

## **General**

Period covered by your Communication on Progress

(COP) From: February 2017 To: February 2018

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

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

*At IHG our global scale gives us the potential to make a real difference. Our hotels are found all over the world, forming part of local communities and touching the lives of many people, and it is embedded in our culture to care for others and the planet – that's a key part of how we deliver our purpose of providing True Hospitality for everyone.*

IHG CEO

Keith Barr

## **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

We want to ensure we have a positive impact on the lives of all people that interact with IHG. True Hospitality means making everyone feel welcome and cared for, recognised and respected, whoever and wherever they are in the world. We bring this commitment to life by embedding responsible business practices in all aspects of the way we work. Doing the right thing in the right way engenders pride among our people and greater preference among owners, and builds trust with guests and local communities. To ensure the long-term success of IHG and our stakeholders, it is more important than ever to build trust and create a positive impact within communities, in what is a fast-changing and uncertain world.

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 has risen to more than 10% and continues to grow. The industry now accounts for one in ten jobs on the planet. We are capitalising on the hospitality industry's ability to make a positive difference to the economic health and social fabric of thousands of local communities, while closely managing our impact on the environment. We also continue to empower and equip our hotels to prepare for, and respond to, disasters, providing support to colleagues and local communities.

In the last year of our 2013-2017 responsible business target cycle, we made strong progress against our targets, and delivered on four of the five targets we set ourselves in 2013. Our commitment to responsible business continues, with the launch of new three year targets in the areas of environmental sustainability; community impact; our people; and responsible procurement.

Our culture of responsible business extends to everyone we engage with – guests, colleagues, owners, partners and local communities. It is engrained in the way we operate, in our people, and through the delivery of our environmental sustainability and community impact programmes.

Our commitment begins with our Chairman, the Board and its Committees. They provide strong leadership and promote responsible business behaviours throughout the organisation, instilling strong business ethics and ensuring compliance with relevant laws and regulations. This culture is reinforced by our Code of Conduct, Human Resource policies and performance reward systems. To guide colleagues we have policies, programmes and training in place, such as human rights and modern slavery, anti-bribery and corruption, information security and antitrust laws and procedures. We have a robust and effective risk management system and work to ensure a safe and secure environment for our guests, colleagues and those working at, or visiting, our hotels and corporate offices.

In 2017, we have reinforced our commitment to ethical business and embedded policies and training, including our human rights and modern slavery e-learning, fire life safety approach, crisis management tools and training, and we have increased our focus on cyber security.

### Developing our responsible business approach

Doing the right thing for others and the environment is central to our business.

We are focused on delivering high-quality, responsible growth. Through our Winning Model, we focus on value creation by building preferred brands, delivering a superior owner proposition, leveraging scale and generating revenue through the lowest-cost, direct channels. We concentrate on a targeted portfolio that, together with disciplined execution of our strategy and a commitment to doing business responsibly, will drive superior returns for our shareholders. As a company, we recognise the need to continuously develop our responsible business approach in order to address growing stakeholder expectations around environmental, social and governance matters.

To ensure our responsible business approach remains relevant, we consult our stakeholders to determine issues that are most important to them and to our business, be it the effect we have on society, the environment and the economy. We consider steps to embed a culture of responsible business, our duty of care to colleagues, guests and communities, taking into

account the protection of IHG's reputation, and our brands, as well as all aspects of the hotel life cycle. This approach allows us to identify the areas where our actions can deliver the greatest impact.

We consult our stakeholders to determine the issues that are the most relevant to them and to our business, and to identify the areas where our actions can deliver positive benefits.

We use a materiality matrix to align our responsible business priorities with IHG's strategic approach and our principal risks. In addition, in the context of our operating model, we consider the areas where we can make the greatest positive contribution to the communities in which we operate. Following this approach, we can grow our business in a sustainable way, and make the greatest contribution to the 2030 Agenda for Sustainable Development and The United Nations Sustainable Development Goals (SDGs).

We are already working to ensure that we play our part to address some of the world's biggest challenges and ensure the long-term sustainability and success of our business. Our business supports several SDGs, from reducing poverty and hunger through our economic multiplier effect, to providing quality education via our IHG Academy and decent work to hundreds of thousands of colleagues globally, and combating climate change through the IHG Green Engage system.

