



True Hospitality for Good

Annual Report and Form 20-F
2021



Hotel Indigo® Adelaide Markets, Australia

Our purpose is to provide True Hospitality for Good.

It shapes our culture, brings our brands to life and represents a commitment to make a difference to our people, guests and communities, and protect the world around us.

Listening and engaging with our stakeholders, together we work towards common goals that help ensure we create shared value for all.

IHG HOTELS & RESORTS	SIX SENSES	REGENT	INTERCONTINENTAL HOTELS & RESORTS	VIGNETTE COLLECTION	KIMPTON HOTELS & RESTAURANTS	HOTEL INDIGO	VOCO	HUALUXE HOTELS AND RESORTS 華邑酒店及度假村
EVEN HOTELS	CROWNE PLAZA	Holiday Inn Express	Holiday Inn	avid	ATWELL SUITES	STAYBRIDGE SUITES	Holiday Inn Club Vacations	CANDLEWOOD SUITES
IHG REWARDS								

Our presence

IHG® Hotels & Resorts is a global hospitality company, with 17 hotel brands and one of the industry's largest loyalty programmes. We have nearly 6,000 open hotels in more than 100 countries and a further 1,800 hotels in our development pipeline.

 See pages 17 and 18

Our focus

We focus on offering guests great choice, rewards and experiences, while continuously developing and investing in our people, operations, sustainability, technology and design, in order to drive demand, performance and return for our hotel owners.

 See pages 19 to 35

Our business model

We mainly franchise and manage hotels, which allows us to focus on increasing fee revenues and fee margins, with limited requirements for capital. Led by our strategic priorities, we grow our business by ensuring our brands meet consumer demand and generate strong returns for hotel owners.

 See pages 10 to 13

Our key stakeholders



Shareholders
and investors



Hotel owners



Hotel guests



Our people



Community



Suppliers

 See pages 20 to 28, 39, 92, 101, 107, 108, 112 to 114 for information about how we have engaged with our stakeholders during 2021.

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The Strategic Report on pages 2 to 77 was approved by the Board on 21 February 2022.

Nicolette Henfrey, Company Secretary

2021 in review

Building a stronger business



Though the pandemic again tested our industry, our resilient business model and people's desire for travel have shone strongly. Alongside a focus on offering great guest experiences and expert owner support, we are building a stronger, more agile company, investing in our brands, sustainable operations and business, and looking to future growth with confidence.

Financial performance

Global RevPAR

+46.0%

2020: (52.5)%

Total gross revenue in IHG's System^a

\$19.4bn

2020: \$13.5bn

Operating profit/(loss)

\$494m

2020: \$(153)m

Net system size growth

-0.6%

2020: +0.3%

Total revenue

\$2,907m

2020: \$2,394m

Operating profit from reportable segments^a

\$534m

2020: \$219m

Signings (rooms)

68,870

2020: 56,146

Revenue from reportable segments^a

\$1,390m

2020: \$992m

Basic EPS^b

145.4¢

2020: (142.9)¢

Regional growth (number of rooms)

Americas

Openings

15,739

2020: 16,746

Signings

17,647

2020: 14,039

See page 63

EMEA

Openings

10,162

2020: 11,288

Signings

20,376

2020: 13,903

See page 66

Greater China

Openings

18,057

2020: 11,358

Signings

30,847

2020: 28,204

See page 69

Shareholders and investors

Our resilient business model and focus on owners, coupled with increasing travel demand, led to improved trading in 2021. We have focused on operating efficiently and sustainably, while investing in future growth.

- Global RevPAR recovered to 70% of 2019 levels
- 5.0% gross system growth; net (0.6%) after higher removals in part due to Holiday Inn and Crowne Plaza review
- Signings up 23% year-on-year with development activity improving
- Delivered \$75m sustainable costs savings, while investing for future growth
- Fee margin of 49.6%, recovered to 4.5%pts below 2019
- Net cash from operating activities of \$636m, adjusted free cash flow^a of \$571m (2020: \$29m)
- Leverage ratio substantially reduced, with net debt: adjusted EBITDA at 3.0x (2020: 7.7x)
- Final dividend of 85.9¢ proposed for 2021

See information about our shareholders and investors on page 92 and our KPIs on pages 50 to 53.

Our guests

We are focused on ensuring the services, technology and experiences we provide meet evolving expectations, increase consumer preference and loyalty, and drive bookings.

- Delivered targeted stay campaigns, loyalty promotions and programme improvements
- Improvement in Guest Satisfaction Index (GSI), achieving scores of 100 or better for each brand and outperforming peers
- Continued execution of IHG Way of Clean and IHG Clean Promise in our hotels
- Enhanced Meet with Confidence offer to support increasing business demand
- AI technology introduced to answer and route customer calls, raising satisfaction scores and average daily rates on bookings
- Room inventory assessments completed in 5,300 hotels in support of attribute pricing and a more tailored booking experience
- Updates to guest room and public space designs to enhance stay experience

See information about our guests on pages 19 to 22 and guest love KPI on page 52.



Our people

As our industry recovers and daily life evolves from the pandemic, we have focused on how we can effectively support our people and provide the right resources and working environment to keep everyone feeling engaged and at their best.

- Overall employee engagement at 85%, placing IHG as a Kincentric Global Best Employer
- Inclusion Index launched to track diversity, equity & inclusion (DE&I) progress
- Corporate employees completed 10,000 hours of conscious inclusion training
- Evolved health, safety and wellbeing guidance at hotel and corporate levels
- Supported employees with shift to hybrid working through guidance, office enhancements and feedback forums
- Recharge days for corporate employees
- Resumed employee annual salary increase and bonus
- Employee Resource Groups (ERGs) expanded to help foster our diverse and inclusive culture
- Increased focus on colleague development and retention, and talent attraction

See information about our people on pages 23 to 26, and our employee engagement KPI on page 53.

Hotel owners

Our owners choose to work with IHG based on the trust they have in our brands and our track record in delivering returns. We continue to enhance our offer across the hotel lifecycle, alongside exploring new growth opportunities and collaborating with the industry and governments to support a strong recovery for the sector.

- Continued review and evolution of brand standards to improve operational efficiency
- Expanded hotel procurement solutions to combat supply chain challenges and rising costs; launched new hiring tools and support to recruit and retain talent
- Increased commercial support through promotions, tools and revenue management, alongside increased marketing as part of masterbrand approach
- Lowering of build costs to enhance owner returns on investment
- Completed review of Holiday Inn and Crowne Plaza estate to protect quality and brand perception
- Collaboration with governments and industry to support recovery
- Expanded portfolio with launch of Luxury & Lifestyle brand Vignette Collection; six hotels already secured

See information about our hotel owners on pages 17 to 21, and our net rooms supply, signings, gross revenue and enterprise contribution KPIs on pages 50 and 51.

Planet

As the world becomes increasingly aware of the threat of climate change, it's critical that we operate responsibly and sustainably. We are working to clear plans and targets alongside our owners to ensure we grow in a way that minimises our impact on the world around us.

- Joined UN's Race to Zero and upgraded our science-based target (SBT) to help limit global warming to 1.5°C
- Began global rollout of automated capture of hotel utility data
- Bathroom bulk amenities solutions secured for all brands and markets, reducing plastic usage
- Developed Hotel Energy Reduction Opportunities (HERO) tool to help hotels target energy, carbon and water reductions
- Continued collaboration with Water.org, Alliance for Water Stewardship and Water Resilience Coalition
- Continued mapping risks and opportunities in line with guidance of Task Force on Climate-related Financial Disclosures

See pages 29, 32 to 35, 229 and 230 for our planet, TCFD and greenhouse gas emissions disclosures, and our carbon footprint KPI on page 53.

Our communities and suppliers

We're proud to be a part of thousands of communities and are committed to ensuring we operate and collaborate in ways that positively impact others, including working with suppliers that share our values.

- During Giving for Good month, more than 40,000 colleagues dedicated over 260,000 hours to making a positive difference to more than 350,000 people
- Supported charities globally providing aid to those in need following natural disasters
- Launched new virtual learning platform IHG Skills Academy to provide people with free access to skills and training
- Refreshed our responsible procurement criteria for prospective suppliers to support our supply chain integrity

See pages 27, 28 and 39 for information about our communities and suppliers, and our IHG® Academy KPI on page 53.



Chair's statement

Staying focused on long-term success

Final dividend

85.9¢

Final dividend proposed for 2021
(2020: no dividend was paid)

Return of funds

\$13.6bn

Since March 2003, the Group has returned \$13.6 billion of funds to shareholders by way of ordinary and special dividends, capital returns and share repurchase programmes.

Since 2014:

- \$500 million special dividend paid 29 January 2019
- \$400 million special dividend paid 22 May 2017
- \$1.5 billion special dividend paid 23 May 2016
- \$500 million share buyback completed in 2014
- \$750 million special dividend paid 14 July 2014

Having entered 2021 on the back of the toughest time the hospitality industry has ever known, this year has been one of hope, recovery, new challenges and opportunity. IHG's global scale means we have experienced and learned from the evolving nature of the pandemic on a daily basis, market by market, and with clarity and flexibility we have stayed focused on the strategic business needs required to deliver long-term success for all stakeholders.

Central to this is having a meaningful, relevant purpose and a well-rounded and effective strategy, and this year refreshed versions of both have been embedded into the business, promoting greater prioritisation and understanding around what is collectively required to succeed in a competitive marketplace.

Our purpose of True Hospitality for Good recognises the importance of using our business to not only care for those we interact with, but also to make a positive difference to our communities and the world around us. Our strategy, still very much centred on achieving industry-leading net rooms growth, places a sharper focus on our brands and digital investments, our guest and owner offer, and ensuring we grow in the right way for our people, communities and planet. Taking all we have learnt as a company from the pandemic, our behaviours support the ways of working we believe are vital to successful operations, reputation and culture.

Investing for the long term

These elements – our purpose, strategy and behaviours – are being applied to an asset-light, fee-based, largely franchised business model that has proven its resilience during the pandemic and allowed for a relatively strong financial performance in 2021, albeit with RevPAR and operating

profit yet to fully recover to pre-pandemic 2019 levels. A key factor in this improved performance has been a heightened commitment to support our owners, listen to their needs, and work hand in hand across teams to respond with agility and expertise to challenges ranging from restrictions impacting demand, to the need to evolve brand standards and meet staffing and supply chain pressures as demand returns.

Whether operational or commercial, these actions can strengthen both short and long-term performance, and as we build owner relationships and look to accelerate net rooms growth, we continue to invest in strategic priorities that will strengthen aspects of our entire offer. These include reducing costs to build, open and operate hotels across our brands, delivering loyalty and digital enhancements that improve the guest experience and drive performance, and investing in the quality, depth and breadth of our portfolio, such as the launch of the Vignette™ Collection brand in August.

Accelerated by the pandemic, recognising that our stakeholders increasingly measure profit, growth and success in relation to how companies operate responsibly across the environmental, social and governance (ESG) agenda, the commitments set out in our Journey to Tomorrow plan create a roadmap for positive change over the next decade.

During the year, important progress was made on several fronts, including investments in new training and programmes that support a diverse and inclusive culture, thoughtful guidance around a shift to hybrid working, close collaboration with charities responding to natural disasters, and the formulation of a strategy to meet an upgraded science-based carbon reduction target across our hotel estate.



Patrick Cescau Chair

Role of the Board

To navigate an industry recovery, react to evolving trends and at the same time push to strengthen IHG on so many fronts has required great dedication from our leadership and teams. The role of the Board has been to support and constructively challenge the Executive Committee around how we prioritise, manage risk, grow and generate future value. The ESG agenda and technology landscape, including investments in our enterprise and managing cybersecurity risks, were also regularly considered in the year, alongside listening to employee sentiment via engagement sessions and feedback.

Part of my role as Chair has been to encourage Board development and oversee changes that build and add new expertise and insights in recognition of the evolving nature of our business and stakeholder expectations. To this end, succession planning was also of significant focus in 2021, with both Anne Busquet and Dale Morrison retiring after tremendous service, and Richard Anderson unfortunately resigning after three months due to personal reasons. We were delighted to welcome Daniela Barone Soares as Non-Executive Director and Graham Allan was appointed as Senior Independent Non-Executive Director from 1 January 2022.

In my ninth year as Chair, succession planning for my own role was also carried out, with a thorough and independent recruitment process leading to the appointment of Deanna Oppenheimer as Chair Designate from 1 June 2022, becoming Non-Executive Chair from 1 September 2022 upon my retirement. I look forward to working with Deanna on a comprehensive handover and I would like to take the opportunity to wish her the best in what I am sure will be a very successful tenure.

With the strong financial improvements delivered in 2021, including profitability rebounding and a substantial reduction in net debt, the Board is proposing a final dividend of 85.9¢ in respect of 2021, an amount equivalent to the withdrawn final payment in respect of 2019. No interim dividend was paid in respect of 2021. Going forward, dividend payments will be reflective of IHG's prior approach to sustainably grow the ordinary dividend whilst targeting a level of leverage that maintains an investment grade credit rating, and ensuring careful consideration of our responsibilities to all stakeholders. The Board will also continue to actively assess the opportunity for any surplus capital to be additionally returned through special dividends or share buybacks.

A final perspective

The IHG I will depart on 31 August 2022 is much changed from the one I joined in January 2013 – not least having grown from 4,600 to almost 6,000 hotels, and from nine to 17 brands. Having first gone on a crucial journey to establish our brands in more attractive markets, the past almost five years under Keith Barr's leadership have seen the company transform and ready for a new chapter of growth. IHG has invested in its entire enterprise, including the quality of the estate and breadth of its brand portfolio, and as an organisation it has become more sophisticated and customer-centric, with a commitment to ESG now woven into the fabric of the business.

The values of integrity and transparency that I have advocated at Board level run deep through the business and its leadership, as illustrated by the care and thought with which these past two years have been handled for IHG's different stakeholders. Keith has also set the tone from the top

on the importance of diversity, equity and inclusion, and progress continues to be made against the changes required to be a truly successful company in this regard, with IHG recognised for a seventh year running as a 'Best Place to Work for LGBTQ+ Equality', with a 100% rating in the Corporate Equality Index, and being Highly Commended in the Company of the Year category at the European Diversity Awards.

While the pandemic may herald some structural change for our industry, such as technology replacing certain elements of business travel, there will be opportunities too, including facilitating a global shift to flexible working. What remains unchanged though, are the industry's long-term fundamental growth drivers, such as a growing population, rising wealth in emerging markets and increasing conversions from unbranded players. The strength of IHG's business model, strategic investments, pipeline, leadership and passionate teams gives me great confidence in a strong future.

It has been a privilege to be a part of IHG's story for almost a decade and I would like to offer my sincere respect and gratitude to all those in our hotels, offices and reservation centres who have been a part of it. I would also like to thank our owners for choosing IHG and for their continued long-term confidence in our brands and business.

Patrick Cescau
Chair

Chief Executive Officer's review

Emerging as a stronger IHG

Key highlights in 2021

291
Hotels opened
(285 in 2020)

437
Hotels signed
(360 in 2020)

47%
Of full-year signings were for our Holiday Inn Brand Family

42%
Of our pipeline now represented by upscale and luxury brands

In the past year, the resilience of our business model and enduring importance of travel and hospitality for millions globally has shone through strongly. Crucially, while demonstrating our ability to effectively manage the impact of an evolving pandemic, we have not wavered in our focus to build an even stronger IHG, by growing our brands, enhancing our guest and owner offer, supporting our people and communities, and protecting our planet.

While 2021 global RevPAR was at 70% of pre-pandemic 2019 levels and operating profit has yet to fully recover, both improved significantly during the year as vaccinations increased, restrictions lifted and guests travelled again. Encouragingly, in Q4, almost half of our hotels were back to pre-pandemic RevPAR levels, and our Guest Satisfaction Index continued to improve during 2021, outperforming competitors as we worked thoughtfully to evolve the stay experience and manage demand.

As owners look to future growth with us, development activity was also well ahead of 2020, with some fantastic openings and signings, alongside continued investment in the quality of our existing estate.

Growing sense of recovery

Looking back to the height of the pandemic in 2020, with many hotels closed and occupancy at historic lows, reaching this much-improved point has required such hard work and collaboration among our teams, owners and partners. We've met challenges in thoughtful and innovative ways, quickly seized opportunities to grow and improve, and while we know our industry is not yet back to normal, we take confidence from a growing sense of recovery.

We do still have markets where restrictions are creating challenges, and the pandemic's impact on labour and supply chains

remains tough for our hotels, but travel is consistently returning quickly as restrictions lift. Our approach has been to stay focused on organising operations and investments around what matters most to guests and owners, and ensuring IHG can grow at pace, in the right way.

For colleagues, we have improved processes and introduced new tools to both attract and retain talent in what is a competitive jobs market, and we've placed a greater emphasis on mental health and wellbeing. Corporate and reservation teams have been supported with shifts to hybrid working, interactive sessions have brought employees closer to our strategy, and hotel teams have received training and support needed to adapt to evolving operations and brand standards.

For guests, we have used AI technology in our reservation centres to improve customer service, enhanced our award-winning Meet with Confidence programme, and offered loyalty members point expiry extensions and new promotions. We saw Reward Night bookings largely recover to pre-pandemic levels during the year and welcomed another nine million members to IHG® Rewards.

Working closely with the IHG Owners Association and operators, we have strived to anticipate owners' needs, carefully focusing on costs, and delivering training and action plans to address performance opportunities and guest feedback.

Staffing and supply chain challenges have been met with new recruitment solutions and increased procurement options that have delivered key products at lower cost, despite inflationary pressures. Commercially, we have increased marketing and introduced new tools to identify and capture demand, and we continued our work with trade bodies and governments to advocate for industry support in recognition of the vital economic role hospitality plays globally.



Keith Barr Chief Executive Officer

Strengthened performance

Our actions, alongside our business being principally domestic focused in key markets such as the US, led to improved trading throughout 2021. On top of good essential business demand, domestic leisure bookings at times hit 2019 occupancy and rate levels in several markets, with signs of more discretionary business travel, group bookings and international trips beginning to return.

Operating profit of \$494m improved from a loss of \$153m in 2020. Our ability to capture demand through our strong brands, enterprise and scale, coupled with careful cost control, led to operating profit from reportable segments more than doubling to \$534m versus 2020, with sustainable savings successfully achieved alongside continued investment to support growth. Strong cash generation led to a reduction in net debt of almost \$650m year-on-year.

While a higher-than-average removals rate, linked in part to our Holiday Inn® and Crowne Plaza® Hotel & Resorts quality review, meant our net system size declined slightly, the opening of 291 hotels, including our 3,000th for Holiday Inn Express®, represented 5.0% gross growth and underlines the long-term confidence owners have in IHG and our brands. We also added 437 hotels to our pipeline, with the almost 24,000 rooms signed in Q4 much closer to the levels seen in 2019. In total, our global pipeline of almost 1,800 hotels represents more than 30% of our current system size, with more than 40% under construction.

Focus on growth

Our focus in recent years has been to improve the quality of our existing hotels for guests and the returns our brands generate for owners, and in parallel increase the scale of those brands, the breadth of our portfolio, and the value of our technology and loyalty offer. In spite of a pandemic, I am proud of

the progress against our strategic priorities in 2021 and the impact this will have on how we operate and grow with owners as the industry strengthens.

Key highlights include the Holiday Inn and Crowne Plaza quality review, which has driven significant owner investment in 83 properties and the removal of 151 hotels. With excellent future growth prospects, this work is not just critical to protecting the performance and reputation of these brands, but also to our ability to reduce our future group average removals rate and help achieve our ambition of industry-leading net rooms growth.

The importance of our established brands was reflected in our Holiday Inn® Brand Family representing almost half of all signings in 2021, while the addition of new brands across more segments increases our attractiveness to owners and opens up further growth opportunities. Within Essentials, avid® hotels is now our second largest contributor to system size and outperforming peers in guest satisfaction, and voco™ hotels has already expanded to 25 countries within Premium. In Luxury & Lifestyle, progress included Six Senses® now having grown its open and pipeline estate by more than half since acquisition in 2019, and our new Vignette Collection brand already at six signings and a first opening since launch in August.

As we use our IHG® Hotels & Resorts masterbrand to showcase the breadth of our portfolio, we continue to enhance the enterprise that supports it. This includes developing our next-generation mobile app, and preparing thousands of hotels to allow guests to choose specific room characteristics and add stay enhancements when booking with us, and in parallel enable our owners to generate maximum value from their hotel's unique features.

Transformational work also took place in loyalty ahead of a relaunch in 2022 that will offer members more rewarding tiers and points value, provide richer benefits and exceptional choice, and attract more next-generation travellers. In the first year of our 2030 Journey to Tomorrow responsible business plan, key progress included upgrading our science-based target to help limit global warming to 1.5°C, launching our virtual IHG Skills Academy platform, corporate employees completing more than 10,000 hours of conscious inclusion training, and supporting charities responding to natural disasters.

Thank you

I would like to thank the Board for their guidance, and ahead of his retirement as Chair, recognise the invaluable contribution Patrick Cescau has made in his nine years with IHG. He is a hugely respected figure and on a personal note I am grateful for his counsel and support. Though he will be missed, we look forward to welcoming Deanna Oppenheimer.

On behalf of the Executive Committee, I would also like to thank our owners for their partnership and commitment, and our inspiring colleagues for bringing our brands and purpose of True Hospitality for Good to life, and making IHG a stronger business. To see IHG again named a Kincentric Global Best Employer in 2021 was a proud moment and it has meant a lot to reconnect with colleagues in person this year, as well as our owners, knowing that together we look to the future with confidence.

Keith Barr
Chief Executive Officer

Industry overview

We operate in an industry with high growth potential, underpinned by strong long-term fundamentals that remained resilient during the pandemic.

The \$360 billion hotel industry has compelling structural growth drivers, underpinned by factors including consumers' inherent desire to travel, population growth, and an expanding middle class in emerging markets with increasing disposable incomes. While the pandemic suppressed demand during 2020 and 2021, demand has returned rapidly in domestic markets as government restrictions have lifted and vaccination rates increased. This demand has predominantly been in markets not exposed to cross-border trips and across essential business travel, though discretionary corporate travel and group events have begun to return.

Cost remains a significant barrier to building a scale position in the industry, whether that's due to the investment required to build and maintain hotels, establish a strong loyalty programme or to market brands in a competitive marketplace. As such, the industry remains fragmented, with 54% of rooms affiliated with a global or regional chain.

Branded hotel penetration has steadily increased as a long-term trend and is expected to continue to grow as consumers look to trusted brands to meet their evolving expectations, particularly when it comes to state-of-the-art technology and the skills, scale and resources to provide more sustainable stays. Owners affiliated with a brand tend to generate higher returns.

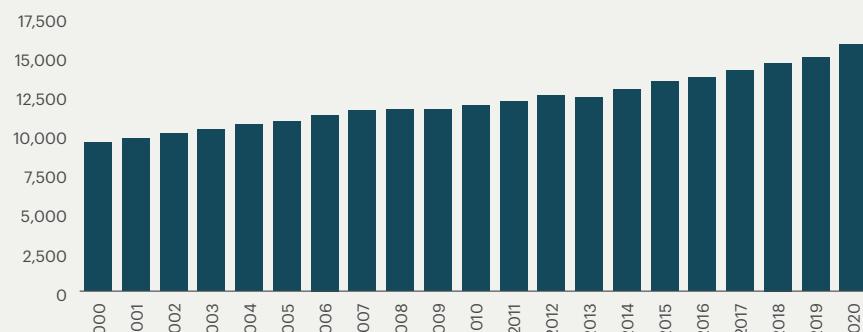
For the industry as a whole, it is not yet clear what impact there will be on demand from structural changes brought about by the pandemic, such as technology replacing elements of business travel. However, this may be offset by a greater use of hotels to facilitate a global shift to increasingly flexible working arrangements. In addition, there is scope for 'bleisure' demand, where flexible working creates potential for leisure demand to be combined with business stays.

It is likely that fluctuating Covid-19 restrictions will continue to create a volatile demand environment in the short term. However, we anticipate the attractive industry fundamentals to be fully restored in the longer term. For example, STR forecast that US industry RevPAR will return to 2019 levels by the end of 2023.

The hotel industry has attractive tailwinds...

Disposable personal income in the US from 2000 to 2020

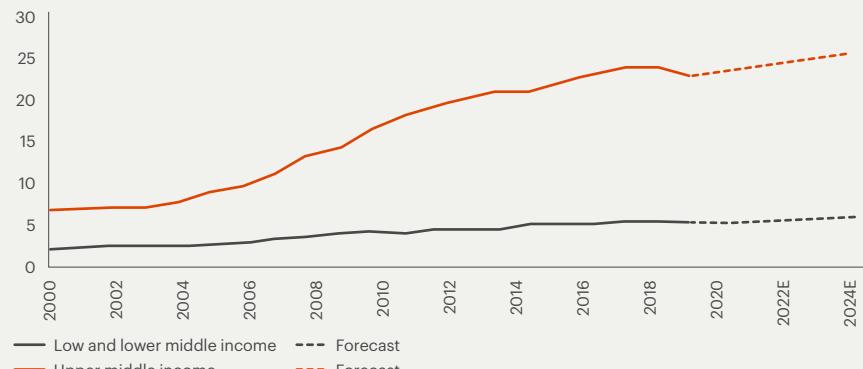
(in billion US dollars)



Source: Statista

A growing middle class in emerging markets with a desire to travel

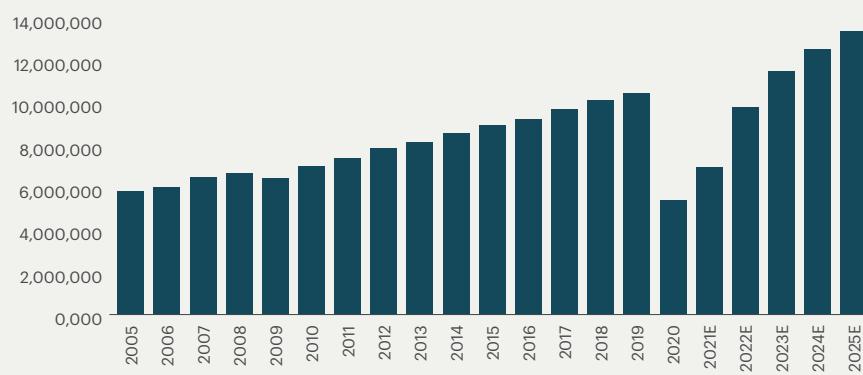
Wealth share in emerging economies (%)



Source: Credit Suisse

Resilience in room night stays, with further growth expected

Global hotel room night stays



Source: Oxford Economics

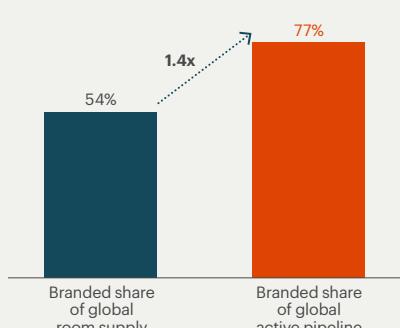
with significant barriers to entry...



^a Includes IHG, Marriott International, Inc., Hilton Worldwide Holdings Inc., Wyndham Hotels & Resorts Inc., Accor S.A.

Source: STR

With share expected to further expand
Branded share of global industry supply and share of global industry active pipeline



Source: STR

Consumers value loyalty membership which requires a large scale enterprise to deliver

57%
Of consumers spend more on brands to which they are loyal

Source: Accenture

84%
Of loyalty programme members have made a redemption from the programme

Source: Bond, in partnership with Visa

and a track record of growth

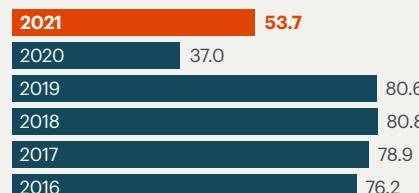
Industry RevPAR has seen a long-term track record of growth; the most recent recovery has been driven by domestic leisure demand

US Industry RevPAR growth, monthly year-on-year



Source: STR

Global industry RevPAR (\$)
RevPAR movements are illustrative of lodging demand



Source: STR

Global rooms supply (m rooms)

Supply growth reflects the attractiveness of the hotel industry



Source: STR

Branded hotel business models

There are two principal business models:

- A fee-based, asset-light model:
 - Franchised: owned and operated by parties distinct from the brand, who pay fees to the hotel company for use of its brand.
 - Managed: operated by a party distinct from the hotel owner. The owner pays management fees and, if the hotel uses a third-party brand name, fees to that third-party, too.
- An owner-operated, asset-heavy model:
 - Owned: operated and branded by the owner who benefits from all the income.
 - Leased: similar to owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner.

Asset-heavy models generate returns on the real estate and centralise control over operations. Asset-light models typically enables faster growth and generate higher returns. This model tends to present lower risk to fluctuations in the economy.

Our business model

We predominantly franchise our brands and manage hotels on behalf of third-party hotel owners and have a weighting to more resilient domestic non-urban markets.

The growth of our business relies on two fundamental growth drivers: revenue per available room (RevPAR) and increasing the number of rooms across our estate. RevPAR indicates the value guests ascribe to a given hotel, brand or market and grows when they stay more often or pay higher rates. Room supply reflects how attractive the hotel industry is as an investment from an owner's perspective.

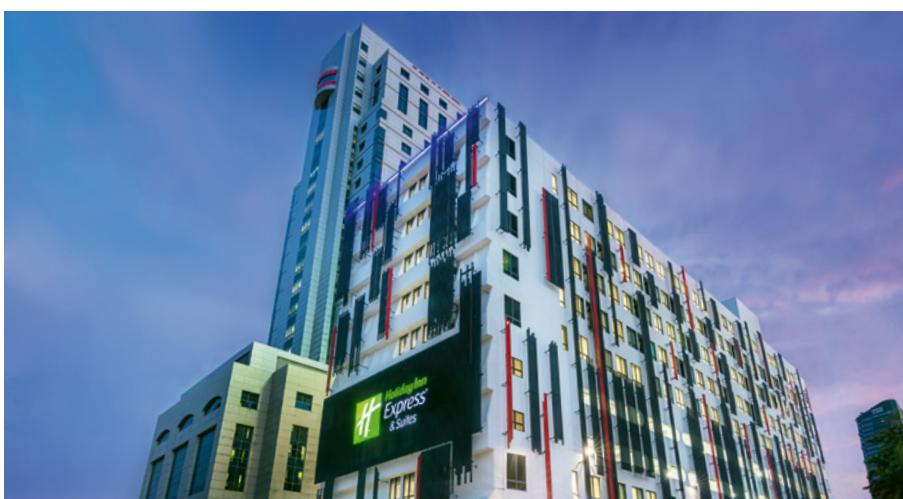
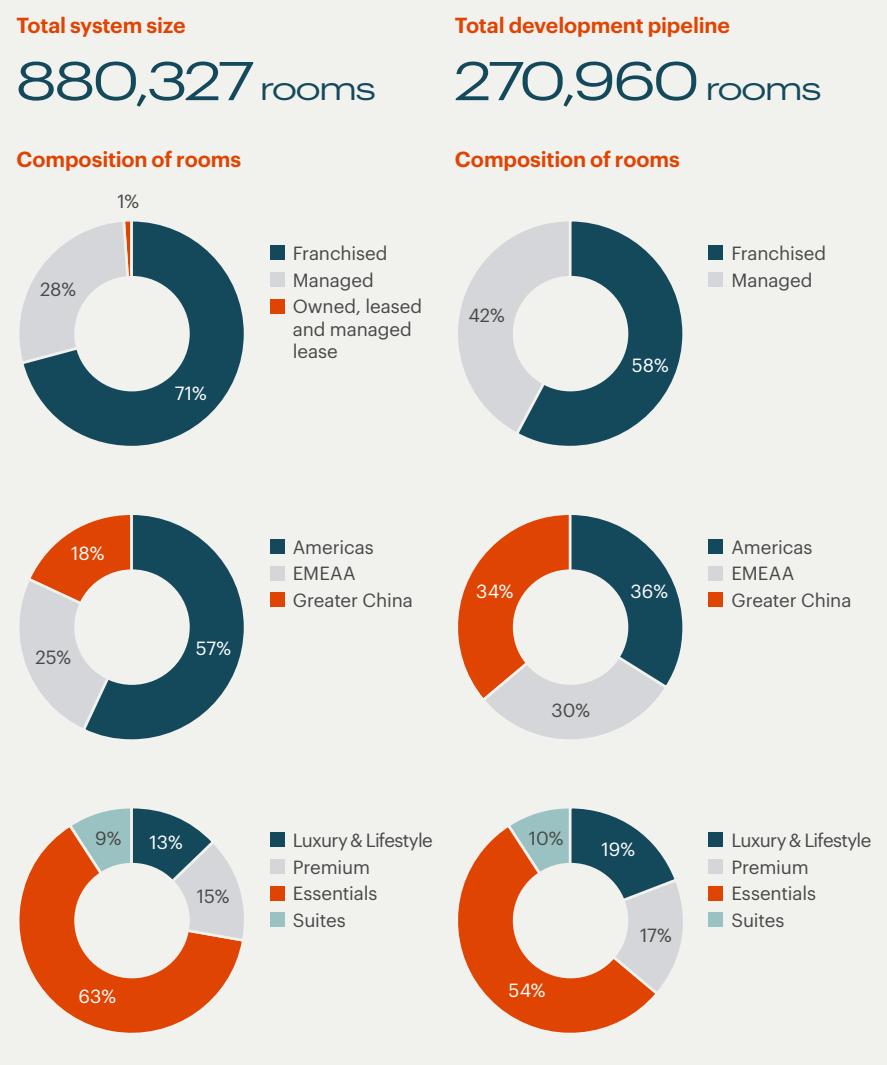
To drive growth, we have a portfolio of 17 brands across more than 100 countries in the Suites, Essentials, Premium and Luxury & Lifestyle categories. Supported by a leading loyalty programme and powerful technology, our brands meet clear guest needs and generate strong returns for our owners, which in turn attracts further hotel investment and grows our estate.

IHG is an asset-light business and our focus is on growing fee revenues and fee margins, which we can do with limited capital requirements. This enables us to grow and invest in our business while generating high returns on invested capital and strong cash flow.

We generally franchise or manage hotels, with the decision largely driven by market maturity, owner preference and, in certain cases, the particular brand. Hotels in the Essentials category tend to be franchised, while Luxury & Lifestyle hotels are predominantly managed.

Our broad geographic spread and weighting towards essential business and domestic leisure travel has driven resilience relative to the wider industry during the pandemic. We are weighted towards non-urban markets which are less reliant on international inbound travel and less exposed to large group meetings and events. A combination of these factors, along with our enterprise capability, has allowed IHG to outperform the wider industry in RevPAR growth.

Our asset-light business model means we do not employ colleagues in franchise hotels, nor do we control their day-to-day operations, policies or procedures. That being said, IHG and our franchise hotels are committed to delivering a consistent brand experience, conducting business responsibly and sustainably so that we deliver our purpose of providing True Hospitality for Good.



Holiday Inn Express® & Suites Johor Bahru, Malaysia

How we generate revenue

Franchised hotels

We receive a fixed percentage of rooms revenue when a guest stays at one of our hotels. This is our fee revenue.

Managed hotels

From our managed hotels, we generate revenue through a fixed percentage of the total hotel revenue and a proportion of hotel profit.



Owned, leased and managed lease hotels

For hotels which we own or lease, we record the entire revenue and profit of the hotel in our financial statements. Our owned, leased and managed lease hotels have reduced from over 180 hotels 20 years ago, to 19 hotels at 31 December 2021.

System Fund

IHG manages a System Fund for the benefit of hotels within the IHG system and their third-party owners, who pay contributions into it. This includes a marketing and reservation assessment and a loyalty assessment.

The System Fund also benefits from proceeds from the sale of IHG® Rewards points under third-party co-branding arrangements.

Given the significant scale of the System Fund, IHG can make substantial investments in marketing brands, creating a leading loyalty programme and powerful technology, including revenue management systems, thereby strengthening the IHG enterprise.

Third-party hotel owners pay:

Fees to IHG in relation to the licensing of our brands and, if applicable, hotel management services.

Assessments and contributions which are collected by IHG for specific use within the System Fund.

IHG revenue from reportable segments^a

2021: \$1,390 million

Revenue attributable to IHG comprises:

- Fee business revenue from reportable segments:
 - Franchise fees
 - Management fees
 - Central revenue (principally technology fee income)
- All revenue from owned, leased and managed lease hotels.

See page 72 for more information.

System Fund revenues

2021: \$928 million

The System Fund is not managed to a profit or loss for IHG over the longer term, but for the benefit of hotels in the IHG system, and comprises:

- Assessments and contributions paid by hotels
- Revenue recognised on consumption of IHG Rewards loyalty points

See page 56 for more information.

^a Excludes System Fund and hotel cost reimbursements.

Our business model continued

How we drive operating profit

Our asset-light business model requires a limited increase in IHG's own operating expenditure to support our revenue growth, which delivers operating profit and fee margin growth.

The benefit of operational efficiencies, along with brands and markets becoming more mature, has supported fee margin expansion on average by over 100bps a year between 2009-2019.

For franchised hotels, the flow through of revenue to operating profit is higher than it is at managed hotels, given our well-invested scale platform where limited resources are required to support the addition of an incremental hotel. This is most evident in our Americas region, where fee margins are the highest, reflecting our scale and around 90% of our hotels operating under our franchised model.

Across our managed hotels, the flow through of revenue to profit can be lower, given higher operating expenditure on operations teams supporting the hotel network.

Fee margin^a by region

Americas

FY 2021	82.2%
FY 2020	70.7%
FY 2019	77.7%

EMEA

FY 2021	21.5%
FY 2020	-17.9%
FY 2019	58.6%

Greater China

FY 2021	47.3%
FY 2020	45.5%
FY 2019	54.1%

Total IHG

FY 2021	49.6%
FY 2020	34.1%
FY 2019	54.1%

^a Fee margin excludes owned, leased and managed lease hotels, significant liquidated damages and the results of the Group's captive insurance company and is stated at AER.

Our owned, leased and managed lease hotels tend to have significantly lower margins than our fee business. This is because we not only record the entire revenue of the hotel, but also the entire cost base, which includes staff and maintenance of the hotel.

Disciplined approach to capital allocation and managing liquidity

Our asset-light business model is highly cash generative through the cycle and enables us to invest in our brands and strengthen our enterprise. We have a disciplined approach to capital allocation, which ensures that the business is appropriately invested in, whilst maintaining an efficient and conservative balance sheet.

Beyond this, we look to return surplus cash to shareholders through ordinary and special dividends and share buybacks, with our objective to maintain an investment-grade credit rating. One of the measures we use to monitor this is net debt: adjusted EBITDA and we aim for a ratio of 2.5-3.0x.

Liquidity through the recovery

As occupancies have recovered, the strength of our cash generation became evident with adjusted free cash flow^a generation of \$571m in 2021.

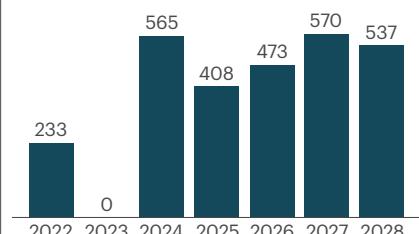
Recovering demand during 2021 and strong cost control resulted in rapid deleveraging. As such, our net debt: adjusted EBITDA ratio was 3.0x at 31 December 2021 (7.7x as at 31 December 2020).

During the year, we repaid £600m of commercial paper issued under the UK Government's Covid Corporate Financing Facility (CCFF). Following the issuance and repayment of bonds in 2020, our next bond maturity is £173m in November 2022, with no further bond maturities until October 2024. As at 31 December 2021, IHG had available liquidity of \$2.7bn.

Our \$1.35bn syndicated and bilateral revolving credit facilities (RCF) have covenant relaxations in place for 2022 (see page 59). Our covenant leverage was 3.0x at 31 December 2021 (2020: 8.7x).

Looking forward, our approach to capital allocation remains unchanged. As the business recovers, our priorities for the uses of cash are consistent: ensure the business is appropriately invested in to drive growth; target sustainable growth in the ordinary dividend; and return surplus funds to shareholders, while at the same time considering our stated aim of a leverage ratio of 2.5-3.0x, and our objective of maintaining an investment-grade credit rating.

Bond maturity profile (\$m)



^a Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.

Consistent uses of cash

Our priorities for the uses of cash are consistent with previous years and comprise three pillars:

Shareholder returns (2003-19) (\$bn)

Source of returns



1 Invest in the business to drive growth

We look to strategically drive growth, while maintaining strict control on investments and our day-to-day capital expenditures.

2 Target sustainable growth in the ordinary dividend

IHG has a dividend policy where we would look to grow the ordinary dividend each year, while balancing all our stakeholder interests and ensuring our long-term success.

3 Return surplus funds to shareholders

The Group has a strong track record of returning surplus cash to shareholders. Since 2003, including the ordinary dividend, the Group has returned \$13.6bn.

Capital expenditure

Spend incurred by IHG can be summarised as follows:

Type

Maintenance capital expenditure and key money

What is it?

Maintenance capital expenditure is devoted to the maintenance of our systems and corporate offices, along with our owned, leased and managed lease hotels.

Key money is expenditure used to access strategic opportunities, particularly in high-quality and sought-after locations, when returns are financially and/or strategically attractive.

Recent examples

Examples of maintenance spend include maintenance of our offices, such as reformatting in light of the pandemic. Across our owned, leased and managed lease hotels we invest in refurbishment of public spaces and guest rooms.

Examples of key money include investments to secure representation for our brands in prime locations.

Recyclable investments to drive the growth of our brands and our expansion in priority markets

Recyclable investments are capital used to acquire real estate or investment through joint ventures or equity capital. This expenditure is strategic to help build brand presence.

We would look to divest these investments at an appropriate time and reinvest the proceeds across the business.

Examples of recyclable investments in prior years include our EVEN® Hotels brand, where we used our capital to develop three hotel properties in the US to showcase the brand. These hotels have now been sold and operate under a franchise agreement.

System Fund capital investments for strategic investment to drive growth at hotel level

The development of tools and systems that hotels use to drive performance. This is charged back to the System Fund over the life of the asset.

We continue to develop our cloud-based Guest Reservation System (GRS) and IHG Concerto™. Other examples include redevelopment of the IHG mobile app ahead of launch in 2022.

Dividend policy

The Board consistently reviews the Group's approach to capital allocation and seeks to maintain an efficient balance sheet and investment-grade credit rating. IHG has an excellent track record of returning funds to shareholders through ordinary and special dividends, and share buybacks. The ordinary dividend paid to shareholders increased at an 11% CAGR between 2004 and 2019.

When reviewing dividend recommendations, the Directors take into account the long-term consequences. The Board looks to ensure that any recommendation does not harm the sustainable success of the Company and that there are sufficient distributable reserves to pay any recommended dividend. The Board assesses the Group's ability to pay a dividend bearing in mind its responsibilities to its stakeholders and its objective of maintaining an investment-grade credit rating.

The Board is therefore proposing a final dividend of 85.9¢ in respect of 2021, an amount equivalent to the withdrawn final payment in respect of 2019.

See pages 92, 107, 113 and 114 for information about how we have engaged with shareholders and investors during 2021.

Trends shaping our industry

The pandemic has accelerated a number of pre-existing trends within the hotel industry, including digitalisation and customer centricity, along with greater demand for sustainable branded experiences. In the near term, new factors have also emerged, including managing labour and supply shortages.

During the pandemic, the nature of hotel stays changed significantly. As guests returned to travel following the lifting of restrictions and reopening of hotels, there was a significant focus on cleanliness, with the industry collaborating with leading experts in this field. The volatile nature of infection rates also saw guests welcome flexible cancellation policies and the extension of loyalty programme status.

As vaccines have rolled out and restrictions eased or lifted, what's become clear is that the pandemic was a 'demand suppression' event for the industry, with travel subsequently bouncing back significantly. This has been quickest in domestic leisure, whilst essential business demand has proven relatively resilient, particularly in extended stay chains and in the economy and midscale categories. Discretionary business travel, group bookings and international trips have also shown encouraging signs of recovery.

Technology and digitalisation continue to play a key role across the entire guest journey. This includes digital booking, greater levels of personalisation and the ability to choose room attributes, and service delivery during a guest stay.

1



Labour and supply chain pressures

Government-mandated hotel closures in 2020 saw many people in hospitality switch careers, and as demand returns, vacancies are at record highs in some markets, with the World Travel & Tourism Council predicting employment in the sector will rise 18% in 2022 to 324 million available jobs. The industry must work together with governments to address these staff shortages, including through facilitating greater labour mobility across borders, shifting to remote working, upskilling the workforce, promoting education and apprenticeships, and creating fair, safe roles.

As markets pivot towards growth, supply chains have also been disrupted. With the lack of available products largely due to input shortages, businesses with complex supply chains are finding things particularly challenging. For hotels, this has led to shortages in key areas, from linen for guest stays to timber for construction projects.

Our response

- Optimising operating models at hotels to improve efficiency and create savings to help offset higher staff costs
- Working with recruitment agencies to provide trained staff on demand when required
- Provided new hiring resources, deepened relationships with job platforms, and increased awareness of vacancies through social media
- In Australia, our myFlex initiative has given hotel colleagues the flexibility to work across any of our hotels in the country's managed estate, supporting both staffing levels and work-life balance
- Using our IHG® Academy to prepare young people for a career in hospitality, supported by a new virtual learning platform
- Enhancing our global procurement offer, with our teams finding more ways to leverage central purchasing and seek cost-effective solutions for owners. During 2021, IHG procurement delivered a greater than 10% cost reduction on \$1.3bn of spend across IHG's hotel and corporate supply chains spanning 15 countries

See pages 19 to 28, and 39 for more information.

2



Six Senses Zighy Bay, Oman

Sustainability considerations

Guests are paying closer attention to a company's commitment to look after the world around us. A global study commissioned by IHG indicated that more than 80% of consumers noted the importance of choosing a hotel brand that operates responsibly, with guests willing to spend on average 31% more on accommodation that meets this need. Business customers are also increasingly requesting information about sustainable accommodation and meeting options to help make progress against their own targets.

With stakeholders now expecting businesses to operate and grow responsibly, a rapidly growing number of organisations are making external commitments to drive environmental and social change, including joining the UN's Race to Zero by upgrading their carbon emissions targets.

Our response

- Launching an automated utility data collection tool across all our hotels globally to inform steps to operate sustainably
- Developing our Hotel Energy Reduction Opportunities (HERO) tool, which will be key to helping our hotels target energy and carbon reductions
- Committing to a 1.5°C science-based target (SBT), which puts IHG on a trajectory to achieve net zero by 2050. In addition, we have joined Race to Zero – the UN-endorsed campaign to rally leadership and support from cities, businesses and investors for a greener, more resilient, net zero carbon future
- On track to eliminate single-use miniature bathroom amenities from our hotels during 2022
- Establishing an Environmental Sustainability Committee with the IHG Owners Association, which will collaborate with IHG on energy reduction in hotel operations
- Partnering with suppliers to help ensure they share the same responsible business commitments as we do
- Working with a large number of government and industry stakeholders to help provide support for our owners through policies and incentives, such as green financing

See pages 29 to 35 and 229 to 230 for more information.

3



Demand for branded hotel experiences

Guests are increasingly seeking the reassurance of a high-quality, safe branded stay as the industry recovers from the pandemic. At the same time, independent hotels are recognising the advantages of being attached to a branded system, including lower distribution costs, marketing at scale and a powerful loyalty offer that can drive repeat guest stays.

While many independent hotels remained closed during the pandemic and experienced numerous fixed costs, many branded properties were more able to meet demand from quarantine stays, key workers and a global sales network adept at capturing the return of travel. As such, owners are increasingly looking at conversions to join a branded system with limited changes to their properties, particularly in the upscale and luxury segments.

Our response

- Continued to strengthen our enterprise with enhancements to our revenue delivery systems, technology offer and operational expertise
- Enriched our loyalty offer with dynamic pricing for Reward nights, with further enhancements in 2022 expected to strengthen member engagement
- Engaging with owners of independent hotels on potential conversions while maintaining brand standards
- Successful launch of upscale conversion brand voco, which has fewer brand requirements, but all the hallmarks of a high-quality and safe guest experience
- Launch of Vignette Collection, which allows owners of high-quality upscale and luxury hotels to maintain the distinct identity of their properties while enjoying the benefits of a branded system
- Giving guests assurance throughout their stays with our IHG® Clean Promise, where high standards of hygiene have been developed with Cleveland Clinic, Ecolab and Diversey

See pages 17 to 22 for more information.

Our strategy

Our ambition to deliver high-quality, industry-leading net rooms growth in the coming years is underpinned by strategic investment in our brands, people, systems and scale to drive growth across our portfolio in high-value markets and segments.

Over the long term, with disciplined execution, this approach supports sustained growth in cash flows and profits, which can be reinvested in our business and returned to shareholders. In the shorter term, with volatility remaining a factor as markets respond to and recover from the pandemic, we continue to focus on rebuilding revenue and profit back to prior levels, while still investing in growth.

Our four strategic priorities have been designed to put the expanded brand portfolio we have built in recent years at the heart of our business, and our owners and guests at the heart of our thinking. They recognise the crucial role of a sophisticated, well-invested digital approach, and ensure we meet our growing responsibility to care for and invest in our people, and to make a positive difference to our communities and planet.

Combined, the projects and programmes that support these four pillars each year are designed to improve performance and stimulate growth by helping us create competitive advantage, build richer guest and owner relationships, operate sustainably and responsibly, and enhance a culture that brings the best out of our teams.

Our plans and their execution are shaped by what we have learnt throughout the pandemic, as well as the current economic and social environment, and industry trends and challenges as markets recover.

Our success and reputation are dependent on our commitment to our purpose of True Hospitality for Good, underpinned by our workplace culture and commitment to operating in a responsible and ethical manner. Together, these elements ensure we build trust with all our stakeholders and work within a culture of respect, responsibility and inclusivity, alongside clear engagement with our strategy and the ways in which we aim to create a stronger business for everyone.

 See how the Board considered strategic and operational matters on pages 90 to 91.

 See how IHG does business on pages 36 to 39.

OUR PURPOSE

True Hospitality for Good

OUR AMBITION

To deliver industry-leading net rooms growth

OUR STRATEGY

Use our scale and expertise to create the exceptional guest experiences and owner returns needed to grow our brands in the industry's most valuable markets and segments. Delivered through a culture that retains and attracts the best people and embraces opportunities to positively impact the world around us.

PRIORITIES



Build loved and trusted brands



Customer centric in all we do



Create digital advantage



Care for our people, communities and planet

BEHAVIOURS



Move fast



Solutions focused



Think return



Build one team



Grand Hotel Wien, Austria – signed as a Vignette™ Collection hotel

PRIORITY:

Build loved and trusted brands



Central to our success is the love and trust our guests and owners feel for our brands. We focus on investing in a portfolio that offers guests exceptional quality and experiences, and one that represents a leading choice for owners, built on a commitment to industry outperformance, effective hotel lifecycle management and strong returns.

Key to our strategy is having a family of diverse and attractive brands capable of meeting the needs of a range of guests and owners. In the past decade, we have transformed our portfolio, adding six new brands in the past four years alone. This includes significantly strengthening our Luxury & Lifestyle offer for guests and owners, and our ability to take advantage of an increasing number of conversion opportunities in what is a fragmented market. Alongside this, we have continued to invest significantly in the quality, design, service and technology that underpins our existing well-established brands.

Supported by IHG Rewards, one of the industry's biggest loyalty programmes, we now have a total of 17 brands – some of them world-famous and industry-leading, others gaining greater attention, and newer ones starting out with exciting growth prospects ahead.

As the industry recovers and development activity increases, we are focused on expanding all of them at pace.

