Chair's overview

IHG faced ongoing pandemic-related challenges in 2021 despite some areas of recovery. The appearance of new Covid-19 variants led to further waves of infection, creating an uncertain environment, with travel and operating restrictions continuing to impact the industry. Stretched supply chains, labour shortages and resurgent inflation put pressure on growth, while the pandemic accelerated the adoption of new technology and highlighted the need for businesses to operate sustainably.

Against this background, the Board has continued with the adapted governance, oversight practices and new ways of working established at the start of the pandemic. Board meetings have continued to be virtual, but there has been more frequent interaction and collaboration. The Board has provided both support and challenge to management within a clear framework of delegated responsibility. In addition, uncertain conditions required an increased attention on risk and value at risk. The focus on long-term strategy has been maintained, with actions taken regarding the impact of new technology, succession planning and business growth.

Looking back over my tenure as Chair, the notion of what constitutes good governance has evolved substantially. It is now as much about addressing our environmental and societal impacts as reporting on our financial performance – and shareholders frequently use their influential roles to exercise stewardship on behalf of other stakeholders and the wider environment. I am proud to say that this broader appreciation of the role of business within society has been central to IHG's approach to governance for many years and doing business responsibly remains at the heart of our commitment to True Hospitality for Good and our Journey to Tomorrow.

Focus areas and activities

The Board had an active year in 2021 and a fuller description of its activities is given on pages 89 to 91.

A key theme of the year was the focus on the Group's longer-term strategy and growth opportunities, given the continuing improvement of the Group's financial position. This can be seen in the decision to approve the launch of the Vignette Collection, a new conversion brand in the Luxury & Lifestyle segment.

Another opportunity arose from the new ways of working accelerated by the pandemic. The Board took the decision to adopt flexible working where possible for corporate employees. It tasked management to implement this while sustaining organisational resilience and operational efficiency. The Board sought to ensure that IHG's values and culture were maintained and that talent attraction and progression, as well as diversity and inclusion, were enhanced. The Board's deliberations were supported by its continuing dialogue and engagement with the Group's workforce through our Voice of the Employee programme.

The Group's relations with hotel owners was a notable feature of Board activity. The Board sought to understand the position of hotel owners throughout the pandemic, recognising the trading difficulties they experienced, the availability of capital and the impact of labour shortages within the hospitality industry. It was also aware of the commitment needed to maintain high standards and keep brands fresh.

Technology continued to be a regular area of focus, both because of the increased cybersecurity threats and risks associated with an increase in remote working but also in the way that technology can be harnessed to drive revenue, growth and guest satisfaction.

Board composition

Succession planning was a major consideration during the year as the Board is currently going through a period of change in its composition. A key part of the refreshment process is to ensure that we continue to have the right mix of skills, experience and knowledge around the table as well as the gender and geographical representation that adds value as the Company pursues its strategic objectives.

Information on the process relating to Deanna Oppenheimer's appointment to succeed me as Chair from 1 September 2022 is set out on page 93.

As part of Non-Executive Director succession planning, we determined that the Board would benefit from further expertise in technology and innovation, including in relation to ESG issues. We also sought to further drive diversity on the Board and prepare for the retirements of Anne Busquet and Dale Morrison in May and December 2021 respectively. These objectives were successfully furthered when Daniela Barone Soares joined the Board in March 2021 and Graham Allan was appointed as Senior Independent Non-Executive Director from 1 January 2022. Details of Daniela's biography, including her skills and experience, are included on page 84.

The Board also approved the appointment of Duriya Farooqui to assume responsibility for its Voice of the Employee engagement plan. Further details of Board succession planning are included in the Nomination Committee Report on pages 102 and 103.

Committee activities

The Board delegates certain responsibilities to its Committees to assist in ensuring that effective corporate governance pervades the business:

- The Audit Committee focused on the Group's material accounting judgements and estimates, risks, internal controls and business continuity, and going concern and viability (see its report on pages 95 to 99);
- The Remuneration Committee focused on incentive plan targets and performance and review of workforce remuneration considerations (see its report on pages 104 to 125);
- The Responsible Business Committee focused on the delivery of the Group's 2030 responsible business commitments as well as the annual operational targets (see its report on pages 100 and 101); and
- The Nomination Committee progressed the implementation of Board refreshment plans (see its report on pages 102 and 103).

A description of the Group's governance structure is given on page 88.

Board performance review
During the year, we implemented the agreed actions arising from the 2020 internal Board and Committee effectiveness evaluation and conducted a further internal evaluation process. I am pleased to report that the 2021 internal evaluation concluded that the Board and its Committees continue to operate effectively. Further details of the evaluation can be found on page 94. We also conducted individual Director feedback assessments, details of which can be found on page 94.

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. Under the UK listing rules, we are obliged to make a statement as to how we have applied the principles of the UK Corporate Governance Code (the Code) and under the NYSE listing rules, as a foreign private issuer, we are required to disclose any significant ways in which our corporate governance practices differ from those of US companies. To ensure consistency of information provided to both UK and US investors, we produce a combined Annual Report and Form 20-F.

Our Statement of Compliance with the Code is on pages 126 and 127. A summary outlining the differences between the Group's UK corporate governance practices and those followed by US companies can be found on page 246.

Looking forward
In 2022, the Board will continue to ensure that a robust governance framework operates throughout the Group, enabling IHG to focus on the achievement of the Group's long-term strategic objectives while doing business responsibly and remaining mindful of stakeholder interests.

Patrick Cescau
Chair of the Board
21 February 2022

Board and Committee membership and attendance in 2021

	Appointment date	Committee appointments	Board	Audit Committee	Responsible Business Committee	Nomination Committee	Remuneration Committee
Total meetings held			8	5	3	5	5
Chair							
Patrick Cescau[a]	01/01/13	N	8/8	–	–	5/5	–
Chief Executive Officer							
Keith Barr	01/07/17		8/8	–	–	–	–
Executive Directors							
Paul Edgecliffe-Johnson	01/01/14		8/8	–	–	–	–
Elie Maalouf	01/01/18		8/8	–	–	–	–
Senior Independent Non-Executive Director[b]							
Dale Morrison[b, c]	01/06/11	A N R	7/8	3/5	–	4/5	3/5
Non-Executive Directors							
Graham Allan[b, d]	01/09/20	A N R	8/8	5/5	–	–	4/5
Richard Anderson[e]	01/03/21	A R	1/2	0/1	–	–	1/2
Daniela Barone Soares[f]	01/03/21	R RB	7/7	–	2/2	–	3/4
Anne Busquet[g]	01/03/15	A RB	3/3	2/2	1/1	–	–
Arthur de Haast	01/01/20	R RB	8/8	–	3/3	–	5/5
Ian Dyson[h]	01/09/13	A N R	7/8	5/5	–	5/5	5/5
Duriya Farooqui	07/12/20	A RB	8/8	5/5	3/3	–	–
Jo Harlow[i]	01/09/14	N R	7/8	–	–	5/5	5/5
Jill McDonald	01/06/13	A N RB	8/8	5/5	3/3	5/5	–
Sharon Rothstein	01/06/20	A RB	8/8	5/5	3/3	–	–

a In principle the Chair attends all Committee meetings, and the full Board attends the relevant sections of the Audit Committee meetings when financial results are considered.
b Dale Morrison retired from the Board from 31 December 2021 and Graham Allan was appointed as Senior Non-Executive Director from 1 January 2022.
c Dale Morrison was unable to attend a Board meeting, an Audit Committee meeting, a Nomination Committee meeting and a Remuneration Committee meeting due to illness. He was also unable to attend an Audit Committee meeting and a Remuneration Committee meeting due to a prior engagement.
d Graham Allan was unable to attend a Remuneration Committee meeting due to a prior engagement.
e Richard Anderson was appointed to the Board on 1 March 2021 and resigned on 26 May 2021. Richard was unable to attend a Board meeting, an Audit Committee meeting and a Remuneration Committee meeting due to a prior engagement.
f Daniela Barone Soares was appointed to the Board from 1 March 2021. Daniela was unable to attend a Remuneration Committee meeting due to a prior engagement.
g Anne Busquet retired from the Board from 7 May 2021.
h Ian Dyson was unable to attend a Board meeting due to a prior engagement.
i Jo Harlow was unable to attend a Board meeting due to a prior engagement.

Board Committee membership key

- A Audit Committee member
- R Remuneration Committee member
- RB Responsible Business Committee member
- N Nomination Committee member
- Chair of a Board Committee

Our Board of Directors

Patrick Cescau
Non-Executive Chair
N

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 Consolidated Airlines Group S.A., 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 Patron of the St Jude India Children's Charity and a 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. 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), the World Travel & Tourism Council Executive Committee and the International Advisory Board of EHL. 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 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 more than 20 years' experience 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 Adviser with McKinsey & Company from 2012 to 2014.

Board contribution: Elie brings a deep understanding of the global hospitality sector to the Board. He is responsible for business development and performance of all hotel and resort 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 member and chairman of the U.S. Travel Association CEO Roundtable. In addition, Elie serves as a board member of the Atlanta Committee for Progress and is on the CEO Council of the Global Business Alliance.

Board Committee membership key

- **A** Audit Committee member
- **R** Remuneration Committee member
- **RB** Responsible Business Committee member
- **N** Nomination Committee member
- Chair of a Board Committee

Graham Allan
Senior Independent
Non-Executive Director (SID)
A N R

Appointed to the Board:
1 September 2020*

Skills and experience: Graham was Group Chief Executive of Dairy Farm International Holdings Ltd from 2012 to 2017, a leading Asian retailer headquartered in Hong Kong. He previously served in several senior positions at Pepsico/Yum! Brands from 1992 to 2012, assuming the role of President Yum! Restaurants International in 2003, and led the development of global brands KFC, Pizza Hut and Taco Bell in more than 120 international markets. Prior to his tenure at Yum! Restaurants, he worked as a consultant, including at McKinsey & Company.

Board contribution: Graham brings to the Board more than 40 years of strategic, commercial and brand experience within consumer–focused businesses across multiple geographies. Graham was appointed as Senior Independent Non-Executive Director from 1 January 2022.

Other appointments: Graham is Senior Independent Non-Executive Director at Intertek plc and Independent Non-Executive Director of Associated British Foods plc. He also serves as a director of private companies as Chairman of Bata Footwear and Director of Americana Foods.

Ian Dyson
Independent
Non-Executive Director
A N R

Appointed to the Board:
1 September 2013

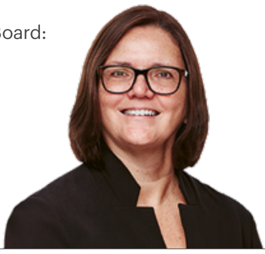
Skills and experience: Ian has held a number of senior executive and finance roles, including Group Finance and Operations Director for Marks and Spencer Group plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was CEO of Punch Taverns plc, Finance Director for the Rank Group Plc, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc. More recently, Ian was a Non-Executive Director of SSP Group plc and Senior Independent Non-Executive Director of Flutter Entertainment 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: Ian is Chair of the Board of ASOS plc.

Jo Harlow
Independent
Non-Executive Director
N R

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 more than 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 leads the Committee responsible for setting our remuneration policy.

Other appointments: Jo is a Non-Executive Director and Chair of the Remuneration Committee of Halma plc, and Non-Executive Director and Chair of the Corporate Responsibility and Sustainability Committee of J Sainsbury plc. She is also a member of the Board of Chapter Zero, the Directors' Climate Forum.

Jill McDonald
Independent
Non-Executive Director
A N RB

Appointed to the Board:
1 June 2013

Skills and experience: Jill is currently CEO of Costa Coffee. She 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 of 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 to 2019, Jill served as Managing Director of Marks and Spencer Clothing and Home.

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 Responsible Business Committee, she leads the Committee responsible for responsible business objectives and strategy and reviewing our approach to sustainable development.

Other appointments: Jill is CEO of Costa Coffee.

* Graham was a member of the Board from 1 January 2010 to 15 June 2012 prior to being appointed as Chief Operating Officer of Dairy Farm International Holdings Limited

Our Board of Directors continued

Daniela Barone Soares
Independent
Non-Executive Director
R RB

Appointed to the Board:
1 March 2021

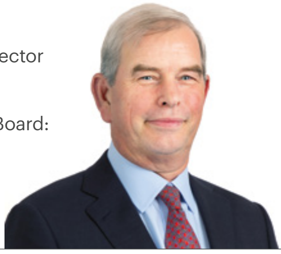
Skills and experience: Daniela is currently Chief Executive Officer of Snowball Impact Management Ltd. She was formerly Chief Executive Officer of financial advisory and strategic consultancy, Granito Group. Prior to this, she was Chief Executive Officer at Impetus, a private equity foundation and Executive Chair of Gove.digital, a private technology business working with the public sector to improve social services in Brazil. She has served on various commercial and non-profit boards and advisory boards, including Halma plc, Evora S.A. in Brazil and the UK National Advisory Board to the G8 Social Impact Investment Taskforce. She also spent nearly 15 years combined in roles at Save the Children, BancBoston Capital private equity, Citibank and Goldman Sachs.

Board contribution: Daniela brings to the IHG Board a clear commitment to ESG responsibilities and in-depth knowledge of the role of technology in driving change.

Other appointments: Daniela is a Designated Member of Snowball Impact Investments GP LLP, a diversified investment fund focused on generating financial returns with a positive social and environmental impact. She is also a Trustee of the Haddad Foundation, a Member of the Advisory Board of Forward Institute and Trustee of the Institute for the Future of Work.

Arthur de Haast
Independent
Non-Executive Director
R RB

Appointed to the Board:
1 January 2020



Skills and experience: Arthur has held several senior roles in the Jones Lang LaSalle (JLL) group, including Chair of JLL's Capital Markets Advisory Council and 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.

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

Duriya Farooqui
Independent
Non-Executive Director
A RB

Appointed to the Board:
7 December 2020

Skills and experience: Duriya is an Independent Director at Intercontinental Exchange, Inc. (ICE), a leading operator of global exchanges and clearing houses, and provider of mortgage technology, data and listings services. Duriya was previously President of Supply Chain Innovation at Georgia-Pacific, leading an organisation responsible for solving supply chain challenges through digital technology and collaboration. Prior to this, she was Executive Director of Atlanta Committee for Progress, a coalition of over 30 CEOs providing leadership on economic growth and inclusion opportunities in Atlanta. Duriya has also been a principal at Bain & Company and Chief Operating Officer of the City of Atlanta.

Board contribution: Duriya's diverse board and executive-level experience brings valuable insights and perspectives to IHG. She combines more than two decades of relevant expertise in business strategy, transformation and innovation, with a clear commitment to driving responsible operations and diversity.

Other appointments: Duriya is a member of the Board of Tribe Capital Growth Corp I and an Independent Director at Intercontinental Exchange, Inc. She serves on the boards of NYSE and ICE NGX, both subsidiaries of ICE, and co-chairs the NYSE Board Advisory Council of CEOs. Duriya is also a Trustee of Agnes Scott College, a Governing Board member of the Woodruff Arts Center, a member of the Board of Councilors of The Carter Center and a mentor for the ExCo Group, LLC.

Sharon Rothstein
Independent
Non-Executive Director
A RB

Appointed to the Board:
1 June 2020

Skills and experience: Sharon currently serves as Operating Partner of Stripes Group, a growth equity firm investing in high-growth consumer and SaaS (Software as a Service) companies. She previously served as Executive Vice President, Global Chief Marketing Officer, and subsequently, as Executive Vice President, Global Chief Product Officer for Starbucks Corporation. In addition, Sharon has held senior marketing and brand management positions at Sephora LLC, Godiva Chocolatier, Inc., Starwood Hotels & Resorts Worldwide, Inc., Nabisco Biscuit Company and Procter & Gamble Company.

Board contribution: Sharon brings extensive brands, marketing and digital expertise, having worked in senior positions for more than 25 years at iconic global companies. In addition to her knowledge of the hospitality industry, Sharon has wide-ranging board-level experience in a number of consumer-focused businesses.

Other appointments: Sharon serves on the boards of Yelp, Inc. and Block, Inc.; and also for private companies True Food Kitchen, Inc., Califia Farms, LLC and Levain Bakery, Inc.

Board Committee membership key

A Audit Committee member
R Remuneration Committee member
RB Responsible Business Committee member
N Nomination Committee member
Chair of a Board Committee

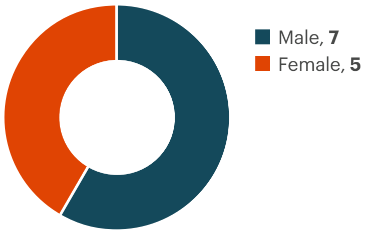
Changes to the Board and its Committees, and Executive Committee

Graham Allan	Graham was appointed as Senior Non-Executive Director and member of the Nomination Committee from 1 January 2022
Richard Anderson	Richard was appointed to the Board from 1 March 2021 and resigned on 26 May 2021
Daniela Barone Soares	Daniela was appointed to the Board from 1 March 2021
Anne Busquet	Anne retired from the Board from 7 May 2021
Dale Morrison	Dale retired from the Board from 31 December 2021

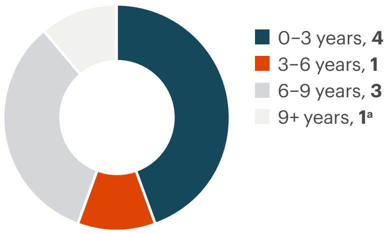
In addition to the above changes, in January 2022 the Company announced that Patrick Cescau will retire as Non-Executive Chair of the Board with effect from 31 August 2022, with Deanna Oppenheimer to be appointed to the Board as Non-Executive Director and Chair Designate effective 1 June 2022, to succeed Patrick Cescau as Non-Executive Chair from 1 September 2022 following his retirement.

Board composition

Gender split of Directors



Tenure of Non-Executive Directors



[a] Patrick Cescau has served on the Board for nine years. As noted above, Patrick will retire from the Board from 1 September 2022 after handing over to Deanna Oppenheimer, who joins the Board from 1 June 2022 to succeed Patrick as Chair.

Our Executive Committee

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

Claire Bennett
Global Chief Customer Officer

Appointed to the Executive Committee: October 2017 (joined the Group: 2017)

Skills and experience: Claire has 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 (WTTC), 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, marketing execution and data analytics.

Jolyon Bulley
Chief Executive Officer, Greater China and Group Transformation Lead, Luxury & Lifestyle

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 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. In 2021, he was appointed to lead the Luxury & Lifestyle Transformation Team.

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, and working to develop and define a clear strategy for our Luxury & Lifestyle brands.

Yasmin Diamond, CB
Executive Vice President, Global Corporate Affairs

Appointed to the Executive Committee: April 2016 (joined the Group: 2012)

Skills and experience: Before joining IHG in 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 Trustee member of the Sustainable Hospitality Alliance.

Key responsibilities: Yasmin is responsible for all global corporate affairs activity, focused on supporting and enabling IHG's broader strategic priorities. This includes all external and internal communications, covering both corporate and consumer brand PR; global government affairs work; and leading IHG's Corporate Responsibility strategy.

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 prior to leading the Business Reputation and Responsibility function, held a number of senior legal roles, including Deputy Company Secretary, during which time she worked with the Board, Executive Committee and wider organisation to ensure best-in-class delivery and compliance across legal, governance and regulatory areas. Nicolette is a solicitor qualified in England and South Africa and worked as a corporate lawyer at Linklaters in London and Findlay & Tait (now Bowmans) in South Africa. Nicolette was appointed as Company Secretary on 1 March 2019.

Key responsibilities: Nicolette has global responsibility for all areas of corporate governance, legal, risk management, insurance, regulatory compliance, internal audit, and hotel standards.

Wayne Hoare
Chief Human Resources Officer

Appointed to the Executive Committee: September 2020 (joined the Group: 2020)

Skills and experience: Wayne has more than 30 years of experience in HR and joined IHG from RCL FOODS, where he spent seven years as the company's Chief Human Resources Officer, leading RCL FOODS' culture building and talent strategy for 25,000 employees. Prior to joining RCL FOODS, Wayne spent 26 years at Unilever, where he worked across a broad range of roles in both mature and developing markets across Europe, North America, Asia, Africa and the Middle East.

Wayne's most recent role at Unilever was as SVP, HR – Global Centres of Expertise, where he held responsibility for the Global Talent, Leadership Development and Reward teams. He led the development of the company's HR strategy on enabling a performance culture focused on growth.

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.

Kenneth Macpherson
Chief Executive Officer, EMEAA

Appointed to the Executive Committee: April 2013 (joined the Group: 2013)

Skills and experience: Kenneth became CEO, EMEAA 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 EMEAA region. He also manages a portfolio of hotels in some of the world's most exciting destinations, in both mature and emerging markets.

