

## **General**

Period covered by your Communication on Progress (COP)

From: February 2016 To: February 2017

Statement of continued support by the Chief Executive Officer (CEO)

## **Chief Executive Officer's review**

Doing business responsibly is integral to life at IHG and is a guiding principle to how all our colleagues around the world behave on a daily basis. What's more, we capitalise on our scale to make a positive impact on the environment and communities we touch across our more than 5,000 hotels globally.

IHG CEO

Richard Solomons

## **Statement of support from Kate Gibson, Vice President of Corporate Responsibility:**

We are pleased to include our latest Communication Of Progress demonstrating our continued support for the UN Global Compact and our commitment to its guiding principles.

## **Our responsible business**

A commitment to operating our business responsibly underpins our entire strategy.

We bring this commitment to life through our culture and by embedding it in all aspects of the way we work. Doing the right things in the right way engenders pride amongst our colleagues and owners, and builds trust with local communities and our guests, who hold this pledge in increasingly high regard.

We want to ensure we have a positive impact on the lives of all people that interact with IHG and we deliver this through our people and our responsible business agenda including our award-winning corporate responsibility programmes.

As one of the world's leading hotel companies, we have an important role. The World Travel and Tourism Council's latest research in partnership with Oxford Economics shows that the contribution from Travel and Tourism to world GDP continues to grow, rising to a total of 9.8%. The sector supports 1 in 11 jobs on the planet. By growing our business and delivering this in a responsible way, we can contribute towards the objectives of the United Nations Sustainable Development Goals (SDGs).

Our commitment to doing business responsibly begins with our Chairman, the Board and its Committees. They provide strong leadership and promote responsible business behaviours throughout the organisation to ensure compliance with relevant laws and regulations and instil a strong culture of business ethics. IHG's attitudes and ethical values are reflected in our Code of Conduct, Human Resource policies and performance reward systems. We have policies, programmes and training in place to ensure our employees deliver on our responsible business commitments such as human rights, anti-bribery and corruption, information security, and antitrust laws and procedures. We also work to ensure a safe and secure environment for our guests, employees and those working at, or visiting, our hotels and corporate offices.

In 2016, we continued to embed our culture of responsible business across IHG by reinforcing our commitment to ethical business practices and embedding policies and training such as our human rights e-learning, risk management and data protection.

We continue to evolve our business to ensure we can adapt to the changing global landscape and take efforts to align our strategy to the United Nations (SDGs). These efforts support the overall SDG objective to transform our world by 2030 through a commitment to sustainable development.

Engaging with our stakeholders, we have identified those issues which are most material to them and where we can have the greatest impact. We use this to decide on where to focus our efforts and what to report on.

### **Developing our responsible business approach**

In developing our approach to responsible business, we consider all aspects of the hotel lifecycle to understand our impact in terms of our direct operations, our relationships with our owners and our supply chain.

Our culture of responsible business underpins our entire strategy and impacts the way we approach all aspects of the hotel life cycle. Our award-winning corporate responsibility programmes were

developed to address the aspects where we believe we can make the biggest difference at scale. We are reducing the environmental impacts of our operations. Leveraging the economic and social contribution of hotels, we are creating jobs, stimulating local economies and providing opportunities for skills building, and offering support and shelter when disasters strike.

In a world where employees, guests and other stakeholders are asking the companies they interact with to demonstrate how they share their values, we constantly review our approach to instil a culture of responsible business and to leverage our corporate responsibility programmes.

### Our award-winning corporate responsibility programmes

At IHG, we work to make the communities around our hotels and corporate offices better places for all. Our colleagues across the globe care for the good of our guests, local communities and business too.

On the ground, we are capitalising on the hospitality industry's unique ability to make a positive difference to the environment and thousands of local communities through our corporate responsibility programmes: IHG Green Engage™ system and IHG® Academy. We continue to empower and equip our hotels to prepare for disasters and to support colleagues and communities when disasters strike.

We know our guests value and appreciate our approach and we make it easier for them to make informed travel decisions by highlighting our efforts to reduce our environmental impact and creating positive community impact in our operations.

We continued to deliver strong progress against our community targets and continue to make reductions in water use and our carbon emissions. 2017 will see us continue to focus on all of our 5 year targets with a particular focus on our carbon footprint and water use targets.

### Alignment with the UN SDGs

As one of the world's leading hotel companies, IHG embraces its responsibility and opportunity to focus on ensuring that the growth of our business contributes towards the objectives of the SDGs. We are already working to ensure that we play our part to address the world's biggest challenges.