A decade of progress

34%

Increase in open hotels
(2011-2021)

34%

Increase in open rooms
(2011-2021)

40%+

Proportion of our global pipeline
under construction

9

Brands launched or acquired
in the past decade

2011

Luxury & Lifestyle



HOTEL INDIGO®

2021

SIX SENSES REGENT

KIMPTON® HOTELS & RESTAURANTS VIGNETTE COLLECTION

VOCO® EVEN HOTELS

HUALUXE HOTELS AND RESORTS

華邑酒店及度假村®

Premium



Essentials



Suites



ATWELL SUITES®

Our strategy continued

Build loved and trusted brands continued

What we achieved in 2021

We celebrated the opening of 291 hotels during 2021, including our 3,000th for Holiday Inn Express and more impressive hotels for our InterContinental® Hotels & Resorts brand in its 75th anniversary year. A further 437 hotels were added to our global pipeline, with almost half belonging to our powerhouse Holiday Inn and Holiday Inn Express brands.

In order to drive future growth, we continue to balance investing in our existing established brands to further enhance performance and perception, alongside accelerating the expansion of newer brands in key markets. To underpin this, we have invested in our hotel development teams to accelerate signings and put more emphasis on supporting functions to facilitate growth, such as investment analysis and legal.

Critical work this year has included a review of our Holiday Inn and Crowne Plaza estates, focused on quality of service and property condition. These powerful brands are key to future growth, which relies on ensuring consistency and quality levels meet the expectations of our owners and guests. Reflecting significant investment by our owners, 83 hotels have committed to improvement plans or scopes of work that will support improved performance and raise guest satisfaction scores. In addition, 151 hotels were removed from the estate. Through the outcomes of the

review, together with other property improvements and new openings over the past four years, in the Americas two-thirds of the Holiday Inn estate and three-quarters of the Crowne Plaza estate have been updated.

Excellent progress with newer brands continued, with avid already the second largest contributor to system growth, voco now globally established with a presence in 25 countries, and Six Senses having increased its system size and pipeline by more than half since acquisition in 2019. Following its launch in August, our Luxury & Lifestyle collection brand, Vignette Collection, has already secured six properties, with the first open by the end of the year. This new brand provides high-quality independent hotels access to the benefits of IHG's enterprise, while allowing us to offer guests more distinctive and unique properties that would otherwise not fit within our existing brands. There are around 1.5 million independently run rooms in the market segments we are targeting, and we expect to attract more than 100 hotels within 10 years.

To increase consumer perception and awareness of our full family of brands across Luxury & Lifestyle, Premium, Essentials and Suites, we adopted a new IHG Hotels & Resorts masterbrand marketing approach, which drove improved brand awareness and preference during the year. Loyalty promotions in key markets and travel hubs were also increased, underpinned by travel flow data.

HUALUXE® Nanjing Yangtze River, China



voco Bonnington Dubai, UAE

In December, we were proud to win four awards at the 28th World Travel Awards, including World's Leading Business Hotel Brand 2021 and World's Leading Hotel Brand 2021 (InterContinental); World's Leading Premium Hotel Brand 2021 (voco); and World's Leading Budget Hotel Brand 2021 (Holiday Inn Express).

What's to come

Following the conclusion of our Holiday Inn and Crowne Plaza review in 2021, we expect our average group removals rate to reduce and for net system size growth to subsequently accelerate, reflecting hundreds of planned openings and increasing development activity as markets continue to recover.

With a pipeline of almost 1,800 hotels, representing more than 30% of our current estate, and a more rounded portfolio of attractive brands, we are confident in our ability to deliver industry-leading net system size growth in the coming years through the continued expansion of our established brands and scaling of newer additions. Notable openings in 2022 include our first Atwell Suites™ properties, Kimpton® Hotels & Restaurants making its debut in mainland China, and a flagship Regent® hotel in Hong Kong.

Key factors in delivering our expected growth include capitalising on more conversion opportunities within the Luxury & Lifestyle space. Together, the upscale and luxury segments now represent 32% of our system size and 42% of our pipeline.

25%
Of openings in 2021 were conversions



PRIORITY:

Customer centric in all we do



We know that to stay successful we need to put ourselves in the shoes of our leisure guests, business customers and owners in all we do. This is how we create unrivalled service and tailored experiences in our hotels, and attractive investment opportunities with strong returns for our owners.

Our response to the pandemic has illustrated more than ever our desire to go the extra mile through fast, thoughtful and effective solutions, built on listening to what's needed. Whether it's food and beverage, cleanliness, hybrid meetings or loyalty enhancements for guests, or more efficient operations, recruitment support or procurement solutions for our owners, we're working with a customer-centric mindset to ensure IHG and our brands stand out as a preferred choice in the market.

What we achieved in 2021

Many of our **hotel owners** represent small, individual businesses and as the recovery strengthens, we're providing the operational and commercial support they need to drive performance, alongside seeking opportunities to grow further with them.

One of the big challenges of the pandemic for our industry is recruiting and retaining talent to meet returning guest demand. IHG has provided a number of tools and solutions for hotels, including new hiring resources, deeper relationships with job platforms, and targeted social media campaigns. In Australia, our myFlex initiative has given hotel colleagues the flexibility to work across any of our hotels in the country's

managed estate, supporting both staffing levels and work-life balance.

We also launched our Journey to GM talent acceleration programme to support those making the transition into General Manager roles, and strengthened how we identify and develop future talent as our estate expands.

As demand increases in our hotels, we are providing our owners and teams with clear action plans, training and support for evolving brand standards and procedures to meet changing guest expectations. Rising costs due to inflation in some markets have been met with operational efficiency changes and an expanded procurement offer, with our scale and expertise helping deliver new solutions that resulted in net year-on-year savings of more than 10% for owners across the \$1.3bn of spend managed by IHG.

Thousands of owners and operators also joined our webinars during the year on topics including virtual sales calls, evolving food and beverage, and the IHG® Way of Clean programme. In late 2021, we collaborated with the Professional Convention Management Association to offer hotel teams a new Hybrid Events for Hotels & Venues Intro Certificate Course, to help them successfully partner with planners to host corporate and social hybrid events.

We have captured demand through tailored marketing campaigns and promotions, supported by resources such as PR toolkits and new services within IHG's Revenue Management for Hire programme, which helps hotels identify and act on revenue opportunities using business intelligence and data.

To ensure our corporate teams are thinking like our owners, we also invited owners and General Managers (GMs) to speak at regional townhalls and share their perspectives during 2021.

For **our guests**, as more people return to travel, we are focused on ensuring the services, technology and experiences we create meet evolving expectations.

Cleanliness and safety standards have remained very important, underpinned by our IHG Way of Clean programme and IHG Clean Promise. The stay experience has continued to evolve, including the reintroduction of buffet breakfasts and social hours for brands in certain markets, and we offer clear guest communication on what to expect during their hotel stay at this time.

During 2021, we introduced more loyalty offers for IHG Rewards members, extended the pause on points expiration and integrated select Six Senses resorts into the programme.



Our strategy continued

Customer centric in all we do continued

Such steps have deepened guest relationships, with Reward Night bookings largely recovering to pre-pandemic levels and participation rates of our higher tiered members exceeding 2019 levels. A further nine million members also joined the programme, with record enrolments on our web and mobile channels.

For corporate guests, 'Welcome Back to Business' campaigns were launched, with our SME programme, IHG Business Edge, increasing its accounts by 44% in the year.

Our Meet with Confidence programme for business customers was also expanded to include new rapid on-site testing for large events at our US hotels, while a new Points + Perks offer makes bookings even more rewarding. In November, IHG received the Stella Award gold medal for Best Hotel Chain for the exceptional meeting experience provided through the programme. Reflecting our ongoing customer-centric approach, our Guest Satisfaction Index continued to improve, achieving scores of 100 or better for each brand and outperforming peers.

To continue improving guest satisfaction scores and drive revenue for our owners, updated guest room and public space design programmes are ongoing across many of our brands, including our Formula Blue concept at Holiday Inn Express and next-generation designs for Holiday Inn, Candlewood Suites® and Staybridge Suites®.

What's to come

Our IHG Rewards loyalty programme is critical to our business and our future growth. Our members drive around half of all room nights globally each year and spend 20% more in our hotels than non-members. They are also nine times more likely to book direct, which is more profitable to our owners.

To deepen relationships with new and existing members, and drive more repeat business for our owners, we will transform our loyalty offering in 2022. In January 2022, we announced a first phase of new tiers and bonus-point earning structure that will allow our members to earn more points, more quickly than ever before. Later in the year,

details of the full programme will commence, including new and enhanced benefits, more experiences and more redemption options, all powered by our new IHG mobile app, which goes live in 2022.

As the new programme rolls out, we're taking steps to ease the pressure and disruption on our busy hotel teams by providing training and resources, alongside carefully managing costs for owners.

Helping our owners manage costs to build, open and operate is a top priority, so we continue to work closely with them on solutions to increase revenue alongside delivering more efficient and sustainable operations. Key elements to this include a continued focus on our central procurement services and reducing energy costs.

As we focus on accelerating growth, we will also proactively manage our global development pipeline and help support our owners to ensure they can progress projects as quickly as possible.

Guest engagement



Our ability to offer a range of differentiated and attractive brands with rich stay experiences, great value, flexibility and strong loyalty rewards are key to attracting guests to IHG branded hotels and driving commercial performance and revenue.

What impacted them in 2021

- Booking, cancellation and loyalty flexibility as a result of local pandemic travel restrictions
- Covid-19 related health and safety protocols
- Evolving corporate meeting requirements blended with hybrid working and leisure
- Quality of the guest stay and booking experience, including increased digitalisation
- Location of hotels and facilities offered
- Preference for hotels with trusted societal and green credentials

Engagement

- Guest surveys
- Nine contact centres supporting guests in seven countries, with 2,700 sales and service agents speaking 12 languages
- Social media engagement
- Programme of targeted stay campaigns, loyalty promotions and awareness of stay experience improvements
- Board and Executive Committee reviews of guest proposition and loyalty offer as part of the Board's consideration of strategic and operational matters
- Consumer surveys focused on attitudes to being more environmentally and socially conscious when travelling, and the pandemic's impact on appetite to travel

Outcomes

- Extended points expiry for loyalty members, and increased masterbrand marketing and stay promotions, leading to uplift in brand awareness
- Continuation of IHG Way of Clean programme and evolution of Meet with Confidence programme for corporate clients
- Enhanced customer service support, including automation to speed up response time and direction to the right team
- Guest experience enhancements, including renovations, new designs and simpler room rates
- Opening of 291 hotels and launch of our 17th brand, Vignette Collection
- Continued improvement in Guest Satisfaction Index, with scores of 100 or better for each brand and outperforming peers
- Launch of Journey to Tomorrow 10-year responsible business plan

See our guest love KPI on page 52 and how the Board had regard for guests as part of their consideration of strategic and operational matters on pages 90 to 91.

Why hotel owners choose to work with IHG

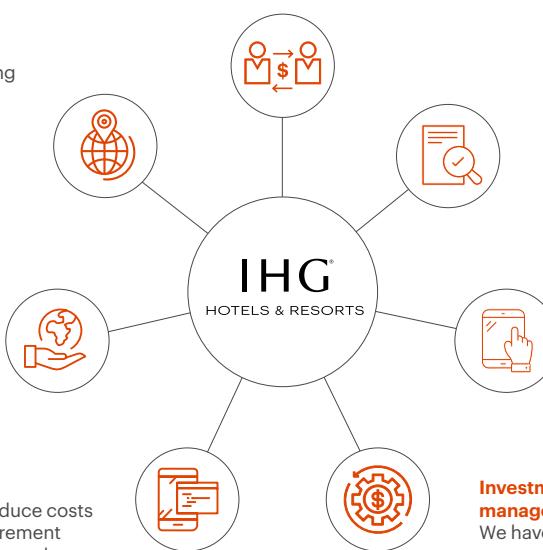
Hotel owners choose to work with IHG because of the trust they have in our brands and our track record in delivering strong returns.

Global sales organisation

We have developed a leading global sales enterprise to drive higher quality, lower cost revenue to our hotels

Strength of brands
The breadth and depth of our brand portfolio delivers strong owner ROIs

Sustainability tools & expertise
We have developed tools, training and programmes to support hotels and provide better data and insights to enable them to reduce their energy, waste and water consumption



Procurement
We use our scale to reduce costs for owners with procurement programmes for hotel goods, services and construction

Strong loyalty programme and enterprise contribution
74% of revenues delivered to hotels by IHG's enterprise

Digital advantage
Our cloud-based IHG Concerto platform, including a new Guest Reservation System, provides a strong interface for guests and owners

Investment in hotel lifecycle management and operations
We have invested in extensive technology, systems and processes to support performance, increase efficiencies and drive returns for our owners

Hotel owner engagement



IHG's success relies on hotel owners investing in our brands. To remain attractive, we focus on the breadth of our brand portfolio and effectiveness of our loyalty programme, enterprise contribution, technology, procurement and sales offering.

What impacted them in 2021

- Ability to capture and drive demand to their hotels
- Evolving brand standards
- Labour shortages, supply chain and continued budgeting constraints caused by the pandemic
- Expanded brand portfolio with launch of Vignette Collection

Engagement

- Direct meetings with CEO and regional CEOs
- IHG Owners Association collaboration
- Portfolio and individual hotel reviews covering operational, strategic and industry trend updates
- Webinars, regular newsletters and bulletins
- Hotel lifecycle and finance team support
- Collaboration with governments and industry to support recovery

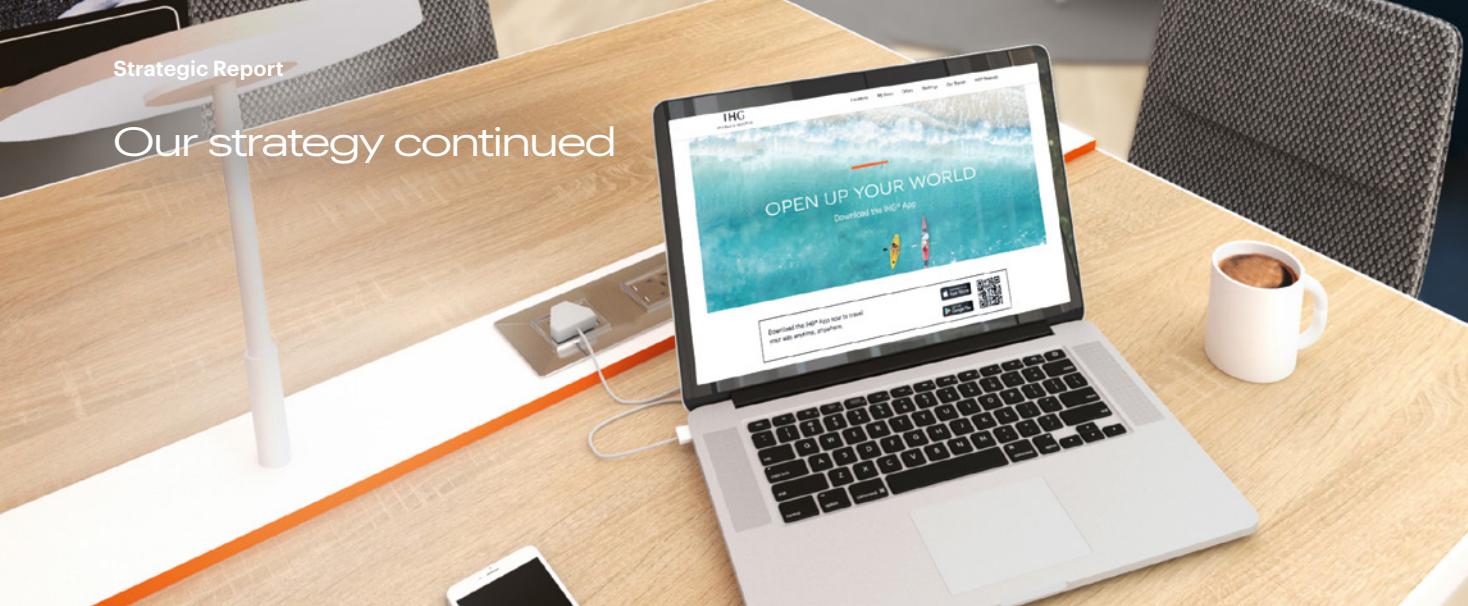
Outcomes

- Tailored marketing and promotions, supported by new data-driven resources and services that help hotels quickly identify and act on revenue opportunities
- Brand standards evolved or removed to create more efficient and effective operations
- Net year-on-year procurement savings of over 10% for owners across \$1.3bn spend managed by IHG
- Increased training, guidance and recruitment support for hotel teams
- Next-gen formats and refurbishments being applied to hotels under brands including Holiday Inn Express, Holiday Inn, Candlewood Suites and Staybridge Suites
- 83 hotels committed to improvement plans as a result of the Holiday Inn and Crowne Plaza review, and 151 hotels exited the estate

See our net rooms supply, signings, gross revenue and enterprise contribution KPIs on pages 50 and 51 and how the Board had regard for hotel owners as part of their consideration of strategic and operational matters on pages 90 to 91.

Visit www.owners.org for further information about the IHG Owners Association.

Our strategy continued



PRIORITY:

Create digital advantage



In a world where we all expect seamless experiences, our digital capabilities form crucial aspects of our offer for guests and owners. For guests, our brand proposition is as much about our booking experience, marketing and mobile app functionality, as it is about the hotel destination and our brand hallmarks. For owners, our offer is as much about our ability to create revenue advantages through data and technology, as it is about our scale and expertise. We understand this and are investing in the technology, tools and solutions that make the biggest difference to our guests, owners and teams.

Our cloud-based platform, IHG Concerto, is critical to the work we're doing in this space, serving as the foundation for much of how we're creating digital advantage by blending core hotel applications into one seamless, powerful platform capable of enhancing the guest, owner and colleague experience. It gives IHG the ability to add regular releases with new functionality at pace and scale, and ensures we continue to evolve how we enrich the guest stay and meet new expectations, alongside driving stronger returns for our owners.

What we achieved in 2021

Working collaboratively with our owners in recognition of the evolving trading and operational pressures faced during the pandemic, we made critical progress on several fronts in 2021 to enrich the guest experience and drive performance for our hotels.

During the year, 5,300 hotels completed detailed room inventory assessments to prepare for attribute pricing powered by our industry-leading Guest Reservation System (GRS). Combined with other booking flow improvements, this is the important groundwork required to allow guests to

seamlessly select room characteristics to tailor their stays when booking with us, with prices adjusting based on the attributes chosen. In parallel, the technology enables owners to generate maximum value from their hotel's unique features.

This work forms a key element of a multi-year commitment to transform the booking and stay experience. In 2021, we made significant progress in streamlining and clarifying the rate options available to customers across our brands, in favour of a simpler and faster booking process that is capable of accommodating value-added experiences.

To further enhance the digital experience for our guests, we are continuing to move data and applications to the cloud, and we are using consumer analysis of those searching for stays and travelling with us to create highly personal and targeted guest promotions. Data-driven analysis is also being applied to guest feedback so that it informs our decision making and ensures we're focused on areas most likely to improve satisfaction scores.

To enhance our customer service, artificial intelligence (AI) voice-activated platforms are answering and routing customer calls to the most appropriate support area, which is increasing satisfaction scores and leading to higher average daily rates on bookings. A digital concierge chatbot has also been introduced on ihg.com and the IHG mobile app to further assist customer bookings and communication.

In light of the challenges of the pandemic, IHG has also transformed its technology to help around 70% of specialists in our Philippines contact centres work remotely, and transition all operations at our Mexico City contact centre to remote working.

What's to come

We've designed a clear roadmap of investments and enhancements needed over the coming years to deliver an effortlessly smooth, exceptional guest experience at every touchpoint – pre-stay, during-stay and post-stay – with the aim of keeping IHG hotels first choice for guests.

Having completed important foundational work in 2021, we will launch the next generation of our IHG mobile app in 2022 to further strengthen our mobile presence and enhance our loyalty offer. Using data insights and new designs, it will provide a richer experience and introduce lots of new features, fast.

For guests, the app keeps the management of stay requests and features in one place, creates a space to receive personal and timely marketing offers and will enable new benefits as part of a transformed loyalty offer. For owners, a richer guest user experience is expected to drive revenue through increased direct bookings to our hotels, higher loyalty engagement and incremental spend during stays.

In 2022, we will also complete room inventory assessments on the remaining hotels in our estate in support of rolling out attribute pricing on our direct channels.

5,300

Hotels completed room inventory assessments in 2021 ahead of rolling out attribute pricing on our direct channels



PRIORITY:

Care for our people, communities and planet



Caring for our people, communities and planet has always been at the heart of how we work, but the nature of an ever-evolving social and environmental landscape means we continually explore how we can make a positive difference as we operate and grow our business.

The Board's Responsible Business Committee reviews IHG's responsible business objectives and strategy and advises the Board on our approach to diversity, equity & inclusion (DE&I), our impact on local communities, responsible procurement in our supply chain, programmes on human

rights and modern slavery, our environmental impact, and our engagement with employees.

To guide our actions and drive progress, in 2021 we launched our 2030 Journey to Tomorrow plan, a series of ambitious commitments to create positive change for our people, communities and planet, aligned to our purpose of True Hospitality for Good and to the UN Sustainable Development Goals.

We know the actions we take around the environment, our people and society are closely followed by our investors and other

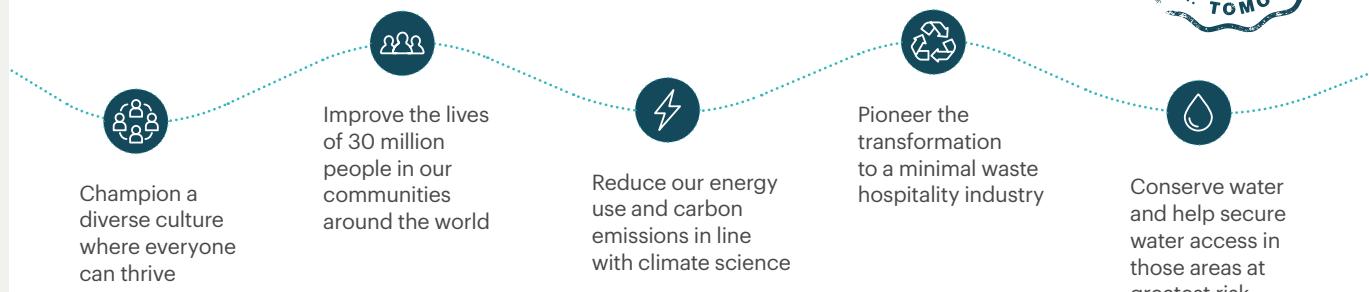
stakeholders and are therefore critical to our reputation and growth, and we have focused our efforts on the areas where we feel we can make the greatest impact. Reflecting the changing world around us, each commitment is designed to ensure IHG grows responsibly and in ways that ensure travel has a beautiful future for everyone.

See key matters discussed by the Board on page 91 and the Responsible Business Committee Report on pages 100 and 101.

See our Responsible Business Report at www.ihgplc.com/responsible-business

Our 10-year responsible business plan

Our goal is to help shape the future of responsible travel together with those who stay, work and partner with us. We will support our people and make a positive difference to local communities, while preserving our planet's beauty and diversity... not just today but long into the future.



EMPOWER OUR PEOPLE TO HELP SHAPE THE FUTURE OF RESPONSIBLE TRAVEL

Our strategy continued

Care for our people, communities and planet continued

People

Champion a diverse culture where everyone can thrive



Our 2030 commitments

- Achieve gender balance and a doubling of under-represented groups across our leadership
- Cultivate a culture of inclusion for colleagues, owners and suppliers
- Support all colleagues to prioritise their own wellbeing and the wellbeing of others
- Drive respect for and advance human rights

Our people are fundamental to IHG achieving its purpose and strategic goals. IHG's business model means that we do not employ all colleagues. We directly employ individuals in our corporate offices, reservation centres, and managed, owned, leased and managed lease hotels. However, not all individuals in managed, owned, leased and managed lease hotels are directly employed, and we do not employ any individuals in franchised hotels (nor do we control their day-to-day operations, policies or procedures).

What we achieved in 2021

People engagement

We have a number of forums available for employees to share their thoughts, including employee resource groups, a designated non-executive director for workforce engagement, and our employee engagement survey, known as Colleague HeartBeat, which allows people to express their views on key aspects of working at IHG.

In our 2021 survey, our overall employee engagement stood at 85%, which saw IHG again accredited as a Kincentric Global Best Employer. The survey highlighted areas that we can strengthen further, including the importance of filling job vacancies and advocating efficient and effective ways of working. Actions were taken in both these areas, including new hiring tools and a continued focus on improving processes, accountability and integration among teams. These areas will remain a priority for 2022.

Attracting, developing and retaining talent

To achieve our ambitions, we know we need to attract, develop and retain a diverse and talented workforce. This relies on our ability to develop an open and inclusive culture that promotes career development and equal opportunity, and recognises the importance of wellbeing in the workplace.

To address the challenges in attracting talent, we have developed new hiring resources and updated our policies to speed up the time it takes to process applications, worked with jobs platforms, schools and NGOs to unearth fresh talent, and run recruitment days and fairs. Our Early Careers and IHG® Academy programmes also provide work experience, internships and graduate opportunities to those seeking a career in hospitality.

We are firmly committed to investing in our employees and this year at a corporate level we embedded regular talent planning and development conversations to ensure we are building a strong pipeline for the future to deliver our ambitions. People managers have continued to hold quarterly check-ins with their teams to discuss performance and personal development, supported by an upskilling of HR partners through bespoke talent masterclasses. There is also a strong focus on reward, with our robust governance approach aimed at having fair and consistent reward and recognition practices across our employee population.

In our hotels, actions in 2021 included enhancements to our learning and development programme for existing GMs, the launch of a new Journey to GM talent acceleration programme, and the implementation of a new hotel talent

People engagement



Delivery of our purpose to provide True Hospitality for Good and the strategic priorities that drive future success relies on our people and our ability to maintain and evolve an engaged, diverse and inclusive culture where careers can grow.

What impacted them in 2021

- Attractiveness of working in the hospitality industry during the pandemic
- Staffing levels and ability to attract and retain talent
- IHG's strategy and approach to growth and future success
- IHG's approach to DE&I
- IHG's approach to hybrid working and wellbeing
- IHG's approach to climate change and wider environmental issues

Engagement

- Employee engagement survey
- CEO and regional leadership calls with Q&A
- Voice of the Employee feedback sessions
- Employee communications including intranet stories, newsletters, blogs, videos, podcasts and interactive sessions on strategic priorities
- ERGs representing ethnic minorities, gender, LGBTQ+, disabilities and other employees
- Quarterly performance, development and wellbeing check-ins
- Collaborative sessions including hackathons

Outcomes

- Increased focus on recruitment and talent development at hotel and corporate levels
- Continuation of employee engagement in company priorities and culture
- Progress against and continued prioritisation of DE&I commitments, including conscious inclusion training and refreshed DE&I policy
- Continued and increased focus on employee wellbeing, including enhanced parental leave policies in some markets and updated Global Flexible Working Guidelines
- Reinstatement of bonus and annual salary increase for our corporate employees
- IHG named a Kincentric Global Best Employer, with 85% employee engagement



See our employee engagement KPI on page 53, how the Board had regard for people in their board and remuneration decisions on pages 91, 92, 107, 108, 112 and 114, Voice of the Employee disclosure on page 101, and statement on employee engagement on page 227.



Visit www.ihgplc.com/responsible-business for further information about our people commitments.

system in certain markets, which matches on-property talent to the most relevant opportunities across our estate.

 See our GM talent acceleration programme on page 19, workplace environment on page 37 and workforce remuneration considerations on pages 107, 108, 112 and 114.

Wellbeing

In recognition of a shift to hybrid working as a result of the pandemic, we have provided employees with guidance and resources to help them adopt a balance of remote and office working that supports individuals and the delivery of IHG's key priorities. Employee surveys have also been run to understand expectations and help inform our approach.

In 2021, we updated our Global Flexible Working Guidelines with hybrid working principles, refreshed our UK Flexible Working Policy and highlighted flexible working opportunities within jobs. We've also taken steps to ensure a best practice approach to managing talent and performance in a hybrid environment.

During the year, we provided employees with access to mental health and wellbeing guidelines and webinars, and continued Recharge days and Focus Fridays, where we try to avoid standing meetings where possible to create some undisturbed time for employees. Parental leave policies were also evaluated across a number of locations and significant enhancements were made to our UK paternity leave policy and US parental

leave policy. We will continue to evaluate and review our policies to ensure they support people to be at their best.

For hotel teams, monthly newsletters with wellbeing guidance were shared, and local initiatives were also established in some markets.

Diversity, equity & inclusion (DE&I)

As a global company, it's important to us that our business reflects our people, our guests and the nationalities, cultures, ethnicities, sexual orientations, backgrounds and beliefs that they represent. This commitment is emphasised throughout our global hiring guidelines and initiatives, such as our conscious inclusion training, and is backed up by our Global Diversity, Equity, Inclusion and Equal Opportunities Policy, which was refreshed in 2021 and sets forth our commitment to promoting an inclusive environment that values and considers diverse attributes, perspectives, cultures and experiences.

Recognising that we still have progress to make as a business, our Global DE&I Board and regional DE&I councils work together to monitor progress against commitments, discuss emerging trends and feedback, and identify future focus areas. Our work in this space revolves around a DE&I framework spanning three core areas: strengthening a culture of inclusion; increasing the diversity of our leadership and talent; and putting the right decision-making processes around our actions.

Strengthening a culture of inclusion

In 2021, corporate employees completed more than 10,000 hours of conscious inclusion training, promoting education and awareness, and sparking important team conversations.

As part of our employee engagement survey, we also implemented an inclusion index in 2021 to track perceptions of culture and behaviour. The index showed that nine out of 10 corporate, reservation and managed hotel employees feel IHG has an inclusive culture, although perceptions were less positive among some ethnic minority groups. This is something we recognise and is reflected in our commitment to inclusion and achieving more diverse representation at all levels of our business.

Central to the conversation around DE&I and our progression as a business are our Employee Resource Groups (ERGs), which continue to expand and now have 1,300 members globally. These groups represent ethnic minorities (BERG US, Embrace EMEA), gender (Lean In), LGBTQ+ (Out and Open, US and UK), disabilities (DAWN US and UK), and Early Careers (HYPE Greater China, US and UK) and have been instrumental in driving employee engagement and celebrating key events, including International Women's Day, Global Inclusion & Wellbeing Week, and Pride.

Our Diversity, Equity and Inclusion Policy

IHG is committed to promoting a culture of inclusion where everyone feels safe, respected and valued. Our policy applies to anyone who is directly employed by IHG and colleagues who work in managed hotels. Below is a summary of our commitments:

- Actively support diversity and inclusion to ensure that all our employees are valued and treated with dignity and respect.
- Strive continually to provide people with a working environment that is free from racism, harassment and discrimination.
- Foster an environment where our employees can work together to maintain an inclusive working environment where everyone's unique contribution is valued.
- Ensure that all decisions affecting an employee's employment are made fairly and are based on an individual's ability and performance.

- Provide all employees with the opportunity to join our Employee Resource Groups.
- Provide employees with disabilities the appropriate support where reasonable and practicable to do so and in accordance with local requirements.
- Ensure our recruitment, development and reward practices, and our approach to working arrangements, are designed to attract, develop, and retain diverse talent.
- Work to educate our employees about the benefits that diversity and inclusion brings to our business and support interventions that improve diversity and inclusion in our places of work.
- Ensure all employees are aware of this policy and complete any relevant training in relation to diversity and inclusion.
- Ensure our customers experience an inclusive welcome and stay provided by our employees.

IHG's Global DE&I Board, chaired by our CEO, and regional DE&I councils feature representatives from across our Company who offer a breadth of experience from different cultures, industries and organisations. They work with stakeholders to ensure we continue to honour our DE&I commitments and strive for best practice.

It is our policy to comply with international, national and local regulatory requirements and, where required, any affirmative action as stipulated by local laws. We set measurable objectives for achieving diversity and inclusion for IHG and we review our progress against them each year.



See our DE&I Policy at
www.ihgplc.com/responsible-business

Our strategy continued

Care for our people, communities and planet continued

Increasing the diversity of our leadership talent

We continue to deliver talent initiatives, such as our successful Rise programme, which is focused on increasing the number of women in GM and operations roles. During 2021, more than 100 women joined to take advantage of mentoring sessions, career development workshops, high-impact learning modules and empowering conversations designed to further careers.

In the Americas, we launched Ascend, a bespoke programme to develop Black leadership talent and build strong relationships with organisations dedicated to supporting Black employees, while in the UK, we have worked with Women in Hospitality and Leisure (WiHTL) to provide opportunities for our ethnic minority talent on a dedicated talent programme. An ethnicity disclosure campaign was also carried out in the UK to further understand our population and help inform future solutions and actions to support our ethnic minority employees.

IHG proudly continues to be recognised for its efforts, with CEO Keith Barr ranked first in the 2021 HERoes Advocates list, which celebrates the top 35 executives or senior leaders who actively campaign for diversity, inclusion and gender balance in the workplace. IHG also received a Highly Commended award in the Company of the Year category at the European Diversity Awards, with the efforts of several employees being acknowledged across different categories.

Putting the right decision-making processes around our actions

We understand that a diverse and inclusive environment creates a sense of belonging among employees and builds trust in our culture and values as a company. In 2021, we made progress on multiple fronts, including

our work to maintain a healthy gender balance as part of our succession planning and our work with recruitment partners to ensure that talent shortlists are as diverse as possible. We also work with organisations that encourage female senior leader development, and internally run in-depth talent reviews with our CEO and CHRO to create robust plans and pathways around developing future leaders.

A new member was also appointed to our Global DE&I Board to represent the voice of the Next Generation and help shape how we build an inclusive culture where all colleagues can thrive.

In 2021, we furthered our intent to cultivate inclusion within our supply chain. This work included IHG joining leading supplier diversity councils to help broaden our network of diverse local suppliers. In addition, a new analysis tool was identified for hotel and corporate spend that will allow us to create a more informed global picture and identify opportunities to increase work with small and diverse businesses. In support of this, we have started the process of detailing and communicating our supplier diversity programme to help demonstrate our commitment to the people and communities that we impact.

As at 31 December 2021	Male	Female	Total
Directors	7	5	12
Executive Committee	7	3	10
Executive Committee direct reports	33	22	55
Senior managers (including subsidiary directors)	81	29	110
All employees (whose costs were borne by the Group or the System Fund)	4,679	6,482	11,161

We do not require employees to report ethnicity and are dependent on self-disclosure. We encourage employees to consider disclosure, which will provide stronger reporting in the future.

Human rights and modern slavery

An integral part of our global commitment to responsible business is respecting human rights in accordance with internationally recognised standards.

We understand the importance of human rights in relation to our colleagues, guests and communities and we encourage those with whom we do business – including our suppliers, owners and franchisees – to prevent, mitigate and address adverse impacts on human rights, including modern slavery. We seek to advance human rights through our business activities and by working together with others to identify challenges and effective solutions.

Key focus areas in 2021 included: the development and pilot of minimum requirements relating to migrant worker risks in our hotels, including responsible recruitment and onboarding, staff living accommodation and worker voice; and a continued risk assessment of our supply chain, along with analysis of our approach to due diligence of suppliers.

Findings from our 2019/20 Oman market-level labour assessment continue to be addressed and applied to other countries in the IMEA region, and we have started a similar assessment in the UK. More broadly, we have collaborated with the Sustainable Hospitality Alliance (SHA) and International Organisation for Migration (IOM) on projects focused on ethical recruitment in our industry.

IHG is a member of the United Nations Global Compact (UNGC) and is committed to alignment of IHG's operations, culture and strategies with the UNGC's 10 universally accepted principles in relation to human rights, environment and anti-corruption.

 See our Code of Conduct disclosure on pages 37 to 38, Responsible Business and Nomination Committee Reports on pages 100 to 103 and statement on disability on page 227.

 See our Modern Slavery Statement at www.ihgplc.com/modernslavery



Communities

Improve the lives of 30 million people in our communities around the world



Our 2030 commitments

- Drive economic and social change through skills training and innovation
- Support our communities when natural disasters strike
- Collaborate to aid those facing food poverty

We rely on the communities in which we operate and are proud to use our global scale, time, skills and resources to ensure that our growth contributes positively to those around us.

As we work towards our targets, it's important we understand the impact of our investments, which makes integrity of data key to our approach. This year, we joined Business for Societal Impact (B4SI) – the global standard in managing corporate community investment – so that we can measure our input, output and impact of our projects.

What we achieved in 2021

Skills training and innovation

We're passionate about our industry and inspiring individuals to explore just how rewarding a career in hospitality can be. Since 2004, our IHG Academy programme has been helping young people around the world gain valuable employment and life skills through work experience, internships and apprenticeships alongside some of the world's best hoteliers.

In the past eight years, working with local education providers and community organisations, more than 80,000 people have been trained and mentored through the IHG Academy, offering those from all backgrounds a rich variety of free programmes to help them gain a job in hospitality or other industries, as part of our promise to provide True Hospitality for Good on a global scale.

To further its reach, we evolved the IHG Academy in 2021 with the launch of the IHG Skills Academy – a best-in-class online learning platform that provides a space for IHG and like-minded collaborators to offer free online education, courses and



opportunities for thousands more people looking to build their confidence and get employment-ready. This work has been undertaken in collaboration with charities and other IHG suppliers and launched in October with more than 500 initial pieces of English content available.

We continue to advance other skills-building programmes, too, including working with global NGO Junior Achievement Worldwide to give young people a headstart in the world of work, and in 2021 we hosted our Global Innovation Challenge to help high-school students learn valuable skills.

We have also set up the Open Source Curriculum with the Sustainable Hospitality Alliance, which will provide free online teaching to help participants to find jobs in hospitality or other industries.

In Greater China, we formed a strategic partnership with Wuxi Special Education School to provide training, internships and employment for mute and deaf children, with a number of hotels in different cities now taking part. We also welcomed 149 Future Leader Aspire participants into our Future Leaders programme.

Giving for Good month

During September 2021, more than 40,000 colleagues supported community projects as part of our annual Giving for Good month, making a positive difference to more than 350,000 people.

Over 260,000 volunteering hours were collectively dedicated to supporting communities, causes and charities, with colleague activities ranging from hosting free pop-up grocery stores in the US and charity walks in the UK, to planting trees in Saudi Arabia.

Supporting our communities when natural disasters strike

We continue to work with a range of skilled humanitarian aid organisations to support critical relief efforts and help our communities in times of need, whether that involves dealing with the impact of the pandemic or the effects of natural disasters.

In 2021, we supported relief efforts around the globe through donations to charities including the International Federation of Red Cross and Red Crescent Societies following the floods in Western Europe, while also supporting its response to the pandemic in countries such as India and Brazil.

Our strategy continued

Care for our people, communities and planet continued

We donated to the British Red Cross, who supported the UK vaccination programme, and worked with CARE International following typhoons in the Philippines.

IHG has worked with the American Red Cross (ARC) on disaster relief for a long time, and we continued supporting its incredible work in 2021, including helping the many US communities affected by wildfires, tornados and Hurricane Ida, along with the resettlement of Afghan refugees. As well as many of our hotels providing food, toiletries and quarantine facilities, IHG was among one of the first companies to join the Tent Partnership – a pledge to help Afghan refugees resettle in the US by providing training, job opportunities and guidance for our hotels to support efforts to hire them.

We assist our colleagues using the IHG Colleague Disaster Relief Assistance Fund. During 2021, we supported corporate employees, hotel teams and their families impacted by hurricanes and severe weather in the US, and others dealing with a worsening situation in India as a result of the pandemic.

Collaborate to aid those facing food poverty

We have supported food bank and food provision charities in 44 countries. Our donations have helped these providers access the funds, training and resources required to offer basic provisions to society's most vulnerable.



voco Kirkton Park Hunter Valley, Australia – from its solar farm that powers lights, eggs that come from the Kirkton Park chickens, honeybee farm that pollinates crops and provides fresh honey, and recycled water that feeds the lush vegetable gardens, they are on track to creating an environmentally friendly hotel. Kids also love taking the food-scrap buckets to the pig pen, which is one way the hotel limits waste.

We are working with organisations such as No Kid Hungry in the US and the Trussell Trust in the UK, while supporting the European Federation of Food Banks (FEBA) and The Global FoodBanking Network (GFN).

We also work closely with organisations in different parts of the world to divert food from our hotels to those in need.

80,000+

People have been trained and mentored through our IHG Academy programme since 2013

350,000+

People supported by colleagues participating in IHG's annual Giving for Good month in September

Communities engagement



The communities we are a part of both support and benefit from our responsible business approach and the commitments we have made to achieve a better and more sustainable future for everyone through our Journey to Tomorrow programme.

What impacted them in 2021

- Natural disasters, such as typhoons in the Philippines, floods in Western Europe and tornados in the US
- Societal and economic impact of the pandemic, including unemployment and food poverty
- Modern slavery and human rights issues
- Access to business skills development and local employment
- Climate change and other wider environmental challenges

Engagement

- Continued close collaboration with international and local charities and NGOs, such as Care International and British Red Cross
- Industry collaboration on human rights and labour conditions in specific markets
- Giving for Good month programme of activities and employee volunteering days
- Collaboration with local education providers and community organisations, as part of our focus on offering skills building and training opportunities

Outcomes

- Support for relief efforts around the globe and for our colleagues and their families through our Colleague Disaster Relief Assistance Fund
- Support for food bank and food provision charities in 44 countries
- Human rights assessments in IMEA and UK
- Launch of new virtual learning platform IHG Skills Academy
- Set up Open Source Curriculum with SHA
- Over 260,000 hours of employee volunteering dedicated to supporting communities



See our IHG Academy KPI on page 53, and Responsible Business Committee Report on pages 100 and 101.



Visit www.ihgplc.com/responsible-business for further information on our community commitments.

Planet

With hotels in more than 100 countries and ambitious growth plans for our brands, it is important to us that we operate sustainably and help preserve our planet for all generations to travel and explore.

So that we continue to create more sustainable guest stays and support our hotels to reduce carbon emissions, manage waste, and conserve and preserve natural resources, we are working with our hotel owners, suppliers, industry and governments. Remaining mindful of the challenges owners face in the current trading environment, we also set up a Global Environmental Sustainability Committee with the IHG Owners Association in 2021 to help us develop achievable milestones and reach our shared goals over the next decade.

 See our TCFD, Responsible Business Committee Report and greenhouse gas emissions disclosures on pages 32 to 35, 100, 101 and 229 to 230.

 See our Responsible Business Report at www.ihgplc.com/responsible-business

Energy

Reduce our energy use and carbon emissions in line with climate science



Our 2030 commitments

- Implement a 2030 1.5°C science-based target that delivers
 - 46% absolute reduction in CO₂ from our franchised, managed, owned, leased and managed lease hotels
- Target 100% new build hotels to operate at very low/zero carbon emissions by 2030
- Maximise/optimise the role of renewable energy

With the hotel sector accounting for around 1% of global carbon emissions, we know it's important that we play our part in protecting our planet for the future. In 2021, we joined the UN's Race to Zero and upgraded our carbon emissions target to align with the most ambitious goals of the Paris Agreement to keep global warming within 1.5°C.

As we own less than 1% of our hotels, everything we do to make a long-term change must be achieved in collaboration with our owners, partners and colleagues.

Carbon reduction is a priority we have been working closely on, including setting a science-based target (SBT) in 2020 that was initially aligned with limiting global warming to below 2°C, and further strengthened this year to align with 1.5°C.

What we achieved in 2021

To meet our new upgraded SBT, work was undertaken this year to ensure every IHG hotel has its own energy reduction target for 2022, and as a business we are focused on three broad areas: action plans and training to develop clearly defined pathways that improve the energy efficiency of our existing hotel estate; helping owners source renewable energy; and developing our strategy to ensure our new-build hotels operate at very low or zero carbon in the future.

In 2021, key steps included introducing a new system to allow hotels to have their energy data automatically captured for tracking, which in turn allows for more targeted actions and recommendations to reduce energy consumption. We have also switched our UK offices and managed hotels to a renewable energy tariff and continue to map renewable energy opportunities globally, alongside working with a number of hotels on on-site renewable energy.

Recognising the value of collaboration in speeding up progress, we became the first hotel company to sign up to the UK's Zero Carbon Forum, which along with our

IHG at COP26

IHG played a leading role for the hospitality industry at the UN's 26th Conference of the Parties (COP26) in Glasgow in November 2021, which focused on how governments, businesses and civil society can work together to find the urgent solutions needed to tackle climate change.

Our Chief Sustainability Officer and EVP, Global Corporate Affairs spoke at a series of high-profile events over the course of the two-week summit, where they discussed the facts the industry needs to face up to, the importance of collaboration in bringing meaningful change and outlined the innovative strides IHG is making to help shape the future of responsible travel. As trustees of the Sustainable Hospitality Alliance, they also helped launch the Glasgow Declaration: A Commitment to a Decade of Climate Action in Tourism.

During the fortnight, CEO Keith Barr also attended the Elysée Palace in Paris for a reception and working session with the French President, Emmanuel Macron, on how we can accelerate recovery and move towards a more sustainable travel and tourism sector.



The team at Crowne Plaza Copenhagen Towers in Denmark is dedicated to running a fully sustainable hotel. Its facade is lined with solar panels so that a renewable energy source can help power the building and a state-of-the-art groundwater-based system keeps it cool during summer and warm during winter. Automatic intelligent light, water, and waste-saving measures are installed throughout the property, while a stunning atrium (pictured) is filled with air-purifying plants.

Our strategy continued

Care for our people, communities and planet continued

membership of other organisations, including the World Travel and Tourism Council, the Sustainable Hospitality Alliance and the American Lodging & Hospitality Association, saw us work collectively on ways to decarbonise the industry. Working with experts Arup, Gleeds and Schneider Electric, we have explored steps to help our existing hotels operate at net zero carbon.

Waste

Pioneer the transformation to a minimal waste hospitality industry



Our 2030 commitments

- Eliminate single-use items, or move to reusable or recyclable alternatives across the guest stay
- Minimise food going to waste through a 'prevent, donate, divert' plan
- Collaborate to achieve circular solutions for major hotel commodity items

2021 to put a range of product solutions in place for all of our brands across all regions. Reducing our plastic usage by an estimated 850 tonnes in the Americas region alone, these bulk products will also provide hotels with significant cost savings.

We have also engaged with experts from Travel Without Plastic to produce a bespoke Single Use Items Toolkit to help guide hotels on best practice when it comes to reducing, replacing and recycling common products. The toolkit promises to be a valuable educational resource for our hotel teams, which will have a positive impact on our operations and the environment.

Food waste is a particularly big problem globally, with a staggering \$1 trillion lost or wasted every year across the planet – accounting for roughly one third of the world's food. We have spent time this year developing existing collaborations and forming new ones with expert organisations across our regions to tackle the issue.

During 2021, we commenced the development of a global food waste training module for all of our hotel food teams to encourage them to measure and manage their food waste, ahead of rollout in 2022.

In the US, we are working with Goodr to deliver leftover food from our hotels to local charities, and in Europe many of our hotels use the Too Good To Go app to offer people the same opportunity.

In Australia, our successful work with food charity OzHarvest entered its third year, as we continued to divert food waste to local communities via a network of charities, and in the Middle East, we are using AI technology

so our hotels can track and measure food waste, providing chefs with real-time information for planning and preparation.

We also collaborated with the World Wildlife Fund, Greenview and industry peers on the Hotel Waste Measurement Methodology, which is designed to provide a common industry approach to collecting data, and measuring and reporting waste.

We continue to look for ways to extend the life of products that leave our hotels and offices. Our industry has traditionally seen product consumption at various stages of the guest experience and so our longer-term aim is to achieve circularity, where resources can be recycled or reused on a large scale. This might include the incorporation of recycled content in the manufacturing of new products, or making sure items are put to good use elsewhere once they leave our hotels, such as donating computers or furniture to charity, or offering surplus food to those who need it. We have committed to collaborate and work with others to help us achieve this as part of our Journey to Tomorrow commitments.

Water

Conserve water and help secure water access in those areas at greatest risk



Our 2030 commitments

- Implement tools to reduce the water footprint of our hotels
- Mitigate water risk through stakeholder collaboration to deliver water stewardship at basin level
- Collaborate to ensure adequate water, sanitation and hygiene (WASH) conditions for our operating communities

Demand for water often exceeds supply in many parts of the world, with the UN predicting this demand to increase between 20-30% by 2050. It's therefore never been more important for us to find ways to reduce our usage and work with others towards sustainable solutions that create water access for all. We are implementing tools to reduce water consumption across all our hotels, paying particular attention to those in water-scarce areas. In our communities, we are also working with others to establish adequate water, sanitation and hygiene (WASH) conditions and help ensure supply is managed more sustainably at a local level.

What we achieved in 2021

With only 9% of plastic currently being recycled and around one third of food produced being wasted across the globe, we're passionate about providing our guests with a more sustainable stay. We're working to eliminate single-use items in our hotels, adopt more reusable or recyclable alternatives, and establish a three-part plan to 'prevent, donate and divert' food waste.

While fulfilling our commitment to move all hotels to bulk-size bathroom amenities has been hampered by the pandemic, we made important progress with several suppliers in



What we achieved in 2021

Each of our hotels has been given a water reduction target along with access to sustainable solutions to improve efficiencies through the IHG Green Engage™ system, such as low-flow fixtures and fittings. Owners are also able to access increasingly accurate data on usage in their hotels via an automated data entry tool.

Having identified the risks to water quality and quantity in our open and pipeline hotels in 2019, we undertook six water stewardship projects around the world as part of our membership of the Alliance for Water Stewardship (AWS), progressing on the final two in Shenzhen in China and on Hayman Island in Australia this year. Applying the AWS Standard to our projects has provided a clear pathway to reduce water usage, while allowing us to share ideas with other global member organisations and with hotels across our estate to maximise efficiency.

Collaboration is vital to meaningful progress and as a member of the Water Resilience Coalition, a CEO-led coalition of the UN Global Compact CEO Water Mandate, IHG is working with other organisations to collectively advance water stewardship and preserve the world's fresh water. This has informed our work to identify and manage risks around water supply, while also reducing costs for our hotels as they closely monitor their usage. In 2021, we also collaborated with Water.org as part of a pilot to help deliver WASH conditions for 15,000 people in India, Indonesia and Mexico.

What's to come

People

It is imperative that we ensure the right capabilities, tools and resources are there to support our people if we are to drive the growth of our business and build an inclusive and high-performance culture.

Key focus areas in 2022 include investment in an HR technology platform that will improve the user experience for corporate colleagues and hotel teams through increased automation, mobile functionality and seamless self-service. We will also continue the work done in 2021 to strengthen our General Manager pipeline, with a particular focus on Luxury & Lifestyle in support of our growth aspirations in that segment. Our strong focus on DE&I will be maintained, including celebrating key events, building further education with conscious inclusion training, and establishing new programmes with prominent organisations that champion equality within wider society.

We will also invest in building our talent attraction capabilities, increase our focus on talent management to build leaders for the future, and step up a multi-year investment in a new IHG University framework designed to support colleague development at different levels of the business.

More broadly, we will continue to place a clear focus on employee engagement with our strategy and how we continue to invest in our culture and ways of working.

Communities

For our communities, we will continue to work with charities to support those in most need around the world, and the rollout of our IHG Skills Academy will continue in local languages across markets globally, with the addition of new local collaborations.

Planet

Building a sustainable future is not simply a goal for our industry but imperative for our planet, and as one of the world's leading hotel groups, we recognise our responsibility to take decisive, practical action to reduce carbon emissions in every part of our business.

From 2022, tied to our new science-based target and Race to Zero pledge, we will increase the support we provide our owners in improving the energy efficiency of their hotels, with each receiving an energy target tailored to their property, along with access to solutions and colleague training to drive energy conservation. This will be supported by our new HERO (Hotel Energy Reduction Opportunities) tool, which will analyse energy consumption and help hotels find the measures specific to their property that represent the most cost-effective way to reduce energy usage.

More renewable energy contracts will also be rolled out in different markets, and work will begin on an update to our IHG Green Engage system and the development of our strategy to ensure our new-build hotels operate at very low or zero carbon in the future.



