

Our risk management

The Board's role – constantly evolving our resilience in a volatile environment

The Board is ultimately accountable for establishing a framework of prudent and effective controls, that enable risk to be assessed and managed. It is supported in this by the Audit Committee, the Executive Committee and delegated committees. Our governance framework and committee agendas enable Board members to request and receive information on risk from the Executive Committee and senior leaders, together with other internal and external sources. New Board members are fully briefed on risk discussions as part of their induction.

The delivery of IHG's refreshed individual strategic objectives and overall ambition requires us to continuously balance opportunities for strategic advantage or efficiency with the need to remain resilient and agile in the short and longer term. The Board considers and defines its risk appetite and tolerance as an active part of determining our strategic priorities. We describe the Board's approach to risk appetite on page 39, and management teams have also considered their attitudes to risk during 2023. We recognise the trade-offs inevitably required to achieve our growth ambitions between responding to individual uncertainties and the need to balance interests of multiple stakeholders. We have again faced significant individual and accumulated

uncertainties during the year from external events and IHG initiatives, which management has reacted to accordingly and built in to management processes. In order to enhance our risk management processes, we routinely look to apply learnings to continuously enhance our future resilience.

The description of the 2023 focus areas and activities for the Board and its delegated committees (see pages 90 to 142) demonstrates active ongoing consideration of emerging and evolving uncertainties across a wide range of topics and timeframes. The Audit Committee reviews the principal risks and the appropriateness of our risk management system, and considers risk and control implications of strategic topics, for example, supply chain risk management and future assurance requirements for ESG targets. Across the year, this discussion of risk, supported by the Risk and Assurance team, allows for review of the overall level of risk within the business, our resilience to individual and aggregated uncertainties and implications for strategic decision-making.

Further detail on formal risk appetite and tolerance is provided in this report. For example, our appetite for financial risk is described in note 24 to the Group Financial Statements.

→ See pages 199 to 203 and our approach to taxation on page 67.

How we think about and anticipate risk in relation to our strategic objectives

Like many companies, we continue to face a hugely dynamic and uncertain environment in 2024, which includes multiple realities from outside IHG and other inherent execution risks relating to our own internal initiatives (for example, the delivery of complex technology innovation, such as the evolution of our revenue management solutions and property management systems – see page 23 – and integrating Iberostar within our portfolio of brands and commercial platforms – see page 27). In this context, during 2023, we continued to keep the focus and balance of our principal risk profile under review with management teams to further reinforce ownership and enhance discussion of attitudes to risk and uncertainty within key decisions. The uncertainties we articulate as our principal risks often present both opportunity and threat at the same time and require considered decision-making to achieve the best overall outcome for our various stakeholders. The graphic below illustrates the relationship between these realities and our principal risks.

The headlines for our principal risks are materially unchanged, other than further clarifying the contributing factors and key elements of resilience. These were discussed with management teams during the year and when reviewing the rearticulated strategy with

Realities for 2024-26...

We are monitoring a range of external and internal factors that affect the level of uncertainty we face in relation to our principal risks:

- Macroeconomic pressures – recessionary, inflationary and interest rate dynamics, energy and other cost-of-living pressures
- Geopolitical tension and conflict, heightening cyber threats and supply chain disruption
- Uncertain central bank policies and increasing development or financing costs for owners
- Complex IHG initiatives or investments, including dependency on technology
- Onerous and increasing legal, ethical or regulatory and compliance developments
- Evolving third-party relationships and exclusive partnerships (for example, Iberostar Beachfront Resorts)
- The volume and pace of growth efforts, including new territories and through new brands
- Aggressive brand, loyalty and partnership strategies from existing and new competitors
- Pace of digitalisation, including Generative AI developments
- Labour and talent scarcity and costs, including expectations for compensation
- Pressure on colleague wellbeing and labour relations in certain markets
- Operational efficiency and effectiveness opportunities
- Increasing ESG regulation and stakeholder expectations relating to climate

which affect the level of uncertainty we face in relation to

Refreshed principal risks – 2024-26

Our principal risks are articulated as uncertainties that will often present an opportunity and a threat at the same time:

- 1 Guest preferences or loyalty for branded hotel experiences
- 2 Owner preferences for or ability to invest in our brands
- 3 Talent and capability attraction or retention
- 4 Data and information usage, storage and transfer
- 5 Ethical and social expectations
- 6 Legal and regulatory complexity or litigation trends
- 7 Global and local supply chain efficiency and resilience
- 8 Operational resilience to incidents or disruption or control breakdown (including geopolitical, safety and security, cybersecurity, fraud and health-related)
- 9 Our ability to deliver technological or digital performance or innovation (at scale, speed, etc.)
- 10 The impact of climate change on hospitality (physical and transition risks)

teams in late 2023. Delivering our strategic objectives actively creates highly dynamic uncertainties with potentially fast impact. We continue to review trends carefully to evaluate the current behaviour of these risks relative to each other, and to discuss with management teams whether these trends create a need for a specific individual or portfolio-level response, including how leadership teams allocate their attention and the level of reporting visibility and assurance that may be required in 2024.