George Turner
Chief Commercial and Technology Officer

Appointed to the Executive Committee: January 2009 (joined the Group: 2008)

Skills and experience: In February 2019, George was appointed as Chief Commercial and Technology Officer. Prior to this, George 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, qualifying to private practice in 1995. Before joining IHG, George spent over 10 years with Imperial Chemical Industries PLC, where he held various key positions including Deputy Company Secretary and Senior Legal Counsel.

Key responsibilities: These include distribution; channels; revenue management; property, owner, guest and enterprise solutions; guest reservations and customer care; digital; information security; technology and global sales.

Executive Committee composition
Gender split of Executive Committee

Governance structure

Our governance framework is headed by the Board, which delegates certain management and oversight responsibilities to various committees to further IHG's purpose, values and strategy, while conducting business in a responsible manner. Executive management are responsible for the implementation of strategy which is delivered by the Group's workforce.

The Board and its Principal Committees

The Board is responsible for promoting the long-term sustainable success of the Group and establishes its purpose, values and strategy. Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees, with the exception of a number of key decisions and matters that are reserved for the Board. The schedule of matters reserved for the Board was reviewed at the December 2021 Board meeting and is available on our website.

The Board is supported by its four Principal Committees (Audit, Nomination, Remuneration and Responsible Business), all of which consist of Non-Executive Directors. These committees assist the Board in carrying out its functions and in the oversight of the delivery of the strategic objectives it sets for management.

Committee Reports, including information on their activities during 2021, can be found on pages 95 to 125.

Pursuant to Section 172 of the Companies Act 2006, the Board has a duty to act in a way most likely to promote the success of the Company for the benefit of its members, while having regard to six additional factors, including the interests of key stakeholders. The Board's Section 172 statement describing how stakeholder considerations are taken into account is incorporated in the description of the activities of the Board on pages 90 and 91.

Further details of key stakeholders and engagement during 2021 can be found on pages 20 to 28, 36, 39, 92, 101, 107, 108, 112 to 114, 227 and 228.

The Board is also responsible for reviewing the means for the workforce to raise concerns in confidence and the reports arising from its operation (commonly known as whistleblowing) and it reviewed confidential disclosure channel reports throughout 2021. In addition, a Non-Executive Director is nominated to represent the Voice of the Employee in Board discussions. See our Voice of the Employee disclosure on page 101.

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

Management Committees

Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees. The Management Committees are comprised of senior executives, including where relevant, the Executive Directors.

The Executive Committee is chaired by the CEO and considers and manages the day-to-day strategic and operational issues facing the Group. Its remit includes 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 items 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.

Conduct of Board and Committee Meetings

The Chair and Company Secretary operate a collaborative process for setting the Board agenda to ensure that the focus and discussion strikes the appropriate balance between the short-term needs of the business and the longer term. The Chair or Committee Chairs, CEO and Company Secretary also liaise in advance of each Board and Committee meeting to finalise the agendas, set the order in which items are considered and ensure that each matter is allocated sufficient time. The Company Secretary maintains an annual agenda schedule for Board meetings that sets out strategic and operational matters to be considered.

The Board held eight scheduled meetings during the year and individual attendance is set out on page 81. 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.

Board activities

Matters the Board discussed in 2021

Board Meetings
The Board met for eight scheduled meetings during the year. Due to the ongoing impact of the pandemic, Board meetings were conducted by video conference. The following table gives an overview of the regular and standing items discussed and decisions made. The table overleaf details the key matters discussed by the Board in 2021 and our Section 172 statement, including information about how stakeholders were considered. In both tables, commercially sensitive information has been excluded. In several areas, much of the substantive preparation work took place within the Board's Committees and was later confirmed by the Board or the whole Board attended certain sections of Committee meetings. Where this was the case, the discussions are treated as having taken place at Board level.

Regular and standing items
In addition to key focus areas outlined on the following pages, the Board considers a number of regular and standing items at each meeting:

Area of discussion	Discussion topic and decisions made
Chair's matters	The Chair provided an update on Board developments and meeting plans and his current areas of focus and engagement.
Chief Executive Officer's matters	The Chief Executive Officer provided an update of developments within the business.
Updates from each of the Board Committees	The Committee Chairs reported back to the Board on matters covered during their meetings. Details of Committee activities during 2021 can be found on pages 95 to 125.
Financial performance	The Board received regular updates from the Chief Financial Officer on recent and current trading, including RevPAR, operating profit, net system size growth and cashflow, and these were compared to competitors' results. Internal projections were compared with the consensus of analysts' forecasts to ensure that the Company's prospects were appropriately reflected in market expectations.
Corporate governance	The Board received regulatory development updates from the Company Secretary and General Counsel, covering regulatory changes in areas such as corporate reporting, executive remuneration, climate change, diversity, workforce engagement, human rights, data protection and shareholder body voting guidelines.
Cybersecurity	The Board received regular updates on cyber activity and information security, including a detailed presentation from the Chief Commercial and Technology Officer and the Chief Information Security Officer. These covered threats and trends in the hospitality industry, the Group's key systems and risk appetite as well as managing cyber risks in a remote environment. The Board also reviewed the policies and actions taken to address threats and mitigate risks.
Principal risks, internal controls and risk management systems	The Board received regular updates on principal and emerging risks, internal controls, risk management systems, the Group's risk appetite, business continuity and the global insurance programme. Committee Chairs also delivered reports on risk topics in relation to the areas of remit for their respective Committees. The Board regards the management of risks in business as fundamental to its role and does this by ensuring that appropriate controls and processes are in place. The regular monitoring of the Group's risk management systems allows the Board to ensure that issues that might otherwise impact the Group's reputation for high standards of business conduct are avoided or mitigated as appropriate and that the Group is positioned to respond to uncertainty in an agile manner.
Investor relations	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 views shared from the regular investor and analyst perception studies and feedback surveys as well as individual meetings with investors.

Board activities continued

Key matters discussed in 2021 and Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in a way most likely to promote the success of that company for the benefit of its members, while having regard to six additional factors. These are: the long-term consequences of a decision; the interests of its employees; business relationships with suppliers, customers and others; its impact on the community and environment; the desirability of maintaining high standards of business conduct; and the need to act fairly between members of the company. The table below summarises some of the main matters dealt with by the Board during the year and how it took the Section 172 factors into account. The relevant Section 172 factors are identified in the key at the bottom of the page.

Finance and performance	
Three-year financial plan and competitor performance The Board approved the Group's three-year financial plan and monitored performance in light of changes to economic and industry growth forecasts during the year. A F	In approving the Group's three-year financial plan, the Board considered the assumptions and risks inherent in the plan including the outlook for signings and bad debt risk, expected cashflows and prospects for the System Fund. The three-year plan for the business puts its medium-term targets into a quantifiable form, and monitoring progress against the plan provides a mechanism for the Board to balance the interests of stakeholders such as hotel owners, employees and lenders with those of shareholders. It also forms the basis on which targets for executive remuneration are set. The Board also received presentations on the Group's main competitors and their performance. By examining the performance of the Group's competitors, the Board can assess the Group's performance in context and draw out areas where longer-term improvements can be made.
Financial statements The Board considered the full and half year results statements, the going concern and viability statements made in the Annual Report and whether the Annual Report was fair, balanced and understandable. E F	Through the timely publication of accurate and balanced financial statements, the Board ensures that shareholders and other stakeholders have equal access to important information and the business maintains its reputation for high reporting standards.
Dividend The Board considered dividend payments and concluded that it would not be appropriate to pay a dividend during 2021. A B C E F	The Board weighed various stakeholder interests when considering dividend payments as well as the need to exhibit high standards of business conduct. It considered the Group's financial performance, market expectations, the interests of shareholders and lenders as well as the position of broader stakeholders, including employees, suppliers and hotel owners. It concluded that it would not be appropriate for the Company to pay a dividend during the year, noting that it would consider future dividends once visibility of the pace and scale of market recovery improves. Subsequently, the Board is proposing a final dividend of 85.9¢ per ordinary share in respect of 2021, payable in May 2022 subject to shareholder approval at the 2022 AGM.

Strategic and operational matters	
Brand integrity The Board considered the progress of its strategic initiative to improve the quality and consistency of the Holiday Inn and Crowne Plaza estates in the Americas and EMEAA. The Board further endorsed ongoing efforts to enhance the positioning of the Holiday Inn brand in the US. A C	The Board focused on maintaining the integrity of the Group's brands to ensure that guests can be confident in their expectations when staying in an IHG hotel. In assessing the initiative to engage with the owners of certain Crowne Plaza and Holiday Inn hotels that required improvements to quality of service and property condition, the Board weighed the short-term impact on system size against the positive longer-term benefits of maintaining brand standards in the broader estate for hotel owners and guests. As part of the Board's oversight of brand strategy and recognising the need to keep guest experiences and hotel owner returns relevant and attractive, the Board considered and endorsed ongoing efforts for continuous improvement in relation to various aspects of the Holiday Inn brand, taking into consideration the impact on guests from an improved experience and the improved economics that would flow through to hotel owners. See pages 10 to 13 for a description of the business model and pages 19 to 22 for how the Group engages with its hotel owners and guests.
Brand portfolio The Board considered the opportunity to add a collection brand to the Group's Luxury & Lifestyle portfolio and it approved the launch of the Vignette Collection brand. A C D	In approving the new brand launch, the Board had regard for various stakeholders and considerations. The Board recognised hotel owners' desire for a collection brand that would give them access to IHG's distribution and loyalty programmes, while allowing light-touch branding that would retain the individuality of their properties with relatively low capital requirements and attractive economics. The Board also had regard for shareholders in relation to the long-term impact on system size and the lower environmental impact of conversion properties. The Board also considered the appeal of having more diverse styles of property, which would increase guests' options when booking with IHG and enhance the IHG Rewards programme's value. For more information on the Group's priority to 'build loved and trusted brands', see pages 17 and 18 and further information on its environmental footprint is available on pages 29 to 35.
Loyalty Strategy The Board considered and approved the relaunch of IHG Rewards. A C	In approving material changes to the IHG Rewards programme, the Board considered the competitive position of the programme, its ability to drive revenue for owners and accelerate system size growth, the enhanced value proposition for members and guests, and the impact of the changes on owners' cost base and operations.

Key to considerations

A Long term
B Employees
C Suppliers and customers
D Community and environment
E High standards
F Act fairly between members

Strategic and operational matters continued	
Technology The Board considered and approved evolving the Group's relationship with the main supplier in respect of the Group's Guest Reservation System (GRS). C	The Board considered and approved evolving the Group's relationship with its supplier from a joint project development model to a product development and support model. In making its decision, the Board carefully considered the risks associated with these changes and their impact on the supplier, the competitive advantages of revised functionality, and the cost implications of the change. Details of the technology-related risks to the business are given on page 45.
Supply chain and procurement The Board received an overview of the strategy and approach to corporate and hotel procurement and endorsed the strategy and approach. C D E	In considering the procurement strategy and approach, the Board paid particular attention to the initiatives that leverage our system-wide buying power and simplify the procurement programme to lower costs for owners while maintaining a high-quality guest experience, supporting sustainability within the supply chain, and ensuring that suppliers operate in a responsible manner. Further information on the Group's responsible procurement programme is included on page 39.
Growth Strategy in Regions – Greater China, EMEAA and Americas The Board received in-depth regional updates from the CEOs of each of the Group's three regions, and provided oversight with regard to the Group's growth strategy over both the short and long term. A C	The Board received regular updates from the Group's operating regions, covering the Group's positioning and performance in relevant markets, underlying growth drivers and the competitive environment, and further focused on actions to accelerate the Group's growth. In its discussions, the Board paid particular attention to critical owner considerations in relation to growth, such as financing and cost and supply constraints.
Board governance	
Director succession The Board progressed succession planning in relation to the Chair of the Board and appointed a new Senior Independent Non-Executive Director (SID) and Non-Executive Director for workforce engagement. A B E	When progressing Board succession plans, the Board balanced the desire to maintain high standards by complying with the UK Corporate Governance Code with the short-term need to keep Non-Executive Directors in position for longer than preferred in order to maintain expertise and continuity. The Board also had consideration for the importance of employee feedback and considered and approved the transition of responsibilities in relation to the Non-Executive Director with responsibility for workforce engagement, taking into account Non-Executive Director time commitments and broader Board succession plans.
People & Planet	
Office relocation and new ways of working The Board reviewed the lease arrangements for the Group's main corporate office locations in the US and the UK and decided to relocate its UK corporate office to a new location in 2022. The Board further considered and endorsed new hybrid ways of working. A B D E	The Board considered various relocation options for the Group's global head office in the UK. In making the decision to lease a new office in Windsor, the Board had regard for the impact of the move on employees, the community and the environment. A description of the Board's activity and consideration of Section 172 factors is included in the case study on page 92. In considering and endorsing a reshaped, flexible approach to working for the Group's corporate offices as Covid-19-related restrictions eased, the Board had consideration for the impact on employees and their wellness as well as efficiency, culture and teamwork. The Board weighed these against the cost savings from a smaller real estate footprint, the efficiency available from utilising more modern communications technology, and the ability to attract new and more diverse employees attracted by flexible working.
Staff shortages and talent retention The Board considered reports of staff shortages in the hospitality industry in various regions following the easing of lockdown. The CEO outlined the impact this could have on hotel owners and levels of guest satisfaction if prolonged and the need to focus activity on talent retention in a competitive market. B C	The Board considered staff shortages in the broader hospitality industry and the impact that this could have on employees in owned and managed lease hotels, as well as the wider managed and franchised estate. In terms of talent retention amongst the Group's corporate employees, the Board noted the increased competition in the job market and reviewed its measures of staff engagement and wellbeing and levels of staff turnover. In considering the employment market, the Board took into account the need to balance appropriately rewarding and motivating its employees while driving profitability, growth and efficiency through the business on behalf of shareholders. See page 53 for details of the employee engagement score KPI and page 44 for how risks associated with talent retention are managed.
Our people and culture The Board regularly considered workplace culture, taking into account the feedback provided from the Voice of the Employee engagement plan and actions taken to support employees. The Board reviewed employee communications and wellbeing measures and further had oversight of the Group's DE&I initiatives. B D	The Board assessed and monitored culture throughout the year, receiving regular updates from the CEO and from the Voice of the Employee engagement plan. The Voice of the Employee engagement plan has played a key role in informing the Board regarding employees' interests and supplying insights for the Board to understand the impact of its decisions on employees. The Board further considered strategic updates from management in relation to talent and leadership development and learning, championing a diverse, equitable and inclusive culture, and future ways of working. Information on the Voice of the Employee engagement plan during the year is set out on page 101 and further information in relation to employee and workplace culture is included on pages 24, 25 and 37.
Decarbonisation strategy The Board approved the Group's upgraded science-based target (SBT) from a 2.0°C to 1.5°C aligned target and further approved the Group's commitment to the 'UN Race to Zero'. A C D F	In approving the enhanced SBT, the Board took into consideration the latest in climate science and the long-term impact of climate change on the environment and the Group's business, the expectations of investors and other stakeholders, levers available to the Group to achieve the SBT, and the impact to owners in achieving hotel-level targets.

See pages 20 to 28, 39, 92, 101, 107, 108, 112 to 114, 227 and 228 for information about how we have engaged with our stakeholders in 2021. Further details of our regard for the environment are on pages 15, 29 to 35 and 100 to 101.

Board activities continued
Our shareholders and investors

During 2021, IHG continued its open dialogue with shareholders and investors, and conducted its annual programme of investor relations activities, with support from its brokers and advisers. The Board received regular updates and considered feedback as outlined on page 89. In addition, our Registrar and American Despositary Receipts (ADR) programme custodians have supported shareholders and ADR holders with their queries.

Committee Chairs and the Senior Independent Director are available for shareholders if they have concerns they wish to discuss. An outline of the engagement with shareholders in relation to Executive Remuneration during 2021 can be found on pages 107, 113 and 114.

Annual General Meeting (AGM)

The 2021 AGM was again held in constrained circumstances in compliance with UK Covid-19 measures. We were encouraged that our retail shareholders engaged with the AGM, listened in and submitted questions, which we were able to address. We continue to evaluate how our AGM on Friday 6 May 2022 will be held given the evolving nature of the pandemic. The notice of meeting will be sent to shareholders and be available on our website in due course.

Visit **www.ihgplc.com/investors** under Shareholder centre.

Shareholders and investors engagement

Fundamental to IHG's ability to access capital markets, and sustain its trusted reputation and long-term success, is its ability to maintain strong relationships with its shareholders and institutional investors.

Discussion points in 2021

- The continued impact of the pandemic on the hospitality sector and IHG which influence IHG's trading performance, financial results and capital allocation strategy
- Executive remuneration policies including the potential use of discretion; alignment with workforce pay and talent retention
- Concerns about climate change and wider sustainability issues
- DE&I, staffing shortages and labour practices

Engagement

- Regular roadshow investor meetings and participation at investor conferences by Executive Directors, Senior Leadership and the Investor Relations team
- Consultations between the Chair of the Remuneration Committee and institutional investors and proxy vote advisors
- Meetings with the Chair, Investor Relations, IHG's Chief Sustainability Officer and institutional investors to discuss governance, sustainability and workforce practices
- Written and electronic correspondence, including questions received at the AGM, on a range of topics related to ESG

Outcomes

- Strong investor confidence in IHG's performance, long-term viability and leadership as demonstrated through feedback received and across AGM results
- Participation in COP26, joining Race to Zero and deeper understanding of shareholder and investor focus areas related to ESG and stakeholder engagement
- Deepened commitment to DE&I, including a refresh of IHG's policy and further appointments to the Board

See also a description of our dividend policy on page 13, our KPIs on page 50 to 53, key matters discussed by the Board on pages 90 and 91 and engagement with shareholders relating to Executive Director remuneration on pages 107, 113 and 114.

Visit **www.ihgplc.com/investors** for further information.

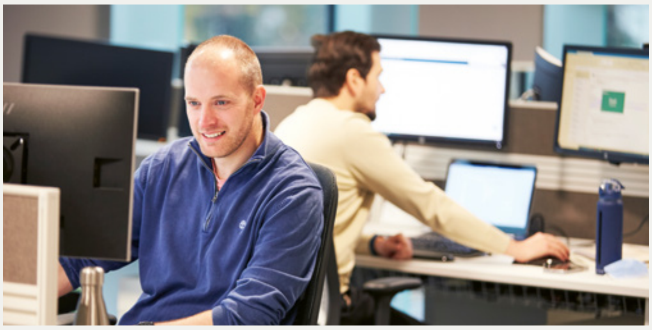
Board oversight of IHG's Global Head office relocation

Even before Covid-19 and the enforced changes to working remotely, the Executive Committee, with oversight from the Board, had been looking at evolving working practices and the suitability of the Group's offices to support collaborative working, our strategic priorities and culture. The impending expiry of the lease for the Company's global head office also prompted the search for a new location. The Board was closely engaged in the project and it was a regular Board meeting agenda item in conjunction with discussions on employees and culture.

As part of the search process, a postcode analysis was undertaken to ensure there would be minimal differences in commuting times for most employees. Consideration was also given to public transport links, local amenities and access for disabled and wheelchair users.

The Board considered various options for alternative office arrangements. As well as its focus on the impact on employees, the Board took into account the environmental implications of the move, noting the opportunity for the new premises to be designed and configured in a sustainable and energy-efficient manner. The Board also scrutinised the financial impact of the move.

In June 2021, following the Board's consideration and approval of management's recommendation, the Group announced that its global head office would move to Windsor during 2022.



An engagement programme has kept employees informed and involved through electronic newsletters, a dedicated intranet site (including FAQs) and employee feedback surveys looking at workplace culture and hybrid working.

In addition, as part of the preparation for the move, the existing office space at Denham was reconfigured to give a taste of the future with the introduction of hot desking 'neighbourhoods', more collaborative spaces and the removal of executive offices, including that of the CEO.

The Board will continue to monitor and oversee the move as it progresses during 2022, with a particular focus on the impact on employees and company culture.

Director appointments and induction

Director appointments
Details of the appointments to the Board made during 2021, as well as the appointments of a new Senior Independent Non-Executive Director and a Non-Executive Director responsible for the Board's Voice of the Employee engagement plan, are described in the Nomination Committee Report on pages 102 to 103.

In addition, a description of the Chair succession appointment process is set out below.

New Director inductions
Upon appointment, all new Directors 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 the 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.

For Daniela Barone Soares, a tailored induction plan was prepared in advance of her appointment to the Board in March. Daniela's plan included:

- information on the Group's purpose, culture, values and strategy, including its business model, brands and the markets in which it operates;
- 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 Responsible Business 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; and
- meetings with members of the Board and the Executive Committee, senior management from functions across the Group, the external Auditor and other key external advisers.

Daniela's induction plan also included visits to IHG corporate offices and hotels across our brands, to meet colleagues and spend time with our General Managers. In light of the impact of the pandemic, such visits have not yet taken place, however they will be arranged as appropriate when circumstances permit.

Inductions were also conducted in respect of the appointments of Graham Allan as Senior Independent Non-Executive Director and Duriya Farooqui as Non-Executive Director responsible for the Voice of the Employee engagement plan.

