

Our risk management

The Board's role in risk management – focused on IHG's resilience

The Board is ultimately accountable for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed, and is supported by the Audit Committee, Executive Committee and delegated committees. Our governance framework and Committee agendas establish procedures for Board members to receive

information on risk from the Executive Committee and Senior Leaders and a range of other internal and external sources.

Our Board and management, supported by the Risk and Assurance team, continue to focus on the levels of risk in the business (either individually or in total), including the appropriate balancing of opportunities for strategic advantage or efficiency with the

need to build in resilience in the short and longer term. Delivering at pace across our strategic pillars places demands on our capabilities and capacities and the complexities of the hospitality industry require us to consider emerging trends (see pages 14 and 15) across a wide range of subjects given the often long lead times to effect change with our estate of hotels.

Attitudes to risk within key decisions

We have assessed risks and considered risk appetite across our strategic choices and, while we are not exposed to greater risk overall across the strategy, we continue to monitor risks to executing against our plan and inherent risks from the trade-offs we have made. There are also several emerging risks which are likely to be dynamic throughout the delivery of our strategy, including consumer demand shifts; digital disruption; people and workforce changes; environmental, social and governance (ESG) expectations; and a complex geopolitical and regulatory environment. We describe the Board's approach to risk appetite on page 37 and our attitude is often less about downside risk mitigation and more about positioning ourselves to respond to uncertainty in an agile way.

Board and Committee discussions during 2021 have allowed for consideration of emerging and evolving risks across a wide range of topics and timeframes, including:

- competitor and macroeconomic risk factors within the Board's discussion of strategy and presentations from management (e.g. brand and loyalty strategies, commercial and technology developments, industry cybersecurity risks, supply chain and procurement strategies, long-term financial strategy, regulatory developments and the imperative to drive owner returns);
- workforce-related risks at the Remuneration and Nomination Committees, including preparation for the integration of an ESG element into targets for future longer-term incentive cycle, retention and succession arrangements; and risks relating to the competitiveness of remuneration;

- regulatory and financial governance risks at the Audit Committee (e.g. tax risks relating to digital businesses, treasury and liquidity risks linked to volatility and sentiment in the capital markets, corporate governance reform, potential risks from litigation and financial control risks in a cost-constrained environment);
- wider cultural risks at the Responsible Business Committee, including employee wellbeing and the impact of flexible working arrangements; gender and ethnicity reporting; community impact; sustainability; human rights; and evolving supply chain risks; and
- risks relating to the impact of climate change on IHG have continued to receive close attention in Board and Responsible Business Committees, including our commitments to the TCFD recommendations and an external briefing on COP26 focus areas.

Procedures for identifying, discussing and escalating emerging risks

We recognise that we are targeting industry-leading growth with an already dynamic risk profile; with competitive challenges in key markets; and with some areas of IHG challenged by emerging risks as we have evolved to the new operating norms resulting from Covid-19. Some of these emerging risk areas – including

constraints on owner finances or availability of talent – may not be quick to overcome.

The management team is aware of the challenges this context creates and our strategic priorities are reviewed regularly at Executive Committee meetings, considering emerging risks through open roundtable discussion within the agenda, and certain emerging themes are considered through deep

dives with a smaller audience. Our financial planning also includes identifying levers which could be pulled to enable flexibility and adaptability to changes to our financial assumptions and circumstances and overall viability and sustainability. More detail on the topics covered by the Board and Committees is available in the Governance Report, pages 80 to 127.

Ongoing escalation of emerging risks, defined as:

- New risks, or existing risks in a new context, when the nature and value of the impact is not yet fully known or understood
- Factors with an increasing impact and probability over a longer time horizon (i.e. beyond five years)

Risks identified within first-line decisions

Management teams have day-to-day responsibility for identifying and managing risk within key decisions, programmes and transactions and escalating where appropriate.

Risks identified and monitored by second-line management functions

Specialist functions provide expertise, support, monitoring and challenge to decision makers on risk-related matters.

Risks considered at Executive Committee

Ongoing dynamic review of risks as part of decision-making and strategy setting, including consideration of longer-term trends which could impact future growth, competitiveness or reputation.

Oversight by Board and Committees

The Board is responsible for carrying out a robust assessment of the Company's emerging risks and oversees the culture across the Group through which employees are encouraged to learn and work at pace, focus on solutions and take the right risks to get ahead of the market.

The Board and Committees receive presentations from management teams, second-line functions, Risk and Assurance and external parties throughout the year.

