolio termination.

Signings of 56,146 rooms (360 hotels) represented almost one hotel a day but a decrease of 43% on 2019 levels, as Covid-19 disrupted all regions, particularly impacting Americas and EMEAA. Greater China maintained solid performance throughout 2020 with a reduction of only 21%.

Overall performance was driven by:

- Continued strength of the Holiday Inn Brand Family with 47.3k rooms opened and 26.6k signed, representing half of all signings.
- Conversions, representing ~25% of all signings and ~25% of openings.
- Further growth of our recently launched brands with:
 - avid hotels adding 17 openings and 19 signings in 2020 taking the total estate to 24 hotels open with a further 192 in the pipeline;
 - voco hotels growing to 18 hotels opened by the end of 2020, with a total of 37 signed since launch. Openings included the first hotels in the Americas (three signings) and Greater China (two signings); and
 - Atwell Suites growing at pace, with nine further signings and breaking ground on the first hotel in Miami.
- Total removals of 36.9k including 2.1k rooms associated with a previously flagged portfolio in Germany, 16.7k rooms (102 hotels) associated with the SVC portfolio^a, and ongoing focus on quality.

2021 priorities

- Continued focus on our ambition to deliver industry-leading net System size growth, whilst protecting our longer-term growth prospects by ensuring the health of our brands and consistent quality of the estate.
- Continue to scale avid hotels in the US and voco hotels globally.
- Open the first Atwell Suites hotels in the US and continue to scale the brand.
- Continue to expand our Luxury & Lifestyle offer through acquired brands Regent, Six Senses and Kimpton.

^a A portfolio of management agreements with Services Properties Trust ('SVC') was terminated on 30 November 2020.

Key performance indicators (KPIs) continued

KPIs

Global RevPAR growth

Revenue per available room: rooms revenue divided by the number of room nights that are available.

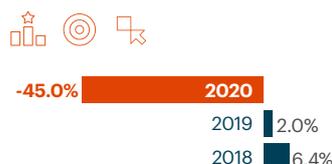
RevPAR growth indicates the increased value guests ascribe to our brands in the markets in which we operate and is a key measure widely used in our industry (see page 8).



Growth in underlying fee revenues^{a,b}

Group revenue from reportable segments excluding revenue from owned, leased and managed lease hotels, significant liquidated damages and current year acquisitions, stated at constant currency.

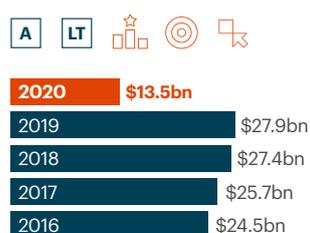
Underlying fee revenue growth demonstrates the continued attractiveness to owners and guests of IHG's franchised and managed business (see page 13).



Total gross revenue from hotels in IHG's System^b

Total rooms revenue from franchised hotels and total hotel revenue from managed, owned, leased and managed lease hotels. Other than for owned, leased and managed lease hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties.

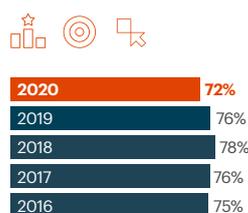
The growth in gross revenue from IHG's System illustrates the value of our overall System to our owners (see page 14).



Enterprise contribution to revenue^c

The percentage of room revenue booked through IHG managed channels and sources: direct via our websites, apps and call centres; through our interfaces with Global Distribution Systems (GDS) and agreements with Online Travel Agencies (OTAs); other distribution partners directly connected to our reservation system; and Global Sales Office business or IHG Reward members that book directly at a hotel.

Enterprise contribution is one indicator of IHG value-add and the success of our technology platforms and our marketing, sales and loyalty distribution channels (see page 13).