Chair succession

Appointment process
In anticipation of Patrick Cescau's retirement during 2022, on attainment of nine years on the Board, the Board initiated a full, rigorous and transparent search process at the end of 2020, led by Dale Morrison, as the Senior Independent Director (SID) and a Search Committee comprising Dale and the Committee Chairs. Following a competitive tender process, Russell Reynolds was appointed to assist the Search Committee and Board in identifying a diverse list of potential candidates with the experience and personal qualities to become Chair.

The Search Committee prepared a candidate profile identifying the key competencies, characteristics and experience required for the role of Chair. Russell Reynolds also had detailed discussions with all Board members to seek their views on Board dynamics and culture and the key strategic challenges facing the Group. A full Chair specification was then prepared by Russell Reynolds and shared with the full Board for comment and input. Key competencies included: experience as a Chair, strategic orientation and vision, bringing a global perspective, a collaborative and inclusive personal style as well as a good understanding of the corporate governance environment.

The Search Committee and the Board were concerned to ensure that diversity in its broadest sense was taken into consideration in the role profile and the candidates presented for consideration. A long list of candidates which had been compiled by Russell Reynolds was reviewed and discussed by the Search Committee, and a shorter list of candidates was then interviewed by Russell Reynolds, the SID and the General Counsel and Company Secretary together, and the CEO. Reflections from these meetings were shared with the Search Committee and a short-list of four candidates was then interviewed by the remaining members of the Search Committee.

Two of the candidates were selected to meet with the Chair and for further meetings with the CEO and SID, before the preferred candidate met with the remaining Executive and Non-Executive members of the Board. The preferred candidate also met with the Company's external Auditor, PwC.

Search Committee meetings were attended by the CEO, the General Counsel and Company Secretary, the Chief Human Resources Officer and Russell Reynolds and Dale Morrison kept the Board informed on the progress and the status of the process throughout.

Following detailed consideration, including assessment against the competencies identified in the candidate profile and the feedback from the meetings with members of the Board, the Search Committee recommended to the Board that Deanna Oppenheimer be appointed as a Non-Executive Director and Chair Designate from 1 June 2022 and that she assume the role of Chair from 1 September 2022, following Patrick Cescau's retirement on 31 August 2022. The Board approved and confirmed the appointment.

Patrick Cescau was not involved in the selection or appointment of his successor and Russell Reynolds has no further connection with the Group or any of the Directors, beyond undertaking search and recruitment activity. Deanna Oppenheimer did not have a service contract with the Company in 2021.

Additional appointments
During 2021, the Board considered the proposed appointments of Duriya Farooqui as non-executive director of Tribe Capital Growth Corp I and to the Board of Councillors of the Carter Center, which operates as an advisory board; Dale Morrison as Chairman of Twin Ridge Capital Acquisition Company Limited; and Jo Harlow as a non-executive director of Chapter Zero. The Board also considered and endorsed the appointment of Ian Dyson as Chair of ASOS plc.

In each case, the Board took into account other appointments, the time commitment required for each role and the context of the UK Corporate Governance Code, including institutional investor and proxy adviser guidelines concerning over-boarding. It was concluded that the additional appointments should not adversely impact their performance but should enhance their ability to provide constructive challenge and strategic guidance.

Board activities continued

Board development and effectiveness evaluation

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. In 2021, these sessions included cyber risk management; environmental, social and governance (ESG) considerations; and audit and corporate governance reform proposals.

In addition, 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.

Internal evaluation

Following the full external evaluation carried out by Christopher Saul of Christopher Saul Associates in 2019 and an internal evaluation in 2020, during the year the Board once again undertook an internal evaluation.

Board members were asked to consider the Board's overall effectiveness by completing an internal effectiveness questionnaire, which focused on the following areas:

- progress in implementing agreed action items from the 2020 effectiveness review;
- the role the Board continues to play in relation to the pandemic and recovery;
- information flow to the Board, and Board engagement with management and each of its Committees;
- the Board's involvement in the Group's strategic process, in particular in relation to recovery and post-Covid-19 strategies;
- Board work processes, including quality of information provided to the Board, and Board dynamics and the effectiveness of meetings;
- Board engagement with shareholders and employees; and
- the progression of Board refreshment and succession plans.

The responses of Board members to the questionnaire were largely favourable in relation to all areas of the Board's operation. The feedback highlighted that the Board equally and effectively supported and challenged management's response to the pandemic, while ensuring ongoing and appropriate governance to safeguard the Group's reputation, financial viability and stakeholder value.

Board members commented positively on the Board's involvement in the strategic process, noting that the Board strategy days and the shift in Board agenda and discussion in the second half of the year allowed for a greater focus on the Group's long-term strategy versus short-term considerations. Board members were satisfied with the timing, amount and quality of engagement with management. Feedback noted strong engagement with shareholders, highlighted the enhanced Voice of the Employee programme, and indicated strong engagement and follow up by the Board with its Committees.

Board members generally agreed that the implementation of the actions arising from the 2020 Board effectiveness evaluation had progressed well, particularly in relation to an increased focus on long-term strategy and implementation as well as Board succession planning. It was widely noted that a return to in-person Board meetings would be welcome and drive progress in relation to enhanced Board discussion and debate.

The Board's positive feedback in relation to the overall performance of the Board concluded as to the effectiveness of the Board's performance.

The following areas of continued focus and recommended actions for 2022 were noted:

Area for focus	Action items
Long-term strategy	Board members positively noted the longer-term strategic discussion throughout the year, but felt that this could be further enhanced in 2022 with additional focus on the implementation of the long-term strategy and competitive positioning in relation to delivering on the Group's objectives.
Board materials and agenda	Feedback noted that Board materials, particularly the materials prepared for its strategy meeting, were informative and high quality. It was also noted that, although there had been some progress on making the regular Board information pack materials more forward-looking, this should remain a focus in 2022.
Board meeting dynamics	Board members also noted the continued constraints of virtual meetings and the need for increased discussion time, both formal and informal, and the need to revert to full 'in-person' meetings as soon as possible.

Directors' performance evaluation

In addition to the internal Board evaluation process outlined above, the Chair conducted an individual evaluation of each of the Non-Executive Directors, taking feedback from the CEO, and focusing on their contribution and engagement in the context of a more virtual environment. Particular points of note were shared with the individual Directors and overall, the Chair concluded that the Directors perform their duties effectively and dedicate sufficient time to discharge their Board responsibilities.

The performance assessment of the Chair was led by the SID. The Chair's evaluation consisted of gathering feedback from the Directors, covering:

- Board leadership, strategy evolution and performance monitoring in the context of a pandemic-affected year;
- overall Board culture, engagement and participation; and
- maintenance of high standards of corporate governance.

The CEO evaluation was led by the Chair, who collected feedback from the Non-Executive Directors. Key areas of focus included:

- the Group's financial performance and the impact of the CEO;
- leadership effectiveness through the pandemic;
- positioning IHG for the long term;
- regard for community and the environment; and
- the relationship and ability to work collaboratively and transparently with the Board.

Audit Committee Report

I am pleased to present the Committee's report for the year ended 31 December 2021. 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.

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. It provides the expert scrutiny to ensure that the necessary internal controls to run the business are in place, that risks are appropriately managed, that the Company's performance is correctly verified by the external Auditors and that the reporting of this to our shareholders and stakeholders is fair, balanced and understandable.

The ongoing impact of the pandemic and the risks that accompanied it continued to be a major focus given the changeable nature of the operating environment. Assessing the Group's risk management and internal control arrangements during the pandemic and their appropriateness as conditions started to normalise continued throughout the year. In early 2021, the transition of external Auditor from Ernst & Young LLP (EY) to PricewaterhouseCoopers LLP (PwC) was completed and the Committee's attention shifted to PwC's first year audit. Throughout the period, PwC has provided insights into the Group's processes and controls and the Audit Committee has reviewed and discussed management's responses.

In addition, the Committee has received regular reports on internal audits and steps being taken to address findings; controls assurance work and remediation activity; and other deep-dive reviews including a post-completion review of spending on large projects and a review of the Americas managed hotel financial control environment.

The ongoing focus on the approach to financial reporting through the year ensured the Committee was comfortable that all latest guidance from regulatory bodies such as the Financial Reporting Council (FRC) had been considered. The Committee also challenged management to ensure climate risk had been appropriately and consistently reflected through the Annual Report and Form 20-F, particularly with regard to impacts on forward-looking assumptions supporting the Financial Statements.

Looking further out, the Committee evaluated the potential impact of the Department for Business, Energy and Industrial Strategy (BEIS) consultation document on audit and corporate governance reform, approved a response to the consultation and considered preparatory actions particularly in relation to the proposed Resilience Statement and Audit & Assurance Policy.

I would like to thank all those who have assisted the Committee in fulfilling its duties during the year, which I am confident have been carried out effectively and to a high standard, providing independent oversight with the support of assurance from the external Auditor.

Ian Dyson
Chair of the Audit Committee
21 February 2022

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 including considering the continued evolution of the impact of Covid-19 on the business;
- assessing and obtaining assurance on the effectiveness and resilience of the Group's internal control environment and its appropriateness given the changing environment in which the Group operates;
- reviewing and challenging financial reporting throughout the year to ensure the Financial Statements provide a true and fair view of the Group's performance and that latest guidance and reporting regulations by regulators were appropriately applied;
- reviewing the Group's Internal Audit plan and budget;
- reviewing and evaluating going concern and viability assessments, the need for impairment testing and provisioning for material litigation and commercial disputes; and
- overseeing the transition of the external Auditor and PwC's first year as Auditor of the Group.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 81. The CEO, CFO, General Counsel and Company Secretary, Group Financial Controller, Head of Risk and Assurance and our external Auditor (EY February only; PwC all meetings), attended all meetings in 2021. The Chair of the Board also aims to attend all meetings and in 2021 attended four meetings. Other attendees are invited to meetings as appropriate and the CEO and all other Directors were invited to Committee meetings where the approval of financial reporting was 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 the Group operates. Further details of the skills and experience of the Committee members can be found on pages 82 to 84.

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.

Audit Committee Report continued

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. In 2021, the Committee members were also asked to consider the Committee's effectiveness by reviewing an effectiveness questionnaire and the responses to it. The evaluation responses positively highlighted the oversight of the external Auditor transition, noted the need for continued review of the training and knowledge development needs of Committee members in the context of the changing regulatory environment and concluded that the Committee remains effective.

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 key judgement areas, going concern and viability statements, the financial reporting impacts of litigation and commercial disputes and impairment reviews) and the Group's quarterly trading updates. All members of the Board are asked to attend these meetings.

As well as receiving input and guidance from the external Auditor on the areas outlined above, the Committee also received regular reports from the Chair of the Disclosure Committee, which liaised closely with other external advisers of the Group to ensure that disclosure and regulatory requirements were being appropriately considered and met. Copies of the Disclosure Committee's minutes were also provided to the Committee.

The Committee received early drafts of the Annual Report and Form 20-F 2021 (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 Company Secretariat, 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, 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. This review also considered the use of Non-GAAP measures and considered their continued suitability, presentation and relative prominence taking into account guidance from both the FRC and the Securities and Exchange Commission (SEC). The Committee specifically reconsidered the continued impact of the pandemic on performance, strategy and business resilience and where it impacted the nature of the judgements and estimation uncertainty. The Committee also considered the proportionate and consistent consideration of climate matters across the Annual Report, including the TCFD statement, and in particular the potential impact on forward-looking assumptions supporting impairment testing, deferred tax assets, going concern and viability assessments.

Alongside this review, the Committee considered the guidance updates provided by the FRC throughout the year including on Non-GAAP measures, Provisions, Contingent Liabilities and Contingent Assets, Going Concern and Viability and concluded that appropriate enhancements had been made to ensure alignment with the latest guidance.

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.

The Committee has been monitoring developments in the UK's audit and corporate governance environment, including the reforms proposed by BEIS following its consultation 'Restoring Trust in Audit and Corporate Governance'. The Committee considered the potential impact of the proposed reforms and reviewed and approved a submission summarising the Group's position in response to the questions in the consultation. The Committee also requested a number of presentations from PwC to provide further insight on the key proposals and discussed papers from senior management on the potential implications of key proposals to ensure that the Company is compliant with any new regulations when they come into force, including some of the detailed proposals behind the Resilience Statement and Audit and Assurance Policy.

Significant matters in the 2021 Financial Statements

Throughout 2021, the Committee provided ongoing challenge to management's accounting, reporting and internal controls to ensure the continuing implications of the pandemic had been duly considered. As always, the Committee discussed with management and the external Auditor the significant areas of complexity, management judgement and estimation in relation to the Financial Statements, and the impact of any accounting developments or legislative changes. The Committee has satisfied itself that management had adequately identified and considered all potentially significant accounting and disclosure matters. The key items discussed are outlined on page 99.

Correspondence with UK regulator

The Group received a letter dated 15 July 2021 from the FRC following its review of the Annual Report and Accounts for the financial year ended 31 December 2020 as part of the FRC's routine periodic review of listed company annual reports. The letter raised no questions requiring a response. The appendix to the letter set out a number of observations on certain disclosures, which have been taken into account in the preparation of the 2021 Annual Report and Accounts.

The FRC's review is based on the published Annual Report and Accounts and does not benefit from detailed knowledge of the business or an understanding of the underlying transactions. It provides no assurance that the Annual Report and Accounts is correct in all material respects. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the FRC's review by the Company or any third party, including but not limited to investors and shareholders.

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, the Risk and Assurance team and the external Auditor on the effectiveness of the systems for risk management and internal control, including financial, operational and compliance controls;
- reviews the process by which risks are identified (including procedures in place to identify emerging risks and linkage to wider consideration of strategy and resilience) and assesses the timeliness and effectiveness of action taken by management, including regular reports and presentations on the Company's overall internal control, risk management system and principal risks; and
- 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 and assessed and that there is an appropriate management response (see pages 40 to 47 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.

During 2021, the Committee received an update on hotel financial controls in the Americas region and a post-completion review of spending on large projects. The Committee considers the Group's treasury and tax strategy policies annually and during 2021 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/en/responsible-business/policies**

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 other significant failings or weaknesses.

Principal risk areas
During the year, particular attention was paid to the review and assessment of principal and emerging risks following the challenges created by the pandemic and in light of the Group's strategic growth ambitions. The Committee observed that risks to the execution of the Group's strategy remained heightened and impacted by constrained resources (including financial and management time).

The Committee considered the following areas:

- the potential for additional stress on risk management and internal control arrangements from continued Covid-19-related disruption;
- the impact on the Group's business of further waves of the pandemic or a more prolonged period of recovery for the industry, including on our supply chain arrangements;
- the impact of organisational changes and flexible working arrangements for corporate employees;
- the impact of staff shortages and wage inflation within the hospitality industry; and
- cybersecurity and information governance in the context of a rapidly evolving external threat and regulatory environment.

Further details of our principal risks, uncertainties and review process can be found on pages 40 to 47.

Financial Reporting Council Audit Quality Review
The FRC Audit Quality Review (AQR) selected the external audit by EY of the Group's Financial Statements for the year ended 31 December 2020 for review as part of its annual inspection of audit firms. As part of this process, the Committee's Chair shared his and the Board's view of the quality of the EY audit. The Committee considered the final inspection report which highlighted good practice in respect of certain aspects of the Group audit work. The report included one observation, requiring limited improvement which was not considered significant by the Committee. The Committee discussed the results and agreed actions with the lead audit partner and agreed with the overall assessment which was consistent with its own view of the quality and effectiveness of the external audit. In considering the audit plan, the Committee considered the observation would not impact PwC's approach.

Non-audit services
The independence and objectivity of the non-audit services provided by the external Auditor 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.

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 and UK ethical standards. The Committee reviewed the audit and non-audit fees incurred with the external Auditor and noted that there had been no prohibited services (as defined by SOX or under UK ethical standards) provided to the Group during the year. 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 2021, 11% of services provided to the Group were non-audit services (2020: 18% provided by EY), primarily related to System and Organisation Controls (SOC) Reports. Details of the fees paid to PwC for non-audit and statutory audit work during 2021 can be found on page 164. 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 PwC. Where non-audit work is performed by PwC, both the Company and PwC ensure adherence to robust processes to prevent the objectivity and independence of the external Auditor being compromised.

Risk and assurance – Internal Audit
The Committee discusses and approves the Internal Audit annual plan, which aims to provide objective and insightful assurance that appropriate controls are in place to support our strategy and growth ambitions. Progress against the Internal Audit plan is reported at each meeting and, during 2021, the Committee reviewed the allocation of internal audit resources to a dynamic inherent risk profile, including organisational and process changes which have resulted from Covid-19 disruption. Organisational culture has been a defined part of our risk management system for several years and therefore is subject to regular focus as an integral part of internal audit work.

The 2022 plan presented to the Committee in December 2021 will maintain focus on the integrity of the risk management and internal control system and will assess the adoption and operation of evolved governance frameworks (for example, compliance with new policies, talent frameworks, procurement processes, hotel initiative delivery, business continuity plans and supply chain resilience arrangements). The plan also aims to identify and consider other sources of assurance available to the Board and senior management in relation to overall objectives and external disclosures and the level of reliance which can be placed on these sources in the short to medium term.

Audit Committee Report continued

Following consideration, the Committee confirmed its agreement to the 2022 Internal Audit plan, including the assurance objectives identified. The Committee reviews the results of completed audits and observations from other ongoing assurance and control improvement support, as well as actions taken by management in response to Internal Audit's work.

The functional effectiveness of Internal Audit is assessed on an ongoing basis and reported to the Committee throughout the year. During 2021, this has involved discussions between the Committee Chair and partners from third-party partner firms, feedback from auditees and senior leadership and assessment of execution against methodology. This has highlighted positive feedback on the balance between challenge and support provided to management and the agile development of the audit plan and identified opportunities for continuous enhancement of assurance reporting and use of technology to support execution.

Governance and compliance

The Committee is responsible for reviewing the Group's Code of Conduct (a revised version of which was approved in December 2021) and related policies.

Looking forward

During 2022, the Committee will remain focused on the key areas of responsibility delegated to it by the Board, ensuring that standards of good governance are maintained and that appropriate assurance is obtained across all areas of the business, with a particular focus on the Group's principal risks, control environment and approach to financial reporting taking into account developments in reporting responsibilities including those recommended by the TCFD, the consideration of climate risk in preparation of the financial statements and changes in the governance environment, particularly those related to changes in the audit regime.

External Auditor

In August 2019, the Company announced the Board's intention to propose to shareholders that PwC be appointed as the Company's statutory Auditor for the financial year ending 31 December 2021. The audit tender process undertaken was explained in detail in the 2019 Annual Report and Form 20-F and the appointment was confirmed by shareholders at the 2021 AGM.

A detailed audit plan was received from PwC at the beginning of the audit cycle for the 2021 financial year, which gave an overview of its 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.

The Committee assessed PwC's performance, including its independence, effectiveness and objectivity. As part of its 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 164). Giles Hannam took on the role of lead audit partner for the first time in 2021 and will be required to rotate after five years to safeguard PwC's independence.

The effectiveness of the external auditor is evaluated by the Audit Committee through a feedback questionnaire sent to Committee members and a number of senior IHG employees. The 2020 evaluation was the last of EY as outgoing auditor; the survey identified the areas that worked well in the EY audit process and assessed if adequate plans were in place for PwC's first year. There were no areas identified which required PwC's specific focus. An evaluation was also completed prior to the 2021 year-end; the Committee concluded that the PwC audit team was providing the required quality in relation to the provision of the services.

The audit team had shown the necessary commitment and ability to provide the services together with a demonstrable depth of knowledge, robustness, independence and objectivity as well as an appreciation of complex issues. The team had posed constructive challenge to management where appropriate.

In addition, qualitative considerations were taken into account. These focused on the depth of knowledge of the external auditor which was evidenced by:

- continued meetings with senior management and executives across the business;
- frequent governance sessions with management, including a focus on the planning and status of work by key workstream as well as the status of the deployment of PwC's tools and technology across the audit. The governance sessions focused on key milestones and provided a way for any matters to be escalated and dealt with on a timely basis;
- various private meetings with the Chair of the Board, the Audit Committee Chair and the head of Internal Audit;
- the provision of a 'first impressions' report and insights into the Group's processes and controls; and
- the audit plan, including significant risks, and how PwC's approach evolved as the profile of risks changed.

Overall, no significant issues were raised in the review of Auditor performance and effectiveness and, as a result, the Committee concluded that PwC provides an effective audit and maintains independence and objectivity.

The Group has complied with the requirements of 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.