To extend our insight on how risks are evolving, we also completed a survey of key expert contributors to risk profiles across IHG. They were asked to evaluate potential trends for each risk as we move from 2023 into 2024, with the desired outcome to drive discussion by management on potential responses. Each Principal Risk scored an above-average risk rating, which suggests they are all trending upwards in the view of the survey participants.

All principal risks are considered material in absolute terms. The graphic below shows an assessment of risk trending into 2024-26. We consider trending of inherent uncertainty levels (impact and/or likelihood) and velocity (potential speed of effect on IHG's objectives). Further detail for each risk is provided on the following pages.

How we consider emerging risks

Our business model and the long term nature of our relationships with our hotel owners mean that we must remain vigilant to emerging risks capable of impacting the achievement of our strategic priorities and also our longer-term growth, competitiveness, viability and sustainability.

We think about emerging risks 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; and
- factors with an increasing impact and probability over a longer time horizon.

As in previous years, there are emerging elements in many of our principal risks. These include continuing shifts in international and domestic real estate ownership, the increasing reach of regulations, consumer travel patterns and evolving demands, including the use of data and technology across all areas of the guest journey and the workplace implications of advances in Generative AI.

As part of our annual senior leaders meeting, IHG management review emerging and evolving megatrends with potential future relevance for IHG's strategic ambitions, including society, technology and economic factors. Groups have been established to focus on key emerging topics, including

a Generative AI steering committee. We also have an ongoing focus on the risks of climate change through our TCFD governance structures, including the development of scenarios to help model and plan for future resilience.

→ See also pages 14 to 15 for more detailed discussion of trends impacting our industry.

How we identify, discuss and escalate risks, including emerging factors

Management teams across IHG are aware of the challenges our current industry context creates, and that our ambition and strategic priorities inevitably expose us to uncertainty in the short, medium and longer term.

Our confidence in achieving our priorities is reviewed regularly:

- at the Executive Committee (see pages 97 to 100 for more detail of their remit);
- by first-line management teams with day-to-day responsibility for identifying and managing risk within key decisions, programmes and transactions and escalating where appropriate; and
- by second-line management functions, which provide specialist expertise, support, monitoring and challenges to decision-makers on risk-related matters.

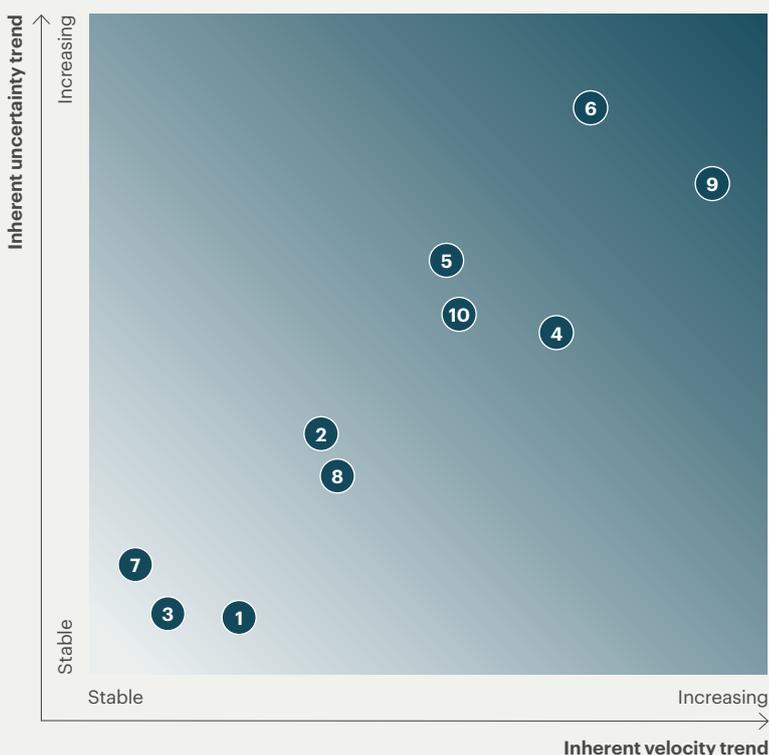
The Risk and Assurance team works with first- and second-line teams to maintain and evolve risk profiles. During 2023, we observed extended discussions of existing and known risks, certain trends that are growing in focus and emerging risk factors that may impact us over the next 3-5+ years and which are being considered by various teams and external bodies.