Delivering on the recommendations of TCFD

With hotels in thousands of communities all over the world, our business and brands touch the lives of millions of people every day. We understand that in our role as a major global hospitality company we have an important part to play in addressing the impacts of climate change. The success of IHG over the long-term depends on the environmental and social sustainability of our operations, the resilience of our supply chain and our ability to manage the potential impact of climate change on our business model and performance.

We have upgraded to a 1.5°C science-based target (SBT), which puts us on a trajectory to achieve net-zero emissions by 2050. In addition, we have joined the UN's Race to Zero – the global campaign to rally leadership and support from businesses, cities and investors for a healthy, resilient, zero-carbon future.

While we have an asset-light business model, with the majority of IHG hotels owned by a third-party, our commitments cover the operations of all our hotels globally, whether franchised, managed, owned, leased or managed lease hotels.

Last year, we made a formal commitment to support the recommendations of the TCFD. The following summary sets out our alignment, and notes where in this Annual Report we have made further climate-related financial disclosures consistent with the recommendations. In the rest of this section, further relevant disclosures are indicated as applicable. We note that our disclosures are consistent with the TCFD's recommendations for 2021 and have outlined what actions we will take to further strengthen our climate-related financial disclosures in 'Future actions'.

Future actions

We're committed to continued improvement on climate risk management as we deliver on the strategic intent of the TCFD. In addition to specific climate risk mitigation actions identified in the following pages, over the next 12 months we will deliver the following key actions:

- Continue the integration of climate considerations into our Group risk management framework. This allows us to consider the interactions between climate and other strategic risks, as well as implementing mitigations through business-as-usual processes.
- Continue to monitor trends in potentially material climate-related risks and opportunities, with improved data capture. This will include further embedding climate impacts into our risk assessments and long-term financial plans and Group strategy, with development of further metrics where needed.
- We will take steps to align to new recommendations and disclosure requirements under the International Sustainability Standards Board (ISSB), TCFD and UK Green Finance Strategy.
- Undertake a carbon price exposure assessment on how changes to carbon pricing policy could impact our business, and to inform the business cases for decarbonisation actions.
- Enhance the quality of data capture on those risks that have been identified as most material and provide further quantification of the potential impacts.
- Develop a Group-wide climate transition plan to coordinate decarbonisation initiatives and investments taking place across our business. This plan will align with our 1.5°C SBT commitment.

TCFD recommendation	Summary of our alignment with TCFD
Governance – Setting out our governance around climate-related risks and opportunities.	
a. Describe the Board's oversight of climate-related risks and opportunities.	The IHG Board has collective responsibility for overseeing and ensuring the management of climate-related risks and opportunities and is advised by the Responsible Business Committee on IHG's approach in this area. See more details on page 33.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	The Executive Committee is responsible for managing climate-related risks and opportunities. The Chief Financial Officer and Group Head of Strategy (CFO) is the overall sponsor for decarbonisation within the business, and we have formed a TCFD Steering Group of Senior Leaders from across different functions of the business who have led the work, supported by the TCFD Working Group, to ensure we assess and manage climate-related risks and opportunities, embedding the results of the climate scenario analysis into long-range business planning. See more details on page 33.
Strategy – The actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning, where material.	
a. Describe the climate-related risks and opportunities the organisation has faced over the short, medium and long-term.	With external expertise, we completed a risk and opportunity review across our value chain and identified the most material potential impacts associated with our business. See our climate-related risks table on page 34 and climate-related opportunities table on page 35. Our impacts are categorised over the following timescales: (a) short: 1-5 years to highlight immediate risks or opportunities; (b) medium: 10-15 years to align to our Group strategic planning cycles; (c) long-term: 30 years to align to TCFD requirements.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Climate-related scenarios are being embedded into our long-range planning and future Board strategy discussions. Work is underway to improve data and modelling around major risks identified and TCFD findings are now considered as part of the strategic planning process. We have outlined the most material of our impacts in our climate-related risks table on page 34. See pages 29 to 31 for details of the environmental initiatives already underway and pages 149, 172 and 176 for the consideration of climate risks in the financial statements to support conclusions on going concern, deferred tax assets and goodwill respectively.
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We analysed the resilience of IHG's strategy under both 2°C and 4°C climate change scenarios. The results showed that, given IHG's asset-light business model, transition risks are more likely to have a material impact on our business, compared with physical risks. For more detail on how we are mitigating our climate-related risks to ensure business resilience, see our climate-related risks table on page 34 and see pages 29 to 31 for details of our environmental policies and initiatives.

TCFD recommendation	Summary of our alignment with TCFD
Risk management – How we identify, assess and manage climate-related risks.	
a. Describe the organisation's processes for identifying and assessing climate-related risks.	<p>Our TCFD Steering Group has led a detailed scenario analysis of climate-related impacts across the IHG value chain. Outcomes of this risk assessment process were presented to Executive Committee members, Senior Leadership and the Board for review and used to inform our climate change action plans. The monitoring and management of the climate risks identified by our initial assessment (supported by external expertise) will now be integrated into our existing risk management processes – including scenario planning, crisis management and analysis of longer-term trends. For more information on our scenario analysis of climate-related risks, see the Climate-related risk management and strategy section on page 34.</p>
b. Describe the organisation's processes for managing climate-related risks.	<p>We have historically taken a number of steps to manage climate risk, including activities such as engaging with customers and the rest of the industry on demand for greener travel and hospitality services. For several years, we have also had carbon reduction targets at both a Group and hotel level, and in early 2020 announced a SBT to reduce greenhouse gas emissions, which we upgraded at the end of 2021.</p> <p>We continue to collect information to support the monitoring of these risks and develop mitigation responses as required. With oversight from our Risk and Assurance and Corporate Responsibility teams, our assessment of transition risks are continually reviewed by relevant teams across IHG. Our physical risk assessment will be reviewed every three years, or more frequently if required.</p> <p>See the Climate-related risk management and strategy section on page 34.</p>
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	<p>We consider climate change within the context of environmental and social megatrends as one of our principal risks. As part of our 2021 review of principal risks with the Board, we also described how climate change potentially impacts other existing principal risks and are embedding climate change resilience into existing 'business as usual' processes.</p> <p>For more information on IHG governance and management of principal risks, see pages 40 to 47.</p>
Metrics and targets – The metrics and targets used to assess and manage relevant climate-related risks and opportunities.	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>One of our strategic priorities is to 'care for our people, communities and planet' and to guide our actions and drive progress, in 2021 we launched Journey to Tomorrow, an action plan of commitments we've made to create positive change by 2030. As part of this action plan, we have set ourselves an ambitious SBT, aligned to 1.5°C, which is driving action across the business. More detail on our SBT is included in the strategic mitigations in our climate-related risks table page 34.</p> <p>Energy reduction targets are incorporated into hotel-level metrics, as well as at the Executive Committee. ESG criteria, including annual energy reduction, form part of the Annual Performance Plan (APP) structure for Executive Directors and eligible employees. This forms part of a range of KPIs and review of performance against IHG's Global Metrics. We have continued our work this year to develop ESG metrics with a view to incorporating into our long-term incentive plan and continue to develop the quality of our environmental data in order to enable this. See more on our metrics on page 35.</p>
b. Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>Our 2019-2021 scope 1, 2 and 3 emissions data and methodology can be found on pages 229 and 230. We have disclosed the categories of scope 3 emissions, which are covered by our 1.5°C aligned SBT.</p>
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>Our existing targets have been approved by the Science Based Targets initiative (SBTi) as 1.5°C aligned and we are also aiming for our new-build hotels to operate at very low or zero carbon by 2030. Our scope 1, 2 and 3 emissions data will provide us with an ongoing understanding of how we are progressing on our decarbonisation journey.</p>

Governance

Board consideration of climate risk and opportunities

IHG's approach to governance has been about addressing our environmental and societal impacts as well as our financial performance for many years. Our governance framework is headed by the Board, which includes collective responsibility for ensuring the management of climate-related risks and opportunities.

The Board is advised by the Responsible Business Committee (the Committee) on the Group's corporate responsibility strategy, including our approach to climate-related impacts. The Committee meets three times a year and assesses the Group's exposure to potential long-term climate-related risks and opportunities. This year, the Committee established TCFD reporting procedures and processes for overseeing the monitoring and management of the climate change risks identified through the scenario analysis. TCFD is also considered by both the Audit and Remuneration Committees within their respective remits.

Board training on ESG considerations is provided as needed. In 2021, our updates focused on our decarbonisation strategy, as well as specific priorities for TCFD work in 2022.

Management ownership of climate-related risks and opportunities

Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees.

Our internal TCFD Steering Group is responsible for delivering on the TCFD recommendations and identifying and assessing any potentially material climate impacts and during 2021 it met four times. The Chief Sustainability Officer is responsible for monitoring progress against our carbon reduction target, which is reported externally on an annual basis.

A TCFD Working Group has overseen an integrated climate scenario analysis for IHG's global business. This Group, with oversight from the Steering Group, will continue to operate through 2022 to drive adoption of TCFD-related action plans across the business. The TCFD Working Group regularly reports into the TCFD Steering Group and also provides periodic updates on its key findings from the scenario analysis and climate-risk identification process. See the following section for more details of our scenario analysis process.

 See further information about Director development on page 94, and Audit, Responsible Business and Remuneration Committee Reports on pages 95 to 101, and 104 to 125.

Delivering on the recommendations of TCFD continued

Climate-related risk management and strategy

We consider climate change within the context of environmental and social megatrends as one of our principal risks. During 2021, we undertook scenario analysis work to assess in more detail IHG's potential exposure to both physical and transition impact over the short, medium and long-term. We selected 2°C and 4°C scenarios to model a high physical impact scenario and one with greater transition impacts. This was aligned with the 2°C aligned SBT that we had set. In 2021, we upgraded to a 1.5°C aligned SBT and therefore intend to refresh our scenario analysis in 2022 to align to this newly revised target.

Our analysis covered our full value chain and included acute and chronic physical risks, including droughts or floods, water stress, wildfires and rising sea levels, as well as transition risks, such as changes in stakeholder expectations, travel patterns, climate policy

and regulation. Physical risks were assessed using the Intergovernmental Panel on Climate Change's (IPCC's) 2°C-and 4°C-aligned Representative Concentration Pathways (RCPs) 4.5 and 8.5 respectively. We integrated IHG's business plan assumptions on regional growth into the scenario analysis process, to ensure risk and opportunity quantifications reflected IHG's growth strategy. The risks were then assessed using defined materiality thresholds along with revenue estimates from the business plan across timeframes. In the climate-related risks table (below) we outline our mitigation and strategy resilience, based on the scenario analysis.

We have begun to quantify these climate-related impacts, based on global emissions and climate modelling data, as well as inputs from IHG's business planning and risk management processes. In 2022, we will be advancing this work by enhancing the quality of data capture on those risks that have been identified as most material and provide further quantification of the potential impacts.

The most potentially material climate-related risks and opportunities we identified through scenario analysis, as well as the mitigations set out in our action plan, are described in the table below. As we continue to gather more data to enable us to understand the impact on IHG, we will also assess the aggregate impact of these on our wider stakeholders, including our hotel owners.

Climate-related risks

Summary of risk	Impact	Mitigation and strategy resilience
Ability to meet stakeholder expectations around IHG's role in the energy transition	With climate change being the biggest threat facing humanity, we all have a significant and immediate role to play in curbing global carbon emissions and keeping temperature rise within 1.5°C above pre-industrial levels.	Being a responsible business is at the heart of IHG's strategy and includes a strong focus on reducing the carbon footprint of operations, as well as those of our franchisees.
Medium-term (10-15 years)	Key stakeholders – including guests, investors and governments – are increasingly looking for businesses to not only set the right goals, but also demonstrate their commitment in the actions they take today.	We have upgraded our emissions reduction target to align to 1.5°C, and are progressing decarbonisation plans across the estate Our target is to reduce emissions from our managed, owned, leased and managed lease hotels by 46% by 2030, from a 2019 baseline, and to do the same with emissions from our franchised hotels, which puts us on a trajectory to achieve net-zero emissions by 2050. In 2022, we will update our transition risk assessment to align with this new target. These are challenging targets given IHG's predominantly franchised business model and ambitious growth strategies.
Potentially material impact	We recognise that not delivering on increased stakeholder expectations could result in a reputational risk for the Group, especially in a scenario where our peers meet or exceed our own decarbonisation plans. Continuous progress against our targets can create significant operational and commercial opportunities. We have not quantified this impact, but we are monitoring it alongside wider reputational risks.	We are developing a Group-wide climate transition plan This will help us ensure we meet stakeholder expectations around the transition and deliver on our own ambitious targets on carbon reduction. Over the next 12 months, we will be developing a detailed climate transition plan, in line with recent supplementary guidance announced by the TCFD. This plan will coordinate a range of decarbonisation initiatives ongoing across our business and focuses on three key levers: driving energy efficiency in our existing estate; facilitating a shift to renewable energy wherever possible; and targeting 100% of new-build hotels to operate at very low or zero carbon by 2030.
Reduction in aviation passenger numbers expected to impact hotel demand	Today's aviation travel, in particular international travel, has a significant carbon footprint. Under a 2°C scenario, aviation travel could reduce significantly as travel patterns align to a low-carbon economy. This could potentially reduce the ability of guests to visit our hotels.	 See our planet section on pages 29 to 31 to learn more about our work on decarbonisation.
medium to long-term (10-30 years)		Given our diverse portfolio of hotels catering to both domestic and international travellers, such a shift in travel patterns could provide both downsides and upsides to our business, if for example, more guests opt to travel domestically utilising greener transport modes such as high-speed trains in China.
Potentially material impact		We are improving data collection to understand our customers' travel patterns The impact on travel is being closely monitored post Covid-19. To enable us to calculate the potential impact of this shift in travel on our different regions and brands, we are planning changes to our guest survey to collate further data on the modes of transport used.

Summary of risk	Impact	Mitigation and strategy resilience
Increased desire for 'green hotels' could have a material impact on IHG revenues Medium to long-term (10-30 years)	Green hotels will play an important part of our future under all scenarios. Attitudes and beliefs around climate change have changed significantly, with 60% of 9,000 adults surveyed by IHG across the US, UK, Germany, Greater China, the UAE and Australia agreeing that they want to be more environmentally and socially conscious on their travels.	We have developed a bespoke tool to help our hotels identify and prioritise energy efficiency solutions based on key building characteristics, including return on investment information and procurement support as feasible. Called the Hotel Energy Reduction Opportunities Tool (HERO Tool), it will help enhance the hotel's environmental credentials. In the UK, all our managed lease hotels are now on renewable energy contracts, and we have started actively promoting renewable energy solutions to owners in key markets.
Potentially material impact	The changes in these attitudes and beliefs have started to now impact consumer behaviour, both for business and leisure travel, as green credentials are factoring into customers' buying decisions. We recognise that these changing consumer behaviours offer both an opportunity and a risk for IHG, depending on how fast the green hotel market expands and how much of this new market we capture share of. Under a 2°C scenario, we do expect a significant impact over time – either a risk or opportunity depending on our ability to demonstrate our green credentials.	We are improving data collection to understand consumer sentiment towards greener travel Given the potential materiality of this exposure, we are working to leverage existing consumer sentiment data in this area, such as a social monitoring platform to gather data from guests' social posts (social media, review sites) and developing a methodology to gather, track and measure the impact of actual (rather than claimed) guest behaviour.
Loss of franchise royalty fees following natural disasters Long term (15-30 years) Potentially minor impact	Under both a 2°C and 4°C scenario, the frequency of natural disasters is expected to continue to increase up to 2050 and beyond. The resulting business interruption reduces the amount of franchise royalty fees we will receive from the specific hotels impacted, however this does not take into account the potential for increased demand from any ongoing recovery efforts.	We are tracking physical climate impacts across our portfolio We have previously assessed the physical risks of climate events on our hotels, and we are now upgrading systems to track the physical impacts of climate change across our portfolio and how much additional business is driven into our hotels from recovery efforts. This will allow us to adapt to these hazards more effectively and assess the impact on our business and owners.

Some of the potentially material climate-related risks we have identified could also present opportunities to IHG, which are shown in the table below. Our continued progress against our decarbonisation targets and strategic response planning will strengthen our ability to realise these potential opportunities.

Climate-related opportunities

Summary of opportunity	Actions being taken
Supporting hotel owners to meet new customer demand for sustainable travel	We have committed to deliver new-build hotels that operate at very low or zero carbon by 2030 We recognise our customers are increasingly expecting high standards of sustainability in their leisure and travel purchases. Our commitment to deliver new-build hotels that operate at very low or zero carbon signals our intent to further help our hotel owners meet potential future demand for green travel, and to improve our competitive position overall. This will be supported by enhanced engagement with customers and data regarding customer demand to help us deliver on customer priorities for sustainability and climate.
Supporting hotel owners to decarbonise their assets could increase commercial attractiveness	We are continuing to invest in ways to support hotels become more energy efficient and decarbonise assets While reducing emissions can require investment, we are leveraging our Green Engage system to ensure we invest in energy efficiency improvements that have the greatest potential to reduce costs over the long-term. This will be supported by our HERO tool, further details of which are available in our 2021 Responsible Business Report (see link below).
Increased domestic tourism driven by changes in long-haul travel patterns	We are improving data collection to understand our customers' preferences on sustainability Changing travel patterns represent both a potential risk and opportunity to our business. We have a large domestic customer base, and there may be a further positive impact to this market driven by future changes to travel patterns, as some customers move to shorter-haul and less carbon intensive modes of travel. Gathering further data will help us understand this trend further and ensure we can meet the needs of any changing customer base.

Metrics and targets

Our metrics and targets allow us to monitor the delivery of our strategy and long-term success. To ensure our transition is based on the best available science, we have now upgraded our science-based target (SBT) to align to the most ambitious target of the Paris Agreement to limit global warming to 1.5°C. This target has been approved by SBTi and commits us to reducing our absolute carbon footprint by 46% from our franchised, managed, owned, leased and managed lease hotels by 2030 (based on our 2019 carbon footprint).

 See our carbon footprint KPI on page 53.

A core part of delivering further emissions reductions against this target will be decarbonising our hotel operations across our portfolio. To help drive this, we are also targeting 100% of new-build hotels to operate at very low or zero carbon by 2030 onwards.

We continue to track global environmental impacts through our IHG Green Engage system. All IHG hotels are required to use this system to track their environmental impact, with data collected on benchmarking information, green building solutions and opportunities to improve efficiency across carbon, energy, water and waste metrics. Data from this system will continue to underpin our ESG and climate metrics and will help us identify opportunities for investment as part of our wider climate transition plan. We will work with our internal audit team and external specialists to provide assurance over this data.

As we further develop our financial impact assessment of climate-related risks and opportunities, this will inform the development of any additional metrics and targets around the management and mitigation of risks and the strengthening of IHG's business resilience against climate-related impacts.

 Our Responsible Business Report and ESG Databook are available at www.ihgplc.com/responsible-business

How IHG does business

Our purpose of providing True Hospitality for Good is underpinned by our commitment to a culture of operating in a responsible and ethical manner. Our culture sets the tone for how we do business.



Stakeholder engagement

IHG engages with its stakeholders at all levels of the business, from the Board, through the Executive Committee, Senior Leadership and corporate functions, to front-line operations. A variety of methods are used based on experience and developing best practice, including face-to-face meetings, feedback and performance reviews, employee forums and training. We adjust our engagement methods as required to ensure they remain effective for both our stakeholders and IHG. For example, adopting global CEO video calls with Q&A has ensured employees are kept informed and have an opportunity to raise topics that matter to them.

The effectiveness of our engagement methods is measured through a range of metrics, including our KPIs (such as signings and pipeline), performance, ability to attract and retain talent, employee engagement survey results, adherence to the policies covered by our Code of Conduct and AGM results.

The views and interests of other stakeholders, such as regulators and industry bodies, are also taken into consideration. They help provide a framework against which we measure ourselves, protect our reputation and develop our commercial and social awareness.

 See information on our engagement with key stakeholders, approach to the planet on pages 20 to 39, 92, 101, 107, 108, 112-114, and Section 172 statement on pages 90 and 91.

A number of linked factors impact IHG's long-term success, including the resilience of our business model, our purpose, and the effectiveness of our strategy. Underpinning all of these is our workplace culture, which is driven by our reputation as a well-governed, trusted and ethical company.

Key factors that drive our over-arching culture and approach to business include our structure and governance, risk appetite, controls and systems, workplace environment, behaviours, Code of Conduct, including our values and related policies, all of which should be read in conjunction with our strategy, risk management, KPIs and Governance sections in this Report.

Our structure and governance

IHG's Board has overall responsibility for ensuring that the way we work and our culture are aligned with our purpose and drive our strategy. At each meeting, the Board and its Committees review metrics, reports and scorecards, and receive presentations on key business factors, including in relation to culture and governance. They challenge and support Senior Leaders, particularly where there is a need to adapt policies and initiatives, ensuring the continued alignment of strategy and culture.

The Board delegates day-to-day responsibility for setting and embedding Company culture to the CEO who, together with the Executive Committee, leads from the front and role models attitudes and behaviours to create an open and honest workplace environment, empowering employees to give feedback and freely ask questions about matters that concern them, such as during the CEO's quarterly, global all-employee calls. The Executive Committee is responsible for executing the Group's strategy, and keeping the Board informed of the operation of the business and workplace culture.

IHG's hotel development and operations are organised on a regional basis (Americas, EMEA and Greater China) and are supported by global functions in the key areas of Marketing, Commercial & Technology, Finance, Human Resources, Corporate Affairs, and Business Reputation and Responsibility.

Management of the regional and global teams is organised into leadership teams, who are responsible for executing on IHG's strategic priorities in a manner that aligns with the Group's culture and values. Decisions on hotel developments and capital expenditure go through the appropriate deal approval and expenditure committees.

The Group operates a Global Delegation of Authority Policy, which sets out financial commitment and expenditure approval controls. Commitments over certain thresholds or type of proposal require approval from the Group's Capital Committee, which reports into the Executive Committee.

The Group's legal ownership structure comprises around 390 subsidiaries worldwide. These entities provide the legal framework required to support the Group in making individual contracts and commitments.

 Information on the Board's monitoring and assessment of our culture is included on page 91.

Risk appetite, controls and systems

Our risk appetite and tolerance is continually reviewed by the Board in its pursuit of strategic and business objectives. While our strategy does not consciously expose any of our assets to significantly heightened risk, the choices we make aim to balance priorities and resources to either actively exploit current advantages or address current disadvantages versus a range of competitors, and meet stakeholder expectations. The Board considers the portfolio of risks we face and whether our allocation of resources and pace of initiatives to build enterprise capability, creates any imbalance or exposes other risk areas as the industry emerges from the pandemic. Our risk appetite is cascaded through our values and behaviours, our goals and targets, our Code of Conduct, Delegation of Authority and other global policies, and is further reinforced by frequent leadership communications to guide behaviours and set priorities.

We are committed to a framework of monitoring and assurance processes in relation to our initiatives and policies, reviewing whether they have operated within acceptable risk tolerances where priorities have shifted, or where additional actions were required. Board and Committee agenda topics allow the Board to identify and discuss the nature and extent of principal (and emerging) risks and how risk management arrangements have adapted where required.

 See Our risk management on pages 40 to 47 and Governance pages 89 and 96 to 97.

Workplace environment

The pandemic has ushered in fundamental changes to the workplace, including hybrid and remote working. We continually review our ways of working as new practises emerge in line with local restrictions and working cultures. Although each region has embraced this differently, with offices at different stages of re-opening, what has emerged is a new type of connectivity between employees, in particular with the adoption of video meetings, a focus on work-life balance and wellbeing, and a less formal approach. As an example, the Denham head office in the UK has embraced a flexible, hot-desking environment, with Executive Committee members working alongside team members in an open-plan workspace.

We are mindful that as a result of changes in the workplace and increased digitalisation, we need to be vigilant regarding the security of Company information and data. In 2021, we ran a series of global cybersecurity teaching sessions that included topics such as phishing, keeping information safe and secure whilst working remotely, social engineering, and securing and safely

transferring data. We also increased controls around IHG-approved tools and systems, and refreshed and relaunched our security policies at the beginning of 2022.

 See our people disclosures on pages 23 to 26, and key matters discussed by the Board on page 91.

Our behaviours

Our Move fast, Solutions focused, Think return and Build one team behaviours empower and inspire our employees to work in a way that supports our purpose and strategic priorities. These are underpinned by our Code of Conduct and responsible business approach, and together influence how we interact with our stakeholders. By role modelling our behaviours, IHG's leaders create an environment that encourages rapid decision making that supports our growth aspirations, within a framework of due diligence and assurance processes.

Employees have shown continued adaptability and resilience in the face of the pandemic, while demonstrating our behaviours. During the year, a series of Next Talk events were led by Executive Committee members across the organisation, to deepen understanding of the link between our behaviours and strategy. More than 2,000 employees joined the sessions, with positive feedback from them.

Code of Conduct and related policies

IHG's Code of Conduct (Code) is the framework for how we do business at IHG, and underpins our strategy and commitment to providing True Hospitality for Good. Our key principles and policies are included in the Code, which enables employees and colleagues working in IHG corporate offices, reservation centres, managed, owned, leased, and managed lease hotels to make the right decisions, in compliance with the law and IHG's ethical standards.

Included in the Code is an overview of our values, reporting concerns framework and Group policies, including human rights, respect in the workplace, diversity, equity, inclusion and equal opportunities, accurate reporting, information security, anti-bribery and corruption, and the environment. It also provides guidance on where to go if colleagues have a concern and need further help.

The Board, Executive Committee and all colleagues working in IHG corporate offices, reservation centres, managed, owned, leased, and managed lease hotels must comply with the Code. We expect those we do business with, including our franchisees, to uphold similar principles and standards.

The Code is reviewed and approved by the Board on an annual basis, and is supported by annual e-learning requirements. In 2022, we will continue to evolve our Code training, engagement and measurement approaches, including developing and launching a new



How IHG does business continued

Code e-learning module to support and provide additional guidance. In addition to our Code e-learnings, we monitor and assess other aspects of our culture through a variety of methods, including direct engagement, employee engagement surveys, tracking of e-learning completion and our confidential reporting hotline.

The following policies and principles form some of the key areas of the Code. Other areas of the Code, such as our DE&I policy, and human rights and modern slavery commitments, are outlined on pages 25 and 26. Initiatives to respond to legal, regulatory and ethical compliance risks are on page 46.

 IHG's Code of Conduct is available in 10 languages on the Company's intranet and www.ihgplc.com/responsible-business

Our values

Led by the Board and Executive Committee and our values underpin our behaviours and business ethics, guide how we deliver our strategy, make decisions and live our purpose.



Do the right thing



Show we care



Aim higher



Celebrate difference



Work better together

Speaking up

Central to our people culture is respect in the workplace, whether it be relating to a colleague, guest or anyone else. IHG has zero-tolerance to any form of discrimination, harassment or bullying in line with our Respect in the Workplace Policy. Whilst we uphold our responsibility to behave ethically and protect IHG's reputation, it is possible that a few colleagues may act in a way which conflicts with the principles set out in the Code. Guidance is given to report concerns directly to line managers, supervisors or local Human Resources representatives. For instances where it is more appropriate, a confidential reporting hotline and online reporting facility is available and globally advertised. The Head of Risk and Assurance and General Counsel and Company Secretary are also available to be contacted. Reports are routinely reviewed by the Board, who ensure arrangements are in place for investigations and follow-up actions.

Safety and security

IHG is committed to providing a safe, secure and healthy environment for all our colleagues, guests and visitors. All operations must comply with all applicable health, safety and security laws. Beyond compliance with the law, IHG works to identify further improvements to the way we manage safety and security risk and has mandatory Brand Safety Standards in place for all hotels globally to drive consistency in this area. Initiatives to respond to safety and security risks are on page 47.

Bribery and corruption

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

Our Anti-Bribery Policy sets out our zero-tolerance approach and is applicable to all Directors, Executive Committee members, employees and colleagues in managed, owned, leased, and managed lease hotels. It is accompanied by a mandatory Anti-Bribery e-learning module. Our Gifts and Entertainment Policy and guidance further supports our approach in this area. To continue to enhance our anti-bribery programme and in line with best practice, in 2021 we undertook a Group-wide bribery and corruption risk assessment with the assistance of specialist external counsel. The objective was to ensure that IHG's key bribery risks continue to be addressed and areas of improvement are identified. The assessment has recently concluded, and the findings will be incorporated and addressed throughout the business under the leadership of the Ethics and Compliance team. Initiatives to respond to legal, regulatory and ethical compliance risks are on page 46.

IHG is a member of Transparency International UK's Business Integrity Forum and participates in its annual Corporate Anti-Corruption Benchmark. Each year, the results from this benchmark help to measure the effectiveness of our anti-bribery and corruption programme and identify areas for continuous improvement.

Handling information responsibly

We are committed to ensuring that guests, members of our loyalty programmes, colleagues, shareholders, owners and other stakeholders trust the way we manage data. As part of our privacy and information security programmes, we have standards, policies and procedures in place to manage how personal data can be used and protected.

Our e-learning training for employees on handling information responsibly is a mandatory annual requirement, and covers topics such as password and email security, using personal data in accordance with our policies and privacy commitments, how to work with vendors and transferring data securely.

In addition to the cybersecurity awareness learnings mentioned on the previous page, we held tabletop exercises to practise our ability to detect and respond to potential security events, such as ransomware and supply chain attacks. We continue to develop our privacy and security programmes to address evolving requirements and take account of developing best practice. The Board regards cybersecurity as a critical business discipline and it regularly receives updates.

 See initiatives to respond to cybersecurity and information governance risks on page 44.

Section 172 statement

Details of how the Directors have had regard to the matters set forth in Section 172(1)(a) to (f) of the Companies Act 2006 is provided in the Section 172 statement on pages 90 to 91.

Further details can be found throughout the Strategic and Governance Reports, including in our key stakeholder engagement disclosures on pages 20 to 28, 39, 92, 101, 107, 108, 112 to 114, 227 and 228.

Non-financial information statement

Non-financial information, including a description of policies, due diligence processes, outcomes and risks and opportunities can be found as set out below. Internal verification and disclosure controls apply to all the information covered in these areas.

- Impact of the Company's activities on the environment on pages 29 to 35, and 229 and 230
- Social matters on pages 27 and 28
- Anti-corruption and anti-bribery matters on page 38
- Employee matters on pages 24 to 26, 101, 107, 108, 112, 114 and 227
- Respect for human rights on page 26
- A description of the Group's business model on pages 10 to 13
- The Group's principal risks on pages 42 to 47
- The Group's KPIs on pages 50 to 53

 See our relevant policies at www.ihgplc.com/responsible-business

Responsible procurement

Growing our business in an innovative and sustainable way, whilst working to the highest standards of business conduct, plays a key role both in our supplier selection process and how we continue to work with our existing suppliers. We are committed to working with suppliers who meet our minimum ethical standards and share the values of our responsible business plan – Journey to Tomorrow.

What we do already

Our supply chain activities are split between corporate and hotel supply chains. Hotel purchasing predominantly occurs at a local hotel level, as our hotels are largely owned by independent third-party owners who are responsible for managing their own supply chains. In some key markets, IHG has purchasing programmes in place for essential goods and services required for opening, renovating and operating a hotel, which hotels have the opportunity to buy. Our corporate supply chain covers marketing, technology and professional services.

To help manage and monitor our corporate supply chain, an automated procurement system is used across many of our large offices. Several strategic suppliers also receive hands-on support in the form of business performance reviews to mitigate risk and promote value realisation.

To ensure that suppliers act with the same integrity and respect as we do, new corporate suppliers are required to confirm their acceptance of the IHG Supplier Code of Conduct (or demonstrate they have equivalent policies in place), when they

are onboarded, in addition to it being a contractual requirement. Recommended guidance is also provided to our managed hotels.

What we achieved in 2021

In 2021, we focused on our supply chain risk assurance programme, IHG's Green Supplier programme, ongoing collaboration with diverse suppliers and improving employee awareness of responsible procurement.

Some procurement activities were reduced due to supply chain disruption, including longer shipping times, which impacted our ability to source products. However, other activities did continue and the Board reviewed initiatives to leverage our system-wide buying power and simplify the procurement programme to lower costs for owners. See page 91 for more information.

We refreshed our responsible procurement criteria for prospective suppliers. The pre-contract assessment is part of IHG's tendering process and includes due diligence questions about suppliers' governance, labour and environmental practices relevant to suppliers' own operations and supply chains.

IHG complies with its statutory reporting duties on payment practices and performance and is a voluntary signatory of the UK Prompt Payment Code. In 2021, we updated our processes to ensure that suppliers with less than 50 employees were paid within 30 days where centrally accounted for across our UK corporate and managed, owned, leased, and managed lease hotel supply chains.

With our hotels and resorts at the heart of local communities, we supported many programmes around the world during 2021, including in the UK, where we donated unused PPE to St John Ambulance.

Recognising the environmental impact textiles have across the entire value chain, we continued to collaborate with Exeter University (UK) to carry out a research assessment of the environmental and financial considerations when sourcing textiles. We also continued working with CARE International UK and carried out a workplace gender analysis in factories using interviews and focus groups, which will inform our work in 2022.

What's to come

We will continue our goal to increase the consideration of sustainable, diverse and risk resilient suppliers. This enables the right conversations to be had across the business and increase the amount of business awarded to them. To that end, we are in the process of evolving the digital systems that support our responsible procurement processes, including the evaluation of suppliers' risk, diversity and sustainability attributes.

Corporate and hotel supply activities are driven by our Procurement function and guided by our responsible business agenda, with oversight from the Board's Responsible Business Committee.

 See our supply chain disclosure on page 26, and commitment to minimise waste on page 30.

Supplier engagement



Responsible supplier relationships are vital for IHG in driving efficiency and effectiveness throughout both hotel and corporate office lifecycles.

What impacted them in 2021

- Payment practices and performance
- Supply chain integrity
- Environmental concerns, including waste

Engagement

- Communications with suppliers about payment terms
- Working with suppliers as part of our tendering processes, to understand their responsible business activities
- Collaboration with suppliers regarding bulk amenity solutions

Outcomes

- Revised payment processes for small companies that supply IHG in the UK
- Increased collaboration with sustainable suppliers and alignment with our Journey to Tomorrow ambitions
- Sustainable bulk amenities solutions are being deployed across our estate globally



Further information about how the Board considered supply chain and procurement is on pages 91 and 101, and our business relationships, including our statement of business relationships with suppliers, customers and others, is on page 228.



Visit www.ihgplc.com/responsible-business for further information about our responsible procurement approach.

Our risk management

The Board's role in risk management – focused on IHG's resilience

The Board is ultimately accountable for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed, and is supported by the Audit Committee, Executive Committee and delegated committees. Our governance framework and Committee agendas establish procedures for Board members to receive

information on risk from the Executive Committee and Senior Leaders and a range of other internal and external sources.

Our Board and management, supported by the Risk and Assurance team, continue to focus on the levels of risk in the business (either individually or in total), including the appropriate balancing of opportunities for strategic advantage or efficiency with the

need to build in resilience in the short and longer term. Delivering at pace across our strategic pillars places demands on our capabilities and capacities and the complexities of the hospitality industry require us to consider emerging trends (see pages 14 and 15) across a wide range of subjects given the often long lead times to effect change with our estate of hotels.

Attitudes to risk within key decisions

We have assessed risks and considered risk appetite across our strategic choices and, while we are not exposed to greater risk overall across the strategy, we continue to monitor risks to executing against our plan and inherent risks from the trade-offs we have made. There are also several emerging risks which are likely to be dynamic throughout the delivery of our strategy, including consumer demand shifts; digital disruption; people and workforce changes; environmental, social and governance (ESG) expectations; and a complex geopolitical and regulatory environment. We describe the Board's approach to risk appetite on page 37 and our attitude is often less about downside risk mitigation and more about positioning ourselves to respond to uncertainty in an agile way.

Board and Committee discussions during 2021 have allowed for consideration of emerging and evolving risks across a wide range of topics and timeframes, including:

- competitor and macroeconomic risk factors within the Board's discussion of strategy and presentations from management (e.g. brand and loyalty strategies, commercial and technology developments, industry cybersecurity risks, supply chain and procurement strategies, long-term financial strategy, regulatory developments and the imperative to drive owner returns);
- workforce-related risks at the Remuneration and Nomination Committees, including preparation for the integration of an ESG element into targets for future longer-term incentive cycle, retention and succession arrangements; and risks relating to the competitiveness of remuneration;

- regulatory and financial governance risks at the Audit Committee (e.g. tax risks relating to digital businesses, treasury and liquidity risks linked to volatility and sentiment in the capital markets, corporate governance reform, potential risks from litigation and financial control risks in a cost-constrained environment);
- wider cultural risks at the Responsible Business Committee, including employee wellbeing and the impact of flexible working arrangements; gender and ethnicity reporting; community impact; sustainability; human rights; and evolving supply chain risks; and
- risks relating to the impact of climate change on IHG have continued to receive close attention in Board and Responsible Business Committees, including our commitments to the TCFD recommendations and an external briefing on COP26 focus areas.

Procedures for identifying, discussing and escalating emerging risks

We recognise that we are targeting industry-leading growth with an already dynamic risk profile; with competitive challenges in key markets; and with some areas of IHG challenged by emerging risks as we have evolved to the new operating norms resulting from Covid-19. Some of these emerging risk areas – including

constraints on owner finances or availability of talent – may not be quick to overcome.

The management team is aware of the challenges this context creates and our strategic priorities are reviewed regularly at Executive Committee meetings, considering emerging risks through open roundtable discussion within the agenda, and certain emerging themes are considered through deep

dives with a smaller audience. Our financial planning also includes identifying levers which could be pulled to enable flexibility and adaptability to changes to our financial assumptions and circumstances and overall viability and sustainability. More detail on the topics covered by the Board and Committees is available in the Governance Report, pages 80 to 127.

Ongoing escalation of emerging risks, defined as:

- New risks, or existing risks in a new context, when the nature and value of the impact is not yet fully known or understood
- Factors with an increasing impact and probability over a longer time horizon (i.e. beyond five years)

Risks identified within first-line decisions

Management teams have day-to-day responsibility for identifying and managing risk within key decisions, programmes and transactions and escalating where appropriate.

Risks identified and monitored by second-line management functions

Specialist functions provide expertise, support, monitoring and challenge to decision makers on risk-related matters.

Risks considered at Executive Committee

Ongoing dynamic review of risks as part of decision-making and strategy setting, including consideration of longer-term trends which could impact future growth, competitiveness or reputation.

Oversight by Board and Committees

The Board is responsible for carrying out a robust assessment of the Company's emerging risks and oversees the culture across the Group through which employees are encouraged to learn and work at pace, focus on solutions and take the right risks to get ahead of the market.

The Board and Committees receive presentations from management teams, second-line functions, Risk and Assurance and external parties throughout the year.

Supported by the Risk and Assurance team

The Risk and Assurance team works with Group Strategy and other first- and second-line teams to maintain and evolve their risk profiles, provide intelligence, track early warning indicators and any potential changes to risk tolerance and appetite. They update the Board on any changes to the principal risks but also explore opportunities to consider risk continuously throughout the year and to influence and inform key decisions.

The third-line Internal Audit team works throughout the year with the Audit Committee to consider where additional confidence may be needed in relation to strategic programme and operational delivery, including the escalation of emerging risks by management, the resilience of key processes and controls (including third-party relationships and technology innovation) and the integrity and governance of data. The team also monitor the confidential disclosure channel to identify any emerging trends requiring management and/or Board intervention.

Continued evolution of our risk management, internal control and assurance arrangements

The Board have received regular updates on the ongoing evolution of our risk management and internal control system. These arrangements are designed and operated to support our resilience and our ability to take advantage of upside opportunities and remain fully integrated with the way we run the business, including:

- how the Executive Committee has reinforced key principles of **culture and leadership** (see pages 24 to 26), including our Delegation of Authority policy; sessions with all colleagues to reinforce strategy and leadership behaviours; refreshing several corporate policies to ensure they remain appropriate (including Code of Conduct and Information Security); reviewing decision-making protocols (for example to further enhance governance over System Fund expenditure and Commercial and Technology delivery); and considering risk appetite and strategic programme delivery risk within the Board Strategy meetings;
- how we have adapted key **processes and controls** as we recover from pandemic disruptions and adapt to remote working such as regular reviews of risk profiles; a review of incident and crisis management

procedures; and cross-function collaboration on key risks (including third-party due diligence, personal data, fraud prevention, responsible business); and

- how we have adapted **monitoring and reporting** of risks following necessary adjustments during the pandemic, including the formation in 2021 of new governance committees for key risk topics, specific external benchmarking such as anti-bribery and corruption, privacy and TCFD modelling, and the development of medium-term strategic metrics to monitor strategic execution, which are anchored competitively where possible.

The Risk and Assurance team have reported to the Audit Committee on developments in executive and senior leadership oversight of risk management and also those of key functions within IHG (information security, procurement, ethics and compliance, privacy), including trade-offs and choices made to maintain an appropriate balance across the portfolio of risks and active consideration of acceptable risk tolerances. This is contributing to an ongoing evaluation of the sources of assurance available to the Board, complemented by the independent internal audit plan. This has included focus on assurance on data integrity in relation to key non-financial metrics which will continue in 2022.

IHG's resilience remains an ongoing, cross-functional, focus to identify opportunities to improve efficiency, effectiveness and confidence. We are applying resilience principles as we embed preparedness for climate change into existing processes following the TCFD project. This includes translating the key climate-related scenarios into assumptions that can be embedded in our long-range planning; considering climate sentiment indicators relating to guests, owners and investors and other strategic initiatives over time; and considering scenarios as an integrated part of future Board Strategy sessions and horizon-scanning discussions.

We describe the Board's approach to risk appetite on page 37 and more detail on formal risk appetite and tolerance is provided elsewhere in this report. For example, our appetite for financial risk is described in note 24 to the Group Financial Statements (see pages 188 to 192), and our approach to taxation on page 57.

 This section should be read together with the rest of the Strategic Report, Governance on pages 80 to 127, the going concern statement on page 230, and Risk Factors on pages 231 to 236.

Practical risk management lessons learned from our Covid-19 response

Reflecting on the challenges we have faced during our response to the pandemic, we have held 'lessons learned' discussions across the business around a range of topics including process, decision-making, communication and future proofing, among others. Our goal is to ensure we grow from our experience to date, reinforce and continue good practices which were already in place and that we implement continuous improvements to our ways of working going forward.

Our practices in place that worked well

We identified successful practices adopted by many IHG teams in our pandemic response to capture and reinforce for the future including:

- global alignment on terminology and response procedures, highlighting key accountabilities and escalation protocols;
- protocols to engage diverse expertise and best practice across our functions and regions, using a global 'hub and spoke' model. This ensured we remained agile and adaptable in the fast-changing and uncertain global environment; and
- living our values, behaviours and priorities, empowering teams to be solutions-focused and move at pace to support hotels and owners as well as care for our employees and guests.

Opportunities identified for future resilience planning

While recognising what worked well, we also identified opportunities to evolve and strengthen our crisis management and business continuity programme launched prior to the pandemic, including:

- where possible, automation of processes that allow for real time data to be easily captured, tracked, and monitored; and
- enhanced structures for streamlining efficiency in our communication processes up and downstream in the business.

Implementing opportunities in practice

Each key opportunity identified in our lessons learned review was assigned a dedicated working group to identify practical and achievable solutions for implementation in 2022 and beyond.

These new ways of working will be embedded into our common practices and culture, ensuring greater resilience and readiness for future incidents or crises across a wide range of potential individual and connected risk topics.

Our risk management continued

IHG's principal risks and uncertainties

The Covid-19 crisis did not fundamentally change the principal risks to our business and strategy; however it heightened the uncertainty we faced in the short term and also created the potential for longer-term impacts based on trade-offs that were required to protect liquidity in 2020.

Covid-19 was therefore not managed as a separate risk, rather as part of how we evaluated many of our existing principal risks, and this approach continued into 2021, as specific factors relating to the safety and security of our colleagues and guests or constraints on domestic and international travel eased, but other uncertainties – for example relating to hotel-level talent and supply chains – may have a more rapid impact in an uncertain and low visibility environment.

While our principal risk grid is deliberately broad in scope and includes factors which may become increasingly important over time, the complexities involved in the execution of our initiatives mean there

is merit in more proactive consideration of emerging scenarios across multiple risk topics. These can act as lenses for us to look at the nature or potential speed of impact of many of our identified risks (as we have experienced with Covid-19) and to provide increased articulation to the Board of potential sensitivities to, and stress-testing of, strategy execution.

All the risks on the grid below meet the definition of 'principal', however we have reviewed the trends carefully to more accurately reflect the current behaviour of risks relative to each other and the portfolio overall. This includes close consideration of risks with a more gradual, longer-term impact beyond the period considered for financial planning, including the potential impacts of climate change which have been evaluated in our TCFD project (see pages 32 to 35) and also integrated into other risks on the grid.

The Board and Executive Committee have not noted any major movements on the grid compared to last year. In relative terms,

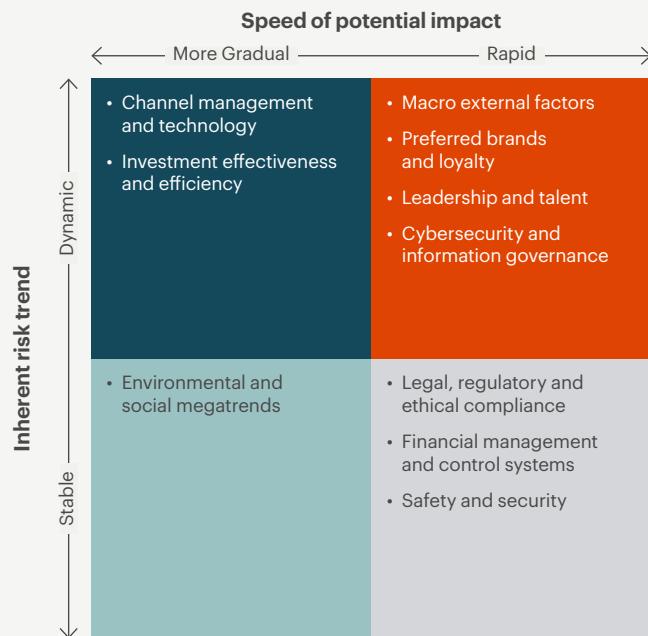
some risks remain dynamic as we move into 2022 while others are more stable on 2021 levels. We will continue to monitor potential shifts in 2022 as a result of the external environment, our business model or a complex and highly interdependent portfolio of internal initiatives.

By distributing the risks across the grid in this way, it allows us to consider the different responses which may be required to individual factors (for example, rapid factors which may require continuity planning), or the overall level of risk we are facing and what it means for governance of the whole portfolio and future resilience. The principal risks are considered in the development of specific viability scenarios (see pages 48 and 49). Our actions resulting from our TCFD project will also be used as a model for other scenarios which can be integrated into ongoing management monitoring and dynamic financial planning, and which can also feed into the modelling and stress-testing of strategic resilience recommended by the UK Government report on corporate governance reform.

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. The trend and speed of impact are summarised in the diagram with further detail on activities to manage each of these risks in the following pages.