Our business intrinsically supports every sustainable development goal, from reducing poverty and hunger through our economic multiplier effect, providing quality education via IHG Academy and decent work to hundreds of thousands of colleagues globally, to combatting climate change through the IHG Green Engage System.

The goals are connected and interlinked. However, we have identified the seven where we can have the greatest impact:

- Clean water and sanitation
- Decent work and economic growth
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action

- Partnerships for the goals

#### IHG® Foundation

Building on the positive impact of IHG's corporate responsibility programmes, the IHG Foundation launched in February 2016. This independent charity provides grant funding to projects that create positive change. The IHG Foundation focuses on helping communities develop hospitality skills, ensuring support for those impacted by disasters, encouraging grass roots community groups and protecting the environment. Through these efforts, the IHG Foundation will help to build stronger, healthier, more prosperous communities around the world.

Please visit [www.ihgfoundation.org](http://www.ihgfoundation.org) to learn more.

## Human Rights Principles

### Assessment, Policy and Goals

We are committed to complying with the laws and regulations of all the countries and jurisdictions in which we operate and our human rights policy is available in more than 40 languages.

To demonstrate our commitment to human rights we:

- Support the protection of human rights, particularly those of our colleagues, the parties we do business with, and the communities where we operate.
- Respect our colleagues' rights to voluntary freedom of association under the law.
- Provide a safe and healthy working environment.
- Do not support forced and compulsory labour or the exploitation of children.;
- Support the elimination of employment discrimination and promote diversity in the workplace.
- Provide our colleagues with remuneration and tools for growing their careers, and take their well-being into consideration.
- Promote fair competition and do not support corruption.
- Conduct our business with honesty and integrity in compliance with applicable laws.
- Develop and implement company procedures and processes to ensure we comply with this policy.

In 2014, we established a standard which requires all IHG branded hotels to adopt and display a human rights policy at the individual property level. This standard demonstrates our ongoing commitment to operating as a responsible business.

In 2015, we developed and launched a Human Rights e-learning module. The learning module is available to all hotels and colleagues and is designed to raise awareness of our human rights approach and support hotels to meet the human rights standard and in 2016 more than 27,000 colleagues had completed the e-learning module.

### Supply Chain - Vendor Code of Conduct

The IHG Vendor Code of Conduct sets out the requirements, principles and practices that IHG has adopted to promote ethical conduct in the workplace, safe working conditions in the supply chain, treatment of persons with respect and dignity and environmentally responsible practices. These are the minimum standards under which IHG vendors are expected to operate, and IHG encourages vendors to exceed the requirements set out. Specifically to the human rights area, the vendors are required to comply with the following points:

- to support the protection of human rights, particularly those of its employees, the parties with whom it conducts business and the communities where it operates
- to respect its employees' rights to voluntary freedom of association under the law
- to provide a safe and healthy working environment
- to not support forced and compulsory labour or the exploitation of children
- to support the elimination of employment discrimination and harassment, and promote diversity in the workplace

- to provide employees with remuneration and tools for growing their careers, and take their wellbeing into consideration.

We have enhanced our procurement systems to require all suppliers to sign up to the IHG Vendor Code of Conduct before being approved as a preferred IHG supplier.

## **Implementation**

Throughout 2016, we have continued to raise further awareness of our human rights approach in our hotels through embedding our human rights standard by publishing a 10-minute trainer session. We have also developed a Modern Slavery poster for display in colleague areas which asks colleagues to be alert to the risk of Modern Slavery, as well as the key warning signs to watch out for and how to report concerns.

### Working groups on human rights

We are part of the Business in the Community (BITC) and Business for Social Responsibility (BSR) cross industry working groups on human rights as well as the International Tourism Partnership's Human Trafficking Working Group. We are also working with our internal procurement team to further embed our human rights approach into our contracts.

### Vendor Code of Conduct

In addition to ensuring all of our supply chain sign up to the Vendor Code of Conduct, we are also working with our internal procurement team to embed further our human rights approach into our contracts.

### Human Rights e-learning module and training sessions

To support our commitment to our Human Rights Policy, in 2015 we developed and launched a Human Rights e-learning module. The learning tool is a resource available to all hotels and colleagues and it is designed to raise awareness of our human rights approach and support hotels to meet the human rights foundational brand standard, mentioned in the Assessment, Policy and Goals section.

## **Measurement of outcomes**

- In 2016, more than 27,000 colleagues had completed the human rights e-learning module.
- In 2016, we were once again recognised by the Human Rights Campaign's Equality Index by achieving a 100% score.