Discussions also consider how risk trends, shifts in risk appetite or tolerance and/or changes to management's assessment of levels of preparedness may impact future decision-making, and whether any other leadership interventions may be required. This enables teams to identify interdependencies across IHG, for example, the consideration of supply chain-related factors within other risk profiles. Consolidated insights are reviewed by the Executive Committee and the Audit Committee every six months, and we consider risk continuously as part of key decisions.

How senior management and the Board obtain assurance in our risk management and resilience

The Governance section outlines focus areas and activities that enable the Board and its delegated committees to receive management updates on risks within key decisions. In addition, pages 45 to 49 explain how senior management and the Board are able to source ongoing assurance on our risk management and internal control system during the year and how actions may impact future risk levels.

Principal risks



→ See page 42 for full list of principal risks.

Our risk management continued

The external Auditors and the Risk and Assurance team continue to monitor and engage the Audit Committee in relation to corporate governance developments. The Audit Committee will continue to consider its approach to sourcing assurance, for example, from direct reporting or attestations provided by first- and second-line management teams on risk and control matters. The third-line Internal Audit plan identifies where independent assurance may be valuable, taking into account the

maturity of management’s own reporting, and acceptable risk tolerances. Internal Audit also monitors the confidential disclosure channel to identify any emerging trends requiring management and/or Board intervention.

The Audit Committee considers future assurance needs within the Internal Audit planning process, and has also debated potential assurance considerations for non-financial data disclosures, with

incoming regulations in many territories. An assurance roadmap has been developed for carbon data, including where assurance can be obtained internally on controls and when external independent input may be necessary in the coming years.

→ This section should be read together with the rest of the Strategic Report, Governance on pages 90 to 142, the going concern statement on page 241 and Risk Factors on pages 243 to 247.

How we think about our risk management ‘system’

The risk management system remains fully integrated with the way we run the business, including how the Executive Committee reinforces key principles of **culture and leadership** (including ‘tone from the top’), how we adapt key **processes and controls**, and how **monitoring and reporting** is used to update on status and inform decision-making.

Overall management have not made any material changes or repositioning of risk management and controls strategies, although several teams have reprioritised or bolstered

activities in response to complexities of current work (for example, integration of partners and response to data regulation and geopolitical factors), and fast-paced technology initiatives (including HR and Finance system changes).

During 2023, we also commissioned an external review of the maturity of IHG’s enterprise risk management arrangements, which has enabled us to identify opportunities to further enhance the design and consistent application of risk management activities in the coming years.

The identified areas of focus in the graphic below provide mitigation for many of the risks shown on the following pages.

These should be read in conjunction with detail elsewhere in the Strategic Report, which helps to position IHG to respond to future opportunities and risks in delivering our ambitions, including strengthening our organisation through key strategic investments (pages 16 to 35), engaging proactively with stakeholders (pages 36 and 37) and by reinforcing our strong workplace culture (pages 38 to 40).

Risk Management ‘System’ components	Culture and leadership	<p>We made adjustments and clarifications to several policies which articulate risk appetite and tolerance. Changes were made to delegated authority levels, supplier code of conduct, procurement, information security, anti-bribery, sanctions and gifts and entertainment policies.</p> <p>Our annual Code of Conduct training was relaunched and new corporate onboarding and executive leadership training introduced. All corporate colleagues received communications on topics such as human rights, handling information responsibly (including phishing training), DE&I, wellbeing and sustainability.</p> <p>Several teams evolved governance accountabilities and arrangements, including for supply chain risk oversight, fraud risk management and regional decarbonisation plans.</p>
	Processes and controls	<p>We keep our processes and controls under review and in 2023, we undertook risk assessments for several targeted topics. This included initial privacy impacts within projects to leverage customer data for enhanced personalisation, human rights due diligence and the maturity of our fraud risk management framework in advance of upcoming UK legislation.</p> <p>Teams have implemented specific enhancements to process and control arrangements in relation to new country entry protocols for development teams, threat management for physical security risks, formalising and documenting privacy risk assessment processes and reviewing protocols for investigations arising from our confidential reporting hotline.</p>
	Monitoring and reporting	<p>The use of data and technology to enable risk management and control is a key focus.</p> <p>Several teams have evolved and enhanced monitoring and reporting arrangements (including cyber, safety, supply chain, loyalty, privacy, channels teams), for example, presenting refreshed key risk indicators.</p> <p>We have also developed technology tools and capabilities to support management of privacy, supply chain risk monitoring, human rights, financial governance, resilience and climate change risks.</p>

While risk management and internal control arrangements are designed to provide appropriate response to the risks we face, we also need to be prepared for fast-moving disruptions and crises. We do not need to be fully prepared for every ‘unknown’, but we need to harness our collective knowledge and insights

to deliver an appropriate IHG response overall. We have continued to maintain our overall incident and crisis management framework, reviewing learnings from our response to the war in Ukraine and the unauthorised systems access experienced in 2022, and applying these to management teams’ response to conflict in the Middle East.