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

#### *Clean water and sanitation*

- United Nations studies show that water stress impacts over 40% of the global population with projections showing this is set to rise.
- In 2016, we completed the industry's most comprehensive water risk assessment for all open and pipeline hotels.
- In 2017, through our Water Stewardship programme, we launched targeted actions for hotels to reduce water use.

#### *Decent work and economic growth*

- Tourism accounts for 1 in 10 jobs worldwide. With nearly 5,300 hotels globally and a further 1,500 in the pipeline, we can create a positive economic impact by providing jobs for local people.
- We offer quality work experience to thousands of participants through our IHG Academy programmes. During 2017, 2,599 IHG Academy programmes in 74 countries, benefitted 13,633 participants improving their employability in the hospitality industry.
- We provide support, experience and training for employees and offer development opportunities so they can grow their careers at IHG. In 2017, we improved our learning platform, MyLearning to support them on their career journey

#### *Reduced inequalities*

- Through IHG Academy programmes, such as the one with Youth Career Initiative, we partner with a variety of community organisations to provide life-changing work experience opportunities to disadvantaged groups.
- Our diversity and inclusion strategy helps us reduce potential inequalities in IHG's workplace; and we are committed to equitable compensation practices regardless of race, sexual orientation, gender or ethnicity.
- IHG has earned a perfect score of 100 percent on the Human Rights Campaign (HRC) Foundation's Corporate Equality Index (CEI) for four consecutive years and has been named a Best Place to Work for LGBT Equality in the United States.
- IHG champions equality for lesbian, gay, bisexual and transgender (LGBT) citizens, guests and colleagues, as part of our commitment to creating a welcoming environment for all.

#### *Sustainable cities and communities*

- 'A city that is not good for its citizens is not good for tourists' (source: UNWTO).

- Our hotels provide critical economic stimulation in the communities within which they operate, including in developing countries.
- We ensure our hotels are prepared and able to play an active role in supporting those impacted by disasters, helping local communities get back on their feet quickly.
- IHG Green Engage system provides blueprints for hotels to be designed, built, and operated in a way which is more environmentally sustainable for the communities in which they operate.

### *Responsible consumption and production*

- We provide environmental data, including our carbon and water footprint, to corporate clients as part of their Request For Proposals (RFPs).
- We show the level of IHG Green Engage a hotel has achieved on our booking websites to help guests looking for more sustainable hotels.
- In 2017, we continued to focus efforts on embedding responsible business in our procurement processes. The IHG Vendor Code of Conduct helps us ensure that we do business in a responsible way.
- Through our 'A Greener Stay' programme, we reward consumers who act 'green' while staying in our properties by deferring housekeeping services. Hotels can operate more sustainably by reducing energy and water use, as well as reducing the use of chemicals in the housekeeping process.
- We have made human rights training accessible to all IHG branded hotels globally, so that they can be proactive in managing potential human rights and modern slavery risks in their operations and supply chains.
- We have a Sustainable Seafood Policy in place.
- In 2016, we announced our policy to source 100% cage free eggs by 2025.

### *Climate action*

- We work with our hotels and their owners to help them reduce their environmental impacts.
- The IHG Green Engage system recommends over 200 Green Solutions to help our hotels track and reduce their energy, water and waste.
- Hotels can achieve energy savings of up to 25% on average if they achieve Level 3 certification within our IHG Green Engage tool.

### *Partnerships for the goals*

- Our franchise business model means that working collaboration is an essential part of how we embed our approach to responsible business across our hotel estate. Working with the IHG Owners Association, we can implement new processes to help our hotels operate in a more sustainable way.
- We continue to collaborate with industry associations, NGOs, government and community organisations to embed our programmes and to deliver positive change.
- Through our longstanding membership of the International Tourism Partnership (ITP), we collaborated with industry peers to develop Collective solutions to key sustainability challenges.
- In 2017, we worked with ITP to develop and launch new industry targets , underlining our commitment to the SDGs.

### IHG® Foundation

Building on the positive impact of IHG's responsible business programmes, the IHG Foundation was established in 2016 to demonstrate the power of hospitality to transform lives for the better. From skills in hospitality, to preparing for the next disaster, and a helping hand to those who need it most, the IHG Foundation supports those in need to help make our world a more hospitable place. Since launch, it has supported 72 projects with 46 organisations in multiple geographies.

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

## Human Rights Principles

### Assessment, Policy and Goals

We recognise the importance of educating colleagues on human rights issues, including the risk of modern slavery. IHG focuses on areas of human rights that are most relevant to our business and we work to ensure our values are reflected consistently across our business. 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.