Significant matters in the 2021 Financial Statements

Area for focus	Issue/Role of the Committee	Conclusions/Actions taken
Accounting for IHG Rewards	Accounting for IHG Rewards requires significant use of estimation techniques and represents a material deferred revenue balance. The Committee reviews the controls, judgements and estimates related to accounting for IHG Rewards.	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 points. The Committee reviewed a paper from management outlining current loyalty trends (both member behaviour, which remains distorted due to the pandemic, and planned changes to programme benefits). A modified approach was adopted using pre-Covid behaviour patterns as a base but giving some weight to activity during the pandemic and incorporating estimated impacts on member engagement of future known programme changes. 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.	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 summarising the principles determining the allocation of revenues and expenses to the System Fund, and the related governance and internal control environment. The Committee concluded that the accounting treatment of the System Fund and related disclosures were appropriate.
Expected credit losses	Estimating expected credit losses on trade receivables continues to be subject to an increased level of uncertainty. The Committee reviews the provision and considers the adequacy of the disclosure.	The Committee reviewed management's papers setting out the approach to calculating the provision for expected credit losses, including updates made to the provision matrix to reflect the Group's most recent cash collection experience. Expected credit losses are still subject to increased uncertainty as, although cash collection has improved, the proportion of older debt remains high and owner liquidity risk continues. Factors considered included the overall improvement in cash collection, the ageing of receivables, owners known to be in financial distress and the expected mitigating impact of payment plans. The Committee concluded it agreed with the basis of calculation and that the 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 or impairment reversal and the adequacy of related disclosures.	The Committee reviewed management reports outlining the approach taken on impairment testing and key assumptions and sensitivities supporting the conclusion on the various asset categories. The Committee examined in detail whether triggering events for impairment testing had occurred, including testing for impairment reversals, and the assumptions applied in estimating the recoverable values with a focus on the underlying cash projections. In conjunction with software impairment testing, the Committee reviewed management's conclusions in relation to costs previously incurred to implement cloud computing arrangements following the International Financial Reporting Interpretation Committee (IFRIC) guidance issued in March 2021 in relation to accounting for configuration or customisation costs in a cloud computing arrangement. The Committee concluded that it agreed with the decision to derecognise a net $12m of assets which are no longer considered capitalisable. The Committee agreed with the other determinations reached on impairment 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 provisioning and considers the adequacy of the disclosure.	At each meeting during the year, the Committee considered reports detailing all material litigation matters including commercial disputes. The Committee discussed and agreed any provisioning requirements, and the associated disclosures, where relevant, based on underlying factors.
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 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 (see pages 165 to 167) which comprise $4m fair value loss related to an associate, $25m expected settlement of commercial disputes, and $26m exceptional tax credit on the change to the UK corporate tax rate. The Committee concluded that the disclosures and the treatment of the items shown as exceptional were appropriate.
Going concern and viability	Covid-19 continues to impact the profitability and cash generation of the Group and the level of uncertainty in planning scenarios. The Committee reviews management's financial modelling to conclude on the appropriateness of the going concern and viability statement.	The Committee reviewed and challenged the scenarios considered by management, the detailed cash flow forecasts and the mitigating actions available to management considered in its going concern assessment to June 2023 and the three year viability assessment and concluded these were appropriate. The Committee also reviewed and challenged the reverse stress test assumptions to confirm the viability of the Group. The Committee reviewed going concern disclosures (page 149) and the viability statement (pages 48 to 49) and is satisfied these are appropriate.
Climate risk	In preparing the financial statements, assumptions in respect of the financial impact of climate related matters have been made.	The Committee considered the proportionate and consistent consideration of climate-related matters across the Annual Report and in particular the potential impact on forward-looking assumptions in the financial statements that support conclusions in areas such as impairment, deferred tax assets, going concern and viability assessments, and the associated disclosures.
UK deferred tax asset	Given the size of the Group's UK deferred tax asset ($127m), the Committee reviewed and challenged the key assumptions determining the recoverability of the deferred tax asset and whether this should be disclosed as a significant estimate.	The Committee reviewed papers by management which confirmed the estimates used to support the recovery of the UK deferred tax asset were consistent with those used in the impairment and going concern and viability assessments. Given the recovery to levels of profitability assumed in these estimates, the Committee concluded that it agreed with the recognition of the deferred tax asset, that this was not a significant estimate, as a material change in estimate is not expected in the next 12 months, and that the disclosures were appropriate.

Responsible Business Committee Report

I am pleased to present the Responsible Business Committee's report for the year, including an update on the Voice of the Employee engagement plan.

The impact of Covid-19, the return of corporate employees to the office and the introduction of hybrid working were high on the Committee's agenda, alongside the launch of the Group's Journey to Tomorrow responsible business plan, the establishment of TCFD reporting procedures and the incorporation of climate-related issues into the broader strategic and risk processes.

The Committee has continued to shape and track the roadmap to support the Group's 2030 responsible business commitments, endorsing the strategic priorities to be addressed which underpin the bold, long-term ambitions and are designed to help shape the future of responsible travel together with those who stay, work and partner with IHG.

I would like to thank all those across the business who have assisted the Committee in fulfilling its role over the year, especially those who have worked so hard to drive the Group's environmental and social agenda forward as well as supporting the wellbeing of its employees during the pandemic.

Jill McDonald
Chair of the Responsible Business Committee
21 February 2022

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews and advises the Board on the Group's responsible business objectives and strategy, including its impact on the environment and climate change; social, community and human rights issues; its approach to sustainable development and responsible procurement; and stakeholder engagement in relation to the Group's approach to responsible business. The Committee is also responsible for assessing the Board's engagement with the workforce and the Group's DE&I agenda.

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.

In addition to the areas outlined above, the Committee's key responsibilities and focus areas over the year have been:

- monitoring the progress against the Group's 2030 responsible business commitments;
- monitoring the Group's carbon and energy reduction strategy and plan;
- reviewing the Group's DE&I initiatives and objectives;
- implementing the recommendations of the TCFD;
- assessing the Group's responsible procurement agenda; and
- overseeing the Group's Human Rights programme.

Membership and attendance at meetings

The Committee's membership and attendance at meetings are set out on page 81. The Chair of the Board, CEO, General Counsel and Company Secretary, Executive Vice President, Global Corporate Affairs and the Chief Sustainability Officer 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 Committee's effectiveness continues to be monitored and assessed regularly by the Committee's Chair and the Chair of the Board. In 2021, the Committee was also reviewed as part of the internal Board evaluation process, where it was concluded that the Committee remains effective.

Focus areas and activities

Responsible business commitments

In a year that saw the launch of the Group's Journey to Tomorrow responsible business plan, the Committee reviewed the 2021 strategic priorities that support the overall 2030 responsible business commitments, and discussed the approach to hotel owner engagement on the commitments and impact of the commitments on employees. The Committee further considered how the commitments align to the Group's purpose to provide True Hospitality for Good and how they compare to those of the Group's competitors, and endorsed the approach to the 2021 responsible business strategic priorities.

Further information on our 10-year responsible business plan can be found on pages 23 to 31.

Carbon and energy reduction

The Committee reviewed the Group's decarbonisation and energy reduction strategy and pathway, noting the proposed actions across three main areas: energy efficiency in the Group's existing hotel estate; sourcing renewable energy; and developing zero-carbon new-build hotels. The Committee also approved the Group's upgraded science-based target to reduce carbon emissions to align with the most ambitious goals of the Paris Agreement to keep global warming within 1.5°C.

Diversity, equity and inclusion

As part of its assessment of the Group's DE&I agenda, during the year the Committee endorsed the roll-out of conscious inclusion training for all corporate employees with a commitment to improving DE&I data collection and measurement. As at 31 December 2021, 38% of our Senior Leaders were women, in addition to women comprising 41% of the Company's Board.

TCFD
The Committee assessed key TCFD workstreams, including an analysis of the potential impact to the Group of the most material climate-related risks and opportunities. It also considered plans to embed climate risk considerations into its strategic and risk management processes and the appropriate governance framework to achieve this. Further information on TCFD is included on pages 32 to 35.

Responsible procurement
The Committee considered reports from management on the Responsible Procurement programme, focusing on supply chain risk, supplier diversity and the selection of suppliers that will support the Group's plans for carbon emission and waste reduction. For more information on the responsible procurement programme, see page 39.

Human Rights programme
The Committee received updates on the Group's Human Rights programme, noting the progress made in key workstreams relating to responsible labour practices, ethical recruitment and anti-human trafficking. The Committee also reviewed the 2021 Modern Slavery Statement.

Looking forward
During 2022, the Committee will continue to focus on embedding the 2030 responsible business commitments and TCFD reporting.

Our Responsible Business Report is available at
www.ihgplc.com/responsible-business

Voice of the Employee

At the start of 2021, Jill McDonald was IHG's designated Non-Executive Director (NED) with responsibility for workforce engagement (Voice of the Employee), with additional support provided by Duriya Farooqui, Daniela Barone Soares and Jo Harlow. Jill has also been supported by the Group's Human Resources (HR) team, which assisted with developing the Board's workforce engagement plan and provided data on various metrics relating to employees, such as employee engagement survey results.

Role and responsibilities
Their role and responsibilities are to:
- support the design of the structure and content of Board discussions on employee engagement and culture;
- evaluate employee engagement approaches and their effectiveness;
- ensure employee feedback and interests are factored into the Board's decisions and KPI setting;
- ensure that the Board, through the Executive Committee, has effective methods of receiving feedback from employees and communicating Board and executive decisions and priorities throughout the organisation;
- ensure all significant business and budget proposals include a management assessment of the impact on employees; and
- ensure Executives share employee feedback openly, transparently and in a balanced way, including reviewing employee engagement surveys and other employee reports, including whistleblowing.

2021 engagement
In 2021, the team acted on the recommendation to obtain more direct input and feedback from employees in key markets outside the US and UK and from hotel-based employees.

Accordingly during the year, Jill, with the assistance of Duriya, Daniela and Jo, undertook a programme of activities to engage with a cross-section of employees and received detailed feedback both in person and through the Group's employee feedback mechanisms. They attended a number of virtual meetings with employee forums, including leader groups (within US and UK hotels, reservations and corporate populations) and Employee Resource Groups (ERGs) in the UK, US, India, Philippines, China and various EMEAA countries.

Additionally, Jill was briefed by the Global HR Leadership team on broader cultural insights and an organisational 'pulse' survey across all employee populations.

Discussion topics included IHG's response to the pandemic; employee wellbeing; feedback on executive remuneration; flexible/remote working and return to the office; industry profitability and the competitive landscape; leader communications; talent attraction; onboarding and retention; personal and career development; and agile ways of working.

Meetings with employees continued to be virtual in 2021 due to the continuation of the pandemic. Additional engagement and activities undertaken by Jill during the year included:
- monitoring and reviewing the content and feedback from global 'all employee' CEO calls; and
- reviewing employee dashboards and survey results.

Insights and learnings
Jill provided regular feedback to the Responsible Business Committee and the Board throughout the year, with key Board discussions taking place around the insights and action planning arising from employee engagement survey results. Through this feedback, the Board gained valuable insights into employee sentiment during the pandemic and throughout the return to the office.

Plans for 2022
The Board has approved the transition of the Voice of the Employee responsibilities to Duriya Farooqui with effect from 1 January 2022. It is anticipated that additional NEDs will continue to assist with and support Voice of the Employee activities.

A schedule of discussions and feedback sessions has been arranged for 2022. This will continue to encompass a wide group of employees and leaders from across all regions, including ERGs and Lean In circles, with further inclusion in 2022 of hotel managers in additional locations, to ensure a broad range of insights as well as concerns and issues are conveyed to the Board. Additionally, the Board intends to review the functioning of the Voice of the Employee programme to ensure it meets best practice and complies with changes in regulation.

Nomination Committee Report

Board composition and succession have featured prominently on the Committee's agenda again in 2021, with the appointment of two new Non-Executive Directors in March 2021. The Committee also oversaw Board succession plans with the recommendations to appoint Graham Allan as Senior Independent Non-Executive Director and Duriya Farooqui as the Non-Executive Director responsible for the Group's Voice of the Employee engagement plan.

The Committee's overriding concern when recommending new Directors for appointment to the Board has been to ensure that the Board and its Committees continue to include the best range of talent, skills and relevant experience available as well as reflecting our stakeholders and the communities in which we operate. We also want to ensure that the Board's composition aligns with our strategy.

We value diversity and the advancement of diversity on the Board and in the Group's leadership continues to be a governing factor in our approach to succession.

I am pleased to report that, at 31 December 2021, our Board composition exceeds the target for the proportion of women on boards set out in the Hampton-Alexander Review (which issued its final report in February 2021) as well as the recommendation on ethnic diversity on boards in the Parker Review.

Patrick Cescau
Chair of the Nomination Committee
21 February 2022

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 both for 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, including processes in relation to appointments, are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. The ToR state that the Committee is responsible for considering potential candidates for appointment to the Board based on merit, cognitive and personal strengths with due regard for the benefits of diversity, including gender, and social, ethnic and geographic backgrounds.

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

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

- assessing Board and the Principal Committees' composition and succession planning, including consideration of gender balance and ethnic and geographical diversity, in accordance with the ToRs and consistent with the Group's DE&I Policy (details of which are on page 25);
- engaging with external search consultancies and making recommendations on appointments to the Board;
- monitoring the Executive Committee talent and succession planning; and
- overseeing the performance evaluation of the Board, the Principal Committees and individual Non-Executive Directors.

Membership and attendance at meetings

The Committee's membership and attendance at meetings are available on page 81. All members of the Committee are Non-Executive Directors. When the Committee considers matters relating to my position, the Senior Independent Non-Executive Director (SID), 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 internal evaluation

During the year, the effectiveness of the Committee was reviewed as part of the internal Board evaluation process. It was concluded that the Committee remains effective.

Focus areas and activities

Board and Principal Committee composition and succession planning

The Committee continued to review the current and future composition of the Board and its Principal Committees.
The Committee considered short and medium term succession planning in all of its meetings during the year, reflecting on the skills and experience that would benefit the Board's current and future composition, while taking into account gender, ethnicity and broader diversity considerations.

The Committee noted the Board's assessment that it would benefit from additional expertise in the technology and travel sectors, with a focus on ESG responsibilities. It engaged an external search consultancy, Spencer Stuart, to assist with searches for suitable Non-Executive Directors. Spencer Stuart has no other connection with the Company or individual Directors.

A candidate selection, assessment and interview process was conducted, including consideration of candidates' other commitments. Following the completion of satisfactory background and reference checks by Spencer Stuart, the Committee recommended to the Board the appointment of Richard Anderson and Daniela Barone Soares as Non-Executive Directors with effect from 1 March 2021.

The Committee noted that, at the time, Daniela and Jo Harlow were both Independent Non-Executive Directors of Halma plc (Halma), but that Daniela did not intend to stand for re-election as a Director of Halma and would retire from its board from 22 July 2021. Accordingly, the Committee's recommendation to the Board to appoint Daniela was made on the basis that it did not consider the independence of either Daniela or Jo to be impaired by this cross-directorship.

Richard later took the decision to step down from the Board due to unanticipated personal matters on 26 May 2021. Daniela's biography is included on page 84 and details of her induction plan can be found on page 93.

The Committee also discussed and considered succession planning for the SID role, in light of Dale Morrison's tenure and retirement at the end of the year. It recommended to the Board that Graham Allan be appointed to replace Dale as the SID, in light of his significant strategic expertise and his tenure and contribution since his appointment to the Board in 2020.

In addition, the Committee considered the role of Non-Executive Director responsible for the Voice of the Employee engagement plan. It recommended to the Board that Duriya Farooqui assume responsibility for this role from 1 January 2022, in light of her skills and capabilities and proximity to the Group's main US corporate office.

A separate Search Committee, led by Dale Morrison, was established to lead the process for the search and appointment recommendation of a new Chair of the Board. A summary of its activities and the process it followed is set out on page 93.

The Committee also reviewed and discussed the length of tenure of Non-Executive Directors. As Ian Dyson and Jill McDonald will reach nine years' service in 2022 and Jo Harlow will reach nine years' service in 2023, they were subject to particular review.

The Committee considered their appointments in the context of the broader Board composition and tenure and recent Board appointments. The Committee also took into account their time commitments and other appointments, and concluded that each of them continued to be able to devote sufficient time to the Board and their respective Committees and that they remained independent. Nomination Committee members did not participate in the discussion in relation to their own time commitment and tenure.

Executive Committee talent and succession

During the year, the Committee also continued to review the talent and succession plans for the Executive Committee and senior management positions in order to ensure the development of a diverse pipeline for succession. The Committee considered the organisation design in the context of the Group's strategic priorities and endorsed the approach to succession planning.

Information on the gender balance of senior management as well as the Board is included on page 100.

Performance evaluations

Following the external evaluation carried out in 2019 and an internal evaluation in 2020, during the year the Committee oversaw an internal evaluation of the Board and its Principal Committees, details of which are provided on page 94.

The Committee reviewed and discussed the outcomes of the Board and the Principal Committees' evaluations, noting the largely favourable feedback and the overall conclusions as to the continued effectiveness of the Board and the Principal Committees.

In addition, the Committee reviewed and endorsed the approach to individual Director evaluations, involving the Chair undertaking individual feedback assessments with Directors and the SID gathering feedback from Directors to assess the performance of the Chair. Further details are also available on page 94.

Looking forward

In 2022, the Committee will continue to focus on Board refreshment plans, with particular focus on succession planning in respect of Non-Executive Directors approaching a nine-year tenure. I will also transition my responsibilities as Chair of the Committee to Deanna Oppenheimer.

Directors' Remuneration Report

Remuneration Committee Chair's statement

"As we have continued to navigate through the pandemic, management has kept focus on the long term and positioned the business well for recovery and to emerge stronger."

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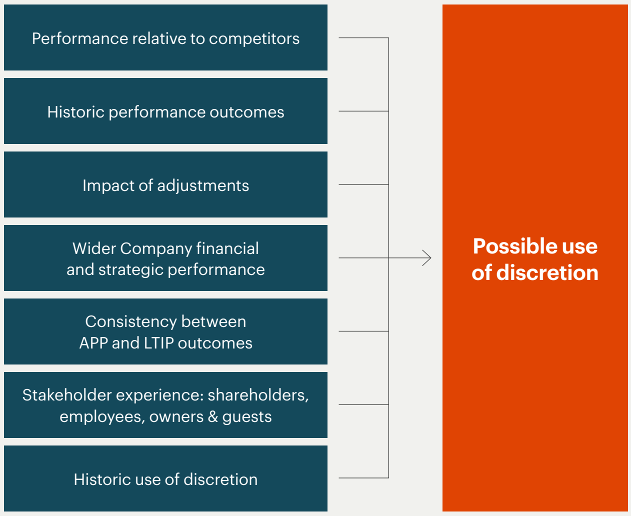
Framework for consideration of discretion

In line with the UK Corporate Governance Code, the Committee has adopted a formal framework which it will use to determine whether to exercise discretion. Some of the key factors the Committee consider are shown below.



As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

We continued to be impacted by the pandemic through 2021 but, whilst volatility remains, we have moved from crisis to recovery and growth. In-year financial performance was strong and, in addition, we have remained focused on post-pandemic, long-term strategy. Management has undertaken bold steps, such as the review of the Holiday Inn and Crowne Plaza estate and digital, brand and loyalty initiatives to take advantage of post-Covid-19 trends and opportunities for future growth.

Financial performance has recovered strongly from 2020, with significant improvements in global RevPAR, fee margins and cash flow, and a final dividend of 85.9¢ is proposed in respect of 2021. Our people have responded incredibly to the challenges faced and it is encouraging to see that the health, safety and wellbeing support at both hotel and corporate levels, including the shift to hybrid working arrangements for the latter, has been so well received. Our overall employee engagement score of 85% is a significant achievement during a difficult period and places IHG as a Kincentric Global Best Employer. In early 2022, around 2,200 employees benefited from the first vesting of matching shares from our employee share plan and participation continues to increase, with 53% of eligible employees enrolled for the 2022 plan.

Our owners choose to work with IHG based on the trust they have in our brands and our track record in delivering returns. The review of our Holiday Inn and Crowne Plaza estate was therefore important to get right and it was very pleasing to see 83 hotels commit to improvements, protecting quality and brand perception. In addition, we continued to expand the strength and depth of our brand portfolio with the launch of Luxury & Lifestyle brand Vignette Collection and this is another important step in positioning the business for future growth opportunities.

The profound impact of Covid-19 over the past two years has, however, presented challenges not only for the business but also for the Committee in recognising and rewarding performance, whilst also considering stakeholder experience and the already challenging talent management context. This is particularly evident in respect of long-term incentives, for which targets were set in a very different commercial and market context to the one in which we found ourselves. In considering how to reward performance in the context of the pandemic, the Committee has sought to take into account the experience of all of our stakeholders as well as the results that have been delivered by management.