Principal risk – assessment of trend and speed of impact



Principal risks descriptions

Inherent risk trend

- Dynamic/Rapid
- Dynamic/Gradual
- Stable/Rapid
- Stable/Gradual

Risk impact – link to our strategic priorities

- ★ Build loved and trusted brands
- Customer centric in all we do
- ↗ Create digital advantage
- heart Care for our people, communities and planet

Risk & trend	Macro external factors	Preferred brands and loyalty
Description	<p>Macro external factors such as political and economic disruption, the emerging risk of infectious diseases, actual or threatened acts of terrorism or war, natural or man-made disasters, and inflationary pressures could have an impact on our ability to perform and grow, including disrupting hotel supply chains and increasing costs for our owners.</p>	<p>Failure to deliver preferred brands and loyalty could impact our competitive positioning, our growth ambitions and our reputation with guests and owners.</p> <p>Competition from other hotel brands and third-party intermediaries create inherent risks and opportunities to the longer-term value and attractiveness of IHG's franchised and managed proposition for our brands.</p>
Link to strategy		
Trends observed in 2021	<p>Secondary impacts and continuing uncertainty in relation to the recovery trajectory from the pandemic will continue to exacerbate these factors across several markets. Inflationary forces on labour and energy could create significant pressures to hotel and owner financial positions and IHG operating costs.</p> <p>In addition to epidemics and pandemics, the risk of natural disasters and extreme weather events may pose an increasing threat to IHG operations in the future. Local and international political tensions also continue to create uncertainty for operations in key markets.</p>	<p>Covid-19 increased short-term pressures on availability of financing for development, and there may also be slowing of the pace of construction and openings due to labour and supply chain constraints and wider inflationary pressures.</p>
Initiatives to respond	<p>IHG's resilience remains an ongoing, cross-functional, focus. The launch of a refreshed incident and crisis management programme and engagement of key leadership teams in scenario training prior to the pandemic has proved very valuable in establishing a common language and headline roles and responsibilities. We have continued to monitor intelligence from a range of external and internal sources (e.g. government health and travel advice), to evolve guidance for the safe operation of hotel and corporate offices.</p> <p>Leadership teams across IHG have also reviewed lessons learned from the pandemic and how they can be applied to future crises. As an example the EMEAA leadership team regularly review global, regional, and business unit risks, working with Business Reputation and Responsibility experts to train teams on resilience, continuity, and crisis planning. Crisis management teams have refreshed business continuity arrangements for the reopening of corporate offices (e.g. business service centres, reservation offices and corporate locations) and continued to monitor continuity approaches for key supplier relationships.</p> <p>We maintain a range of intelligence sources to horizon-scan for emerging threats, provide insight to leadership on incidents that impact operations, and analyse future scenarios to inform the business planning cycle, including at the Board and Executive Committee level.</p> <p>Our initiatives to focus on owner returns are described within the 'Preferred brands and loyalty' and 'Investment effectiveness and efficiency' risks and within our priority to be customer centric in all we do (see pages 19 to 21).</p>	<p>In recent years, we have focused on strengthening our brands, addressing quality, building our masterbrand and enhancing our data and technology capabilities. These investments have been essential to our multi-year journey towards customer centricity and have helped establish a strong foundation from which to build customer loyalty (see pages 19 to 21). We have added the capabilities to launch and manage new brands, including standardised design, mandated specifications, new procurement capabilities, continuous product innovation, and strengthened franchise licences.</p> <p>It will be critical to use our loyalty programme to drive business to our hotels and take share from our competitors. We are also investing in individual hotel-level marketing to drive revenue performance of new brand hotel openings and implementing actions to enhance returns for our owners by decreasing costs to build and operate hotels, for example by evolving our brand standards. We are coordinating the operational impact on hotels in the near term as ongoing disruptions mean there will be constraints on our ability to train hotel colleagues. Our regional teams also use data to prioritise attention and resources to drive performance.</p> <p>We track hotel-level data in relation to the sustainability of our brands in order to respond to an increasing trend of requests from corporate clients for this information. Several IHG teams have also progressed an agreed set of bathroom bulk product offerings for all our brands in all our regions, not only to build on our sustainability credentials but to improve guest experience through the products that will become available in our hotels.</p>

Our risk management continued

Risk & trend	Leadership and talent	Cybersecurity and information governance
Description	<p>Failure to attract, develop and retain leadership and talent could impact our ability to achieve growth ambitions and execute effectively.</p> <p>Risks relating to people underpin the majority of processes and controls across IHG, and our ability to develop talent is critical to delivering value to our brands and hotels in the global markets where we operate and compete. See pages 24 to 26 for further detail on the importance of our people to our purpose and strategic goals.</p>	<p>Inherent threats to cybersecurity and information governance remain significant and we are responsible for a range of high-value assets (critical systems and employee, guest and other sensitive data) which may be targeted by various ‘threat actors’ (including organised criminals, third-parties and colleagues).</p> <p>Our plans to transform how we use our commercial and marketing data to improve the customer experience, grow market share and revenue, and empower our owners to make better decisions also present inherent risks to how we manage information across IHG.</p>
Link to strategy		
Trends observed in 2021	<p>Our ability to attract and retain talent remains a challenge in an uncertain economic and highly competitive environment. Furthermore, our growth ambitions increase the need for hotel talent, particularly for General Managers in our Luxury & Lifestyle estate.</p> <p>We face dynamic trends in our ability to retain and attract key and diverse talent, to deliver learning at pace and to transition to hybrid ways of working while maintaining productivity and collaboration.</p>	<p>Dynamic and external attacks against the hospitality industry have continued in 2021, with ransomware attacks in particular trending against technology providers, national infrastructure and supply chain. This has the potential to impact both IHG and our third-party providers.</p> <p>Rapid societal, legal and regulatory and media scrutiny of privacy arrangements, the transition to more permanent hybrid working conditions for our employees and suppliers, and advances in attack sophistication also heighten inherent information security risks.</p>
Initiatives to respond	<p>The Executive Committee regularly discusses talent attraction and retention risks, and each functional and regional leadership team has a clear talent plan. We have expanded programmes to support the development of diverse talent, increased our conscious inclusion education and continuously review and adapt our practices to be more inclusive. Our employee resource groups, who are key in helping us build a culture of inclusion, have grown across all our global markets. We are providing active support to our colleagues as they transition to hybrid working and are taking opportunities to re-energise the workforce. Regular all-employee calls are held with the Chief Executive Officer and there are ongoing leadership communications and virtual team meetings at regional and functional levels.</p> <p>The Human Resources organisation have developed a series of leadership tools and learning to ensure our leaders are equipped to lead in a hybrid world and can foster a performance-driven culture based on trust. We are creating office spaces that are designed for collaboration and connection.</p> <p>We have established a Global Learning Steering Committee with a focus on supporting our owner needs, reviewing our learning offering and utilising technology to provide a virtual and sustainable learning environment.</p> <p>IHG has the ability to manage talent and retention risks directly in relation to IHG employees but relies on owners and third-party suppliers to manage these risks within their own businesses. Our Procurement, Legal and Risk teams also consider more indirect workforce risks relating to our third-party relationships.</p> <p>The Remuneration Committee is responsible for determining Executive Board and Executive Committee remuneration and reviews wider workforce remuneration, aligned with the interests of shareholders and the UK corporate governance environment.</p>	<p>Our Information Security team continues to implement new solutions and controls to address potential vulnerabilities, and to focus resources on those operational tasks that best protect our sensitive data sets and systems and detect and respond to potentially malicious events in an appropriate way. In 2021 we built a ransomware response programme, conducted tabletop exercises and clarified decision rights to enhance incident preparedness. We also matured our oversight of third-party providers through use of security questionnaires and an independent cybersecurity ratings platform.</p> <p>We work with our specialist technology providers to continuously improve key operational security processes and capabilities such as Identity and Access Management, Security Monitoring, Incident Response, and the support and maintenance of technical solutions architecture.</p> <p>As finances remain at a premium for hotel owners, our Information Security and Technology teams continue to collaborate to provide reliable, scalable and cost-effective solutions, targeted at areas of greatest opportunity for future attacks.</p> <p>Our information security strategy and programme is overseen by an Executive Security Compliance Committee and supported and reviewed by internal and external assurance activities, including PCI assessments. An extensive security metrics pack is produced monthly to track risk trends, operational effectiveness and mitigation activities.</p> <p>To mitigate specific risks in relation to our Greater China region, our local team has conducted internal assessments of security compliance and remediated gaps, supported by IHG's Global Information Security team.</p> <p>See also page 38 for detail of our approach to handling information responsibly in accordance with our policies and privacy commitments, including working with vendors.</p>

Risk & trend	Channel management and technology	Investment effectiveness and efficiency
Description	<p>Failure to capitalise on innovation in booking technology and to maintain and enhance the functionality and resilience of our channel management and technology platforms (including those of third-parties, on which we rely directly or indirectly), and to respond to changing guest and owner needs remains a principal risk to IHG's revenues and growth ambitions.</p>	<p>The importance of our investment effectiveness and efficiency will be critical to balance short- and longer-term strategic needs (e.g. developing infrastructure, increasing growth of our system, enhancing digital capabilities).</p> <p>Failure to manage risks associated with investments may impact commercial performance, lead to financial loss and undermine stakeholder confidence.</p>
Link to strategy		
Trends observed in 2021	<p>Uncertain demand as the industry recovers creates dynamic and rapid trends to how we service demand through various channels and meet increasing guest and owner expectations, including how we use data to personalise experiences and build loyalty.</p> <p>The pace of innovation in digital behaviours in the hospitality industry and wider society continues to accelerate, with fast-moving global and local competitors, and technology replacing certain elements of business travel, and IHG must evolve to effectively grow and compete in the marketplace.</p> <p>Additional risk comes from the current context, including financial and inflationary pressures on owners who rely on us for their scale, capabilities and enterprise strength, and constraints and risks in the hiring and retention of top talent in the hospitality industry.</p>	<p>We are highly dependent on significant capital investment to renovate our existing estate, sign new hotels and build IHG's pipeline and the current operating environment has created additional challenges for owners, including financing constraints, commodity and raw material price inflation, supply chain constraints, labour and general product shortages, shifting guest expectations and volatile demand patterns. As such, it is particularly important that our enterprise capability is strong to allow owners to deliver consistently superior returns that can attract this capital.</p> <p>We are also increasing our interdependencies with third-parties to deliver our Commercial and Technology strategy, placing emphasis on risk ownership within ongoing management of contract relationships and the resilience of, and due diligence in relation to, key suppliers.</p>
Initiatives to respond	<p>While the pandemic has been limiting due to decreased availability of capital, capacity and capabilities, we benefited from prior progress we had made in our organisations to manage risks, by simplifying our work, sequencing it more effectively and removing obstacles and limitations within each core area. As such, we are able to respond rapidly to shifts and opportunities in the marketplace and can drive incremental revenue by focusing on the basics of pricing, inventory and booking-flow optimisation.</p> <p>Our Marketing and Commercial and Technology teams work in partnership to prioritise efforts and associated investments in driving enhanced customer-centricity, by developing and iterating a roadmap for key initiatives, their pace, sequence and intended focus for technology-enabled transformation over the next three years and beyond (see page 22 for more details). We have also established a central programme oversight function designed to support and monitor progress, challenge approaches and resolve issues relating to execution.</p> <p>We will also continue to focus on developing our capabilities and ensuring that we have the talent needed. While we have seen the addition of top senior leadership talent to our teams, it will be key to prioritise digital capabilities to drive our channels, actively expanding the breadth and depth of our digital relationships with current and new guests.</p> <p>To mitigate specific risks for local markets, we have developed a China Digital roadmap and investment to strengthen our locally relevant digital and loyalty offering.</p>	<p>Our Finance teams regularly review and evolve our governance and control frameworks, including delegated approval authorities and processes, to enable decisions on investments to be made quickly and efficiently with consideration of the risks involved. The Executive Committee discusses our strategic priorities and capabilities to deliver them.</p> <p>Our global and regional Operations teams maintain a global project tracker which allows us to have visibility and review any risks and opportunities to any in-flight or pending project with impact on hotels.</p> <p>With learnings from the pandemic and considering the new operating context, we established a new strategic priority in being customer centric in all we do to further strengthen owner return on investment and to accelerate our net system size growth in the recovery.</p> <p>We are instilling specific return on investment disciplines through our 'Think return' behaviour and are applying enhanced design and procurement processes to reduce the cost, alleviate labour pressures and maintain the quality of our brands in new brand prototypes. We have also simplified governance with a senior executive steering committee providing oversight of key global workstreams.</p> <p>We are strategically planning our sourcing activities around known or anticipated cost and supply challenges for our owners. Many goods and services in these areas are also intrinsically linked to our responsible procurement plan to deliver sustainable, diverse and risk-managed supplies to our hotels. See page 39 for more detail.</p>

Our risk management continued

Risk & trend	Legal, regulatory and ethical compliance	Financial management and control systems
Description	<p>As we operate in more than 100 countries we are exposed to many different compliance, regulatory and litigation and reputation risks. Significant fines can be imposed for regulatory non-compliance, IHG may be exposed to litigation risk and stakeholders (including corporate sales clients) and investors focus on IHG's performance in upholding ethical and social expectations.</p>	<p>A material breakdown in financial management and control systems would lead to increased public scrutiny, regulatory investigation and litigation. Material weaknesses may also impact confidence in IHG from our shareholders and wider stakeholders including suppliers, debt holders, hotel owners and employees.</p>
Link to strategy		
Trends observed in 2021	<p>The global business regulatory and contractual environment and societal expectations have continued to evolve throughout 2021, with legislative changes in many locations we operate in on topics such as data privacy. Many countries are introducing legislation or legislative proposals related to ESG agendas and a focus on sanctions as a foreign policy tool continues to increase.</p> <p>Expectations are also increasing for IHG to manage and drive responsible business through our supply chains and across our wider business including with our franchisees. We expect monitoring and scrutiny of corporate human rights performance to continue to increase as a direct result of the Covid-19 crisis and with high profile upcoming events including the FIFA World Cup Qatar 2022.</p>	<p>Risk levels have remained relatively stable, with continuing monitoring required in relation to owner credit risks and potential commercial disputes while the pandemic recovery progresses. We have made some revisions to our control testing which align with the approach of our new auditors, PwC, and there were no major new accounting standards with a material impact effective this year. We are monitoring the UK Government consultation on corporate governance reform.</p>
Initiatives to respond	<p>Our Ethics and Compliance team focuses on ensuring IHG has a globally coordinated approach to material ethical and compliance risks. The overarching framework is the IHG Code of Conduct (see pages 37 and 38) and e-learning is provided to corporate and reservation employees and managed hotels on an annual basis.</p> <p>Our Ethics and Compliance team monitor e-learning training completion, gifts and entertainment reporting and the owner due diligence process. The team also receive informal queries and/or escalation of issues directly from colleagues and via an Ethics and Compliance email channel which is publicised in training and awareness materials. The Board receives regular reports on the Confidential Reporting Channel. We also continue to participate in Transparency International UK's Corporate Anti-Corruption Benchmark.</p> <p>We monitor and advise internal stakeholders on risks across a range of regulatory issues, including safety, employment, contract, privacy, anti-bribery and anti-trust, as well as continuing to identify and address legal and regulatory issues that have emerged in relation to Covid-19.</p> <p>We also monitor and assess developments in relation to regulations, potential sanctions or directives imposed by governments, and our owner legal due diligence process includes screening against sanctions lists. Ethics and compliance country-level due diligence is undertaken for new country entry assessments and we continue to develop our supplier due diligence process.</p> <p>We are committed to ongoing assessment and work on human rights risks as an integral part of our Journey to Tomorrow commitments (see page 26).</p>	<p>The impact of Covid-19 on our financial reporting and control environment has been significant and presented several challenges. There have however also been opportunities to evolve our approach in certain areas, and the Finance leadership team has continued to review controls and implement enhancements including increased use of remote testing, robotic process automation and data analytics. We have also established a committee with responsibility for central co-ordination of control activity which brings together Senior Leaders in the organisation responsible for assurance activities to review status and scope, evaluate control findings, and consider emerging regulatory developments.</p> <p>We continue to review our business continuity arrangements, including for our India-based Global Business Service Centre, given the operational importance of processes located there such as accounts payable, billing and cash collection, and financial reporting for both corporate and hotels.</p> <p>We have continued to operate an established financial control system, which is verified through testing relating to our Sarbanes-Oxley compliance responsibilities. See pages 57, 156, 169 to 173 for details of our approach to taxation, pages 96 to 97 for details of our approach to internal financial control, and pages 188 to 192 for specific details on financial risk management policies.</p> <p>IHG's management of fraud risk is an integral part of our broader risk management system, including inherent risks to travel industry loyalty programmes. The management of fraud is the responsibility of management teams within regions and functions and is supported by expertise from Risk and Assurance and Global Finance who also track a range of indicators and report periodically to the Audit Committee on fraud risk management procedures, including financial and non-financial factors.</p> <p>Our Group insurance programmes are also maintained to support financial stability.</p>

Risk & trend	Safety and security	Environmental and social megatrends
Description	<p>The manner in which IHG responds to operational risk and the steps taken to safeguard the safety and security of colleagues and guests will continue to receive scrutiny, particularly in light of the pandemic, and could result in avoidable harm to IHG's reputation for high standards of business conduct, result in financial damage, claims against IHG and undermine confidence in our brands.</p>	<p>As a global business, IHG faces uncertainties relating to evolving environmental and social megatrends and our response to these has the potential to impact performance and growth in key markets and is subject to scrutiny from a wide range of stakeholders, including regulators and investor groups, corporate clients, guests and colleagues.</p>
Link to strategy		
Trends observed in 2021	<p>The scrutiny of our operations in relation to our Covid-19 response continued in 2021 across all markets. The risks above relate both to our direct operations in hotels and other locations where we have management responsibility, and also to outsourced activities and others with whom we collaborate and trade, including the owners of our franchised hotels which operate as independent businesses.</p>	<p>The focus on companies acting responsibly and being true to their purpose has been heightened by the pandemic and will continue into the future. This includes investor focus, which is reflected by the increasing requirements for targets and detailed data from ratings and research providers. The detail of our TCFD risk assessment is included on pages 32 to 35, highlighting four most potentially material medium- to longer-term risks, and we will continue to assess the aggregate impact of climate change on our wider stakeholders including our third-party hotel owners. Short-term climate-related factors are also increasingly being considered within other risks, including guest expectations of the sustainability of our brands and macro external factors including extreme weather events.</p>
Initiatives to respond	<p>Our Business Reputation and Responsibility team coordinates and monitors IHG's global safety management system, which is designed to anticipate and identify safety and security risks in an evolving landscape and provide appropriate levels of control necessary to mitigate against significant incidents, whether in hotels or corporate offices. Regional and global subject matter specialists in safety and security work regularly with hotels, operations leaders, and operations support teams such as Design and Engineering, Food and Beverage and Human Resources, to review and set operational safety and security policies and procedures. This working relationship has been particularly important during the pandemic while guest and colleague safety has been IHG's core priority.</p> <p>Subject matter specialists have also continued to monitor local law and public health guidance and external trends that may impact the safe operation of hotels, customer expectations, and development opportunities (e.g. fire safety, food allergens, operational security threats and natural catastrophes), and we continue to review our relevant standards and guidance as these issues evolve and new regulatory requirements and best practices are published. Our specialists regularly advise regional Development and Operations teams about potential security and threat risks in relation to new country entries and new hotel projects.</p> <p>Our specialists also monitor a range of internal indicators relating to safety and security to confirm that our approach to mitigating safety risks across our business is being actively adopted in all regions, and produces expected outcomes. Despite our best efforts, incidents will occur across our global hotel operations and corporate offices; we use these incidents as an opportunity to learn, escalating the most serious for senior management attention. The Board receives and reviews regular safety reports and monitors safety performance. Through this monitoring, IHG can determine where additional standards or guidance may be necessary or whether existing controls may need to be adjusted.</p>	<p>Our Corporate Responsibility team have refined our approach and enhanced our disclosures to meet the expectations of our investors and the requirements of this evolving regulatory environment. We also work together with governments and industry associations to ensure our voice is heard among key stakeholders, as well as being able to advocate for our industry and our owners.</p> <p>Our preparedness and resilience to climate change is being embedded into existing 'business as usual' processes following our project to support the TCFD recommendations. To reduce our carbon footprint overall we have upgraded our science-based target and created a roadmap with internal targets to track and report progress against this commitment. Key elements of our roadmap include supporting our hotels to decarbonise through improved energy efficiency and switching to renewable energy. See pages 29 to 35 for details of our environmental policies and initiatives and the measures we will use to track and report progress against our new commitments.</p> <p>During 2021 several IHG teams worked towards an agreed set of bathroom bulk product offerings, as part of our strategy to reduce single use plastics. We are also further investing to provide training and tools to increase procurement capabilities in sourcing and implementing supplier diversity, sustainability and risk management.</p> <p>Our long-standing commitment to operating our business responsibly has underpinned the actions we are taking in our local communities (see pages 27 and 28), for example through job creation, upskilling and our support for vulnerable people during the pandemic. We also maintained our focus on working and living conditions for migrant workers as well as topics such as responsible recruitment and continue to engage on industry collaboration initiatives which are addressing these risks.</p> <p>Our values and behaviours, promoted by our Code of Conduct, inform our decision-making at all levels. Our Procurement, Legal and Risk teams also monitor supply chain and labour practices risks (see pages 26 and 39).</p>

Viability statement

During 2021 the hospitality industry continued to be impacted by the ongoing pandemic. Trading did however recover significantly during the year, with RevPAR up 46% on 2020 and returning to 70% of 2019's pre-pandemic levels. The resilience of the Group's fee-based model and wide geographic spread resulted in Group adjusted free cash flow^a of \$571 million during 2021 and net debt reduced by \$648 million. Our weighting towards upper midscale hotels in non-urban locations with lower reliance on discretionary corporate and international travel has supported IHG's performance. The Group's business model is discussed in more detail on pages 10 to 13.

Looking forward, the Directors have determined that the three-year period to 31 December 2024 is an appropriate period to be covered by the viability statement. The Group's annual financial planning process builds a three-year plan. This detailed plan takes into

consideration the principal risks, the Group's strategy and current and emerging market conditions. The plan then forms the basis for strategic actions taken across the business and is used for longer-range planning. The plan is reviewed annually by the Directors. Once approved, the plan is then cascaded to the business and used to set performance metrics and objectives. Performance against those metrics and objectives is regularly reviewed by the Directors.

There continues to be an ongoing level of market volatility and risks of further travel restrictions in certain markets. There are a wide range of possible planning scenarios over the three-year period considered in this review. In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighting downside risks that would threaten the business model, future performance, solvency and liquidity of the Group more heavily than opportunities.

Viability scenarios and assumptions

In performing the viability analysis, the Directors have considered a 'Base Case' which is based on a continued improvement in demand with RevPAR expected to reach 100% of 2019 levels by 2024. The assumptions applied in the viability assessment are consistent with those used for Group planning purposes, the going concern assessment, for impairment testing and for reviewing recoverability of deferred tax assets (see further detail on page 149).

The Directors have also considered a 'Downside Case', which assumes that RevPAR growth is reduced by 8% compared to the Base Case in 2022, followed by similar growth rates to the Base Case in 2023 and 2024. This has been built using external market forecasts for a possible downside scenario.

The Directors have also considered a 'Severe Downside Case', which assumes no recovery in RevPAR during 2022, with the recovery profile delayed by one year. This would assume that the volatility and divergence of market approaches to managing Covid-19 continues during 2022.

The key assumptions included in the three-year plan relate to RevPAR growth as explained above.

Percentage point decrease in RevPAR compared to Base Case	Index (to 2019)		
	2022	2023	2024
Downside Case	5	5	5
Severe Downside Case	15	8	7

Principal risks

The relative strength and resilience of the IHG business model to severe shocks has been proven by performance through the Covid-19 pandemic with positive cash flows being generated through one of the most challenging periods of trading in the history of the industry. In assessing the viability of the Group, the Directors have considered the impact of the principal risks as outlined on pages 42 to 47. The discussion on those pages includes a description of the trends observed during 2021 and how the Group creates resilience to and manages the risks.

Scenarios modelled

Changes in RevPAR

Downside Case and Severe Downside Case

These scenarios model a prolonged decrease in RevPAR, which may be driven by external or internal factors.

One-off events

This scenario models the impact of a specific material incident, which could relate to cyber security or an alternative material impact on the cash flow statement.

We have considered which principal risks could have the most significant and direct impact to the viability of the Group during the three-year period of assessment and they are shown below, alongside the scenario that is used to model those risks. The impact of climate risks and costs to address them have also been assessed but are not considered material over the period of assessment.

Related to principal risks

Macro external factors

Preferred brands and loyalty

Leadership and talent

Safety and security

Financial management and control systems

Cybersecurity and information governance

Legal, regulatory and ethical compliance

^a Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.

We have also considered the principal risks that may impact the viability of the Group over a longer-term period, for example, environmental and social megatrends. The physical and transition climate risks to which IHG is most exposed are discussed in the TCFD statement on pages 32 to 35. Physical risks are not considered material to the long-term viability of the Group, and transition risks present both opportunities and risks.

Viability assessment

At 31 December 2021 the Group had cash and cash equivalents of \$1,305 million plus undrawn facilities of \$1,350 million.

Under the Base Case, Downside Case and Severe Downside Case, the Group is forecast to generate positive cash flows over the 2022-2024 period and the bank facilities remain undrawn. The principal risks which could be applicable have been considered and are able to be absorbed within the covenant requirements. If there were additional trading downsides to the assumptions used, then additional actions could be taken in order to mitigate this risk such as reductions in discretionary spend.

In the Severe Downside Case, the Group still has substantial levels of existing cash reserves available and is not expected to draw on the bank facilities. The Directors reviewed a reverse stress test scenario to determine how much additional RevPAR downside could be absorbed before utilisation of the bank facilities would be required. The Directors concluded that the outcome of the reverse stress test showed it was very unlikely the bank facilities would need to be drawn and therefore the Group does not need to rely on the additional liquidity provided by the bank facilities.

Conclusion

The Directors have assessed the viability of the Group over a three-year period to 31 December 2024 taking account of the Group's current position, the Group's strategy and the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2024.

Funding

The existing covenants on the Group's syndicated and bilateral revolving credit facilities ('the bank facilities') have been amended until December 2022. See note 24 for further details. The other assumptions relating to debt maturities are as follows:

- The \$1.35 billion bank facilities mature in September 2023. It has been assumed that these facilities are renewed as they mature.
- £173 million of bonds due in November 2022 are repaid on maturity.
- €500 million of bonds due in October 2024 are repaid on maturity.

No other new or additional financing has been assumed in the analysis performed.

This means that in the event the covenant test was failed, the bank facilities could be cancelled by the lenders but would not trigger a repayment demand which threatened the viability of the Group.

In the event that a further covenant amendment was required, the Directors believe it is reasonable to expect that such an amendment could be obtained based on their prior experience in relation to negotiating the 2020 amendments. As noted above it has been assumed that the bank facilities are renewed as they mature. However, as explained above the viability of the group is not dependent on the bank facilities and therefore not reliant on these assumptions. The Group also has alternative options to manage this risk including raising additional funding in the capital markets. We continue to plan to maintain an investment grade credit rating.

In the event of additional or multiple principal risks occurring during the period of review e.g. continued depressed RevPAR and a widespread cybersecurity incident, it is expected that these risks could be absorbed within the liquidity headroom available without relying on the additional liquidity provided by the bank facilities.



See also our business model on pages 10 to 13, the going concern assessment on page 149, and the impact of the principal risks on pages 42 to 47.

Key performance indicators (KPIs)

Our KPIs are carefully selected to allow us to monitor the delivery of our strategy and long-term success. They are organised around our strategy, which articulates our purpose, ambition and priorities, (see page 16). Senior management review our KPIs annually to ensure continued alignment to our strategy and are included in internal reporting and regularly monitored.

Measures included are those considered most relevant in assessing the performance of the business and relate to our growth agenda and commitment to our key stakeholders including owners, guests, employees, shareholders and the communities in which we work. KPIs should be read in conjunction with the other sections of the Strategic Report, and where applicable, references to specific relevant topics are noted against each KPI.

A guide to this KPI section

Link between KPIs and Director remuneration

Whilst performance continued to be impacted by Covid-19 in 2021, our long-term focus remained to deliver high-quality growth and, as in prior years, Directors' remuneration for 2021 was directly related to key aspects of our strategy. The following indicates which KPIs have impacted Directors' remuneration:

For more information on Directors' remuneration see pages 104 to 125.

A The Annual Performance Plan

- 70% was linked to operating profit from reportable segments
- 15% was linked to strategic focus on net system size growth through openings
- 15% was linked to strategic focus on future net system size growth through signings

LT The Long Term Incentive Plan

- 40% was linked to Total Shareholder Return
- 20% was linked to absolute net system size growth
- 20% was linked to total gross revenue growth
- 20% was linked to cash flow generation

Link to our strategy

Our strategic priorities, refreshed in 2020, are core to our success. Our four strategic priorities are represented as follows:



Build loved and trusted brands



Customer centric in all we do



Create digital advantage



Care for our people, communities and planet

KPIs

Net rooms supply

Net total number of rooms in the IHG System.

Increasing our rooms supply provides significant advantages of scale, including increasing the value of our loyalty programme. This measure is a key indicator of achievement of our growth agenda (see page 16).



2021	880,327
2020	886,036
2019	883,563
2018	836,541
2017	798,075

Signings

Gross total number of rooms added to the IHG pipeline.

Continued signings secure the future growth of our System and continued efficiencies of scale. Signings indicate our ability to deliver sustained growth (see page 16).



2021	68,870
2020	56,146
2019	97,754
2018	98,814
2017	83,481

2021 status and 2022 priorities

2021 status

Gross system growth of 5.0%; net system size decline of 0.6% after 49,667 rooms removed, included 34,345 rooms from Holiday Inn and Crowne Plaza, as we concluded our quality review, taking total supply to 880,327 rooms.

Signings of 68,870 rooms (437 hotels) represented 23% growth on the prior year, but was below pre-pandemic levels, as Covid-19 related challenges remained in place in a number of markets. Total pipeline of 270,960 rooms, with more than 40% under construction, declined 0.4% compared to 2020 as signings were offset by 43,958 room openings and a normal level of attrition.

Overall performance was driven by:

- Continued strength of the Holiday Inn Brand Family with 25,766 rooms opened and 31,169 rooms signed, representing almost half of all signings.
- Conversions, representing 25% of openings and 22% of all signings.
- Luxury & Lifestyle brands gaining momentum with 28 hotels opened and a further 75 properties signed.
- Further growth of our recently launched brands with:
 - avid hotels, our second largest contributor to system growth, doubling the number of open properties, taking the total estate to 48 hotels, and a further 164 in the pipeline.
 - the further global expansion of voco hotels to 69 open and signed hotels since launch in 2018, across 25 countries.
 - continued signings pace for Atwell Suites resulting in 23 pipeline hotels.
 - the launch of Vignette Collection, with six properties secured in the year and our first hotel already open.

2022 priorities

- Focus on our ambition to deliver sustainable industry-leading net system size growth, with leading brands in the largest markets and segments.
- Continued focus on the quality of our estate, with lower anticipated future overall removal rate than historic levels.
- Further rollout of avid hotels and Atwell Suites in the US, and voco hotels globally.
- Expand our Luxury & Lifestyle offer through acquired brands Regent, Six Senses and Kimpton, and our recently launched Vignette Collection.

KPIs**Global RevPAR^b growth**

Revenue per available room: rooms revenue divided by the number of room nights that are available.

RevPAR growth indicates the increased value guests ascribe to our brands in the markets in which we operate and is a key measure widely used in our industry (see page 8).

**Growth in underlying fee revenues^a**

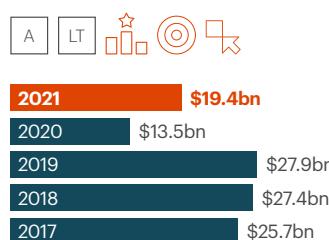
Group revenue from reportable segments excluding revenue from owned, leased and managed lease hotels, significant liquidated damages and current year acquisitions, stated at constant currency.

Underlying fee revenue growth demonstrates the continued attractiveness to owners and guests of IHG's franchised and managed business (see page 11).

**Total gross revenue from hotels in IHG's System^a**

Total rooms revenue from franchised hotels and total hotel revenue from managed, owned, leased and managed lease hotels. Other than for owned, leased and managed lease hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties.

The growth in gross revenue from IHG's System illustrates the value of our overall System to our owners (see page 11).

**Enterprise contribution to revenue**

The percentage of room revenue booked through IHG managed channels and sources: direct via our websites, apps and call centres; through our interfaces with Global Distribution Systems (GDS) and agreements with Online Travel Agencies (OTAs); other distribution partners directly connected to our reservation system; and Global Sales Office business or IHG Reward members that book directly at a hotel.

Enterprise contribution is one indicator of IHG value-add and the success of our technology platforms and our marketing, sales and loyalty distribution channels (see page 11).

**2021 status and 2022 priorities****2021 status**

- RevPAR improved in 2021 following an unprecedented decline in 2020, and recovered to 70% of 2019 levels. The improvement was largely driven by domestic leisure demand, particularly during holiday periods, once vaccination rates allowed for restrictions to be lifted in markets including the US and UK.
- Through the continued challenges of the pandemic we have remained committed to supporting our owners to maximise revenues through:
 - Enhanced revenue management systems to quickly identify and act on revenue opportunities using business intelligence and data.
 - Improved rate negotiations on behalf of our owners using IHG's award-winning centralised RFP processes (CRFP), with 2,200 hotels now using the service.
 - Real-time targeted campaigns and promotions aimed at key demographics of returning leisure and business demand.
 - Continued implementation of mobile-enabled improvements including the development and piloting of a next generation IHG mobile app, enabling a richer customer experience which is expected to increase direct bookings and incremental spend during stays.
 - Conducted detailed room inventory assessments across 5,300 hotels by end of 2021, in preparation for attribute pricing which will enable owners to generate maximum value from their hotel's unique attributes.

- Enterprise contribution improved to 74% in 2021, driven by digital and online travel agent (OTA) growth from strong leisure demand in the summer months, especially in the US. This was partly offset by continued weakness in Global Distribution Services (GDS) as corporate demand remained weak. Reward night bookings largely recovered to pre-pandemic levels, with participation rates of our higher tiered members, and particularly leisure customers, exceeding 2019 levels.
- Launched our 'Welcome Back to Business' campaign, and IHG Business Edge, our award-winning dedicated SME programme, which increased its accounts by 44% to over 57,000, gaining share.
- Further development of IHG Rewards proposition through growth in Reward Night Dynamic Pricing and the extension of the pause on points expiration and membership tiers.
- New marketing campaigns to strengthen our IHG Hotels & Resorts masterbrand to better promote our brands.

2022 priorities

- Continue to apply targeted data analytics and marketing to identify and yield revenue enhancing opportunities.
- Continue to develop our digital-first approach by leveraging our cloud-based IHG Concerto™ platform.
- Complete inventory work on the remaining hotels in our estate, in support of the rollout of attribute pricing via our direct channels.
- Full roll-out of the next generation IHG mobile app, offering upgraded analytics and personal marketing as part of our transformed loyalty offer.
- Further enhance our loyalty offer through the relaunch of IHG Rewards, to provide members with richer benefits and increase enrolment.
- Maintain our focus on increasing contribution from IHG Rewards members and through direct bookings via our website or call centres.

^a Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223. A reconciliation of total gross revenue to owned, leased and managed lease revenue as recorded in the Group Financial Statements can be found on page 60.

^b Comparable RevPAR includes the impact of hotels temporarily closed as a result of Covid-19.

Key performance indicators (KPIs) continued

KPIs

Guest Love

IHG's guest satisfaction measurement indicator.

Guest satisfaction is fundamental to our continued success and is a key measure to monitor the risk of failing to deliver preferred brands that meet guests' expectations (see page 43 for details).



2021	78.9%
2020	81.6%
2019	82.4%
2018	81.7%
2017	80.9%

2021 status and 2022 priorities

2021 status

- Guest satisfaction of 78.9% dropped slightly compared to 2020 reflecting labour shortages as we emerge from the pandemic. Externally measured Guest Satisfaction Index (GSI) achieved scores of 100 or better for each brand in 2021, outperforming our peers, a successful outcome given the evolving guest requirements resulting from Covid-19.
- Reviewed our Holiday Inn and Crowne Plaza estate, removing 34,345 rooms to focus on protecting the quality and consistency of the brand. A further 83 hotels in the Americas and EMEA regions have committed to improvement plans or scopes of work.
- Continued to commit to cleanliness-specific procedures, with our IHG Way of Clean programme and IHG Clean Promise, to provide confidence and protection to our frontline hotel colleagues and enable them in turn to deliver clean and safe hotels for all our guests.
- Further technology enhancements including the pilot of a next generation IHG mobile app and the expansion of digital arrivals, offering guests the ability to socially distance.
- Provided further training and support for evolving brand standards and procedures, to meet changing guest expectations.
- Continued to update guest room and public space designs to further enhance the guest experience.

2022 priorities

- Continue to invest in brand innovation, including room design and food & beverage enhancements to meet evolving guest needs.
- Maintain a high level of guest satisfaction across our entire portfolio and focus on quality and cleanliness standards.
- Continue to invest behind digitalisation of the guest journey and improve on-property processes to improve guest satisfaction and streamline hotel operations.

Fee margin^a

Operating profit as a percentage of revenue, excluding System Fund, reimbursement of costs, revenue and operating profit from owned, leased and managed lease hotels, significant liquidated damages, the results of the Group's captive insurance company and exceptional items.

Our fee margin progression indicates the profitability of our fee revenue growth and benefit of our asset-light business model (see page 10).



2021	49.6%
2020	34.1%
2019	54.1%
2018	53.3%
2017	53.4%

2021 status

- Growth in fee revenue of over 40%, coupled with disciplined cost management taken across the business, resulted in a fee margin of 49.6%, 4.5ppts below 2019 levels.
- Achieved sustainable fee business cost savings of \$75m compared to 2019, whilst continuing to invest for growth.

2022 priorities

- Continue to invest in growth initiatives, whilst maintaining our strong cost focus.
- Continue to look for further operational efficiencies through greater application of technology.

Adjusted free cash flow^a

Cash flow from operating activities excluding payments of contingent purchase consideration, less purchase of shares by employee share trusts, maintenance capital expenditure and lease payments.

Adjusted free cash flow provides funds to invest in the business, sustainably grow the dividend and return any surplus to shareholders (see page 13). It is a key component in measuring the ongoing viability of our business (see page 48).



2021	\$571m
2020	\$29m
2019	\$509m
2018	\$611m
2017	\$516m

2021 status

- Adjusted free cash flow of \$571m was up \$542m year-on-year driven by an improvement in operating profit from reportable segments^a and working capital and other adjustments. Closing liquidity was \$2,655m.

2022 priorities

- Prioritise investment behind growth with further cost focus, maintaining challenge around all areas of discretionary spend.
- Control capital deployment in line with business priorities.

^a Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.

KPIs**Employee engagement survey scores^a**

Colleague HeartBeat survey, completed by IHG employees or those colleagues who are employed at managed or managed leased hotels (excluding our joint ventures).

We measure employee engagement to monitor risks relating to talent (see page 44) and to help us understand the issues that are relevant to our people as we build a diverse and inclusive culture (see page 24).



2021	85.0%
2020	79.0%
2019	87.0%
2018	86.0%
2017	85.0%

2021 status and 2022 priorities**2021 status**

- The 2021 score of 85% was 8% higher than external benchmarks.
- Rolled out a hybrid working model across corporate offices to encourage flexibility and work-life balance, providing resources and guidelines to support evolving ways of working.
- Prioritised support for employee health and wellbeing including:
 - Published guidelines and learning series to facilitate wellbeing conversations.
 - Elevated Employee Resource Groups (ERGs) to champion and drive our diverse and inclusive culture.
 - Promoted local initiatives, such as mental health first aid.
 - Introduced Recharge Days and Focus Fridays for corporate employees.
- Delivered conscious inclusion training to corporate employees.
- Launched talent programmes such as Ascend and WiHTL (Women in Hospitality Travel & Leisure) to support Black and Ethnic Minority Talent.
- Refreshed our GM development and onboarding programmes, including the launch of new assessments to develop talent.

2022 priorities

- Maintain our focus on talent management and purposefully develop our Corporate Senior Leaders and General Managers to enable our future growth.
- Build our talent attraction capabilities via a compelling employer value proposition, that enables us to retain and re-attract talent to the industry.
- Build our future learning offer to remain a leading employer within the industry and help support our recovery strategy and hotel performance.
- Continue to build an inclusive culture and maintain a strong focus on increasing the diversity of our leadership and talent pipelines.

IHG® Academy

Number of people participating in IHG Academy programmes.

Sustained participation in the IHG Academy indicates the strength of our progress in creating career building opportunities and engagement with the communities in which we operate (see page 27).



2021	5,815
2020	3,277
2019	15,081
2018	13,531
2017	13,633

2021 status

- Increased the number of internships and work experiences through IHG Academy compared to 2020.
- Global roll out of IHG Skills Academy, a virtual learning platform, with a phased release of both the learning system and content available in multiple languages. This ensures we can make a tangible impact on a broader scale for people of all backgrounds, with a view to convert participants into IHG employees.

2022 priorities

- Further roll-out of IHG Skills Academy with phased worldwide release of the platform, offering both the learning system and content in multiple languages.
- Continue to increase the number of internships and work experience placements across hotels and corporate functions, utilising both in-house experiences and virtual solutions.

Absolute carbon footprint

We work with our hotels to drive energy efficiency and carbon reductions across our estate. In 2021, we upgraded our science-based target to be in line with the Paris Agreement to limit warming to 1.5°C. This will involve reducing our absolute carbon footprint by 46% in energy used by our franchised, managed, owned, leased and managed lease hotels by 2030, based on our 2019 carbon footprint (see page 29). We have updated our KPI to reflect the change from an intensity metric to an absolute carbon target.



2021	5.1m tCO ₂ e
2020	4.4m tCO ₂ e
2019	5.8m tCO ₂ e

2021 status

- At the end of 2021, our absolute carbon footprint reduced by 12% against our 2019 baseline, driven by targeted efforts to minimise energy consumption during hotel closures, maximise energy efficiency at re-opening and the ongoing efforts to implement energy efficiency measures across our hotel estate.

2022 priorities

- Continue to roll out our decarbonisation roadmap focusing on energy efficiency measures in the existing estate, transitioning to renewable energy and operating very low/zero carbon new-build hotels.
- Enhance our environmental reporting systems, to continue building more robust and complete datasets, and provide more detailed performance insights and guidance for our hotels to support continuous improvement.

^a In 2020, due to the complexity of survey administration in hotels during the pandemic, only employees in corporate offices and reservation centres, and managed hotel general managers (excluding our joint ventures), were invited to participate. Results for 2017 to 2019 are based on aggregate results from the two surveys conducted among the entire IHG employee population each year.

Chief Financial Officer's review

"Strong trading recovery in 2021 demonstrating attractive industry fundamentals."

Paul Edgecliffe-Johnson Chief Financial Officer & Group Head of Strategy



Trading recovered significantly in 2021, with RevPAR ahead of 2020, and trending closer to pre-pandemic levels by the fourth quarter. We saw demand return at pace in markets where Covid-19 restrictions were lifted, driven primarily by domestic leisure and essential business travel. The strong recovery in trading demonstrates the attractive long-term fundamentals that underpin our industry, including the inherent desire for travel and new experiences.

Trading performance

Through the challenges of the pandemic, we remained committed to take actions to drive demand to our hotels and support our owners by maximising their revenues. This, combined with our weighting towards essential business and domestic leisure demand, particularly in the midscale segments, resulted in RevPAR recovering to 70% of 2019 levels.

Encouragingly in the fourth quarter, rate was almost in line with 2019 and occupancy around 85% of 2019 levels. There were also signs of more discretionary business travel, and group bookings and international trips starting to return.

Regional performance was subject to local Covid-19 related restrictions. The recovery was strongest in the Americas, driven by our weighting towards non-urban markets that are less reliant on international inbound travel and large groups and events. The recovery in the US was boosted by strong domestic leisure demand and resilient essential business demand.

Trading in EMEAA was led by Europe, which is less reliant on international travel, and the Middle East, with both markets benefitting from the lifting of restrictions.

Greater China recovered in the second quarter although the second half of the year saw restrictions reimposed and increased trading volatility.

System growth

Gross system growth of 5.0% was ahead of 2020, although remained below pre-pandemic levels.

Net system size declined by 0.6% as our focus on the long-term health and quality of our established brands resulted in the removal of 49,667 rooms, 70% of which related to our review of the Holiday Inn and Crowne Plaza estate. We anticipate a lower overall removal rate going forwards, supporting our ambition to achieve industry-leading net rooms growth.

Focused cost management

We delivered sustainable fee business cost savings of \$75m compared to 2019. At the same time, we maintained our investment in growth opportunities, such as the launch of our newest brand, the Vignette Collection.

Operating profit of \$494m improved from an operating loss of \$(153)m in 2020. Operating profit from reportable segments^a recovered to \$534m. The recovery in revenue combined with our sustainable cost management and a decrease in corporate trade receivables, resulted in fee margin^a improving to 49.6%, 4.5ppts below 2019.

Cash generation and liquidity

The resilience of our business model was demonstrated throughout the year. Our strong cash conversion, combined with our ongoing focus on cost savings, has helped generate net cash from operating activities of \$636m and \$571m of adjusted free cash flow^a. This has contributed to substantial progress in returning leverage levels measured as a ratio of net debt: adjusted EBITDA to 3.0x and within the 2.5-3.0x range we aim to maintain, supporting the Board's decision to propose a final dividend of 85.9¢ in respect of 2021.

Our uses of cash remain unchanged: ensuring the business is appropriately invested in to optimise growth; funding a sustainably growing dividend; and then returning excess funds to shareholders.

Future growth and 2022 priorities

Looking to the future, we are encouraged by the signs of recovery, although trading in some markets remains volatile. The acceleration in development activity through 2021 contributed to a pipeline that is over 30% of our existing system size, and will support our ambition to return to industry-leading levels of net system size growth.

Importantly, we have continued to prioritise investment to support long-term sustainable growth. Many of these are multi-year in nature with further investments planned for 2022 behind our brand portfolio, loyalty programme and digital channels. We remain focused on improving returns for owners through investments in revenue management, operational efficiencies and procurement programmes.

Our asset-light business model is proven to be highly cash generative. As we look to future growth, with attractive industry RevPAR characteristics and a substantial pipeline of hotels to open, we will focus on growing our fee revenues and fee margins. With limited requirements for capital, this will enable us to grow the business whilst generating high returns on invested capital.

Paul Edgecliffe-Johnson
Chief Financial Officer
& Group Head of Strategy

^a Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.

Performance Group

Group Income Statement summary

	2021 \$m	2020 \$m	2021 vs 2020 % change	2019 \$m	2020 vs 2019 % change	12 months ended 31 December
Revenue^a						
Americas	774	512	51.2	1,040	(50.8)	
EMEA	303	221	37.1	723	(69.4)	
Greater China	116	77	50.6	135	(43.0)	
Central	197	182	8.2	185	(1.6)	
Revenue from reportable segments ^b	1,390	992	40.1	2,083	(52.4)	
System Fund revenues	928	765	21.3	1,373	(44.3)	
Reimbursement of costs	589	637	(7.5)	1,171	(45.6)	
Total revenue	2,907	2,394	21.4	4,627	(48.3)	
Operating profit^a						
Americas	559	296	88.9	700	(57.7)	
EMEA	5	(50)	NM ^c	217	NM ^c	
Greater China	58	35	65.7	73	(52.1)	
Central	(88)	(62)	41.9	(125)	(50.4)	
Operating profit from reportable segments ^b	534	219	143.8	865	(74.7)	
Analysed as:						
Fee Business excluding central	658	340	93.5	938	(63.8)	
Owned, leased and managed lease	(36)	(59)	(39.0)	52	NM ^c	
Central	(88)	(62)	41.9	(125)	(50.4)	
System Fund result	(11)	(102)	(89.2)	(49)	108.2	
Operating profit before exceptional items	523	117	347.0	816	(85.7)	
Operating exceptional items	(29)	(270)	(89.3)	(186)	45.2	
Operating profit/(loss)	494	(153)	NM ^c	630	NM ^c	
Net financial expenses	(139)	(140)	(0.7)	(115)	21.7	
Analysed as:						
Adjusted interest expense ^b	(142)	(130)	9.2	(133)	(2.3)	
System Fund interest	3	4	(25.0)	18	(77.8)	
Exceptional financial expenses	–	(14)	–	–	–	
Fair value gains on contingent purchase consideration	6	13	(53.8)	27	(51.9)	
Profit/(loss) before tax	361	(280)	NM ^c	542	NM ^c	
Tax	(96)	20	NM ^c	(156)	NM ^c	
Analysed as:						
Tax before exceptional items and System Fund ^b	(125)	(32)	290.6	(176)	(81.8)	
Tax on exceptional items	3	52	(94.2)	20	160.0	
Exceptional tax	26	–	–	–	–	
Profit/(loss)	265	(260)	NM ^c	386	NM ^c	
Adjusted earnings ^d	269	57	371.9	555	(89.7)	
Basic weighted average number of ordinary shares (millions)	183	182	0.5	183	(0.5)	
Earnings/(loss) per ordinary share						
Basic	145.4¢	(142.9)¢	NM ^c	210.4¢	NM ^c	
Adjusted ^b	147.0¢	31.3¢	369.6	303.3¢	(89.7)	
Dividend per share	85.9¢	–	NM ^c	296.2¢	NM ^c	
Average US dollar to sterling exchange rate	\$1: £0.73	\$1: £0.78	(6.4)	\$1: £0.78	–	

^a Americas and EMEA include revenue and operating profit before exceptional items from both fee business and owned, leased and managed lease hotels. Greater China includes revenue and operating profit before exceptional items from fee business.

^b Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

^c Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

^d Adjusted earnings as used with adjusted earnings per share, a non-GAAP measure.

Performance continued

Group continued

Highlights for the year ended

31 December 2021

Trading improved significantly during the year, with Group comparable RevPAR^a getting closer to pre-pandemic levels. More travel demand returned as vaccines rolled out, government-mandated restrictions eased and economic activity started to rebuild. Through the summer months, many markets, including the US and UK, saw significant improvements, driven by domestic leisure travel. Whilst the ability of travellers to freely move between and within countries continued to vary significantly, the second half of the year saw a gradual further improvement in overall trading conditions.

Revenue

Overall, when comparing to 2020, Group comparable RevPAR^a declined 34% in the first quarter, then grew 151% in the second quarter, 66% in the third quarter, 71% in the fourth quarter and 46% in the full year. When compared to the pre-pandemic levels of 2019, Group comparable RevPAR^a declined 51% in the first quarter, 36% in the second quarter, 21% in the third quarter, 17% in the fourth quarter and 30% in the full year.

Our other key driver of revenue, net system size, decreased by 0.6% year-on-year to 880,327 rooms, impacted by 34.3k Holiday Inn and Crowne Plaza removals as we concluded our quality review of these brands.

During the year ended 31 December 2021, total revenue increased by \$513m (21.4%) to \$2,907m including a \$48m reduction in cost reimbursement revenue. Revenue from reportable segments^b increased by \$398m (40.1%) to \$1,390m, driven by improved trading conditions. Underlying revenue^b increased by \$387m to \$1,373m, with underlying fee revenue^b increasing by \$314m. Owned, leased and managed lease revenue increased by \$68m.

Operating profit and margin

Operating profit improved by \$647m from a loss of \$153m to a profit of \$494m, including a \$241m net reduction in operating exceptional items, a \$91m improvement in the System Fund result, from a \$102m deficit to an \$11m deficit, and a \$36m decrease in the charge for expected credit losses on corporate trade receivables.

Operating profit from reportable segments^b increased by \$315m (143.8%) to \$534m, driven by improved demand and the delivery of sustainable fee business cost savings. Underlying operating profit^b increased \$308m to \$531m.

Fee margin^b increased by 15.5pp to 49.6%, benefitting from the improvement in trading and focused cost management.

System Fund

The Group operates a System Fund to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, reservations, and the hotel loyalty programme, IHG Rewards. The System Fund also benefits from proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for IHG over the longer term, although an in-year surplus or deficit can arise, but is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

In the year to 31 December 2021, System Fund revenues increased \$163m (21%) to \$928m, primarily driven by the recovery in travel demand yielding higher assessment revenues.

The System Fund income statement deficit reduced by \$91m to \$11m, primarily due to the rebound in travel demand and associated assessment income, partially offset by the reversal of temporary savings realised in 2020.

Reimbursement of costs

Cost reimbursement revenue represents reimbursements of expenses incurred on behalf of managed and franchised properties and relates, predominantly, to payroll costs at managed properties where we are the employer. As we record cost reimbursements based upon costs incurred with no added mark up, this revenue and related expenses have no impact on either our operating profit or net profit for the year.

In the year to 31 December 2021, reimbursable revenue decreased by \$48m (7.5%) to \$589m. The reduction reflects the impact of the prior year termination of the SVC portfolio in the Americas estate, meaning the overall scale of reimbursements fell.

Operating exceptional items

Exceptional items are identified by virtue of their size, nature, or incidence and are excluded from the calculation of adjusted earnings per ordinary share as well as other Non-GAAP measures (see Use of Non-GAAP measures, pages 218 to 223) in order to provide a more meaningful comparison of performance and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, the costs of individually significant legal cases or commercial disputes and reorganisation costs.

Operating exceptional items totalled \$29m, comprising the \$25m provisionally agreed costs to settle two commercial disputes in the Americas and EMEA, and the reversal of a \$4m fair value gain recorded in 2020 on the put option over part of the Group's investment in the InterContinental Barclay hotel. Further information on exceptional items can be found in note 6 to the Group Financial Statements.

Net financial expenses

Net financial expenses decreased by \$1m to \$139m. Adjusted interest^b, as reconciled on page 223, and which excludes exceptional finance expenses, and adds back interest relating to the System Fund, increased by \$12m to an expense of \$142m. The increase in adjusted interest^b was primarily driven by increased average bond debt.

Financial expenses include \$91m (2020: \$69m excluding exceptional financial expenses) of total interest costs on public bonds, which are fixed rate debt. Interest expense on lease liabilities was \$29m (2020: \$37m).

^a Comparable RevPAR includes the impact of hotels temporarily closed as a result of Covid-19.

^b Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

Fair value gains on contingent purchase consideration

Contingent purchase consideration arose on the acquisitions of Regent, the UK portfolio and Six Senses (see note 25 to the Group Financial Statements). The net gain of \$6m (2020: \$13m) primarily arises from the conditions related to the Six Senses contingent purchase consideration no longer being met. The total contingent purchase consideration liability at 31 December 2021 is \$73m (2020: \$79m).

Taxation

The effective rate of tax on profit before exceptional items and System Fund^a was 31% (2020: 38%); this was lower than 2020 largely due to the improved profit base. In May 2021, a change to the UK rate of Corporation Tax was enacted which led to a \$30m credit; \$26m was recoded as an exceptional credit within the Income Statement and \$4m within the Statement of Other Comprehensive Income. A net credit of \$3m arose on other accounting exceptional items (2020: \$52m). Further information on tax within exceptional items can be found in note 6 to the Group Financial Statements. Net tax paid in 2021 totalled \$86m (2020: \$41m), and included refunds in the US of \$15m (2020: \$24m). No more significant refunds are expected.

IHG pursues an approach to tax that is consistent with its business strategy and its overall business conduct principles. The approach seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. The IHG Audit Committee reviews IHG's approach to tax annually, including consideration of the Group's current tax profile. Further information on tax can be found in note 8 to the Group Financial Statements.

 IHG's Approach to Tax policy is available at www.ihgplc.com/responsible-business under policies

Earnings per ordinary share

The Group's basic earnings per ordinary share is 145.4¢ (2020: basic loss per ordinary share: 142.9¢). Adjusted earnings per ordinary share^a increased by 115.7¢ to 147.0¢.

Dividends

The Board is proposing a final dividend of 85.9¢ in respect of 2021, an amount equivalent to the withdrawn final payment in respect of 2019. No interim dividend was paid in respect of 2021. Going forward, dividend payments will be reflective of IHG's prior approach to sustainably grow the ordinary dividend, whilst targeting a level of leverage that maintains an investment grade credit rating and ensuring careful consideration of our responsibilities to all stakeholders. The Board will also continue to actively assess the opportunity for any surplus capital to be additionally returned through special dividends or share buybacks.

