



Responsible Business Report 2018





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Cover image

Hotel Indigo Singapore – Katong. The entrance to the hotel brings guests into a 'secret garden', as they walk beside a living wall into the main courtyard. Acting not only as a design feature to the hotel, the wall shields the lobby from solar radiation and heat, reducing the demand on the hotels cooling system.

IHG at a glance

With thousands of hotels in more than 100 countries, our purpose is to provide True Hospitality for everyone.

We are one of the world's leading hotel companies, with a clear purpose to provide True Hospitality for everyone. By recognising and respecting people and creating great experiences, we offer hotel brands that are loved by millions of guests and preferred by owners. Through our global reach, we ensure True Hospitality also extends to our people, the environment and local communities all around the world.

With our asset-light business model, we manage and franchise hotel brands and grow our business by ensuring we have the right offer for both guests and owners,

whatever their needs. Focused on high-growth industry segments and geographies, our strategy involves strengthening our established brands and addressing gaps in our portfolio; building and leveraging scale; developing lifetime guest relationships; and delivering revenue to our hotels through the lowest-cost direct channels.

Underpinning our purpose and strategy, the reputation of IHG and our brands, and our ability to deliver long-term superior shareholder returns, is a clear commitment to responsible business.

From the shared values we promote and the culture we create, to how we operate and grow our business and contribute to our local communities, we have clear procedures, policies and programmes in place to guide us.

Our partnerships with third-party hotel owners and suppliers are crucial to our success, and we work with a range of stakeholders to identify and prioritise opportunities to further improve our approach and effectiveness.

Our brands

Mainstream



Upscale



Luxury



Our scale

We predominantly franchise our brands to, and manage hotels on behalf of, third-party hotel owners; our focus is therefore on building preferred brands and strong revenue delivery systems.

Total hotels (rooms) in the IHG System

5,603
(836,541)

2017: 5,348 (798,075)

Franchised hotels (rooms)

4,615
(576,979)

2017: 4,433 (552,834)

Managed hotels (rooms)

965
(253,566)

2017: 907 (242,833)

Owned, leased and managed lease hotels (rooms)

23
(5,996)

2017: 12 (3,871)

Total hotels (rooms) in the pipeline

1,859
(270,948)

2017: 1,655 (244,146)

Highlights from 2018

FTSE4GOOD

IHG is a constituent of the FTSE4GOOD index

Diversity and Inclusion Board

Launched our Diversity and Inclusion Board led by our CEO and other IHG Senior Leaders

\$67m

in costs avoided by our hotels using the IHG Green Engage™ system

139,000+

colleagues involved in community impact activities



Top 10

Hampton-Alexander review listed IHG as one of the top companies in the FTSE 100 for female representation among our senior leadership

Global Best Employer

Aon-Hewitt Global Best Employer for two years running



Three-year targets launched as part of our commitment to responsible business

DJSI

IHG crowned industry leader for sustainability in the 2018 S&P Dow Jones Sustainability Indices

86%

average employee engagement score

United Nations Global Compact

IHG is a signatory to the United Nations Global Compact

13,531

people provided with skills and improved employability through IHG® Academy in 2018

Human Rights Campaign's annual Corporate Equality Index

100%

score on the Human Rights Campaign's annual Corporate Equality Index in the US for the fourth consecutive year



London and Delhi

Launched water stewardship projects in London and Delhi

2.2%

reduction in our carbon footprint per occupied room

3.1%

reduction in water use per occupied room



Six countries

We supported hundreds of colleagues following 12 natural disasters, across six countries, through the IHG Colleague Assistance Fund

Doing business responsibly

Our commitment to operating our business responsibly underpins our entire strategy and the reputation of IHG and our brands.

The actions we take as a business – be it in our daily operations, how we grow our brands, or the steps we take to protect the environment – increasingly shape how IHG is perceived by important stakeholders. This can range from how attractive IHG is as an employer to a decision to invest in our company or brands, or whether a guest chooses to stay in one of our hotels.

At IHG, we understand how crucial it is to operate with integrity and rigorous high standards, and to grow our business in a way that positively impacts on our environment and local communities.

To ensure we achieve this, our responsible business commitments are closely aligned to our purpose of providing True Hospitality for everyone, our strategy, and they are felt in all aspects of our operations, including the expectations we place on our suppliers and third-party hotel owners.

We work with our partners to ensure the actions we take continue to be effective, and we support important initiatives both regionally and globally, including the UN Sustainable Development Goals to build a fairer and more sustainable world.

We are proud of our commitment to growing our business in a sustainable way that delivers long-term value for shareholders and owners, and we're passionate about using the incredible reach of our hospitality industry to be a force for good. To consistently achieve these things, we recognise the need to take time to evaluate and adapt our approach, and we are actively reviewing the areas we feel IHG can have the biggest impact in.

This report sets out our overall approach to responsible business, which we explore under three key pillars: our culture; our hotels; and our communities. Within these pillars, we show our progress against our 2018-2020 responsible business targets, in the areas of environmental sustainability; community impact; our people; and responsible procurement.

Our culture

We pride ourselves on a respectful and responsible culture, which guides our decisions and how we work, and underpins our purpose to provide True Hospitality for everyone.



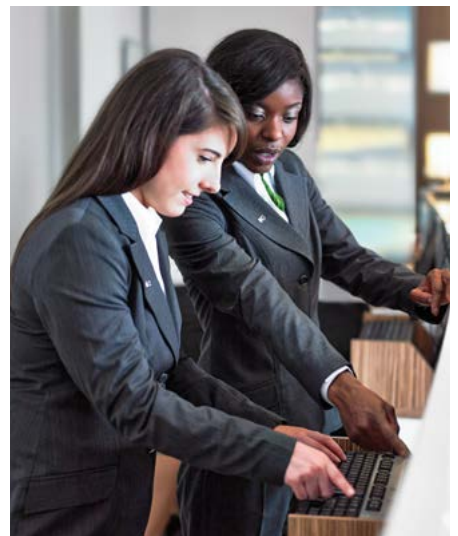
Our hotels

From our direct hotel operations, to our relationship with owners and our supply chain, we consider the entire hotel lifecycle when looking at how to best operate responsibly.



Our communities

We understand that our success and the well-being of those who work in and around our hotels are closely linked, and we seek opportunities to be a force for good.



Responsible business targets

We have engaged with internal and external stakeholders to define our responsible business targets for 2018-2020. We will collaborate with colleagues in our owned, leased, managed and franchised hotels and corporate offices around the world to deliver these targets in the years to come.



Environmental
sustainability

6-7%

Reduce carbon footprint
per occupied room.

Six projects

Launch two water stewardship
projects per year.



Community
impact

30,000-40,000

Individuals provided with hospitality
skills training through the IHG Academy.

\$3,000,000

Contributed to community impact
projects around the world.

100,000

Colleagues involved in IHG's global
community impact activities each year.



Our
people

Increase female
representation

Increase number of females working in
General Manager and Operations roles in
managed hotels.

Increase diversity

Increase diversity in terms of gender and
nationality or ethnicity of IHG Senior Leaders.

Employee engagement

Track and report employee engagement
each year.



Responsible
procurement

Increase ethical
supplier awareness

Roll out new training for corporate
colleagues and hotels¹.

Increase supplier audits

Increase supplier risk profiles and
audits for preferred suppliers.

IHG green criteria

Increase suppliers that meet
IHG green criteria².

¹ Measured by the number of Ethical Supplier e-learning completions for corporate colleagues and take-up of the Responsible Procurement Toolkit for hotels.

² Measured by the number of suppliers completing an additional questionnaire on their green credentials in addition to the Vendor Code of Conduct.

Chair statement



Patrick Cescau
Chair

Welcome to IHG's 2018 Responsible Business Report, which illustrates the importance we place on operating with integrity with our colleagues, third-party hotel owners, partners, investors and the local communities in which we work. As well as exploring the approach we take, this report also charts progress made against our formal 2018-2020 responsible business targets.

IHG has always been an ambitious company, with a strong track record of successfully delivering against our commitments for all stakeholders. Underpinning our financial and operational performance is a deep-rooted culture of clear ethics and governance led by the Board; close trusted partnerships with our third-party hotel owners; and a passion among colleagues to do the right thing and care for others.

These values form the bedrock of IHG's purpose to provide True Hospitality for everyone, and they require us to have a robust and comprehensive approach that ensures our responsible business commitments are aligned to our strategy and felt in all aspects of our operations.

We focus on three areas: the culture we create; our hotels, guests and third-party relationships; and our local communities. This reflects the interests of all our stakeholders, who increasingly follow the decisions we take to grow and operate our business, the working culture we create for colleagues, and the commitment we make to defining and delivering on a broader social purpose.

Our Code of Conduct, policies, programmes and approach to corporate governance ensure we are nurturing a culture of shared values and expectations with colleagues, owners and suppliers. Further, our responsible business targets keep us focused on specific goals in areas of environmental sustainability, community impact, our people, and procurement.

In all these aspects, we know our work is never done. There is always a need for education, action and collaboration. We continue to engage with key stakeholders to ensure our actions meet their needs, and in 2018 we have taken steps to review our strategy and identify where we can have the greatest impact. A key focus in 2019 will be further developing this work to think about the long-term steps we need to take as a responsible business.

Within a travel and tourism industry that accounts for 1 in 10 jobs globally and touches many lives, there are lots of opportunities to make a difference. As IHG grows, so does our ability to positively impact others – whether through creating jobs, promoting skills and education, helping our hotels manage natural resources and their environmental footprint, or by being there for our communities.

Partnerships are crucial to our work. As a franchisor and manager of hotel brands, we work closely with our hotel owners and their teams to embed our responsible business approach, and within our communities we support charities doing incredible work globally in the areas of disaster relief and building hospitality skills.

We're proud of our achievements to date. From helping over 47,000 people develop skills and training through our IHG Academy, to reducing our carbon footprint per occupied room by 15% between 2012 and 2017. We have made good early progress against our broader 2018-2020 targets, and we are focused on going further in 2019.

A handwritten signature in black ink, appearing to read 'P. Cescau'.

Patrick Cescau
Chair

Chief Executive Officer's review



Keith Barr
Chief Executive Officer

At IHG, we make sure our commitment to responsible business sits at the heart of our company – from our operations, policies and programmes, to the expectations we place on colleagues, owners and partners to uphold our values and help deliver our purpose of providing True Hospitality for everyone.

Whether an investor, a third-party hotel owner, a guest or one of more than 400,000 colleagues, our ability to operate in a sustainable and transparent way is of increasing importance to them and to the reputation of IHG and our brands. With a global estate of more than 5,600 hotels and a presence in over 100 countries, this requires a robust and comprehensive approach that allows us to operate and grow in the right way, and seize opportunities to make a broader positive difference.