2020 status and 2021 priorities

2020 status

- RevPAR declined by an unprecedented level due to the global impact of Covid-19 on domestic and international travel demand, with disruption throughout the year as countries around the world introduced travel restrictions to limit the spread of the pandemic.
- Throughout the crisis we supported owners to maximise revenues by:
 - Providing advice and support to help keep hotels open, including how to flex operations and reduce costs, or how to temporarily close and re-open most efficiently and effectively.
 - Coordinating Covid-related demand, such as government repurposing of hotels with enhancements made to phone hotels direct in order to check for the latest updates and availability, or drive straight to hotels without any advanced booking. Our Enterprise Contribution metric therefore declined marginally but the overall strength of our brand equity continued to be reflected in direct to hotel business.
- Enhanced and leveraged our technology and loyalty platforms and services to drive revenue by:
 - Optimising our Revenue Management for Hire (RMH) services using machine learning technology, to provide enhanced capabilities to help owners protect pricing and returns during periods of volatile demand.
 - Commencing rollout of digital check-in, implemented in over 1,000 properties, and digital check-out, implemented in 4,000 hotels worldwide, and piloted other mobile-enabled improvements including in-room dining orders.
 - Expanded pilot of attribute pricing via IHG Concerto™ platform, across regions and brands, ahead of full roll out in 2021.
 - Enhancing our Owner Engagement Portals to provide real-time scorecard metrics to our global owner community, including Guest Love measures, RevPAR, financial and operational performance with recommendations for action.
 - Commencing roll out of dynamic pricing for Reward Nights, with rates now set daily, enabling more than 80% of hotels to reduce their points pricing to deliver around 25% more value for guests outside of peak times, leading to increased penetration since launch.
- Further strengthened IHG Rewards by completing integration of Mr & Mrs Smith partnership, allowing members access to over 400 Mr & Mrs Smith hotels at which to earn and redeem points.
- Launched a new, sharper, more engaging identity under IHG Hotels & Resorts to strengthen perception, making a clearer connection to our hotels and better promoting the breadth of our portfolio.

2021 priorities

- Apply focused data analytics to drive more efficient and effective marketing to identify and target available demand during the recovery.
- Complete roll out of attribute pricing across the entire estate via IHG Concerto.
- Continue roll out of digital check-in to 4,500 hotels by the end of the year.
- Continue to develop strategic partnerships to enhance the value of our loyalty programme for members.
- Continue to innovate our loyalty offering including in-hotel experiences and brand integrations, to provide greater opportunities for our members to earn and redeem IHG Rewards points.
- Maintain our focus on increasing contribution from IHG Rewards members and through direct bookings via our website or call centres.

^a In 2019 the underlying fee revenue calculation was restated for 2017 onwards following a change in the definition of how we calculate constant currency. The 2017 and 2016 growth figures are not comparable and thus excluded from comparison.

^b Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 47 to 51 and reconciliations to IFRS figures, where they have been adjusted, are on pages 212 to 216. A reconciliation of total gross revenue to owned, leased and managed lease revenue as recorded in the Group Financial Statements can be found on page 53.

^c In 2020, changes were made to the calculation of enterprise contribution (previously system contribution) and 2019 was restated. This followed an enhanced level of analysis enabled by the roll out of the new Guest Reservation System (GRS). Restatement of years prior to the implementation of the GRS is not possible. The 2019 enterprise contribution of 76% is 3% lower than the 79% previously reported as system contribution under the prior calculation. We would not anticipate a material impact of the change in prior years.

KPIs

Guest Love

IHG's guest satisfaction measurement indicator.

Guest satisfaction is fundamental to our continued success and is a key measure to monitor the risk of failing to deliver preferred brands that meet guests' expectations (see page 37 for details).

**2020 status and 2021 priorities****2020 status**

- Guest satisfaction of 81.6% dropped minimally compared to 2019, a successful outcome given the substantial changes to the guest experience resulting from Covid-19. Additionally, the externally measured Guest Satisfaction Index (GSI) was net positive for IHG in 2020.
- Introduced additional Covid-19 cleanliness-specific guidance to protect our frontline hotel colleagues and enable them in turn to deliver clean and safe hotels for all our guests.
- Rolled out training, information and new equipment including social distancing operating procedures and signage, front desk screens, sanitiser stations and reduced contact at check-in.
- Enhanced IHG Way of Clean programme by partnering with industry leading experts to enhance guest safety and trust in our cleanliness and launched IHG Clean Promise.
- Leveraged our prior investment in the cloud-based Concerto GRS platform, implemented across the entire global estate, to remotely and rapidly deploy further technological developments to support a safe and secure guest experience and reduce unnecessary contact.
- Waived cancellation fees and created a Book Now Pay Later option and allowed members to keep status for 2020 to enhance the flexibility of our loyal guests.
- Launched a special Heroes rate for government workers, healthcare professionals, the military and other frontline worker groups.