Overview of 2021 remuneration outcomes

The key highlights of Executive Director incentive plan awards for 2021 are presented below and a detailed explanation and rationale for the Committee's decisions are set out in this report:

- The formulaic achievement on Annual Performance Plan (APP) metrics (operating profit from reportable segments, openings and signings) was 187.3% of target, resulting in awards for Executive Directors which were capped at the maximum payout of 200% of salary.
- Formulaic achievement under the 2019/21 Long Term Incentive Plan (LTIP) was below the payout threshold across all measures. Targets were set in February 2019 and full year 2019 performance in isolation was at 57% of maximum (19% if pro-rated across the full cycle), reflecting strong performance on absolute net system size growth (NSSG), cash flow and relative Total Shareholder Return (TSR), and was initially forecast to improve further over the cycle as noted on the next page. 2020-21 performance was significantly affected by the subsequent unforeseen impact of Covid-19 on the business.
- The Committee has evaluated the formulaic outcomes against the factors listed under its formal framework for considering the exercise of discretion (see top of page) and:
  - is satisfied that the APP outcome reflects both management performance and the experience of other key stakeholders, including shareholders and the wider workforce, as summarised over the following pages; but
  - has chosen to apply discretion to vest 20% of the shares awarded to Executive Directors under the 2019/21 LTIP. Further detail on the rationale for the Committee's decision is set out over the following pages.
- The total average of short- and long-term incentive plan awards for the period ending 2021 was therefore 59.5% of maximum. This compares to 15.5% for 2020 and 68.8% in 2019.

2019/21 LTIP award

On a formulaic basis, in line with the concerns we noted in last year's report, the performance of the 2019/21 cycle is below the threshold for vesting on each of its measures. When the Committee reviewed performance towards the end of the first year of the performance period, the forecast vesting level was ~78%. However, the three absolute targets (cash flow, Total Gross Revenue (TGR), NSSG) were set pre-Covid-19, and the severe travel industry impacts of the pandemic in the final two years of the cycle have rendered these targets unachievable; and an important factor in the relative TSR outcome is the strong performance of peer group companies with an operating footprint with a significantly higher weighting to the faster-recovering US economy market segment.

Taking the framework for discretion factors into account, the Committee's view is that the formulaic outcome does not reflect the performance of the business in the crisis and has exercised its discretion to determine an overall vesting level of 20%, based on cash flow performance. The Committee took a qualitative and quantitative view of absolute and relative performance and management actions to address the exceptional circumstances resulting from the pandemic as well as considering the experience of our key stakeholders, including our people, shareholders, owners and guests. The detailed rationale of the Committee is as follows:

Committee determination

<table>
<tr><th>Measure and weighting</th><th>Formulaic outcome</th><th>Weighted discretionary outcome</th><th>Rationale</th></tr>
<tr><td>Cash flow (CF) (20%)</td><td>0%</td><td>20%</td><td>

- The Committee has reviewed performance on this measure from a number of different perspectives, particularly from a wider company financial and strategic performance basis.
- For 2019 in isolation, performance was strong, being at maximum level on a pro-rated basis as follows:

<table>
<tr><th></th><th>Performance range $bn</th><th></th><th>Actual $bn</th><th>Component achievement</th><th>Weighted LTIP outcome</th></tr>
<tr><td>For full cycle</td><td>1.87</td><td>2.49</td><td>1.78</td><td>0%</td><td>0%</td></tr>
<tr><td>Pro-rated for 2019 only</td><td>0.524</td><td>0.698</td><td>0.700</td><td>100%</td><td>20%</td></tr>
</table>

Mathematically, on a pro-rated basis this 2019 performance contributes 6.67% vesting to the whole cycle.

- For 2020 and 2021, the original target became irrelevant, and instead the Committee has looked at the Executive Directors' performance in the key area of cash flow and liquidity management, balancing the need to protect the business while continuing to invest in future growth including:
  - managing through the impact of Covid-19 without the need to raise new equity;
  - securing interest cover and leverage ratio covenant waivers on existing debt agreements;
  - accessing increased liquidity through:
    - £600 million of CCFF drawn down, which was repaid in March 2021;
    - issue of two new bonds in October 2020 and a tender on 2022 bonds, raising around net £600 million to provide longer term liquidity to the business;
  - protecting cash flow by prudent use of capital and reducing costs by $150 million ($75 million of which is sustainable for future years);
  - strong performance on working capital, targeted approaches to cash collections and management of expenditure; and
  - actions to mitigate potential IHG exposure in cash flows and manage cash outflows, leading to strong cash conversion and a reduction in net debt in both 2020 and 2021.
- As a result:
  - positive adjusted free cash flow[a] of $29 million was generated in 2020, with the impact of Covid-19 related revenue reductions partly offset by cost saving measures:
    - 2021: $571 million; and
  - closing 2020 liquidity of $2.9 billion (comprised of $1.35 billion undrawn bank facilities and $1.575 billion of cash/cash equivalents):
    - 2021: $2.7 billion.
- The Committee believes that management has done all it could to preserve IHG's resilience and strategic capability for strong future growth, justifying full vesting for these years in the cash flow element of the LTIP cycle.

[a] 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 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.

</td></tr>
<tr><td>Net system size growth (NSSG) (20%)</td><td>0%</td><td>0%</td><td>

- This absolute target was set pre-Covid-19, at a time that we would have expected the industry supply growth to continue at least at the same pace as the preceding three years; in fact, there was a drop of 25% over 2020-21 compared to 2017-19, making the absolute target unachievable.
- The Committee reviewed NSSG performance in detail from a number of different perspectives and ultimately concluded that, based on analysis of the data and context, it did not consider it appropriate to adjust the formulaic outcome of this absolute measure.

</td></tr>
<tr><td>Total Gross Revenue (TGR) (20%)</td><td>0%</td><td>0%</td><td>

- This absolute target was set pre-pandemic and rendered unachievable due to the severe market-wide decline in RevPAR and other revenues.
- Based on analysis of the data and context, the Committee did not consider it appropriate to adjust the formulaic outcome of this absolute measure.

</td></tr>
</table>

Directors' Remuneration Report continued

Remuneration Committee Chair's statement continued

Committee determination

Measure and weighting	Formulaic outcome	Weighted discretionary outcome	Rationale
Total Shareholder Return (TSR) (40%)	0%	0%	• The IHG share price has remained resilient through the latter part of 2020 and 2021 after recovering from an initial reduction in the first half of 2020. • IHG delivered 17.9% TSR for the cycle; ahead of all European peers in the comparator group. • However, the share price performance of some comparator group companies based primarily in the fast-recovering US market, with a weighting towards the economy segment, and with their shares listed on US stock markets which have performed better than the FTSE over this period, has resulted in IHG being below the threshold level for vesting on this relative measure. • Based on analysis of the data and context, the Committee did not consider it appropriate to adjust the formulaic outcome of this measure.
Total	**0%**	**20%**	

In summary, the Committee believes a 20% outcome acknowledges the strong performance of 2019 as well as the outstanding performance of management during the Covid-19 crisis.

2021 APP award

Alongside operating profit from reportable segments, the 2021 strategic openings and signings measures were designed to provide in-year focus on rooms growth in a severely constrained market, to complement the longer term three-year LTIP focus on overall net system size growth. The formulaic achievement against the APP measures would result in an award of 187.3% of target, or 215.4% of salary. However, awards for Executive Directors under the Directors' Remuneration Policy are capped at a maximum payout of 200% of salary. The Committee feels the capped maximum APP award is justified given its view on the strong performance of the business in 2021 on both an absolute and relative basis:

Measure and weighting	Weighted outcome	Consideration of discretion
Operating profit from reportable segments (70%)	140%	• The targets were appropriately set, with a much wider and asymmetric range around the target outcome than in previous years, resulting in significantly greater stretch required on the upside and reflecting the context at the time; just as management had no visibility to the onset of Covid-19 in 2020, there was little visibility of the shape and pace of recovery through 2021 and, in practice, there were variations in performance in regions and markets driven by different approaches to travel restrictions and vaccine roll-outs. • Management delivered strong results against the key financial metrics which contribute to operating profit, including sustainable cost savings of $75 million (following on from 2020 cost savings of $150 million), whilst continuing to invest in growth opportunities, such as the launch of the Vignette Collection, and to focus on the quality of growth through the review of the Holiday Inn and Crowne Plaza estate. • The Committee has reviewed the quality of underlying performance, including whether adjustments should be made to take account of this and concluded this was not necessary. • On this basis, the Committee found no basis for applying negative discretion.
Signings (15%)	30%	• Targets were set appropriately, reflecting the typical nature of the pace at which the drivers of signings and openings respond during periods of recovery, and containing significant stretch to achieve outperformance. • Absolute performance represented an impressive 23% improvement on the prior year. • The Committee also assessed performance against our largest competitors, with IHG maintaining its share of signings throughout the pandemic. The Committee is satisfied that performance relative to our peers was competitive. • See under 'Openings' below regarding the Committee's assessment against Global Metrics performance. • On this basis, the Committee found no basis for applying negative discretion.
Openings (15%)	17.3%	• Performance was ahead of target on this measure and represents 5% of prior year closing system size on a rolling year-on-year basis. • Despite supply chain issues and other delays due to the pandemic, which has made openings very challenging, we delivered year-on-year growth and sequentially improved through the year. • The Committee assessed performance relative to competitors and is satisfied that performance relative to our peers was competitive. • The signings and openings measures are subject to the Committee assessing performance against the Company's Global Metrics. The majority of metrics, six of 10, tracked above target or prior year performance. Of those with formal targets, five of six exceeded target. • On this basis, the Committee found no basis for applying negative discretion.
		Overall, having also considered broader stakeholder perspectives (see next page), the Committee found no basis for applying negative discretion to the formulaic outcome of the 2021 APP.
Total	**187.3%**	

Total 2021 variable incentive outcome

In addition to reviewing the individual LTIP and APP components as outlined above, and the wider stakeholder position as outlined below, the Committee took a holistic view of variable incentive outcomes and considered the overall outcome for 2021. In total, the 2021 APP and LTIP awards for Executive Directors represent 59.5% of the maximum potential value. This is consistent with historic overall reward outcomes, as outlined on page 120 in respect of the CEO, which have varied between 56.6% and 84.2% of maximum and averaged 67.1% in the previous 10 years excluding 2020. The 2019/21 LTIP cycle is also the first under which Executive Directors are subject to a two-year post-vesting holding period. The Committee considers the combined 2021 LTIP and APP awards appropriate in this context.

Broader stakeholder perspectives

In considering the use of discretion, the Committee has taken into account the experience and views of wider stakeholders:

Wider workforce	• The APP measures of operating profit from reportable segments, openings and signings apply to the whole corporate employee population, along with a personal performance element below the Executive Committee (EC), with target bonus amounts determined by grade. The strong formulaic performance under the corporate measures will apply to and benefit this whole population. In addition, in view of the strong performance in 2021, an extra 20% is being added to the amount budgeted for the personal performance element to increase awards for those employees who performed the strongest during 2021.
	• In the context of continuing retention and succession concerns below Board:
	  • LTIP award-holders received an additional award in 2021, topping the 2018/20 cycle award up to 40%, and will receive an award in 2022 on the same basis in respect of the 2019/21 cycle in recognition of the significant additional work and effort required during these cycles as a result of the pandemic impact; and
	  • in addition, separate one-off retention awards in the form of cash and deferred shares were made to core skill and succession talent individuals across the corporate population.
	  • In contrast, Executive Directors received only the formulaic outcome of the 2018/20 LTIP (30.6% of maximum) and no 2020 APP award.
	• In January 2022, the first matched share vesting took place under our employee share plan, as a result of which around 2,200 employees received free shares matched on a 1:1 basis.
	• The overall employee engagement score of 85% exceeded that of external benchmarks by 8%.
	• As explained on page 112, the employing entities for a number of UK leased hotels are part of the IHG group. All roles at all these hotels are paid above the living wage and zero-hour contracts have been eliminated across this estate. From April 2022, all employees in these hotels will be paid above the real living wage. However, as a result of continued travel restrictions and hotel closures during 2021, some UK government support was obtained in respect of this workforce for the benefit of the hotel owner. The Committee has taken into account that, in respect of pay for these employees, IHG does not have decision rights and must be sensitive to the commercial circumstances of these leased hotels, the owner and equities across the owner's wider business, and the employees of other owners of IHG hotels.
	• In respect of the directly-employed corporate workforce, no UK government support for staff costs was obtained in either 2020 or 2021 and, following the reversal of the actions taken in 2020 outlined in last year's report, no employees across the global corporate population were furloughed in 2021.
	• Further considerations included under 'Remuneration at IHG – the wider context' on page 112.

Owners	• Favourable credit terms provided to assist with the impact of the pandemic. • Agreement with owners to manage cash flow through utilisation of maintenance reserves. • Expanded hotel procurement solutions to combat supply chain challenges and rising costs. • Launched new hiring tools and support to recruit and retain talent. • Continued review and evolution of brand standards to improve operational efficiency. • Government advocacy carried out on behalf of owners.
Guests	• Flexible cancellation policy operated, and waiver of cancellation fees. • Continued execution of IHG Way of Clean and IHG Clean Promise in our hotels. • IHG Rewards membership status protection provided.
Shareholders	• IHG share price has remained resilient, ending 2021 1.9% up on the end of 2020 and 100% up on the lows of March 2020. • The Board is proposing a final dividend of 85.9¢ in respect of 2021, and there is continued momentum in future growth, with our global pipeline equivalent to over 30% of the current system size and more than 40% under construction. • Having listened to shareholder feedback at the time and refrained from using discretion for the 2018/20 LTIP cycle, we received positive and constructive feedback in consultations with shareholders on the potential use of discretion for the 2019/21 LTIP cycle.

2020/22 LTIP cycle

The Committee has continued to consider the impact of the pandemic on in-flight LTIP awards and, whilst there is no intention to adjust incentive plan targets mid-cycle, as noted in the 2020 Directors' Remuneration Report in respect of the 2020/22 LTIP, the Committee:

- continues to monitor a shadow target for cash flow, agreed at its October 2020 meeting after the initial impact of the pandemic became evident; and
- remains minded not to reduce the relative NSSG vesting outcome based on the Return on Capital Employed (ROCE) underpin if this is not met for this cycle solely due to the impact of the pandemic on earnings.

The cash flow target for the 2020/22 LTIP cycle was set and prospectively disclosed in February 2020, before the fundamental global impact of the pandemic had become apparent. Within months, it was clear that it was very unlikely to be achievable for the three LTIP cycles including 2020 (2018/20, 2019/21 and 2020/22). The shadow target was based on assumptions of a full recovery over time and management focus on maintaining sustainable savings and disciplined cash management and was intended to provide a reference point to consider at the time of vesting.

The Committee's current view is that the shadow target, as we look at it in early 2022 and given the range of unexpected developments since October 2020, remains a stretching and appropriate target. In the Committee's view, the Delta variant, the 2021 second-wave lockdowns and global travel restrictions, and the subsequent impact of Omicron have all added headwinds that counter the stronger than expected recovery pace in the US. The Committee has therefore concluded that this shadow target will be highly relevant when considering the vesting of this cycle in early 2023. Following consultation with shareholders, the shadow target is disclosed on page 124 of this report.

In any event, the Committee will continue to assess the appropriateness of using discretion to adjust the formulaic outcomes upwards or downwards based on all relevant factors at the time of vesting of the award and in line with its formal framework for considering the exercise of discretion.

Directors' Remuneration Report continued

Remuneration Committee Chair's statement continued

Implementation of Directors' Remuneration Policy (DR Policy) in 2022

As covered in more detail on pages 124 to 125:

- Salary increases for Executive Directors for 2022 will be in line with the budget for increases for the wider UK and US corporate populations and are made following an assessment of 2021 performance.
- The non-financial measures for the 2022 Annual Performance Plan will remain as openings and signings, as in 2021, aligned to our key strategic objectives for recovery and our future growth priorities.
- LTIP 2022/24 cycle measures will also remain as relative TSR (30%), relative NSSG (40%) and absolute cash flow (30%), with Total Gross Revenue having been replaced by increased weightings for cash flow and relative NSSG. Retaining the same balance of measures for the 2022/24 cycle keeps an overall relative performance focus, appropriate in a context of some continued uncertainty. It also retains the increased focus on NSSG, which is strategically key and, being relative, factors in the economic and market context and any related volatility that occurs.

Retirement benefits for incumbent UK Executive Directors will align with the maximum company contribution available to all other participants in the UK pension plan at the end of this year. As stated in last year's report, and in line with our approved DR Policy, US retirement benefit arrangements, in which the CEO, Americas, participates, differ in a number of respects from UK pension arrangements, as explained on page 112. They are comprised of a 401(k) plan under which all corporate employees benefit from maximum employer contributions of a consistent 6% of salary, and a Deferred Compensation Plan for around 100 eligible senior employees under which all participants including the CEO, Americas can receive supplementary contributions of up to 16% of salary. These are common retirement benefit plans in the US market and, given the parity of treatment for all participants in each of these plans, as well as the importance of the CEO, Americas role to the business and the market competitiveness concerns over Executive Director pay, the Committee intends to maintain the arrangements as they relate to the CEO, Americas.

ESG considerations

Our Journey to Tomorrow Responsible Business plan was released early in the year, including new and updated commitments relating to our communities, people and planet and evolving the Company's strategy in this area. The Responsible Business Committee report on page 100 and the Strategic Report on page 16 contain more information on our initiatives, reporting commitments and science-based targets.

The Committee takes a holistic approach to reviewing and implementing new remuneration targets, ensuring that they are aligned to Company strategy (see page 110), and has continued to work closely with the Responsible Business Committee and Company management team on a discrete ESG metric for Executive Director remuneration. During the year, the Committee reviewed options to align a remuneration metric with the new and wider Journey to Tomorrow commitments.

On environmental metrics, we continue to improve our data integrity and, in 2021, launched an automated data collection project across our hotels globally as part of our ongoing improvements to IHG's Green Engage, our online environmental management platform. We have also launched the Hotel Energy Reduction Opportunities (HERO) tool, which will be key to helping our hotels target energy, carbon and water reductions. This work to support our hotels to decarbonise and measure our performance is important as it will enable us to reach the targets we have set across our franchise properties (scope 3). On other potential ESG metrics, including those with a people focus, further work will be undertaken in 2022 to assess baselines and performance as initiatives relating to new commitments roll-out throughout the business. This approach is being taken to help ensure that truly stretching but achievable targets, based on robust systems and data, can be set for incentive plan purposes.

In the meantime, as outlined on page 124, ESG criteria, such as annual energy reduction, employee engagement and guest satisfaction performance, will continue to form a key element of the Committee's overall assessment of performance against IHG's Global Metrics in considering the potential application of discretion to the formulaic outcomes of the 2022 APP strategic measures.

Wider workforce remuneration and employee engagement

As outlined on page 112, the approach to remuneration is aligned throughout the organisation and, during the year, the Committee reviewed a number of aspects of the Company's wider workforce remuneration policy, including the approach to fairness in reward, retention arrangements, and arrangements for UK hotel employees.

Concluding thoughts

The Committee, including myself as the Committee Chair, are fully aware that the use of discretion in relation to the 2019/21 LTIP outcome may not be considered to be in line with best practice or with the normal expectations of some investors and proxy agencies. The Committee has considered and debated these matters at length, with a strong focus on achieving an outcome which is fair and equitable for all of our key stakeholders, as outlined above, which rewards management in regards to performance in an unforeseen crisis, and which recognises the highly competitive global talent market that we operate in.

About this report

As always, we strive to make this report as easy to read as possible. Following this statement, the 'At a glance' section provides an illustration of 2021 remuneration outcomes and, over the following pages, there is a summary of how executive remuneration aligns to company strategy; an overview of our approved DR Policy and its alignment with the UK Corporate Governance Code principles; a summary of remuneration across the wider workforce; and, on pages 113 to 114, further background on the Remuneration Committee. The Annual Report on Directors' Remuneration on pages 115 to 125 will be put to an advisory vote by shareholders at the May 2022 Annual General Meeting.

Jo Harlow
Chair of the Remuneration Committee
21 February 2022

At a glance

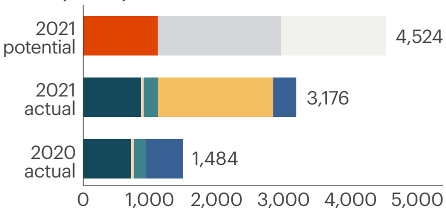
Executive Director remuneration

2021 actual remuneration vs potential remuneration

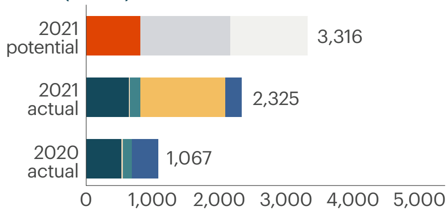
The charts below show the 2021 potential remuneration opportunity and actual achievement compared to the 2020 actual achievement.

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 115. See page 110 for the key to individual elements of actual remuneration for 2020 and 2021. 2020 salaries were reduced for part of the year as explained in the 2020 Annual Report.