In 2018, we made some important structural changes to our business that together with a series of strategic initiatives will help us grow at an even faster pace. It is a great testament to colleagues and our owners that during this time we have still continued to make good progress against our 2018-2020 Responsible Business Targets, and successfully introduce a new True Hospitality for Good programme that will strengthen the good we can do for local communities.

Clear policies, standards and informative training on key issues help ensure we embed the right culture at IHG, and in 2018 we saw colleagues complete more than 180,000 e-learning modules on topics from human rights to our Code of Conduct. In recent years, we have collaborated with peers on key issues across the industry. In 2018,

building on our clear commitment to respecting the human rights of all those that work with us, we helped develop and publicly commit to a new set of Principles on Forced Labour, launched by the International Tourism Partnership (ITP). We also continued to underline how important diversity and inclusion is to a global company like IHG, by establishing a D&I Board. The Board, which I chair, will oversee a wide range of initiatives designed to ensure we have the groups, tools and resources needed to give voice to different perspectives and backgrounds, and help us grow successfully as a business.

With so many hotels around the world, we are also focused on the many practical actions we can help our owners and their teams take to ensure we operate and grow in a way that both respects and protects the environment. Using our IHG Green Engage system, we reduced our carbon footprint per occupied room by 2.2% in 2018, and we also pledged to remove plastic straws from our global hotel estate by the end of 2019. We made more important progress during the year in areas like water as well, with two new stewardship programmes launched in London and Delhi.

Aside from our own business, we also recognise the potential positive impact we can bring to our communities by building skills and education in hospitality, and helping people prepare for and recover from disasters around the world. More than 13,531 people improved their chances of employment through our IHG Academy in 2018, and we also launched a new programme for communities and charitable giving, True Hospitality for Good. The programme gives our colleagues greater involvement in the IHG charity partners they

wish to support, and we were very proud to see almost 140,000 colleagues get involved during its first year.

Whether it's the culture we're building at IHG, or the work we do with our hotels and in communities, it is important to all of us that we do things in the right way. We were proud to be named an industry leader in sustainability in 2018 for a second consecutive year on the S&P Dow Jones Sustainability Indices, alongside being listed as a constituent of the FTSE4Good Index. IHG was also named in the Hampton Alexander Review's top 10 of FTSE 100 companies for female representation across our Executive Committee and their direct reports.

We are committed to keeping responsible business at the heart of our approach, evolving and adapting as the world changes, and ensuring the actions we take continue to be effective. I'd like to thank all colleagues, owners and partners for their commitment to this important area.



Keith Barr
Chief Executive Officer

Our approach to responsible business

In developing our approach to responsible business, we consult our stakeholders to determine the issues most important to them and IHG.

We know that our colleagues, guests, hotel owners, investors and other stakeholders want to engage with a company that has strong values, a respect for everyone and a commitment to looking after our communities and the environment in which we work. We pride ourselves on a special culture that achieves just that, underpinning our purpose to provide True Hospitality for everyone.

Our materiality matrix

We use a materiality matrix to embed our responsible business priorities with IHG's strategic approach and our principal risks (see page 15). We consider the areas where we can make the greatest positive contribution and the matrix, together with stakeholder feedback, helps us identify our responsible business targets.



For more information on our business strategy see IHG Annual Report 2018.



Stakeholder engagement

Regular dialogue with a wide range of stakeholders important to our business ensures we can be confident that we are identifying areas where our actions can deliver the greatest impact.

We regularly consider the steps we can take to further embed a culture of responsible business; to protect the reputation of IHG and our brands; and to promote and instil the right practices and approach at hotel and supplier levels.

Shareholders

Our shareholders are placing an increased emphasis on environmental, social and governance issues. We engage with them through a variety of mechanisms, including our Annual General Meeting, meetings with IHG Senior Leaders and Board members, our Investor Relations team, investor presentations, and by writing to them directly. We welcome their engagement and over the course of 2018 have provided data and insights by engaging with several organisations including the Workforce Disclosure

Initiative (WDI), MSCI and Sustainalytics. In 2018, we were listed on the S&P Dow Jones Sustainability Indices for the second consecutive year and we continue to be a constituent of the FTSE4GOOD index.

Colleagues

There are a number of ways we engage with our colleagues, including conferences, our intranet, in-house publications, Town Halls and blogs. We stay close to important topics such as well-being, workplace diversity and inclusion, remuneration, learning and development and societal and environmental issues. We measure employee engagement through our bi-annual survey, Colleague HeartBeat, and corporate, managed hotel and customer reservations office employees are invited to take part and their average score was 86%; 11% above Aon's top quartile benchmark.

Owners

We continue to evolve our culture of responsible business through engaging with third-party hotel owners. Partnering with them, we identify the issues relevant to them and are taking the necessary steps to mitigate against these. We engage with them through regular meetings, surveys and regional conferences.

Guests and corporate clients

Increasingly consumers are making sustainable choices in their purchasing decisions. Through our 'A Greener Stay' programme, IHG® Rewards Club members who stay two nights or longer can forgo their housekeeping, reducing their energy and water usage associated with linen cleaning. Demonstrating a strong track record of sustainability to our corporate clients is important with almost 60% requesting key responsible business data relating to our carbon, energy, and water consumption and waste diversion.

Academic institutions

IHG is a thought leader within the travel and tourism industry. We regularly collaborate with academic institutions across the globe to share best practice and contribute to the development of responsible business solutions for the whole industry.

Suppliers

We have a complex supply chain and work with thousands of suppliers who share our commitment to our responsible business agenda and ethical standards of business. Our Vendor Code of Conduct sets the requirements, principles and practices that IHG has adopted and the standards we set are the minimum under which IHG suppliers are expected to operate.

NGOs, government and community organisations

We collaborate with a number of organisations and governments to develop policies and initiatives to embed our culture of responsible business across IHG.

Industry associations

Across a number of associations, we take a leading role in working groups to share best practice and promote responsible business practices across the industry.



Partnering for progress

We participate in a number of public-private forums and are engaged in several strategic partnerships spanning the areas of human rights, employability and disaster relief.

Human rights

Business for Social Responsibility (BSR)

BSR is a global non-profit organisation with a network of 250 member companies, who together build sustainable business strategies and solutions. Through our partnership and participation in the Human Rights Working Group, we leverage the organisation and network's collective experience and expertise to develop our approach to responsible business.

Employability

Goodwill Industries International

We collaborate with their network of 161 community-based agencies in the US and Canada to provide skills development and employment opportunities to disadvantaged and underserved individuals. We also partner with Goodwill in several locations through our IHG Academy.

Youth Career Initiative (YCI)

YCI supports young people who are unlikely to have a viable route into legitimate work without external help. IHG branded hotels work with YCI in many countries to offer skills training and increased employability through our IHG Academy.

Disaster relief

CARE International UK

CARE – the 'Cooperative for Assistance and Relief Everywhere' – is one of the world's largest aid agencies. It has expertise in humanitarian assistance and disaster relief. We work with CARE to develop best practice in disaster preparedness and relief to support communities, colleagues and guests in need.

Memberships and industry associations

We partner with industry bodies and membership organisations to support positive change, including:

United Nations Global Compact

In 2010, we became a member of the United Nations Global Compact. We are committed to aligning our operations, culture and strategies with its 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

International Tourism Partnership (ITP)

IHG was one of the founding members of the ITP, which convenes the world's leading hotel companies for combined action on youth employment, water, carbon and human rights. We work with industry peers to share knowledge and resources, develop policy and implement programmes which have a positive social, economic and environmental impact. IHG is part of the ITP's Water, Carbon and Human Rights working groups.

Over the years, IHG has worked with other ITP members to develop measurement initiatives for carbon and water, and to develop policies and guidance to hotels on human trafficking. In 2017, IHG collaborated with ITP members to develop and launch the ITP's 2030 Goals for Sustainable Development, helping the sector make a positive contribution to the UN's SDGs and to the COP 21 climate agreements. In 2018, IHG helped develop a new set of Principles on Forced Labour, which we have publicly committed to.

Business in the Community (BITC)

We joined BITC in 2009 and work with other members to develop best practice to manage environmental resources and make a positive impact in the communities where we operate.

We are part of the BITC Global Goals leadership team, working with other international businesses to drive positive

change and make meaningful progress towards the UN SDGs. We are members of the disaster relief working group, bringing together like-minded companies to develop a cross-sector collaborative approach for disaster preparedness and response.

Global Business Travel Association (GBTA)

GBTA is the world's leading business travel and meetings organisation, with over 9,000 members. GBTA and the GBTA Foundation deliver world-class education, events, research, advocacy and media to a network of travel professionals. IHG is represented on the Sustainability Committee, which is committed to engaging and educating the business travel community to find a balance between people, planet and profit. It aims to balance the social, economic and environmental impact of their members' business travel programmes. In 2016, in partnership with GBTA, we took a leading role in developing sustainability benchmarking tools that support travel buyers to assess their managed travel and sustainability programmes.

Global Sustainable Tourism Council (GSTC)

The GSTC established and manages global sustainable standards with the aim of increasing sustainable tourism knowledge and practices among public and private stakeholders.

American Hotel & Lodging Association (AH&LA)

AH&LA provides focused advocacy, communications support and educational resources for the hospitality industry. Representatives from IHG serve on the Board of Directors, the advocacy cabinet, the Sustainability Committee, and the AH&LA Career Development Sub-Committee amongst other working groups.

Supporting the UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) set out a series of global ambitions to end poverty, fight inequality and injustice, and tackle climate change by 2030. In support of this, IHG has identified the specific goals we feel we can make the greatest contribution towards.