## **Our priorities for 2017**

- In March 2017, we will publish our 2016 IHG Slavery and Human Trafficking Statement. Our statement will be available on the IHG PLC website.
- Continue to increase awareness of human rights, embed the human rights standard and leverage e-learning courses and other training, with a particular focus on ensuring owned and managed properties are meeting the standard.

For further details, please visit [www.ihgplc.com/responsiblebusiness](http://www.ihgplc.com/responsiblebusiness)

## Labour Principles

### Assessment, Policy and Goals

#### Our people

Being a responsible business cannot be achieved without the support and active engagement of the colleagues in our hotels. They are fundamental to the delivery of our different brand experiences and to fulfilling the brand promise for our guests. Ensuring that our colleagues do business in a responsible way they enhance our reputation.

As a global business, more than 350,000 people work across our hotels and offices. With tourism accounting for 1 in 11 jobs worldwide, and our ongoing strategy to further increase our pipeline, in the coming years there will be a need to recruit even more individuals to work in our hotels worldwide. We take our responsibility to those colleagues very seriously and are committed to protecting labour rights, ensuring employee well-being and promoting equality and diversity.

#### Diversity and equality

With brands, employees, guests and owners all around the globe, IHG enjoys a rich tapestry of diversity in its business. One of our Winning Ways, Celebrate Difference (see below for more information), highlights our belief in, and commitment to, creating a welcoming environment for our guests and employees.

We believe in diversity and inclusion across all aspects of our business and reducing inequalities is embedded within our strategy and commitment to the United Nations Sustainable Development Goals (SDG's). This includes our employees, our guests, hotel ownership, strategic sourcing relationships, recruitment, community relations, franchising and marketing. We create the right working environments and business relationships, and encourage a culture where everyone feels valued and accepted.

#### The role of leaders

The role of leaders at IHG is to create the environment where everyone is heading in the same direction, completely aligned and committed. They attract, develop, motivate and retain great talent to work in all parts of IHG. Leading by example, they deliver competitive advantage in a responsible way and ensure that all individuals understand the value of doing business responsibly.

#### Making IHG a great place to work

We ask our employees in our corporate offices and owned and managed hotels to live our Winning Ways, a set of behaviours and values which define how we expect them to interact with our guests and their colleagues. Our employees helped shape these Winning Ways. They are:

**We do the right thing** - Keeping our promises; not letting people down; and making decisions, even when they're difficult.

**We show we care** -Treating people as individuals; and looking and listening for the little things that make a difference.

**We aim higher** -Putting our hearts into learning new things; and looking for ways to improve.

**We celebrate difference** - Being respectful of all cultures; learning from others; and playing an active role in the communities in which we operate.

**We work better together** -Thinking about what we do and how it might affect others; and working hard to develop excellent working relationships.

These values are entrenched in responsible business practices and integral to delivering our strategy.

In turn we offer our people our 'Room to be yourself' commitment, which involves four promises:

**Room to have a great start** - To ensure IHG remains great, it is vital that all our employees have a great start to their career with us. We ensure they have access to the tools and information they need to succeed, from day one. This means they can be productive and integrated into their role as quickly as possible.

**Room to be involved** - At IHG, we love to share. That's why we communicate with colleagues on matters relating to the Group's business and performance. We share this information through various channels, including conferences, team meetings and our company intranet. We know that to stay at the top of our game, we need honest, regular feedback. We encourage employees to share their thoughts on a regular basis, formally capturing them through our employee engagement survey, the results of which are a business-wide KPI.

**Room to grow** - Our employees are given access to the required support, experience and training, and are provided with development opportunities.

**Room for you** - We reward and recognise employees for their contributions, and value the significance of a work-life balance.

We promote IHG as a place where people can bring the same amount of energy, enthusiasm and dedication to their jobs as they do to their interests and hobbies. Because we are hospitality when our people perform at their best our business performs at its best.

#### IHG Academy

As well as caring for our employees, IHG helps develop the hospitality skills and improve the employability of the people living in the communities surrounding our hotels. This is achieved through our global work experience programme, IHG Academy. Through IHG Academy, IHG hotels and corporate offices partner with organisations in their local community to offer work experience to local people

#### Code of Conduct

Through our Code of Conduct we set the principles for doing business responsibly. The Code provides colleagues with an overview of our key global policies and incorporates our values, our Winning Ways which are a key part of the way we do business. The Code is reviewed annually by the IHG Audit Committee.