Supported by the Risk and Assurance team

The Risk and Assurance team works with Group Strategy and other first- and second-line teams to maintain and evolve their risk profiles, provide intelligence, track early warning indicators and any potential changes to risk tolerance and appetite. They update the Board on any changes to the principal risks but also explore opportunities to consider risk continuously throughout the year and to influence and inform key decisions.

The third-line Internal Audit team works throughout the year with the Audit Committee to consider where additional confidence may be needed in relation to strategic programme and operational delivery, including the escalation of emerging risks by management, the resilience of key processes and controls (including third-party relationships and technology innovation) and the integrity and governance of data. The team also monitor the confidential disclosure channel to identify any emerging trends requiring management and/or Board intervention.

Continued evolution of our risk management, internal control and assurance arrangements

The Board have received regular updates on the ongoing evolution of our risk management and internal control system. These arrangements are designed and operated to support our resilience and our ability to take advantage of upside opportunities and remain fully integrated with the way we run the business, including:

- how the Executive Committee has reinforced key principles of **culture and leadership** (see pages 24 to 26), including our Delegation of Authority policy; sessions with all colleagues to reinforce strategy and leadership behaviours; refreshing several corporate policies to ensure they remain appropriate (including Code of Conduct and Information Security); reviewing decision-making protocols (for example to further enhance governance over System Fund expenditure and Commercial and Technology delivery); and considering risk appetite and strategic programme delivery risk within the Board Strategy meetings;
- how we have adapted key **processes and controls** as we recover from pandemic disruptions and adapt to remote working such as regular reviews of risk profiles; a review of incident and crisis management


procedures; and cross-function collaboration on key risks (including third-party due diligence, personal data, fraud prevention, responsible business); and

- how we have adapted **monitoring and reporting** of risks following necessary adjustments during the pandemic, including the formation in 2021 of new governance committees for key risk topics, specific external benchmarking such as anti-bribery and corruption, privacy and TCFD modelling, and the development of medium-term strategic metrics to monitor strategic execution, which are anchored competitively where possible.

The Risk and Assurance team have reported to the Audit Committee on developments in executive and senior leadership oversight of risk management and also those of key functions within IHG (information security, procurement, ethics and compliance, privacy), including trade-offs and choices made to maintain an appropriate balance across the portfolio of risks and active consideration of acceptable risk tolerances. This is contributing to an ongoing evaluation of the sources of assurance available to the Board, complemented by the independent internal audit plan. This has included focus on assurance on data integrity in relation to key non-financial metrics which will continue in 2022.

IHG's resilience remains an ongoing, cross-functional, focus to identify opportunities to improve efficiency, effectiveness and confidence. We are applying resilience principles as we embed preparedness for climate change into existing processes following the TCFD project. This includes translating the key climate-related scenarios into assumptions that can be embedded in our long-range planning; considering climate sentiment indicators relating to guests, owners and investors and other strategic initiatives over time; and considering scenarios as an integrated part of future Board Strategy sessions and horizon-scanning discussions.

We describe the Board's approach to risk appetite on page 37 and more detail on formal risk appetite and tolerance is provided elsewhere in this report. For example, our appetite for financial risk is described in note 24 to the Group Financial Statements (see pages 188 to 192), and our approach to taxation on page 57.

 This section should be read together with the rest of the Strategic Report, Governance on pages 80 to 127, the going concern statement on page 230, and Risk Factors on pages 231 to 236.

Practical risk management lessons learned from our Covid-19 response

Reflecting on the challenges we have faced during our response to the pandemic, we have held 'lessons learned' discussions across the business around a range of topics including process, decision-making, communication and future proofing, among others. Our goal is to ensure we grow from our experience to date, reinforce and continue good practices which were already in place and that we implement continuous improvements to our ways of working going forward.

Our practices in place that worked well

We identified successful practices adopted by many IHG teams in our pandemic response to capture and reinforce for the future including:

- global alignment on terminology and response procedures, highlighting key accountabilities and escalation protocols;
- protocols to engage diverse expertise and best practice across our functions and regions, using a global 'hub and spoke' model. This ensured we remained agile and adaptable in the fast-changing and uncertain global environment; and
- living our values, behaviours and priorities, empowering teams to be solutions-focused and move at pace to support hotels and owners as well as care for our employees and guests.