Risk and Assurance and Commercial & Technology leadership have collaborated to conduct tabletop exercises for cyber incidents and to undertake business impact analysis of processes and dependencies for key booking channels and develop playbooks in relation to evolving data legislation.

In pursuing our ambition, we face inherent uncertainties relating to:

Guest preferences for branded hotel experiences and loyalty

Executive Risk Sponsor:
Global Chief Customer Officer

Link to strategy:



Why these uncertainties are important to the achievement of our strategic objectives over the next 2-3 years

In a highly competitive industry with increasing demands for personalisation, we must at all times anticipate and respond to evolving guest expectations, preferences and loyalty, while strengthening returns for the owners of our hotels through the services, technology platforms and experiences our brands provide, including ever increasing digitalisation of the guest journey.

Our strategic objectives and ambition mean we actively pursue opportunities for effective investment to support our new brands, our loyalty programme, new exclusive partners, our Luxury & Lifestyle ambitions and our digital platforms. We also aim to carefully deliver on fundamental expectations of our individual and corporate guests, underpinning their trust in, and loyalty for, our brands, for example, for cleanliness and safety, or in relation to our response to climate change and our brands' impact on the environment.

We are very conscious that the macroeconomic environment remains highly uncertain and that customer sensitivity to price also remains heightened. There are also inherent uncertainties due to the way our business model operates and is evolving. As our franchised hotels operate as independent businesses, we are limited in our ability to control delivery on the ground in these properties and must introduce and implement guest experience initiatives effectively to support our owners.

If we are unable to manage this uncertainty effectively it could impact our competitive positioning, our growth ambitions and our guests' and owners' trust in and preference for our brands.

How senior management and the Board obtained assurance in our risk management and resilience in 2023

The Board considers reporting and insight from management, including on:

- individual and brand category, loyalty and responsible business strategies and investments;
- discussions led by regional CEOs of operational and strategic plans, including identified risks;
- new brand projects and potential opportunities to pursue exclusive partners and adjacencies;
- global sales strategies; and
- analysis of competitor activities.

External insight is obtained where valuable (for example, on responsible business strategies).

The Executive Committee also reviews these areas frequently, including analysis of specific trends (for example, business travel and commercial platforms) and has obtained insights on key brand strategies and performance and loyalty. The Executive Committee also remains focused on regional quality mechanisms to support guest experience and how we update standards. A global Guest Experience team and programme provides oversight of specific initiatives including Luxury & Lifestyle.

The Internal Audit plan also provides independent assurance on the execution of key initiatives (including loyalty, brand integration and responsible business), guest survey data integrity and hotel compliance management.

Owner preferences for or ability to invest in our brands

Executive Risk Sponsor:
Global Chief Customer Officer and Regional CEOs

Link to strategy:



Our growth ambitions require us to take calculated risks to attract owners while continuing to drive returns for our existing and potential owners. Our owners' choice to work with IHG is dependent on our ability to build a portfolio of loved and trusted brands with a track record in delivering returns, while also continuing to invest in our commercial engine, brands guests and owners love, and care for our people, communities and planet.

Continuing macroeconomic uncertainty and inflation create significant pressures on owners' financial capacity that must be considered carefully as we pursue opportunities to drive brand preference and focus on relentless growth. Our owners have increasing choices in how they invest in a highly competitive market, and we need to move fast to pursue opportunities in relation to hotel building, hotel conversions, renovations and hotel opening projects, while evolving and enhancing our brand portfolio and continuing to drive loyalty delivery across our open hotels.

These opportunities need to be balanced with the risks associated with increasingly complex deal structures with owners and other possibilities for new strategic relationships, uncertainties as we expand into new markets and a need to risk our own capital to pursue inorganic growth or to incentivise deals in key locations for key brands. We also recognise our responsibilities as a franchisor or manager of our brands (including our role in hotel safety and security, ethical and social matters, and increasing expectations in relation to decarbonisation).

If we fail to respond effectively to this risk, we will lose competitiveness and may not realise the opportunities to grow our brand footprint.

The Board considers reporting and insight from management on:

- individual and brand category performance and market prioritisation strategies;
- opportunities for new brands, exclusive partners and adjacencies and analysis of the competitor landscape;
- performance of existing exclusive partners and commercial agreements;
- responsible business strategies and investments;
- impacts of macro events (including conflicts in the Middle East) and impacts on specific markets;
- performance and prospects for key areas of capital investment, including controls over growth decision-making and post-project reviews of investment effectiveness; and
- external insight where valuable (for example, on investor perceptions).

The Executive Committee also reviews these areas frequently and obtains reports on loyalty and brand performance and initiatives, including implementation of owner-facing technology and revenue management systems, and specific market strategic considerations.