### Ethical concerns

We think it is extremely important that all employees feel comfortable reporting ethical concerns. As a result, we have a confidential reporting channel which provides employees with a means to share any ethical concerns they may have. Employees are made aware of this through regular internal communications as well as through a dedicated website, [www.ihgethics.com](http://www.ihgethics.com). Regular reporting on the channel is provided to our Audit Committee.

The Code, Anti-Bribery and Human Rights policies can be found on [www.ihgplc.com/policies](http://www.ihgplc.com/policies)

### Leading with impact and influence

‘Leading with Impact and Influence’ is a development programme for high-performing managers. Participants lead an individual project that aligns to IHG’s priorities and addresses a live business need whilst acquiring new leadership skills and behaviours.

### Employee engagement

Understanding how engaged employees feel is intrinsic to how we operate our business and it is measured through our employee engagement survey. Asking for, and acting on feedback on how we can make IHG the best place to work, has led to year on year increases in employee engagement. The survey also demonstrates that actively involving our employees doing our responsible business initiatives is key to driving commitment and pride amongst IHG employees.

## **Implementation**

We recruit and promote individuals solely on the basis of their suitability for the job and will not discriminate on the grounds of race, colour, ethnic or national origin, gender, sexual orientation, age, religion, marital status or disability unrelated to the role.

Development and training programmes, including for leadership and management, are accessible throughout IHG. Where colleagues become disabled, we aim to provide continuing employment wherever practicable in the same or an alternative position. We also work with organisations across the world to make thoughtful considerations on behalf of guests with disabilities.

During 2016, IHG has focused on building voluntary and employee-led resource groups across the organisation to foster a diverse and inclusive workplace. These groups comprise individuals who share common interests, backgrounds or demographic factors such as gender, race or ethnicity.

### Continuous development

We now have the ability to reach all colleagues in our business with on-demand learning content, exactly when they need it. A foundational building block for doing this is through a modernised Learning Management System (LMS) and new learning technology platforms that enables us to deliver the right learning content to the appropriate audiences. Through our focus on developing talent internally, 75% of Regional Executive Committees and functional leadership team vacancies were filled by internal talent.

## General Manager development

We continue to progress the consolidation and expansion of our General Manager (GM) offering via our General Manager Programme. This now includes a new interactive learning technology, providing all GMs with social learning and other online tools to connect them together and share their progress with one another. We are excited to continue investing in this programme, with a view to making it best in class.

## IHG Frontline

IHG Frontline is an online learning platform that enables hotel colleagues at IHG branded hotels to enhance their knowledge and skills around brands, service and operations. More than 3,300 IHG hotels have adopted the programme, meaning more than 100,000 colleagues have access to 50 courses on the platform.

## **Measurement of Outcomes**

### Human Rights

In 2016, we were once again recognised by the Human Rights Campaign's Equality Index by achieving a 100% score.

### Our employees

We are making continued progress in attracting and retaining female leaders. The Hampton-Alexander review recently listed IHG in the Top 20 of the FTSE 100 for female representation combined across Executive Committees and Direct Reports.

- Three of the nine Directors on the Board are female (33%)
- Two of the 11 Executive Committee members are female (19%) and 40% of Direct Reports to the Executive Committee are female.
- In the past 12 months, 33% of our senior manager hires were female.
- In the past 12 months, 33% of our senior manager promotions (Band 4 and above) were female and 50% of those promoted into Band 3 positions were female.

We have focused on building voluntary, employee-led resource groups across the organisation to foster a diverse and inclusive workplace. These groups comprise of individuals who share common interests, backgrounds or demographic factors such as gender, race or ethnicity, and as such the following groups have been established in the business: Black Employee Resource Group (BERG) and IHG Out and Open, a Lesbian, Gay, Bisexual, Transgender and Ally (LGBT+ ) Employee Resource Group. Both are sponsored by senior leaders in the business.

## IHG Academy

In 2016, 11,985 new IHG Academy participants undertook IHG Academy work experience placements across 803 IHG properties in 75 countries.

## **Our priorities for 2017**

- Further enhance our approach to learning delivery, by leveraging new technology channels.
- to implement a comprehensive employee survey to capture colleague feedback across the whole employee career at IHG.

- In 2017 we are strengthening our employee engagement approach, moving to a more continuous survey and feedback approach.

## Environmental Principles

### Assessment, Policy and Goals

As one of the world's leading hotel companies, with more than 5,000 hotels in nearly 100 countries, we understand the impact our business activities have on the environment and take active steps to manage it.