Goal	2018 highlights	Our approach
 <p>6 CLEAN WATER AND SANITATION</p>	<p>We launched two water stewardship projects in London and Delhi to help us identify key issues where we can develop and apply water innovations that can be replicated in other water stressed locations.</p> <p>In 2018, we achieved a 3.1% reduction in water use per occupied room.</p>	<p>In 2016, we undertook a comprehensive water risk assessment that has helped us identify where to focus our six water stewardship projects.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>We offered quality work experience to 13,531 people through our IHG Academy.</p> <p>Our learning and development strategy ensures that we continue to invest in our colleagues, helping them reach their potential whilst delivering an exceptional guest experience.</p>	<p>With tourism generating one in 10 jobs globally, we are uniquely positioned to help more people into employment and deliver local economic impact through our entire estate.</p>
 <p>10 REDUCED INEQUALITIES</p>	<p>Listed by the Hampton-Alexander Review in the top 10 of companies for female representation across our Executive Committee and their direct reports.</p> <p>100% rating in the Human Rights Campaign's Corporate Equality Index – making IHG a best place to work for LGBTQ equality for the last four years.</p>	<p>Our colleagues represent many cultures, religions, races, sexual orientations and backgrounds and our diversity and inclusion strategy reduces any potential inequalities. To help grow our strategy, we launched our Global D&I Board, led by our CEO and IHG Senior Leaders.</p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Our hotels globally implemented 7,825 IHG Green Engage solutions.</p>	<p>Our online sustainability platform, the IHG Green Engage system, enables our hotels to operate more sustainably through solutions they can implement in property to report and manage their carbon, energy, water and waste.</p> <p>When it comes to our local communities, we work with our hotels to ensure that they are prepared and able to play an active role in the event of a disaster, ensuring our local communities can get back on their feet.</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>During 2018, our Procurement and Cost Efficiency (PaCE) team built a responsible procurement team to help drive our responsible business agenda through our supply chain.</p> <p>In partnership with the IHG Owners Association, we launched the Renovation Donation Initiative to reduce the amount of materials reaching landfills, and support the important work of non-profit organisations in the local communities, including workforce development and hospitality skills training programmes.</p>	<p>We have established a Strategic Supplier Management Office (SSMO), which works with our strategic suppliers to maximise realised supplier value and minimise risk through effective supplier relationship management.</p> <p>Through our Greener Stay programme, we reward our loyalty members who defer housekeeping services. Hotels can operate more efficiently by reducing energy and water use, as well as reducing the use of chemicals in the housekeeping process.</p>
 <p>13 CLIMATE ACTION</p>	<p>In 2018, we reduced our carbon footprint by 2.2% per occupied room.</p> <p>Named industry leading for a second consecutive year in the 2018 S&P Dow Jones Sustainability Indices.</p> <p>Our hotels and offices using IHG Green Engage sustainability platform avoided costs of \$67 million.</p>	<p>Our online sustainability system IHG Green Engage recommends 200 Green Solutions that help our hotels and offices to reduce their energy, water and waste.</p>
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Our franchise business model means that working in collaboration with our hotel owners and teams is an essential part of how we embed our approach to responsible business across our hotel estate.</p> <p>Working with the IHG Owners Association, we can implement new processes to help our hotels operate in a more sustainable way.</p>	<p>We continue to collaborate with industry associations, NGOs, government and community organisations to embed our programmes and to deliver positive change.</p> <p>Through our longstanding membership of the International Tourism Partnership (ITP), we collaborated with industry peers to develop collective solutions to key sustainability challenges.</p>

Acting responsibly within our business

Our approach to responsible business underpins our entire business strategy and impacts all aspects of our operations, from our corporate offices through to our hotels and the communities in which we operate.



Our culture

We pride ourselves on a respectful and diverse culture, which is central to delivering our purpose of providing True Hospitality for everyone. As a global organisation operating in more than 100 countries, with over 400,000 colleagues, we recognise the importance and benefit of ensuring our workforce embodies the communities in which we operate. Our policies and standards set out our position on social, environmental and ethical issues. We ensure that our expectations are clear to all that we work with, be that colleagues, owners, investors or suppliers, and that we operate our business in a fair and robust manner.



Our hotels

From our direct hotel operations, to our relationship with third-party owners and our supply chain, we consider the entire hotel lifecycle when looking at how to best operate responsibly. Working with our hotel teams and owners, we're focused on developing talented teams, reducing the environmental impacts of operations, and regularly reviewing our safety and security standards in IHG branded hotels.



Our communities

We understand that our success and the well-being of those who work in and around IHG branded hotels are closely linked. We care passionately about making a positive contribution to the many communities in which our brands operate; protecting colleagues and people in times of need, and helping to provide employability opportunities for those furthest from work.

1. Design and development

IHG branded hotels are designed and developed in innovative and responsible ways to be at the heart of their communities.

2. Procurement

We aim to source goods and services in a responsible way. As our franchised and managed hotels are owned by independent third-party owners, these hotels are typically responsible for managing their own independent supply chains. In certain cases, IHG provides a centralised procurement option for hotels.

3. Operations

Our hotels are operated to manage environmental impacts and enhance positive impact on the local economy and local people, whilst also focusing on the safety and security of colleagues and guests.

4. Marketing

We enhance the reputation of IHG and its brands by delivering responsible hotels our guests want.

5. Sales and distribution

We manage key relationships in the business-to-business, transient, leisure, and speciality markets to attract guests to our hotels who value responsible business practices.

6. Renewal

Hotels renew, recycle and reuse materials wherever possible.



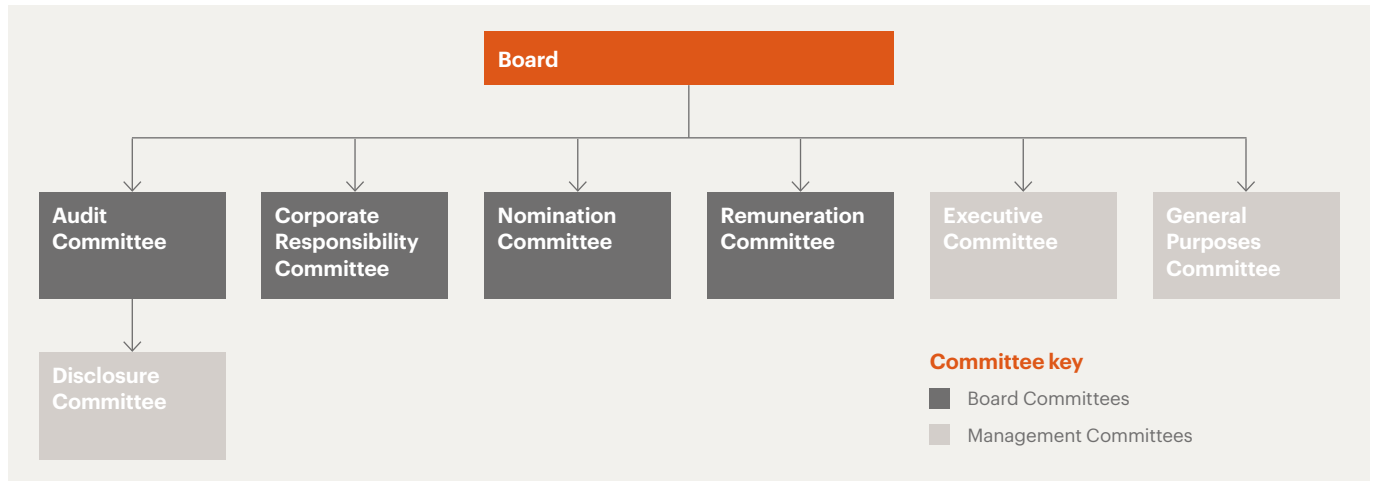
Our culture

We know that our colleagues, guests, hotel owners, investors and other stakeholders want to engage with a company with strong values, a respect for everyone and a commitment to looking after our communities and the environment in which we work.



Governance

Our culture of responsible business begins with strong leadership and the highest standards of governance. Our Board leads our governance framework, which supports IHG's culture, our values and our commitment to doing business responsibly.



Board governance

The Board is responsible for ensuring leadership through effective oversight and review of the Group's activities.

Supported by its principal Committees (the Audit, Corporate Responsibility, Nomination and Remuneration Committees), the Board sets the strategic direction of the Group and aims to deliver sustainable shareholder value for the long term.

The Audit Committee: monitors the effectiveness of the Group's system of internal controls and risk management framework, the Group's risk appetite, and the integrity of the Group's financial reporting, whistleblowing and regulatory compliance.

The Nomination Committee: reviews and considers the size, structure and composition of the Board and its Committees, giving due regard to ongoing succession planning, and makes recommendations to the Board.

The Remuneration Committee: reviews all aspects of executive remuneration, reviewing trends across the industry and setting executive remuneration policies, which are designed to incentivise and retain talent to support the delivery of our long-term strategy.

The Corporate Responsibility Committee: provides direction, oversight and advice to the Board on the Group's corporate responsibility objectives and strategy, including its environmental impact, social and community impact, human rights considerations and stakeholder engagement.



Please see the **corporate governance** section on the Company's website for the schedule of matters reserved for the Board, which sets out those matters that are not delegated by the Board to its Committees, and the terms of reference for each Board Committee, which set out their respective roles and responsibilities in more detail.

Our Management Committees

The Executive Committee: has responsibility for implementing operational decisions. Day-to-day management of the business is delegated to the Chief Executive Officer and the Executive Committee. There is clear delegation and oversight from the Board to the Executive Committee, which strengthens decision-making across key areas of the business.

The General Purposes Committee: attends to business of a routine nature with parameters set by the Board or an appropriate committee.

The Disclosure Committee: ensures proper procedures are in place for information disclosures required pursuant to UK and US accounting, statutory or listing requirements.

Our approach to risk management

We continue to assess our risk management system, ensuring it remains appropriate to support our growth ambitions and decision making in line with our appetite and tolerance for risk.

Strategy and risk

Our strategy, business model and the way we do business present a number of risks and opportunities. There are risks we are willing to take, and areas where we have less tolerance for uncertainty. 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 and opportunities are appropriately identified and managed to an acceptable level in relation to IHG's appetite and tolerance for risk.

Risk appetite

IHG's risk appetite is visible through the nature and extent of risk taken by the Board in pursuit of strategic and other business objectives. This risk appetite is cascaded through the goals we set, our Code of Conduct, decisions we make and how we allocate resources and it evolves with the strategy of the organisation. Examples of how we articulate our risk appetite are included in note 22 to the Group Financial Statements of the IHG Annual Report and Form 20-F; see page 144.

IHG's appetite and tolerance for risk is further articulated and implemented through our governance committees, structures, policies and targets we select, as well as in development guidelines for new hotels. In 2018 the Board and Board Committees again reviewed many of these aspects directly through their meetings and discussions of principal risks, and through their close oversight of IHG's organisational changes and the portfolio of growth initiatives.

Our risk management system

Our risk management system is fully integrated with the way we run the business through our culture, processes, controls and reporting, and is reflected in our strategy. The Risk and Assurance function is responsible for the support, enhancement and monitoring of the effectiveness of this system and focuses on culture, process, control, monitoring and reporting.

Risk in culture

- Our tone, attitudes, ethical values and policies.
- Our governance and committee structures.

Risk in process and control management

- Three lines of defence – comprised of: (i) day-to-day activities that identify and manage risks; (ii) our functional specialists, such as our Business Reputation and Responsibility teams; and (iii) independent assurance.
- Strategic risk planning.