Share price and market capitalisation

The IHG share price closed at £47.81 on 31 December 2021, up from £46.90 on 31 December 2020. The market capitalisation of the Group at the year-end was £8.8bn.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.



www.ihgplc.com/investors under Annual Report

^a Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

Accounting principles

The Group results are prepared under International Financial Reporting Standards (IFRS). The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on page 150 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this performance review are calculated after eliminating these exceptional items. An analysis of exceptional items is included in note 6 on page 165 of the Group Financial Statements.

Performance continued

Group continued

Group Cash Flow summary

	2021 \$m	2020 \$m	2021 vs 2020 \$m change	12 months ended 31 December
GAAP cash flow summary				
Net cash from operating activities	636	137	499	653
Net cash from investing activities	(12)	(61)	49	(493)
Net cash from financing activities	(860)	1,354	(2,214)	(660)
Net movement in cash and cash equivalents in the year	(236)	1,430	(1,666)	(500)
				1,930
	2021 \$m	2020 \$m	2021 vs 2020 \$m change	12 months ended 31 December
Summary of cash flow and net debt				
Operating profit from reportable segments	534	219		865
Depreciation and amortisation	98	110		116
Adjusted EBITDA^a	632	329	303	981
Working capital and other adjustments	110	(27)		(77)
Impairment loss on financial assets	–	40		8
Other non-cash adjustments to operating profit/loss ^b	71	60		54
System Fund result	(11)	(102)		(49)
System Fund depreciation and amortisation	94	62		54
Other non-cash adjustments to System Fund result	6	97		52
Capital expenditure: contract acquisition costs (key money) net of repayments	(42)	(64)		(61)
Capital expenditure: maintenance	(33)	(43)		(86)
Cash flows relating to exceptional items	(12)	(87)		(55)
Net interest paid	(126)	(130)		(107)
Tax paid	(86)	(41)		(141)
Principal element of lease payments	(32)	(65)		(59)
Purchase of shares	–	–		(5)
Adjusted free cash flow^a	571	29	542	509
Capital expenditure: gross recyclable investments	(5)	(6)		(19)
Capital expenditure: gross System Fund capital investments	(19)	(35)		(98)
Acquisitions of businesses, net of cash acquired	–	–		(292)
Deferred and contingent purchase consideration paid	(13)	–		(8)
Disposals and repayments, including other financial assets	58	18		4
Distributions from associates and joint ventures	–	5		–
Other items	–	3		–
Dividends and shareholder returns	–	–		(723)
Net cash flow before other net debt movements	592	14	578	(627)
Add back principal element of lease repayments	32	65		59
Exchange and other non-cash adjustments	24	57		(132)
Decrease in net debt	648	136	512	(700)
Net debt at the beginning of the year	(2,529)	(2,665)		(1,965)
Net debt at the end of the year	(1,881)	(2,529)	648	(2,665)
				136

^a Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

^b 2020 Excludes \$48m related to trade deposits and loans which were recognised as exceptional items.

Cash from operating activities

For the year ended 31 December 2021 net cash from operating activities totalled \$636m, an increase of \$499m on the previous year, primarily reflecting the increase in operating profit and improvement in working capital and other adjustments.

Cash flow from operations is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group.

The Group believes that the requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

Cash from investing activities

Net cash outflows from investing activities decreased by \$49m to \$12m, driven by \$44m net proceeds from the sale of three hotels in the Americas region. There was an overall decrease in purchases of property, plant and equipment and intangible assets of \$24m. Deferred consideration paid of \$13m related to the acquisition of the Regent brand (2020: \$nil). The Group had committed contractual capital expenditure of \$17m at 31 December 2021 (2020: \$19m).

Cash used in financing activities

Net cash outflows from financing activities totalled \$860m (2020: \$1,354m inflow). This was primarily due to the repayment of the £600m commercial paper under the UK Covid Corporate Financing Facility (CCFF).

Adjusted free cash flow

Adjusted free cash flow^a was an inflow of \$571m, an increase of \$542m on 2020, driven by an improvement in operating profit from reportable segments^a partially offset by related tax payments, coupled with a \$137m improvement in working capital as explained below. Exceptional cash costs of \$12m decreased by \$75m due to lower restructuring expenses and the timing of litigation payments.

Working capital

On the Group statement of financial position, trade and other receivables increased by \$60m, from \$514m to \$574m, primarily due to the significant increase in RevPAR in the fourth quarter compared to 2020. Trade and other payables increased by \$108m, from \$560m to \$668m, primarily due to an increase in bonus accruals compared to prior year. Deferred revenue increased by \$44m, from \$1,569m to \$1,613m, reflecting an increase in the future redeemable points balance related to the loyalty programme.

^a Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

Sources of liquidity

As at 31 December 2021 the Group had total liquidity of \$2,655m (31 December 2020: \$2,925m), comprising \$1,350m of undrawn bank facilities and \$1,305m of cash and cash equivalents (net of overdrafts and restricted cash). The reduction in total liquidity from December 2020 is due to the repayment of the £600m CCFF in March 2021, largely offset by the net cash flow before other net debt movements of \$592m.

The Group currently has \$2,786m of sterling and euro bonds outstanding. The current bonds mature in November 2022 (£173m), October 2024 (€500m), August 2025 (£300m), August 2026 (£350m), May 2027 (£500m) and October 2028 (£400m).

There are currency swaps in place on both the euro bonds, fixing the October 2024 bond at £454m and the May 2027 bond at £436m.

The Group currently has a senior unsecured long-term credit rating of BBB- from Standard and Poor's. In the event this rating was downgraded below BBB- there would be an additional step-up of 125bps payable on the bonds which would result in an additional interest cost of approximately \$35m per year.

The \$1,275m revolving syndicated bank facility (the Syndicated Facility) and the \$75m revolving bilateral facility (the Bilateral Facility) mature in September 2023. The facilities were undrawn at 31 December 2021. The Syndicated and Bilateral Facilities contain the same terms and two financial covenants: interest cover and a leverage ratio. Covenants are monitored on a 'frozen GAAP' basis excluding the impact of IFRS 16 and are tested at half year and full year on a trailing 12-month basis. The interest cover covenant requires a ratio of Covenant EBITDA to Covenant interest payable above 3.5:1 and the leverage ratio requires Covenant net debt to Covenant EBITDA of below 3.5:1. Covenant EBITDA is calculated (on a frozen GAAP basis) as operating profit before exceptional items, depreciation and amortisation and System Fund revenues and expenses. See note 24 to the Group Financial Statements for further information.

These covenants have been amended for test dates in 2022. A minimum liquidity covenant of \$400m has been introduced which will be tested at each test date up to and including 31 December 2022. The amended leverage ratio and interest cover covenant test levels for the facilities are as follows:

	June 2022	December 2022
Leverage ratio	Less than 7.5x	Less than 6.5x
Interest cover	Greater than 1.5x	Greater than 2.0x

At 31 December 2021 the leverage ratio was 3.0x and the interest cover ratio was 4.5x. See note 24 to the Group Financial Statements for further information.

The Group is in compliance with all of the applicable financial covenants in its loan documents, none of which are expected to present a material restriction on funding in the near future.

In the Group's opinion, the available facilities are sufficient for the Group's present liquidity requirements. However, the Group continues to assess its liquidity position and financing options and will take further actions as necessary.

The Group has taken certain actions during 2021 regarding the discontinuation of LIBOR. The Group's main exposure to LIBOR is the underlying reference rate in the Syndicated and Bilateral Facilities. The terms of these agreements will need to be renegotiated to address the discontinuation of LIBOR. The replacement of LIBOR with alternative reference rates is not expected to have a material impact on the Group at this stage.

The Group had net liabilities of \$1,474m at 31 December 2021 (\$1,849m at 31 December 2020).

Net debt

Net debt of \$1,881m (2020: \$2,529m) is analysed by currency as follows:

	2021 \$m	2020 \$m
Borrowings		
Sterling*	2,860	3,716
US dollar	431	416
Euros	5	20
Other	35	52
Cash and cash equivalents		
Sterling	(532)	(1,305)
US dollar	(756)	(261)
Euros	(18)	(12)
Canadian dollar	(7)	(8)
Chinese renminbi	(105)	(60)
Other	(32)	(29)
Net debt	1,881	2,529
Average net debt level	2,334	2,554

* Including the impact of currency swaps.

Cash and cash equivalents includes \$77m (2020: \$44m) that is not available for use by the Group due to local exchange controls and \$9m (2020: \$5m) which is restricted for use on capital expenditure under hotel lease agreements.

Information on the maturity profile and interest structure of borrowings is included in notes 22 and 24 to the Group Financial Statements.

Performance continued

Group continued

Borrowings included bank overdrafts of \$59m (2020: \$51m), which were matched by an equivalent amount of cash and cash equivalents under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution, and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed daily as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position, with the most significant balances in the US, and the matching overdrafts are held by the Group's central treasury company in the UK.

Information on the Group's approach to allocation of capital resources can be found on pages 12 and 13.

Off-balance sheet arrangements

At 31 December 2021, the Group had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contingent liabilities

Contingent liabilities include guarantees over loans made to facilitate third-party ownership of hotels of up to \$69m and outstanding letters of credit of \$45m. The Group may also be exposed to additional liabilities resulting from litigation and security incidents. See note 31 to the Group Financial Statements for further details.

Future cash requirements from contractual obligations

The Group's future cash flows arising from contractual commitments relating to long term debt obligations (including interest payable), derivatives, lease liabilities and other financial liabilities are analysed in note 24 to the Group Financial Statements.

Other cash requirements relate to future pension scheme contributions (see note 27 to the Group Financial Statements) and capital commitments (see note 30 to the Group Financial Statements).

The Group also has future commitments for key money payments which are contingent upon future events and may reverse.

Total gross revenue^a in IHG's System

	2021 \$bn	2020 \$bn	12 months ended 31 December % change ^b
Analysed by brand			
InterContinental	2.7	2.0	31.6
Kimpton	0.7	0.4	83.9
HUALUXE	0.1	0.1	36.5
Crowne Plaza	2.3	1.8	25.7
Hotel Indigo	0.4	0.3	73.9
EVEN Hotels	0.1	0.0	127.0
Holiday Inn	4.0	2.8	42.7
Holiday Inn Express	6.5	4.2	54.2
Staybridge Suites	1.0	0.7	38.2
Candlewood Suites	0.7	0.7	11.5
Other	0.9	0.5	51.9
Total	19.4	13.5	42.8
Analysed by ownership type			
Fee business	19.2	13.3	42.8
Owned, leased and managed lease	0.2	0.2	40.3
Total	19.4	13.5	42.8

^a Definitions for Non-GAAP measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

^b Year-on-year percentage movement calculated from source figures, to provide better illustration of relative impact of Covid-19 on brands and on fee business and owned, leased and managed lease hotels.

Total gross revenue in IHG's System increased by 42.8% (40.5% increase at constant currency) to \$19.4bn (70% of 2019 levels), driven by the improvement in trading conditions in many markets, particularly through the second half of 2021.

Group hotel and room count

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	21	5	1,412	283
Regent	7	-	2,190	-
InterContinental	204	(1)	69,402	(539)
Vignette Collection	1	1	146	146
Kimpton	75	2	13,283	198
HUALUXE	16	4	4,603	1,170
Crowne Plaza	404	(25)	111,178	(7,701)
Hotel Indigo	130	5	16,343	739
EVEN Hotels	21	5	2,994	584
voco	31	13	7,445	2,368
Holiday Inn ^a	1,218	(58)	224,684	(11,870)
Holiday Inn Express	3,016	50	317,329	7,842
avid hotels	48	24	4,280	2,124
Staybridge Suites	315	12	34,306	1,411
Candlewood Suites	361	(5)	32,025	(410)
Other ^b	123	(5)	38,707	(2,054)
Total	5,991	27	880,327	(5,709)
Analysed by ownership type				
Franchised	5,033	28	626,115	(1,233)
Managed	939	3	249,591	(3,697)
Owned, leased and managed lease	19	(4)	4,621	(779)
Total	5,991	27	880,327	(5,709)

During 2021, the global IHG System (the number of hotels and rooms which are franchised, managed, owned, leased or managed lease) increased by 27 hotels (decreased by 5,709 rooms) to 5,991 hotels (880,327 rooms).

Openings of 291 hotels (43,958 rooms) was 11.6% higher than in 2020. 151 hotels (15,739 rooms) were opened in the Americas, including 85 hotels (9,016 rooms) in the Holiday Inn Brand Family. 52 hotels (10,162 rooms) were opened in EMEA, with the Greater China region contributing openings of 88 hotels (18,057 rooms).

264 hotels (49,667 rooms) left the IHG System in 2021, including 151 Holiday Inn and Crowne Plaza hotels (34,345 rooms) as we concluded our review of these brands. In 2020, 224 hotels (36,919 rooms) left the IHG System, of which 102 hotels (16,655 rooms) related to the termination of the SVC portfolio in the Americas estate.

^a Includes 41 Holiday Inn Resort properties (10,454 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms) (2020: 47 Holiday Inn Resort properties (11,446 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms)).

^b Includes three open hotels that will be re-branded to voco and one hotel that will be re-branded to Vignette Collection.

Total number of hotels

5,991

Total number of rooms

880,327

Performance continued

Group continued

Group pipeline

	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
At 31 December				
Analysed by brand				
Six Senses	33	2	2,424	185
Regent	8	2	1,938	403
InterContinental	79	10	19,679	1,905
Kimpton	35	3	6,852	587
HUALUXE	23	(2)	6,045	(862)
Crowne Plaza	96	7	25,261	1,033
Hotel Indigo	114	10	18,452	2,748
EVEN Hotels	29	(2)	4,907	(139)
voco	38	9	10,090	1,911
Holiday Inn ^a	244	(18)	48,078	(3,085)
Holiday Inn Express	645	(38)	83,026	(4,126)
avid hotels	164	(28)	14,495	(3,031)
Staybridge Suites	156	1	16,843	(647)
Candlewood Suites	93	20	7,765	1,396
Atwell Suites	23	4	2,275	426
Other ^b	17	2	2,830	199
Total	1,797	(18)	270,960	(1,097)
Analysed by ownership type				
Franchised	1,290	(20)	157,832	(1,236)
Managed	506	2	112,973	139
Owned, leased and managed lease	1	-	155	-
Total	1,797	(18)	270,960	(1,097)

At the end of 2021, the global pipeline totalled 1,797 hotels (270,960 rooms), a decrease of 18 hotels (1,097 rooms), as the increase in signings to 68,870 rooms was more than offset by strong openings pace out of the pipeline and a normal level of terminations from the pipeline.

The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid.

Group signings increased from 360 hotels in 2020 to 437 hotels, and rooms increased from 56,146 in 2020 to 68,870 rooms. Signings in 2021 included 205 hotels (31,169 rooms) signed for the Holiday Inn Brand Family, almost half of which were contributed by Greater China (89 hotels, 16,260 rooms). Conversions represented 22% of Group signings in 2021, including six for our newest brand, Vignette Collection.

Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 164 hotels (26,009 rooms), compared to 178 hotels (27,740 rooms) in 2020.

^a Includes 35 Holiday Inn Resort properties (8,219 rooms) (2020: 34 Holiday Inn Resort properties (7,251 rooms)).

^b Includes four Vignette Collection pipeline hotels.

Total number of hotels in the pipeline

1,797

Total number of rooms in the pipeline

270,960

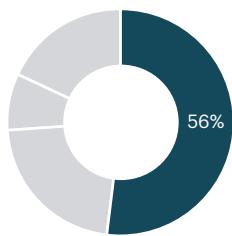
Americas



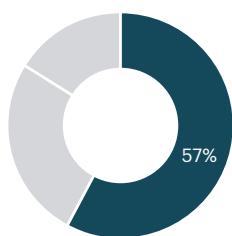
"In 2021 as we welcomed guests back, we met their evolving needs, supported our owners as the pace of recovery increased and executed our strategy to drive growth for the years to come. We've continued to see confidence in our established brands and reached new growth milestones for our newest brands: avid® hotels, Atwell Suites™, and voco™."

Elie Maalouf Chief Executive Officer, Americas

Americas revenue 2021 (\$774m)



Americas number of rooms (499,089)



Comparable RevPAR^a movement on previous year

(12 months ended 31 December 2021)

Fee business

InterContinental	73.0%
Kimpton	90.1%
Crowne Plaza	54.4%
Hotel Indigo	82.4%
EVEN Hotels	112.4%
Holiday Inn	56.8%
Holiday Inn Express	53.3%
avid hotels	115.4%
Staybridge Suites	40.4%
Candlewood Suites	30.5%
All brands	53.8%

Owned, leased and managed lease

All brands	91.6%

Industry performance in 2021

Industry RevPAR in the Americas increased by 63.4% compared to 2020 (declined by 20.7% against 2019), driven by a 19.5% increase in average daily rate and a 14.6ppt increase in occupancy. Many markets across the Americas started to recover during 2021, led by improving occupancy levels, although remained behind pre-pandemic levels. Overall demand for hotel rooms increased by 38.4% and supply increased by 1.2%.

The US lodging industry showed the earliest and strongest recovery in the region, compared against pre-pandemic levels. US industry RevPAR increased by 63.9% compared to 2020 (declined by 18.2% against 2019), driven by increases in both occupancy and average daily rate. RevPAR in the US upper midscale chain scale, where the Holiday Inn and Holiday Inn Express brands operate, increased by 59.3%.

Industry RevPAR increased by 46.9% in Canada and 81.3% in Mexico, driven by increases in both occupancy and average daily rate.

IHG's regional performance in 2021

IHG's comparable RevPAR^a in the Americas increased by 54.0% compared to 2020 (declined by 19.8% against 2019), driven by a 15.9ppt increase in occupancy coupled with a 12.2% increase in average daily rate. The region is predominantly represented by the US, where comparable RevPAR^a increased by 54.4% compared to 2020 (declined by 17.0% against 2019), and where we are most represented by our upper midscale brands Holiday Inn and Holiday Inn Express. US RevPAR^a for the Holiday Inn brand increased by 58.2% whilst the Holiday Inn Express brand increased by 53.5%.

RevPAR^a in Canada increased by 46.0%, whilst Mexico increased by 55.2%.

^a Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

voco™ St. James Hotel, New Orleans, US



Performance continued

Americas continued

Americas results

		12 months ended 31 December			
	2021 \$m	2020 \$m	2021 vs 2020 % change	2019 \$m	2020 vs 2019 % change
Revenue from the reportable segment^a					
Fee business	691	457	51.2	853	(46.4)
Owned, leased and managed lease	83	55	50.9	187	(70.6)
Total	774	512	51.2	1,040	(50.8)
Operating profit from the reportable segment^a					
Fee business	568	323	75.9	663	(51.3)
Owned, leased and managed lease	(9)	(27)	(66.7)	37	NM ^c
Operating exceptional items	559	296	88.9	700	(57.7)
Operating profit	537	(118)	(81.4)	(62)	90.3

Review of the year ended

31 December 2021

With 4,268 hotels (499,089 rooms), the Americas represents 57% of the Group's room count. The key profit-generating region is the US, and the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 92% of rooms in the region are operated under the franchise business model, primarily under our brands in the midscale segments (including the Holiday Inn Brand Family). In the upscale market segment, Crowne Plaza is predominantly franchised whereas, in the luxury market segment, InterContinental branded hotels are operated under both franchise and management agreements, whilst Kimpton is predominantly managed. 14 of the Group's 17 hotel brands are represented in the Americas.

The impact of travel restrictions continued to impact the first two months of 2021, before we saw a notable pick-up in demand in March, benefitting from domestic leisure trips around the spring break period.

As the second quarter progressed, demand continued to grow particularly in non-urban and resort destinations. Over the summer months, leisure demand recovered rapidly. Demand from essential business travellers remained resilient and we saw signs of corporate demand and group meetings start to return. By the end of the second quarter, 13 states in the US saw RevPAR^b ahead of 2019 levels and a further 17 were at least 90% of 2019 RevPAR^b.

The recovery continued into the third quarter, led by the US franchised estate, which benefits from a weighting towards hotels in the midscale segments. Leisure demand remained strong, driving rate. We also saw an increase in discretionary business travel demand and group demand.

The recovery continued into the fourth quarter, with occupancy of 60% (down 5pp compared to 2019 with rate 1% higher than 2019).

Americas comparable RevPAR^b declined 28% in the first quarter, then grew 154% in the second quarter, 76% in the third quarter, 80% in the fourth quarter and 54% in the full year, all when compared to 2020. When comparing to 2019, prior to the pandemic, Americas comparable RevPAR^b declined 43% in the first quarter, 26% in the second quarter, 10% in the third quarter, 6% in the fourth quarter and 20% in the full year.

Revenue from the reportable segment^a increased by \$262m (51%) to \$774m, (a decrease of \$266m compared to 2019). Operating profit increased by \$359m to \$537m driven by the increase in revenue and a \$96m decrease in operating exceptional charges. Operating profit from the reportable segment^a increased by \$263m (89%) to \$559m (a decrease of \$141m compared to 2019). On an underlying^a basis, revenue increased by \$268m (54%), whilst underlying^a profit increased by \$257m (84%).

Revenue and operating profit from the reportable segment^a are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue^a increased by \$234m (51%) to \$691m. Fee business operating profit^a increased by \$245m (76%) to \$568m, benefitting from the improvement in demand, along with the delivery of sustainable fee business cost savings. Operating profit from the reportable segment^a also included the benefit of \$11m payroll tax credits, which relates to the Group corporate office presence in certain countries.

Owned, leased and managed lease revenue increased by \$28m to \$83m, with comparable RevPAR^b up 92% compared to 2020, (down 41% compared to 2019), leading to an owned, leased and managed lease operating loss of \$9m compared to a \$27m loss in the prior year.

Excluding the results of three owned EVEN hotels which were disposed and retained under franchise contracts in November 2021, and the impact of one leased hotel that exited in December 2020, revenue increased by \$34m and operating profit improved by \$14m.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

 www.ihgplc.com/investors under Annual Report

^a Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

^b Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

^c Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

Americas hotel and room count

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	1	1	20	20
InterContinental	43	(3)	15,651	(1,138)
Kimpton	64	-	11,008	(89)
Crowne Plaza	112	(24)	27,930	(7,475)
Hotel Indigo	66	(1)	8,745	(48)
EVEN Hotels	19	4	2,743	504
voco	5	4	469	420
Holiday Inn ^a	716	(50)	120,850	(10,092)
Holiday Inn Express	2,436	11	221,727	1,385
avid hotels	48	24	4,280	2,124
Staybridge Suites	296	11	31,097	1,040
Candlewood Suites	361	(5)	32,025	(410)
Other ^b	101	(2)	22,544	(1,164)
Total	4,268	(30)	499,089	(14,923)
Analysed by ownership type				
Franchised	4,087	(18)	460,257	(11,545)
Managed	178	(9)	37,505	(2,886)
Owned, leased and managed lease	3	(3)	1,327	(492)
Total	4,268	(30)	499,089	(14,923)

^a Includes 19 Holiday Inn Resort properties (5,334 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms) (2020: 22 Holiday Inn Resort properties (6,003 rooms) and 28 Holiday Inn Club Vacations properties (8,679 rooms)).

^b Includes one open hotel that will be re-branded to voco.

Americas pipeline

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	6	(1)	471	(48)
InterContinental	9	2	2,252	528
Kimpton	19	(1)	3,431	(52)
Crowne Plaza	8	2	1,643	393
Hotel Indigo	29	(2)	4,070	(85)
EVEN Hotels	10	(6)	1,166	(809)
voco	5	3	1,045	771
Holiday Inn ^c	74	(6)	9,468	(978)
Holiday Inn Express	338	(48)	32,701	(4,654)
avid hotels	164	(27)	14,495	(2,816)
Staybridge Suites	137	2	14,050	(11)
Candlewood Suites	93	20	7,765	1,396
Atwell Suites	23	4	2,275	426
Other	11	(2)	1,771	(215)
Total	926	(60)	96,603	(6,154)
Analysed by ownership type				
Franchised	889	(55)	90,732	(5,796)
Managed	37	(5)	5,871	(358)
Total	926	(60)	96,603	(6,154)

^c Includes one Holiday Inn Resort property (165 rooms) (2020: three Holiday Inn Resort properties (490 rooms)).

Total number of hotels

4,268

Total number of rooms

499,089

Americas system size decreased by 30 hotels (14,923 rooms) to 4,268 hotels, a reduction of 2.9% year-on-year. 151 hotels (15,739 rooms) opened in the year, compared to 167 hotels (16,746 rooms) in 2020. Openings included 85 hotels (9,016 rooms) in the Holiday Inn Brand Family, a further 24 avid hotels and the voco Times Square South in New York.

181 hotels (30,662 rooms) were removed from the Americas system in 2021, including 92 Holiday Inn and Crowne Plaza hotels (20,127 rooms), driven by the conclusion of our quality review. This compares to 176 hotels (27,381 rooms) that left the Americas system in 2020, of which 102 hotels (16,655 rooms) related to the termination of the SVC portfolio in the Americas estate.

Total number of hotels in the pipeline

926

Total number of rooms in the pipeline

96,603

At 31 December 2021, the Americas pipeline totalled 926 hotels (96,603 rooms), representing a decrease of 60 hotels (6,154 rooms) over the prior year. Signings of 175 hotels (17,647 rooms) were ahead of last year by 38 hotels (3,608 rooms). The majority of 2021 signings were within our midscale and upper midscale brands including the Holiday Inn Brand Family (75 hotels, 7,493 rooms) and avid hotels (13 hotels, 892 rooms). Signings in our Suites brands (Staybridge Suites, Candlewood Suites and Atwell Suites) amounted to 64 hotels (5,669 rooms). 84 hotels (8,062 rooms) were removed from the pipeline in 2021 compared to 105 hotels (11,398 rooms) in 2020.

Performance continued

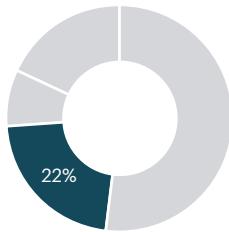
EMEA



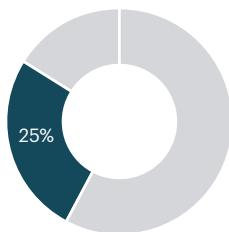
"Although Covid-19 continued to impact travel, our focus remained on supporting our colleagues, guests and owners, while leveraging our model to support sustainable long-term growth. We launched and signed deals for our new Luxury & Lifestyle brand, Vignette™ Collection, sustained strong interest in our established brands and made meaningful progress to improve the quality of our estate."

Kenneth Macpherson Chief Executive Officer, EMEA

EMEA revenue 2021 (\$303m)



EMEA number of rooms (224,200)



Comparable RevPAR^a movement on previous year

(12 months ended 31 December 2021)

Fee business

Six Senses	32.7%
InterContinental	26.9%
Kimpton	(8.4)%
Crowne Plaza	34.3%
Hotel Indigo	62.6%
voco	24.1%
Holiday Inn	34.4%
Holiday Inn Express	46.2%
Staybridge Suites	46.2%
All brands	34.8%

Owned, leased and managed lease

InterContinental	0.1%
Kimpton	111.1%
voco	136.6%
All brands	46.6%

Industry performance in 2021

Industry RevPAR in EMEA increased by 44.0% compared to 2020 (declined by 49.9% against 2019). An occupancy increase of 8.9ppts was coupled with a 10.5% increase in average daily rate. In Europe, RevPAR increased by 64.7% compared to 2020 (declined by 49.2% against 2019) driven by both occupancy and average daily rate. In the UK, industry RevPAR increased by 90.3% compared to 2020 (declined by 40.4% against 2019). UK room demand increased by 54.4% whilst supply growth remained suppressed at 0.8% partly due to construction delays from supply chain issues. In Germany RevPAR increased by 9.3%, whilst RevPAR in France increased by 68.7%.

RevPAR increased by 61.5% in the Middle East, driven by both occupancy and average daily rates, as restrictions eased, and demand started to return. India saw RevPAR increase by 30.4%.

Elsewhere in EMEA, RevPAR in Australia increased by 33.6%, whilst Japan and Thailand declined by 11.5% and 41.2% respectively, driven primarily by large reductions in average daily rate.

IHG's regional performance in 2021

EMEA comparable RevPAR^a increased by 35.0% compared to 2020 (declined 51.8% against 2019), driven by a 9.1ppt increase in occupancy coupled with a 5.3% increase in average daily rate. In the UK, where IHG has the largest regional presence, RevPAR^a increased by 70.4% compared to 2020 (declined by 41.0% against 2019), led by the Provinces (76.4%), reflecting lower weighting to inbound international travel. Germany saw a RevPAR^a increase of 1.2% and France increased by 55.2%.

RevPAR^a in the Middle East increased by 34.9%, with the fourth quarter up 109.7% reflecting the Expo 2020 demand in Dubai. India RevPAR^a increased by 38.6%.

Elsewhere in EMEA, RevPAR^a increased in Australia by 17.6%, whilst travel restrictions resulted in occupancy led declines in Japan (9.1%) and Thailand (44.7%).

^a Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

Holiday Inn Dublin Airport, Ireland



EMEAA results

		12 months ended 31 December			
	2021 \$m	2020 \$m	2021 vs 2020 % change	2019 \$m	2020 vs 2019 % change
Revenue from the reportable segment^a					
Fee business	149	107	39.3	337	(68.2)
Owned, leased and managed lease	154	114	35.1	386	(70.5)
Total	303	221	37.1	723	(69.4)
Operating profit/(loss) from the reportable segment^a					
Fee business	32	(18)	NM ^c	202	NM ^c
Owned, leased and managed lease	(27)	(32)	(15.6)	15	NM ^c
Operating exceptional items	5	(50)	NM ^c	217	NM ^c
Operating (loss)/profit	(2)	(128)	(94.5)	(109)	17.4

Review of the year ended

31 December 2021

Comprising 1,137 hotels (224,200 rooms) at the end of 2021, EMEAA represented 25% of the Group's room count. Revenues are primarily generated from hotels in the UK and gateway cities in continental Europe, the Middle East and Asia. The largest proportion of rooms in the UK and continental Europe are operated under the franchise business model, primarily under our upper midscale brands (Holiday Inn and Holiday Inn Express). In the upscale market segment, Crowne Plaza is evenly proportioned between the franchised and managed operating models, whereas in the luxury market segment, the majority of InterContinental branded hotels are operated under management agreements. The majority of hotels in markets outside of Europe are operated under the managed business model.

Performance in the region continued to reflect the differing levels of government-mandated closures and restrictions.

Performance in the first quarter was impacted by travel restrictions in a number of markets. The second quarter saw modest improvements in trading as the UK permitted leisure travel towards the end of May, whilst government mandated restrictions remained in much of continental Europe, and South East Asia continued to be impacted by lower levels of international demand.

Through the second half of the year, RevPAR continued to improve before restrictions were reinstated in certain markets following increased cases from the Omicron variant in December.

Hotels continued to reopen, with only 21 hotels remaining temporarily closed at the end of the year, compared to 215 at the start of the year; all 16 of the owned, leased and managed lease hotels were open.

EMEAA comparable RevPAR^b declined 62% in the first quarter, then grew 179% in the second quarter, 86% in the third quarter, 118% in the fourth quarter and 35% in the full year when comparing to 2020. When comparing to 2019, prior to the pandemic, EMEAA comparable RevPAR^b declined 71% in the first quarter, 65% in the second quarter, 43% in the third quarter, 33% in the fourth quarter and 52% in the full year.

Revenue from the reportable segment^a increased by \$82m (37%) to \$303m (a decrease of 58% compared to 2019). The operating loss decreased by \$176m to a loss of \$2m, driven by an increase in revenue and a \$121m decrease in operating exceptional charges. Operating profit from the reportable segment^a increased by \$55m to \$5m (a decline of \$212m compared to 2019). On an underlying^a basis, revenue increased by \$79m (35%), whilst underlying^a profit increased by \$59m, from a \$54m loss to a \$5m profit.

Revenue and operating profit from the reportable segment^a are further analysed by fee business and owned, leased and managed lease hotels.

Fee business revenue^a increased by \$42m (39%) to \$149m. Fee business operating profit^a improved by \$50m to \$32m, benefiting from the improvement in trading and the delivery of sustainable fee business cost savings. Results included \$29m of incentive management fees recorded (2020: \$14m; 2019: \$90m), driven by an improvement in trading, particularly in the Middle East.

Owned, leased and managed lease revenue increased by \$40m to \$154m, with RevPAR^b up 47% compared to 2020 (down 69% compared to 2019), leading to an owned, leased and managed lease operating loss of \$27m compared to a \$32m loss in the prior year, as the lifting of travel restrictions, predominantly in the UK, began to ease the trading challenges on this largely urban-centred portfolio.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

 www.ihgplc.com/investors under Annual Report

^a Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

^b Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

^c Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

Performance continued

EMEA continued

EMEA hotel and room count

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	19	4	1,270	263
Regent	3	-	771	-
InterContinental	108	-	32,561	87
Vignette Collection	1	1	146	146
Kimpton	10	2	2,146	287
Crowne Plaza	182	(6)	44,828	(1,696)
Hotel Indigo	48	2	5,183	117
voco	21	5	5,882	1,002
Holiday Inn ^a	380	(21)	70,824	(4,160)
Holiday Inn Express	333	4	48,548	1,192
Staybridge Suites	19	1	3,209	371
Other ^b	13	(4)	8,832	(1,258)
Total	1,137	(12)	224,200	(3,649)
Analysed by ownership type				
Franchised	767	(7)	125,707	(13)
Managed	354	(4)	95,199	(3,349)
Owned, leased and managed lease	16	(1)	3,294	(287)
Total	1,137	(12)	224,200	(3,649)

^a Includes 14 Holiday Inn Resort properties (3,229 rooms) (2020: 17 Holiday Inn Resort properties (3,330 rooms)).

^b Includes two open hotels that will be re-branded to voco and Vignette Collection.

EMEA pipeline

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	23	2	1,720	169
Regent	6	1	1,341	86
InterContinental	43	10	9,520	2,035
Kimpton	9	3	1,674	546
Crowne Plaza	40	5	10,461	1,360
Hotel Indigo	44	3	7,004	957
voco	31	5	8,753	979
Holiday Inn ^a	98	(10)	21,014	(1,540)
Holiday Inn Express	99	7	15,593	360
avid hotels	-	(1)	-	(215)
Staybridge Suites	19	(1)	2,793	(636)
Other ^b	6	5	1,059	711
Total	418	29	80,932	4,812
Analysed by ownership type				
Franchised	175	20	27,045	1,393
Managed	242	9	53,732	3,419
Owned, leased and managed lease	1	-	155	-
Total	418	29	80,932	4,812

^a Includes 20 Holiday Inn Resort properties (4,849 rooms) (2020: 18 Holiday Inn Resort properties (3,553 rooms)).

^b Includes four hotels that will be re-branded to Vignette Collection.

Total number of hotels

1,137

Total number of rooms

224,200

EMEA system size decreased by 12 hotels (3,649 rooms) to 1,137 hotels (224,200 rooms) during 2021, a reduction of 1.6% year-on-year. 52 hotels (10,162 rooms) opened in the year, compared to 61 hotels (11,288 rooms) in 2020, including Hotel X Brisbane Fortitude Valley, Australia, as part of the Vignette Collection.

64 hotels (13,811 rooms) were removed from the EMEA system in 2021, including 48 Holiday Inn and Crowne Plaza hotels (10,741 rooms), driven by the completion of the quality review. This compared to 38 hotels (6,809 rooms) that left the EMEA system in 2020.

Total number of hotels in the pipeline

418

Total number of rooms in the pipeline

80,932

At 31 December 2021, the EMEA pipeline totalled 418 hotels (80,932 rooms), representing an increase of 29 hotels (4,812 rooms) over the prior year. Signings of 109 hotels (20,376 rooms) were ahead of last year by 27 hotels (6,473 rooms), including a multi-property deal which encompassed a new property for voco in Algarve, Portugal and three hotels signed to the Vignette Collection in Austria and Portugal.

28 hotels (5,402 rooms) were removed from the pipeline in 2021 compared to 36 hotels (7,601 rooms) in 2020.

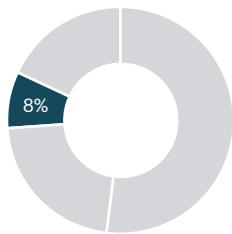
Greater China



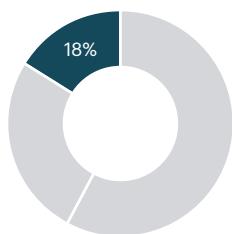
"Domestic travel demand showed steady recovery amidst sporadic Covid-19 outbreaks and travel restrictions. We deployed an agile business recovery plan to capture our share of demand, drive owner returns and ensure the safety of our guests, colleagues and communities. In line with the growth strategy, our new deal signings and hotel openings exceeded 2019 levels."

Jolyon Bulley Chief Executive Officer, Greater China

Greater China revenue 2021 (\$116m)



Greater China number of rooms (157,038)



Comparable RevPAR^a movement on previous year

(12 months ended 31 December 2021)

Fee business

Regent	9.6%
InterContinental	20.8%
HUALUXE	13.1%
Crowne Plaza	20.4%
Hotel Indigo	33.4%
Holiday Inn	21.8%
Holiday Inn Express	20.9%
All brands	20.6%

Industry performance in 2021

The industry performance across Greater China fluctuated in 2021, impacted by the reintroduction of temporary localised lockdowns. Industry RevPAR in Greater China increased by 27.8% compared to 2020 (decreased by 26.9% against 2019). Supply grew by 3.8% and demand by 16.9%.

Increases in RevPAR were achieved across all of Mainland China against 2020, however, cities in the upper tiers remained further behind 2019. RevPAR in Tier 1 cities increased by 31.3%, driven by an occupancy increase of 8.3ppts and average daily rate growth of 12.5%. Tier 2 cities saw a similar recovery profile with RevPAR increasing by 27.3%, again driven by both occupancy and rate, whilst growth in Tier 3 cities was more limited at 12.6%. Tier 4 continued to benefit from strong domestic demand with RevPAR increasing by 23.5%.

Hong Kong SAR increased by 56.6% compared to 2020 (decrease of 55.0% against 2019), with a 17.4ppt improvement

in occupancy and a 7.5% increase in average daily rate. Macau SAR improved against 2020 by 26.6% (decrease of 76.7% against 2019), driven by occupancy, but remains significantly behind 2019 due to its reliance towards travel from Mainland China.

IHG's regional performance in 2021

IHG's regional comparable RevPAR^a in Greater China increased by 20.6% compared to 2020 (decreased by 28.7% against 2019), driven by a 6.9ppt increase in occupancy and a 3.6% increase in average daily rate.

In Mainland China, RevPAR^a increased by 19.7%, with the greatest increase in Tier 1 cities, up 25.6%, whilst Tier 2-4 cities increased by 17.3%.

RevPAR^a in Hong Kong SAR increased by 81.0% whilst RevPAR^a in Macau SAR increased by 3.2%.

^a Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

InterContinental® Kaohsiung, China



Performance continued

Greater China continued

Greater China results

	12 months ended 31 December				
	2021 \$m	2020 \$m	2021 vs 2020 % change	2019 \$m	2020 vs 2019 % change
Revenue from the reportable segment^a					
Fee business	116	77	50.6	135	(43.0)
Total	116	77	50.6	135	(43.0)
Operating profit from the reportable segment^a					
Fee business	58	35	65.7	73	(52.1)
Operating exceptional items	-	(5)	-	-	-
Operating profit	58	30	93.3	73	(58.9)

Review of the year ended

31 December 2021

Comprising 586 hotels (157,038 rooms) at 31 December 2021, Greater China represented approximately 18% of the Group's room count. The majority of rooms in Greater China operate under the managed business model.

Increases in Covid-19 cases and the reintroduction of temporary restrictions impacted trading in January and February, though the recovery resumed in March with demand returning at pace as restrictions eased.

The recovery continued into April and May before local restrictions were reinstated across south, east and west cities in June. In July, RevPAR^b was just 6% lower than 2019 levels, driven by strong domestic leisure demand. The reintroduction of temporary restrictions meant that August weakened to more than 50% lower than 2019.

The fourth quarter saw volatile trading, impacted by the reintroduction of temporary restrictions.

Greater China comparable RevPAR^b grew 78% in the first quarter and 107% in the second quarter, then declined 8% in the third quarter and 17% in the fourth quarter. Full year growth was 21% when compared to 2020. When comparing to 2019, prior to the pandemic, Greater China comparable RevPAR^b declined 38% in the first quarter, 16% in the second quarter, 30% in the third quarter, 33% in the fourth quarter and 29% in the full year.

Revenue from the reportable segment^a increased by \$39m (51%) to \$116m (a decrease of 14% compared to 2019). Operating profit improved by \$28m, driven by the increase in revenue and a \$5m decrease in operating exceptional charges. Operating profit from the reportable segment^a increased by \$23m to \$58m (a decline of 21% compared to 2019). The improvement in demand at our managed hotels led to \$25m recognition of incentive management fees compared to \$16m in 2020 (2019: \$48m). Revenue and operating profit from the reportable segment^a also included the benefit of a \$6m individually significant liquidated damages settlement.

For discussion of 2020 results, and the changes compared to 2019, refer to the 2020 Annual Report and Form 20-F.

 www.ihgplc.com/investors under Annual Report

^a Definitions for Non-GAAP revenue and operating profit measures can be found on pages 73 to 77. Reconciliations of these measures to the most directly comparable line items within the Group Financial Statements can be found on pages 218 to 223.

^b Comparable RevPAR and occupancy include the impact of hotels temporarily closed as a result of Covid-19.

Greater China hotel and room count

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	1	-	122	-
Regent	4	-	1,419	-
InterContinental	53	2	21,190	512
Kimpton	1	-	129	-
HUALUXE	16	4	4,603	1,170
Crowne Plaza	110	5	38,420	1,470
Hotel Indigo	16	4	2,415	670
EVEN Hotels	2	1	251	80
voco	5	4	1,094	946
Holiday Inn ^a	122	13	33,010	2,382
Holiday Inn Express	247	35	47,054	5,265
Other ^b	9	1	7,331	368
Total	586	69	157,038	12,863
Analysed by ownership type				
Franchised	179	53	40,151	10,325
Managed	407	16	116,887	2,538
Total	586	69	157,038	12,863

^a Includes eight Holiday Inn Resort properties (1,891 rooms) (2020: eight Holiday Inn Resort properties (2,113 rooms)).

^b Includes one open hotel that will be re-branded to voco.

Total number of hotels**586****Total number of rooms****157,038**

The Greater China system size increased by 69 hotels (12,863 rooms) in 2021 to 586 hotels (157,038 rooms), an increase of 8.9% year-on-year. 88 hotels (18,057 rooms) opened, including the first InterContinental hotel in Taiwan, voco Wuhan Xinhua and the Crowne Plaza Chongli resort, compared to 57 hotels (11,358 rooms) in 2020.

19 hotels (5,194 rooms) were removed in 2021 compared to 10 hotels (2,729 rooms) in 2020.

Greater China pipeline

At 31 December	Hotels		Rooms	
	2021	Change over 2020	2021	Change over 2020
Analysed by brand				
Six Senses	4	1	233	64
Regent	2	1	597	317
InterContinental	27	(2)	7,907	(658)
Kimpton	7	1	1,747	93
HUALUXE	23	(2)	6,045	(862)
Crowne Plaza	48	-	13,157	(720)
Hotel Indigo	41	9	7,378	1,876
EVEN Hotels	19	4	3,741	670
voco	2	1	292	161
Holiday Inn ^a	72	(2)	17,596	(567)
Holiday Inn Express	208	3	34,732	168
Other	-	(1)	-	(297)
Total	453	13	93,425	245
Analysed by ownership type				
Franchised	226	15	40,055	3,167
Managed	227	(2)	53,370	(2,922)
Total	453	13	93,425	245

^a Includes 14 Holiday Inn Resort properties (3,205 rooms) (2020: 12 Holiday Inn Resort properties (3,208 rooms)).

Total number of hotels in the pipeline**453****Total number of rooms in the pipeline****93,425**

At 31 December 2021, the Greater China pipeline totalled 453 hotels (93,425 rooms), compared to 440 hotels (93,180 rooms) at 31 December 2020. Signings of 153 hotels (30,847 rooms) were ahead of last year by 12 hotels (2,643 rooms). 89 hotels (16,260 rooms) were signed for the Holiday Inn Brand Family. Other notable signings included Regent Sanya Haitang Bay and Hotel Indigo Sanya Haitang Bay as part of a combined complex, and the InterContinental Taipei.

52 hotels (12,545 rooms) were removed from the pipeline in 2021 compared to 37 hotels (8,741 rooms) in 2020.

Performance continued

Central

Central results

	12 months ended 31 December				
	2021 \$m	2020 \$m	2021 vs 2020 % change	2019 \$m	2020 vs 2019 % change
Revenue	197	182	8.2	185	(1.6)
Gross costs	(285)	(244)	16.8	(310)	(21.3)
Operating exceptional items	(88)	(62)	41.9	(125)	(50.4)
Operating loss	(88)	(81)	8.6	(140)	(42.1)

Review of the year ended

31 December 2021

Central revenue, which mainly comprises technology fee income, increased by \$15m (8.2%) to \$197m, driven by the temporary discounts on technology fees in 2020 no longer being applicable.

Gross costs increased by \$41m (16.8%) year-on-year, as temporary cost saving measures were introduced from the second quarter of 2020, which were not repeated in 2021. When comparing to 2019, gross costs decreased by 8.1%, which includes sustainable cost savings achieved in 2021.

The operating loss before exceptional items increased by \$26m, a decrease of \$37m compared to 2019.

Holiday Inn Queenstown Remarkables Park, New Zealand



Key performance measures

Key performance measures (including Non-GAAP measures) used by management

The Annual Report and Form 20-F presents certain financial measures when discussing the Group's performance which are not measures of financial performance or liquidity under International Financial Reporting Standards (IFRS). In management's view these measures provide investors and other stakeholders with an enhanced understanding of IHG's operating performance, profitability, financial strength and funding requirements. These measures do not have standardised meanings under IFRS, and companies do not necessarily calculate these in the same way. As these measures exclude certain items (for example impairment and the costs of individually significant legal cases or commercial disputes) these financial measures may be materially different to the measures prescribed by IFRS and may result in a more favourable view of performance. Accordingly, they should be viewed as complementary to, and not as a substitute for, the measures prescribed by IFRS and as included in the Group Financial Statements (see pages 142 to 148).

Linkage of performance measures to Directors' remuneration and KPIs

The Annual Performance Plan The Long Term Incentive Plan Key Performance Indicators

See pages 104 to 125 for more information on Directors' remuneration and pages 50 to 53 for more information on KPIs.

Measure

Global revenue per available room (RevPAR) growth



RevPAR, average daily rate and occupancy statistics are disclosed on pages 224 and 225.

Commentary

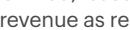
RevPAR is the primary metric used by management to track hotel performance across regions and brands. RevPAR is also a commonly used performance measure in the hotel industry.

RevPAR comprises IHG's System (see Glossary, page 256) rooms revenue divided by the number of room nights available and can be derived from occupancy rate multiplied by average daily rate (ADR). ADR is rooms revenue divided by the number of room nights sold.

References to RevPAR, occupancy and ADR are presented on a comparable basis, comprising groupings of hotels that have traded in all months in both the current and prior year. The principal exclusions in deriving this measure are new hotels (including those acquired), hotels closed for major refurbishment and hotels sold in either of the two years. These measures include the impact of hotels temporarily closed as a result of Covid-19.

RevPAR and ADR are quoted at a constant US\$ conversion rate, in order to allow a better understanding of the comparable year-on-year trading performance excluding distortions created by fluctuations in exchange rates.

Total gross revenue from hotels in IHG's System



Owned, leased and managed lease revenue as recorded in the Group Financial Statements is reconciled to total gross revenue on page 60.

Total gross revenue is revenue not wholly attributable to IHG, however, management believes this measure is meaningful to investors and other stakeholders as it provides a measure of System performance, giving an indication of the strength of IHG's brands and the combined impact of IHG's growth strategy and RevPAR performance.

Total gross revenue refers to revenue which IHG has a role in driving and from which IHG derives an income stream. IHG's business model is described on pages 10 to 13. Total gross revenue comprises:

- total rooms revenue from franchised hotels;
- total hotel revenue from managed hotels including food and beverage, meetings and other revenues and reflects the value IHG drives to managed hotel owners by optimising the performance of their hotels; and
- total hotel revenue from owned, leased and managed lease hotels.

Other than total hotel revenue from owned, leased and managed lease hotels, total gross hotel revenue is not revenue attributable to IHG as these managed and franchised hotels are owned by third parties.

Revenue and operating profit measures

The reconciliation of the most directly comparable line item within the Group Financial Statements (i.e. total revenue and operating profit, accordingly) to the non-IFRS revenue and operating profit measures is included on pages 218 to 223.

Revenue and operating profit from (1) fee business and (2) owned, leased and managed lease hotels, are described as 'revenue from reportable segments' and 'operating profit from reportable segments', respectively, within note 2 to the Group Financial Statements. These measures are presented for each of the Group's regions.

Management believes revenue and operating profit from reportable segments is meaningful to investors and other stakeholders as it excludes the following elements and reflects how management monitors the business:

- System Fund – the Fund is not managed to generate a profit or loss for IHG over the longer term, but is managed for the benefit of the hotels within the IHG System. As described within the Group's accounting policies (page 149), the System Fund is operated to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty programme.