The hotel business is growing and IHG is committed to ensuring our portfolio grows in a responsible way, always mindful of the resources we use, as well as the opportunity we have to do things differently. Our stakeholders, our colleagues and our guests want us to demonstrate how seriously we take issues such as climate change, water scarcity, utility consumption, and environmental preservation.

We put the environment right at the heart of how our hotels operate. Our long-term success, as well as the comfort and well-being of our guests and planet, depends on it.

#### Our 2012-2017 Targets:

12% reduction in carbon footprint per occupied room\*

12% reduction in water use per occupied room in water-stressed areas\*

## Implementation

### IHG Green Engage™ system

Our online sustainability tool that helps us minimise our hotels impact on the local environment. It's our way of ensuring that our surroundings are preserved for everyone to enjoy. The system:

- Measures energy, carbon, water and waste consumption and costs.
- Uses actual data to provide customised environmental performance benchmarking, taking into account hotel location, brand and outfitting.
- Recommends over 200 Green Solutions, including case studies, implementation plans and other considerations, to reduce the impact our hotels energy, carbon and water use and waste have on the environment. The tool also demonstrates the cost savings that can be achieved by hotels when they implement the solutions.
- Supports hotels to create environmental action plans and targets.
- Can achieve energy savings of up to 25% on average for those hotels achieving Level 3 certification; making our hotels more cost-effective to operate and ultimately allowing us to improve the value of service we offer our guests.
- Automatically feeds sustainability information about our hotels to our clients. In 2016, 54% of our business accounts asked for this information – such as carbon footprint and waste.
- Allows guests to make better informed purchasing decisions. By linking to the hotel booking sites, guests can see what level (1-4) of certification in the IHG Green Engage system the hotel has achieved.
- Sets and tracks property specific reduction goals for carbon, energy, water and waste.

The system recognises progress and performance through four levels of certification. In 2014, we announced a global standard that all our hotels must participate in the IHG Green Engage system and we have been working with IHG branded hotels globally to drive adoption to manage their overall environmental impact.

We work with a number of third parties to align the IHG Green Engage system activity to their requirements and through the system over 806 hotels have pursued additional third-party certification, including TripAdvisor's GreenLeaders, Green Globe, Green Tourism and Green Key Global.

IHG was the first hotel company to be approved for pre-certification for new and existing buildings by LEED, one of the leading programmes for the design, construction and operation of green buildings.

To ensure the quality of participation in the IHG Green Engage system, hotels that reach any level of certification undergo a third-party assurance process administered by Deloitte. In addition, our environmental performance data is independently verified through Lloyd's Register Quality Assurance (LRQA) in accordance with ISO14064 – 3:2006 specification with guidance for validation and verification of greenhouse gas assertions.

### What is a Green Solution?

Green Solutions are action items that hotels can implement on property to build and operate sustainable hotels. Each Green Solution outlines the action the hotel must take (such as replacing incandescent bulbs in guest rooms), and provides detailed steps to implement the solution. These recommendations cover design, operations and technologies aimed at reducing energy, water and waste, cutting carbon emissions, improving guest health and comfort and reducing operating and maintenance costs.

Examples from the 200+ Green Solutions include:

- Using energy efficient lighting and lighting controls.
- Installing water efficient bathroom fixtures.
- Using energy efficient appliances and systems.
- Rainwater harvesting.
- Alternative energy sourcing.
- Improving indoor air quality.
- Increasing waste diversion.
- Sustainable event management.

### Innovation not offsetting

As a global organisation, we believe our biggest contribution towards cutting greenhouse gas emissions will come from changing our own behaviour. We are therefore committed to reducing and managing carbon emissions across our hotel estate, rather than by purchasing carbon offsets. This provides a clear incentive to deliver the sorts of innovative solutions which guests want and which can deliver the greatest savings and efficiencies.

## Our carbon footprint

Following the introduction of the Hotel Carbon Measurement Initiative (HCMI) standard across the industry in 2012, which IHG played a leading role in developing, we added a carbon calculator to the IHG Green Engage system. As well as strengthening our efforts to improve the quantity and quality of data gathered by our hotels, the calculator enables hotels to minimise their impact on the environment by tracking, managing and reducing carbon.

The IHG Green Engage system provides our hotels with a comprehensive guide to water-saving technologies and processes recommending nearly 30 Green Solutions devoted solely to water. Typically, over 40% of the water used in a hotel is from showers, toilets, taps and kitchens, but installing low-flow fixtures, such as faucets, toilets and shower heads, reduces water consumption.