Risk monitoring and reporting

- Risk and performance monitoring.
- Principal risk reporting (see page 26 of the IHG Annual Report and Form 20-F 2018).

Our approach to risk management continued

IHG's principal risks, uncertainties and review process

Our risk profile remains dynamic – we continue to face inherent uncertainties linked to a challenging external environment. Our efficiency programme to realise savings for reinvestment, organisational changes and focus on strategic initiatives have also required us to evaluate and evolve our risk management system to maintain an appropriate level of control within our levels of risk tolerance.

Throughout 2018 the Risk and Assurance team has co-ordinated assessments of the principal risks facing the Group, including those which would threaten its business model, future performance, solvency or liquidity and reputation. These risks are formally reviewed with the Group's Directors on a bi-annual basis and considered in more detail through the activities of the Board and Committees. The review of our principal risks this year again focused both on the internal and external risk environment. We have included factors relating to third parties across many of our risks, reflecting the increasing importance of our relationships with partners to our growth ambitions. We have also considered within our approach to financial planning, a separate risk responding to an increasingly volatile macro-economic

environment (for example trade wars, environmental and climate-related matters) which creates inherent uncertainties to our performance and prospects.

The focus on executing our strategy at a faster pace emphasises the importance of the steps we take to consider risk explicitly as part of decision making. During 2018 this has been supported by the continued development of IHG's risk culture and governance processes, including review of the delegation of authority, and communication of revised leadership behaviours and performance management processes, which continue to reflect the principles of our Code of Conduct. The implementation of organisation and process changes creates inherent risks of disruption to control routines and accountabilities, and these have been actively considered by management teams.

Frequent senior leadership discussions throughout the year, and our more structured strategic programme management and financial planning processes, have also included regular 'pulse checks' of emerging risks requiring management attention. These are considered both in the context of individual initiatives, and at an aggregated level, as part of resilience planning. The Risk

and Assurance team provides support and intelligence on emerging threats and will continue to provide advice to management on procedures for risk identification and mitigation and control.

Our principal risks remain structurally similar to those reported in previous years. We continue to highlight uncertainties relating to our growth agenda and conclude that the potential impact of Brexit on IHG is not likely to have a material impact on our overall strategy or operations although, as with other external factors, this is considered as part of routine operational risk management and resilience planning. The impact of a potential movement in the value of sterling is articulated in note 22 of the Financial Statements in the IHG Annual Report and form 20-F 2018; see page 145.

The Group's asset-light business model, diverse brand portfolio and wide geographical spread however contribute to IHG's resilience to events that could affect specific segmental or geographical areas.

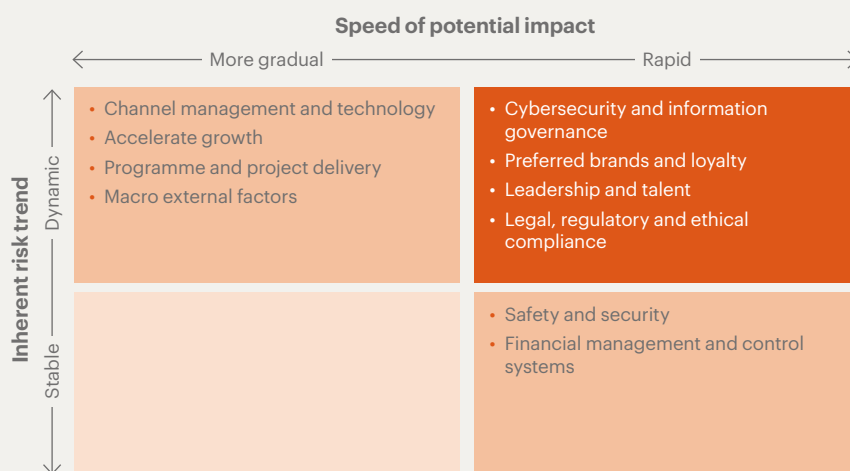


IHG's principal risks are supplemented by a broader description in the IHG Annual Report and Form 20-F 2018 on page 26 to 30.

Risk trend and speed of impact

We assess whether the risk area is stable or dynamic in its impact and/or likelihood (inherent risk trend), and the rate at which there could be a material impact on IHG if unmanaged or managed inappropriately. The trend and speed of impact are summarised in the diagram (on the right).

Principal risk – assessment of trend and speed of impact



Responsible attitudes and ethics

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

Code of Conduct

The bedrock of our culture is our Code of Conduct, (Code), which sets out our commitment to operating honestly and with the highest ethical standards. Our Code principles help us to act responsibly at all times and set out the value we place on being trusted by our guests, those who do business with us, the communities we work in and by our colleagues. It provides an introduction to our key global policies, including anti-bribery, diversity and inclusion, environment, confidential reporting and human rights. The Code is reviewed annually by the Board to ensure it reflects and responds to changes in the external environment and ensures our culture supports our purpose and strategy. In 2018, we published our refreshed Code, updated our Code e-learning module, and reiterated where colleagues can go for further details and guidance. All colleagues working in IHG corporate offices, reservation centres and managed hotels must comply with the Code and the policies and procedures it refers to. The principles, spirit and purpose of the Code of Conduct are also relevant to IHG franchised hotels who share our commitment.

Anti-bribery

Bribery and any form of financial crime, including improper payments, money laundering and tax evasion or the facilitation of tax evasion, are not permitted at IHG under any circumstances. This also applies to any agents, consultants and other service providers who do work on IHG's behalf.

Our Anti-Bribery Policy sets out IHG's zero tolerance approach to bribery and corruption. It is applicable to all IHG employees, directors and our managed hotels and is accompanied by a mandatory anti-bribery e-learning module. Our Gifts and Entertainment Policy is also part of our approach to anti-bribery and corruption. The policy was updated in 2018 following a review of our thresholds and reporting requirements.

As a member of its Business Integrity Forum, IHG participated in Transparency International UK's Corporate Anti-Corruption Benchmark in 2018. IHG is using the feedback and results from this exercise to identify areas for improvement and development in its anti-bribery and corruption programme to continue to help mitigate risk.

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 colleagues with a means to share any ethical concerns they may have. Colleagues are made aware of this through regular internal communications, as well as through a dedicated website, ihgethics.com. Regular reporting on the channel is provided to our Board.

Human rights

We understand the importance of ensuring that the human rights of all those that work with us, whether directly or indirectly, are protected, and we passionately promote this on behalf of the industry as a whole.

Our commitment to respecting human rights is made clear to colleagues as soon as they start working for IHG through the Code of Conduct and Code of Conduct e-learning module. This is reinforced through the IHG Human Rights Policy and brand standard, which requires all IHG branded hotels to adopt our Human Rights Policy or an equivalent policy.

Risk assessment

In 2018, we undertook a human rights impact assessment across IHG's operations covering our supply chains, hotels and corporate offices. In line with expectations of the UN Guiding Principles, the assessment included:

- Saliency mapping – assessing actual and potential risks of IHG's operations against internationally recognised human rights, including the International Bill of Rights and International Labour Organisation Core Labour Standards; and
- Gap analysis – review of IHG's existing policies and processes to determine the degree to which identified risks are being managed.

The findings from the assessment will be used to help us continue to develop our human rights programme.

Training

A standalone human rights e-learning module is available, which contains more detailed information on our overall approach to human rights and how to spot signs of, and help combat, modern slavery and human trafficking. This forms the foundation of our human rights training and we continue to focus on ensuring our frontline facing colleagues at corporate and hotel level have access to this material to ensure they are better placed to identify any potential risks. In 2018, close to 45,000 colleagues completed the training. We also have additional training materials available to colleagues across all our hotels.

Identifying risk

We are aware of the risk that major sporting and other events can bring and by working closely with colleagues in operational support roles, we utilise hotel communications channels to ensure our colleagues are fully informed on the risks of modern slavery. We have continued this for major sporting events in 2018, for example, in preparation for the 2018 football World Cup in Russia.

Industry collaboration

In 2018, along with industry peers, IHG helped develop and publicly committed to a new set of Principles on Forced Labour, launched by the International Tourism Partnership (ITP) at the Global Forum for Responsible Recruitment and Employment in Singapore.

Modern Slavery Statement

In February 2019, we published our 2018 Modern Slavery Statement.

To view our statement, visit ihgplc.com/modernslavery



Responsible procurement

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



Responsible procurement

2018-2020 targets

Supply chain

Increase the percentage of supplier risk profiles and supplier audits for IHG preferred suppliers.

In 2018, we partnered with the British Standards Institute (BSI) for an end-to-end risk profiling, assessment and audit programme. The assessment was rolled out to all IHG Marketplace suppliers.

Increase ethical supplier awareness

Roll out new training for corporate and hotel colleagues.

We have developed a mandatory education programme on responsible procurement and this was launched in January 2019.

Green criteria

Increase the percentage of suppliers that meet IHG Green Criteria.

We have developed a green criteria that is now included with our BSI supplier assessment programme.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

Our supply chain

Our supply chain activities are split into two broad categories – corporate supply chains and hotel supply chains. Our corporate supply chains cover procurement for our corporate offices and mainly focus on items such as technology and professional services. Procurement of goods and services at hotel level covers all items required for operating a hotel, such as food and beverage, furniture, cleaning products, linen and electrical goods.

As our franchised and managed hotels are owned by third parties, these hotels are typically responsible for managing their own independent supply chains. In certain cases, IHG provides a centralised procurement site for hotels. For example, for our hotels in the Americas region, we maintain IHG® Marketplace, which is a platform that enables managed and franchised hotels in the region to purchase goods and services directly from IHG preferred suppliers.

Our approach

In response to our complex supply chain, we have dedicated corporate responsibility and procurement functions, a Supply Chain Risk Council, and oversight from the Chief Financial Officer. This approach supports IHG's focus on working with partners and suppliers who share our commitment to our responsible business agenda and ethical standards of business. Our Vendor Code of Conduct, available in 42 languages, 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 suppliers are expected to operate. In total, as at December 2018, 2,809 suppliers have signed the Vendor Code of Conduct. The Vendor Code of Conduct is currently being reviewed and updated, with a new version planned for launch in 2019.

Policies and training

In 2018, we updated our Global Procurement Policy, which now includes clear guidance for corporate colleagues on how to spend responsibly. Alongside this, we continue to develop training materials for our corporate colleagues to educate them on our wider responsible procurement agenda, as well as supply chain risk. These training materials will include mandatory virtual training and bite-sized dedicated informational tools covering specific elements of risks and opportunities that are important for colleagues to be aware of.