Opportunities identified for future resilience planning

While recognising what worked well, we also identified opportunities to evolve and strengthen our crisis management and business continuity programme launched prior to the pandemic, including:

- where possible, automation of processes that allow for real time data to be easily captured, tracked, and monitored; and
- enhanced structures for streamlining efficiency in our communication processes up and downstream in the business.

Implementing opportunities in practice

Each key opportunity identified in our lessons learned review was assigned a dedicated working group to identify practical and achievable solutions for implementation in 2022 and beyond.

These new ways of working will be embedded into our common practices and culture, ensuring greater resilience and readiness for future incidents or crises across a wide range of potential individual and connected risk topics.

Our risk management continued

IHG's principal risks and uncertainties

The Covid-19 crisis did not fundamentally change the principal risks to our business and strategy; however it heightened the uncertainty we faced in the short term and also created the potential for longer-term impacts based on trade-offs that were required to protect liquidity in 2020.

Covid-19 was therefore not managed as a separate risk, rather as part of how we evaluated many of our existing principal risks, and this approach continued into 2021, as specific factors relating to the safety and security of our colleagues and guests or constraints on domestic and international travel eased, but other uncertainties – for example relating to hotel-level talent and supply chains – may have a more rapid impact in an uncertain and low visibility environment.

While our principal risk grid is deliberately broad in scope and includes factors which may become increasingly important over time, the complexities involved in the execution of our initiatives mean there

is merit in more proactive consideration of emerging scenarios across multiple risk topics. These can act as lenses for us to look at the nature or potential speed of impact of many of our identified risks (as we have experienced with Covid-19) and to provide increased articulation to the Board of potential sensitivities to, and stress-testing of, strategy execution.

All the risks on the grid below meet the definition of 'principal', however we have reviewed the trends carefully to more accurately reflect the current behaviour of risks relative to each other and the portfolio overall. This includes close consideration of risks with a more gradual, longer-term impact beyond the period considered for financial planning, including the potential impacts of climate change which have been evaluated in our TCFD project (see pages 32 to 35) and also integrated into other risks on the grid.

The Board and Executive Committee have not noted any major movements on the grid compared to last year. In relative terms,

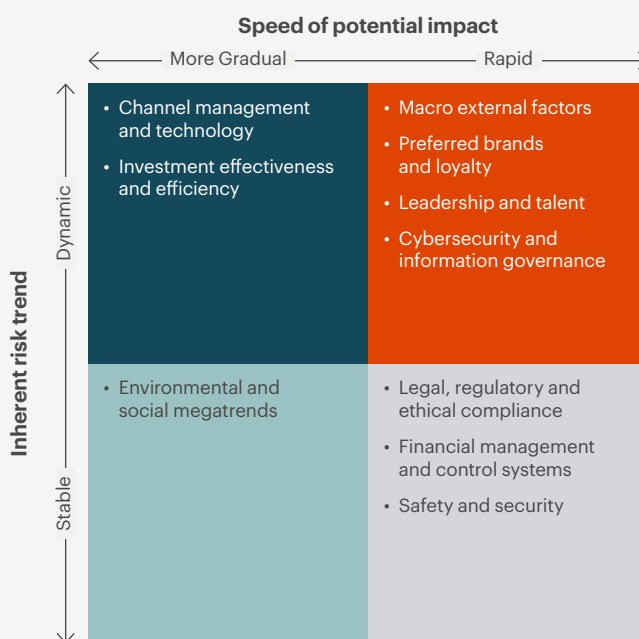
some risks remain dynamic as we move into 2022 while others are more stable on 2021 levels. We will continue to monitor potential shifts in 2022 as a result of the external environment, our business model or a complex and highly interdependent portfolio of internal initiatives.

By distributing the risks across the grid in this way, it allows us to consider the different responses which may be required to individual factors (for example, rapid factors which may require continuity planning), or the overall level of risk we are facing and what it means for governance of the whole portfolio and future resilience. The principal risks are considered in the development of specific viability scenarios (see pages 48 and 49). Our actions resulting from our TCFD project will also be used as a model for other scenarios which can be integrated into ongoing management monitoring and dynamic financial planning, and which can also feed into the modelling and stress-testing of strategic resilience recommended by the UK Government report on corporate governance reform.

Risk trend and speed of impact

We assess whether the risk area is stable or dynamic in its impact and/or likelihood (inherent risk trend), and the rate at which there could be a material impact on IHG. The trend and speed of impact are summarised in the diagram with further detail on activities to manage each of these risks in the following pages.