Through our partnership with the Water Footprint Network (WFN), one of the world's leading centres of excellence for water stewardship, we have been developing a worldwide water stewardship programme to enable hotels to manage and mitigate water risk in their operations building on our 5 year, 2013-2017 target to reduce water use in water-stressed areas per occupied room by 12%.

Together in 2016, we completed the hospitality industry's most comprehensive water risk assessment across our global estate of more than 5,000 open IHG branded hotels and pipeline hotels. Through a mapping exercise we have identified risks related to both water quantity and quality and this has set the foundation to develop tailored water stewardship action plans to apply best practice techniques for each of our hotels, particularly those in water-stressed areas.

Through our partnership with the International Tourism Partnership (ITP) we played a leading role in the development of the Hotel Water Measurement Initiative (HWMI) which was launched in World Water Week, Stockholm, August 2016. The HWMI represents a common methodology for hotels globally to measure and report on water consumption in a consistent manner across the hotel industry and follows on from the successful implementation across the hospitality industry of the Hotel Carbon Measurement Initiative (HCMI), that launched in 2012.

## Waste

The IHG Green Engage system provides guidance to hotels on how to manage their waste and through the system we encourage hotels to create a waste management plan that sets out how they are going to handle, store and dispose of waste, both on and off-site.

## Food waste

Through careful menu planning we reduce food waste and make use of seasonally available ingredients. The IHG Green Engage system guides our hotels through the processes to enable them to set up or make use of food donation programmes where possible and encourage our hotels to sustainably dispose of food waste that is generated.

## Amenity recycling

In the United States, Canada and Mexico we continue to partner with Clean the World, a not-for-profit corporation which collects and recycles discarded soap and shampoo products and distributes them to impoverished people in the developing world to help prevent hygiene-related illness.

### Biodiversity

Biodiversity is intrinsic to the day-to-day life of a hotel and keeping the disturbance of animals, plants and their natural habitats to a minimum is an important part of our role as a responsible business. As part of our IHG Green Engage™ system we have developed a set of recommendations aimed at preserving and protecting on-site local flora and fauna and the wider regional ecosystems affected by our operations. This includes advice on management of green spaces and long term strategies for protecting local environments.

### Environmental legislation

We work with government bodies to help refine proposed regulation and make it fit for our industry, as well as provide a best practice example of managing environmental impact that can help inform others seeking to do the same. The IHG Green Engage system plays a key role in helping hotel owners manage current regulatory performance and prepare for anticipated regulations. In 2016, we continued, to support these efforts through our ongoing participation in the American Hotel and Lodging Association (AH&LA) where we co-chair the AH&LA Sustainability Committee.

Throughout the year we demonstrate our IHG Green Engage system to the United States Council on Environmental Quality, the United States Department of Energy and several United States Congressional staffs. We continue to engage in dialogue with lawmakers around the world on the best way for governments to support the environmental efforts of private business.

### Guest awareness and participation

Through signage, literature and colleagues, our hotels can promote their green efforts and encourage guests to participate. In 2015, we launched the 'A Greener Stay' programme in our Holiday Inn and Holiday Inn Express hotels in the Americas to engage guests and reduce IHG hotels' energy and water usage. We also promote local sustainability initiatives such as low carbon alternative means of transport, and can provide guests with feedback on their energy and resource usage.

### Supporting travel buyers

We know that sustainability is important to our corporate clients. Every year, more and more travel buyers ask for information about the environmental footprint of our hotels so that they can make more sustainable choices in their travel procurement.

Since 2013, we have continually enhanced our ability to report this information to our travel buyers. The IHG Green Engage system automatically reports this information about each of our hotels to corporate clients that ask for it.

We also report our environmental performance data to the CDP Supply Chain programme for both our carbon and for the first time in 2016, water; enabling our corporate clients to have access to even more robust information.

## **Measurement of Outcomes**

### Progress against our 2012 - 2017 targets

In 2016, we achieved:

7.4% reduction in carbon footprint per occupied room\*

7.9% reduction in water use per occupied room in water-stressed areas\*

15,324 green solutions implemented through using the IHG Green Engage system

In 2016, we continued to make strong progress against our 5-year target to reduce water use per occupied room in water stressed areas by 12% with a reduction of 7.9%\* (from a 2012 baseline).