Since 2014 we have a brand standard in place that requires all IHG hotels to adopt and display a human rights policy and make colleagues aware of this annually. In addition, we have developed a human rights e-learning module available to all hotels in 2015. This is designed to raise awareness of IHG's human rights approach and support hotels to meet the human rights standard as well as providing additional information on topics such as modern slavery. By the end of 2016, more than 27,000 colleagues had completed the e-learning module and in 2017 more than 40,000 colleagues.

#### Modern slavery

Modern slavery is a serious, and often hidden, crime and we recognise that we have an important role to play in combatting it.

In 2016, we published a 10-minute training session and developed a poster for display in colleague areas to highlight the risks of modern slavery, as well as the key warning signs to watch out for and how to report concerns.

Throughout 2017, we continued to raise the importance of human rights and mapped high risk locations where we will further focus on additional awareness and training. We also updated our Code of Conduct to highlight the issue of modern slavery.

#### Supply Chain - Vendor Code of Conduct

IHG's Vendor Code of Conduct sets out the standards under which IHG suppliers are expected to operate, including in relation to human rights and modern slavery in areas such as voluntary freedom of association, working conditions, forced labour and the exploitation of children. In recent years, we have enhanced our procurement systems and asked the majority of our existing corporate suppliers (those who supply us more than once) and all new regular corporate suppliers to sign the IHG Vendor Code of Conduct, as well as suppliers who support our hotel buying platform in the US.

IHG suppliers are requested to pass through our supplier registration process through which the relevant due diligence information is gathered. It is only upon passing through the supplier registration process that a supplier can become an IHG accredited supplier. IHG's procurement team has committed to carrying out risk profiling for all corporate and hotel preferred suppliers by the end of 2018. This will be followed by audits of all suppliers considered to present the most potential risk, and a requirement to meet quality standards and

accreditation set out by an external body.

IHG franchised hotels are independently owned and operated, however, all of our hotels and owners, both managed and franchised, have a shared commitment to responsible business. In 2014 we launched a new brand standard requiring all hotels to adopt their own human rights policy and we have provided guidance and training materials to enable this.

## **Implementation**

### Working groups on human rights

We are a signatory to the UN Global Compact, aligning our operations and strategies with the 10 universal principles that include commitments to human rights and labour standards. 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 Rights Working Group. We are also working to further embed our human rights approach into our supplier contracts.

### Vendor Code of Conduct

In 2015, we introduced a Procure to Pay system, which simplifies and streamlines the way we purchase goods, and provides us greater visibility on our corporate suppliers. We also launched a new Global Procurement Policy, which sets out how our corporate colleagues should conduct business when spending money on IHG's behalf.

In the two years since the introduction of the Procure to Pay system, we have achieved far greater levels of spend visibility, enabling us to further embed our responsible business practices in our corporate supply chain.

In 2017, a new dedicated eLearning for corporate colleagues was launched, designed to enhance understanding and awareness of IHG's Global Procurement Policy, it also focused on the importance of identifying and minimising risk across all of IHG's interactions with external suppliers.

### 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.

Throughout 2017, 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 are committed to training colleagues in hotels and corporate offices around the world.

In 2017, we held a series of webinars with Human Resources Directors in our hotels across Asia, Middle East and Africa. The interactive sessions provided colleagues with advice on the signs to watch out for to identify human rights abuses, and provided information on the suite of IHG training materials on human rights and modern slavery.

## **Measurement of outcomes**

- In 2017, more than 40,000 colleagues had completed the human rights e-learning module.
- In 2017, we were once again recognised by the Human Rights Campaign's Equality Index by achieving a 100% score.

**Our priorities for 2018**

- In March 2018, we will publish our 2017 IHG Modern Slavery 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.
- In 2018, IHG will launch a Supply Chain Sustainability programme and criteria designed to ensure its supply chains adhere to sustainability requirements.

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



# Labour Principles

## Assessment, Policy and Goals

### Our people

Our people are crucial in achieving our commitment to operating responsibly. As a global business, more than 370,000 people work across our hotels and corporate offices, and ensuring they embrace our culture of responsible business is extremely important to us. We invest in our people and support them to develop their careers, keeping them involved in the business and recognising them for their contribution.

### Diversity and inclusion

As a global organisation operating in nearly 100 countries around the world, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate. We celebrate difference and encourage diverse thinking and perspectives.