Principal risk – assessment of trend and speed of impact









Principal risks descriptions

Inherent risk trend



- Dynamic/Rapid
- Dynamic/Gradual
- Stable/Rapid
- Stable/Gradual



Risk impact – link to our strategic priorities

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



Risk & trend	Macro external factors	Preferred brands and loyalty
Description	<p>Macro external factors such as political and economic disruption, the emerging risk of infectious diseases, actual or threatened acts of terrorism or war, natural or man-made disasters, and inflationary pressures could have an impact on our ability to perform and grow, including disrupting hotel supply chains and increasing costs for our owners.</p>	<p>Failure to deliver preferred brands and loyalty could impact our competitive positioning, our growth ambitions and our reputation with guests and owners.</p> <p>Competition from other hotel brands and third-party intermediaries create inherent risks and opportunities to the longer-term value and attractiveness of IHG's franchised and managed proposition for our brands.</p>
Link to strategy		
Trends observed in 2021	<p>Secondary impacts and continuing uncertainty in relation to the recovery trajectory from the pandemic will continue to exacerbate these factors across several markets. Inflationary forces on labour and energy could create significant pressures to hotel and owner financial positions and IHG operating costs.</p> <p>In addition to epidemics and pandemics, the risk of natural disasters and extreme weather events may pose an increasing threat to IHG operations in the future. Local and international political tensions also continue to create uncertainty for operations in key markets.</p>	<p>In an uncertain demand environment, and with constraints on labour, supply chain and investment capacity in many markets, our hotels and owners continue to face dynamic risks to delivery of guest expectations of experience.</p> <p>Covid-19 increased short-term pressures on availability of financing for development, and there may also be slowing of the pace of construction and openings due to labour and supply chain constraints and wider inflationary pressures.</p>
Initiatives to respond	<p>IHG's resilience remains an ongoing, cross-functional, focus. The launch of a refreshed incident and crisis management programme and engagement of key leadership teams in scenario training prior to the pandemic has proved very valuable in establishing a common language and headline roles and responsibilities. We have continued to monitor intelligence from a range of external and internal sources (e.g. government health and travel advice), to evolve guidance for the safe operation of hotel and corporate offices.</p> <p>Leadership teams across IHG have also reviewed lessons learned from the pandemic and how they can be applied to future crises. As an example the EMEAA leadership team regularly review global, regional, and business unit risks, working with Business Reputation and Responsibility experts to train teams on resilience, continuity, and crisis planning. Crisis management teams have refreshed business continuity arrangements for the reopening of corporate offices (e.g. business service centres, reservation offices and corporate locations) and continued to monitor continuity approaches for key supplier relationships.</p> <p>We maintain a range of intelligence sources to horizon-scan for emerging threats, provide insight to leadership on incidents that impact operations, and analyse future scenarios to inform the business planning cycle, including at the Board and Executive Committee level.</p> <p>Our initiatives to focus on owner returns are described within the 'Preferred brands and loyalty' and 'Investment effectiveness and efficiency' risks and within our priority to be customer centric in all we do (see pages 19 to 21).</p>	<p>In recent years, we have focused on strengthening our brands, addressing quality, building our masterbrand and enhancing our data and technology capabilities. These investments have been essential to our multi-year journey towards customer centricity and have helped establish a strong foundation from which to build customer loyalty (see pages 19 to 21). We have added the capabilities to launch and manage new brands, including standardised design, mandated specifications, new procurement capabilities, continuous product innovation, and strengthened franchise licences.</p> <p>It will be critical to use our loyalty programme to drive business to our hotels and take share from our competitors. We are also investing in individual hotel-level marketing to drive revenue performance of new brand hotel openings and implementing actions to enhance returns for our owners by decreasing costs to build and operate hotels, for example by evolving our brand standards. We are coordinating the operational impact on hotels in the near term as ongoing disruptions mean there will be constraints on our ability to train hotel colleagues. Our regional teams also use data to prioritise attention and resources to drive performance.</p> <p>We track hotel-level data in relation to the sustainability of our brands in order to respond to an increasing trend of requests from corporate clients for this information. Several IHG teams have also progressed an agreed set of bathroom bulk product offerings for all our brands in all our regions, not only to build on our sustainability credentials but to improve guest experience through the products that will become available in our hotels.</p>