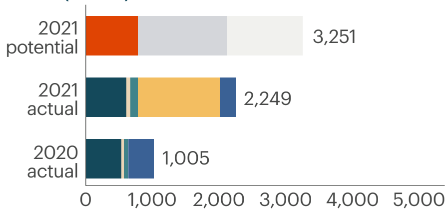
Keith Barr, Chief Executive Officer
Value (£000)



Paul Edgecliffe-Johnson, Chief Financial Officer
Value (£000)



Elie Maalouf, Chief Executive Officer, Americas
Value (£000)



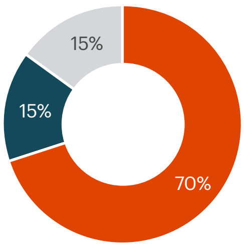
Key for potential

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

How we performed in 2021

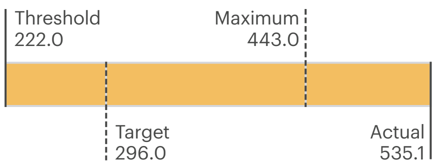
Very strong performance against target for operating profit from reportable segments and signings, together with strong opening results, meant that the formulaic 2021 APP achievement was 187.3% of target, resulting in awards for Executive Directors which were capped at the maximum payout of 200% of salary. Under the LTIP, the impact of Covid-19 meant the formulaic outcomes were below threshold on all measures. On the basis of the excellent start to the cycle in 2019 and the subsequent exceptional performance on the management of cash flow in the context of the pandemic, as outlined on pages 105 to 106, the Committee exercised discretion to vest 20% of the maximum award.

Measures used for APP[a]

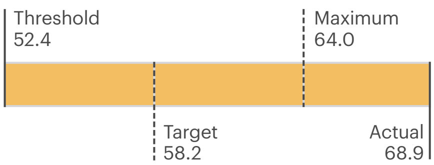


- Operating profit from reportable segments
- Room signings
- Room openings

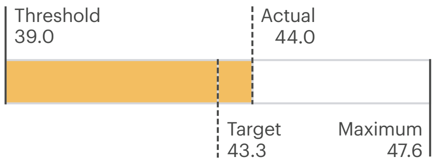
Operating profit from reportable segments ($m)



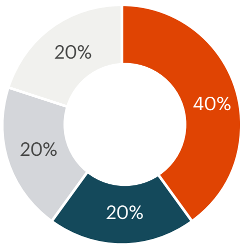
Room signings (k rooms)



Room openings (k rooms)



Measures used for LTIP[a]



- Total Shareholder Return
- Total Gross Revenue
- Net system size growth
- Cash flow

Before discretion

Cash flow ($bn)

After discretion

Cash flow (vesting percentage)

[a] Further details of APP and LTIP outcomes can be found on pages 116 to 117.

Directors' Remuneration Report continued

Our approach to remuneration

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

AUDITED

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

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111 Summary of our approved Directors' Remuneration Policy
112 Remuneration at IHG – the wider context
113 Remuneration Committee details

Over the following pages of the report, we give an overview of how our remuneration arrangements are aligned to our purpose, ambition and strategic priorities. We have included a summary of our approved DR Policy on page 111, together with a reminder of how the Committee has addressed Provision 40 of the 2018 UK Corporate Governance Code in respect of remuneration policy and practice. Alignment of pay structures throughout the organisation and the implementation of remuneration policy across the wider workforce is covered on page 112. Pages 113 to 114 contain a summary of Committee actions during the year.

Aligning variable elements of remuneration to strategy

Variable elements of remuneration are linked to our strategy through our four strategic priorities, our purpose and ambition.

Our purpose
True Hospitality for Good

Our ambition
To deliver industry-leading net rooms growth

Our strategic priorities
- Build loved and trusted brands
- Customer centric in all we do
- Create digital advantage
- Care for our people, communities and planet

Element	Measures	Link to strategy	Explanation
Annual Performance Plan (APP)	Operating profit		• The strength and breadth of our portfolio, tailored services and solutions, and our technology and platforms drive consumer preference, owner returns and rooms growth; all contributing to our revenues and profit. • Openings and signings are two of our key drivers of system size and central to our ambition to deliver industry-leading rooms growth. • Aligned to our people, communities and planet strategy, the Remuneration Committee will review performance on Global Metrics, including key ESG measures (Employee engagement, Guest Love, Responsible Business) in considering the potential application of discretion to formulaic outcomes on APP strategic objective measures.
	Room signings		
	Room openings		
	Global Metrics		
Long Term Incentive Plan (LTIP)	Relative Total Shareholder Return		• Our ambition is to deliver high-quality, industry-leading net rooms growth so it is important that this forms a key element of our management team's Long Term Incentive Plan. • Enhancing our customer and owner offer and developing our brands at scale in high-value markets drives sustained growth in cash flows and profits over the long term, which can be reinvested in our business and returned to shareholders.
	Relative net system size growth		
	Cash flow		

Summary of approved Directors' Remuneration Policy

Element	2022	2023	2024	2025	2026	Framework	Purpose
Fixed							
Base salary						Increases generally in line with the range applying to the corporate population. Reviewed annually and fixed for 12 months from 1 April.	To recognise the value and impact of the role and the individual's skills, performance and experience.
Benefits						Relevant benefits are aligned to the typical level for the role/location.	To be competitive and consistent with role/location; to help recruit and retain.
Pension/ Retirement benefit						A Defined Contribution or cash in lieu amount for UK Directors. Employee contributions with matching company contributions. Salary is the only part of pay that is pensionable. See further details regarding UK and US pension benefit on page 112.	To be competitive and consistent with role/location; to help recruit and retain.
Variable							
Annual Performance Plan (cash)	Cash					Maximum opportunity is 200% of salary; 70% based on operating profit measure and 30% on key strategic objectives; 50% of the award is deferred into shares for three years.	To reward the achievement of stretching targets that support the Company's annual financial and strategic goals. For 2022, the key strategic objectives are: • room signings (15% weighting); and • room openings (15% weighting).
Annual Performance Plan (deferred shares)		Deferral					
Long Term Incentive Plan (LTIP)	Performance			Deferral		The maximum potential LTIP quantum is 350% of salary for the CEO and 275% of salary for other Executive Directors; a two-year post-vest holding period applies.	A focus on industry-leading net rooms growth is at the heart of our strategy, balanced by a Return on Capital Employed (ROCE) underpin to reflect our commitment to deliver quality growth whilst maintaining returns. Together with TSR and cash flow, there is a strong alignment between Executive Director remuneration and shareholder interests.

The Committee has considered the remuneration policy and practices in the context of Provision 40 of the UK Corporate Governance Code, as follows:

Principle	IHG's approach
Clarity	We always seek to set and report our performance-related measures, targets and outcomes in a clear, transparent and balanced way, with relevant and timely communication with all of our stakeholders. Our reward policies drive engagement throughout the workforce with an aligned approach to performance-related reward. 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.
Simplicity	Our remuneration structure comprises straightforward, conventional and well-understood components. The purpose, structure and strategic alignment of each element is clearly laid out in the remuneration policy summary table: • fixed pay: base salary, pension and benefits that are consistent with role and location; • short-term incentive: annual performance-related bonus which incentivises and rewards the delivery of financial and non-financial strategic objectives; • long-term incentive: a share-based award which incentivises performance over a three-year period and is based on measures which drive long-term sustainable growth.
Predictability	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.
Risk	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: • 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; and • significant shareholding requirements apply for Executive Directors.
Proportionality	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 Executive Directors and others.
Alignment to culture	IHG has a clear purpose and well-established values and behaviours. The alignment between remuneration incentives and our strategy for high-quality growth, and the KPIs which underpin the delivery of our strategy, is outlined on page 110. 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.

Directors' Remuneration Report continued
Our approach to remuneration continued

Remuneration at IHG – the wider context

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

Our approach to fairness in reward is an important aspect of our overall reward philosophy (see below) and is designed to attract and retain the best talent, with a focus on championing a diverse and inclusive culture where employees can thrive. The reward philosophy is supported by a robust governance approach aimed at having fair and consistent reward and recognition practices across our employee population, regardless of gender and other aspects of diversity, and that there is an alignment between the wider direct workforce and executive remuneration. We regularly review our approach externally, ensuring we meet the needs of employees by offering market-driven reward packages.

Examples of alignment and implementation of wider workforce reward strategy in 2021

Elements of reward	Participants	Commentary
Fixed		
Salary	All	In the 2021 base salary review process, we continued to build on our simplified performance management process to include the use of manager discretion to make one-off adjustments within the overall merit budget in order to address equity and talent recognition, particularly in the context of the pay actions taken in 2020 in response to the impact of Covid-19 on the business. This allowed the merit budget to be targeted on areas where it would have the most impact.
Benefits	All	For 2021, we aligned the levels of healthcare cover offered in the UK across all UK corporate employees. Globally, we continued to roll-out our wellness offer to support our employees' health and wellbeing and to adapt to a changing and flexible working environment, including an enhanced parental leave policy in the US for corporate employees.
Pension benefit	All	Pension and retirement benefits are provided in the UK and US in line with market practice. **UK:** the contribution rate for corporate and eligible hotel employees in the IHG UK pension plan is aligned with a 2:1 matching ratio up to a maximum of 6% of salary from employees and 12% from the Company. During 2021, following a review by the plan trustee and consultation with an employee member forum, the investment options for participants were updated to include funds with an ESG focus. **US**: US retirement saving plans are made up of a 401(k) plan which has a 1:1 matching contribution ratio up to a maximum of 6% of salary for eligible corporate employees and a Deferred Compensation Plan (DCP) which provides for supplementary company contributions of up to 16% provided at senior levels (a historic grandfathered rate of 20% applies for a small number of employees who were already receiving this rate when it was removed from 1 January 2017).
Variable		
Annual Performance Plan (APP)	All	All corporate employees share common corporate performance metrics with the Executive Committee and Executive Directors. 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. In 2021, we aligned the weightings of metrics for all corporate employees below Executive Committee level and increased the focus on rewarding performance by rebalancing the APP measures so that a greater portion of an award can be achieved through an employee's individual performance and contribution.
Long Term Incentive Plan (LTIP)	All	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; RSUs typically apply for eligible employees below this level (see below).
Restricted Stock Units (RSUs)	Excludes Executive Directors	In line with typical market practice, particularly in the US, and due to line-of-sight over 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	Wider workforce only	IHG matches the number of shares purchased on a 1-for-1 basis. Our employee share plan is available to around 98% of our corporate employees below the senior/mid-management level (who receive LTIP and RSU awards). Participation increased from 49% in 2020 to 50% in 2021 and to 53% in 2022; matching shares from the 2020 plan vested in January 2022.

Our reward philosophy

Our reward arrangements are competitive, drive creation of value for stakeholders and make us think and act as one team.

Learning and support

To assist employees and managers in implementing the discretionary performance-related elements of merit and APP, we introduced a diversity, equity & inclusion statement on making fair reward decisions consistent with our Code of Conduct, which managers were familiarised with as part of the process. Furthermore, during 2021, corporate employees completed more than 10,000 hours of conscious inclusion training.

UK hotel employees

Following the acquisition of a number of UK hotels in 2019, employing entities for the estate's hotels were transferred to IHG. Employment terms, including remuneration and benefits, have largely remained in place on their pre-acquisition basis to date. In common with the model for managed hotels generally, IHG provides hotel management support to the owner of these UK leased hotels. This includes making recommendations to the UK leased estate owner on matters including pay. Such recommendations are made in line with the corresponding process for other directly-employed employees, based on market insight and experience. Decisions on implementing changes to pay are ultimately determined by the hotel estate owner in the context of their own commercial position and equities across their wider portfolio. All roles at all hotels are paid above the living wage and zero-hour contracts are not utilised in any part of the UK leased estate.

Employee engagement on pay

The 2021 employee engagement scores for participating hotel and reservations employees and general managers on the questions relating to reward and recognition exceeded our survey provider's top quartile benchmark. See page 114 for details.

Remuneration Committee details

2021 focus areas

- Review and approval of 2020 remuneration outcomes and 2021 structures and targets
- In-year performance and relative performance tracking
- Wider workforce remuneration matters
- ESG in incentives and Green Engage progress
- Consideration of discretion relating to 2021 remuneration outcomes
- 2022+ structures and targets

Key objectives and summary of responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of 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.

Membership and attendance at meetings

Details of the Committee membership and attendance at meetings are set out on page 81.

During 2021, the Committee was supported internally by the Company 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.

Non-Executive Directors' letters of appointment and notice periods

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

Patrick Cescau, Non-Executive Chair, is subject to 12 months' notice and is in compliance with Provision 19 of the UK Corporate Governance Code. No other Non-Executive Directors are subject to notice periods; all Non-Executive Directors are subject to an annual re-election by shareholders at the AGM.

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.

Remuneration advisers

In 2019, the Committee undertook a competitive tender process and IHG appointed Deloitte LLP to act as independent adviser to the Committee and they commenced work in October 2019. Deloitte is a member of the Remuneration Consultants Group and, as such, operates 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 £143,850 were paid to Deloitte in respect of advice provided to the Committee in 2021. 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. Separately, other parts of Deloitte LLP also advised the Company in relation to corporation tax, mobility and consulting services.

Board changes

During the year, Anne Busquet stepped down from the Board and Daniela Barone Soares was appointed to the Board as a Non-Executive Director; Richard Anderson was also appointed to the Board as a Non-Executive Director, however, he had to step down a few months later. Dale Morrison retired from the Board from 31 December 2021 and Graham Allan was appointed as Senior Non-Executive Director from 1 January 2022. The remuneration arrangements in respect of all changes were in line with the approved DR Policy and are covered on page 123.

Approach to target setting

Targets are set by the Committee and senior management, taking into account IHG's growth ambitions and 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 strategic and financial objectives for the period.

Absolute targets may be set relative to budget and/or by reference to prior results, generally containing a performance range with additional stretch to incentivise outperformance as well as minimum performance levels for payout. Relative targets are set against an appropriate comparator group of companies for the relevant measure, for example, relative NSSG in the LTIP was set against our six largest competitors with over 500k rooms to reflect our industry-leading growth ambition.

Shareholder engagement

The Committee recognises that there exists a range of views across the shareholder base in relation to the pay of Executive Directors and therefore engages in regular shareholder consultation. We consulted with shareholders and proxy agencies in early 2021 and prior to the AGM on the implementation of remuneration policies for the year ahead and matters relating to in-flight LTIPs. At the 2021 AGM, we were pleased to receive a vote of 92.43% in favour of the 2020 Directors' Remuneration Report.

Shareholder experience and the views of shareholders are fundamental aspects of the Committee's framework for the consideration of the use of discretion in relation to incentive plan outcomes. As such, we carried out consultations with leading shareholders and a proxy agency again in early 2022. We discussed the performance of management which, in the Committee's view, had delivered strong results and a more resilient company coming out of the pandemic. This performance is sustainable and has not been at the expense of stakeholders, as outlined on page 107.

Directors' Remuneration Report continued
Our approach to remuneration continued

However, forecast results showed that the formulaic outcomes of LTIP targets would likely not reflect this extraordinary effort and, if left unaddressed, would risk further aggravation to existing retention and talent challenges.

Valuable and constructive feedback was provided by shareholders and a proxy agency and, overall, shareholders were generally receptive to the potential use of discretion to increase the LTIP outcome, so long as there was sufficient and robust justification. The Committee's decision and detailed rationale is outlined on pages 105 to 107.

The most recent round of consultations also covered matters relating to in-flight LTIPs and progress on the inclusion of ESG in executive remuneration. Views expressed by shareholders will also be taken into consideration as the Remuneration Committee reviews the DR Policy in 2022 ahead of putting the policy to shareholder vote in 2023. We will engage in further consultation as the DR Policy develops.

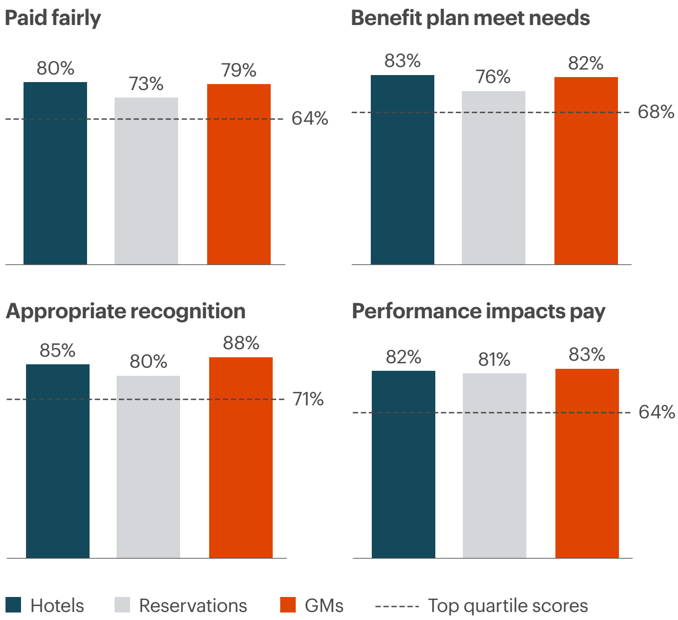
Wider workforce remuneration and employee engagement
As outlined on page 112, IHG operates an aligned approach to remuneration throughout the organisation. During the year, the Committee reviewed aspects of the Company's wider workforce remuneration approach as part of their regular meeting agenda, including the approach to fairness in reward, retention arrangements, and arrangements for UK hotel employees.

The Company engaged with the workforce through its employee engagement survey which covers a number of areas, including pay and benefits competitiveness, and was updated for 2021 to provide greater insights on areas such as wellness and inclusion.

As part of 2021 Board engagement with the workforce, the Committee Chair met with representative employee groups from our US and Philippines populations to discuss Executive Director remuneration and how IHG's remuneration principles apply to employees throughout the organisation. Neither group shared any concerns with Executive Director remuneration.

In the Philippines, employees gave feedback on pay and benefits competitiveness and recent developments in the context of home working. Discussions on Executive Director remuneration with the US employee group led to constructive feedback on development and career progression opportunities and aspects of diversity and inclusion.

As noted on page 112, perceptions of reward and recognition gained strong results across our hotel, reservations and general manager populations:



The Company's approach to wider workforce engagement under the UK Corporate Governance Code is set out on page 112.

Voting at the Company's AGMs
The current DR Policy was subject to a vote at the 2020 AGM. The outcome of the votes in respect of the DR Policy and Report for 2019 to 2021 are shown below:

	Directors' Remuneration Policy (binding vote)			Directors' Remuneration Report (advisory vote)		
AGM	Votes for	Votes against	Abstentions	Votes for	Votes against	Abstentions
2021	–	–	–	**137,628,120 (92.43%)**	**11,277,368 (7.57%)**	**106,271**
2020	112,098,213 (77.14%)	33,210,269 (22.86%)	3,308,499	143,279,761 (96.49%)	5,212,375 (3.51%)	124,844
2019	–	–	–	120,939,401 (83.95%)	23,116,948 (16.05%)	3,867,287

Jo Harlow
Chair of the Remuneration Committee
21 February 2022

Annual Report on Directors' Remuneration

The Annual Report on Directors' Remuneration explains how the Directors' Remuneration Policy (DR Policy) was implemented in 2021 and the resulting payments each of the Executive Directors received.

This report is subject to an advisory vote by shareholders at the 2022 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.

AUDITED

Single total figure of remuneration – Executive Directors

		Fixed pay				Variable pay			
Executive Directors	Year	Salary £000	Benefits £000	Pension benefit £000	Subtotal £000	APP £000	LTIP £000[a]	Subtotal £000	Total £000
Keith Barr	**2021**	**857**	**41**	**214**	**1,112**	**1,727**	**337**	**2,064**	**3,176**
	2020	712	45	178	935	0	549	549	1,484
Paul Edgecliffe-Johnson	**2021**	**630**	**19**	**158**	**807**	**1,270**	**248**	**1,518**	**2,325**
	2020	524	21	131	676	0	391	391	1,067
Elie Maalouf[b]	**2021**	**606**	**53**	**118**	**777**	**1,221**	**251**	**1,472**	**2,249**
	2020	531	30	65	626	0	379	379	1,005

[a] LTIP figures for 2020 relate to the 2018/20 LTIP cycle and have been restated using actual share price on date of vesting. Figures for 2021 relate to the value of shares for the 2019/21 cycle.

[b] Elie Maalouf is paid in USD and the sterling equivalent is calculated using an exchange rate of $1 = £0.73 in 2021 and $1 = £0.78 in 2020 (page 158).

Notes to single figure table

Fixed pay

Salary: salary paid for the year. Salary increases in 2021 were in line with the budget for the wider UK and US corporate workforce. 2020 salaries were reduced for part of the year as explained in the 2020 Annual Report.

Benefits: for Executive Directors, this includes, but is not limited to, taxable benefits such as company car or allowance and healthcare. Under HM Revenue and Custom rules, the 2021 figure for the non-UK based Director, Elie Maalouf, includes some travel and food expenses that were not previously reported.