### Making IHG a great place to work

We ask our corporate and hotel colleagues to live our Winning Ways. Shaped by our people, these are a set of behaviours and values central to how we interact as colleagues and with our guests. They are:

#### *We do the right thing*

Keeping our promises; not letting people down; and making the right 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.

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 in the hospitality business, when our people perform at their best, our business performs at its best. To employees in our offices and managed hotels, we offer our 'Room to be yourself' commitment, which is built on four promises:

#### *Room to have a great start*

We ensure that all our new starters 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*

We communicate the Group's business achievements and performance through various channels, including trading updates from our CEO, quarterly Town Halls and our company intranet. We know that to stay at the top of our game, we need honest, regular feedback and encourage employees to share their thoughts on a regular basis.

#### *Room to grow*

Our employees are given access to the required support, experience and training, and are provided with development opportunities so they can grow their careers at IHG.

### *Room for you*

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

### IHG Academy

The IHG Academy provides opportunities for local people from all walks of life to build their knowledge and skills, improve their employability, and kick start a career in the hospitality industry. It's our way of opening our doors and creating opportunities for all.

With an expanding portfolio of hotels, we have a pressing business need to identify and develop talented people who will bring them to life. By working with local communities, and in partnership with others, we help develop a pool of skilled, motivated and engaged people, who are committed to providing the consistently great experience that our guests expect.

### Code of Conduct

The IHG Code of Conduct (Code) supports all of us in making the right decisions. It sets out the principles we must all work by at IHG, wherever we are in the world. It also provides guidance on where to go if colleagues are faced with a difficult issue and need further help. The Code is applicable to all our Directors, officers and employees, and is reviewed and approved annually by the Board's Audit Committee.

### Ethical concerns

It is extremely important that our people feel comfortable reporting ethical concerns. To facilitate this, 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).

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### Employee engagement

Understanding how our employees feel is important to us. Twice a year, we measure this through our employee engagement survey, asking for feedback about how we can make IHG an even better place to work. In 2017, we partnered with Aon Hewitt to deliver a new engagement survey platform, Colleague HeartBeat. Still completely anonymous, the new platform help managers better act upon feedback. In our most recent survey, Colleague HeartBeat delivered record participation of 97%. Our results garnered recognition from Aon as a Best Employer, benchmarked against industry scores.

## **Implementation**

### Continuous learning

During 2017, we improved our learning platform, MyLearning, which is available to corporate and hotel colleagues in multiple languages and across devices. Colleagues can track their personal learning journey, and managers can easily review their progress.

### General Manager development

We have also completed the global rollout of our General Manager (GM) Learning Programme via online platform, *Fuse*. For the first time, Fuse brings our network of GMs together in an online social community to share best practice, seek advice and complete professional development courses. GMs can also access a range of other resources from onboarding curriculums and learning plans to specific, flexible online learning modules.

### True Hospitality Service Skills

In 2017, we also rolled out our True Hospitality Service Skills training. Guests can expect a consistently great experience delivered by colleagues trained in True Attitude, True Confidence, True Listening and True Responsiveness. The training is underway in hotels

around the world, and so far more than 100,000 colleagues have completed it.

## **Measurement of Outcomes**

### Human Rights

In 2017, 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. In 2017, the Hampton-Alexander Review listed IHG as one of the top 10 companies in the FTSE 100 for female representation across Executive Committees and their direct reports.

Four of the ten Directors on the Board are female (40%)

- Two of the 10 Executive Committee members are female (20%) and 41% of Direct Reports to the Executive Committee are female.
- In the past 12 months, 28% of our senior manager hires were female.

In 2017 we have also achieved a perfect score on the Human Rights Campaign's annual Corporate Equality Index in the Americas for four years in a row, making IHG a best place to work for lesbian, gay, bisexual and transgender (LGBTQ) workplace equality.

### IHG Academy

In 2017, 13,633 new IHG Academy participants undertook IHG Academy work experience placements across 871 IHG properties in 74 countries.

Since 2013, over 40,000 individuals have benefitted from the programme.

## **Our priorities for 2018**

- Continue to provide skills and improved employability to people through IHG Academy, ensuring a positive impact for local people, our owners and IHG.
- Continue to drive quality growth in the programme, including by increasing engagement with our hotels.