The Internal Audit plan provides independent assurance on initiatives supporting owner returns, for example key owner-facing systems, initiatives such as loyalty programme enhancement and key processes including talent management for Luxury & Lifestyle GMs.

Key

Strategic priorities



Relentless focus on growth



Leading commercial engine



Brands guests and owners love



Care for our people, communities and planet

Our risk management continued

In pursuing our ambition, we face inherent uncertainties relating to:

Our ability to attract and retain talent and capability

Executive Risk Sponsor:
Chief Human Resources Officer

Link to strategy:



Why these uncertainties are important to the achievement of our strategic objectives over the next 2-3 years

Our growth ambitions are dependent on high-quality talent across our hotels, reservations offices and corporate functions. We continue to face a competitive market and uncertainties in relation to the availability, recruitment and retention of sufficient quality, quantity and diversity of talent, for example, next-generation hotel GMs to support our Luxury & Lifestyle growth and a robust pipeline of leadership succession talent.

Our priority to care for our people, communities and planet also means that we need to balance short- and longer-term growth risks and opportunities with our broader responsibilities and commitments. This requires us to enable colleague development and growth, to look out for our colleagues' wellbeing during the current cost of living crisis in many locations we operate within, and to maintain productivity, collaboration and appropriate labour relations. This also necessitates continued adaptation and innovation of our operational procedures and remuneration structures to be agile to the changing interests of our stakeholders.

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 businesses. Our Procurement, Legal and Risk teams also consider indirect workforce risks.

If we do not anticipate and respond appropriately to this uncertainty, it could impact our ability to operate and grow hotels, the effectiveness and efficiency of our key corporate functions and executive leadership, and it could heighten risks of exposure to non-compliance or litigation.

How senior management and the Board obtained assurance in our risk management and resilience in 2023

The Board considers reporting and insight from management, including on:

- overall HR and talent strategy;
- remuneration and incentive strategy and policy, including directors and executive management and wider structures for all colleagues, supported by external advisers;
- specific talent and succession planning;
- DE&I updates; and
- direct employee feedback via the Voice of the Employee programme.

The Executive Committee directly reviews talent (both as a group and through individual talent reviews with the CEO) and receives regular updates on colleague engagement and broader culture and behaviours. The HR team also has a dedicated Talent & Leadership steering committee. 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.

The 2023 Internal Audit plan has provided independent assurance on employee relations management, recruitment of critical GM talent and implementation and data integrity checks within a strategic HR system transformation.

Data and information usage, storage, security and transfer

Executive Risk Sponsor:
Chief Commercial and Technology Officer, Chief Customer Officer and Executive Vice President General Counsel and Company Secretary

Link to strategy:



By its nature, our business involves the management of large volumes of data globally and our stakeholders (including guests, loyalty members, colleagues, owners and external authorities) expect that this will be done safely and responsibly.

Our strategic objectives continue to transform how we use our commercial and marketing data to improve and personalise the customer experience, grow loyalty and empower our owners to make better decisions. This involves a roadmap engaging many IHG teams in many initiatives, including increasing use of cloud-based applications, storage and partnering with third-party specialists, as well as exploiting technology advancements and innovation, involving the use of personal data and artificial intelligence. Our growth strategies, including new business partnerships, also increase the complexity of data flows.

The opportunities presented by this ambition are consciously balanced with the inherent exposures our digital footprint presents to data, information security and privacy-related threats, including threat actors (e.g. criminals, third parties and inherent colleague risk), and the need to demonstrate to stakeholders that we are using data appropriately. This includes an evolving global and local regulatory environment and requirements for localisation of data in certain territories. Our ability to deliver our strategies confidently is based on investments in recent years in cybersecurity and information governance and the maturing of our risk management system.

If we fail to respond to this risk effectively, we face operational, financial and reputational impacts to the range of high-value assets we are responsible for, or we may miss chances to capitalise on the opportunities that effective use of data can bring, including to our guests, owners and loyalty members. In addition, if the data we use is not accurate, this may impair decision-making and/or lead to lack of trust or satisfaction by our guests, loyalty members or owners.

The Board considers reporting and insight from management, including:

- governance over developments in cross-border data transfer arrangements to respond to evolving regulation;
- direct presentations from the Chief Information Security Officer, including third-party expertise on risk assessments, progress on the information security roadmap and advice on specific topics;
- within the wider roadmap, specific lessons learned and initiatives to further enhance security posture following the criminal unauthorised system access event in 2022 and to respond to the ongoing dynamic cybersecurity threat environment;
- information on emerging risks and opportunities of generative artificial intelligence, how management teams are considering these risks and how they relate to the broader assessment of principal risks;
- updates on the cyber insurance renewal strategy;
- second-line reporting on our privacy programme and policies for handling information responsibly; and
- updates on metric integrity, including review of ESG data principles and future assurance arrangements, supported by third-party experts.

