

## 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 EMEA.

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.

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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

- |                    |                                    |                                     |
|--------------------|------------------------------------|-------------------------------------|
| <b>A</b> Long term | <b>C</b> Suppliers and customers   | <b>E</b> High standards             |
| <b>B</b> Employees | <b>D</b> Community and environment | <b>F</b> 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).

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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.

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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, EMEA 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.

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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.

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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.

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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.

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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'.

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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.