Our risk management continued

Risk & trend	Leadership and talent	Cybersecurity and information governance
Description	<p>Failure to attract, develop and retain leadership and talent could impact our ability to achieve growth ambitions and execute effectively.</p> <p>Risks relating to people underpin the majority of processes and controls across IHG, and our ability to develop talent is critical to delivering value to our brands and hotels in the global markets where we operate and compete. See pages 24 to 26 for further detail on the importance of our people to our purpose and strategic goals.</p>	<p>Inherent threats to cybersecurity and information governance remain significant and we are responsible for a range of high-value assets (critical systems and employee, guest and other sensitive data) which may be targeted by various 'threat actors' (including organised criminals, third-parties and colleagues).</p> <p>Our plans to transform how we use our commercial and marketing data to improve the customer experience, grow market share and revenue, and empower our owners to make better decisions also present inherent risks to how we manage information across IHG.</p>
Link to strategy		
Trends observed in 2021	<p>Our ability to attract and retain talent remains a challenge in an uncertain economic and highly competitive environment. Furthermore, our growth ambitions increase the need for hotel talent, particularly for General Managers in our Luxury & Lifestyle estate.</p> <p>We face dynamic trends in our ability to retain and attract key and diverse talent, to deliver learning at pace and to transition to hybrid ways of working while maintaining productivity and collaboration.</p>	<p>Dynamic and external attacks against the hospitality industry have continued in 2021, with ransomware attacks in particular trending against technology providers, national infrastructure and supply chain. This has the potential to impact both IHG and our third-party providers.</p> <p>Rapid societal, legal and regulatory and media scrutiny of privacy arrangements, the transition to more permanent hybrid working conditions for our employees and suppliers, and advances in attack sophistication also heighten inherent information security risks.</p>
Initiatives to respond	<p>The Executive Committee regularly discusses talent attraction and retention risks, and each functional and regional leadership team has a clear talent plan. We have expanded programmes to support the development of diverse talent, increased our conscious inclusion education and continuously review and adapt our practices to be more inclusive. Our employee resource groups, who are key in helping us build a culture of inclusion, have grown across all our global markets. We are providing active support to our colleagues as they transition to hybrid working and are taking opportunities to re-energise the workforce. Regular all-employee calls are held with the Chief Executive Officer and there are ongoing leadership communications and virtual team meetings at regional and functional levels.</p> <p>The Human Resources organisation have developed a series of leadership tools and learning to ensure our leaders are equipped to lead in a hybrid world and can foster a performance-driven culture based on trust. We are creating office spaces that are designed for collaboration and connection.</p> <p>We have established a Global Learning Steering Committee with a focus on supporting our owner needs, reviewing our learning offering and utilising technology to provide a virtual and sustainable learning environment.</p> <p>IHG has the ability to manage talent and retention risks directly in relation to IHG employees but relies on owners and third-party suppliers to manage these risks within their own businesses. Our Procurement, Legal and Risk teams also consider more indirect workforce risks relating to our third-party relationships.</p> <p>The Remuneration Committee is responsible for determining Executive Board and Executive Committee remuneration and reviews wider workforce remuneration, aligned with the interests of shareholders and the UK corporate governance environment.</p>	<p>Our Information Security team continues to implement new solutions and controls to address potential vulnerabilities, and to focus resources on those operational tasks that best protect our sensitive data sets and systems and detect and respond to potentially malicious events in an appropriate way. In 2021 we built a ransomware response programme, conducted tabletop exercises and clarified decision rights to enhance incident preparedness. We also matured our oversight of third-party providers through use of security questionnaires and an independent cybersecurity ratings platform.</p> <p>We work with our specialist technology providers to continuously improve key operational security processes and capabilities such as Identity and Access Management, Security Monitoring, Incident Response, and the support and maintenance of technical solutions architecture.</p> <p>As finances remain at a premium for hotel owners, our Information Security and Technology teams continue to collaborate to provide reliable, scalable and cost-effective solutions, targeted at areas of greatest opportunity for future attacks.</p> <p>Our information security strategy and programme is overseen by an Executive Security Compliance Committee and supported and reviewed by internal and external assurance activities, including PCI assessments. An extensive security metrics pack is produced monthly to track risk trends, operational effectiveness and mitigation activities.</p> <p>To mitigate specific risks in relation to our Greater China region, our local team has conducted internal assessments of security compliance and remediated gaps, supported by IHG's Global Information Security team.</p> <p>See also page 38 for detail of our approach to handling information responsibly in accordance with our policies and privacy commitments, including working with vendors.</p>