The Executive Committee reviews specific areas of digital strategy, for example in relation to Greater China, and receives briefings from the Chief Information Security Officer on emerging risks during the year.

The Internal Audit plan includes independent focus on governance of both cybersecurity and data and information, assurance on foundational controls at both corporate and hotel levels and, for example, in relation to data transfers within our loyalty programme, third parties and cloud environments.

In pursuing our ambition, we face inherent uncertainties relating to:

Ethical and social expectations

Executive Risk Sponsor: Executive Vice President General Counsel and Company Secretary, Executive Vice President Global Corporate Affairs and Chief Human Resources Officer

Link to strategy:



Why these uncertainties are important to the achievement of our strategic objectives over the next 2-3 years

As IHG operates in more than 100 countries and continues to explore new opportunities for growth, we are continually exposed to evolving expectations from our stakeholders in relation to ethical and responsible business conduct, extending beyond compliance with laws. We are committed to monitoring, reinforcing and communicating the continued effectiveness of our human rights approach, our social responsibility and environmental performance, and recognise that expectations are increasing for us to manage and drive ethical and responsible business through our supply chains and across our wider business, which involves extensive engagement with our franchisees around the world.

Our stated priority to care for our people, communities and planet creates risks and opportunities in relation to our growth ambitions, including how we build brands which guests and owners love while also considering our wider stakeholder responsibilities, including to our colleagues, guests, workers in our supply chains and our local communities in a challenging operating environment in many markets. We manage these risks carefully so as to operate responsibly and with integrity, and to guide decision-making across IHG's corporate and hotel operations.

If we fail to effectively respond to this risk, it has the potential to impact our performance and growth in key markets as well as cause reputational damage with respect to key stakeholder and investor expectations.

How senior management and the Board obtained assurance in our risk management and resilience in 2023

The Board considers reporting and insight from management, including:

- requests for Board approval of the Code of Conduct, the Supplier Code of Conduct, the Communities Policy and the Human Rights Policy;
- second-line reports on ethics and compliance strategy, including external benchmarking where appropriate (e.g. Transparency International UK's Corporate Anti-Corruption Benchmark);
- reports from Internal Audit on confidential reporting arrangements and updates from our Voice of the Employee programme;
- updates provided and awareness raising from the external Auditor on ESG and climate-related reporting and from external specialist advisers; and
- further second-line function reports on our communities, human rights and responsible procurement programmes and key disclosures including the Modern Slavery Statement.

The Executive Committee monitors our ambition and commitments to our people, communities and planet, including the progress of set initiatives and how these objectives interrelate to our growth strategy.

The Internal Audit plan includes independent focus on ethics and compliance, including consideration of management and external assessments of maturity, controls relating to marketing and commercial campaigns, due diligence controls and broader ESG-related programme governance.

Legal and regulatory complexity or litigation trends

Executive Risk Sponsor: Executive Vice President General Counsel and Company Secretary

Link to strategy:



The global business regulatory and contractual environment continues to evolve rapidly, with ongoing legislative changes in many jurisdictions that will affect the way in which we operate our existing business and where we target growth or digital innovation. This includes the nature of our franchise relationships with hotel owners, our interactions with our suppliers, and our responsibilities to consumers and to colleagues. We consider such exposures carefully as part of our decision-making, drawing on an extensive network of legal advisers.

These changing laws and regulations continue to add complexity and uncertainty to compliance, particularly where there are diverging standards between territories (for example, in relation to increasing protections and conditions on cross-border data transfer). The ongoing use of sanctions and countermeasures as foreign policy tools also continues to present operational challenges and associated legal and regulatory exposures.

We recognise that failing to address this risk effectively, and non-compliance and/or inadequate compliance, could expose us to regulatory breaches, significant monetary and non-monetary penalties, adverse litigation and associated reputational harm which could impact confidence in the IHG brand and our ability to perform in key markets.

The Board considers reporting and insight from management, including on:

- corporate governance and regulatory developments from the General Counsel and the external Auditor;
- relevant corporate affairs topics, including briefings from external advisers;
- material litigation matters and serious operational safety and security incidents and threats;
- second-line updates on specific regulatory matters, including tax, as well as fraud risk management controls, supported by external insight and benchmarking where appropriate;
- regional trends within Regional CEO updates; and
- management strategies to procure appropriate insurance coverage, including for casualty, property, cyber and directors' and officers' liability risks.

The Executive Committee also actively monitors the management of key regulatory and/or litigation risks, including developments in cross-border data transfer regulation.

The Internal Audit plan considers regulatory management and provides independent assurance on the proportionality of controls: for example, due diligence protocols for vendors and owners, third-party guest data management and broader contract management.