For the fourth year, we continue to leverage our automated procurement system across many of our large corporate offices. This helps to improve central visibility of our corporate suppliers and increases coverage and involvement of our central procurement team in managing and monitoring our supply chain. In 2018, we increased the proportion of corporate spend that is managed through this system by 5%, further enhancing oversight and visibility of our corporate supply chain.

Supply chain risks

We previously commissioned external providers to undertake supply chain audit pilots covering each of our current operating regions in higher risk locations. In 2018,



we developed this by partnering with the British Standards Institute (BSI) and have established an end to end supplier assurance programme, the aim of which is to gain insight into risks associated with IHG's supply chain specifically focusing on corporate responsibility. The programme will give us a greater understanding of our suppliers and supply chain.

New suppliers being onboarded to our procurement system are required to complete due diligence questionnaires, which require adherence to the UN Global Compact Principles on human rights, labour, environment, and anti-corruption.

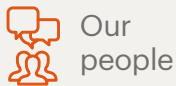
Diversity in the supply chain

As a global organisation operating in more than 100 countries, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate. At IHG, we celebrate difference and encourage diverse thinking and perspectives, and we seek to select suppliers who share the same mindset.

Our spend with diverse suppliers in the US was \$71 million vs \$66 million in 2017.

Making IHG a great place to work

Being a responsible business cannot be achieved without the support and active engagement of colleagues all around the world.



Our people

2018-2020 target Engagement

Track and report employee engagement each year.

In 2018, IHG achieved an average engagement score of 86%.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

We are a people business. Whether someone is a guest staying in one of our hotels, an owner investing in our brands, or they are joining us as a colleague, their choices are shaped by our people. The experiences we create, the services we offer, the opportunities we afford. A diverse and inclusive culture enriches all of this, and it plays a critical role in how we work better together, growing our business and delivering on our purpose of providing True Hospitality for everyone.

Guiding us all is a set of everyday values, which shape the way we work and provide a strong sense of shared purpose.



Do the right thing



Aim higher



Show we care



Celebrate difference



Work better together

Attracting, rewarding and developing talent

We took steps in 2018 to evolve our talent practices and enhance our Room to Grow promise. We launched our new approach to performance, and initiated frequent check-in conversations, giving our people more opportunities to gather feedback on their performance, and discuss development and career aspirations.

We are also establishing forums to help identify and retain top talent, and add rigour to our succession planning, ensuring we are developing a diverse pipeline of talent for

the future. In 2018, we launched a new toolkit to support individuals navigate their careers. And we're investing in our Leadership Development programmes, including Leading Others and Career Insights, to ensure we are developing the next generation of leaders.

Employee engagement

Understanding how our employees feel is important to us. Twice a year, we measure this through our employee engagement survey, Colleague HeartBeat, and ask for their feedback about how we can make IHG an even better place to work. In 2018, IHG achieved an average engagement score of 86%. Our results garnered recognition from AonHewitt as a Best Employer, benchmarked against industry scores.

As we franchise 82% of our hotels globally, we do not employ the majority of our colleagues. When our entire Group's estate is taken into account, more than 400,000 people work across IHG branded hotels and corporate offices. Of those employees directly employed by IHG, as at 31 December 2018:

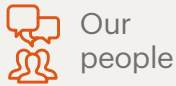
- 7,598 people globally (including those in our corporate offices, central reservations offices and owned hotels (excluding those in a category below)), whose costs were borne by the Group;
- 5,214 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund; and

- 22,518 General Managers and (in the US predominantly) other hotel workers who work in managed hotels, who have contracts or letters of service with IHG and whose costs are borne by those hotels.



Valuing diversity and inclusion

As a global organisation operating in more than 100 countries, we recognise the importance and benefit of ensuring our workforce embodies the communities in which we operate.



Our people

2018-2020 targets

Diversity

Increase diversity in terms of gender and nationality or ethnicity of IHG Senior Leaders.

In 2018, we increased the percentage of women represented in the senior leadership population from 37% to 38%.

Increase female representation

Increase number of females working in General Manager and Operations roles in managed hotels.

In 2018, we increased the percentage of females in General Manager and Operations roles from 22% to 24%.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

Our colleagues represent multiple nationalities, as well as the many cultures, religions, races, sexual orientations, backgrounds and beliefs that make the world such an interesting place. We celebrate difference and diverse thinking as part of our purpose to provide True Hospitality to everyone.

We understand the importance of having a culture that values and promotes diversity and inclusion, and we take pride in ensuring our colleagues feel this in their working environments. We also recognise how crucial this is to attracting, building and retaining the talent we need to continue growing our business at pace. Colleagues expect it. Around 30% of millennials have left a job for a more inclusive culture elsewhere, and two-thirds of people think about diversity when deciding where to work.

In recent years, we have implemented several successful programmes across IHG which have helped build high levels of colleague engagement and seen IHG recognised externally:

- We're a highly-rated employer, and when it comes to how colleagues feel, nine out of 10 people think we value diversity and offer a work environment that's open to individual differences.

- For the past four years, we've achieved a 100% rating in the Human Rights Campaign's Corporate Equality Index – making IHG a best place to work for LGBTQ equality.
- The 2018 Hampton-Alexander Review, for a third successive year, listed IHG in the top 10 companies for female representation across our Executive Committee and their direct reports.

To help us go further in this space, we launched our Global D&I Board in 2018, led by our CEO and other senior leaders. Working with Accenture, we surveyed colleagues to understand the barriers female colleagues face in progressing in hotel General Manager roles and corporate senior leader roles. These insights are shaping several initiatives prioritised by IHG's D&I Board around further strengthening its culture of inclusion; increasing the diversity of its leadership and talent; and putting the right decision-making processes around its actions.

We are committed to a continual review of our practices and policies such as reducing bias at all levels in our hiring processes, and reviewing flexible working processes and policies. We have signed up to the Diversity in Hospitality, Travel and Leisure Charter, a 10-point action plan that ensures diversity and inclusion not only remain a priority but that we openly track progress towards our goals. And we support the United Nations LGBTI Standards for Business, which focuses on tackling discrimination against lesbian, gay, bi, trans and intersex people.

Created through grass root efforts from our people across the organisation, several Employee Resource Groups (ERGs) have been launched over the past few years at IHG. Most notably, our Lean In Circles – small groups created to provide professional growth opportunities for women through mentoring, networking, outside speakers and more – have garnered great interest. Today, across all of our regions, hundreds of female colleagues have joined circles and many are also participating in mentoring programmes.

Colleagues in our Atlanta corporate office also have a number of ERGs and forums for LGBTQ colleagues, African American, Hispanic and early-career professionals and in 2019 we will launch these groups to more markets globally.

UK Gender Pay Gap Report

UK legislation requires that all UK companies employing at least 250 people publish differences in average hourly pay and bonus pay between their male and female employees; the proportion of men and women receiving bonuses; and the proportion of men and women in each quartile of the organisation's pay structure.

In accordance with these regulations, we publish an annual UK Gender Pay Gap Report.



Download our latest UK Gender Pay Gap Report.



Lean In Circles

In October 2018, at our global headquarters, we hosted an event in partnership with our Lean In Circles on the topic of diversity. We invited external speaker June Sarpong, a well-known British TV broadcaster and passionate advocate for diversity, to speak to colleagues about the importance of diversity and inclusion, and why we should all care about this subject.

Our hotels

Our hotels and colleagues are focused on bringing our great brands to life for millions of guests all over the world. As well as creating the right experience, we're committed to creating safe, inclusive environments for everyone, and taking active steps to help our hotels measure and manage their impact on the environment.

As a predominantly managed and franchised business, we work hand in hand with our hotel owners to make sustainable choices and take opportunities to do things differently. Working this way is important to our colleagues, guests, partners and investors, and we take seriously issues such as climate change, water scarcity, utility consumption and waste management.



Safety and security

We believe in the importance of providing a safe and secure environment for all colleagues, guests and visitors.

We take the safety and security of guests, colleagues and visitors to IHG branded hotels very seriously. We manage safety and security through a global management system that includes Brand Safety Standards and a suite of risk guidance, training and toolkits that are available to all hotels.

IHG employs a team of global risk specialists to co-ordinate and monitor a safety and security management system. This system is designed to provide an appropriate level of control to mitigate against a systematic issue with safety and security in our managed and franchised hotels.

IHG hotels are encouraged and supported to build greater levels of risk maturity, beyond mandated levels of safety (Brand Safety Standards), through access to a large range of guidance, tools and training resources available to all hotels via IHG's Global Risk online learning centre.

Our team of global intelligence specialists use an intelligence-led, threat-based security approach to monitor the risks and threats posed to our hotels and to set the mitigations and policies to address these. Risks include terrorism, changing political landscapes, digital security and natural disasters. Our well-tested crisis management system enables us to bring the necessary skills and expertise together so that we can quickly direct resources and support exactly where it is needed worldwide.

In a climate where the risk of data, credit card and cybersecurity breaches are a serious threat, it is everyone's responsibility at IHG to safeguard information under our care, to follow legal requirements and comply with IHG's information security and personal data policies, standards and procedures.

In 2018, we launched updated training to colleagues on handling information responsibly, and we continue to enhance our privacy programme to address evolving privacy requirements and best practice, including the EU General Data Protection Regulation. The Board and Audit Committee regularly reviews information security controls and the risk landscape, including updates on previous incidents.



Developing our hotel colleagues

We provide everyone with the tools to develop in their roles and feel supported in their work.

Our colleagues are the ones who bring our brands and purpose of True Hospitality for everyone to life, build relationships with guests and work with hotel owners to drive performance.

MyLearning, our learning platform, is available to all hotel colleagues in multiple languages and across digital platforms. It gives people the chance to track their personal learning journey, and allows managers to easily review progress.

We offer hotel colleagues 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.

We also have a global online learning platform for all hotel General Managers (GMs) called Fuse. This 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.

Each year, a new cohort of hospitality graduates join our Future Leaders programme. Through a two-year programme, we embed and develop exceptional talent within IHG working across our Operations, Finance and Revenue Management functions. On completion of the programme, the graduates take on managerial positions across IHG.



General Manager Learning Events

Every year, over 300 General Managers across our EMEAA region attend a series of Learning Events, hosted by our Business Unit Managing Directors and Learning & Development teams.

The events are an opportunity for General Managers to come together to learn and share best practices, building on their capability to maximise performance and balance the needs and expectations of multiple stakeholders.



Carbon and energy

As a global business with hotels in more than 100 countries, we believe our biggest contribution towards cutting greenhouse gas emissions will come from changing our own behaviour.



Environmental sustainability

2018-2020 target

6-7%

Reduce carbon footprint per occupied room.

