

ESG Investment Beliefs

We have outlined below the Trustee's investment beliefs in relation to Environmental, Social and Governance (ESG) factors for the IHG UK Defined Contribution Pension Plan. These were discussed at the meeting with the Trustee on 25 April 2019. These beliefs have been considered in the development of the Plan's Statement of Investment Principles.

Investment principles:

The Trustee

- recognises that pensions investments are long-term and believes that taking a sustainable approach to investment will lead to a better risk-adjusted return for members over the longer term, even if this may mean some volatility in shorter-term performance.
- Sees climate change and the move to a lower-carbon economy as presenting significant long-term risks to some companies and this, and the effectiveness of their response to those risks, is likely to be reflected in their financial performance.
- Concludes that ESG factors should be considered when designing an investment strategy and selecting investment managers, where it is expected to impact directly on members' investment objectives

Stakeholders:

The Trustee

- will develop its investment approach to ESG matters taking account of the views and policies of IHG ("the Company") and will remain updated on the Company's responsible business targets and policies in this area.
- Understands that ESG and Climate change issues are playing a more prevalent role in the decision-making of key stakeholders of IHG's business, including shareholders and customers. IHG's employees are likely to become more exposed to this trend in their day-to-day roles, and through their responsible business programme, and thereby come to understand the impact it is likely to have on the performance of IHG and all businesses in terms of both risk and return. It is therefore appropriate that in their retirement savings plan, such factors are considered where they are relevant to the risk-adjusted returns of investee companies.
- Observes that members are generally not engaged in investment decision making and may already expect that their pension savings are invested with a positive approach to ESG. On this basis, members should not be expected to select their own ESG funds. Therefore, the default investment strategy should reflect the Trustee's and (where relevant) members' views on ESG issues, but not to the detriment of risk-adjusted returns.
- Believes that members' views on ESG issues should be sought, and the investment strategy should reflect these views but only where they impact the financial objectives of the Plan. Members may be asked via a survey (or similar) whether, for example, there should be restrictions on assets which are considered to have a negative impact on society or the environment.
- Using positive ESG examples could potentially lead to better member engagement in their pension savings. Where possible, the Trustee should use examples in member communications of how members'

savings have been used to positively influence companies in relation to ESG issues and financial performance.

Investment Managers:

The Trustee believes

- that the Plan's investment managers should have a clear policy on how they deal with ESG issues. They should embed the consideration of ESG and climate change factors into their investment process and decision making, when considering both investment risk and return..
- That the Plan's investment managers should carry out active engagement with the companies in which they invest to positively influence corporate behaviours, improve performance and mitigate financial risks. This process should also be viewed in line with the overall strategy of the manager – for example, if the primary objective of a fund is to track a benchmark, an underlying ESG process should promote engagement and long-term sustainability issues with companies without hindering the primary objective.
- That monitoring the Plan's investment managers' activities on ESG (and in particular voting) is important, as is challenging the managers' approaches to key ESG issues.
- That the topic of ESG and investments is a fast-moving one and should be considered by the Trustee on a formal basis at least annually.

Signed by



Dianne Day, Trustee, IHG UK Defined Contribution Pension Plan

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