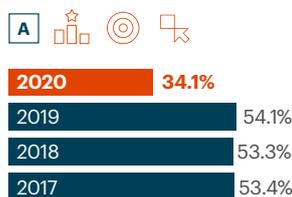
2021 priorities

- Continue to invest in brand innovation, including room design and F&B enhancements to meet evolving guest needs.
- Ensure that, whilst driving strong rooms supply growth, we maintain a high level of guest satisfaction across our entire portfolio through a heightened focus on quality and cleanliness standards.
- Continue to invest behind digitisation of the guest journey and improve on-property processes to improve guest satisfaction and streamline hotel operations.

Fee margin^{a,b}

Operating profit as a percentage of revenue, excluding System Fund, reimbursement of costs, revenue and operating profit from owned, leased and managed lease hotels, significant liquidated damages, the results of the Group's captive insurance company and exceptional items.

Our fee margin progression indicates the profitability of our fee revenue growth and benefit of our asset-light business model (see page 12).

**2020 status**

- Fee margin was impacted by the substantial impacts of Covid-19 on fee revenue, however rapid cost actions taken across the business to protect profitability maintained fee margin in excess of 34%, despite the unprecedented disruption.
- Actions taken to reduce salary and incentives and challenge all areas of discretionary spend delivered ~\$150m of fee business cost savings.
- Commenced activities to sustainably embed ~50% of 2020 costs savings through ongoing control of discretionary spend and a re-balancing of resources to meet expected demand.

2021 priorities

- Embed 50% of savings generated in 2020 (~\$75m), continuing our strong cost and efficiency focus, whilst continuing to invest in growth initiatives.
- Continue to look for further operational efficiencies through greater application of technology.

Free cash flow^b

Cash flow from operating activities excluding payments of contingent purchase consideration, less purchase of shares by employee share trusts, maintenance capital expenditure and lease payments.

Free cash flow provides funds to invest in the business, sustainably grow the dividend and return any surplus to shareholders (see page 15). It is a key component in measuring the ongoing viability of our business (see page 42).

**2020 status**

- Free cash flow of \$29m was down \$480m year-on-year with significant reductions in revenues driven by Covid-19, together with a System Fund outflow, partially offset by cost saving measures taken across the Group and a working capital inflow, following proactive management through the year.
- Impact of Covid-19 on cash flow mitigated through cost saving actions taken across both the P&L and System Fund to reduce salaries and incentives and challenge discretionary spend.
- Gross capex reduced by \$117m year-on-year to \$148m outflow.
- Sustained focus on accounts receivable, cash management and liquidity through the crisis delivered positive free cash flow in 2020 and resulted in closing liquidity of ~\$2.9bn.

2021 priorities

- Continued cost focus, maintaining challenge around all areas of discretionary spend and prioritising investment behind growth.
- Continued focus on accounts receivable to maintain robust cash position.
- Tightly controlled, disciplined capex deployment.

^a In 2019 the fee margin calculation was restated for 2017 onwards following implementation of IFRS 16 'Leases'. The 2016 figure is not comparable and is thus excluded from comparison.

^b Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 47 to 51 and reconciliations to IFRS figures, where they have been adjusted, are on pages 212 to 216.

Key performance indicators (KPIs) continued

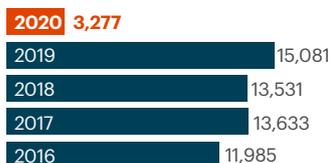
KPIs

IHG® Academy

Number of people participating in IHG Academy programmes.



Sustained participation in the IHG Academy indicates the strength of our progress in creating career building opportunities and engagement with the communities in which we operate (see page 29).



2020 status and 2021 priorities

2020 status

- Covid-19 significantly impacted the vast majority of IHG Academy face-to-face offerings such as internships and work experience. In some locations we pivoted our offering to deliver online events, introducing participants to IHG and the hospitality industry through virtual challenges.
- Evolved our partnership with Junior Achievement Worldwide, offering young people opportunities to gain skills and experience, empowering them to consider career opportunities in the industry, pivoting to virtual solutions.