Our risk management continued

In pursuing our ambition, we face inherent uncertainties relating to:

Global and local supply chain efficiency and resilience

Executive Risk Sponsor: Chief Financial Officer, Chief Commercial and Technology Officer and Executive Vice President General Counsel and Company Secretary

Link to strategy:



Why these uncertainties are important to the achievement of our strategic objectives over the next 2-3 years

In an increasingly interconnected world, our strategic ambitions require us to expand our interdependencies with third parties to access capabilities and innovation and to source cost-efficient products or services from available markets to support our owners. We need to balance these opportunities with early identification and resilience planning for anticipated and unanticipated emerging risks.

Macroeconomic uncertainties, including geopolitical tensions, commodity price shifts and labour disputes, continue to impact supply chains, which may increase costs and limit availability of materials, including to open and operate hotels. Our ability to respond to these uncertainties presents both a threat and a competitive opportunity, and may occasionally require us to consciously expose ourselves to increased risk to secure and safeguard supply chains for our owners.

As we pursue our ambitions as a responsible company, we recognise that the regulatory environment continues to evolve, with increasing demands for transparency across global supply chains, requiring us to scan the horizon for emerging risks to IHG's objectives. We also need to remain vigilant to threats to information security as we work with an increasing range of third-party suppliers.

If we fail to effectively address the uncertainties that this risk presents, including through closer alignment with our suppliers and across supply chains to enhance our resiliency, this may impact the design, opening and operation of hotels, the ongoing effectiveness of our commercial channels and margins for our owners, as well as fees to IHG.

How senior management and the Board obtained assurance in our risk management and resilience in 2023

The Board considers reporting and insight from management, including:

- presentations by second-line functional leaders on supply chain risk management to the Responsible Business and Audit Committees, including wider third-party risk management and internal control arrangements; and
- clarifications of risk management arrangements within presentations on new business models and relationships.

The Executive Committee reviews our operational risk posture in relation to key digital initiatives, including the transformation of hotel technology arrangements, and has approved a refreshed Procurement policy during 2023.

The Executive Risk Sponsors receive updates from the Chief Procurement Officer on supply chain strategy and risks, supported by a Supply Chain Risk Council, which draws on external insight where appropriate.

The Internal Audit plan provides independent review of third-party and contract risk management as well as control arrangements, for example, relating to technology resilience and data governance, and in relation to due diligence relating to responsible and ethical vendor sourcing.

Operational resilience to incidents or disruption or control breakdown (including geopolitical, safety and security, cybersecurity, fraud and health-related)

Executive Risk Sponsor: Executive Vice President General Counsel and Company Secretary, Chief Financial Officer, Chief Commercial and Technology Officer and Regional CEOs

Link to strategy:



The high growth, fast pace and increasingly complex nature of our global business and our growth ambitions exposes us to a growing range of inherent operational risks and places ever greater importance on the overall resilience of key processes, applications and relationships that we depend upon. We aim to avoid harm to, and enhance the reputation of, IHG and our brands, and to support our people and communities wherever possible.

We recognise that we need to prepare for predictable and unpredictable uncertainties, from macro external to internal disruptions. This preparation includes considering fire, life safety and security threats including from geopolitical volatility, health-related concerns and natural disasters impacting our hotels and corporate locations. We need to be able to respond to disruption to technology and information security from external threats and operational breakdown. We also need to anticipate the potential for breakdowns in our financial management and control systems, including the risk of fraudulent behaviour, which may be heightened in the current challenging economic environment.

The complexity of our evolving global and regional business model and the introduction of different commercial arrangements and adjacencies also include inherent uncertainties, for example, in relation to our ability to control and influence day-to-day operations in our franchised estate, or in our ability to balance ongoing robustness of controls while we actively pursue opportunities for efficiency.

Building resilience not only supports IHG's long-term viability but also enables us to take advantage of opportunities to drive growth and strengthen returns for our owners. However, if we fail to respond effectively to this risk it could impact IHG's reputation, lead to financial loss and claims against IHG and undermine our stakeholders' confidence in our brands.

The Board considers reporting and insight from management, including:

- second-line reporting to the Audit Committee on operational safety and security arrangements and reported serious incidents and threats;
- ongoing review of incident handling (including ad hoc updates as required and within a broader review of our risk management system), describing how management teams are coordinating efforts;
- reports to Audit Committee from the second-line financial governance team, including control implications for managed hotels and major technology and process changes;
- an annual review by Risk and Assurance of fraud risk management activities; and
- an independent assurance by PwC of SOC1 control reports provided for the benefit of hotel owners.

The Executive Committee is closely involved with emerging incidents to consider the appropriateness of management action plans to deal with disruption. There is also an established Financial Control Steering Committee, which brings together various functions and discusses risks to financial controls, including fraud risk management.

Internal Audit provided an independent review of key functional resilience capabilities, including scenario planning, third-party technology resilience and reports on the governance of service organisation controls.