Performance continued

Key performance measures continued

Measure	Commentary
Revenue and operating profit measures continued	<ul style="list-style-type: none"> Revenues related to the reimbursement of costs – as described within the Group's accounting policies (page 149), there is a cost equal to these revenues so there is no profit impact. Cost reimbursements are not applicable to all hotels and growth in these revenues is not reflective of growth in the performance of the Group. As such, management do not include these revenues in their analysis of results. Exceptional items – these are identified by virtue of either their size, nature, or incidence and can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, the costs of individually significant legal cases or commercial disputes and reorganisation costs. As each item is different in nature and scope, there will be little continuity in the detailed composition and size of the reported amounts which affect performance in successive periods. Separate disclosure of these amounts facilitates the understanding of performance including and excluding such items. The Group's accounting policy for exceptional items and further detail of those items presented as such are included in the Group Financial Statements (see pages 152 and 165 to 167). <p>In further discussing the Group's performance in respect of revenue and operating profit, additional non-IFRS measures are used and explained further below:</p> <ul style="list-style-type: none"> Underlying revenue; Underlying operating profit; Underlying fee revenue; and Fee margin. <p>Operating profit measures are, by their nature, before interest and tax. Management believes such measures are useful for investors and other stakeholders when comparing performance across different companies as interest and tax can vary widely across different industries or among companies within the same industry. For example, interest expense can be highly dependent on a company's capital structure, debt levels and credit ratings. In addition, the tax positions of companies can vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the various jurisdictions in which they operate.</p> <p>Although management believes these measures are useful to investors and other stakeholders in assessing the Group's ongoing financial performance and provide improved comparability between periods, there are limitations in their use as compared to measures of financial performance under IFRS. As such, they should not be considered in isolation or viewed as a substitute for IFRS measures. In addition, these measures may not necessarily be comparable to other similarly titled measures of other companies due to potential inconsistencies in the methods of calculation.</p>
Underlying revenue and underlying operating profit	<p>These measures adjust revenue from reportable segments and operating profit from reportable segments, respectively, to exclude revenue and operating profit generated by owned, leased and managed lease hotels which have been disposed, and significant liquidated damages, which are not comparable year-on-year and are not indicative of the Group's ongoing profitability. The revenue and operating profit of current year acquisitions are also excluded as these obscure underlying business results and trends when comparing to the prior year. In addition, in order to remove the impact of fluctuations in foreign exchange, which would distort the comparability of the Group's operating performance, prior year measures are restated at constant currency using current year exchange rates.</p> <p>Management believes these are meaningful to investors and other stakeholders to better understand comparable year-on-year trading and enable assessment of the underlying trends in the Group's financial performance.</p>
Underlying fee revenue growth	<p>KPI</p> <p>Underlying fee revenue is used to calculate underlying fee revenue growth. Underlying fee revenue is calculated on the same basis as underlying revenue as described above but for the fee business only.</p> <p>Management believes underlying fee revenue is meaningful to investors and other stakeholders as an indicator of IHG's ability to grow the core fee-based business, aligned to IHG's asset-light strategy.</p>

Measure	Commentary
Fee margin A KPI	<p>Fee margin is presented at actual exchange rates and is a measure of the profit arising from fee revenue. Fee margin is calculated by dividing 'fee operating profit' by 'fee revenue'. Fee revenue and fee operating profit are calculated from revenue from reportable segments and operating profit from reportable segments, as defined above, adjusted to exclude revenue and operating profit from the Group's owned, leased and managed lease hotels and significant liquidated damages.</p> <p>In addition, fee margin is adjusted for the results of the Group's captive insurance company, where premiums are intended to match the expected claims over the longer term (see page 186 in the Group Financial Statements), and as such these amounts are adjusted from the fee margin to better depict the profitability of the fee business.</p> <p>Management believes fee margin is meaningful to investors and other stakeholders as an indicator of the sustainable long-term growth in the profitability of IHG's core fee-based business, as the scale of IHG's operations increases with growth in IHG's System size.</p>
Adjusted interest Financial income and financial expenses as recorded in the Group Financial Statements is reconciled to adjusted interest on page 223.	<p>Adjusted interest is presented before exceptional items and excludes the following items of interest which are recorded within the System Fund:</p> <ul style="list-style-type: none"> IHG records an interest charge on the outstanding cash balance relating to the IHG Rewards programme. These interest payments are recognised as interest income for the Fund and interest expense for IHG. The System Fund also benefits from the capitalisation of interest related to the development of the next-generation Guest Reservation System. Other components of System Fund interest income and expense, including lease interest expense and interest income on overdue receivables. <p>As the Fund is included on the Group income statement, these amounts are included in the reported net Group financial expenses, reducing the Group's effective interest cost. Given results related to the System Fund are excluded from adjusted measures used by management, these are excluded from adjusted interest and adjusted earnings per ordinary share (see below).</p> <p>Management believes adjusted interest is a meaningful measure for investors and other stakeholders as it provides an indication of the comparable year-on-year expense associated with financing the business including the interest on any balance held on behalf of the System Fund.</p>
Tax excluding the impact of exceptional items and System Fund A reconciliation of the tax charge as recorded in the Group Financial Statements to tax excluding the impact of exceptional items and System Fund can be found in note 8 to the Group Financial Statements on page 169.	<p>As outlined above, exceptional items can vary year-on-year and, where subject to tax at a different rate than the Group as a whole, they can impact the current year's tax charge. The System Fund is not managed to a profit or loss for IHG over the longer term and is, in general, not subject to tax either.</p> <p>Management believes removing these provides a better view of the Group's underlying tax rate on ordinary operations and aids comparability year-on-year, thus providing a more meaningful understanding of the Group's ongoing tax charge.</p>
Adjusted earnings per ordinary share Basic earnings per ordinary share as recorded in the Group Financial Statements is reconciled to adjusted earnings per ordinary share in note 10 to the Group Financial Statements on page 174.	<p>Adjusted earnings per ordinary share adjusts the profit available for equity holders used in the calculation of basic earnings per share to remove System Fund revenue and expenses, the items of interest related to the System Fund as excluded in adjusted interest (above), change in fair value of contingent purchase consideration, exceptional items, and the related tax impacts of such adjustments.</p> <p>Management believes that adjusted earnings per share is a meaningful measure for investors and other stakeholders as it provides a more comparable earnings per share measure aligned with how management monitors the business.</p>
Net debt Net debt is included in note 23 to the Group Financial Statements.	<p>Net debt is used in the monitoring of the Group's liquidity and capital structure and is used by management in the calculation of the key ratios attached to the Group's bank covenants and with the objective of maintaining an investment grade credit rating (see page 12 for further discussion). Net debt is used by investors and other stakeholders to evaluate the financial strength of the business.</p> <p>Net debt comprises loans and other borrowings, lease liabilities, the exchange element of the fair value of derivatives hedging debt values, less cash and cash equivalents.</p>

Performance continued

Key performance measures continued

Measure	Commentary
Adjusted EBITDA Operating profit recorded in the Group Financial Statements is reconciled to adjusted EBITDA on page 223.	<p>One of the key measures used by the Group in monitoring its debt and capital structure is the net debt: adjusted EBITDA ratio, which is managed with the objective of maintaining an investment grade credit rating. The Group has a stated aim of maintaining this ratio at 2.5-3.0x. Adjusted EBITDA is defined as operating profit, excluding System Fund revenues and expenses, exceptional items and depreciation and amortisation.</p> <p>Adjusted EBITDA is useful to investors and other stakeholders for comparing the performance of different companies as depreciation, amortisation and exceptional items are eliminated. It can also be used as an approximation of operational cash flow generation. This measure is relevant to the Group's banking covenants, which have been amended for test dates in 2022. Details of covenant levels and performance against these is provided in note 24 to the Group Financial Statements. The leverage ratio uses a Covenant EBITDA measure which is calculated on a 'frozen GAAP' basis, excluding the effect of IFRS 16.</p>
Gross capital expenditure, net capital expenditure, adjusted free cash flow The reconciliation of the Group's statement of cash flows (i.e. net cash from investing activities, net cash from operating activities, accordingly) to the non-IFRS capital expenditure and cash flow measures are included on page 222.	<p>These measures have limitations as they omit certain components of the overall cash flow statement. They are not intended to represent IHG's residual cash flow available for discretionary expenditures, nor do they reflect the Group's future capital commitments. These measures are used by many companies, but there can be differences in how each company defines the terms, limiting their usefulness as a comparative measure. Therefore, it is important to view these measures only as a complement to the Group statement of cash flows.</p>
Gross capital expenditure	<p>Gross capital expenditure represents the consolidated capital expenditure of IHG inclusive of System Fund capital investments (see page 13 for a description of System Fund capital investments and recent examples).</p> <p>Gross capital expenditure is defined as net cash from investing activities, adjusted to include contract acquisition costs (key money). In order to demonstrate the capital outflow of the Group, cash flows arising from any disposals or distributions from associates and joint ventures are excluded. The measure also excludes any material investments made in acquiring businesses, including any subsequent payments of deferred or contingent purchase consideration included within investing activities, which represent ongoing payments for acquisitions.</p> <p>Gross capital expenditure is reported as either maintenance, recyclable, or System Fund. This disaggregation provides useful information as it enables users to distinguish between:</p> <ul style="list-style-type: none"> • System Fund capital investments which are strategic investments to drive growth at hotel level; • Recyclable investments (such as investments in associates and joint ventures), which are intended to be recoverable in the medium term and are to drive the growth of the Group's brands and expansion in priority markets; and • Maintenance capital expenditure (including contract acquisition costs), which represents a permanent cash outflow. <p>Management believes gross capital expenditure is a useful measure as it illustrates how the Group continues to invest in the business to drive growth. It also allows for comparison year-on-year.</p>

Measure	Commentary
Net capital expenditure	<p>Net capital expenditure provides an indicator of the capital intensity of IHG's business model. Net capital expenditure is derived from net cash from investing activities, adjusted to include contract acquisition costs (net of repayments) and to exclude any material investments made in acquiring businesses, including any subsequent payments of deferred or contingent purchase consideration included within investing activities, which represent ongoing payments for acquisitions. Net capital expenditure includes the inflows arising from any disposal receipts, or distributions from associates and joint ventures.</p> <p>In addition, System Fund depreciation and amortisation relating to property, plant and equipment and intangible assets, respectively, is added back, reducing the overall cash outflow. This reflects the way in which System Funded capital investments are recharged to the System Fund, over the life of the asset (see page 13).</p> <p>Management believes net capital expenditure is a useful measure as it illustrates the net capital investment by IHG, after taking into account capital recycling through asset disposal and the funding of strategic investments by the System Fund. It provides investors and other stakeholders with visibility of the cash flows which are allocated to long-term investments to drive the Group's strategy.</p>
Adjusted free cash flow	<p>Adjusted free cash flow is net cash from operating activities adjusted for: (1) the inclusion of the cash outflow arising from the purchase of shares by employee share trusts reflecting the requirement to satisfy incentive schemes which are linked to operating performance; (2) the inclusion of maintenance capital expenditure (excluding contract acquisition costs); (3) the inclusion of the principal element of lease payments; and (4) the exclusion of payments of deferred or contingent purchase consideration included within net cash from operating activities.</p> <p>Management believes adjusted free cash flow is a useful measure for investors and other stakeholders, as it represents the cash available to invest back into the business to drive future growth and pay the ordinary dividend, with any surplus being available for additional returns to shareholders.</p>

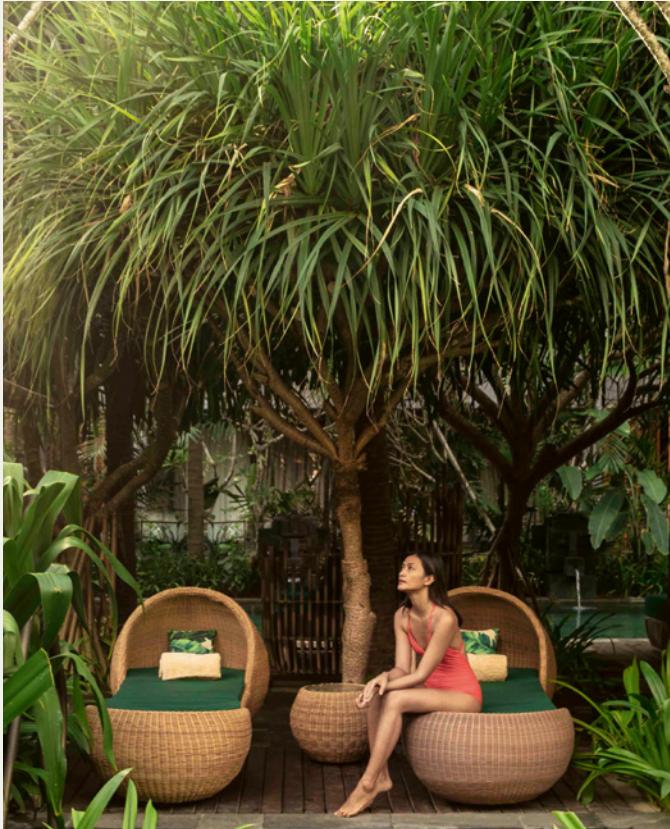
 The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 218 to 223 and the Glossary on pages 255 to 256.

Governance



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Kimpton® St Honoré, Paris, France



Chair's overview



IHG faced ongoing pandemic-related challenges in 2021 despite some areas of recovery. The appearance of new Covid-19 variants led to further waves of infection, creating an uncertain environment, with travel and operating restrictions continuing to impact the industry. Stretched supply chains, labour shortages and resurgent inflation put pressure on growth, while the pandemic accelerated the adoption of new technology and highlighted the need for businesses to operate sustainably.

Against this background, the Board has continued with the adapted governance, oversight practices and new ways of working established at the start of the pandemic. Board meetings have continued to be virtual, but there has been more frequent interaction and collaboration. The Board has provided both support and challenge to management within a clear framework of delegated responsibility. In addition, uncertain conditions required an increased attention on risk and value at risk. The focus on long-term strategy has been maintained, with actions taken regarding the impact of new technology, succession planning and business growth.

Looking back over my tenure as Chair, the notion of what constitutes good governance has evolved substantially. It is now as much about addressing our environmental and societal impacts as reporting on our financial performance – and shareholders frequently use their influential roles to exercise stewardship on behalf of other stakeholders and the wider environment. I am proud to say that this broader appreciation of the role of business within society has been central to IHG’s approach to governance for many years and doing business responsibly remains at the heart of our commitment to True Hospitality for Good and our Journey to Tomorrow.

Focus areas and activities

The Board had an active year in 2021 and a fuller description of its activities is given on pages 89 to 91.

A key theme of the year was the focus on the Group’s longer-term strategy and growth opportunities, given the continuing improvement of the Group’s financial position. This can be seen in the decision to approve the launch of the Vignette Collection, a new conversion brand in the Luxury & Lifestyle segment.

Another opportunity arose from the new ways of working accelerated by the pandemic. The Board took the decision to adopt flexible working where possible for corporate employees. It tasked management to implement this while sustaining organisational resilience and operational efficiency. The Board sought to ensure that IHG’s values and culture were maintained and that talent attraction and progression, as well as diversity and inclusion, were enhanced. The Board’s deliberations were supported by its continuing dialogue and engagement with the Group’s workforce through our Voice of the Employee programme.

The Group’s relations with hotel owners was a notable feature of Board activity. The Board sought to understand the position of hotel owners throughout the pandemic, recognising the trading difficulties they experienced, the availability of capital and the impact of labour shortages within the hospitality industry. It was also aware of the commitment needed to maintain high standards and keep brands fresh.

Technology continued to be a regular area of focus, both because of the increased cybersecurity threats and risks associated with an increase in remote working but also in the way that technology can be harnessed to drive revenue, growth and guest satisfaction.

Board composition

Succession planning was a major consideration during the year as the Board is currently going through a period of change in its composition. A key part of the refreshment process is to ensure that we continue to have the right mix of skills, experience and knowledge around the table as well as the gender and geographical representation that adds value as the Company pursues its strategic objectives.

Information on the process relating to Deanna Oppenheimer’s appointment to succeed me as Chair from 1 September 2022 is set out on page 93.

As part of Non-Executive Director succession planning, we determined that the Board would benefit from further expertise in technology and innovation, including in relation to ESG issues. We also sought to further drive diversity on the Board and prepare for the retirements of Anne Busquet and Dale Morrison in May and December 2021 respectively. These objectives were successfully furthered when Daniela Barone Soares joined the Board in March 2021 and Graham Allan was appointed as Senior Independent Non-Executive Director from 1 January 2022. Details of Daniela’s biography, including her skills and experience, are included on page 84.

The Board also approved the appointment of Duriya Farooqui to assume responsibility for its Voice of the Employee engagement plan. Further details of Board succession planning are included in the Nomination Committee Report on pages 102 and 103.

Committee activities

The Board delegates certain responsibilities to its Committees to assist in ensuring that effective corporate governance pervades the business:

- The Audit Committee focused on the Group’s material accounting judgements and estimates, risks, internal controls and business continuity, and going concern and viability (see its report on pages 95 to 99);
- The Remuneration Committee focused on incentive plan targets and performance and review of workforce remuneration considerations (see its report on pages 104 to 125);
- The Responsible Business Committee focused on the delivery of the Group’s 2030 responsible business commitments as well as the annual operational targets (see its report on pages 100 and 101); and
- The Nomination Committee progressed the implementation of Board refreshment plans (see its report on pages 102 and 103).

A description of the Group’s governance structure is given on page 88.

Board performance review

During the year, we implemented the agreed actions arising from the 2020 internal Board and Committee effectiveness evaluation and conducted a further internal evaluation process. I am pleased to report that the 2021 internal evaluation concluded that the Board and its Committees continue to operate effectively. Further details of the evaluation can be found on page 94. We also conducted individual Director feedback assessments, details of which can be found on page 94.

Compliance and our dual listing

IHG continues to operate as a dual-listed company with a premium listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange. Under the UK listing rules, we are obliged to make a statement as to how we have applied the principles of the UK Corporate Governance Code (the Code) and under the NYSE listing rules, as a foreign private issuer, we are required to disclose any significant ways in which our corporate governance practices differ from those of US companies. To ensure consistency of information provided to both UK and US investors, we produce a combined Annual Report and Form 20-F.

Board and Committee membership and attendance in 2021

	Appointment date	Committee appointments	Board	Audit Committee	Responsible Business Committee	Nomination Committee	Remuneration Committee
Total meetings held			8	5	3	5	5
Chair							
Patrick Cescau ^a	01/01/13	N	8/8	-	-	5/5	-
Chief Executive Officer							
Keith Barr	01/07/17		8/8	-	-	-	-
Executive Directors							
Paul Edgecliffe-Johnson	01/01/14		8/8	-	-	-	-
Elie Maalouf	01/01/18		8/8	-	-	-	-
Senior Independent Non-Executive Director^b							
Dale Morrison ^{b,c}	01/06/11	A N R	7/8	3/5	-	4/5	3/5
Non-Executive Directors							
Graham Allan ^{d,e}	01/09/20	A N R	8/8	5/5	-	-	4/5
Richard Anderson ^e	01/03/21	A R	1/2	0/1	-	-	1/2
Daniela Barone Soares ^f	01/03/21	R RB	7/7	-	2/2	-	3/4
Anne Busquet ^g	01/03/15	A RB	3/3	2/2	1/1	-	-
Arthur de Haast	01/01/20	R RB	8/8	-	3/3	-	5/5
Ian Dyson ^h	01/09/13	A N R	7/8	5/5	-	5/5	5/5
Duriya Farooqui	07/12/20	A RB	8/8	5/5	3/3	-	-
Jo Harlow ⁱ	01/09/14	N R	7/8	-	-	5/5	5/5
Jill McDonald	01/06/13	A N RB	8/8	5/5	3/3	5/5	-
Sharon Rothstein	01/06/20	A RB	8/8	5/5	3/3	-	-

^a In principle the Chair attends all Committee meetings, and the full Board attends the relevant sections of the Audit Committee meetings when financial results are considered.

^b Dale Morrison retired from the Board on 31 December 2021 and Graham Allan was appointed as Senior Non-Executive Director from 1 January 2022.

^c Dale Morrison was unable to attend a Board meeting, an Audit Committee meeting, a Nomination Committee meeting and a Remuneration Committee meeting due to illness. He was also unable to attend an Audit Committee meeting and a Remuneration Committee meeting due to a prior engagement.

^d Graham Allan was unable to attend a Remuneration Committee meeting due to a prior engagement.

^e Richard Anderson was appointed to the Board on 1 March 2021 and resigned on 26 May 2021. Richard was unable to attend a Board meeting, an Audit Committee meeting and a Remuneration Committee meeting due to a prior engagement.

^f Daniela Barone Soares was appointed to the Board from 1 March 2021. Daniela was unable to attend a Remuneration Committee meeting due to a prior engagement.

^g Anne Busquet retired from the Board from 7 May 2021.

^h Ian Dyson was unable to attend a Board meeting due to a prior engagement.

ⁱ Jo Harlow was unable to attend a Board meeting due to a prior engagement.

Board Committee membership key

A Audit Committee member

R Remuneration Committee member

RB Responsible Business Committee member

N Nomination Committee member

C Chair of a Board Committee

Our Board of Directors

Patrick Cescau

Non-Executive Chair



Appointed to the Board:
1 January 2013



Keith Barr

Chief Executive Officer (CEO)

Appointed to the Board:
1 July 2017



Paul Edgecliffe-Johnson

Chief Financial Officer (CFO)
and Group Head of Strategy

Appointed to the Board:
1 January 2014



Elie Maalouf

Chief Executive Officer, Americas

Appointed to the Board:
1 January 2018



Skills and experience: From 2005 to 2008, Patrick was Group Chief Executive of Unilever Group, having previously been Chair of Unilever PLC, Vice-Chair of Unilever NV and Foods Director, following a progressive career with the company, which began in France in 1973. Prior to being appointed to the board of Unilever PLC and Unilever NV in 1999, as Finance Director, he was Chair of a number of the company's major operating companies and divisions, including in the US, Indonesia and Portugal. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc, Tesco PLC and International Consolidated Airlines Group S.A., and a Director at INSEAD.

Board contribution: Patrick has held board positions for more than 20 years in leading global businesses and brings extensive international experience in strategy, brands, consumer products and finance. As Chair, Patrick is responsible for leading the Board and ensuring it operates in an effective manner, and promoting constructive relations with shareholders and wider stakeholders. As Chair of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group's leadership needs.

Other appointments: Patrick is a Patron of the St Jude India Children's Charity and a Member of the Temasek European Advisory Panel.

Skills and experience: Keith has spent more than 25 years working in the hospitality industry across a wide range of roles. He started his career in hotel operations and joined IHG in 2000. Since April 2011 he has been a member of IHG's Executive Committee. Directly before being appointed CEO, Keith served as Chief Commercial Officer for four years. In this role, he led IHG's global brand, loyalty, sales and marketing functions, and oversaw IHG's loyalty programme, IHG® Rewards. Prior to this, Keith was CEO of IHG's Greater China business for four years, setting the foundations for growth in a key market and overseeing the launch of the HUALUXE® Hotels and Resorts brand.

Board contribution: Keith is responsible for the executive management of the Group and ensuring the implementation of Board strategy and policy.

Other appointments: Keith is a Non-Executive Director of Yum! Brands. He also sits on the Board of WiHTL (Women in Hospitality Travel & Leisure), the World Travel & Tourism Council Executive Committee and the International Advisory Board of EHL. Keith is a graduate of Cornell University's School of Hotel Administration and is currently a member of the Dean's Advisory Board for The School of Hotel Administration, Cornell SC Johnson College of Business.

Skills and experience: Paul is a fellow of the Institute of Chartered Accountants and is a graduate of the Harvard Business School Advanced Management Programme. He was previously CFO of IHG's Europe and Asia, Middle East and Africa regions, a position he held since September 2011. He joined IHG in August 2004 and has held a number of senior-level finance positions, including Head of Investor Relations, Head of Global Corporate Finance and Financial Planning & Tax, and Head of Hotel Development, Europe. Paul also acted as Interim CEO of the Europe, Middle East and Africa region (prior to the reconfiguration of our operating regions).

Board contribution: Paul is responsible, together with the Board, for overseeing the financial operations of the Group and for leading Group strategy.

Skills and experience: Elie was appointed CEO, Americas at IHG in February 2015 and has more than 20 years' experience working in major global franchise businesses. He joined the Group having spent six years as President and CEO of HMSHost Corporation, where he was also a member of the board of directors. Elie brings broad experience spanning hotel development, branding, finance, real estate and operations management as well as food and beverage expertise. Elie was Senior Adviser with McKinsey & Company from 2012 to 2014.

Board contribution: Elie brings a deep understanding of the global hospitality sector to the Board. He is responsible for business development and performance of all hotel and resort brands and properties in the Americas region and has global responsibility for customer development, providing oversight of the Global Sales organisation, as well as our owner management and services strategy.

Other appointments: Elie is a member of the American Hotel & Lodging Association Executive Committee of the Board, and member and chairman of the U.S. Travel Association CEO Roundtable. In addition, Elie serves as a board member of the Atlanta Committee for Progress and is on the CEO Council of the Global Business Alliance.

Board Committee membership key

A Audit Committee member

R Remuneration Committee member

RB Responsible Business Committee member

N Nomination Committee member

Chair of a Board Committee

Graham Allan

Senior Independent
Non-Executive Director (SID)



Appointed to the Board:
1 September 2020*



Skills and experience: Graham was Group Chief Executive of Dairy Farm International Holdings Ltd from 2012 to 2017, a leading Asian retailer headquartered in Hong Kong. He previously served in several senior positions at Pepsico/Yum! Brands from 1992 to 2012, assuming the role of President Yum! Restaurants International in 2003, and led the development of global brands KFC, Pizza Hut and Taco Bell in more than 120 international markets. Prior to his tenure at Yum! Restaurants, he worked as a consultant, including at McKinsey & Company.

Board contribution: Graham brings to the Board more than 40 years of strategic, commercial and brand experience within consumer-focused businesses across multiple geographies. Graham was appointed as Senior Independent Non-Executive Director from 1 January 2022.

Other appointments: Graham is Senior Independent Non-Executive Director at Intertek plc and Independent Non-Executive Director of Associated British Foods plc. He also serves as a director of private companies as Chairman of Bata Footwear and Director of Americana Foods.

Ian Dyson

Independent
Non-Executive Director



Appointed to the Board:
1 September 2013



Skills and experience: Ian has held a number of senior executive and finance roles, including Group Finance and Operations Director for Marks and Spencer Group plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was CEO of Punch Taverns plc, Finance Director for the Rank Group Plc, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc. More recently, Ian was a Non-Executive Director of SSP Group plc and Senior Independent Non-Executive Director of Flutter Entertainment plc.

Board contribution: Ian has gained significant experience from working in various senior finance roles, predominantly in the retail, leisure and hospitality sectors. Ian became Chair of the Audit Committee on 1 April 2014, and, as such, is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place.

Other appointments: Ian is Chair of the Board of ASOS plc.

Jo Harlow

Independent
Non-Executive Director



Appointed to the Board:
1 September 2014



Skills and experience: Jo most recently held the position of Corporate Vice President of the Phones Business Unit at Microsoft Corporation. She was previously Executive Vice President of Smart Devices at Nokia Corporation, following a number of senior management roles at Nokia from 2003. Prior to that, she held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble Company from 1984 to 1992.

Board contribution: Jo has more than 25 years' experience working in various senior roles, predominantly in the branded and technology sectors. Jo became Chair of the Remuneration Committee on 1 October 2017 and, as such, she leads the Committee responsible for setting our remuneration policy.

Other appointments: Jo is a Non-Executive Director and Chair of the Remuneration Committee of Halma plc, and Non-Executive Director and Chair of the Corporate Responsibility and Sustainability Committee of J Sainsbury plc. She is also a member of the Board of Chapter Zero, the Directors' Climate Forum.

Jill McDonald

Independent
Non-Executive Director



Appointed to the Board:
1 June 2013



Skills and experience: Jill is currently CEO of Costa Coffee. She started her career at Colgate-Palmolive Company, spent 16 years with British Airways Plc and has held a number of senior marketing positions in the UK and overseas. Jill was CEO UK and President for the North West Europe division of McDonald's, and held a number of other senior roles in the company from 2006. From May 2015 until September 2017, Jill served as CEO of the Halfords Group plc. From 2017 to 2019, Jill served as Managing Director of Marks and Spencer Clothing and Home.

Board contribution: Jill has over 30 years' experience working with high-profile international consumer-facing brands at both marketing and operational level. As Chair of the Responsible Business Committee, she leads the Committee responsible for responsible business objectives and strategy and reviewing our approach to sustainable development.

Other appointments: Jill is CEO of Costa Coffee.

* Graham was a member of the Board from 1 January 2010 to 15 June 2012 prior to being appointed as Chief Operating Officer of Dairy Farm International Holdings Limited

Our Board of Directors continued

Daniela Barone Soares

Independent
Non-Executive Director



Appointed to the Board:
1 March 2021

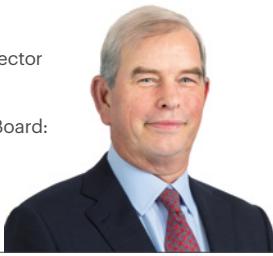


Arthur de Haast

Independent
Non-Executive Director



Appointed to the Board:
1 January 2020



Duriya Farooqui

Independent
Non-Executive Director



Appointed to the Board:
7 December 2020



Sharon Rothstein

Independent
Non-Executive Director



Appointed to the Board:
1 June 2020



Skills and experience: Daniela is currently Chief Executive Officer of Snowball Impact Management Ltd. She was formerly Chief Executive Officer of financial advisory and strategic consultancy, Granito Group. Prior to this, she was Chief Executive Officer at Impetus, a private equity foundation and Executive Chair of Gove.digital, a private technology business working with the public sector to improve social services in Brazil. She has served on various commercial and non-profit boards and advisory boards, including Halma plc, Evora S.A. in Brazil and the UK National Advisory Board to the G8 Social Impact Investment Taskforce. She also spent nearly 15 years combined in roles at Save the Children, BancBoston Capital private equity, Citibank and Goldman Sachs.

Board contribution: Daniela brings to the IHG Board a clear commitment to ESG responsibilities and in-depth knowledge of the role of technology in driving change.

Other appointments: Daniela is a Designated Member of Snowball Impact Investments GP LLP, a diversified investment fund focused on generating financial returns with a positive social and environmental impact. She is also a Trustee of the Haddad Foundation, a Member of the Advisory Board of Forward Institute and Trustee of the Institute for the Future of Work.

Skills and experience: Arthur has held several senior roles in the Jones Lang LaSalle (JLL) group, including Chair of JLL's Capital Markets Advisory Council and Chair and Global CEO of JLL's Hotels and Hospitality Group. Arthur is also a former Chair of the Institute of Hospitality.

Board contribution: Arthur has more than 30 years' experience in the capital markets, hotels and hospitality sectors, along with significant board-level knowledge around sustainability.

Other appointments: Arthur is Chair of JLL's Capital Markets Advisory Council, an Independent Non-Executive Director of Chalet Hotels Limited and chair of its Risk Management Committee, and a member of the Advisory Board of the Scottish Business School, University of Strathclyde, Glasgow.

Skills and experience: Duriya is an Independent Director at Intercontinental Exchange, Inc. (ICE), a leading operator of global exchanges and clearing houses, and provider of mortgage technology, data and listings services. Duriya was previously President of Supply Chain Innovation at Georgia-Pacific, leading an organisation responsible for solving supply chain challenges through digital technology and collaboration. Prior to this, she was Executive Director of Atlanta Committee for Progress, a coalition of over 30 CEOs providing leadership on economic growth and inclusion opportunities in Atlanta. Duriya has also been a principal at Bain & Company and Chief Operating Officer of the City of Atlanta.

Board contribution: Duriya's diverse board and executive-level experience brings valuable insights and perspectives to IHG. She combines more than two decades of relevant expertise in business strategy, transformation and innovation, with a clear commitment to driving responsible operations and diversity.

Other appointments: Duriya is a member of the Board of Tribe Capital Growth Corp I and an Independent Director at Intercontinental Exchange, Inc. She serves on the boards of NYSE and ICE NGX, both subsidiaries of ICE, and co-chairs the NYSE Board Advisory Council of CEOs. Duriya is also a Trustee of Agnes Scott College, a Governing Board member of the Woodruff Arts Center, a member of the Board of Councilors of The Carter Center and a mentor for the ExCo Group, LLC.

Skills and experience: Sharon currently serves as Operating Partner of Stripes Group, a growth equity firm investing in high-growth consumer and SaaS (Software as a Service) companies. She previously served as Executive Vice President, Global Chief Marketing Officer, and subsequently, as Executive Vice President, Global Chief Product Officer for Starbucks Corporation. In addition, Sharon has held senior marketing and brand management positions at Sephora LLC, Godiva Chocolatier, Inc., Starwood Hotels & Resorts Worldwide, Inc., Nabisco Biscuit Company and Procter & Gamble Company.

Board contribution: Sharon brings extensive brands, marketing and digital expertise, having worked in senior positions for more than 25 years at iconic global companies. In addition to her knowledge of the hospitality industry, Sharon has wide-ranging board-level experience in a number of consumer-focused businesses.

Other appointments: Sharon serves on the boards of Yelp, Inc. and Block, Inc.; and also for private companies True Food Kitchen, Inc., Califia Farms, LLC and Levain Bakery, Inc.

Board Committee membership key

A Audit Committee member

R Remuneration Committee member

RB Responsible Business Committee member

N Nomination Committee member

Chair of a Board Committee

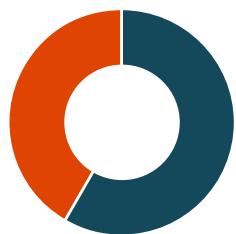
Changes to the Board and its Committees, and Executive Committee

Graham Allan	Graham was appointed as Senior Non-Executive Director and member of the Nomination Committee from 1 January 2022
Richard Anderson	Richard was appointed to the Board from 1 March 2021 and resigned on 26 May 2021
Daniela Barone Soares	Daniela was appointed to the Board from 1 March 2021
Anne Busquet	Anne retired from the Board from 7 May 2021
Dale Morrison	Dale retired from the Board from 31 December 2021

In addition to the above changes, in January 2022 the Company announced that Patrick Cescau will retire as Non-Executive Chair of the Board with effect from 31 August 2022, with Deanna Oppenheimer to be appointed to the Board as Non-Executive Director and Chair Designate effective 1 June 2022, to succeed Patrick Cescau as Non-Executive Chair from 1 September 2022 following his retirement.

Board composition

Gender split of Directors



■ Male, 7
■ Female, 5

Tenure of Non-Executive Directors



■ 0–3 years, 4
■ 3–6 years, 1
■ 6–9 years, 3
■ 9+ years, 1^a

^a Patrick Cescau has served on the Board for nine years. As noted above, Patrick will retire from the Board from 1 September 2022 after handing over to Deanna Oppenheimer, who joins the Board from 1 June 2022 to succeed Patrick as Chair.

Our Executive Committee

In addition to Keith Barr, Paul Edgecliffe-Johnson and Elie Maalouf, the Executive Committee comprises:

Claire Bennett

Global Chief Customer Officer

Appointed to the
Executive Committee:
October 2017
(joined the Group: 2017)



Jolyon Bulley

Chief Executive Officer, Greater China and
Group Transformation Lead, Luxury & Lifestyle

Appointed to the
Executive Committee:
November 2017
(joined the Group: 2001)



Yasmin Diamond, CB

Executive Vice President,
Global Corporate Affairs

Appointed to the
Executive Committee:
April 2016
(joined the Group: 2012)



Nicolette Henfrey

Executive Vice President,
General Counsel and
Company Secretary

Appointed to the
Executive Committee:
February 2019
(joined the Group: 2001)



Skills and experience: Claire has an in-depth knowledge of the hospitality industry having spent 11 years at American Express in a range of senior leadership roles across marketing, consumer travel and loyalty. In her tenure there, Claire was General Manager (GM), Global Travel and Lifestyle, where she led a team responsible for delivering luxury lifestyle services, and she held additional roles including GM for Consumer Loyalty, GM for US Consumer Travel, and Senior Vice President, Global Marketing and Brand Management. Claire has also held senior marketing positions at Dell, as well as finance and general management roles at PepsiCo/Quaker Oats Company, building significant expertise across technology, retail e-commerce, financial services, and travel and hospitality sectors.

Claire has been an Executive Board Member of the World Travel and Tourism Council (WTTC), served as a Board Member of Tumi Inc. and participated on multiple industry advisory boards. Claire is a Certified Public Accountant and holds an MBA from the J.L. Kellogg Graduate School of Management at Northwestern University.

Key responsibilities: These include all aspects of brand design and commercial delivery, loyalty, partnerships, marketing execution and data analytics.

Skills and experience: Prior to his appointment as CEO for Greater China, Jolyon was Chief Operating Officer (COO) for the Americas, leading the region's operations for franchised and managed hotels, in addition to cultivating franchisee relationships and enhancing hotel operating performance. Jolyon also served as COO for Greater China for almost four years, with oversight of the region's hotel portfolio and brand performance, food and beverage brand solutions, new hotel openings and owner relations. In 2021, he was appointed to lead the Luxury & Lifestyle Transformation Team.

Jolyon joined IHG in 2001, as Director of Operations in New South Wales, Australia, and then held roles of increasing responsibility across IHG's Asia-Pacific region. He became Regional Director Sales and Marketing for Australia, New Zealand and South Pacific in 2003, relocated to Singapore in 2005 and held positions of Vice President Operations South East Asia and India, Vice President Resorts, and Vice President Operations, South East and South West Asia. Jolyon graduated from William Angliss Institute in Melbourne with a concentration on Tourism and Hospitality.

Key responsibilities: These include the management, growth and profitability of IHG's fastest-growing region, Greater China, and working to develop and define a clear strategy for our Luxury & Lifestyle brands.

Skills and experience: Before joining IHG in 2012, Yasmin was Director of Communications at the Home Office, where she advised the Home Secretary, ministers and senior officials on the strategic development and daily management of all the Home Office's external and internal communications. She was previously Director of Communications at the Department for Environment, Food and Rural Affairs; Head of Communications for Welfare to Work and New Deal; and Head of Marketing at the Department for Education and Skills. Before joining government communications, Yasmin was Publicity Commissioner for the BBC, where she led communications activity around the launch of a new digital learning channel and around the BBC's educational output for both adults and children.

In 2011, Yasmin was awarded a Companion of the Order of the Bath (CB) in the New Year's Honours List in recognition of her career in government communications. In addition, Yasmin sits on the Board of Trustees for the British Council, the UK's international organisation for cultural relations and educational opportunities, and is a Board Trustee member of the Sustainable Hospitality Alliance.

Key responsibilities: Yasmin is responsible for all global corporate affairs activity, focused on supporting and enabling IHG's broader strategic priorities. This includes all external and internal communications, covering both corporate and consumer brand PR; global government affairs work; and leading IHG's Corporate Responsibility strategy.

Skills and experience: Nicolette joined IHG in 2001, and prior to leading the Business Reputation and Responsibility function, held a number of senior legal roles, including Deputy Company Secretary, during which time she worked with the Board, Executive Committee and wider organisation to ensure best-in-class delivery and compliance across legal, governance and regulatory areas. Nicolette is a solicitor qualified in England and South Africa and worked as a corporate lawyer at Linklaters in London and Findlay & Tait (now Bowmans) in South Africa. Nicolette was appointed as Company Secretary on 1 March 2019.

Key responsibilities: Nicolette has global responsibility for all areas of corporate governance, legal, risk management, insurance, regulatory compliance, internal audit, and hotel standards.

Wayne Hoare

Chief Human Resources Officer

Appointed to the
Executive Committee:
September 2020
(joined the Group: 2020)



Skills and experience: Wayne has more than 30 years of experience in HR and joined IHG from RCL FOODS, where he spent seven years as the company's Chief Human Resources Officer, leading RCL FOODS' culture building and talent strategy for 25,000 employees. Prior to joining RCL FOODS, Wayne spent 26 years at Unilever, where he worked across a broad range of roles in both mature and developing markets across Europe, North America, Asia, Africa and the Middle East.

Wayne's most recent role at Unilever was as SVP, HR – Global Centres of Expertise, where he held responsibility for the Global Talent, Leadership Development and Reward teams. He led the development of the company's HR strategy on enabling a performance culture focused on growth.

Key responsibilities: These include global talent management, learning and capability building, diversity, organisation development, reward and benefit programmes, employee relations and all aspects of the people and organisation strategy for the Group.

Kenneth Macpherson

Chief Executive Officer, EMEAA

Appointed to the
Executive Committee:
April 2013
(joined the Group: 2013)



Skills and experience: Kenneth became CEO, EMEAA in January 2018. Kenneth was previously IHG's CEO for Greater China, a role he held from 2013 to 2017. Kenneth has extensive experience across sales, marketing strategy, business development and operations. In addition to 12 years living and working in China, Kenneth's career includes experience in Asia, the UK, France and South Africa. Before IHG, Kenneth worked for 20 years at Diageo, one of the UK's leading branded companies. His senior management positions included serving as Managing Director of Diageo Greater China, where he helped to build the company's presence and led the landmark deal to acquire ShuiJingFang, a leading manufacturer of China's national drink, and one of the first foreign acquisitions of a Chinese listed company.

Key responsibilities: Kenneth is responsible for the management, growth and profitability of the EMEAA region. He also manages a portfolio of hotels in some of the world's most exciting destinations, in both mature and emerging markets.

George Turner

Chief Commercial and Technology Officer

Appointed to the
Executive Committee:
January 2009
(joined the Group: 2008)

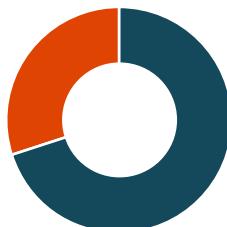


Skills and experience: In February 2019, George was appointed as Chief Commercial and Technology Officer. Prior to this, George spent over a decade as IHG's EVP, General Counsel and Company Secretary, with responsibility for corporate governance, risk and assurance, legal, corporate responsibility and information security. He is a solicitor, qualifying to private practice in 1995. Before joining IHG, George spent over 10 years with Imperial Chemical Industries PLC, where he held various key positions including Deputy Company Secretary and Senior Legal Counsel.

Key responsibilities: These include distribution; channels; revenue management; property, owner, guest and enterprise solutions; guest reservations and customer care; digital; information security; technology and global sales.

Executive Committee composition

Gender split of Executive Committee



■ Male, 7
■ Female, 3

Governance structure

Our governance framework is headed by the Board, which delegates certain management and oversight responsibilities to various committees to further IHG's purpose, values and strategy, while conducting business in a responsible manner. Executive management are responsible for the implementation of strategy which is delivered by the Group's workforce.

The Board and its Principal Committees

The Board is responsible for promoting the long-term sustainable success of the Group and establishes its purpose, values and strategy. Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees, with the exception of a number of key decisions and matters that are reserved for the Board. The schedule of matters reserved for the Board was reviewed at the December 2021 Board meeting and is available on our website.

The Board is supported by its four Principal Committees (Audit, Nomination, Remuneration and Responsible Business), all of which consist of Non-Executive Directors. These committees assist the Board in carrying out its functions and in the oversight of the delivery of the strategic objectives it sets for management.

 Committee Reports, including information on their activities during 2021, can be found on pages 95 to 125.

Pursuant to Section 172 of the Companies Act 2006, the Board has a duty to act in a way most likely to promote the success of the Company for the benefit of its members, while having regard to six additional factors, including the interests of key stakeholders. The Board's Section 172 statement describing how stakeholder considerations are taken into account is incorporated in the description of the activities of the Board on pages 90 and 91.

 Further details of key stakeholders and engagement during 2021 can be found on pages 20 to 28, 36, 39, 92, 101, 107, 108, 112 to 114, 227 and 228.

The Board is also responsible for reviewing the means for the workforce to raise concerns in confidence and the reports arising from its operation (commonly known as whistleblowing) and it reviewed confidential disclosure channel reports throughout 2021. In addition, a Non-Executive Director is nominated to represent the Voice of the Employee in Board discussions. See our Voice of the Employee disclosure on page 101.

 More information on our Board and Committees is available at www.ihgplc.com/investors under Corporate governance.

Management Committees

Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees. The Management Committees are comprised of senior executives, including where relevant, the Executive Directors.

The Executive Committee is chaired by the CEO and considers and manages the day-to-day strategic and operational issues facing the Group. Its remit includes executing the strategic plan once agreed by the Board, monitoring the Group's performance and providing assurance to the Board in relation to overall performance and risk management.

The General Purposes Committee is chaired by an Executive Committee member and attends to items of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

The Disclosure Committee is chaired by the Group's Financial Controller and ensures that proper procedures are in place for statutory and listing requirements. This Committee reports to the Chief Executive Officer, the Chief Financial Officer and the Audit Committee.

Conduct of Board and Committee Meetings

The Chair and Company Secretary operate a collaborative process for setting the Board agenda to ensure that the focus and discussion strikes the appropriate balance between the short-term needs of the business and the longer term. The Chair or Committee Chairs, CEO and Company Secretary also liaise in advance of each Board and Committee meeting to finalise the agendas, set the order in which items are considered and ensure that each matter is allocated sufficient time. The Company Secretary maintains an annual agenda schedule for Board meetings that sets out strategic and operational matters to be considered.

The Board held eight scheduled meetings during the year and individual attendance is set out on page 81. All Directors are expected to attend all Board meetings and relevant Committee meetings unless they are prevented from doing so by prior commitments, illness or a conflict of interest. If Directors are unable to attend Board or Committee meetings, they are sent the relevant papers and asked to provide comments to the Chair of the Board or Committee in advance of the meeting so that their comments can be duly considered.

Time is set aside at the start and end of each Board meeting for the CEO to meet with the Chair and Non-Executive Directors, and for the Chair to meet privately with the Senior Independent Non-Executive Director (SID) and Non-Executive Directors to discuss any matters arising. The SID continues to be available to discuss concerns with shareholders, in addition to the normal channels of shareholder communication.

Board activities

Matters the Board discussed in 2021

Board Meetings

The Board met for eight scheduled meetings during the year. Due to the ongoing impact of the pandemic, Board meetings were conducted by video conference. The following table gives an overview of the regular and standing items discussed and decisions made. The table overleaf details the key matters discussed by the Board in 2021 and our Section 172 statement, including information

about how stakeholders were considered. In both tables, commercially sensitive information has been excluded. In several areas, much of the substantive preparation work took place within the Board's Committees and was later confirmed by the Board or the whole Board attended certain sections of Committee meetings. Where this was the case, the discussions are treated as having taken place at Board level.

Regular and standing items

In addition to key focus areas outlined on the following pages, the Board considers a number of regular and standing items at each meeting:

Area of discussion	Discussion topic and decisions made
Chair's matters	The Chair provided an update on Board developments and meeting plans and his current areas of focus and engagement.
Chief Executive Officer's matters	The Chief Executive Officer provided an update of developments within the business.
Updates from each of the Board Committees	The Committee Chairs reported back to the Board on matters covered during their meetings. Details of Committee activities during 2021 can be found on pages 95 to 125.
Financial performance	The Board received regular updates from the Chief Financial Officer on recent and current trading, including RevPAR, operating profit, net system size growth and cashflow, and these were compared to competitors' results. Internal projections were compared with the consensus of analysts' forecasts to ensure that the Company's prospects were appropriately reflected in market expectations.
Corporate governance	The Board received regulatory development updates from the Company Secretary and General Counsel, covering regulatory changes in areas such as corporate reporting, executive remuneration, climate change, diversity, workforce engagement, human rights, data protection and shareholder body voting guidelines.
Cybersecurity	The Board received regular updates on cyber activity and information security, including a detailed presentation from the Chief Commercial and Technology Officer and the Chief Information Security Officer. These covered threats and trends in the hospitality industry, the Group's key systems and risk appetite as well as managing cyber risks in a remote environment. The Board also reviewed the policies and actions taken to address threats and mitigate risks.
Principal risks, internal controls and risk management systems	The Board received regular updates on principal and emerging risks, internal controls, risk management systems, the Group's risk appetite, business continuity and the global insurance programme. Committee Chairs also delivered reports on risk topics in relation to the areas of remit for their respective Committees. The Board regards the management of risks in business as fundamental to its role and does this by ensuring that appropriate controls and processes are in place. The regular monitoring of the Group's risk management systems allows the Board to ensure that issues that might otherwise impact the Group's reputation for high standards of business conduct are avoided or mitigated as appropriate and that the Group is positioned to respond to uncertainty in an agile manner.
Investor relations	The Board receives a regular report outlining share register movement, relative share price performance, investor relations activities and engagement with shareholders. The Board also considered views shared from the regular investor and analyst perception studies and feedback surveys as well as individual meetings with investors.

Board activities continued

Key matters discussed in 2021 and Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in a way most likely to promote the success of that company for the benefit of its members, while having regard to six additional factors. These are: the long-term consequences of a decision; the interests of its employees; business relationships with suppliers, customers and others; its impact on the community and environment; the desirability of maintaining high standards of business conduct; and the need to act fairly between members of the company. The table below summarises some of the main matters dealt with by the Board during the year and how it took the Section 172 factors into account. The relevant Section 172 factors are identified in the key at the bottom of the page.

Finance and performance	
Three-year financial plan and competitor performance The Board approved the Group's three-year financial plan and monitored performance in light of changes to economic and industry growth forecasts during the year.	In approving the Group's three-year financial plan, the Board considered the assumptions and risks inherent in the plan including the outlook for signings and bad debt risk, expected cashflows and prospects for the System Fund. The three-year plan for the business puts its medium-term targets into a quantifiable form, and monitoring progress against the plan provides a mechanism for the Board to balance the interests of stakeholders such as hotel owners, employees and lenders with those of shareholders. It also forms the basis on which targets for executive remuneration are set. The Board also received presentations on the Group's main competitors and their performance. By examining the performance of the Group's competitors, the Board can assess the Group's performance in context and draw out areas where longer-term improvements can be made.
A F	
Financial statements	
The Board considered the full and half year results statements, the going concern and viability statements made in the Annual Report and whether the Annual Report was fair, balanced and understandable.	Through the timely publication of accurate and balanced financial statements, the Board ensures that shareholders and other stakeholders have equal access to important information and the business maintains its reputation for high reporting standards.
E F	
Dividend	
The Board considered dividend payments and concluded that it would not be appropriate to pay a dividend during 2021.	The Board weighed various stakeholder interests when considering dividend payments as well as the need to exhibit high standards of business conduct. It considered the Group's financial performance, market expectations, the interests of shareholders and lenders as well as the position of broader stakeholders, including employees, suppliers and hotel owners. It concluded that it would not be appropriate for the Company to pay a dividend during the year, noting that it would consider future dividends once visibility of the pace and scale of market recovery improves. Subsequently, the Board is proposing a final dividend of 85.9¢ per ordinary share in respect of 2021, payable in May 2022 subject to shareholder approval at the 2022 AGM.
A B C E F	
Strategic and operational matters	
Brand integrity The Board considered the progress of its strategic initiative to improve the quality and consistency of the Holiday Inn and Crowne Plaza estates in the Americas and EMEA.	The Board focused on maintaining the integrity of the Group's brands to ensure that guests can be confident in their expectations when staying in an IHG hotel. In assessing the initiative to engage with the owners of certain Crowne Plaza and Holiday Inn hotels that required improvements to quality of service and property condition, the Board weighed the short-term impact on system size against the positive longer-term benefits of maintaining brand standards in the broader estate for hotel owners and guests.
A C	As part of the Board's oversight of brand strategy and recognising the need to keep guest experiences and hotel owner returns relevant and attractive, the Board considered and endorsed ongoing efforts for continuous improvement in relation to various aspects of the Holiday Inn brand, taking into consideration the impact on guests from an improved experience and the improved economics that would flow through to hotel owners. See pages 10 to 13 for a description of the business model and pages 19 to 22 for how the Group engages with its hotel owners and guests.
Brand portfolio The Board considered the opportunity to add a collection brand to the Group's Luxury & Lifestyle portfolio and it approved the launch of the Vignette Collection brand.	In approving the new brand launch, the Board had regard for various stakeholders and considerations. The Board recognised hotel owners' desire for a collection brand that would give them access to IHG's distribution and loyalty programmes, while allowing light-touch branding that would retain the individuality of their properties with relatively low capital requirements and attractive economics. The Board also had regard for shareholders in relation to the long-term impact on system size and the lower environmental impact of conversion properties. The Board also considered the appeal of having more diverse styles of property, which would increase guests' options when booking with IHG and enhance the IHG Rewards programme's value. For more information on the Group's priority to 'build loved and trusted brands', see pages 17 and 18 and further information on its environmental footprint is available on pages 29 to 35.
A C D	In approving material changes to the IHG Rewards programme, the Board considered the competitive position of the programme, its ability to drive revenue for owners and accelerate system size growth, the enhanced value proposition for members and guests, and the impact of the changes on owners' cost base and operations.
Key to considerations	
A Long term	C Suppliers and customers
B Employees	D Community and environment
E High standards	F Act fairly between members

Strategic and operational matters continued

Technology

The Board considered and approved evolving the Group's relationship with the main supplier in respect of the Group's Guest Reservation System (GRS).

C

Supply chain and procurement

The Board received an overview of the strategy and approach to corporate and hotel procurement and endorsed the strategy and approach.

C D E

Growth Strategy in Regions – Greater China, EMEA and Americas

The Board received in-depth regional updates from the CEOs of each of the Group's three regions, and provided oversight with regard to the Group's growth strategy over both the short and long term.

A C

Board governance

Director succession

The Board progressed succession planning in relation to the Chair of the Board and appointed a new Senior Independent Non-Executive Director (SID) and Non-Executive Director for workforce engagement.

A B E

People & Planet

Office relocation and new ways of working

The Board reviewed the lease arrangements for the Group's main corporate office locations in the US and the UK and decided to relocate its UK corporate office to a new location in 2022.

The Board further considered and endorsed new hybrid ways of working.

A B D E

Staff shortages and talent retention

The Board considered reports of staff shortages in the hospitality industry in various regions following the easing of lockdown. The CEO outlined the impact this could have on hotel owners and levels of guest satisfaction if prolonged and the need to focus activity on talent retention in a competitive market.

B C

Our people and culture

The Board regularly considered workplace culture, taking into account the feedback provided from the Voice of the Employee engagement plan and actions taken to support employees. The Board reviewed employee communications and wellbeing measures and further had oversight of the Group's DE&I initiatives.