Risk & trend	Channel management and technology	Investment effectiveness and efficiency
Description	<p>Failure to capitalise on innovation in booking technology and to maintain and enhance the functionality and resilience of our channel management and technology platforms (including those of third-parties, on which we rely directly or indirectly), and to respond to changing guest and owner needs remains a principal risk to IHG's revenues and growth ambitions.</p>	<p>The importance of our investment effectiveness and efficiency will be critical to balance short- and longer-term strategic needs (e.g. developing infrastructure, increasing growth of our system, enhancing digital capabilities).</p> <p>Failure to manage risks associated with investments may impact commercial performance, lead to financial loss and undermine stakeholder confidence.</p>
Link to strategy		
Trends observed in 2021	<p>Uncertain demand as the industry recovers creates dynamic and rapid trends to how we service demand through various channels and meet increasing guest and owner expectations, including how we use data to personalise experiences and build loyalty.</p> <p>The pace of innovation in digital behaviours in the hospitality industry and wider society continues to accelerate, with fast-moving global and local competitors, and technology replacing certain elements of business travel, and IHG must evolve to effectively grow and compete in the marketplace.</p> <p>Additional risk comes from the current context, including financial and inflationary pressures on owners who rely on us for their scale, capabilities and enterprise strength, and constraints and risks in the hiring and retention of top talent in the hospitality industry.</p>	<p>We are highly dependent on significant capital investment to renovate our existing estate, sign new hotels and build IHG's pipeline and the current operating environment has created additional challenges for owners, including financing constraints, commodity and raw material price inflation, supply chain constraints, labour and general product shortages, shifting guest expectations and volatile demand patterns. As such, it is particularly important that our enterprise capability is strong to allow owners to deliver consistently superior returns that can attract this capital.</p> <p>We are also increasing our interdependencies with third-parties to deliver our Commercial and Technology strategy, placing emphasis on risk ownership within ongoing management of contract relationships and the resilience of, and due diligence in relation to, key suppliers.</p>
Initiatives to respond	<p>While the pandemic has been limiting due to decreased availability of capital, capacity and capabilities, we benefited from prior progress we had made in our organisations to manage risks, by simplifying our work, sequencing it more effectively and removing obstacles and limitations within each core area. As such, we are able to respond rapidly to shifts and opportunities in the marketplace and can drive incremental revenue by focusing on the basics of pricing, inventory and booking-flow optimisation.</p> <p>Our Marketing and Commercial and Technology teams work in partnership to prioritise efforts and associated investments in driving enhanced customer-centricity, by developing and iterating a roadmap for key initiatives, their pace, sequence and intended focus for technology-enabled transformation over the next three years and beyond (see page 22 for more details). We have also established a central programme oversight function designed to support and monitor progress, challenge approaches and resolve issues relating to execution.</p> <p>We will also continue to focus on developing our capabilities and ensuring that we have the talent needed. While we have seen the addition of top senior leadership talent to our teams, it will be key to prioritise digital capabilities to drive our channels, actively expanding the breadth and depth of our digital relationships with current and new guests.</p> <p>To mitigate specific risks for local markets, we have developed a China Digital roadmap and investment to strengthen our locally relevant digital and loyalty offering.</p>	<p>Our Finance teams regularly review and evolve our governance and control frameworks, including delegated approval authorities and processes, to enable decisions on investments to be made quickly and efficiently with consideration of the risks involved. The Executive Committee discusses our strategic priorities and capabilities to deliver them.</p> <p>Our global and regional Operations teams maintain a global project tracker which allows us to have visibility and review any risks and opportunities to any in-flight or pending project with impact on hotels.</p> <p>With learnings from the pandemic and considering the new operating context, we established a new strategic priority in being customer centric in all we do to further strengthen owner return on investment and to accelerate our net system size growth in the recovery.</p> <p>We are instilling specific return on investment disciplines through our 'Think return' behaviour and are applying enhanced design and procurement processes to reduce the cost, alleviate labour pressures and maintain the quality of our brands in new brand prototypes. We have also simplified governance with a senior executive steering committee providing oversight of key global workstreams.</p> <p>We are strategically planning our sourcing activities around known or anticipated cost and supply challenges for our owners. Many goods and services in these areas are also intrinsically linked to our responsible procurement plan to deliver sustainable, diverse and risk-managed supplies to our hotels. See page 39 for more detail.</p>