In 2018, we reduced our carbon footprint by 2.2% per occupied room.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

We believe the best approach to reducing and managing carbon emissions comes from working with all our hotels to make a difference, rather than by purchasing carbon offsets.

Between 2013 and 2017, we reduced our carbon footprint per occupied room by 15% (against a 2012 baseline), achieving our five-year target. As part of our 2018-2020 targets, we are committed to further reducing the carbon per occupied room by 6-7%. To help us achieve this, we set our hotels individual carbon reduction targets, and we support them with best practice guidance and practical solutions to help ensure we succeed together.

Utility costs are the second biggest expenses to our hotels and lighting accounts for up to 40% of a hotel's total energy consumption. Installing LED lighting solutions is a low-cost, high-impact action for our hotels to action through the IHG Green Engage system.

To further reduce our environmental footprint, we are working to understand the carbon emissions in our supply chain. In 2018, we commissioned stage one of our agenda, which identified that food and beverage, outside services, consultancy,



InterContinental® Madrid

The Green Team at InterContinental® Madrid have been on a journey to implement a number of innovative carbon and energy initiatives across the hotel aimed at reducing their utility costs and consumption. From replacing their boilers, upgrading to new energy efficient air-conditioning refrigeration units to installing LED lighting across the hotel, the team and their owners have reduced their carbon footprint by over 60%.

equipment and cleaning products are the highest carbon emitting categories in our operational supply chain. To further build on this, in 2019 we will work closely with key emitters to contribute to a shared positive impact.

We're proud of the engagement with our hotels in this important area, and we continue to work to promote carbon reduction with all our hotels globally.

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

Dow Jones Sustainability Index

The Dow Jones Sustainability Index, in collaboration with RobecoSam, highlights businesses that show outstanding performance in tackling the biggest social, environmental and economic issues in their industries. In 2018, IHG was named industry leader for a second consecutive year in RobecoSam's Resorts & Cruise Lines industry group, which includes hotels, resorts and cruise lines, and the highest score in the industry on its Corporate Sustainability Assessment. IHG ranked first for several criteria, including environmental criteria, human rights and stakeholder engagement. The results of the survey are published on the Bloomberg professional platform, making them accessible to investors and other stakeholders.

Water

We recognise the risks our business and local communities face from water scarcity and pollution, and are taking steps to ensure this precious resource is managed sustainably.



Environmental sustainability

2018-2020 target

6 projects

Launch two water stewardship projects per year.

In 2018, we launched water stewardship projects in both London and Delhi.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

Water stress impacts over 40% of the global population and is anticipated to rise further, according to the UN. More than 1.7 billion of the world's population currently live in river basins, where water use exceeds its recharge, and the problem will get worse as the population grows.

As part of our commitment to water stewardship, we completed the hospitality industry's most comprehensive water risk assessment in 2016. Encompassing our entire global estate of open and pipeline hotels, this means we can identify 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 provides our hotels with a comprehensive guide to water-saving technologies and processes, recommending nearly 30 Green Solutions devoted solely to water. Typically, more than 40% of the water used in a hotel is from showers, toilets, taps and kitchens, but installing low-flow taps, toilets and shower heads, helps to reduce water consumption.

The localised nature of water-stress means we need to embed initiatives at a local level, which led to the launch of our pilot project in Chengdu in 2017. Four hotels developed tailored water implementation plans and went beyond water efficiency, collaborating with environmental NGO Chengdu Urban Rivers Association (CURA), and members of the local community to protect the freshwater resources of Chengdu. In 2018, these hotels continued their water stewardship journey and are seeing impressive water reductions. The InterContinental Century City Chengdu reduced its water use by 21% and Holiday

Inn Chengdu – Century City East Tower by 12%, as a result of actions taken as part of the water stewardship programme.

Building on this pilot, we want to launch six more stewardship projects by 2020. The first of these was in 2018 in London, UK, where we partnered with the Rivers Trust, a UK-based non-governmental organisation. London is included in the world's top 10 most likely cities to run out of water and according to the Greater London Authority, the city is pushing close to capacity and is likely to have supply problems by 2025 and serious shortages by 2040. The London project has provided us with vital learnings and helps reduce the exposure of our hotels to water related risks. We engaged our colleagues in the programme through tailored education and the opportunity to volunteer and help to clean local waterways.

Following analysis of our risk assessment and the ITP's water risk prioritisation index, we launched our second project in Delhi, India – the world's second most populous city, where water shortages are becoming a regular challenge and the quality of water is poor and unfit for human consumption. In conjunction with seven IHG branded hotels, we have partnered with the Center for International Projects Trust (CIPT), a non-profit organisation based in Delhi and an affiliate of Columbia Water Center, and the Alliance for Water Stewardship, to identify key issues where we can develop and implement small scale innovations that can be replicated in other water stressed locations.



The
**Rivers
Trust**

Water stewardship tool

Following the success of our first water stewardship project in London, and in partnership with the Rivers Trust, we have developed a tool to enable all of our hotels across the UK to replicate the water stewardship activities carried out in the London project at a local level with local trusts.



Waste

We have a responsibility to minimise waste across all our hotels, preserving our environment for future generations.

The IHG Green Engage™ system provides guidance to IHG branded hotels on how to manage their waste and through the tool 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.

We have begun to map out the biggest areas of waste within our operations, identifying ways to reduce, re-use and recycle to ensure we are diverting as much waste from landfill as possible.

Across 11 IHG branded hotels, we have partnered with Winnow to trial their innovative Winnow System. Using their smart meter technology, it makes it quick and easy to record exactly what and how much food is being wasted in our kitchens. Providing both real-time and regular reporting, our kitchen colleagues can easily identify how much produce they are disposing of and what the cost is of doing so. These vital insights have allowed our colleagues to make improvements through careful menu planning in their hotels and as a result have seen a reduction on average of 20% in their food wastage.

In our Americas region, we are introducing bulk-size bathroom amenities across our Holiday Inn Express®, Staybridge Suites® and Candlewood Suites® brands. Our EVEN® Hotels and avid™ hotels brands have included bulk-size amenities since they were launched, and Kimpton® Hotels & Restaurants began rolling them out in 2017.

Working with Clean the World in the Americas and Soap for Hope in Asia, increasingly our hotels are choosing to recycle soap and guest room amenities, so that new soap bars can be distributed to communities in the developing world, helping them reduce the risk of disease.

Plastic straws

In 2018, IHG committed to remove single-use plastic straws from our global estate by the end of 2019. As a global brand standard, we will be eliminating annually an average of 50 million straws from our hotels. Laid end-to-end, the straws we remove would span some 10,500 kilometres – stretching from New York to Tokyo.



Renovation Donation Initiative

At a time when many IHG branded hotels are introducing new design concepts to meet evolving guest expectations, we launched the Renovation Donation Initiative in 2018, in partnership with the IHG Owners Association.

IHG branded hotels in the US and Canada undergoing renovations or property improvements can donate furniture, fixings and equipment to NGOs. The shared commitment will reduce the amount of products and materials going to landfill, whilst supporting the work of our charity and NGO partners in the local communities, including workforce development and hospitality skills training programmes. Piloted in 2018, the programme will roll out in 2019.



Sustainable hotel solutions

We encourage our hotels to use sustainable products and to source goods and services locally wherever possible.

In line with our sustainability solutions, we want to futureproof our supply chain by assessing the products we use the most throughout our business. This work includes setting out a strategy to reduce our waste impact, whilst looking for the sustainable solutions of the future which have a smaller environmental footprint.

Carpets

We have been working with our supplier Ege carpets to trial carpets using a yarn produced from recycled plastic bottles and fishing nets. In 2018, we ran a trial of the carpets in eight of our Europe-based hotels, using four tonnes of 100% recycled yarn and we hope to increase the offering to more properties in 2019.

Filtered water

We have been rolling out an initiative to allow our hotels to remove plastic water bottles from meetings and events, in favour of reusable glass bottles. In the summer of 2018 in the UK and Ireland, we piloted the EcoPure Waters' filtered water system to provide an alternative solution to plastic bottles. Of the 27 hotels that took part in the pilot, the indication is that each month they are filling 1,400 750ml water bottles in meeting and catering areas. We will be encouraging more of our hotel estate to adopt the system in future.

Food and beverage

Our restaurants and bars are an integral part of the service and experience we offer to our guests. With a wide variety of dining options available across our hotel brands, we are focused on sourcing our produce sustainably and ethically, meeting our guests' expectations.

By 2020, we are committed to 90% of our top seafood products being sustainably sourced. Included in this commitment is the prohibition of shark fin being served in our hotel bars and restaurants. We have also committed to sourcing 100% cage-free eggs throughout our US, Canadian and European hotels by no later than 2022, and across all our hotels globally by 2025.

VOCO™

AN IHG® HOTEL

Voco sustainable bedding

As part of our commitment to increasing our spend with green suppliers, in 2018 we started to source bedding for our voco™ hotels from Trendsetter, a supplier which has a commitment towards the environment and ethical responsibility. They provide filled goods such as pillows and duvets that have 100% recycled plastic filling. As a voco brand standard in the launch of our first three voco hotels, we have already diverted more than 140,000 plastic bottles from landfill and the factory's energy usage is from 100% certified renewable sources.



IHG Green Engage system

Providing our hotels with the tools they need to operate in environmentally-friendly ways through our Group-wide, online sustainability platform.

IHG Green Engage provides our hotels with more than 200 Green Solutions, helping them manage and report their use of energy, carbon, water and waste, and minimise their overall utility costs and environmental impact. We make it a global standard for all hotels to utilise the platform and we recognise their progress through four levels of certification.

The system works to:

- Provide hotels with action plans and targets to reduce their impact on the environment.
- Set and track property-specific reduction goals for carbon, energy, water and waste, and demonstrate potential cost savings associated with a plan.
- Use data to provide customised environmental performance benchmarking, taking into account hotel location, brand and outfitting.
- Feed a hotel's IHG Green Engage system certification status to our booking channels to allow guests to make more informed decisions about where they stay.

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.

We work with third parties to align the IHG Green Engage system to their requirements, and through the platform, and many of our hotels pursue additional third-party certification, including TripAdvisor's GreenLeaders, Green Globe and Green Key Global.