Pension benefit: for current Executive Directors, in line with DR Policy, the value of IHG contributions 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 2021 and instead received cash allowances of 25% of base salary; this will reduce to the maximum level available to all other participants in the UK pension plan at the end of 2022.

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 (DCP). The US 401(k) Plan is a tax-qualified plan providing benefits on a defined contribution basis, with the member and company both contributing.

Contributions made by, and in respect of Elie Maalouf in these plans for the year ended 31 December 2021 were:

	£[a]
Director's contributions to US Deferred Compensation Plan	**168,917**
Director's contributions to US 401(k) Plan	**18,980**
Company contributions to US Deferred Compensation Plan	**109,829**
Company contributions to US 401(k) Plan	**8,468**
Age of Director at 31 December 2021	**57**

[a] Sterling values have been calculated using an exchange rate of $1 = £0.73.

As outlined in last year's report, Elie's retirement benefit is in line with other senior US employees and comprises a 6% of salary matched contribution (subject to IRS limits in respect of 401(k) contributions) and a 16% of salary supplemental employer DCP contribution.

Variable pay

APP (cash and deferred shares)

Operation

Award levels are determined based on salary at 31 December 2021 and are based on achievement vs target under each measure. For operating profit from reportable segments, the 2021 award was set on the basis of a payout range of +/-10% of target payout for performance of +/-$25m of target performance. Outside of this range, payout would be on a straight-line basis between threshold and -$25m and between +$25m and maximum. For room openings and room signings, the award was set on a straight-line basis between threshold and target, and target and maximum:

- **threshold** is the minimum level that must be achieved for there to be an award in relation to that measure; subject to Committee discretion, 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).

The Committee formally reviews performance against IHG's Global Metrics as part of the APP structure in considering whether to apply discretion to adjust outcomes on the strategic measures.

Directors' Remuneration Report continued
Annual Report on Directors' Remuneration continued

AUDITED

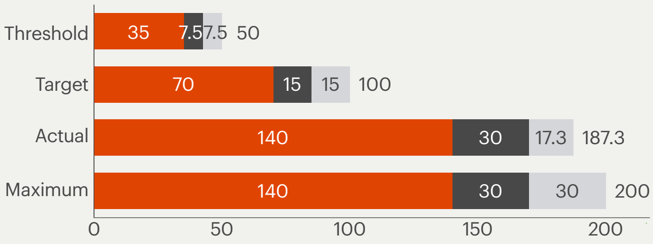
APP outcome for 2021

The performance measures for the 2021 APP were determined in accordance with the DR Policy and were:

- operating profit from reportable segments (70%);
- room signings (15%); and
- room openings (15%).

Target award was 115% of salary and maximum was up to 200% of target for each measure, subject to an overall cap on the award of 200% of salary. The tables below show threshold, target and maximum opportunity, as well as weighting and actual 2021 achievement.

APP measures – % of total award



APP

Performance		Achievement	Weighting	Weighted achievement
Operating profit from reportable segments: performance relative to target				
Threshold	$222m	50%	70%	140.0%
Target	$296m	100%		
Maximum	$443m	200%		
Actual	$535.1m	200%		
Room signings (k rooms)				
Threshold	52.4	50%	15%	30.0%
Target	58.2	100%		
Maximum	64.0	200%		
Actual	68.9	200%		
Room openings (k rooms)				
Threshold	39.0	50%	15%	17.3%
Target	43.3	100%		
Actual	44.0	139.2%		
Maximum	47.6	200%		

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 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 158)	$533.6m
Difference due to exchange rates	$1.5m
Operating profit from reportable segments (at 2021 budget exchange rates)	$535.1m

LTIP 2019/21 (granted in 2019)

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 weighting are described on page 117.

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., NH Hotels Group, and Wyndham Hotels & Resorts Inc., as per data provided by our corporate bankers sourced from Thomson Reuters Datastream.

Following the acquisition and delisting of Millennium & Copthorne Hotels PLC by City Developments Limited in October 2019, a Singapore-based real estate company, it was removed from the comparator group for the 2019/21 cycle.

The share price in respect of the 2018/20 LTIP cycle has been restated using the volume weighted average price of 5,072p for Keith Barr and Elie Maalouf and 5,143p for Paul Edgecliffe-Johnson on the date of actual vesting on 24 February 2021. There is a slight difference in the share price at the date of vesting for Keith Barr and Elie Maalouf as our share administration portal holds shares for participants who are US citizens in a separate entity to non-US participants. Final vesting transactions are therefore carried out separately, resulting in a slight share price variation based on the timing that the two transactions take place. The corresponding values shown in the 2020 report (prior to the actual vesting) were an estimate calculated using an average share price over the final quarter of 2020 of 4,460p.

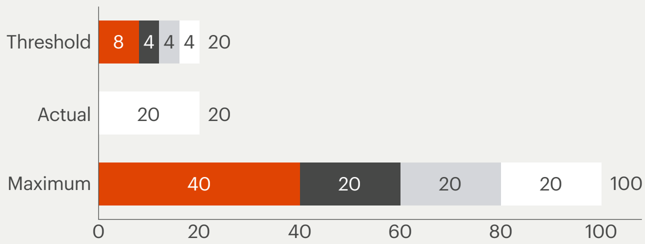
LTIP outcome for 2019/21 cycle

The performance measures for the 2019/21 three-year LTIP cycle were determined in accordance with the DR Policy and were:

- Total Shareholder Return (40%);
- Total Gross Revenue (20%);
- net system size growth (20%); and
- cash flow (20%).

The following tables show threshold and maximum opportunity, as well as weighting and actual achievement, based on the formulaic outcomes against the three-year targets set in 2019, and following the application of Committee discretion, for each performance measure.

LTIP measures – % of maximum opportunity



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Performance measure and weighting	Performance targets: Target	Performance targets: % Vesting	Result	Formulaic achievement	Discretionary outcome
Total Shareholder Return: Three-year growth relative to average of competitors **40%**	Maximum 83.4%	Maximum 100%	Outcome 17.9%	Below threshold	0%
	Threshold 26.0%	Threshold 20%			
Total Gross Revenue: based on IHG's performance against an absolute Total Gross Revenue target **20%**	Maximum $5.63bn	Maximum 100%	Outcome $-7.92bn	Below threshold	0%
	Threshold $3.94bn	Threshold 20%			
Net system size growth: based on IHG's performance against an absolute NSSG target **20%**	Maximum 159.0k rooms	Maximum 100%	Outcome 84.6k rooms	Below threshold	0%
	Threshold 111.3k rooms	Threshold 20%			
Cash flow: based on IHG's performance against an absolute cash flow target **20%**	Maximum 2.49bn USD	Maximum 100%	Reported Outcome 1.49bn USD	Below threshold	20%
	Threshold 1.87bn USD	Threshold 20%	Adjusted Outcome 1.78bn USD		

Adjustments to cash flow outcome

Over the performance period of the 2019/21 LTIP award there have been events that have impacted IHG's cash flow that were unquantified or unforeseen when the original targets were set. In line with the adjustments reported in the 2019 and 2020 Annual Reports, the table below shows the reconciliation between reported cash flow and the outcome for the 2019/21 LTIP.

Reconciliation	Cash flow $bn
Reported cash flow from operations	2.06
Net cash from investing activities	(0.57)
Reported outcome per definition	**1.49**
Six Senses acquisition	0.29
Adjusted outcome	**1.78**

Adjustment to net system size growth outcome

The formulaic NSSG LTIP outcome above includes the same adjustment reported for the 2018/20 cycle last year to exclude the removal from IHG brands of rooms associated with the SVC portfolio towards the end of 2020 due to the SVC management agreement termination. The formulaic outcome also includes an adjustment to exclude room removals incremental to our normal level due to the Holiday Inn and Crowne Plaza estate review in 2021. These events were not budgeted for at the time of setting the 2019/21 targets and the Committee, in its judgement, considered it was appropriate to adjust for them on the basis of its view that LTIP participants should not have been disincentivised from making these decisions in the long-term interest of shareholders.

LTIP

As outlined in the Chair's Statement on pages 104 to 108, the Remuneration Committee has exercised its discretion to adjust the formulaic outcome of the 2019/21 LTIP. This cycle will vest on 23 February 2022 and is the first under which Executive Directors are subject to a two-year post-vest holding period. The individual outcomes for this cycle are shown below.

The share price of 4,858p used to calculate the 2019/21 LTIP cycle value shown in the single figure table is the average over the final quarter of 2021.

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	LTIP 2019/21	34,693	20%	6,938	337	-7
Paul Edgecliffe-Johnson	LTIP 2019/21	25,509	20%	5,101	248	-5
Elie Maalouf	LTIP 2019/21	25,802	20%	5,160	251	-5

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

AUDITED

Other outstanding awards

Scheme interests awarded during 2020 and 2021

During 2020 and 2021, awards were granted under the LTIP cycle and made to each Executive Director over shares with a maximum value of 205% of salary in 2020 and a maximum value of 350% in 2021 for the CEO and 275% for all other Executive Directors 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 2020/22 LTIP award is the day after the announcement of our financial year 2022 Preliminary Results in February 2023. These awards will vest to the extent performance targets are met and will then be held in a nominee account for a further two years, transferring to the award-holder in February 2025.

The vesting date for the 2021/23 LTIP award is the day after the announcement of our financial year 2023 Preliminary Results in February 2024. These awards will vest to the extent performance targets are met and will then be held in a nominee account for a further two years, transferring to the award-holder in February 2026.

Although the approved DR Policy permitted award levels of 350% and 275% of salary respectively for the CEO and other Executive Directors for the 2020/22 cycle, the actual awards granted for this cycle were made at the previous maximum award level of 205% for all Executive Directors. Prior to making the awards, the Committee noted the views of some investors in relation to the size of share awards where the share price had fallen substantially relative to the prior year's grant and the potential windfall gains which could occur if and when share prices recovered. The grant price for the 2020/22 cycle was £34.96, representing a reduction of ~29% from the grant price for the 2019/21 cycle awards. The use of lower maximum opportunity levels resulted in fewer shares being awarded to the Executive Directors than would have been the case if awards were granted at the levels permitted under the DR Policy (~41% fewer shares in the case of the CEO and ~25% fewer for the other Executive Directors). The Committee will consider whether it is appropriate to adjust the formulaic outcome at the time of vesting, including taking into account the movement in share price between grant and vesting dates, in the context of any potential windfall gains.

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
2021/23 cycle					
Keith Barr	10 May 2021	59,385	50.88	3,022	11,877
Paul Edgecliffe-Johnson	10 May 2021	34,310	50.88	1,746	6,862
Elie Maalouf	10 May 2021	32,525	50.88	1,655	6,505
2020/22 cycle					
Keith Barr	12 May 2020	49,153	34.96	1,718	9,830
Paul Edgecliffe-Johnson	12 May 2020	36,140	34.96	1,263	7,228
Elie Maalouf	12 May 2020	38,463	34.96	1,345	7,692

Performance measures and consideration of discretion

The performance measures for the 2020/22 cycle are as agreed in the 2020 DR Policy: Relative TSR, Total Gross Revenue (TGR), net system size growth and cash flow for the three years ending 31 December 2022. NSSG is a relative measure and is measured to 30 September rather than 31 December due to the timing of publication of competitor data. Minimum performance is equal to 20% of the maximum award.

As noted in the 2020 Directors' Remuneration Report, TGR was removed from the LTIP measures for the 2021/23 cycle, which covers the three years ending 31 December 2023, and the weightings for relative NSSG and absolute cash flow were both increased, maintaining a similar balance between absolute and relative measures as for the previous cycle. TGR is heavily impacted by the pace and shape of market RevPAR recovery, which is outside of management's control and remained very unpredictable at the time of setting targets.

Relative NSSG for both cycles is subject to the achievement of a ROCE underpin of 20%, below which the Committee has the discretion to reduce the outcome for the measure. The underpin was introduced to ensure IHG's high returns on capital were prioritised in strategic decision-making (e.g. M&A activity) as opposed to simply reflecting trading performance. As noted in last year's report and the Chair's letter to this year's report, the Committee is minded not to reduce the NSSG vesting outcome for the 2020/22 cycle if the underpin is not met by reason only of the impact on earnings of the pandemic.

As noted in the Chair's Statement on pages 104 to 108, the Committee is tracking a shadow cash flow target in respect of the 2020/22 LTIP cycle and has indicated that this shadow target will be highly relevant when considering the vesting of this cycle in early 2023. The shadow target is disclosed on page 124 of this report.

Any use of discretion, including the factors influencing the decision, will be clearly communicated in the Directors' Remuneration Report for the year in which the decision is made.

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Executive 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.

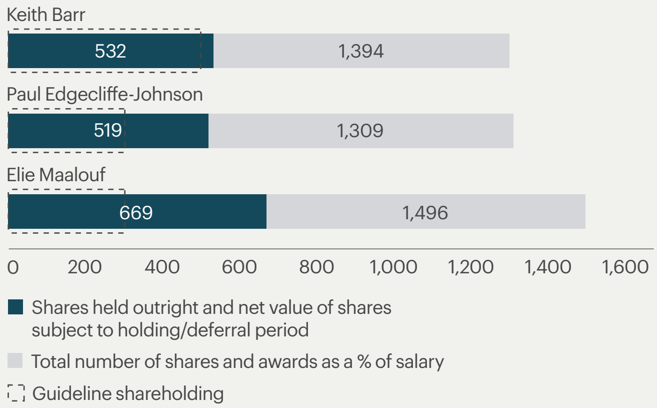
Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 500% of salary for the Chief Executive Officer and 300% for any other Executive Director. Executive Directors are expected to hold all net shares earned until the previous guideline shareholding requirement is achieved (300% for the CEO and 200% for other Executive Directors) and at least 50% of all subsequent net shares earned until the current guideline shareholding is met. 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 unvested shares that are not subject to any further performance conditions.

Percentages are calculated using the 31 December 2021 share price of 4,781p.

The full guideline minimum shareholding requirement continues for six months after cessation of employment and 50% of the requirement continues for an additional six months. As a part of this requirement, since 2019, shares have been granted and all unvested awards held in a nominee account with Executive Directors required to electronically sign an agreement to the terms of the grant, including the post-employment shareholding requirement.

Shares and awards held by Executive Directors at 31 December 2021: % of salary



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.

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 118. There have been no changes in the shareholding interests of any of the Directors since the end of the financial year up to the publication of this report.

Shares and awards held by Executive Directors at 31 December 2021: number of shares

	Number of shares held outright		APP deferred share awards		LTIP share awards (unvested)		Total number of shares and awards held	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Keith Barr	**81,830**	70,279	**26,696**	37,705	**143,231**	119,227	**251,757**	227,211
Paul Edgecliffe-Johnson	**58,723**	53,376	**19,137**	26,751	**95,959**	86,479	**173,819**	166,606
Elie Maalouf	**74,698**	67,428	**19,625**	25,417	**96,790**	88,691	**191,113**	181,536

Other information relating to Directors' remuneration

Consideration of discretion

The Committee's consideration of discretion in respect of 2021 remuneration outcomes is covered in detail on pages 104 to 107.

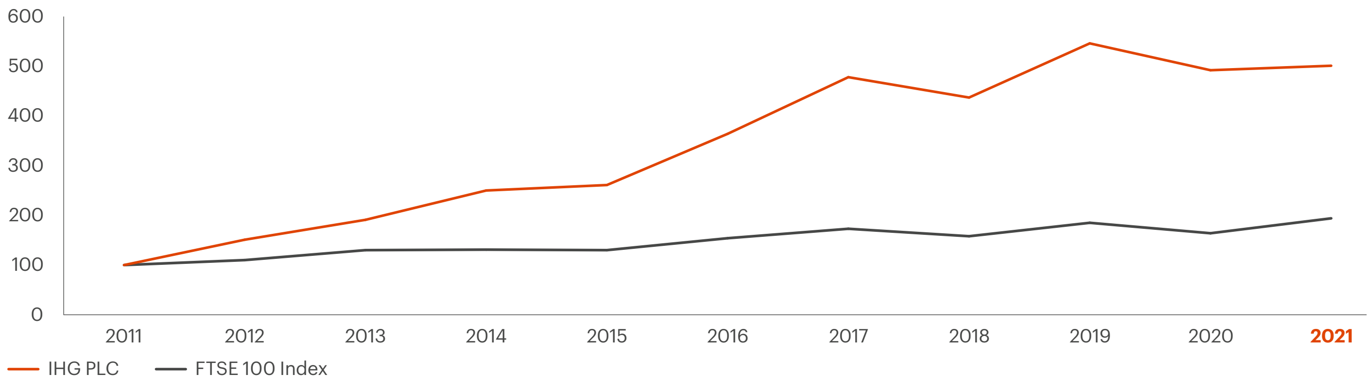
During the year, the Committee also continued to track the forecast vesting outcome for the 2020/22 LTIP cycle. No decisions will be made until the end of the cycle's performance period, however, the Committee's approach for the cash flow target and ROCE underpin for the 2020/22 cycle is described on pages 124 and 125.

Dividends paid to Executive Directors

No dividends were paid out by IHG in 2021.

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 2011 to 31 December 2021, 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 2021.

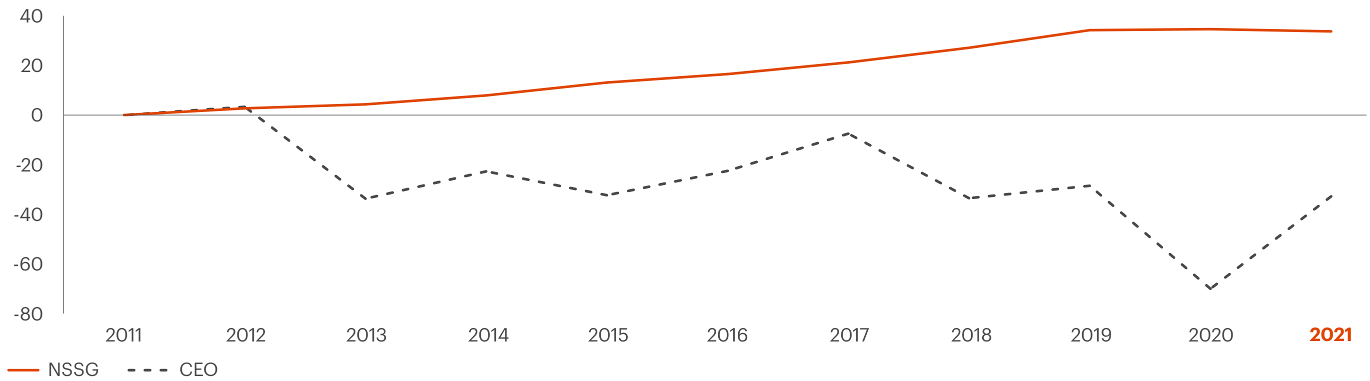
Single figure	CEO	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Single figure of remuneration (£000)	Keith Barr						2,161	3,143[a]	3,376	1,484	**3,176**
	Richard Solomons	4,881	3,131	6,611[b]	3,197	3,662	2,207[c]				
Annual incentive received (% of maximum)	Keith Barr						69.7	84.1	58.7	0	**200.0**
	Richard Solomons	68.0	74.0	74.0	75.0	63.9	66.8				
Shares received under the LTIP (% of maximum)	Keith Barr						46.1	45.4	78.9	30.6	**20.0**
	Richard Solomons	100.0	59.0	56.1	50.0	49.4	46.1				

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.

Growth of company vs growth of CEO pay
As an additional point of reference, the chart below shows CEO single figure table remuneration over the past 10 years as disclosed above, excluding the 2014 one-off cash payment to Richard Solomons in respect of pension entitlements, and the Company's net system size growth, a key metric in our Long Term Incentive Plan, and in our Annual Performance Plan in recent years, and aligned to our ambition. Subject to performance achievements, increased LTIP grant levels made since 2021 under the approved 2020 Directors' Remuneration Policy should in due course contribute towards bridging the gap between the growth in pay of the CEO and the growth of the Company.



CEO pay ratio

As we have noted in previous Annual Reports, pay ratios will differ significantly between companies, even within the same industry, depending on demographics and business models. The Group's UK employee demographic, which primarily consisted of largely professional, management and senior corporate roles, changed in 2019 with the addition of a number of hotel employing entities which include a large proportion of part-time and flexible-working support and service roles. As per last year's report, we show below the ratio both including and excluding the new UK employing entities.

On a like-for-like population basis with our original disclosure in the 2018 Annual Report, the median ratio has increased from 26:1 in 2020 to 42:1 in 2021 but is down on the pre-pandemic years of 2018 and 2019. 2020 was impacted by actions taken on pay as outlined in the 2020 Annual Report and lower variable incentive pay. In 2021, the strong performance in the APP has benefited both the CEO and the wider corporate population. LTIP awards below the Executive Committee in the form of restricted stock and top-up awards below the Board meant that the 2019/21 LTIP award values were lower as a percentage of maximum for the CEO than other eligible employees. On this basis, the Company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole, and as outlined on page 112.