Our risk management continued

Risk & trend	Legal, regulatory and ethical compliance	Financial management and control systems
Description	<p>As we operate in more than 100 countries we are exposed to many different compliance, regulatory and litigation and reputation risks. Significant fines can be imposed for regulatory non-compliance, IHG may be exposed to litigation risk and stakeholders (including corporate sales clients) and investors focus on IHG's performance in upholding ethical and social expectations.</p>	<p>A material breakdown in financial management and control systems would lead to increased public scrutiny, regulatory investigation and litigation. Material weaknesses may also impact confidence in IHG from our shareholders and wider stakeholders including suppliers, debt holders, hotel owners and employees.</p>
Link to strategy		
Trends observed in 2021	<p>The global business regulatory and contractual environment and societal expectations have continued to evolve throughout 2021, with legislative changes in many locations we operate in on topics such as data privacy. Many countries are introducing legislation or legislative proposals related to ESG agendas and a focus on sanctions as a foreign policy tool continues to increase.</p> <p>Expectations are also increasing for IHG to manage and drive responsible business through our supply chains and across our wider business including with our franchisees. We expect monitoring and scrutiny of corporate human rights performance to continue to increase as a direct result of the Covid-19 crisis and with high profile upcoming events including the FIFA World Cup Qatar 2022.</p>	<p>Risk levels have remained relatively stable, with continuing monitoring required in relation to owner credit risks and potential commercial disputes while the pandemic recovery progresses. We have made some revisions to our control testing which align with the approach of our new auditors, PwC, and there were no major new accounting standards with a material impact effective this year. We are monitoring the UK Government consultation on corporate governance reform.</p>
Initiatives to respond	<p>Our Ethics and Compliance team focuses on ensuring IHG has a globally coordinated approach to material ethical and compliance risks. The overarching framework is the IHG Code of Conduct (see pages 37 and 38) and e-learning is provided to corporate and reservation employees and managed hotels on an annual basis.</p> <p>Our Ethics and Compliance team monitor e-learning training completion, gifts and entertainment reporting and the owner due diligence process. The team also receive informal queries and/or escalation of issues directly from colleagues and via an Ethics and Compliance email channel which is publicised in training and awareness materials. The Board receives regular reports on the Confidential Reporting Channel. We also continue to participate in Transparency International UK's Corporate Anti-Corruption Benchmark.</p> <p>We monitor and advise internal stakeholders on risks across a range of regulatory issues, including safety, employment, contract, privacy, anti-bribery and anti-trust, as well as continuing to identify and address legal and regulatory issues that have emerged in relation to Covid-19.</p> <p>We also monitor and assess developments in relation to regulations, potential sanctions or directives imposed by governments, and our owner legal due diligence process includes screening against sanctions lists. Ethics and compliance country-level due diligence is undertaken for new country entry assessments and we continue to develop our supplier due diligence process.</p> <p>We are committed to ongoing assessment and work on human rights risks as an integral part of our Journey to Tomorrow commitments (see page 26).</p>	<p>The impact of Covid-19 on our financial reporting and control environment has been significant and presented several challenges. There have however also been opportunities to evolve our approach in certain areas, and the Finance leadership team has continued to review controls and implement enhancements including increased use of remote testing, robotic process automation and data analytics. We have also established a committee with responsibility for central co-ordination of control activity which brings together Senior Leaders in the organisation responsible for assurance activities to review status and scope, evaluate control findings, and consider emerging regulatory developments.</p> <p>We continue to review our business continuity arrangements, including for our India-based Global Business Service Centre, given the operational importance of processes located there such as accounts payable, billing and cash collection, and financial reporting for both corporate and hotels.</p> <p>We have continued to operate an established financial control system, which is verified through testing relating to our Sarbanes-Oxley compliance responsibilities. See pages 57, 156, 169 to 173 for details of our approach to taxation, pages 96 to 97 for details of our approach to internal financial control, and pages 188 to 192 for specific details on financial risk management policies.</p> <p>IHG's management of fraud risk is an integral part of our broader risk management system, including inherent risks to travel industry loyalty programmes. The management of fraud is the responsibility of management teams within regions and functions and is supported by expertise from Risk and Assurance and Global Finance who also track a range of indicators and report periodically to the Audit Committee on fraud risk management procedures, including financial and non-financial factors.</p> <p>Our Group insurance programmes are also maintained to support financial stability.</p>