B D

Decarbonisation strategy

The Board approved the Group's upgraded science-based target (SBT) from a 2.0°C to 1.5°C aligned target and further approved the Group's commitment to the 'UN Race to Zero'.

A C D F

 See pages 20 to 28, 39, 92, 101, 107, 108, 112 to 114, 227 and 228 for information about how we have engaged with our stakeholders in 2021. Further details of our regard for the environment are on pages 15, 29 to 35 and 100 to 101.

Board activities continued

Our shareholders and investors

During 2021, IHG continued its open dialogue with shareholders and investors, and conducted its annual programme of investor relations activities, with support from its brokers and advisers. The Board received regular updates and considered feedback as outlined on page 89. In addition, our Registrar and American Despository Receipts (ADR) programme custodians have supported shareholders and ADR holders with their queries.

Committee Chairs and the Senior Independent Director are available for shareholders if they have concerns they wish to discuss. An outline of the engagement with shareholders in relation to Executive Remuneration during 2021 can be found on pages 107, 113 and 114.

Annual General Meeting (AGM)

The 2021 AGM was again held in constrained circumstances in compliance with UK Covid-19 measures. We were encouraged that our retail shareholders engaged with the AGM, listened in and submitted questions, which we were able to address. We continue to evaluate how our AGM on Friday 6 May 2022 will be held given the evolving nature of the pandemic. The notice of meeting will be sent to shareholders and be available on our website in due course.

 Visit www.ihgplc.com/investors under Shareholder centre.

Shareholders and investors engagement

 Fundamental to IHG's ability to access capital markets, and sustain its trusted reputation and long-term success, is its ability to maintain strong relationships with its shareholders and institutional investors.

Discussion points in 2021

- The continued impact of the pandemic on the hospitality sector and IHG which influence IHG's trading performance, financial results and capital allocation strategy
- Executive remuneration policies including the potential use of discretion; alignment with workforce pay and talent retention
- Concerns about climate change and wider sustainability issues
- DE&I, staffing shortages and labour practices

Engagement

- Regular roadshow investor meetings and participation at investor conferences by Executive Directors, Senior Leadership and the Investor Relations team
- Consultations between the Chair of the Remuneration Committee and institutional investors and proxy vote advisors
- Meetings with the Chair, Investor Relations, IHG's Chief Sustainability Officer and institutional investors to discuss governance, sustainability and workforce practices
- Written and electronic correspondence, including questions received at the AGM, on a range of topics related to ESG

Outcomes

- Strong investor confidence in IHG's performance, long-term viability and leadership as demonstrated through feedback received and across AGM results
- Participation in COP26, joining Race to Zero and deeper understanding of shareholder and investor focus areas related to ESG and stakeholder engagement
- Deepened commitment to DE&I, including a refresh of IHG's policy and further appointments to the Board



See also a description of our dividend policy on page 13, our KPIs on page 50 to 53, key matters discussed by the Board on pages 90 and 91 and engagement with shareholders relating to Executive Director remuneration on pages 107, 113 and 114.



Visit www.ihgplc.com/investors for further information.

Board oversight of IHG's Global Head office relocation

Even before Covid-19 and the enforced changes to working remotely, the Executive Committee, with oversight from the Board, had been looking at evolving working practices and the suitability of the Group's offices to support collaborative working, our strategic priorities and culture. The impending expiry of the lease for the Company's global head office also prompted the search for a new location. The Board was closely engaged in the project and it was a regular Board meeting agenda item in conjunction with discussions on employees and culture.

As part of the search process, a postcode analysis was undertaken to ensure there would be minimal differences in commuting times for most employees. Consideration was also given to public transport links, local amenities and access for disabled and wheelchair users.

The Board considered various options for alternative office arrangements. As well as its focus on the impact on employees, the Board took into account the environmental implications of the move, noting the opportunity for the new premises to be designed and configured in a sustainable and energy-efficient manner.

The Board also scrutinised the financial impact of the move.

In June 2021, following the Board's consideration and approval of management's recommendation, the Group announced that its global head office would move to Windsor during 2022.



An engagement programme has kept employees informed and involved through electronic newsletters, a dedicated intranet site (including FAQs) and employee feedback surveys looking at workplace culture and hybrid working.

In addition, as part of the preparation for the move, the existing office space at Denham was reconfigured to give a taste of the future with the introduction of hot desking 'neighbourhoods', more collaborative spaces and the removal of executive offices, including that of the CEO.

The Board will continue to monitor and oversee the move as it progresses during 2022, with a particular focus on the impact on employees and company culture.

Director appointments and induction

Director appointments

Details of the appointments to the Board made during 2021, as well as the appointments of a new Senior Independent Non-Executive Director and a Non-Executive Director responsible for the Board's Voice of the Employee engagement plan, are described in the Nomination Committee Report on pages 102 to 103.

In addition, a description of the Chair succession appointment process is set out below.

New Director inductions

Upon appointment, all new Directors undergo a comprehensive and formal induction programme which is tailored to meet their individual needs. We believe this is crucial to ensure our Directors have the full understanding of all aspects of our business and familiarity with the Group's purpose, culture and values, to ensure they are able to contribute effectively to the Board.

For Daniela Barone Soares, a tailored induction plan was prepared in advance of her appointment to the Board in March. Daniela's plan included:

- information on the Group's purpose, culture, values and strategy, including its business model, brands and the markets in which it operates;

- our approach to internal controls and our risk management strategy;
- information on the Board, its Committees and IHG's governance processes, with a particular focus on the Remuneration and Responsible Business Committees;
- a reminder of the rules relating to maintaining the confidentiality of inside information and restrictions in dealing in IHG shares, together with a briefing on the policies and procedures IHG has in place to ensure compliance with such rules; and
- meetings with members of the Board and the Executive Committee, senior management from functions across the Group, the external Auditor and other key external advisers.

Daniela's induction plan also included visits to IHG corporate offices and hotels across our brands, to meet colleagues and spend time with our General Managers. In light of the impact of the pandemic, such visits have not yet taken place, however they will be arranged as appropriate when circumstances permit.

Inductions were also conducted in respect of the appointments of Graham Allan as Senior Independent Non-Executive Director and Duriya Farooqui as Non-Executive Director responsible for the Voice of the Employee engagement plan.

Chair succession

Appointment process

In anticipation of Patrick Cescau's retirement during 2022, on attainment of nine years on the Board, the Board initiated a full, rigorous and transparent search process at the end of 2020, led by Dale Morrison, as the Senior Independent Director (SID) and a Search Committee comprising Dale and the Committee Chairs. Following a competitive tender process, Russell Reynolds was appointed to assist the Search Committee and Board in identifying a diverse list of potential candidates with the experience and personal qualities to become Chair.

The Search Committee prepared a candidate profile identifying the key competencies, characteristics and experience required for the role of Chair. Russell Reynolds also had detailed discussions with all Board members to seek their views on Board dynamics and culture and the key strategic challenges facing the Group. A full Chair specification was then prepared by Russell Reynolds and shared with the full Board for comment and input. Key competencies included: experience as a Chair, strategic orientation and vision, bringing a global perspective, a collaborative and inclusive personal style as well as a good understanding of the corporate governance environment.

The Search Committee and the Board were concerned to ensure that diversity in its broadest sense was taken into consideration in the role profile and the candidates presented for consideration. A long list of candidates which had been compiled by Russell Reynolds was reviewed and discussed by the Search Committee, and a shorter list of candidates was then interviewed by Russell Reynolds, the SID and the General Counsel and

Company Secretary together, and the CEO. Reflections from these meetings were shared with the Search Committee and a short-list of four candidates was then interviewed by the remaining members of the Search Committee.

Two of the candidates were selected to meet with the Chair and for further meetings with the CEO and SID, before the preferred candidate met with the remaining Executive and Non-Executive members of the Board. The preferred candidate also met with the Company's external Auditor, PwC.

Search Committee meetings were attended by the CEO, the General Counsel and Company Secretary, the Chief Human Resources Officer and Russell Reynolds and Dale Morrison kept the Board informed on the progress and the status of the process throughout.

Following detailed consideration, including assessment against the competencies identified in the candidate profile and the feedback from the meetings with members of the Board, the Search Committee recommended to the Board that Deanna Oppenheimer be appointed as a Non-Executive Director and Chair Designate from 1 June 2022 and that she assume the role of Chair from 1 September 2022, following Patrick Cescau's retirement on 31 August 2022. The Board approved and confirmed the appointment.

Patrick Cescau was not involved in the selection or appointment of his successor and Russell Reynolds has no further connection with the Group or any of the Directors, beyond undertaking search and recruitment activity. Deanna Oppenheimer did not have a service contract with the Company in 2021.

Additional appointments

During 2021, the Board considered the proposed appointments of Duriya Farooqui as non-executive director of Tribe Capital Growth Corp I and to the Board of Councillors of the Carter Center, which operates as an advisory board; Dale Morrison as Chairman of Twin Ridge Capital Acquisition Company Limited; and Jo Harlow as a non-executive director of Chapter Zero. The Board also considered and endorsed the appointment of Ian Dyson as Chair of ASOS plc.

In each case, the Board took into account other appointments, the time commitment required for each role and the context of the UK Corporate Governance Code, including institutional investor and proxy adviser guidelines concerning over-boarding. It was concluded that the additional appointments should not adversely impact their performance but should enhance their ability to provide constructive challenge and strategic guidance.

Board activities continued

Board development and effectiveness evaluation

Ongoing Director training and development

We understand the importance of an ongoing training programme for Directors to enable them to fully understand the Group's business and operations in the context of the rapidly developing environment in which it operates. The Chair continues to review the training and development needs with each Director on a regular basis and the Board is made aware of training opportunities.

Board and Committee meetings are regularly used to update Directors on developments in the environment in which the business operates and in-depth presentations are provided on key topical areas. In 2021, these sessions included cyber risk management; environmental, social and governance (ESG) considerations; and audit and corporate governance reform proposals.

In addition, the Company Secretary provides regular updates on regulatory, corporate governance and legal matters and Directors are able to meet individually with senior management if necessary.

Internal evaluation

Following the full external evaluation carried out by Christopher Saul of Christopher Saul Associates in 2019 and an internal evaluation in 2020, during the year the Board once again undertook an internal evaluation.

Board members were asked to consider the Board's overall effectiveness by completing an internal effectiveness questionnaire, which focused on the following areas:

- progress in implementing agreed action items from the 2020 effectiveness review;
- the role the Board continues to play in relation to the pandemic and recovery;
- information flow to the Board, and Board engagement with management and each of its Committees;

The following areas of continued focus and recommended actions for 2022 were noted:

Area for focus	Action items
Long-term strategy	Board members positively noted the longer-term strategic discussion throughout the year, but felt that this could be further enhanced in 2022 with additional focus on the implementation of the long-term strategy and competitive positioning in relation to delivering on the Group's objectives.
Board materials and agenda	Feedback noted that Board materials, particularly the materials prepared for its strategy meeting, were informative and high quality. It was also noted that, although there had been some progress on making the regular Board information pack materials more forward-looking, this should remain a focus in 2022.
Board meeting dynamics	Board members also noted the continued constraints of virtual meetings and the need for increased discussion time, both formal and informal, and the need to revert to full 'in-person' meetings as soon as possible.

Directors' performance evaluation

In addition to the internal Board evaluation process outlined above, the Chair conducted an individual evaluation of each of the Non-Executive Directors, taking feedback from the CEO, and focusing on their contribution and engagement in the context of a more virtual environment. Particular points of note were shared with the individual Directors and overall, the Chair concluded that the Directors perform their duties effectively and dedicate sufficient time to discharge their Board responsibilities.

The performance assessment of the Chair was led by the SID. The Chair's evaluation consisted of gathering feedback from the Directors, covering:

- Board leadership, strategy evolution and performance monitoring in the context of a pandemic-affected year;
- overall Board culture, engagement and participation; and
- maintenance of high standards of corporate governance.

- the Board's involvement in the Group's strategic process, in particular in relation to recovery and post-Covid-19 strategies;
- Board work processes, including quality of information provided to the Board, and Board dynamics and the effectiveness of meetings;
- Board engagement with shareholders and employees; and
- the progression of Board refreshment and succession plans.

The responses of Board members to the questionnaire were largely favourable in relation to all areas of the Board's operation. The feedback highlighted that the Board equally and effectively supported and challenged management's response to the pandemic, while ensuring ongoing and appropriate governance to safeguard the Group's reputation, financial viability and stakeholder value.

Board members commented positively on the Board's involvement in the strategic process, noting that the Board strategy days and the shift in Board agenda and discussion in the second half of the year allowed for a greater focus on the Group's long-term strategy versus short-term considerations. Board members were satisfied with the timing, amount and quality of engagement with management. Feedback noted strong engagement with shareholders, highlighted the enhanced Voice of the Employee programme, and indicated strong engagement and follow up by the Board with its Committees.

Board members generally agreed that the implementation of the actions arising from the 2020 Board effectiveness evaluation had progressed well, particularly in relation to an increased focus on long-term strategy and implementation as well as Board succession planning. It was widely noted that a return to in-person Board meetings would be welcome and drive progress in relation to enhanced Board discussion and debate.

The Board's positive feedback in relation to the overall performance of the Board concluded as to the effectiveness of the Board's performance.

The CEO evaluation was led by the Chair, who collected feedback from the Non-Executive Directors. Key areas of focus included:

- the Group's financial performance and the impact of the CEO;
- leadership effectiveness through the pandemic;
- positioning IHG for the long term;
- regard for community and the environment; and
- the relationship and ability to work collaboratively and transparently with the Board.

Audit Committee Report



I am pleased to present the Committee's report for the year ended 31 December 2021. These pages outline how the Committee discharged the responsibilities delegated to it by the Board over the course of the year, and the key areas of focus for the Committee in doing so.

The Committee fulfils a vital role in the Company's governance framework, providing valuable independent oversight across the Company's financial reporting and internal control procedures. It provides the expert scrutiny to ensure that the necessary internal controls to run the business are in place, that risks are appropriately managed, that the Company's performance is correctly verified by the external Auditors and that the reporting of this to our shareholders and stakeholders is fair, balanced and understandable.

The ongoing impact of the pandemic and the risks that accompanied it continued to be a major focus given the changeable nature of the operating environment. Assessing the Group's risk management and internal control arrangements during the pandemic and their appropriateness as conditions started to normalise continued throughout the year. In early 2021, the transition of external Auditor from Ernst & Young LLP (EY) to PricewaterhouseCoopers LLP (PwC) was completed and the Committee's attention shifted to PwC's first year audit. Throughout the period, PwC has provided insights into the Group's processes and controls and the Audit Committee has reviewed and discussed management's responses.

In addition, the Committee has received regular reports on internal audits and steps being taken to address findings; controls assurance work and remediation activity; and other deep-dive reviews including a post-completion review of spending on large projects and a review of the Americas managed hotel financial control environment.

The ongoing focus on the approach to financial reporting through the year ensured the Committee was comfortable that all latest guidance from regulatory bodies such as the Financial Reporting Council (FRC) had been considered. The Committee also challenged management to ensure climate risk had been appropriately and consistently reflected through the Annual Report and Form 20-F, particularly with regard to impacts on forward-looking assumptions supporting the Financial Statements.

Looking further out, the Committee evaluated the potential impact of the Department for Business, Energy and Industrial Strategy (BEIS) consultation document on audit and corporate governance reform, approved a response to the consultation and considered preparatory actions particularly in relation to the proposed Resilience Statement and Audit & Assurance Policy.

I would like to thank all those who have assisted the Committee in fulfilling its duties during the year, which I am confident have been carried out effectively and to a high standard, providing independent oversight with the support of assurance from the external Auditor.

Ian Dyson
Chair of the Audit Committee
21 February 2022

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Audit Committee is responsible for ensuring that IHG maintains a strong control environment. It monitors the integrity of IHG's financial reporting, including significant financial reporting judgements, maintains oversight and reviews our systems of internal control and risk management, monitors and reviews the effectiveness and performance of internal and external audit functions, as well as reviewing the behaviours expected of IHG's employees through the Code of Conduct and related policies.

The Committee's role, responsibilities and authority delegated to it by the Board are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

The ToR are available at www.ihgplc.com/investors under Corporate governance.

The Committee's key areas of focus over the year have been:

- reviewing the Group's approach to the management of risk including considering the continued evolution of the impact of Covid-19 on the business;
- assessing and obtaining assurance on the effectiveness and resilience of the Group's internal control environment and its appropriateness given the changing environment in which the Group operates;
- reviewing and challenging financial reporting throughout the year to ensure the Financial Statements provide a true and fair view of the Group's performance and that latest guidance and reporting regulations by regulators were appropriately applied;
- reviewing the Group's Internal Audit plan and budget;
- reviewing and evaluating going concern and viability assessments, the need for impairment testing and provisioning for material litigation and commercial disputes; and
- overseeing the transition of the external Auditor and PwC's first year as Auditor of the Group.

Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 81. The CEO, CFO, General Counsel and Company Secretary, Group Financial Controller, Head of Risk and Assurance and our external Auditor (EY February only; PwC all meetings), attended all meetings in 2021. The Chair of the Board also aims to attend all meetings and in 2021 attended four meetings. Other attendees are invited to meetings as appropriate and the CEO and all other Directors were invited to Committee meetings where the approval of financial reporting was considered and discussed. The Committee continues to hold private sessions with the internal and external Auditors without the presence of management to ensure that a culture of transparency is maintained. The Committee Chair continues to have recent and relevant financial experience and all members of the Committee are Independent Non-Executive Directors. In accordance with the Code, the Board also considers that the Committee as a whole possesses competence relevant to the Company's sector, having a range of financial and commercial experience in the hospitality industry and the broader commercial environment in which the Group operates. Further details of the skills and experience of the Committee members can be found on pages 82 to 84.

Reporting to the Board

Following each Committee meeting, the Committee Chair updates the Board on key issues discussed. The papers and minutes for each meeting are circulated to all Board members, who are invited to request further information if required and to provide any challenge where necessary.

Audit Committee Report continued

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board. In 2021, the Committee members were also asked to consider the Committee's effectiveness by reviewing an effectiveness questionnaire and the responses to it. The evaluation responses positively highlighted the oversight of the external Auditor transition, noted the need for continued review of the training and knowledge development needs of Committee members in the context of the changing regulatory environment and concluded that the Committee remains effective.

Focus areas and activities

Financial and narrative reporting

During the year, the Committee reviewed and recommended approval of the interim and annual Financial Statements (considering the relevant accounting and reporting matters such as key judgement areas, going concern and viability statements, the financial reporting impacts of litigation and commercial disputes and impairment reviews) and the Group's quarterly trading updates. All members of the Board are asked to attend these meetings.

As well as receiving input and guidance from the external Auditor on the areas outlined above, the Committee also received regular reports from the Chair of the Disclosure Committee, which liaised closely with other external advisers of the Group to ensure that disclosure and regulatory requirements were being appropriately considered and met. Copies of the Disclosure Committee's minutes were also provided to the Committee.

The Committee received early drafts of the Annual Report and Form 20-F 2021 (Annual Report), and when providing comments considered: (i) the process for preparing and verifying the Annual Report, which included review by members of the Executive Committee and input from senior employees in the Company Secretariat, Operations, Strategy, Human Resources, Finance, Risk and Assurance and Legal teams; (ii) a report from the Chair of the Disclosure Committee; and (iii) the checklist prepared by the Annual Report team confirming compliance with the relevant regulatory requirements.

The Committee also considered management's analysis of how the content, taken as a whole, was 'fair, balanced and understandable', and whether it contained the necessary information for shareholders to assess the Group's position, performance, business model and strategy. In order to reach this conclusion, a dedicated project team worked on the contents of the Annual Report and a detailed verification process to confirm the accuracy of the information contained within the Annual Report was undertaken by the Financial Planning and Analysis department. The Committee then considered both the structure and content of the Annual Report to ensure that the key messages were effectively and consistently communicated and that meaningful links between the business model, strategy, KPIs, principal risks and remuneration were clearly identified throughout the Annual Report. This review also considered the use of Non-GAAP measures and considered their continued suitability, presentation and relative prominence taking into account guidance from both the FRC and the Securities and Exchange Commission (SEC). The Committee specifically reconsidered the continued impact of the pandemic on performance, strategy and business resilience and where it impacted the nature of the judgements and estimation uncertainty. The Committee also considered the proportionate and consistent consideration of climate matters across the Annual Report, including the TCFD statement, and in particular the potential impact on forward-looking assumptions supporting impairment testing, deferred tax assets, going concern and viability assessments.

Alongside this review, the Committee considered the guidance updates provided by the FRC throughout the year including on Non-GAAP measures, Provisions, Contingent Liabilities and Contingent Assets, Going Concern and Viability and concluded that appropriate enhancements had been made to ensure alignment with the latest guidance.

Following a review of the contents of the Annual Report alongside the aforementioned criteria, the Committee reported its recommendation to approve the Annual Report to the Board.

The Committee has been monitoring developments in the UK's audit and corporate governance environment, including the reforms proposed by BEIS following its consultation 'Restoring Trust in Audit and Corporate Governance'. The Committee considered the potential impact of the proposed reforms and reviewed and approved a submission summarising the Group's position in response to the questions in the consultation. The Committee also requested a number of presentations from PwC to provide further insight on the key proposals and discussed papers from senior management on the potential implications of key proposals to ensure that the Company is compliant with any new regulations when they come into force, including some of the detailed proposals behind the Resilience Statement and Audit and Assurance Policy.

Significant matters in the 2021 Financial Statements

Throughout 2021, the Committee provided ongoing challenge to management's accounting, reporting and internal controls to ensure the continuing implications of the pandemic had been duly considered. As always, the Committee discussed with management and the external Auditor the significant areas of complexity, management judgement and estimation in relation to the Financial Statements, and the impact of any accounting developments or legislative changes. The Committee has satisfied itself that management had adequately identified and considered all potentially significant accounting and disclosure matters. The key items discussed are outlined on page 99.

Correspondence with UK regulator

The Group received a letter dated 15 July 2021 from the FRC following its review of the Annual Report and Accounts for the financial year ended 31 December 2020 as part of the FRC's routine periodic review of listed company annual reports. The letter raised no questions requiring a response. The appendix to the letter set out a number of observations on certain disclosures, which have been taken into account in the preparation of the 2021 Annual Report and Accounts.

The FRC's review is based on the published Annual Report and Accounts and does not benefit from detailed knowledge of the business or an understanding of the underlying transactions. It provides no assurance that the Annual Report and Accounts is correct in all material respects. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the FRC's review by the Company or any third party, including but not limited to investors and shareholders.

Internal control and risk management

The Board is responsible for establishing procedures to manage risk, overseeing the internal control framework and determining the nature and extent of the principal risks the Company is willing to take to achieve its long-term objectives. The Committee supports the Board by reviewing the effectiveness of the Group's internal control and risk management systems and assessing emerging and principal risks.

In order to effectively review the internal control and risk management systems, the Committee:

- receives regular reports from management, the Risk and Assurance team and the external Auditor on the effectiveness of the systems for risk management and internal control, including financial, operational and compliance controls;
- reviews the process by which risks are identified (including procedures in place to identify emerging risks and linkage to wider consideration of strategy and resilience) and assesses the timeliness and effectiveness of action taken by management, including regular reports and presentations on the Company's overall internal control, risk management system and principal risks; and
- receives additional reports throughout the year relevant to internal control and risk management, both financial and non-financial, to ensure that current and emerging risks are identified and assessed and that there is an appropriate management response (see pages 40 to 47 for further detail on our risks and initiatives to manage them).

As part of the Committee's review of the internal control and risk management systems, key financial, operational and compliance controls across the business continue to be monitored and tested throughout the year. The Committee assesses the approach to Sarbanes-Oxley Act 2002 (SOX) compliance in accordance with our US obligations and reviews reports on the progress of the SOX programme at each meeting.

During 2021, the Committee received an update on hotel financial controls in the Americas region and a post-completion review of spending on large projects. The Committee considers the Group's treasury and tax strategy policies annually and during 2021 approved minor changes to the Group Treasury Policy and the Group's published 'Approach to Tax'.

 Our Approach to Tax document is available at www.ihgplc.com/en/responsible-business/policies

Having reviewed the internal control and risk management systems throughout the year, the Committee concluded that the Group continues to have an effective system of risk management and internal controls, and that there are no material weaknesses in the control environment and no other significant failings or weaknesses.

Principal risk areas

During the year, particular attention was paid to the review and assessment of principal and emerging risks following the challenges created by the pandemic and in light of the Group's strategic growth ambitions. The Committee observed that risks to the execution of the Group's strategy remained heightened and impacted by constrained resources (including financial and management time).

The Committee considered the following areas:

- the potential for additional stress on risk management and internal control arrangements from continued Covid-19-related disruption;
- the impact on the Group's business of further waves of the pandemic or a more prolonged period of recovery for the industry, including on our supply chain arrangements;
- the impact of organisational changes and flexible working arrangements for corporate employees;
- the impact of staff shortages and wage inflation within the hospitality industry; and
- cybersecurity and information governance in the context of a rapidly evolving external threat and regulatory environment.

Further details of our principal risks, uncertainties and review process can be found on pages 40 to 47.

Financial Reporting Council Audit Quality Review

The FRC Audit Quality Review (AQR) selected the external audit by EY of the Group's Financial Statements for the year ended 31 December 2020 for review as part of its annual inspection of audit firms. As part of this process, the Committee's Chair shared his and the Board's view of the quality of the EY audit. The Committee considered the final inspection report which highlighted good practice in respect of certain aspects of the Group audit work. The report included one observation, requiring limited improvement which was not considered significant by the Committee. The Committee discussed the results and agreed actions with the lead audit partner and agreed with the overall assessment which was consistent with its own view of the quality and effectiveness of the external audit. In considering the audit plan, the Committee considered the observation would not impact PwC's approach.

Non-audit services

The independence and objectivity of the non-audit services provided by the external Auditor to the Group are safeguarded by IHG's Audit and Non-Audit Services Pre-Approval Policy. The Policy is reviewed by the Audit Committee annually.

The Policy requires that pre-approval is obtained from the Audit Committee for all services provided by the external Auditor before any work can commence, in line with US SEC requirements without any de minimis threshold and UK ethical standards. The Committee reviewed the audit and non-audit fees incurred with the external Auditor and noted that there had been no prohibited services (as defined by SOX or under UK ethical standards) provided to the Group during the year. The Committee is prohibited from delegating non-audit services approval to management and compliance with the policy is actively managed.

IHG is committed to maintaining non-audit fees at a low level and the Committee is cognisant of investor advisory bodies' guidelines on non-audit fees. During 2021, 11% of services provided to the Group were non-audit services (2020: 18% provided by EY), primarily related to System and Organisation Controls (SOC) Reports. Details of the fees paid to PwC for non-audit and statutory audit work during 2021 can be found on page 164. The Committee is satisfied that the Company was compliant during the year with the FRC's Ethical and Auditing Standards in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by PwC. Where non-audit work is performed by PwC, both the Company and PwC ensure adherence to robust processes to prevent the objectivity and independence of the external Auditor being compromised.

Risk and assurance – Internal Audit

The Committee discusses and approves the Internal Audit annual plan, which aims to provide objective and insightful assurance that appropriate controls are in place to support our strategy and growth ambitions. Progress against the Internal Audit plan is reported at each meeting and, during 2021, the Committee reviewed the allocation of internal audit resources to a dynamic inherent risk profile, including organisational and process changes which have resulted from Covid-19 disruption. Organisational culture has been a defined part of our risk management system for several years and therefore is subject to regular focus as an integral part of internal audit work.

The 2022 plan presented to the Committee in December 2021 will maintain focus on the integrity of the risk management and internal control system and will assess the adoption and operation of evolved governance frameworks (for example, compliance with new policies, talent frameworks, procurement processes, hotel initiative delivery, business continuity plans and supply chain resilience arrangements). The plan also aims to identify and consider other sources of assurance available to the Board and senior management in relation to overall objectives and external disclosures and the level of reliance which can be placed on these sources in the short to medium term.

Audit Committee Report continued

Following consideration, the Committee confirmed its agreement to the 2022 Internal Audit plan, including the assurance objectives identified. The Committee reviews the results of completed audits and observations from other ongoing assurance and control improvement support, as well as actions taken by management in response to Internal Audit's work.

The functional effectiveness of Internal Audit is assessed on an ongoing basis and reported to the Committee throughout the year. During 2021, this has involved discussions between the Committee Chair and partners from third-party partner firms, feedback from audittees and senior leadership and assessment of execution against methodology. This has highlighted positive feedback on the balance between challenge and support provided to management and the agile development of the audit plan and identified opportunities for continuous enhancement of assurance reporting and use of technology to support execution.

External Auditor

In August 2019, the Company announced the Board's intention to propose to shareholders that PwC be appointed as the Company's statutory Auditor for the financial year ending 31 December 2021. The audit tender process undertaken was explained in detail in the 2019 Annual Report and Form 20-F and the appointment was confirmed by shareholders at the 2021 AGM.

A detailed audit plan was received from PwC at the beginning of the audit cycle for the 2021 financial year, which gave an overview of its approach to the audit, outlining the significant risk areas and in particular the approach to materiality and scoping of the audit. The Committee regularly reviewed the significant audit risks and assessed the progress of the audit throughout the year.

The Committee assessed PwC's performance, including its independence, effectiveness and objectivity. As part of its review, the Committee determines the independence of the external Auditor, considering, among other things, its challenge to management and level of professional scepticism, the amount of time passed since a rotation of audit partner and the level of non-audit work that it undertakes (details of which can be found on page 164). Giles Hannam took on the role of lead audit partner for the first time in 2021 and will be required to rotate after five years to safeguard PwC's independence.

The effectiveness of the external auditor is evaluated by the Audit Committee through a feedback questionnaire sent to Committee members and a number of senior IHG employees. The 2020 evaluation was the last of EY as outgoing auditor; the survey identified the areas that worked well in the EY audit process and assessed if adequate plans were in place for PwC's first year. There were no areas identified which required PwC's specific focus. An evaluation was also completed prior to the 2021 year-end; the Committee concluded that the PwC audit team was providing the required quality in relation to the provision of the services.

Governance and compliance

The Committee is responsible for reviewing the Group's Code of Conduct (a revised version of which was approved in December 2021) and related policies.

Looking forward

During 2022, the Committee will remain focused on the key areas of responsibility delegated to it by the Board, ensuring that standards of good governance are maintained and that appropriate assurance is obtained across all areas of the business, with a particular focus on the Group's principal risks, control environment and approach to financial reporting taking into account developments in reporting responsibilities including those recommended by the TCFD, the consideration of climate risk in preparation of the financial statements and changes in the governance environment, particularly those related to changes in the audit regime.

The audit team had shown the necessary commitment and ability to provide the services together with a demonstrable depth of knowledge, robustness, independence and objectivity as well as an appreciation of complex issues. The team had posed constructive challenge to management where appropriate.

In addition, qualitative considerations were taken into account. These focused on the depth of knowledge of the external auditor which was evidenced by:

- continued meetings with senior management and executives across the business;
- frequent governance sessions with management, including a focus on the planning and status of work by key workstream as well as the status of the deployment of PwC's tools and technology across the audit. The governance sessions focused on key milestones and provided a way for any matters to be escalated and dealt with on a timely basis;
- various private meetings with the Chair of the Board, the Audit Committee Chair and the head of Internal Audit;
- the provision of a 'first impressions' report and insights into the Group's processes and controls; and
- the audit plan, including significant risks, and how PwC's approach evolved as the profile of risks changed.

Overall, no significant issues were raised in the review of Auditor performance and effectiveness and, as a result, the Committee concluded that PwC provides an effective audit and maintains independence and objectivity.

The Group has complied with the requirements of Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

Significant matters in the 2021 Financial Statements

Area for focus	Issue/Role of the Committee	Conclusions/Actions taken
Accounting for IHG Rewards	Accounting for IHG Rewards requires significant use of estimation techniques and represents a material deferred revenue balance. The Committee reviews the controls, judgements and estimates related to accounting for IHG Rewards.	The Committee reviewed the deferred revenue balance and questioned the valuation approach, the results of the external actuarial review and procedures completed, to determine the breakage assumption for outstanding IHG Rewards points. The Committee reviewed a paper from management outlining current loyalty trends (both member behaviour, which remains distorted due to the pandemic, and planned changes to programme benefits). A modified approach was adopted using pre-Covid behaviour patterns as a base but giving some weight to activity during the pandemic and incorporating estimated impacts on member engagement of future known programme changes. The Committee concluded that the deferred revenue balance is appropriately stated.
Accounting for the System Fund	Given the unique nature of the System Fund, the Committee reviews the controls and processes related to System Fund accounting.	The Committee met with senior finance management to review and evaluate the risk areas associated with the System Fund. The Committee reviewed a paper from management summarising the principles determining the allocation of revenues and expenses to the System Fund, and the related governance and internal control environment. The Committee concluded that the accounting treatment of the System Fund and related disclosures were appropriate.
Expected credit losses	Estimating expected credit losses on trade receivables continues to be subject to an increased level of uncertainty. The Committee reviews the provision and considers the adequacy of the disclosure.	The Committee reviewed management's papers setting out the approach to calculating the provision for expected credit losses, including updates made to the provision matrix to reflect the Group's most recent cash collection experience. Expected credit losses are still subject to increased uncertainty as, although cash collection has improved, the proportion of older debt remains high and owner liquidity risk continues. Factors considered included the overall improvement in cash collection, the ageing of receivables, owners known to be in financial distress and the expected mitigating impact of payment plans. The Committee concluded it agreed with the basis of calculation and that the related disclosures were appropriate.
Impairment testing	Impairment reviews require significant judgement in estimating recoverable values of assets or cash-generating units and the Committee therefore scrutinises the methodologies applied and the inherent sensitivities in determining any potential asset impairment or impairment reversal and the adequacy of related disclosures.	The Committee reviewed management reports outlining the approach taken on impairment testing and key assumptions and sensitivities supporting the conclusion on the various asset categories. The Committee examined in detail whether triggering events for impairment testing had occurred, including testing for impairment reversals, and the assumptions applied in estimating the recoverable values with a focus on the underlying cash projections. In conjunction with software impairment testing, the Committee reviewed management's conclusions in relation to costs previously incurred to implement cloud computing arrangements following the International Financial Reporting Interpretation Committee (IFRIC) guidance issued in March 2021 in relation to accounting for configuration or customisation costs in a cloud computing arrangement. The Committee concluded that it agreed with the decision to derecognise a net \$12m of assets which are no longer considered capitalisable. The Committee agreed with the other determinations reached on impairment and that the related disclosures were appropriate.
Litigation and contingencies	From time to time, the Group is subject to legal proceedings with the ultimate outcome of each being subject to many uncertainties. The Committee reviews and evaluates the need for provisioning and considers the adequacy of the disclosure.	At each meeting during the year, the Committee considered reports detailing all material litigation matters including commercial disputes. The Committee discussed and agreed any provisioning requirements, and the associated disclosures, where relevant, based on underlying factors.
Exceptional items	The Group exercises judgement in presenting exceptional items. The Committee reviews and challenges the classification of items as exceptional based on their materiality or nature.	The Committee reviewed papers by management and considered the consistency of treatment and nature of items classified as exceptional. The Committee reviewed and challenged the significance, timing and nature of the exceptional items (see pages 165 to 167) which comprise \$4m fair value loss related to an associate, \$25m expected settlement of commercial disputes, and \$26m exceptional tax credit on the change to the UK corporate tax rate. The Committee concluded that the disclosures and the treatment of the items shown as exceptional were appropriate.
Going concern and viability	Covid-19 continues to impact the profitability and cash generation of the Group and the level of uncertainty in planning scenarios. The Committee reviews management's financial modelling to conclude on the appropriateness of the going concern and viability statement.	The Committee reviewed and challenged the scenarios considered by management, the detailed cash flow forecasts and the mitigating actions available to management considered in its going concern assessment to June 2023 and the three year viability assessment and concluded these were appropriate. The Committee also reviewed and challenged the reverse stress test assumptions to confirm the viability of the Group. The Committee reviewed going concern disclosures (page 149) and the viability statement (pages 48 to 49) and is satisfied these are appropriate.
Climate risk	In preparing the financial statements, assumptions in respect of the financial impact of climate related matters have been made.	The Committee considered the proportionate and consistent consideration of climate-related matters across the Annual Report and in particular the potential impact on forward-looking assumptions in the financial statements that support conclusions in areas such as impairment, deferred tax assets, going concern and viability assessments, and the associated disclosures.
UK deferred tax asset	Given the size of the Group's UK deferred tax asset (\$127m), the Committee reviewed and challenged the key assumptions determining the recoverability of the deferred tax asset and whether this should be disclosed as a significant estimate.	The Committee reviewed papers by management which confirmed the estimates used to support the recovery of the UK deferred tax asset were consistent with those used in the impairment and going concern and viability assessments. Given the recovery to levels of profitability assumed in these estimates, the Committee concluded that it agreed with the recognition of the deferred tax asset, that this was not a significant estimate, as a material change in estimate is not expected in the next 12 months, and that the disclosures were appropriate.

Responsible Business Committee Report



I am pleased to present the Responsible Business Committee's report for the year, including an update on the Voice of the Employee engagement plan.

The impact of Covid-19, the return of corporate employees to the office and the introduction of hybrid working were high on the Committee's agenda, alongside the launch of the Group's Journey to Tomorrow responsible business plan, the establishment of TCFD reporting procedures and the incorporation of climate-related issues into the broader strategic and risk processes.

The Committee has continued to shape and track the roadmap to support the Group's 2030 responsible business commitments, endorsing the strategic priorities to be addressed which underpin the bold, long-term ambitions and are designed to help shape the future of responsible travel together with those who stay, work and partner with IHG.

I would like to thank all those across the business who have assisted the Committee in fulfilling its role over the year, especially those who have worked so hard to drive the Group's environmental and social agenda forward as well as supporting the wellbeing of its employees during the pandemic.

Jill McDonald

Chair of the Responsible Business Committee
21 February 2022

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews and advises the Board on the Group's responsible business objectives and strategy, including its impact on the environment and climate change; social, community and human rights issues; its approach to sustainable development and responsible procurement; and stakeholder engagement in relation to the Group's approach to responsible business. The Committee is also responsible for assessing the Board's engagement with the workforce and the Group's DE&I agenda.

The Committee's role, responsibilities and authority delegated to it by the Board are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

The ToR are available at www.ihgplc.com/investors under Corporate governance.

In addition to the areas outlined above, the Committee's key responsibilities and focus areas over the year have been:

- monitoring the progress against the Group's 2030 responsible business commitments;
- monitoring the Group's carbon and energy reduction strategy and plan;
- reviewing the Group's DE&I initiatives and objectives;
- implementing the recommendations of the TCFD;
- assessing the Group's responsible procurement agenda; and
- overseeing the Group's Human Rights programme.

Membership and attendance at meetings

The Committee's membership and attendance at meetings are set out on page 81. The Chair of the Board, CEO, General Counsel and Company Secretary, Executive Vice President, Global Corporate Affairs and the Chief Sustainability Officer attended all meetings held during the year.

Reporting to the Board

The Committee Chair updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members, who are invited to request further information where necessary.

Effectiveness of the Committee

The Committee's effectiveness continues to be monitored and assessed regularly by the Committee's Chair and the Chair of the Board. In 2021, the Committee was also reviewed as part of the internal Board evaluation process, where it was concluded that the Committee remains effective.

Focus areas and activities

Responsible business commitments

In a year that saw the launch of the Group's Journey to Tomorrow responsible business plan, the Committee reviewed the 2021 strategic priorities that support the overall 2030 responsible business commitments, and discussed the approach to hotel owner engagement on the commitments and impact of the commitments on employees. The Committee further considered how the commitments align to the Group's purpose to provide True Hospitality for Good and how they compare to those of the Group's competitors, and endorsed the approach to the 2021 responsible business strategic priorities.

Further information on our 10-year responsible business plan can be found on pages 23 to 31.

Carbon and energy reduction

The Committee reviewed the Group's decarbonisation and energy reduction strategy and pathway, noting the proposed actions across three main areas: energy efficiency in the Group's existing hotel estate; sourcing renewable energy; and developing zero-carbon new-build hotels. The Committee also approved the Group's upgraded science-based target to reduce carbon emissions to align with the most ambitious goals of the Paris Agreement to keep global warming within 1.5°C.

Diversity, equity and inclusion

As part of its assessment of the Group's DE&I agenda, during the year the Committee endorsed the roll-out of conscious inclusion training for all corporate employees with a commitment to improving DE&I data collection and measurement. As at 31 December 2021, 38% of our Senior Leaders were women, in addition to women comprising 41% of the Company's Board.

TCFD

The Committee assessed key TCFD workstreams, including an analysis of the potential impact to the Group of the most material climate-related risks and opportunities. It also considered plans to embed climate risk considerations into its strategic and risk management processes and the appropriate governance framework to achieve this. Further information on TCFD is included on pages 32 to 35.

Responsible procurement

The Committee considered reports from management on the Responsible Procurement programme, focusing on supply chain risk, supplier diversity and the selection of suppliers that will support the Group's plans for carbon emission and waste reduction. For more information on the responsible procurement programme, see page 39.

Human Rights programme

The Committee received updates on the Group's Human Rights programme, noting the progress made in key workstreams relating to responsible labour practices, ethical recruitment and anti-human trafficking. The Committee also reviewed the 2021 Modern Slavery Statement.

Looking forward

During 2022, the Committee will continue to focus on embedding the 2030 responsible business commitments and TCFD reporting.

 Our Responsible Business Report is available at www.ihgplc.com/responsible-business

Voice of the Employee

At the start of 2021, Jill McDonald was IHG's designated Non-Executive Director (NED) with responsibility for workforce engagement (Voice of the Employee), with additional support provided by Duriya Farooqui, Daniela Barone Soares and Jo Harlow. Jill has also been supported by the Group's Human Resources (HR) team, which assisted with developing the Board's workforce engagement plan and provided data on various metrics relating to employees, such as employee engagement survey results.

Role and responsibilities

Their role and responsibilities are to:

- support the design of the structure and content of Board discussions on employee engagement and culture;
- evaluate employee engagement approaches and their effectiveness;
- ensure employee feedback and interests are factored into the Board's decisions and KPI setting;
- ensure that the Board, through the Executive Committee, has effective methods of receiving feedback from employees and communicating Board and executive decisions and priorities throughout the organisation;
- ensure all significant business and budget proposals include a management assessment of the impact on employees; and
- ensure Executives share employee feedback openly, transparently and in a balanced way, including reviewing employee engagement surveys and other employee reports, including whistleblowing.

2021 engagement

In 2021, the team acted on the recommendation to obtain more direct input and feedback from employees in key markets outside the US and UK and from hotel-based employees.

Accordingly during the year, Jill, with the assistance of Duriya, Daniela and Jo, undertook a programme of activities to engage with a cross-section of employees and received detailed feedback both in person and through the Group's employee feedback mechanisms. They attended a number of virtual meetings with employee forums, including leader groups (within US and UK hotels, reservations and corporate populations) and Employee Resource Groups (ERGs) in the UK, US, India, Philippines, China and various EMEA countries.

Additionally, Jill was briefed by the Global HR Leadership team on broader cultural insights and an organisational 'pulse' survey across all employee populations.

Discussion topics included IHG's response to the pandemic; employee wellbeing; feedback on executive remuneration; flexible/remote working and return to the office; industry profitability and the competitive landscape; leader communications; talent attraction; onboarding and retention; personal and career development; and agile ways of working.

Meetings with employees continued to be virtual in 2021 due to the continuation of the pandemic. Additional engagement and activities undertaken by Jill during the year included:

- monitoring and reviewing the content and feedback from global 'all employee' CEO calls; and
- reviewing employee dashboards and survey results.

Insights and learnings

Jill provided regular feedback to the Responsible Business Committee and the Board throughout the year, with key Board discussions taking place around the insights and action planning arising from employee engagement survey results. Through this feedback, the Board gained valuable insights into employee sentiment during the pandemic and throughout the return to the office.

Plans for 2022

The Board has approved the transition of the Voice of the Employee responsibilities to Duriya Farooqui with effect from 1 January 2022. It is anticipated that additional NEDs will continue to assist with and support Voice of the Employee activities.

A schedule of discussions and feedback sessions has been arranged for 2022. This will continue to encompass a wide group of employees and leaders from across all regions, including ERGs and Lean In circles, with further inclusion in 2022 of hotel managers in additional locations, to ensure a broad range of insights as well as concerns and issues are conveyed to the Board. Additionally, the Board intends to review the functioning of the Voice of the Employee programme to ensure it meets best practice and complies with changes in regulation.

Nomination Committee Report



Board composition and succession have featured prominently on the Committee's agenda again in 2021, with the appointment of two new Non-Executive Directors in March 2021. The Committee also oversaw Board succession plans with the recommendations to appoint Graham Allan as Senior Independent Non-Executive Director and Duriya Farooqui as the Non-Executive Director responsible for the Group's Voice of the Employee engagement plan.

The Committee's overriding concern when recommending new Directors for appointment to the Board has been to ensure that the Board and its Committees continue to include the best range of talent, skills and relevant experience available as well as reflecting our stakeholders and the communities in which we operate. We also want to ensure that the Board's composition aligns with our strategy.

We value diversity and the advancement of diversity on the Board and in the Group's leadership continues to be a governing factor in our approach to succession.

I am pleased to report that, at 31 December 2021, our Board composition exceeds the target for the proportion of women on boards set out in the Hampton-Alexander Review (which issued its final report in February 2021) as well as the recommendation on ethnic diversity on boards in the Parker Review.

Patrick Cescau

Chair of the Nomination Committee
21 February 2022

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews the composition of the Board and its Principal Committees, evaluating the balance of skills, experience, independence, knowledge and diversity requirements before making appropriate recommendations to the Board as to any changes. It also ensures plans are in place for orderly succession both for Directors and other senior executives and is responsible for reviewing the Group's senior leadership needs.

The Committee's role, responsibilities and authority delegated to it by the Board, including processes in relation to appointments, are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. The ToR state that the Committee is responsible for considering potential candidates for appointment to the Board based on merit, cognitive and personal strengths with due regard for the benefits of diversity, including gender, and social, ethnic and geographic backgrounds.

The ToR are available at www.ihgplc.com/investors under Corporate governance.

The Committee's key responsibilities and focus areas during the year have been:

- assessing Board and the Principal Committees' composition and succession planning, including consideration of gender balance and ethnic and geographical diversity, in accordance with the ToRs and consistent with the Group's DE&I Policy (details of which are on page 25);
- engaging with external search consultancies and making recommendations on appointments to the Board;
- monitoring the Executive Committee talent and succession planning; and
- overseeing the performance evaluation of the Board, the Principal Committees and individual Non-Executive Directors.

Membership and attendance at meetings

The Committee's membership and attendance at meetings are available on page 81. All members of the Committee are Non-Executive Directors. When the Committee considers matters relating to my position, the Senior Independent Non-Executive Director (SID), acts as Committee Chair.

Reporting to the Board

The Committee makes recommendations to the Board for all Board appointments. Minutes are circulated to Board members and I report back to the Board on the activities of the Committee following each meeting.

Effectiveness of the Committee and internal evaluation

During the year, the effectiveness of the Committee was reviewed as part of the internal Board evaluation process. It was concluded that the Committee remains effective.

Focus areas and activities

Board and Principal Committee composition and succession planning

The Committee continued to review the current and future composition of the Board and its Principal Committees.

The Committee considered short and medium term succession planning in all of its meetings during the year, reflecting on the skills and experience that would benefit the Board's current and future composition, while taking into account gender, ethnicity and broader diversity considerations.

The Committee noted the Board's assessment that it would benefit from additional expertise in the technology and travel sectors, with a focus on ESG responsibilities. It engaged an external search consultancy, Spencer Stuart, to assist with searches for suitable Non-Executive Directors. Spencer Stuart has no other connection with the Company or individual Directors.

A candidate selection, assessment and interview process was conducted, including consideration of candidates' other commitments. Following the completion of satisfactory background and reference checks by Spencer Stuart, the Committee recommended to the Board the appointment of Richard Anderson and Daniela Barone Soares as Non-Executive Directors with effect from 1 March 2021.

The Committee noted that, at the time, Daniela and Jo Harlow were both Independent Non-Executive Directors of Halma plc (Halma), but that Daniela did not intend to stand for re-election as a Director of Halma and would retire from its board from 22 July 2021.

Accordingly, the Committee's recommendation to the Board to appoint Daniela was made on the basis that it did not consider the independence of either Daniela or Jo to be impaired by this cross-directorship.

Richard later took the decision to step down from the Board due to unanticipated personal matters on 26 May 2021. Daniela's biography is included on page 84 and details of her induction plan can be found on page 93.

The Committee also discussed and considered succession planning for the SID role, in light of Dale Morrison's tenure and retirement at the end of the year. It recommended to the Board that Graham Allan be appointed to replace Dale as the SID, in light of his significant strategic expertise and his tenure and contribution since his appointment to the Board in 2020.

In addition, the Committee considered the role of Non-Executive Director responsible for the Voice of the Employee engagement plan. It recommended to the Board that Duriya Farooqui assume responsibility for this role from 1 January 2022, in light of her skills and capabilities and proximity to the Group's main US corporate office.

A separate Search Committee, led by Dale Morrison, was established to lead the process for the search and appointment recommendation of a new Chair of the Board. A summary of its activities and the process it followed is set out on page 93.

The Committee also reviewed and discussed the length of tenure of Non-Executive Directors. As Ian Dyson and Jill McDonald will reach nine years' service in 2022 and Jo Harlow will reach nine years' service in 2023, they were subject to particular review.

The Committee considered their appointments in the context of the broader Board composition and tenure and recent Board appointments. The Committee also took into account their time commitments and other appointments, and concluded that each of them continued to be able to devote sufficient time to the Board and their respective Committees and that they remained independent. Nomination Committee members did not participate in the discussion in relation to their own time commitment and tenure.

Executive Committee talent and succession

During the year, the Committee also continued to review the talent and succession plans for the Executive Committee and senior management positions in order to ensure the development of a diverse pipeline for succession. The Committee considered the organisation design in the context of the Group's strategic priorities and endorsed the approach to succession planning.

Information on the gender balance of senior management as well as the Board is included on page 100.

Performance evaluations

Following the external evaluation carried out in 2019 and an internal evaluation in 2020, during the year the Committee oversaw an internal evaluation of the Board and its Principal Committees, details of which are provided on page 94.

The Committee reviewed and discussed the outcomes of the Board and the Principal Committees' evaluations, noting the largely favourable feedback and the overall conclusions as to the continued effectiveness of the Board and the Principal Committees.

In addition, the Committee reviewed and endorsed the approach to individual Director evaluations, involving the Chair undertaking individual feedback assessments with Directors and the SID gathering feedback from Directors to assess the performance of the Chair. Further details are also available on page 94.

Looking forward

In 2022, the Committee will continue to focus on Board refreshment plans, with particular focus on succession planning in respect of Non-Executive Directors approaching a nine-year tenure. I will also transition my responsibilities as Chair of the Committee to Deanna Oppenheimer.

Directors' Remuneration Report

Remuneration Committee Chair's statement



"As we have continued to navigate through the pandemic, management has kept focus on the long term and positioned the business well for recovery and to emerge stronger."

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(subject to an advisory vote at the 2022 AGM)

As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

We continued to be impacted by the pandemic through 2021 but, whilst volatility remains, we have moved from crisis to recovery and growth. In-year financial performance was strong and, in addition, we have remained focused on post-pandemic, long-term strategy. Management has undertaken bold steps, such as the review of the Holiday Inn and Crowne Plaza estate and digital, brand and loyalty initiatives to take advantage of post-Covid-19 trends and opportunities for future growth.