In pursuing our ambition, we face inherent uncertainties relating to:

Our ability to deliver technological or digital performance or innovation (at scale, at speed, etc.)

Executive Risk Sponsor:
Chief Commercial and Technology Officer and Global Chief Customer Officer

Link to strategy:



Why these uncertainties are important to the achievement of our strategic objectives over the next 2-3 years

Delivering our portfolio of technology investments effectively and efficiently is a fundamental enabler of our short- and long-term strategic priorities. We continue to pursue opportunities to innovate in booking technology, 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 ever-changing stakeholder needs and preferences, which may evolve rapidly in an environment of macroeconomic uncertainty and significant cost and labour pressures.

This context will require us to generate value by defining and implementing new technology-based products or services or by approaching existing products, services or processes in new ways that generate revenue or reduce costs for our owners. We will need to maintain the right balance between disruptive, sustaining and incremental innovation and, in doing this, we will often consciously expose ourselves to uncertainty.

We are pursuing a high paced, multi-year roadmap of significant investments to enhance the performance of our technology, developing our own talent and working with a wide range of suppliers, partners and academic institutions to leverage their insights, while the pace of innovation and competition in digital behaviours in the hospitality industry and wider society continues to accelerate rapidly. This involves leveraging Generative AI to improve guest experiences, generate personalised marketing, expand analytics capabilities and improve effectiveness and efficiency, including in-hotel operations.

If we fail to address this risk, we may not capitalise on opportunities to maintain or increase guest and owner preferences for IHG and its brands and/or reduce our resilience on ageing channel management and technology platforms (including those of third parties, on which we rely directly or indirectly).

The impact of climate change on hospitality (physical and transition risks for IHG)

Executive Risk Sponsor:
Chief Financial Officer and Executive Vice President Global Corporate Affairs

Link to strategy:



As a global business with a portfolio of brands in over 100 countries, IHG faces fast-evolving stakeholder expectations and uncertainties relating to our ability to continue to operate and grow in an environment impacted by physical and transition risks relating to climate change.

Our business model means that we share these threats and opportunities with our owners, including our dependency on their capacity to invest in the short- and long term. We will continue to set ambitious targets, to assess the aggregate impact of climate change and to capitalise on opportunities that the low-carbon transition will bring for the hospitality industry by responding to evolving guest and colleague preferences.

Our TCFD assessment considers both physical and transition risks to IHG, and we will continue to assess the aggregate impact of climate change on our wider stakeholders including our third-party hotel owners.

The potential impact of climate change-related uncertainties is evaluated as an integral part of other principal risks; however, if we fail to react to physical and transition risks effectively overall, then this has the potential to impact IHG's reputation, performance and growth in key markets. Our management of these risks is also subject to scrutiny from a wide range of stakeholders, including regulators and investor groups, corporate clients, guests and colleagues.

How senior management and the Board obtained assurance in our risk management and resilience in 2023

The Board considers reporting and insight from management, including on:

- our China digital strategy and the integration of our commercial and technology platforms within our Iberostar Beachfront Resorts partnership;
- options for technology to support more effective and efficient collation of ESG data across our global estate;
- budget allocation, including funding of key technology products and post-project reviews by finance teams of major capital investments; and
- information security strategy and risk profile.

The Executive Committee considers the pace of innovation and delivery of key technology initiatives relating to mobile, loyalty and booking transformation and hotel technology. This involves identifying critical enablers and prioritising investments. The Global Marketing and Commercial & Technology teams coordinate a joint technology roadmap, and a dedicated Generative AI steering committee monitors opportunities across various IHG processes and teams.

The 2023 Internal Audit plan included focus on programme governance and the effectiveness of controls over expenditure and benefit delivery for various critical functional and guest and owner-facing technology initiatives. This has provided independent assurance in relation to overall programme management, tracking and financial governance controls, and delivery of initiatives at high pace across the hotel estate and within the loyalty transformation programme. The team also continues to support and advise several programme teams in real time, including on HR system changes.

The Board considers reporting and insight from management, including:

- reporting from corporate responsibility on TCFD disclosures and the embedding of climate considerations into strategy, governance, risk management and performance management, supported by external subject matter expertise; and
- updates from various second-line teams on approaches to ESG data disclosure and future strategies for assurance (including to comply with changing regulatory requirements).

The CEO, CFO, General Counsel and EVP Global Corporate Affairs have executive oversight of our TCFD reporting and the embedding of climate considerations into our wider business growth strategy. Oversight of the Journey to Tomorrow programme is provided by the Executive Responsible Business Governance Committee.

The Head of Internal Audit supports the TCFD programme efforts, including advising on the approach to data collection and data assurance. This group is also advised by external experts. Internal Audit has also reviewed broader ESG programme governance.