Risk & trend	Safety and security	Environmental and social megatrends
Description	The manner in which IHG responds to operational risk and the steps taken to safeguard the safety and security of colleagues and guests will continue to receive scrutiny, particularly in light of the pandemic, and could result in avoidable harm to IHG's reputation for high standards of business conduct, result in financial damage, claims against IHG and undermine confidence in our brands.	As a global business, IHG faces uncertainties relating to evolving environmental and social megatrends and our response to these has the potential to impact performance and growth in key markets and is subject to scrutiny from a wide range of stakeholders, including regulators and investor groups, corporate clients, guests and colleagues.
Link to strategy		
Trends observed in 2021	The scrutiny of our operations in relation to our Covid-19 response continued in 2021 across all markets. The risks above relate both to our direct operations in hotels and other locations where we have management responsibility, and also to outsourced activities and others with whom we collaborate and trade, including the owners of our franchised hotels which operate as independent businesses.	The focus on companies acting responsibly and being true to their purpose has been heightened by the pandemic and will continue into the future. This includes investor focus, which is reflected by the increasing requirements for targets and detailed data from ratings and research providers. The detail of our TCFD risk assessment is included on pages 32 to 35, highlighting four most potentially material medium- to longer-term risks, and we will continue to assess the aggregate impact of climate change on our wider stakeholders including our third-party hotel owners. Short-term climate-related factors are also increasingly being considered within other risks, including guest expectations of the sustainability of our brands and macro external factors including extreme weather events.
Initiatives to respond	<p>Our Business Reputation and Responsibility team coordinates and monitors IHG's global safety management system, which is designed to anticipate and identify safety and security risks in an evolving landscape and provide appropriate levels of control necessary to mitigate against significant incidents, whether in hotels or corporate offices. Regional and global subject matter specialists in safety and security work regularly with hotels, operations leaders, and operations support teams such as Design and Engineering, Food and Beverage and Human Resources, to review and set operational safety and security policies and procedures. This working relationship has been particularly important during the pandemic while guest and colleague safety has been IHG's core priority.</p> <p>Subject matter specialists have also continued to monitor local law and public health guidance and external trends that may impact the safe operation of hotels, customer expectations, and development opportunities (e.g. fire safety, food allergens, operational security threats and natural catastrophes), and we continue to review our relevant standards and guidance as these issues evolve and new regulatory requirements and best practices are published. Our specialists regularly advise regional Development and Operations teams about potential security and threat risks in relation to new country entries and new hotel projects.</p> <p>Our specialists also monitor a range of internal indicators relating to safety and security to confirm that our approach to mitigating safety risks across our business is being actively adopted in all regions, and produces expected outcomes. Despite our best efforts, incidents will occur across our global hotel operations and corporate offices; we use these incidents as an opportunity to learn, escalating the most serious for senior management attention. The Board receives and reviews regular safety reports and monitors safety performance. Through this monitoring, IHG can determine where additional standards or guidance may be necessary or whether existing controls may need to be adjusted.</p>	<p>Our Corporate Responsibility team have refined our approach and enhanced our disclosures to meet the expectations of our investors and the requirements of this evolving regulatory environment. We also work together with governments and industry associations to ensure our voice is heard among key stakeholders, as well as being able to advocate for our industry and our owners.</p> <p>Our preparedness and resilience to climate change is being embedded into existing 'business as usual' processes following our project to support the TCFD recommendations. To reduce our carbon footprint overall we have upgraded our science-based target and created a roadmap with internal targets to track and report progress against this commitment. Key elements of our roadmap include supporting our hotels to decarbonise through improved energy efficiency and switching to renewable energy. See pages 29 to 35 for details of our environmental policies and initiatives and the measures we will use to track and report progress against our new commitments.</p> <p>During 2021 several IHG teams worked towards an agreed set of bathroom bulk product offerings, as part of our strategy to reduce single use plastics. We are also further investing to provide training and tools to increase procurement capabilities in sourcing and implementing supplier diversity, sustainability and risk management.</p> <p>Our long-standing commitment to operating our business responsibly has underpinned the actions we are taking in our local communities (see pages 27 and 28), for example through job creation, upskilling and our support for vulnerable people during the pandemic. We also maintained our focus on working and living conditions for migrant workers as well as topics such as responsible recruitment and continue to engage on industry collaboration initiatives which are addressing these risks.</p> <p>Our values and behaviours, promoted by our Code of Conduct, inform our decision-making at all levels. Our Procurement, Legal and Risk teams also monitor supply chain and labour practices risks (see pages 26 and 39).</p>