We acknowledge there is still significant progress to be made against our target to reduce our carbon footprint per occupied room by 12%, having reduced it by 7.4% in 2016\* (from a 2012 baseline). Through our reporting, we report on scope 1, 2 and 3 emissions and in addition working with carbon footprint specialists Anthesis; each year we have been able to increase our sample size including those hotels within scope 3 emissions as more of our hotels adopt our IHG Green Engage tool, giving our stakeholders greater accuracy and transparency in the disclosure of our Green House Gas emissions. The addition, with an increase in the sample size year on year, it allows us work more specifically in those areas that need the most support.

With the significant reductions we've made in our managed hotels we will focus on replicating action items and learnings into our franchised operations:

- Across our company and managed hotels, we ran pilots to with a focus on reducing water and carbon use. These successful pilots, in 2017 will be rolled out to all our hotels.
- We have developed a new hotel toolkit with guidance and solutions for our hotels to adopt top water saving solutions for our hotels to implement.
- Through the IHG Green Engage system we have set carbon and water saving targets, giving IHG branded hotels greater clarity and transparency on reduction milestones.
- We have identified Green Solution actions that bring about the greatest carbon and water savings and identified appropriate vendors so that our hotels can procure technologies through greater cost efficiencies.

### Amenity recycling

We now have 303 hotels participating in the Clean the World programme, and through the partnership, they have recycled and distributed 603,810 lbs of soap and amenity waste, and distributed over 1.9 million bars of soap to the developing world.

Clean the World is also a beneficiary of the IHG Foundation.

### Guest awareness and participation



Throughout 2015 and 2016, Holiday Inn and Holiday Inn Express hotels in the U.S. and Canada upgraded their in-room coffee offering to improve the guest experience. As part of the upgrades in the hotels, we encouraged them to donate, recycle, reuse their old current coffee makers to give them a second life. More than 90% of the hotels took action, diverting over 326,000 lbs of waste from landfill. This number of coffee pots could fill approximately 43 swimming pools.

#### Supporting travel buyers

In 2016, 54% of our business accounts asked for this information about our hotels using the Global Business Travel Association (GBTA) corporate responsibility module – such as carbon footprint and waste diversion rates.

#### **Our priorities for 2017**

Working closely with our franchised estate to drive reductions in our carbon footprint. Through increasing hotel carbon footprint data sample year on year, we've identified those areas where we will focus our efforts.

- Continue to reduce our carbon footprint across our entire estate.
- Continue to drive quality use of the IHG Green Engage system across our entire estate.
- Continue to reduce water use across our entire estate, with a focus on hotels in water-stressed areas.
- Implement initiatives at hotel level to improve water stewardship and enable further reductions in water use.

## **Anti-Corruption Principles**

### **Assessment, Policy and Goals**

We deliver on our commitment to responsible business practices through our robust and effective risk management system, which continues to evolve in pace with our business, and results in sustainable, long-term growth.

#### Our Winning Model strategy and risk

Our strategy and business model create a number of risks and opportunities for the business. The Board is ultimately accountable for the effectiveness of our risk management and internal control systems, and is supported by the Audit Committee, Executive Committee and delegated committees, who oversee our risk management system to ensure that risks are appropriately identified and managed within IHG's risk appetite.

#### Employees

We take steps to ensure that there is a culture of responsible business IHG and that employees act with integrity.

At IHG we are committed to operating with integrity and to complying with all relevant laws including all applicable anti-corruption legislation. IHG has a zero-tolerance approach to bribery and corruption and this position is clearly set out in our Code of Conduct and Anti-Bribery policy. This applies to all IHG employees and directors and our managed hotels. Bribery is not permitted under any circumstances. Facilitation payments are also prohibited.

We also have a Gifts and Entertainment policy which applies to all IHG employees and directors and managed hotels. This policy sets out which types of gifts and entertainment are never acceptable and contains reporting and approval requirements for items over certain values. Our Code of Conduct also prohibits political donations.

### **Implementation**

We have an anti-corruption training programme which applies to all employees and directors. More than 30,000 people completed our online anti-bribery training.

We regularly monitor our anti-corruption programme including its suitability, adequacy and effectiveness and implement improvements as appropriate. Reporting on the anti-corruption programme is provided to the Audit Committee and Board.

#### Ethical concerns

We think it is extremely important that all employees feel comfortable reporting ethical concerns. As a result, we have a confidential reporting channel which provides employees with a means to share any ethical concerns they may have. Employees are made aware of this through regular internal communications as well as through a dedicated website, [www.ihgethics.com](http://www.ihgethics.com). Regular reporting on the channel is provided to our Audit Committee.