		Full population			Population excluding hotel employing entities		
Year	**Method**	**25th**	**Median**	**75th**	**25th**	**Median**	**75th**
Financial year ended 31 December 2021	**Option C**	**163:1**	**65:1**	**41:1**	**57:1**	**42:1**	**28:1**
Financial year ended 31 December 2020	Option C	89:1	44:1	25:1	35:1	26:1	18:1
Financial year ended 31 December 2019	Option C	180:1	122:1	59:1	71:1	49:1	32:1
Financial year ended 31 December 2018	Option C	–	–	–	72:1	48:1	29:1

The 2018, 2019 and 2020 figures have been restated to reflect the value of the CEO's LTIP awards on the date of actual vesting rather than the estimated vesting levels used in the respective years' Annual Reports.

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 apply for the more senior executives, including Executive Directors, who will have a greater degree of influence over performance outcomes;
- role-specific specialist plans apply in certain areas such as corporate reservations, sales, hotel development and General Managers of IHG managed, owned, leased and managed lease hotels. 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 affect 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. IHG prefer to use this method as 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 using the most available data at the time of producing the Annual Report. Specifically, this involves:

- compiling all monthly payroll data for all UK employees from 1 January to 31 December 2021 detailing complete variable and fixed remuneration, including pension and taxable benefits such as company car or allowance and healthcare; and
- valuing APP for the corporate workforce based on actual 2021 company performance metrics and budgeted target personal performance so that it reflects the same input as for the CEO data.

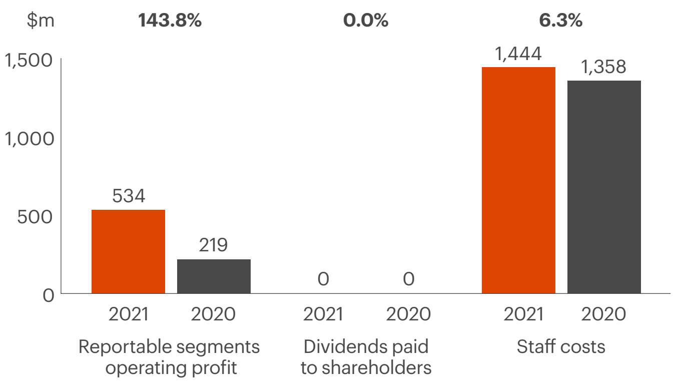
Option C requires three UK employees to be identified as the equivalent of the 25th, 50th and 75th percentile. Having identified these employees, the 2021 remuneration is calculated on the same basis as the CEO single total figure of remuneration.

The 2021 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 ended 31 December 2021 – Full population	Salary £	18,285	44,281	59,597
	Total remuneration £	19,540	49,020	77,832
Financial year ended 31 December 2021 – Excluding hotel employing entities	Salary £	44,027	61,125	81,239
	Total remuneration £	55,732	75,055	115,377

Relative importance of spend on pay

The chart below sets out the actual expenditure of the Group in 2021 and 2020, showing the differences between those years. Further information, including where 2020 figures have been restated, can be found in the Group Financial Statements starting on page 128 and the accompanying notes.



Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

Annual percentage change in remuneration of Directors compared to employees

The table below shows the percentage change in all Directors' remuneration compared to that of an average employee between the financial years ended 31 December 2019 to 31 December 2021.

The remuneration figures for the Directors were taken from the data used to compile the single figure tables of remuneration shown on pages 115 and 123 excluding any rounding up or down. No employees are directly employed by the Group's Parent Company, so the average employee data for this year's report is based on the same UK corporate employee population as that on which the CEO pay ratio is calculated. Salaries were reduced for part of the year in 2020, accounting for the year-on-year variations for both 2020 vs 2019 and 2021 vs 2020. Elie Maalouf's salary is paid in USD but reported in the single figure table in GBP and, as such, his year-on-year change is also impacted by changes in exchange rates between years.

No bonus was paid to Executive Directors or other corporate employees for 2020, which is reflected in the bonus percentage changes for both 2019-20 and 2020-21. Non-Executive Directors are not eligible for a bonus.

Taxable benefits for Non-Executive Directors are largely constituted of travel expenses, which were significantly impacted by travel restrictions during 2020 and 2021, whereas Executive Director and average employee taxable benefits typically comprise elements of their reward package such as company car or allowance and healthcare benefits.

	Year-on-year change 2021 vs 2020			Year-on-year change 2020 vs 2019		
	Salary	**Bonus**	**Taxable benefit**	Salary	Bonus	Taxable benefit
Executive Directors						
Keith Barr	**20%**	**100%**	**-9%**	-14%	-100%	25%
Paul Edgecliffe-Johnson	**20%**	**100%**	**-8%**	-13%	-100%	-14%
Elie Maalouf	**14%**	**100%**	**79%**	-15%	-100%	-10%
Non-Executive Directors						
Patrick Cescau	**18%**	**N/A**	**-80%**	-13%	N/A	-53%
Graham Allan	**–**	**N/A**	**–**	–	N/A	–
Daniela Barone Soares	**–**	**N/A**	**–**	–	–	–
Arthur de Haast	**18%**	**N/A**	**-1%**	–	N/A	–
Ian Dyson	**18%**	**N/A**	**-100%**	-13%	N/A	-90%
Duriya Farooqui	**–**	**N/A**	**–**	–	N/A	–
Jo Harlow	**18%**	**N/A**	**100%**	-13%	N/A	-94%
Jill McDonald	**18%**	**N/A**	**-1%**	-13%	N/A	-87%
Sharon Rothstein	**–**	**N/A**	**–**	–	N/A	–
Average employee	**3%**	**100%**	**-11%**	-6%	-100%	-9%

No data has been reported for Graham Allan, Duriya Farooqui and Sharon Rothstein as they joined the Board in 2020 therefore only part-year data is available which does not enable a comparison with 2021. Similarly, Daniela Barone Soares joined the Board during 2021 so there will be no full year data comparisons for her in 2021 and 2022.

As stated in the notes to the single figure table on page 115, under HM Revenue and Custom rules, the 2021 taxable benefits figure for the non-UK based Executive Director, Elie Maalouf, includes some travel and food expenses that were not previously reported, accounting for the year-on-year change figure for taxable benefits in 2021 vs 2020. Ian Dyson did not incur any expenses in 2021 but incurred expenses of £229.55 in 2020 relating to attending the February 2020 Board meeting, hence the percentage change for 2021 vs 2020 is -100%. Jo Harlow incurred expenses of £128.65 in 2020, also relating to the February 2020 Board meeting, and £257.21 in 2021 relating to the December 2021 Board dinner, hence the percentage change for 2021 vs 2020 is 100%. These expenses for Ian and Jo are below £500 so round down to £nil for the respective years in the single figure table on page 123.

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Payments for loss of office

There were no payments for loss of office in 2021.

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 Director on 31 December 2003, had an ongoing healthcare benefit of £1,408.90 during the year.

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Single total figure of remuneration: Non-Executive Directors

Non-Executive Director	Committee appointments	Date of original appointment	Fees £000 2021	Fees £000 2020	Taxable benefits £000 2021	Taxable benefits £000 2020	Total £000 2021	Total £000 2020
Patrick Cescau	N	01/01/13	444	377	1	7	445	384
Graham Allan	A R	01/09/20	78	24	0	0	78	24
Richard Anderson	A R	01/03/21	20	–	0	–	20	–
Daniela Barone Soares	R RB	01/03/21	65	–	0	–	65	–
Anne Busquet	A RB	01/03/15	28	66	1	1	29	67
Arthur de Haast	R RB	01/01/20	78	66	0	0	78	66
Ian Dyson	A N R	01/09/13	104	88	0	0	104	88
Duriya Farooqui	A RB	07/12/20	78	5	0	0	78	5
Jo Harlow	N R	01/09/14	104	88	0	0	104	88
Jill McDonald	A RB N	01/06/13	92	78	0	0	92	78
Dale Morrison	A N R	01/06/11	112	95	1	2	113	97
Sharon Rothstein	A RB	01/06/20	78	38	0	0	78	38

See page 81 for Board and Committee membership key and attendance.

Fees: Fees are paid in line with the DR Policy. Anne Busquet stepped down from the Board on 7 May 2021, Richard Anderson stepped down on 26 May 2021 and Dale Morrison stepped down on 31 December 2021 so all fees and taxable benefits for these Directors ceased on those dates.

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 Custom rules, non-UK based Non-Executive Directors are not subject to tax on travel expenses for the first five years; this is reflected in the taxable benefits for Anne Busquet, Duriya Farooqui, Dale Morrison and Sharon Rothstein. Due to global restrictions on travel during 2020 and 2021 as a result of the pandemic, only the February 2020 Board meeting was held in person so taxable travel and accommodation expenses are lower again this year.

Other: Non-Executive Directors are not eligible for any incentive awards or for any pension contributions or benefit.

Shares held by Non-Executive Directors at 31 December 2021:

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

Non-Executive Director	2021	2020
Patrick Cescau	11,135	11,135
Daniela Barone Soares	316	–
Ian Dyson	1,500	1,500
Arthur de Haast	1,000	1,000
Jo Harlow[a]	950	950

[a] Shares held in the form of American Depositary Receipts.

There have been no changes in the shareholding interests of any of the Directors since the end of the financial year up to the publication of this report.

Fees: Non-Executive Directors

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy; 2022 increases are in line with the budget for the wider UK and US corporate workforce and an increase was waived in 2021. Graham Allan was appointed as Senior Non-Executive Director from 1 January 2022. The fee levels for 2022 will be as follows:

Non-Executive Director	Role	2022 £000	2021 £000
Patrick Cescau	Chair of the Board	461	444
Graham Allan	Senior Independent Director	116	78
Daniela Barone Soares	Non-Executive Director	81	78
Arthur de Haast	Non-Executive Director	81	78
Ian Dyson	Chair of Audit Committee	108	104
Duriya Farooqui	Non-Executive Director	81	78
Jo Harlow	Chair of Remuneration Committee	108	104
Jill McDonald	Chair of Responsible Business Committee	95	92
Sharon Rothstein	Non-Executive Director	81	78

Directors' Remuneration Report continued
Annual Report on Directors' Remuneration continued

Implementation of Directors' Remuneration Policy in 2022
This section explains how the DR Policy will be applied in 2022.

Salary: Executive Directors
Directors' salaries are agreed annually in line with the DR Policy.

The following salaries will apply from 1 April 2022.

Executive Director	Increase %	2022 £	2022 $	2021 £	2021 $
Keith Barr	4	**897,900**		863,300	
Paul Edgecliffe-Johnson	4	**660,200**		634,800	
Elie Maalouf[a]	4		**870,100**		836,600

[a] Elie Maalouf is paid in USD and his annual base salary for 2020 and 2021 is shown in USD. The sterling equivalent values calculated using an exchange rate of $1 = £0.78 in 2021 and $1 = £0.73 in 2022 are: 2021 – £652,548 and 2022 – £635,173.

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

2020/22 LTIP cycle cash flow target
As explained on page 118, the Committee has determined that the shadow cash flow target it set as a point of reference in October 2020 will be highly relevant when considering the vesting of this cycle in early 2023. Following consultation with shareholders, the shadow target is disclosed below.

Measure	Definition	Weighting	Original performance objective	Shadow performance objective
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.	Threshold – US 0.82bn (20% of cash flow element vests); Maximum – US 1.09bn (100% of cash flow element vests); and Vesting will be on a straight-line basis in between the two points above.

Measures for 2022 APP
The 2022 APP structure is in line with the approved DR Policy and will be based on a 70% weighting for a measure of operating profit from reportable segments and a 30% weighting for 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. The Committee has determined that for 2022, it remains important to the Company's strategic objectives to focus on new room openings and new room signings in the APP. New room openings are critical to driving both short- and long-term profitable growth and are a recognised key performance measure across the industry, while new room signings provide the best gauge of future growth as they create the path for openings in future years, which will in turn drive profit and revenue growth. The two strategic measures will be equally weighted, with each worth 15% of the overall APP. The targets are commercially sensitive and will be disclosed in the 2022 Annual Report.

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
Room signings	Absolute number of new room signings	15	Achievement against target
Room openings	Absolute number of new room openings	15	Achievement against target

As part of the APP structure, the Committee considers whether to apply discretion to adjust outcomes on the strategic measures following a review of performance against IHG's Global Metrics. These are based on a range of KPIs including several ESG measures such as energy reduction, employee engagement and guest satisfaction. As per the 2021 plan, 2022 performance against the Global Metrics, together with data on relative performance against peers, will be tracked and used by the Committee as reference points in considering whether to use discretion to adjust the formulaic outcome of the strategic measures.

2022/24 LTIP cycle performance measures and targets
For 2022/24, we propose to retain the same measures and weightings as the 2021/23 cycle, again excluding Total Gross Revenue (TGR). TGR is driven mainly by RevPAR and NSSG but also includes other forms of revenue, such as food and beverage and spas. Setting a TGR target remains challenging in the context of limited visibility over the short-to-medium term, given factors including:

- the potential volatility caused by future new variants of Covid-19;
- the performance volatility resulting in countries following a zero Covid-19 strategy;
- unpredictability around the trajectory of international travel recovery; and
- while leisure travel demand is strong, continuing uncertainty around the shape of international business travel re-emergence.

The measures for the 2022/24 LTIP cycle are as follows:

Measure	Definition	Weighting (%)	Performance objective
Relative Total Shareholder Return (TSR)	IHG's performance against a comparator group of global hotel companies: Accor S.A., Choice Hotels International Inc., Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Marriott International Inc., Melia Hotels International S.A., NH Hotels Group, and Wyndham Hotels & Resorts Inc. 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.	40	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.	30	Threshold – US 1.58bn (20% of cash flow element vests); Maximum – US 2.11bn (100% of cash flow element vests); and Vesting will be on a straight-line basis in between the two points above.

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 2022/24 LTIP cycle, the underpin will remain at the 20% level set for the previous two cycles. Under normal circumstances, the Committee considers this an appropriate level 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. However, it should be noted that, as outlined on page 107, the Committee is minded not to reduce the NSSG outcome if the ROCE underpin is not met for the 2020/22 cycle solely due to the impact on earnings of the pandemic. Performance and vesting outcomes and any use of discretion will be fully disclosed and explained in the relevant Directors' Remuneration Report.

Statement of compliance

Our statement of compliance summarises how the Group has applied the principles 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) and comments on compliance with the Code's provisions.

This should be read in conjunction with the Strategic Report on pages 2 to 77, and Governance, including the Directors' Remuneration Report, on pages 80 to 125, as a whole.

The Board considers that the Group has complied in all material respects with the Code's provisions for the year ended 31 December 2021, save as noted below in respect of provision 38.

1. Board Leadership and Company Purpose

A. The role of the Board

The Board continues to lead the Group's strategic direction and long-term objectives. Further responsibilities of the Board are set out on page 88.

The Board met eight times during 2021 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 2021 Board meetings, including information on matters discussed and decisions taken by the Board are set out on pages 89 to 91, attendance information is on page 81, skills and experience and biographical information is on pages 82 to 84.

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 40 to 47.

Potential conflicts of interest are reviewed annually and powers of authorisation are exercised in accordance with the Companies 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 Good. A description of how IHG does business, including an overview of our culture and values, is included on pages 36 to 38. Culture and people were particularly prominent on the Board's agenda as the Group recovered from the pandemic. A summary of the Board's activities in relation to the Voice of the Employee is included on page 101. An outline of the Group's approach to rewarding its workforce is contained on pages 24 to 25, 108 and 112.

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, is included on pages 50 to 53.

A summary of the procedures for identifying and discussing emerging risks is set out on page 40.

D. Shareholders and stakeholders

The Board engaged actively throughout 2021 with shareholders and other stakeholders. The Chair held a number of meetings with major institutional shareholders to discuss the role of the Board and other general governance issues, following which the Chair ensured that their views were communicated to the Board as a whole. Further details are on page 92.

Information on the Board's consideration of and engagement with other stakeholders, including employees, suppliers, hotel owners and guests, is included on pages 20 to 28, 39, 90 and 91, 101, 107, 108, 112 and 114.

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 nine years and was independent on appointment. Provision 19 of the Code states that a chair should not remain in post beyond nine years from the date of their first appointment to the Board but this period can be extended for a limited time to facilitate effective succession planning.

In January 2022, the Company announced that Patrick will retire from the Board effective 31 August 2022, to be succeeded by Deanna Oppenheimer. The duration of Patrick's tenure beyond nine years is considered appropriate to facilitate an orderly transition to Deanna.

G. Board composition

The size and composition of the Board and its Committees are kept under review by the Nomination Committee to ensure the appropriate combination of Executive and Non-Executive Directors. Details of the composition of the Board and Committees are available on pages 81 to 84.

At least half of the Board, excluding the Chair, are Independent Non-Executive Directors. Provision 10 of the Code considers the independence of Non-Executive Directors and circumstances that might impair their independence, including holding office for over nine years and cross-directorships. Dale Morrison served on the Board for over 10 years and was the Senior Independent Director until his retirement on 31 December 2021. In this role, he acted as the lead on the recruitment of a new Chair. The appointment of a new Chair was a key priority during 2021, accordingly the Board judged it appropriate for Dale to remain as a Director while the process continued. In light of his extended tenure, the Board carefully considered Dale's commitments and contribution and concluded that he had remained an Independent Non-Executive Director during his tenure.

Daniela Barone Soares was appointed to the Board from 1 March 2021 and at that time both she and Jo Harlow were Independent Non-Executive Directors of Halma plc. As Daniela did not stand for re-election as a Director of Halma plc and retired from its Board on 22 July 2021, the Board did not consider either of their independence as Non-Executive Directors of the Company to be impaired.

Regarding the Chair succession referred to above, while Patrick Cescau was not part of the Search Committee that led the search process, it was noted that Patrick and Deanna Oppenheimer held a cross-directorship at Tesco PLC from March 2012 to April 2015. As the cross-directorship was over six years prior to Deanna's appointment to the Board, the Board did not consider either of their independence as Non-Executive Directors of the Company to be impaired.

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 82 to 84. Details of Non-Executive Director appointment terms are set out on page 113.

The Chair annually reviews the time each Non-Executive Director dedicates to IHG as part of the internal performance evaluation of Directors (see page 94) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

Dale Morrison was Senior Independent Non-Executive Director (SID) from 31 May 2014 to 31 December 2021 and was succeeded by Graham Allan from 1 January 2022. The SID provides a sounding board for the Chair and serves as an intermediary for the other Directors and shareholders. Graham also led the annual performance review of the Chair (see page 94).

After each Board meeting, Non-Executive Directors and the Chair meet without Executive Directors being present (see page 88).

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 88 for more details.

3. Composition, Succession 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). 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 2021 are in the Nomination Committee Report on pages 102 to 103. 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 82 to 84.

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 93).

The length of service of Non-Executive Directors is reviewed regularly, details of the review in 2021 are included on page 103.

L. Annual evaluation
The Board undertakes either an internal or external annual Board effectiveness evaluation. The last external evaluation was carried out in 2019, so in 2021 an internal Board evaluation was conducted. A summary of the evaluation is set out on page 94.

Performance evaluations of Directors, including the Chair, are also carried out on an annual basis. Directors' biographies are set out on pages 82 to 84 and details of performance evaluations carried out in 2021 are on page 94.

4. Audit, Risk and Internal Control

M. Audit functions
The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 81 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 95 to 99.

The Audit Committee reviewed the effectiveness of the Group's internal audit function and also assessed PricewaterhouseCoopers LLP's performance during 2021, including its independence, effectiveness and objectivity. Details of these reviews are set out in the Audit Committee Report on pages 95 to 99.

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, performance, business model and strategy) is set out on page 130.

The status of IHG as a going concern is set out in the Directors' Report on page 230. 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 77.

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. An 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 40 to 47 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 40 to 47, and 95 to 99.

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 104 to 125. Details of the Remuneration Committee's focus areas during 2021 are set out on page 113 and its membership details are on page 81.

Provision 38 of the Code states that pension contribution rates for executive Directors should be aligned with those available to the workforce. As explained in the Annual Report and 20-F 2019, this is already the case for new UK appointments and will be the case for existing UK Executive Directors from January 2023. US retirement benefit arrangements differ in a number of ways from the UK and include a Deferred Compensation Plan for senior employees. Given the importance of the CEO, Americas' role to the business and the market competitiveness concerns over Executive Director pay, the arrangements as they relate to the CEO, Americas are to be maintained. Further details can be found on page 108.

Q. Procedure for developing policy on executive remuneration
Details of how the Directors' Remuneration Policy (DR Policy) was implemented in 2021 and the implementation of the DR Policy in 2022, are set out on pages 115 to 125.

During 2021, no individual Director was involved in deciding his or her own remuneration outcome.

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 DR Policy, which is set out on pages 110 to 117 of the Company's Annual Report and Form 20-F 2019. 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. Information on the Remuneration Committee's consideration of the use of discretion during 2021 is set out on pages 104 to 108.