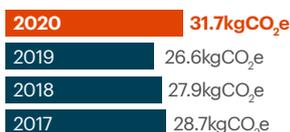
2021 priorities

- Continue to provide skills and improved employability through IHG Academy, ensuring a positive impact for local communities, our owners and IHG. We will flex our approach to delivery between face-to-face and virtual solutions depending on regional recovery.
- Launch a Global IHG Academy NGO Portal hosting a variety of resources bespoke to entry level participants. NGOs can use the resource to educate participants about the hospitality industry, increase their awareness of IHG, and develop their skills to ensure a great start in the hospitality industry.
- Drive quality growth in the programme through enabling our regional teams to measure impact through a robust reporting solution and convert IHG Academy hires into employees.

Carbon footprint per occupied room (CPOR)^a



We work with our hotels to drive energy efficiency and carbon reductions across our estate. In 2017, we set ourselves a target to reduce CPOR by 6-7% by 2020. This is therefore the last reporting year against this target, while we shift our focus towards achieving our science-based carbon reduction targets to 2030 (see page 29).



2020 status

- At the end of 2019, we reported a 5.9%^a reduction in CPOR against our 2017 baseline, nearly meeting our three-year intensity target a year early.
- CPOR was significantly affected by the impacts of Covid-19 on our industry, and 2020 closed with a 10.2% increase against our 2017 baseline. Over the same period, our absolute carbon emissions fell by 23.6% (see page 29). This was largely due to the impacts of Covid-19, but also in part a result of targeted efforts in our estate to help minimise energy consumption during hotel closures and maximise energy efficiency at re-opening.

2021 priorities

- Continue to work with our hotels to maximise energy efficiency and reduce our carbon footprint.
- Use a bespoke decarbonisation tool, developed with a third party during 2020, to model the possible impacts of different interventions on our carbon footprint and develop a roadmap to 2030.
- Enhance our environmental reporting systems, to continue building more robust and complete datasets, and providing more detailed performance insights and guidance for our hotels to support continuous improvement.
- Assess renewable energy opportunities for IHG to maximise/optimize the role of renewable energy in achieving our carbon reduction targets.

Employee engagement survey scores^b



Revised Colleague HeartBeat survey, completed by our corporate, customer reservations office and managed hotel general managers (excluding our joint ventures).

We measure employee engagement to monitor risks relating to talent (see page 38) and to help us understand the issues that are relevant to our people as we build a diverse and inclusive culture (see page 28).



2020 status

- The 2020 score of 79% was 2% higher than external benchmarks.
- In response to the pandemic our priorities pivoted to developing training, tools and support to maintain colleague engagement during remote working and furlough, including flexible learning summits, 'keeping in touch' mechanisms and more frequent leadership communications.
- Prioritised support for employee health and wellbeing including:
 - creation of an Employee Assistance Programme (EAP), containing details of local support services that employees could call on;
 - launch of a resilience and wellbeing newsletter in Greater China plus online resources to assist our support centre employees; and
 - monthly dedicated 're-charge days' from June to August for corporate employees to focus on health, wellbeing or personal development.
- Established ERGs to champion and drive our diverse, inclusive culture.
- Advanced our General Manager talent pipeline by developing new systems and processes to enable visibility of key talent in hotels.

2021 priorities

- Build our future career proposition to remain a leading employer within the industry via a compelling employer value proposition.
- Engage our corporate employees with our new behaviours to support our future strategy and cultural shifts.
- Continue to purposefully grow and develop our corporate Senior Leaders and General Managers to help lead our recovery strategy and future growth.
- Continue to build an inclusive culture and increase the diversity of our leadership and talent pipelines to enable IHG to maximise the talents and contributions of all employees.

^a Carbon intensity figures for 2017 to 2019 have been restated in a move to calendar reporting in 2020. Prior reported growth based on previous methodology. The 2016 figure could not be restated.

^b Due to the complexity of survey administration in hotels during the pandemic the employee engagement survey process was amended. The 2020 score reflects the results of a single survey and includes employees in corporate, reservations offices and general managers (in managed hotels). Prior results from 2017 to 2019 have been restated for comparability to exclude the results of surveys from the managed estate, other than general managers. The 2016 survey results could not be restated.