## Environmental Principles

### Assessment, Policy and Goals

*As one of the world's leading hotel companies, we understand the impact our operations have on the environment and take active steps to manage them.*

We are committed to ensuring our business grows in a sustainable way, always mindful of the resources we use, as well as the opportunity we have to do things differently. We know it is important to demonstrate to colleagues, guests, investors, corporate accounts and other stakeholders that we take issues such as climate change, water scarcity, utility consumption, waste management and environmental preservation seriously.

#### Our 2013-2017 Targets:

12% reduction in carbon footprint per occupied room\*

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

\*against a 2012 baseline

#### 2013 – 2017 ACHIEVEMENTS

15% reduction in carbon footprint per occupied room\*

5% reduction in water use per occupied room in water-stressed areas\*

\*against a 2012 baseline

\$100m in avoided costs through using the IHG Green Engage system in 2017

#### 2018 – 2020 TARGETS

6-7% reduce carbon footprint per occupied room by 6-7%\*\*

2 launch two water stewardship projects per year

\*from 2013 – 2017 against a 2012 baseline

\*\*from a 2017 baseline

In 2017, we continued to work with our hotels and corporate offices to manage our environmental impacts, and during the year we reduced both our carbon footprint per occupied room and water use per occupied room in water-stressed areas. Since 2013, we have reduced our carbon footprint per occupied room by 15% (against a 2012 baseline). As a result of our efforts, we achieved our 5 year carbon footprint target. During the same period, we reduced our water use per occupied room in water scarce areas by 5%. Whilst this represents a significant saving over our global estate of hotels, it does mean that we were not able meet the target of 12% reduction per occupied room that we set for ourselves in 2013.

Education is key to behaviour change, in 2017 we ran a number of training webinars and incentive programmes for our hotels. To support the training, we distributed toolkits with guidance and solutions for our hotels to adopt the most effective water and carbon saving solutions. Having set hotel-specific targets, we also identified appropriate vendors to help hotels to implement the Green Solutions that deliver the greatest carbon and water savings. The actions we took resulted in \$100m of avoided costs in 2017. This rises to \$470m since 2013.

Between 2013 – 2017, our managed hotels reduced carbon by 27% and water use per occupied room in water-stressed areas (against a 2012 baseline) by 15%. Our franchise hotels continued to present some challenges, and we are developing several strategies for our franchised operations which we will implement in 2018.

Through our efforts to reduce water consumption, we have implemented a number of successful projects. The Hotel Carbon Measurement Initiative (HCMI) became a standard across the industry in 2012, and IHG played a leading role in developing this. A similar

initiative, the Hotel Water Measurement Initiative (HWMI), was developed and launched in 2016, four years later. As a result, we are realising the benefits of our carbon saving initiatives now, whilst progress on water has been slower. We have been able to implement our carbon saving initiatives at scale, across our global hotel estate, however, we acknowledge that we need to embed new water initiatives at a local level, as the situation is more complex. To become better stewards of water in the future, we will develop new strategies to mitigate water scarcity and pollution, rather than consumption alone, thus ensuring that water is managed sustainably as a shared resource.

Underlining our continued commitment to managing our impacts on the environment, we have set a new target to reduce our carbon footprint by 6-7% from 2018 – 2020. In line with our expanded focus on water stewardship, we have also set a target to implement 2 new water projects each year.

We report on scope 1,2 and 3 Greenhouse Gas (GHG) emissions and water use across hotels and corporate offices regardless of management type. Working with sustainability reporting specialists, Anthesis, each year the system size changes and the number of hotels reporting data increases, giving our stakeholders greater accuracy and transparency in the disclosure of our Greenhouse Gas emissions and water use.

## **Implementation**

### IHG Green Engage™ system

Our online sustainability tool helps us minimise the impact our hotels have on the local environment. It's our way of ensuring that our surroundings are preserved for everyone to enjoy. Participation in the IHG Green Engage system is a global standard for all our hotels and it recognises their progress through four levels of certification. The system:

- Recommends over 200 Green Solutions and provides implementation plans to reduce the impact our hotels have on the environment.
- Supports hotels to create environmental action plans and targets.
- Demonstrates the cost savings that can be achieved by hotels when they implement the action plans.
- Sets and tracks property-specific reduction goals for carbon, energy, water and waste.
- Uses data to provide customised environmental performance benchmarking, taking into account hotel location, brand and outfitting.
- 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 corporate clients. In 2017, 63% of our business accounts asked for this information – such as carbon footprint, water consumption and waste.
- Allows guests to make more informed booking decisions, providing information on a hotel's level of certification in the IHG Green Engage system through our booking channels.