Supporting travel buyers

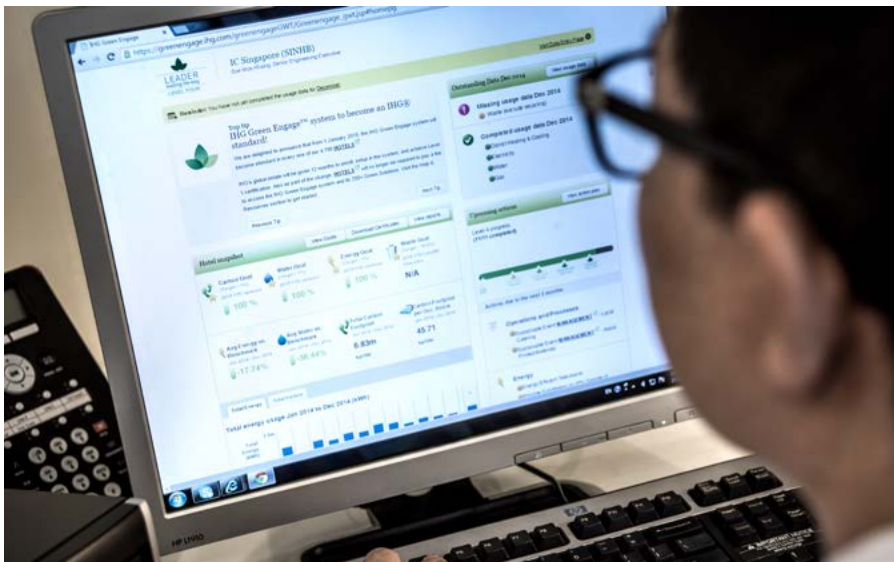
We know that sustainability is important to our corporate clients. Every year, more travel buyers ask for information about the environmental footprint of our hotels, so that they can make more sustainable choices in their travel procurement. In 2018, almost 60% of our business accounts asked for this 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 report our environmental performance data to EcoVadis and the CDP Supply Chain programme for carbon and water. We also report to the RobecoSAM of which we are the industry leader on the Dow Jones Sustainability Index.

IHG® Rewards Club

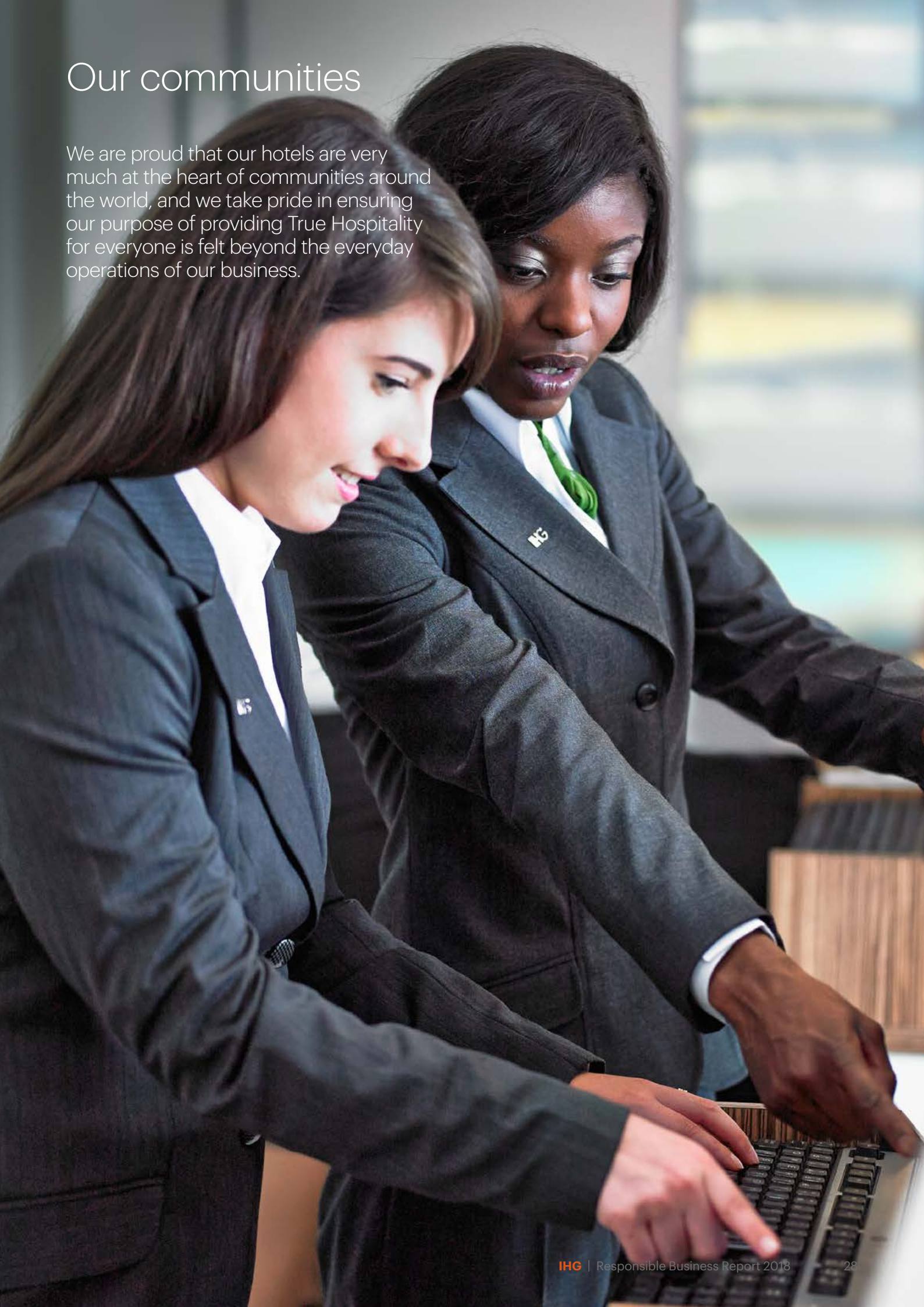
A Greener Stay

Guests staying in our hotels for more than one night can elect to participate in A Greener Stay, a programme where guests can opt out of housekeeping services in return for IHG® Rewards Club points. As a result of this initiative, guests are encouraged to make more environmentally conscious decisions when travelling. The programme helps hotels to take action towards reducing their environmental footprint with less water and energy needed and a reduction in waste.



Our communities

We are proud that our hotels are very much at the heart of communities around the world, and we take pride in ensuring our purpose of providing True Hospitality for everyone is felt beyond the everyday operations of our business.



Providing access to skills and education in hospitality

Around the world, we work to have a positive impact on communities by creating jobs, stimulating local economic development, and helping create more sustainable communities through hospitality skills training.



Community impact

2018-2020 target

30,000-40,000

Individuals provided with hospitality skills training through the IHG Academy.

In 2018, 13,531 people benefitted from IHG Academy.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

The hospitality industry accounts for one in 10 jobs globally and we're passionate about the opportunities it can offer people. We are committed to providing access to unique opportunities to build and develop hospitality skills, helping those in need regain employment or spark the beginning of a new career. Working collaboratively with our NGO partners, we can focus on supporting those furthest from employment to reach their potential.

IHG Academy

Through our IHG Academy programme, we are working in our local communities and with academic partners to offer work experience in hotels or corporate offices. Our aim is to help develop a pool of skilled, motivated and engaged people capable of providing the great kinds of experiences you'd expect in an IHG branded hotel. In 2018, 13,531 people benefitted from the programme in 70 countries worldwide.



IHG Academy Hotel Takeover

In February 2018, IHG branded hotels in the UK took part in the IHG Academy Hotel Takeover, a week long initiative that offered hospitality students the opportunity to gain valuable work experience to supplement their studies. More than 1,000 students participated in 31 hotels, undertaking a variety of roles from General Manager to Functions Manager and Head Chef.



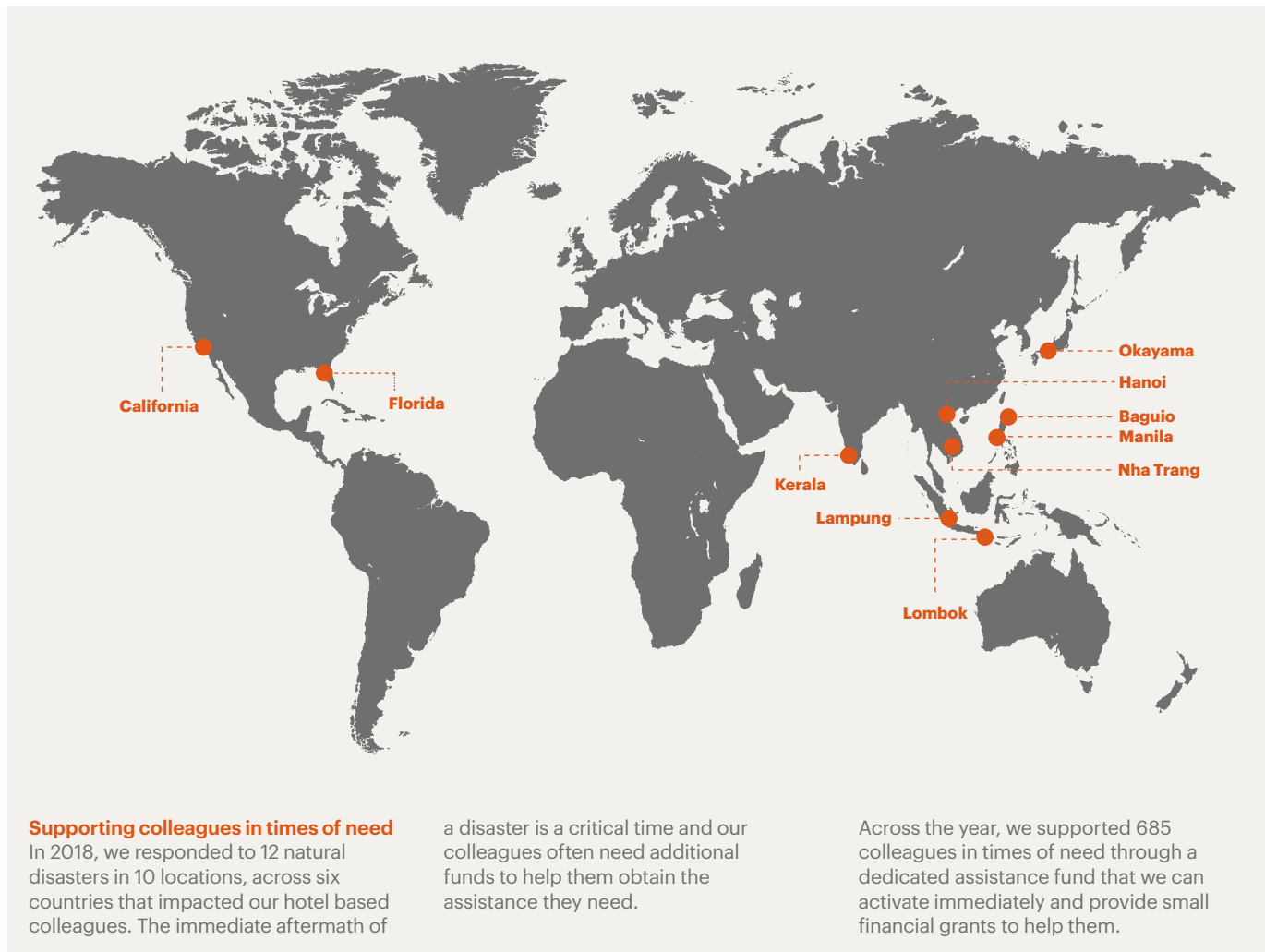
Association for Persons with Special Needs

In Singapore, we have been working with the Association for Persons with Special Needs (APSN), which provides support for adults with learning disabilities to provide work experience opportunities through our IHG Academy programme. One beneficiary is Firdaus, who works as a Kitchen Porter at InterContinental Singapore.