The Code, Anti-Bribery and Human Rights policies can be found on [www.ihgplc.com/policies](http://www.ihgplc.com/policies)

#### Anti- Bribery

We have an anti-corruption training programme which all IHG employees and directors must complete. To date, more than 30,000 people have completed our online anti-bribery training.

#### Gifts and Entertainment Policy

We also have a Gifts and Entertainment Policy which applies to all IHG employees and directors and managed hotels. This policy sets out which types of gifts and entertainment are never acceptable and contains reporting and approval requirements for items over certain values. Our Code of Conduct also prohibits political donations.

#### Information Security and Confidentiality

All IHG colleagues working in corporate offices and IHG-managed hotels are responsible for safeguarding information under their care. This includes both business and personal data. IHG colleagues must follow IHG's information security policies, standards and procedures.

IHG handles huge amounts of personal data from guests, colleagues, shareholders, owners and business partners. Global data privacy laws determine how we treat this data and complying with these laws is an essential part of doing business responsibly.

#### Conflicts of Interest

IHG colleagues must always act in the best interests of IHG and avoid any conflict of interest. This means avoiding situations where personal, family or financial interests conflict with those of IHG, or even appear to.

#### Antitrust

We comply with Competition Laws and do not discuss, agree or coordinate prices with our competitors or discuss any information with competitors that may influence market conduct or pricing decisions. We do not agree with competitors to divide out markets or customers, or bid-rig.

#### Ethical concerns

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#### **Measurement of Outcomes**

- We regularly monitor and report on our anti-corruption programme including its suitability, adequacy and effectiveness and implement improvements as appropriate. Reporting on the anti-corruption programme is provided to the Audit Committee and Board.

## **Responsible procurement**

### **Assessment, Policy and Goals**

We work to ensure our culture of responsible business extends beyond our direct operations. We have targets to track and report supply chain diversity and integrate corporate responsibility criteria into the selection and evaluation process for all preferred suppliers.

#### Vendor Code of Conduct

Our Vendor Code of Conduct sets standards to which we require our supply chain partners to operate including in relation to human rights and modern slavery. More details on our approach to modern slavery will be found in the IHG Slavery and Human Trafficking Statement, which will be published in March 2017.

In 2014, we undertook a detailed review of our processes used to request information from suppliers, to ensure the importance of responsible business practices is reflected. As a result of this, we have enhanced our procurement systems to require new suppliers to sign the IHG Vendor Code of Conduct as part of the process of becoming a preferred supplier.

#### Vendor checking and accreditation

We continue to work with our suppliers to achieve an even better understanding of our supply chain base. Our suppliers provide relevant data to support our responsible procurement strategy.

#### Diversity in the supply chain

We operate a supplier diversity programme in collaboration with IHG's Global Strategic Resourcing team. This supports our commitment to provide suppliers equal access to purchasing opportunities and economic stimulus in a way that reflects the diversity of our guest base and communities. We track and report our supply chain diversity profile and during 2016 our spend with diverse suppliers was \$59.1m, which increased from \$62.4m in 2015.

We encourage our hotels to use environmentally friendly products and to source goods and services locally wherever possible. In 2015, we developed and rolled out a Sustainable Seafood Policy which applies to all IHG branded hotels globally and which clarifies that shark fin is not permitted to be served in our hotels' bars and restaurants.

### **Implementation**

#### Vendor checking and accreditation

In 2016, we established a Supply Chain Council. The council considers risks pertinent to suppliers across our owned and managed hotel estate and corporate offices whilst also monitoring those across our extensive franchised properties. The council places resources to respond to risks which could affect our approach to responsible business.

#### Diversity in the supply chain

In 2016 we further strengthened our commitment by stipulating that 90% of our top ten seafood products are sourced sustainably in the Americas, Europe and Greater China by 2020, unless otherwise impracticable. In AMEA, where there is broad diversity in supply chains and operations, we will continue a focus on sustainable sourcing of seafood.

In 2016, we also committed to sourcing 100% cage-free eggs throughout our US, Canadian and European hotels no later than 2022. We also pledge to source 100% cage-free eggs at all our hotels globally, both franchised and managed, by 2025. Our Food & Beverage teams partner with our corporate responsibility team to constantly scan and review opportunities to further responsibly source the food items served in IHG branded hotels.

**Our priorities for 2017**

- We will continue to work with diverse suppliers across our markets and increase this spend as appropriate.
- We will continue to ensure that corporate responsibility criteria is fully embedded in IHG procurement systems and we are developing a toolkit for all of our managed hotels to help them to source goods and services responsibly, forming an important decision criteria for preferred suppliers.