### What are Green Solutions?

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.
- Increasing waste diversion.
- Sustainable meetings and event management.

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.

#### Innovation not offsetting

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 sort 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, 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.

#### Water

United Nations studies show that water stress impacts over 40% of the global population, with projections showing this is set to rise. More than 1.7 billion of the world's population currently live in river basins, where water use exceeds its recharge. Population growth is expected to exacerbate this.

As part of our commitment to water stewardship, we completed the hospitality industry's most comprehensive water risk assessment across our entire global estate of open and pipeline hotels. We identified risks related to both water quantity and quality, and put in place tailored water stewardship action plans to apply best practice techniques for each of our hotels, particularly those in water-stressed areas. The IHG Green Engage system includes nearly 30 Green Solutions dedicated to water.

Through our partnership with the International Tourism Partnership (ITP) we played a leading role in the development of the Hotel Water Measurement Initiative (HWMI). The HWMI provides a common methodology for hotels to measure and report on water consumption in a consistent manner across the hotel industry.

#### Waste

The IHG Green Engage system provides guidance to hotels on how to manage their waste. Through the system, we recommend 20 Green Solutions that enable hotels to manage and reduce their waste.

#### Food waste

Through careful menu planning, our hotels reduce food waste and make use of seasonally available ingredients. The IHG Green Engage system includes 5 Green Solutions dedicated to helping hotels manage dispose of their food waste, for example through food donation programmes.

Each year, more than a third of food that is produced globally is wasted including 45% of fruit and vegetables, 35% fish and vegetables and 20% of meats. According to the United Nations (UN), if we all reduced food waste by 25% alone, this would be enough to feed all the people across the globe who are malnourished. At IHG, we recognise the important role our hotels play in reducing food waste and understand that by managing waste hotels can reduce costs. In 2017, we worked with Winnow in the UK to install esmart meters to record food waste in

hotel kitchens, resulting in more efficient menu planning. In a 12-week pilot at Crowne Plaza Newcastle – Stephenson Quarter, UK, the hotel reduced food waste by nearly 60%, and related costs fell by over \$33,000.

As part of a pilot in conjunction with the World Wildlife Fund (WWF) and the American Hotel & Lodging Association (AHLA), the Kimpton Hotel Monaco Portland has developed a food waste management plan. As part of their mass catering and banquet events, the Head Chef at the property has developed a zero-waste menu which is designed to cross utilise products. In a three month pilot the hotel saw reductions of 15% in food waste.

#### Amenity recycling

We recognise amenity waste is a problem and we are working to reduce wastage in our hotels through various waste diversion methods. Many of our hotels partner with not-for-profit organisations to recycle soap and guest room amenities, so that they can be distributed to communities in the developing world to help reduce the risk of disease. Working with Clean the World in the Americas and Soap for Hope in Asia, 435 hotels have recycled 190,000kg of soap, preventing it from entering the waste stream. This soap has been turned into 2.8m bars of soap to help disadvantaged people.

#### Environmental legislation

We work with government bodies to help refine proposed regulation and make it fit for our industry. In doing so, we provide examples of managing environmental impacts and help others 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 2017, we continued, to support these efforts through our ongoing participation in the American Hotel and Lodging Association (AHLA), where we co-chair the AHLA Sustainability Committee. Throughout the year, we demonstrated 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 engagement

Through signage, literature and our colleagues, our hotels can promote their green efforts and encourage guests to participate in making their hotel stay more sustainable. Our 'A Greener Stay' programme encourages guests who stay two nights or longer to forgo their housekeeping, so that they reduce energy and water usage associated with linen cleaning. By the end of 2017, 2,477 were participating in the programme and our hotels promote local sustainability initiatives, such as low carbon alternative means of transport.

Our hotel booking websites indicate the level (1-4) of IHG Green Engage system certification that a hotel has achieved, helping guests to identify more sustainable hotels.

#### Supporting travel buyers

We know that sustainability is important to our corporate clients. Every year, 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. In 2017, 63% of our business accounts asked for this information, such as carbon footprint and waste diversion rates, using the Global Business Travel Association (GBTA) corporate responsibility module.

We have continually enhanced our ability to inform 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 RobecoSAM of which we are the industry leader on the Dow Jones Sustainability Index, EcoVadis and the CDP Supply Chain programme for carbon and water.