He was given the opportunity to develop life skills and build friendships at work, whilst being able to do something that he really likes – meeting new people and learning new things. Importantly, the opportunity has given Firdaus the ability to support his family, and feel proud to work in a role he loves.

Supporting communities when disasters strike

We have a proud history of helping local communities and our colleagues in times of need.



Just as our hotels can be a place for people and communities to come together in times of celebration, we know they can also play a vital role in providing security and refuge when disaster strikes. We have a proud history of helping local communities and our colleagues in times of need, and educating people in disaster preparedness. When our hotels and offices are involved in disasters, we aim to provide a consistent response, working closely with our global NGO partners.

The Sichuan Province, China is prone to natural disasters and in recent years has been devastated by a number of earthquakes. In partnership with the Sichuan Province Foundation for Poverty Alleviation, we have delivered a series of disaster preparedness training sessions to teachers and students across schools to help them in the province be better prepared in the event of a disaster.



We continue to partner with CARE International UK to provide strategic advice and guidance to hotels in times of disaster and to help increase our focus on disaster preparedness.

Colleague impact

Across the globe our colleagues are passionate about many local community projects, charities and NGOs, and we give them a say in how we support causes all around the world.



Community impact

2018-2020 targets

\$3m

Contributed to community impact projects around the world from 2018-2020.

\$1.2m contributed to community impact projects in 2018.

100,000

Colleagues involved in IHG's global community impact activities each year from 2018-2020.

139,942 colleagues involved in community impact activities in 2018.



For further progress in detail against all of our 2018-2020 targets, please see our Performance pages: 33 to 36.

True Hospitality for Good

In 2018, IHG transitioned its support from the IHG Foundation to a newly created communities and charitable giving programme, True Hospitality for Good. Building on the work done with the IHG Foundation, this programme provides colleagues in our hotels and offices with a greater say in how we support important causes around the world. Together, our aim is to work with IHG charity partners to help change lives for the better through building skills and education in hospitality, and supporting communities when disasters strike.

In China, we partner with the China Soong Ching Ling Foundation to support our communities through the True Hospitality for Good Fund.

Giving for Good month

September 2018 saw our first Giving for Good month in support of True Hospitality for Good. IHG colleagues were invited to make a positive contribution to others through volunteering, doing their bit for the environment, or doing something extra to take care of their health and well-being.

From the food kitchens of Atlanta and the beaches of the UAE, to the Swiss mountains and rivers of China, nearly 130,000 IHG colleagues took part in Giving for Good month. For every colleague that got involved, IHG contributed funds to one of our 11 charity partners on their behalf, donating a total of \$400,000 over the course of the month. IHG's list of charity partners was specially curated to support causes that tie closely to our business, including building skills and education in the hospitality industry and providing aid when disasters strike.

Volunteering

During Giving for Good month alone, our colleagues volunteered more than 125,000 hours of their time to support worthy causes. We recognise that volunteering plays an important role in developing and retaining talent, building strong teams and a range of other transferable skills.

"I am incredibly inspired by the thousands of colleagues that came together to join in our first Giving for Good month. A passion to help and care for others is at the heart of all we do and central to our purpose of True Hospitality for everyone. I am proud of the dedication everyone has shown for the worthy causes we supported around the world."

Keith Barr

Chief Executive Officer, IHG



True Hospitality for Good

Working with charity and NGO partners to make positive local change, on a global scale.

Communities
Volunteer
Hospitality skills
Disaster relief

Get involved!
truehospitalityforgood.com

IHG

Performance



Our performance

We engaged with internal and external stakeholders to set our 2018-2020 responsible business targets. Here we review our progress.

2018-2020 Targets



Environmental sustainability

6-7%

Reduce carbon footprint per occupied room.

- In 2018, we reduced our carbon footprint by 2.2% per occupied room.

6 projects

Launch two water stewardship projects per year.

- We launched our first project in London, UK, where we partnered with the Rivers Trust and five London IHG hotels. The project has provided us with vital learnings and helps reduce the exposure of our hotels to water related risks. As a result of the London project, a scalable water stewardship tool has been developed for the UK&I estate which connects hotels with the UK Rivers' Trust, which provides local river clean up opportunities.
- Our second project launched in Delhi, where the quality of water is poor and unfit for human consumption. In conjunction with seven IHG branded hotels, we have partnered with the Center for International Projects Trust (CIPT), a non-profit organisation based in Delhi and an affiliate of Columbia Water Center, and the Alliance for Water Stewardship, to identify key issues where we can develop and implement small scale innovations that can be replicated in other water stressed locations.



Community impact

30,000-40,000

Individuals provided with hospitality skills training through the IHG Academy.

- In 2018, 13,531 people benefitted from IHG Academy.

- 2,203 programmes ran across 729 IHG branded hotels in 70 countries.

\$3m

Contributed to community impact projects around the world from 2018-2020.

- We contributed \$1.2m to community impact projects in 2018 of which we donated \$400,000 during Giving for Good month.

- During our Giving for Good month, for every colleague that got involved, IHG contributed funds to one of our 11 charity partners on their behalf, donating a total of \$400,000 over the course of the month. IHG's list of charity partners was specially curated to support causes that tie closely to our business, including building skills and education in the hospitality industry and providing aid when disasters strike.

100,000

Colleagues involved in IHG's global community impact activities each year from 2018-2020.

- 139,942 colleagues engaged in community impact activities in 2018.

- Colleagues volunteered more than 125,000 hours of their time to support worthy causes around the world.

Our performance continued

2018-2020 Targets continued



Diversity

Increase diversity in terms of gender and nationality or ethnicity of IHG Senior Leaders.

- In 2018, we increased the percentage of women represented in the senior leadership population from 37% to 38%.

- We are a lead sponsor for the WiH2020 (Women in Hospitality) organisation. A cross industry organisation who are working to increase female senior representation in the hospitality industry sector.
- The 2018 Hampton-Alexander Review, for a third successive year, listed IHG in the top 10 companies for female representation across our Executive Committee and their direct reports.

Increase female representation

Increase number of females working in General Manager and Operations roles in managed hotels.

- In 2018, we increased the percentage of females in General Manager and Operations roles from 22% to 24%.

- We conducted interviews with colleagues to identify unconscious biases and the real and perceived barriers to women progressing into General Manager and operation roles to influence future work.

Track and report employee engagement each year

- We measure employee engagement through our bi-annual survey, Colleague HeartBeat, and corporate, managed hotel and customer reservations office employees are invited to take part and the overall score was 86%; 11% above Aon's top quartile benchmark.

- Our employee engagement scores garnered recognition from Aon Hewitt as a Global Best Employer for two years running.



Responsible procurement

Increase supplier audits

Increase the percentage of supplier risk profiles and supplier audits for IHG preferred suppliers.

- In 2018, we partnered with the British Standards Institute (BSI) for an end-to-end risk profiling, assessment and audit programme. The assessment was rolled out to all IHG Marketplace suppliers.
- Risk assessments were issued to all IHG Marketplace suppliers at the end of 2018.

- On-site risk audit plans are to be developed according to risk assessments findings.
- Further suppliers are to be risk assessed and audited in 2019 and beyond.
- We are working to build risk assessments into new supplier due diligence checks.

Increase ethical supplier awareness

Roll out new training for corporate colleagues and hotels.

- We have developed a mandatory education programme on responsible procurement and this will be launched in 2019.

IHG Green Criteria

Increase the percentage of suppliers that meet IHG Green Criteria.

- We have developed a green criteria that is now included with our BSI supplier assessment programme. Green criteria have been developed in line with IHG's overall position on sustainability.

Our performance continued

Other performance data

Carbon footprint

Carbon Footprint per occupied room (kgCO₂e)

2018	26.02
2017	26.61*
2016	29.36**
2015	30.84**

IHG's total carbon footprint (tCO₂)

Scope 1

2018	448,691
2017	443,549*
2016	426,870**
2015	438,943**

Scope 2

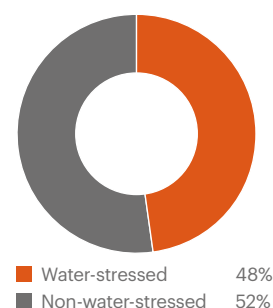
2018	1,979,417
2017	1,896,581*
2016	1,914,276**
2015	1,896,344**

Scope 3

2018	2,635,737
2017	2,535,330*
2016	2,708,920**
2015	2,689,708**

Water

IHG's water use in water-stressed and non-water-stressed regions across the estate (%)



IHG's water use per occupied room across the global estate (m³)

2018	0.58
2017	0.60*
2016	0.62**
2015	0.60**

IHG's total water consumption across the global estate (m³)

2018	112,729,007
2017	109,501,975*
2016	105,666,389**
2015	97,241,307**

* Restated

**Data not restated as new baseline has been set (2017) for our 2018-2020 target.

We calculate performance up to 15 decimal places and we have rounded to 2 decimal places in this report.

We report Scope 1, Scope 2 and Scope 3 emissions as defined by the GHG protocol as follows:

Scope 1 emissions are direct emissions produced by the burning of fuels of the emitter.

Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by the emitter.

Scope 3 emissions are indirect emissions produced by the emitter activity but owned and controlled by a different emitter from the one who reports on the emissions (e.g. our franchise estate)

Our performance continued

Other performance data continued

Waste

IHG's waste per occupied rooms (kgs)

Total general waste



Total food waste



Total recycling



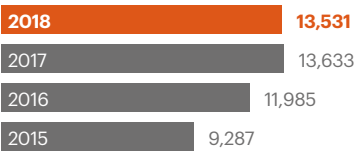
Total composting



Total waste



IHG Academy



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