#### Biodiversity

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.

## **Measurement of Outcomes**

### Progress against our 2013 - 2017 targets

We achieved:

15% reduction in carbon footprint per occupied room\*

5% reduction in water use per occupied room in water-stressed areas\*

\*against a 2012 baseline

In 2017, we continued to work with our hotels and corporate offices to manage our energy use, and over the past five years we have reduced our carbon footprint per occupied room by 15% (against a 2012 baseline). As a result of our efforts, we achieved our 5 year carbon footprint target. During the same period, we reduced our water use per occupied room by 5% (against a 2012 baseline). Whilst this represents a significant saving over our global estate of hotels, it does mean that we were not able to meet the 5 year water use reduction target of -12% per occupied room that we set for ourselves in 2013.

We have seen significant reductions in carbon and water use per occupied room in our managed hotels. Our franchise hotels continued to present some challenges, and we are developing several strategies for our franchised operations. We are committed to finding new and innovative solutions to manage our environmental impacts across our global estate. Education is key to behaviour change, in 2017 we ran a number of training webinars and incentive programmes for our hotels. To support the training, we distributed toolkits with guidance and solutions for our hotels to adopt the most effective water and carbon saving solutions. Having set hotel-specific targets, we also identified appropriate vendors to help hotels to implement the Green Solutions that deliver the greatest carbon and water savings. The actions we took resulted in \$100m of avoided costs in 2017. This rises to \$470m since 2012 when we started reporting.

We report on scope 1,2 and 3 emissions and water use across hotels and corporate offices regardless of management type. Working with sustainability reporting specialists Anthesis, each year we increase the size of our data pool as more hotels adopt our IHG Green Engage tool, giving our stakeholders greater accuracy and transparency in the disclosure of our Green House Gas emissions and water use. This also allows us to work more specifically in those areas that need the most support.

Underlining our continued commitment to managing our impacts on the environments, we have set new targets to reduce our carbon footprint by 6-7% from 2018 – 2020, and to implement 2 new water projects each year.

### **Our priorities for 2018**

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 particular focus on hotels in water- stressed areas.
- Implement two water projects 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.

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 is clearly set out in our Code of Conduct and Anti-Bribery policy. This position applies to all IHG employees and Directors, including in 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, including people working in our managed hotels. This policy defines unacceptable types of gifts and entertainment, and contains reporting and approval requirements for items over certain values. Our Code of Conduct also prohibits political donations.

### **Implementation**

#### 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.

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

It is extremely important that our people feel comfortable reporting ethical concerns. To facilitate this, 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).

### Gifts and Entertainment Policy

Do not give or accept any gifts, complimentary arrangements, hospitality, entertainment or favours which might place you under an obligation or could reasonably be viewed as improperly influencing business transactions. Offering or accepting gifts, entertainment or hospitality is only acceptable if the value is modest and the practice is consistent with local business culture.

We must comply with reporting and approval requirements contained in the IHG Gifts and Entertainment Policy when offering or accepting gifts and entertainment. This applies in addition to normal IHG travel and expense reporting requirements. The IHG Gifts and Entertainment Policy sets out reporting and approval requirements for gifts and entertainment which exceed certain values. It also provides guidance on which types of gifts and entertainment are never acceptable.

### Information Security and Confidentiality

Information held within IHG is an asset with a business value and must be protected accordingly. Certain types of information, such as personal data of our guests and colleagues, must also be handled legally and responsibly. We must all follow IHG's information security policies, standards and procedures.

Confidential information, such as business plans, pricing and financial data, must not be disclosed outside IHG without a legitimate business reason. If you are transferring confidential information to someone outside IHG you must make sure that a written agreement is in place to protect confidentiality and that the transfer complies with our information security requirements.

Our suppliers, owners and other business partners may also share their confidential information with us. We must ensure we protect this and treat it responsibly including complying with any confidentiality obligations. Information gathered about competitors must only be obtained legally and ethically. Never use a competitor's confidential or proprietary information if you suspect it has been obtained improperly.

### Conflicts of Interest

We must avoid situations where personal, family or financial interests conflict with those of IHG. It is important that we also avoid even the appearance of conflicts, as we want to make sure suppliers and other business partners trust us to do business fairly and transparently. If you encounter a potential conflict of interest you must disclose the details to your line manager and stand back from any related decision making process.

### Antitrust/ Competition Law

Competition laws (also known as antitrust laws) promote fair competition between companies and help protect consumers. We should compete vigorously on price and service but we must not discuss, agree or coordinate prices with our competitors or share any information with competitors that may influence market conduct or pricing decisions. IHG colleagues who attend hotel or trade association meetings are required to follow the IHG Trade Association Guidelines. IHG colleagues who provide revenue management services to hotels are required to follow the IHG Revenue Management Guidelines.

### **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

*Responsible procurement considerations play a key role both in our supplier selection process and how we conduct business with our existing suppliers.*

### Vendor Code of Conduct

IHG's Vendor Code of Conduct sets out the standards under which IHG suppliers are expected to operate, including in relation to human rights and modern slavery in areas such as voluntary freedom of association, working conditions, forced labour and the exploitation of children. In recent years, we have enhanced our procurement systems and asked the majority of our existing corporate suppliers (those who supply us more than once) and all new regular corporate suppliers to sign the IHG Vendor Code of Conduct, as well as suppliers who support our hotel buying platform in the US.

IHG suppliers are requested to pass through our supplier registration process through which the relevant due diligence information is gathered. It is only upon passing through the supplier registration process that a supplier can become an IHG accredited supplier.

IHG's procurement team has committed to carrying out risk profiling for all corporate and hotel preferred suppliers by the end of 2018. This will be followed by audits of all suppliers considered to present the most potential risk, and a requirement to meet quality standards and accreditation set out by an external body.

IHG franchised hotels are independently owned and operated, however, all of our hotels and owners, both managed and franchised, have a shared commitment to responsible business. In 2014 we launched a new brand standard requiring all hotels to adopt their own human rights policy and we have provided guidance and training materials to enable this.

### Diversity in the supply chain

We operate a supplier diversity programme for our US suppliers. We track and report our supply chain diversity profile and during 2017, our spend with diverse suppliers in the US was \$66m. Tracking our spend with diverse suppliers in the US helps support our commitment to provide suppliers with equal access to purchasing opportunities.

### Ethical sourcing

We encourage our hotels to use environmentally friendly products and to source goods and services locally wherever possible. In 2016, we developed and rolled out a Sustainable Seafood Policy, which applies to all IHG branded hotels globally, and we have committed to sourcing 100% cage-free eggs at all our hotels globally by 2025.

We have implemented a series of programmes designed to reduce our carbon footprint and minimise waste in our hotels and corporate offices.

### Supply chain risks

At the beginning of 2016, we established the Supply Chain Risk Council. The Council's role is to identify and evaluate supply risks across both corporate offices and hotels.

In 2017, our procurement team launched a dedicated Risk In Supply project designed to identify and address risks in conjunction with four suppliers providing bedding, lighting, fabrics and technology in our hotels.

### Systems and policies

In 2015, we introduced a Procure to Pay system, which simplifies and streamlines the way we purchase goods, and provides us greater visibility on our corporate suppliers. We also launched a new Global Procurement Policy, which sets out how our corporate colleagues should conduct business when spending money on IHG's behalf.

In the two years since the introduction of the Procure to Pay system, we have achieved far greater levels of spend visibility, enabling us to further embed our responsible business practices in our corporate supply chain.

## **Implementation**

### Systems and policies

In 2017, a new dedicated eLearning for corporate colleagues was launched, designed to enhance understanding and awareness of IHG's Global Procurement Policy, it also focused on the importance of identifying and minimising risk across all of IHG's interactions with external suppliers.

### Supply chain risks

In 2017, our procurement team launched a dedicated Risk In Supply project designed to identify and address risks in conjunction with four suppliers providing bedding, lighting, fabrics and technology in our hotels.

### Ethical Sourcing

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.

In 2017, we partnered with suppliers to recycle over 2,000 beds and mattresses in Europe and we are exploring ways to expand the scheme to incorporate additional items of furniture in 2018.

### Diversity in the supply chain

We track and report our supply chain diversity profile and during 2017, our spend with diverse suppliers in the US was \$66m.

## **Our priorities for 2018**

- Following this successful pilot, the procurement team have developed an IHG Risk Assessment Template and plan to roll out the project across a number of suppliers in 2018.
- We have also identified further opportunities to better utilise 'end of life' items in our hotels and will focus on implementing additional programmes in 2018.
- IHG's procurement team has committed to carrying out risk profiling for all corporate and hotel preferred suppliers by the end of 2018.