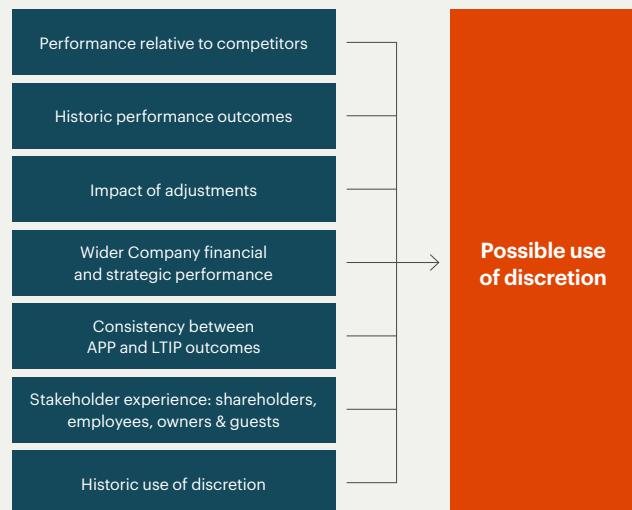
Financial performance has recovered strongly from 2020, with significant improvements in global RevPAR, fee margins and cash flow, and a final dividend of 85.9¢ is proposed in respect of 2021. Our people have responded incredibly to the challenges faced and it is encouraging to see that the health, safety and wellbeing support at both hotel and corporate levels, including the shift to hybrid working arrangements for the latter, has been so well received. Our overall employee engagement score of 85% is a significant achievement during a difficult period and places IHG as a Kincentric Global Best Employer. In early 2022, around 2,200 employees benefited from the first vesting of matching shares from our employee share plan and participation continues to increase, with 53% of eligible employees enrolled for the 2022 plan.

Our owners choose to work with IHG based on the trust they have in our brands and our track record in delivering returns. The review of our Holiday Inn and Crowne Plaza estate was therefore important to get right and it was very pleasing to see 83 hotels commit to improvements, protecting quality and brand perception. In addition, we continued to expand the strength and depth of our brand portfolio with the launch of Luxury & Lifestyle brand Vignette Collection and this is another important step in positioning the business for future growth opportunities.

The profound impact of Covid-19 over the past two years has, however, presented challenges not only for the business but also for the Committee in recognising and rewarding performance, whilst also considering stakeholder experience and the already challenging talent management context. This is particularly evident in respect of long-term incentives, for which targets were set in

Framework for consideration of discretion

In line with the UK Corporate Governance Code, the Committee has adopted a formal framework which it will use to determine whether to exercise discretion. Some of the key factors the Committee consider are shown below.



a very different commercial and market context to the one in which we found ourselves. In considering how to reward performance in the context of the pandemic, the Committee has sought to take into account the experience of all of our stakeholders as well as the results that have been delivered by management.

Overview of 2021 remuneration outcomes

The key highlights of Executive Director incentive plan awards for 2021 are presented below and a detailed explanation and rationale for the Committee's decisions are set out in this report:

- The formulaic achievement on Annual Performance Plan (APP) metrics (operating profit from reportable segments, openings and signings) was 187.3% of target, resulting in awards for Executive Directors which were capped at the maximum payout of 200% of salary.
- Formulaic achievement under the 2019/21 Long Term Incentive Plan (LTIP) was below the payout threshold across all measures. Targets were set in February 2019 and full year 2019 performance in isolation was at 57% of maximum (19% if pro-rated across the full cycle), reflecting strong performance on absolute net system size growth (NSSG), cash flow and relative Total Shareholder Return (TSR), and was initially forecast to improve further over the cycle as noted on the next page. 2020-21 performance was significantly affected by the subsequent unforeseen impact of Covid-19 on the business.
- The Committee has evaluated the formulaic outcomes against the factors listed under its formal framework for considering the exercise of discretion (see top of page) and:
 - is satisfied that the APP outcome reflects both management performance and the experience of other key stakeholders, including shareholders and the wider workforce, as summarised over the following pages; but
 - has chosen to apply discretion to vest 20% of the shares awarded to Executive Directors under the 2019/21 LTIP. Further detail on the rationale for the Committee's decision is set out over the following pages.
- The total average of short- and long-term incentive plan awards for the period ending 2021 was therefore 59.5% of maximum. This compares to 15.5% for 2020 and 68.8% in 2019.

2019/21 LTIP award

On a formulaic basis, in line with the concerns we noted in last year's report, the performance of the 2019/21 cycle is below the threshold for vesting on each of its measures. When the Committee reviewed performance towards the end of the first year of the performance period, the forecast vesting level was ~78%. However, the three absolute targets (cash flow, Total Gross Revenue (TGR), NSSG) were set pre-Covid-19, and the severe travel industry impacts of the pandemic in the final two years of the cycle have rendered these targets unachievable; and an important factor in the relative TSR outcome is the strong performance of peer group companies with an operating footprint with a significantly higher weighting to the faster-recovering US economy market segment.

Taking the framework for discretion factors into account, the Committee's view is that the formulaic outcome does not reflect the performance of the business in the crisis and has exercised its discretion to determine an overall vesting level of 20%, based on cash flow performance. The Committee took a qualitative and quantitative view of absolute and relative performance and management actions to address the exceptional circumstances resulting from the pandemic as well as considering the experience of our key stakeholders, including our people, shareholders, owners and guests. The detailed rationale of the Committee is as follows:

Committee determination

Measure and weighting	Formulaic outcome	Weighted discretionary outcome	Rationale															
Cash flow (CF) (20%)	0%	20%	<ul style="list-style-type: none"> The Committee has reviewed performance on this measure from a number of different perspectives, particularly from a wider company financial and strategic performance basis. For 2019 in isolation, performance was strong, being at maximum level on a pro-rated basis as follows: <table border="1"> <thead> <tr> <th></th><th>Performance range \$bn</th><th>Actual \$bn</th><th>Component achievement</th><th>Weighted LTIP outcome</th></tr> </thead> <tbody> <tr> <td>For full cycle</td><td>1.87 - 2.49</td><td>1.78</td><td>0%</td><td>0%</td></tr> <tr> <td>Pro-rated for 2019 only</td><td>0.524 - 0.698</td><td>0.700</td><td>100%</td><td>20%</td></tr> </tbody> </table> <p>Mathematically, on a pro-rated basis this 2019 performance contributes 6.67% vesting to the whole cycle.</p> <ul style="list-style-type: none"> For 2020 and 2021, the original target became irrelevant, and instead the Committee has looked at the Executive Directors' performance in the key area of cash flow and liquidity management, balancing the need to protect the business while continuing to invest in future growth including: <ul style="list-style-type: none"> managing through the impact of Covid-19 without the need to raise new equity; securing interest cover and leverage ratio covenant waivers on existing debt agreements; accessing increased liquidity through: <ul style="list-style-type: none"> £600 million of CCF drawn down, which was repaid in March 2021; issue of two new bonds in October 2020 and a tender on 2022 bonds, raising around net £600 million to provide longer term liquidity to the business; protecting cash flow by prudent use of capital and reducing costs by \$150 million (\$75 million of which is sustainable for future years); strong performance on working capital, targeted approaches to cash collections and management of expenditure; and actions to mitigate potential IHG exposure in cash flows and manage cash outflows, leading to strong cash conversion and a reduction in net debt in both 2020 and 2021. As a result: <ul style="list-style-type: none"> positive adjusted free cash flow^a of \$29 million was generated in 2020, with the impact of Covid-19 related revenue reductions partly offset by cost saving measures: <ul style="list-style-type: none"> 2021: \$571 million; and closing 2020 liquidity of \$2.9 billion (comprised of \$1.35 billion undrawn bank facilities and \$1.575 billion of cash/cash equivalents): <ul style="list-style-type: none"> 2021: \$2.7 billion. The Committee believes that management has done all it could to preserve IHG's resilience and strategic capability for strong future growth, justifying full vesting for these years in the cash flow element of the LTIP cycle. <p>^a Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 73 to 77 and reconciliations to IFRS figures, where they have been adjusted, are on pages 218 to 223.</p>		Performance range \$bn	Actual \$bn	Component achievement	Weighted LTIP outcome	For full cycle	1.87 - 2.49	1.78	0%	0%	Pro-rated for 2019 only	0.524 - 0.698	0.700	100%	20%
	Performance range \$bn	Actual \$bn	Component achievement	Weighted LTIP outcome														
For full cycle	1.87 - 2.49	1.78	0%	0%														
Pro-rated for 2019 only	0.524 - 0.698	0.700	100%	20%														
Net system size growth (NSSG) (20%)	0%	0%	<ul style="list-style-type: none"> This absolute target was set pre-Covid-19, at a time that we would have expected the industry supply growth to continue at least at the same pace as the preceding three years; in fact, there was a drop of 25% over 2020-21 compared to 2017-19, making the absolute target unachievable. The Committee reviewed NSSG performance in detail from a number of different perspectives and ultimately concluded that, based on analysis of the data and context, it did not consider it appropriate to adjust the formulaic outcome of this absolute measure. 															
Total Gross Revenue (TGR) (20%)	0%	0%	<ul style="list-style-type: none"> This absolute target was set pre-pandemic and rendered unachievable due to the severe market-wide decline in RevPAR and other revenues. Based on analysis of the data and context, the Committee did not consider it appropriate to adjust the formulaic outcome of this absolute measure. 															

Directors' Remuneration Report continued

Remuneration Committee Chair's statement continued

Committee determination			
Measure and weighting	Formulaic outcome	Weighted discretionary outcome	Rationale
Total Shareholder Return (TSR) (40%)	0%	0%	<ul style="list-style-type: none"> The IHG share price has remained resilient through the latter part of 2020 and 2021 after recovering from an initial reduction in the first half of 2020. IHG delivered 17.9% TSR for the cycle; ahead of all European peers in the comparator group. However, the share price performance of some comparator group companies based primarily in the fast-recovering US market, with a weighting towards the economy segment, and with their shares listed on US stock markets which have performed better than the FTSE over this period, has resulted in IHG being below the threshold level for vesting on this relative measure. Based on analysis of the data and context, the Committee did not consider it appropriate to adjust the formulaic outcome of this measure.
Total	0%	20%	

In summary, the Committee believes a 20% outcome acknowledges the strong performance of 2019 as well as the outstanding performance of management during the Covid-19 crisis.

2021 APP award

Alongside operating profit from reportable segments, the 2021 strategic openings and signings measures were designed to provide in-year focus on rooms growth in a severely constrained market, to complement the longer term three-year LTIP focus on overall net system size growth. The formulaic achievement against the APP measures would result in an award of 187.3% of target, or 215.4% of salary. However, awards for Executive Directors under the Directors' Remuneration Policy are capped at a maximum payout of 200% of salary. The Committee feels the capped maximum APP award is justified given its view on the strong performance of the business in 2021 on both an absolute and relative basis:

Measure and weighting	Weighted outcome	Consideration of discretion
Operating profit from reportable segments (70%)	140%	<ul style="list-style-type: none"> The targets were appropriately set, with a much wider and asymmetric range around the target outcome than in previous years, resulting in significantly greater stretch required on the upside and reflecting the context at the time; just as management had no visibility to the onset of Covid-19 in 2020, there was little visibility of the shape and pace of recovery through 2021 and, in practice, there were variations in performance in regions and markets driven by different approaches to travel restrictions and vaccine roll-outs. Management delivered strong results against the key financial metrics which contribute to operating profit, including sustainable cost savings of \$75 million (following on from 2020 cost savings of \$150 million), whilst continuing to invest in growth opportunities, such as the launch of the Vignette Collection, and to focus on the quality of growth through the review of the Holiday Inn and Crowne Plaza estate. The Committee has reviewed the quality of underlying performance, including whether adjustments should be made to take account of this and concluded this was not necessary. On this basis, the Committee found no basis for applying negative discretion.
Signings (15%)	30%	<ul style="list-style-type: none"> Targets were set appropriately, reflecting the typical nature of the pace at which the drivers of signings and openings respond during periods of recovery, and containing significant stretch to achieve outperformance. Absolute performance represented an impressive 23% improvement on the prior year. The Committee also assessed performance against our largest competitors, with IHG maintaining its share of signings throughout the pandemic. The Committee is satisfied that performance relative to our peers was competitive. See under 'Openings' below regarding the Committee's assessment against Global Metrics performance. On this basis, the Committee found no basis for applying negative discretion.
Openings (15%)	17.3%	<ul style="list-style-type: none"> Performance was ahead of target on this measure and represents 5% of prior year closing system size on a rolling year-on-year basis. Despite supply chain issues and other delays due to the pandemic, which has made openings very challenging, we delivered year-on-year growth and sequentially improved through the year. The Committee assessed performance relative to competitors and is satisfied that performance relative to our peers was competitive. The signings and openings measures are subject to the Committee assessing performance against the Company's Global Metrics. The majority of metrics, six of 10, tracked above target or prior year performance. Of those with formal targets, five of six exceeded target. On this basis, the Committee found no basis for applying negative discretion.
<hr/>		Overall, having also considered broader stakeholder perspectives (see next page), the Committee found no basis for applying negative discretion to the formulaic outcome of the 2021 APP.
Total	187.3%	

Total 2021 variable incentive outcome

In addition to reviewing the individual LTIP and APP components as outlined above, and the wider stakeholder position as outlined below, the Committee took a holistic view of variable incentive outcomes and considered the overall outcome for 2021. In total, the 2021 APP and LTIP awards for Executive Directors represent 59.5% of the maximum potential value. This is consistent with historic overall reward outcomes, as outlined on page 120 in respect of the CEO, which have varied between 56.6% and 84.2% of maximum and averaged 67.1% in the previous 10 years excluding 2020. The 2019/21 LTIP cycle is also the first under which Executive Directors are subject to a two-year post-vesting holding period. The Committee considers the combined 2021 LTIP and APP awards appropriate in this context.

Broader stakeholder perspectives

In considering the use of discretion, the Committee has taken into account the experience and views of wider stakeholders:

Wider workforce

- The APP measures of operating profit from reportable segments, openings and signings apply to the whole corporate employee population, along with a personal performance element below the Executive Committee (EC), with target bonus amounts determined by grade. The strong formulaic performance under the corporate measures will apply to and benefit this whole population. In addition, in view of the strong performance in 2021, an extra 20% is being added to the amount budgeted for the personal performance element to increase awards for those employees who performed the strongest during 2021.
- In the context of continuing retention and succession concerns below Board:
 - LTIP award-holders received an additional award in 2021, topping the 2018/20 cycle award up to 40%, and will receive an award in 2022 on the same basis in respect of the 2019/21 cycle in recognition of the significant additional work and effort required during these cycles as a result of the pandemic impact; and
 - in addition, separate one-off retention awards in the form of cash and deferred shares were made to core skill and succession talent individuals across the corporate population.
 - In contrast, Executive Directors received only the formulaic outcome of the 2018/20 LTIP (30.6% of maximum) and no 2020 APP award.
- In January 2022, the first matched share vesting took place under our employee share plan, as a result of which around 2,200 employees received free shares matched on a 1:1 basis.
- The overall employee engagement score of 85% exceeded that of external benchmarks by 8%.
- As explained on page 112, the employing entities for a number of UK leased hotels are part of the IHG group. All roles at all these hotels are paid above the living wage and zero-hour contracts have been eliminated across this estate. From April 2022, all employees in these hotels will be paid above the real living wage. However, as a result of continued travel restrictions and hotel closures during 2021, some UK government support was obtained in respect of this workforce for the benefit of the hotel owner. The Committee has taken into account that, in respect of pay for these employees, IHG does not have decision rights and must be sensitive to the commercial circumstances of these leased hotels, the owner and equities across the owner's wider business, and the employees of other owners of IHG hotels.
- In respect of the directly-employed corporate workforce, no UK government support for staff costs was obtained in either 2020 or 2021 and, following the reversal of the actions taken in 2020 outlined in last year's report, no employees across the global corporate population were furloughed in 2021.
- Further considerations included under 'Remuneration at IHG – the wider context' on page 112.

Owners

- Favourable credit terms provided to assist with the impact of the pandemic.
- Agreement with owners to manage cash flow through utilisation of maintenance reserves.
- Expanded hotel procurement solutions to combat supply chain challenges and rising costs.
- Launched new hiring tools and support to recruit and retain talent.
- Continued review and evolution of brand standards to improve operational efficiency.
- Government advocacy carried out on behalf of owners.

Guests

- Flexible cancellation policy operated, and waiver of cancellation fees.
- Continued execution of IHG Way of Clean and IHG Clean Promise in our hotels.
- IHG Rewards membership status protection provided.

Shareholders

- IHG share price has remained resilient, ending 2021 11.9% up on the end of 2020 and 100% up on the lows of March 2020.
- The Board is proposing a final dividend of 85.9¢ in respect of 2021, and there is continued momentum in future growth, with our global pipeline equivalent to over 30% of the current system size and more than 40% under construction.
- Having listened to shareholder feedback at the time and refrained from using discretion for the 2018/20 LTIP cycle, we received positive and constructive feedback in consultations with shareholders on the potential use of discretion for the 2019/21 LTIP cycle.

2020/22 LTIP cycle

The Committee has continued to consider the impact of the pandemic on in-flight LTIP awards and, whilst there is no intention to adjust incentive plan targets mid-cycle, as noted in the 2020 Directors' Remuneration Report in respect of the 2020/22 LTIP, the Committee:

- continues to monitor a shadow target for cash flow, agreed at its October 2020 meeting after the initial impact of the pandemic became evident; and
- remains minded not to reduce the relative NSSG vesting outcome based on the Return on Capital Employed (ROCE) underpin if this is not met for this cycle solely due to the impact of the pandemic on earnings.

The cash flow target for the 2020/22 LTIP cycle was set and prospectively disclosed in February 2020, before the fundamental global impact of the pandemic had become apparent. Within months, it was clear that it was very unlikely to be achievable for the three LTIP cycles including 2020 (2018/20, 2019/21 and 2020/22). The shadow target was based on assumptions of a full recovery over time and management focus on maintaining sustainable savings and disciplined cash management and was intended to provide a reference point to consider at the time of vesting.

The Committee's current view is that the shadow target, as we look at it in early 2022 and given the range of unexpected developments since October 2020, remains a stretching and appropriate target. In the Committee's view, the Delta variant, the 2021 second-wave lockdowns and global travel restrictions, and the subsequent impact of Omicron have all added headwinds that counter the stronger than expected recovery pace in the US. The Committee has therefore concluded that this shadow target will be highly relevant when considering the vesting of this cycle in early 2023. Following consultation with shareholders, the shadow target is disclosed on page 124 of this report.

In any event, the Committee will continue to assess the appropriateness of using discretion to adjust the formulaic outcomes upwards or downwards based on all relevant factors at the time of vesting of the award and in line with its formal framework for considering the exercise of discretion.

Directors' Remuneration Report continued

Remuneration Committee Chair's statement continued

Implementation of Directors' Remuneration Policy (DR Policy) in 2022

As covered in more detail on pages 124 to 125:

- Salary increases for Executive Directors for 2022 will be in line with the budget for increases for the wider UK and US corporate populations and are made following an assessment of 2021 performance.
- The non-financial measures for the 2022 Annual Performance Plan will remain as openings and signings, as in 2021, aligned to our key strategic objectives for recovery and our future growth priorities.
- LTIP 2022/24 cycle measures will also remain as relative TSR (30%), relative NSSG (40%) and absolute cash flow (30%), with Total Gross Revenue having been replaced by increased weightings for cash flow and relative NSSG. Retaining the same balance of measures for the 2022/24 cycle keeps an overall relative performance focus, appropriate in a context of some continued uncertainty. It also retains the increased focus on NSSG, which is strategically key and, being relative, factors in the economic and market context and any related volatility that occurs.

Retirement benefits for incumbent UK Executive Directors will align with the maximum company contribution available to all other participants in the UK pension plan at the end of this year. As stated in last year's report, and in line with our approved DR Policy, US retirement benefit arrangements, in which the CEO, Americas, participates, differ in a number of respects from UK pension arrangements, as explained on page 112. They are comprised of a 401(k) plan under which all corporate employees benefit from maximum employer contributions of a consistent 6% of salary, and a Deferred Compensation Plan for around 100 eligible senior employees under which all participants including the CEO, Americas can receive supplementary contributions of up to 16% of salary. These are common retirement benefit plans in the US market and, given the parity of treatment for all participants in each of these plans, as well as the importance of the CEO, Americas role to the business and the market competitiveness concerns over Executive Director pay, the Committee intends to maintain the arrangements as they relate to the CEO, Americas.

ESG considerations

Our Journey to Tomorrow Responsible Business plan was released early in the year, including new and updated commitments relating to our communities, people and planet and evolving the Company's strategy in this area. The Responsible Business Committee report on page 100 and the Strategic Report on page 16 contain more information on our initiatives, reporting commitments and science-based targets.

The Committee takes a holistic approach to reviewing and implementing new remuneration targets, ensuring that they are aligned to Company strategy (see page 110), and has continued to work closely with the Responsible Business Committee and Company management team on a discrete ESG metric for Executive Director remuneration. During the year, the Committee reviewed options to align a remuneration metric with the new and wider Journey to Tomorrow commitments.

On environmental metrics, we continue to improve our data integrity and, in 2021, launched an automated data collection project across our hotels globally as part of our ongoing improvements to IHG's Green Engage, our online environmental management platform. We have also launched the Hotel Energy Reduction Opportunities (HERO) tool, which will be key to helping our hotels target energy, carbon and water reductions. This work to support our hotels to decarbonise and measure our performance is important as it will enable us to reach the targets we have set across our franchise properties (scope 3). On other potential ESG metrics, including those with a people focus, further work will be undertaken in 2022 to assess baselines and performance as initiatives relating to new commitments roll-out throughout the business. This approach is being taken to help ensure that truly stretching but achievable targets, based on robust systems and data, can be set for incentive plan purposes.

In the meantime, as outlined on page 124, ESG criteria, such as annual energy reduction, employee engagement and guest satisfaction performance, will continue to form a key element of the Committee's overall assessment of performance against IHG's Global Metrics in considering the potential application of discretion to the formulaic outcomes of the 2022 APP strategic measures.

Wider workforce remuneration and employee engagement

As outlined on page 112, the approach to remuneration is aligned throughout the organisation and, during the year, the Committee reviewed a number of aspects of the Company's wider workforce remuneration policy, including the approach to fairness in reward, retention arrangements, and arrangements for UK hotel employees.

Concluding thoughts

The Committee, including myself as the Committee Chair, are fully aware that the use of discretion in relation to the 2019/21 LTIP outcome may not be considered to be in line with best practice or with the normal expectations of some investors and proxy agencies. The Committee has considered and debated these matters at length, with a strong focus on achieving an outcome which is fair and equitable for all of our key stakeholders, as outlined above, which rewards management in regards to performance in an unforeseen crisis, and which recognises the highly competitive global talent market that we operate in.

About this report

As always, we strive to make this report as easy to read as possible. Following this statement, the 'At a glance' section provides an illustration of 2021 remuneration outcomes and, over the following pages, there is a summary of how executive remuneration aligns to company strategy; an overview of our approved DR Policy and its alignment with the UK Corporate Governance Code principles; a summary of remuneration across the wider workforce; and, on pages 113 to 114, further background on the Remuneration Committee. The Annual Report on Directors' Remuneration on pages 115 to 125 will be put to an advisory vote by shareholders at the May 2022 Annual General Meeting.

Jo Harlow

Chair of the Remuneration Committee
21 February 2022

At a glance

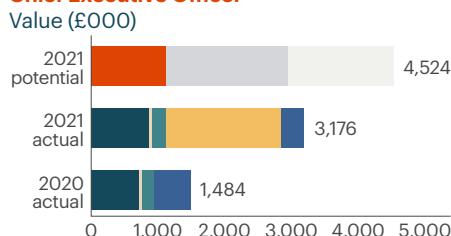
Executive Director remuneration

2021 actual remuneration vs potential remuneration

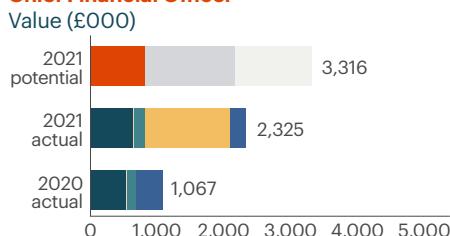
The charts below show the 2021 potential remuneration opportunity and actual achievement compared to the 2020 actual achievement.

The relevant figures for each of the elements that make up the single total figure of remuneration, as shown below for the Executive Directors, can be found in the table on page 115. See page 110 for the key to individual elements of actual remuneration for 2020 and 2021. 2020 salaries were reduced for part of the year as explained in the 2020 Annual Report.

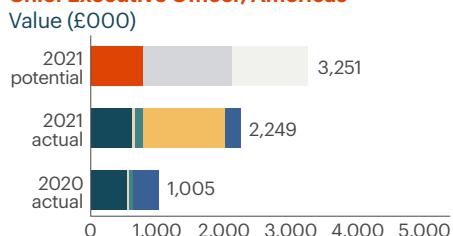
**Keith Barr,
Chief Executive Officer**



**Paul Edgecliffe-Johnson,
Chief Financial Officer**



**Elie Maalouf,
Chief Executive Officer, Americas**



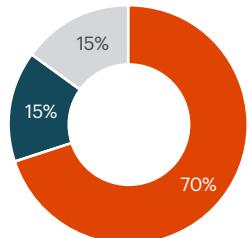
Key for potential

■ Minimum = Fixed pay ■ Target = Fixed pay and on-target award for APP (115%) and 50% of maximum LTIP vesting ■ Maximum = Fixed pay and maximum award under APP and LTIP

How we performed in 2021

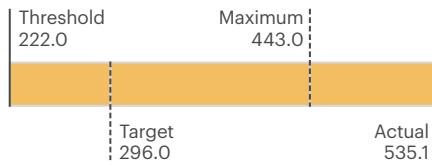
Very strong performance against target for operating profit from reportable segments and signings, together with strong opening results, meant that the formulaic 2021 APP achievement was 187.3% of target, resulting in awards for Executive Directors which were capped at the maximum payout of 200% of salary. Under the LTIP, the impact of Covid-19 meant the formulaic outcomes were below threshold on all measures. On the basis of the excellent start to the cycle in 2019 and the subsequent exceptional performance on the management of cash flow in the context of the pandemic, as outlined on pages 105 to 106, the Committee exercised discretion to vest 20% of the maximum award.

Measures used for APP^a



- Operating profit from reportable segments
- Room signings
- Room openings

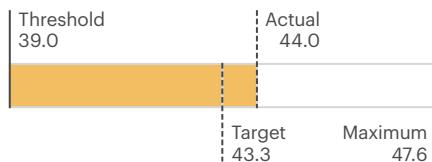
Operating profit from reportable segments (\$m)



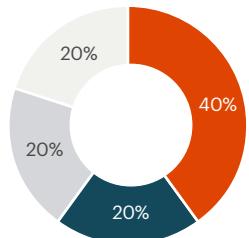
Room signings (k rooms)



Room openings (k rooms)

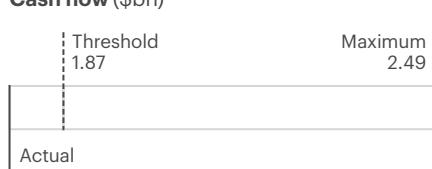


Measures used for LTIP^a



- Total Shareholder Return
- Total Gross Revenue
- Net system size growth
- Cash flow

Before discretion Cash flow (\$bn)



After discretion Cash flow (vesting percentage)



^a Further details of APP and LTIP outcomes can be found on pages 116 to 117.

Directors' Remuneration Report continued

Our approach to remuneration

How to use this report

Within the Directors' Remuneration Report we have used colour coding to denote different elements of remuneration. The colours used and the corresponding remuneration elements are:

- Salary
- Benefits
- Pension benefit
- Annual Performance Plan (APP)
50% cash and 50% deferred shares
- Long Term Incentive Plan (LTIP)
- Shareholding

AUDITED

Audited information

Content contained within a tinted panel highlighted with an 'Audited' tab indicates that all the information within the panel is audited.

Table of contents

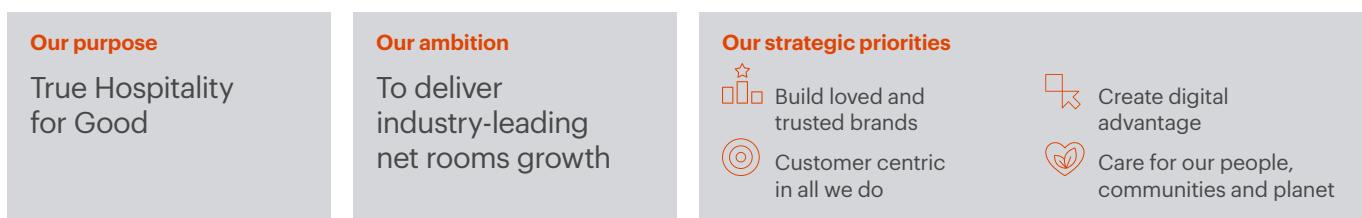
110 Our approach to remuneration

- 110 Link to strategy
- 111 Summary of our approved Directors' Remuneration Policy
- 112 Remuneration at IHG – the wider context
- 113 Remuneration Committee details

Over the following pages of the report, we give an overview of how our remuneration arrangements are aligned to our purpose, ambition and strategic priorities. We have included a summary of our approved DR Policy on page 111, together with a reminder of how the Committee has addressed Provision 40 of the 2018 UK Corporate Governance Code in respect of remuneration policy and practice. Alignment of pay structures throughout the organisation and the implementation of remuneration policy across the wider workforce is covered on page 112. Pages 113 to 114 contain a summary of Committee actions during the year.

Aligning variable elements of remuneration to strategy

Variable elements of remuneration are linked to our strategy through our four strategic priorities, our purpose and ambition.



Element	Measures	Link to strategy	Explanation
Annual Performance Plan (APP)	Operating profit	  	<ul style="list-style-type: none"> The strength and breadth of our portfolio, tailored services and solutions, and our technology and platforms drive consumer preference, owner returns and rooms growth; all contributing to our revenues and profit.
	Room signings	 	<ul style="list-style-type: none"> Openings and signings are two of our key drivers of system size and central to our ambition to deliver industry-leading rooms growth.
	Room openings	  	<ul style="list-style-type: none"> Aligned to our people, communities and planet strategy, the Remuneration Committee will review performance on Global Metrics, including key ESG measures (Employee engagement, Guest Love, Responsible Business) in considering the potential application of discretion to formulaic outcomes on APP strategic objective measures.
	Global Metrics	   	
Long Term Incentive Plan (LTIP)	Relative Total Shareholder Return	  	<ul style="list-style-type: none"> Our ambition is to deliver high-quality, industry-leading net rooms growth so it is important that this forms a key element of our management team's Long Term Incentive Plan.
	Relative net system size growth		<ul style="list-style-type: none"> Enhancing our customer and owner offer and developing our brands at scale in high-value markets drives sustained growth in cash flows and profits over the long term, which can be reinvested in our business and returned to shareholders.
	Cash flow	 	

Summary of approved Directors' Remuneration Policy

Element	2022	2023	2024	2025	2026	Framework	Purpose
Fixed							
Base salary						Increases generally in line with the range applying to the corporate population. Reviewed annually and fixed for 12 months from 1 April.	To recognise the value and impact of the role and the individual's skills, performance and experience.
Benefits						Relevant benefits are aligned to the typical level for the role/location.	To be competitive and consistent with role/location; to help recruit and retain.
Pension/ Retirement benefit						A Defined Contribution or cash in lieu amount for UK Directors. Employee contributions with matching company contributions. Salary is the only part of pay that is pensionable. See further details regarding UK and US pension benefit on page 112.	To be competitive and consistent with role/location; to help recruit and retain.
Variable							
Annual Performance Plan (cash)	Cash					Maximum opportunity is 200% of salary; 70% based on operating profit measure and 30% on key strategic objectives; 50% of the award is deferred into shares for three years.	To reward the achievement of stretching targets that support the Company's annual financial and strategic goals. For 2022, the key strategic objectives are:
Annual Performance Plan (deferred shares)		Deferral					<ul style="list-style-type: none"> • room signings (15% weighting); and • room openings (15% weighting).
Long Term Incentive Plan (LTIP)		Performance	Deferral			The maximum potential LTIP quantum is 350% of salary for the CEO and 275% of salary for other Executive Directors; a two-year post-vest holding period applies.	A focus on industry-leading net rooms growth is at the heart of our strategy, balanced by a Return on Capital Employed (ROCE) underpin to reflect our commitment to deliver quality growth whilst maintaining returns. Together with TSR and cash flow, there is a strong alignment between Executive Director remuneration and shareholder interests.

The Committee has considered the remuneration policy and practices in the context of Provision 40 of the UK Corporate Governance Code, as follows:

Principle	IHG's approach
Clarity	We always seek to set and report our performance-related measures, targets and outcomes in a clear, transparent and balanced way, with relevant and timely communication with all of our stakeholders. Our reward policies drive engagement throughout the workforce with an aligned approach to performance-related reward. Through the combination of short- and long-term incentive plan measures, the DR Policy is structured to support financial objectives and the strategic priorities of the business which deliver shareholder returns and long-term value creation. Further alignment with shareholder interests is driven by the significant proportion of share-based incentives and Executive Director shareholding requirements.
Simplicity	Our remuneration structure comprises straightforward, conventional and well-understood components. The purpose, structure and strategic alignment of each element is clearly laid out in the remuneration policy summary table: <ul style="list-style-type: none"> • fixed pay: base salary, pension and benefits that are consistent with role and location; • short-term incentive: annual performance-related bonus which incentivises and rewards the delivery of financial and non-financial strategic objectives; • long-term incentive: a share-based award which incentivises performance over a three-year period and is based on measures which drive long-term sustainable growth.
Predictability	The range of possible values of rewards for Executive Directors is clearly disclosed in graphical form both at the time of approving the policy and in the annual implementation report.
Risk	Our DR Policy contains a number of elements to ensure that it drives the right behaviours to incentivise the Executive Directors to deliver long-term sustainable growth and shareholder returns and to reward them appropriately: <ul style="list-style-type: none"> • the maximum short- and long-term incentive awards are capped as a % of salary; • the Committee has clear discretion policies, linked to specific measures where necessary, to override formulaic outcomes; • Executive Directors agree to clear and comprehensive malus and clawback provisions; and • significant shareholding requirements apply for Executive Directors.
Proportionality	Individual rewards are aligned to the delivery of strategic business objectives. The Committee sets robust and stretching targets to ensure that there is a clear link between the performance of the Group and the awards made to Executive Directors and others.
Alignment to culture	IHG has a clear purpose and well-established values and behaviours. The alignment between remuneration incentives and our strategy for high-quality growth, and the KPIs which underpin the delivery of our strategy, is outlined on page 110. Other elements of reward, such as salary reviews and, across the wider workforce, the short-term incentive plan and our global recognition scheme, reward employees for performance and actions which demonstrate our values and behaviours.

Directors' Remuneration Report continued

Our approach to remuneration continued

Remuneration at IHG – the wider context

How our reward practices are aligned across all levels of the organisation

Our approach to fairness in reward is an important aspect of our overall reward philosophy (see below) and is designed to attract and retain the best talent, with a focus on championing a diverse and inclusive culture where employees can thrive. The reward philosophy is supported by a robust governance approach aimed at having fair and consistent reward and recognition practices across our employee population, regardless of gender and other aspects of diversity, and that there is an alignment between the wider direct workforce and executive remuneration. We regularly review our approach externally, ensuring we meet the needs of employees by offering market-driven reward packages.

Examples of alignment and implementation of wider workforce reward strategy in 2021

Elements of reward	Participants	Commentary
Fixed		
■ Salary	All	In the 2021 base salary review process, we continued to build on our simplified performance management process to include the use of manager discretion to make one-off adjustments within the overall merit budget in order to address equity and talent recognition, particularly in the context of the pay actions taken in 2020 in response to the impact of Covid-19 on the business. This allowed the merit budget to be targeted on areas where it would have the most impact.
■ Benefits	All	For 2021, we aligned the levels of healthcare cover offered in the UK across all UK corporate employees. Globally, we continued to roll-out our wellness offer to support our employees' health and wellbeing and to adapt to a changing and flexible working environment, including an enhanced parental leave policy in the US for corporate employees.
■ Pension benefit	All	Pension and retirement benefits are provided in the UK and US in line with market practice. UK: the contribution rate for corporate and eligible hotel employees in the IHG UK pension plan is aligned with a 2:1 matching ratio up to a maximum of 6% of salary from employees and 12% from the Company. During 2021, following a review by the plan trustee and consultation with an employee member forum, the investment options for participants were updated to include funds with an ESG focus. US: US retirement saving plans are made up of a 401(k) plan which has a 1:1 matching contribution ratio up to a maximum of 6% of salary for eligible corporate employees and a Deferred Compensation Plan (DCP) which provides for supplementary company contributions of up to 16% provided at senior levels (a historic grandfathered rate of 20% applies for a small number of employees who were already receiving this rate when it was removed from 1 January 2017).
Variable		
■ Annual Performance Plan (APP)	All	All corporate employees share common corporate performance metrics with the Executive Committee and Executive Directors. For senior management (generally at Executive Committee level and their direct reports), a proportion of bonus is deferred into shares for a three-year period. In 2021, we aligned the weightings of metrics for all corporate employees below Executive Committee level and increased the focus on rewarding performance by rebalancing the APP measures so that a greater portion of an award can be achieved through an employee's individual performance and contribution.
■ Long Term Incentive Plan (LTIP)	All	Senior/mid-management and certain specialist roles are eligible for a Long Term Incentive Plan (LTIP). Performance-based LTIP largely applies at the level of Executive Committee and their direct reports; RSUs typically apply for eligible employees below this level (see below).
■ Restricted Stock Units (RSUs)	Excludes Executive Directors	In line with typical market practice, particularly in the US, and due to line-of-sight over performance measures, a gradually greater proportion of the LTIP award is made as RSUs (which are not subject to performance conditions but still align employee interests with those of shareholders) for eligible roles from the Executive Committee down.
■ Colleague Share Plan	Wider workforce only	IHG matches the number of shares purchased on a 1-for-1 basis. Our employee share plan is available to around 98% of our corporate employees below the senior/mid-management level (who receive LTIP and RSU awards). Participation increased from 49% in 2020 to 50% in 2021 and to 53% in 2022; matching shares from the 2020 plan vested in January 2022.

Our reward philosophy

Our reward arrangements are competitive, drive creation of value for stakeholders and make us think and act as one team.

Learning and support

To assist employees and managers in implementing the discretionary performance-related elements of merit and APP, we introduced a diversity, equity & inclusion statement on making fair reward decisions consistent with our Code of Conduct, which managers were familiarised with as part of the process. Furthermore, during 2021, corporate employees completed more than 10,000 hours of conscious inclusion training.

UK hotel employees

Following the acquisition of a number of UK hotels in 2019, employing entities for the estate's hotels were transferred to IHG. Employment terms, including remuneration and benefits, have largely remained in place on their pre-acquisition basis to date. In common with the model for managed hotels generally, IHG provides hotel management support to the owner of these UK leased hotels.

This includes making recommendations to the UK leased estate owner on matters including pay. Such recommendations are made in line with the corresponding process for other directly-employed employees, based on market insight and experience. Decisions on implementing changes to pay are ultimately determined by the hotel estate owner in the context of their own commercial position and equities across their wider portfolio. All roles at all hotels are paid above the living wage and zero-hour contracts are not utilised in any part of the UK leased estate.

Employee engagement on pay

The 2021 employee engagement scores for participating hotel and reservations employees and general managers on the questions relating to reward and recognition exceeded our survey provider's top quartile benchmark. See page 114 for details.

Remuneration Committee details

2021 focus areas

- Review and approval of 2020 remuneration outcomes and 2021 structures and targets
- In-year performance and relative performance tracking
- Wider workforce remuneration matters
- ESG in incentives and Green Engage progress
- Consideration of discretion relating to 2021 remuneration outcomes
- 2022+ structures and targets

Key objectives and summary of responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of remuneration of the Executive Directors and the Executive Committee, and agrees the strategy, direction and policy for the remuneration of the senior executives who have a significant influence over the Group's ability to meet its strategic objectives. Additionally, the Committee reviews wider workforce pay policies and practice to ensure alignment with strategy, values and behaviours and takes this into account when setting Executive Director remuneration. The Committee's role and responsibilities are set out in its Terms of Reference (ToR) which are reviewed annually and approved by the Board.

 The ToR are available on IHG's website at www.ihgplc.com/investors under Corporate governance.

Membership and attendance at meetings

Details of the Committee membership and attendance at meetings are set out on page 81.

During 2021, the Committee was supported internally by the Company Chair, the Group's CEO and CFO, and the heads of Human Resources and Reward as necessary. All attend by invitation to provide further background information and context to assist the Committee in its duties. They are not present for any discussions that relate directly to their own remuneration or where their attendance would not be appropriate.

Reporting to the Board

The Committee Chair updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members for review and comment.

Non-Executive Directors' letters of appointment and notice periods

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary's office.

Patrick Cescau, Non-Executive Chair, is subject to 12 months' notice and is in compliance with Provision 19 of the UK Corporate Governance Code. No other Non-Executive Directors are subject to notice periods; all Non-Executive Directors are subject to an annual re-election by shareholders at the AGM.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board.

Remuneration advisers

In 2019, the Committee undertook a competitive tender process and IHG appointed Deloitte LLP to act as independent adviser to the Committee and they commenced work in October 2019. Deloitte is a member of the Remuneration Consultants Group and, as such, operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received is objective and independent. Fees of £143,850 were paid to Deloitte in respect of advice provided to the Committee

in 2021. This was in the form of an agreed fee for support in preparation of papers and attendance at meetings, with work on additional items charged at hourly rates. The terms of engagement for Deloitte are available from the Company Secretary's office upon request. Separately, other parts of Deloitte LLP also advised the Company in relation to corporation tax, mobility and consulting services.

Board changes

During the year, Anne Busquet stepped down from the Board and Daniela Barone Soares was appointed to the Board as a Non-Executive Director; Richard Anderson was also appointed to the Board as a Non-Executive Director, however, he had to step down a few months later. Dale Morrison retired from the Board from 31 December 2021 and Graham Allan was appointed as Senior Non-Executive Director from 1 January 2022. The remuneration arrangements in respect of all changes were in line with the approved DR Policy and are covered on page 123.

Approach to target setting

Targets are set by the Committee and senior management, taking into account IHG's growth ambitions and long-range business plan, market expectations and the circumstances and relative performance at the time, with the aim of setting stretching achievement targets for senior executives which will reflect successful outcomes for the business based on its strategic and financial objectives for the period.

Absolute targets may be set relative to budget and/or by reference to prior results, generally containing a performance range with additional stretch to incentivise outperformance as well as minimum performance levels for payout. Relative targets are set against an appropriate comparator group of companies for the relevant measure, for example, relative NSSG in the LTIP was set against our six largest competitors with over 500k rooms to reflect our industry-leading growth ambition.

Shareholder engagement

The Committee recognises that there exists a range of views across the shareholder base in relation to the pay of Executive Directors and therefore engages in regular shareholder consultation. We consulted with shareholders and proxy agencies in early 2021 and prior to the AGM on the implementation of remuneration policies for the year ahead and matters relating to in-flight LTIPs. At the 2021 AGM, we were pleased to receive a vote of 92.43% in favour of the 2020 Directors' Remuneration Report.

Shareholder experience and the views of shareholders are fundamental aspects of the Committee's framework for the consideration of the use of discretion in relation to incentive plan outcomes. As such, we carried out consultations with leading shareholders and a proxy agency again in early 2022. We discussed the performance of management which, in the Committee's view, had delivered strong results and a more resilient company coming out of the pandemic. This performance is sustainable and has not been at the expense of stakeholders, as outlined on page 107.

Directors' Remuneration Report continued

Our approach to remuneration continued

However, forecast results showed that the formulaic outcomes of LTIP targets would likely not reflect this extraordinary effort and, if left unaddressed, would risk further aggravation to existing retention and talent challenges.

Valuable and constructive feedback was provided by shareholders and a proxy agency and, overall, shareholders were generally receptive to the potential use of discretion to increase the LTIP outcome, so long as there was sufficient and robust justification. The Committee's decision and detailed rationale is outlined on pages 105 to 107.

The most recent round of consultations also covered matters relating to in-flight LTIPs and progress on the inclusion of ESG in executive remuneration. Views expressed by shareholders will also be taken into consideration as the Remuneration Committee reviews the DR Policy in 2022 ahead of putting the policy to shareholder vote in 2023. We will engage in further consultation as the DR Policy develops.

Wider workforce remuneration and employee engagement

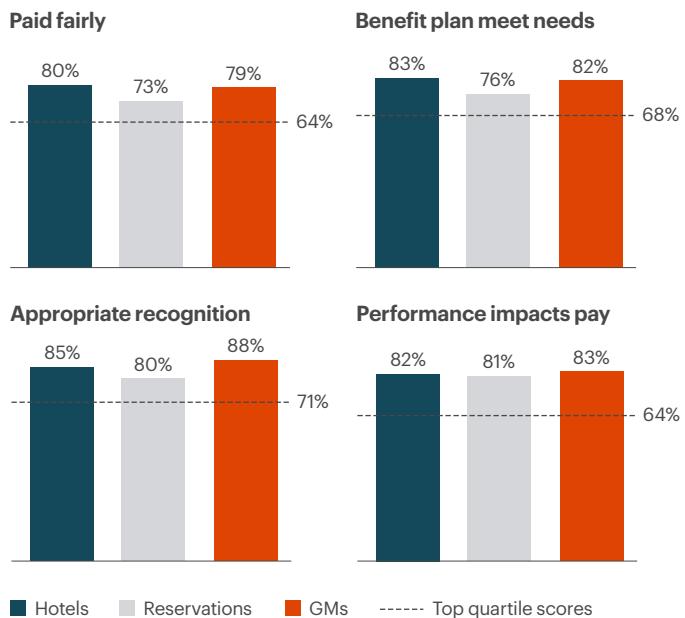
As outlined on page 112, IHG operates an aligned approach to remuneration throughout the organisation. During the year, the Committee reviewed aspects of the Company's wider workforce remuneration approach as part of their regular meeting agenda, including the approach to fairness in reward, retention arrangements, and arrangements for UK hotel employees.

The Company engaged with the workforce through its employee engagement survey which covers a number of areas, including pay and benefits competitiveness, and was updated for 2021 to provide greater insights on areas such as wellness and inclusion.

As part of 2021 Board engagement with the workforce, the Committee Chair met with representative employee groups from our US and Philippines populations to discuss Executive Director remuneration and how IHG's remuneration principles apply to employees throughout the organisation. Neither group shared any concerns with Executive Director remuneration.

In the Philippines, employees gave feedback on pay and benefits competitiveness and recent developments in the context of home working. Discussions on Executive Director remuneration with the US employee group led to constructive feedback on development and career progression opportunities and aspects of diversity and inclusion.

As noted on page 112, perceptions of reward and recognition gained strong results across our hotel, reservations and general manager populations:



□ The Company's approach to wider workforce engagement under the UK Corporate Governance Code is set out on page 112.

Voting at the Company's AGMs

The current DR Policy was subject to a vote at the 2020 AGM. The outcome of the votes in respect of the DR Policy and Report for 2019 to 2021 are shown below:

AGM	Directors' Remuneration Policy (binding vote)			Directors' Remuneration Report (advisory vote)		
	Votes for	Votes against	Abstentions	Votes for	Votes against	Abstentions
2021	-	-	-	137,628,120 (92.43%)	11,277,368 (7.57%)	106,271
2020	112,098,213 (77.14%)	33,210,269 (22.86%)	3,308,499	143,279,761 (96.49%)	5,212,375 (3.51%)	124,844
2019	-	-	-	120,939,401 (83.95%)	23,116,948 (16.05%)	3,867,287

Jo Harlow

Chair of the Remuneration Committee
21 February 2022

Annual Report on Directors' Remuneration

The Annual Report on Directors' Remuneration explains how the Directors' Remuneration Policy (DR Policy) was implemented in 2021 and the resulting payments each of the Executive Directors received.

This report is subject to an advisory vote by shareholders at the 2022 AGM. The notes to the single figure table provide further detail, where relevant, for each of the elements that make up the total single figure of remuneration for each of the Executive Directors.

AUDITED

Single total figure of remuneration – Executive Directors

Executive Directors	Year	Fixed pay				Variable pay			■ Total £000
		■ Salary £000	■ Benefits £000	■ Pension benefit £000	Subtotal £000	■ APP £000	■ LTIP £000 ^a	Subtotal £000	
Keith Barr	2021	857	41	214	1,112	1,727	337	2,064	3,176
	2020	712	45	178	935	0	549	549	1,484
Paul Edgecliffe-Johnson	2021	630	19	158	807	1,270	248	1,518	2,325
	2020	524	21	131	676	0	391	391	1,067
Elie Maalouf ^b	2021	606	53	118	777	1,221	251	1,472	2,249
	2020	531	30	65	626	0	379	379	1,005

^a LTIP figures for 2020 relate to the 2018/20 LTIP cycle and have been restated using actual share price on date of vesting. Figures for 2021 relate to the value of shares for the 2019/21 cycle.

^b Elie Maalouf is paid in USD and the sterling equivalent is calculated using an exchange rate of \$1 = £0.73 in 2021 and \$1 = £0.78 in 2020 (page 158).

Notes to single figure table

Fixed pay

■ **Salary:** salary paid for the year. Salary increases in 2021 were in line with the budget for the wider UK and US corporate workforce. 2020 salaries were reduced for part of the year as explained in the 2020 Annual Report.

■ **Benefits:** for Executive Directors, this includes, but is not limited to, taxable benefits such as company car or allowance and healthcare. Under HM Revenue and Custom rules, the 2021 figure for the non-UK based Director, Elie Maalouf, includes some travel and food expenses that were not previously reported.

■ **Pension benefit:** for current Executive Directors, in line with DR Policy, the value of IHG contributions and any cash allowances paid in lieu of pension contributions.

Keith Barr and Paul Edgecliffe-Johnson did not participate in any IHG pension plan in 2021 and instead received cash allowances of 25% of base salary; this will reduce to the maximum level available to all other participants in the UK pension plan at the end of 2022.

Life assurance cover is provided for both Keith and Paul at four times base salary.

Elie Maalouf participated in the US 401(k) Plan and the US Deferred Compensation Plan (DCP). The US 401(k) Plan is a tax-qualified plan providing benefits on a defined contribution basis, with the member and company both contributing.

Contributions made by, and in respect of Elie Maalouf in these plans for the year ended 31 December 2021 were:

	£ ^c
Director's contributions to US Deferred Compensation Plan	168,917
Director's contributions to US 401(k) Plan	18,980
Company contributions to US Deferred Compensation Plan	109,829
Company contributions to US 401(k) Plan	8,468
Age of Director at 31 December 2021	57

^a Sterling values have been calculated using an exchange rate of \$1 = £0.73.

As outlined in last year's report, Elie's retirement benefit is in line with other senior US employees and comprises a 6% of salary matched contribution (subject to IRS limits in respect of 401(k) contributions) and a 16% of salary supplemental employer DCP contribution.

Variable pay

■ **APP** (cash and deferred shares)

Operation

Award levels are determined based on salary at 31 December 2021 and are based on achievement vs target under each measure. For operating profit from reportable segments, the 2021 award was set on the basis of a payout range of +/-10% of target payout for performance of +/- \$25m of target performance. Outside of this range, payout would be on a straight-line basis between threshold and -\$25m and between +\$25m and maximum. For room openings and room signings, the award was set on a straight-line basis between threshold and target, and target and maximum:

- **threshold** is the minimum level that must be achieved for there to be an award in relation to that measure; subject to Committee discretion, no award is made for achievement below threshold.
- **target** is the target level of achievement and results in a target award for that measure.
- **maximum** is the level of achievement at which a maximum award for that measure is received (capped at 200% of salary).

The Committee formally reviews performance against IHG's Global Metrics as part of the APP structure in considering whether to apply discretion to adjust outcomes on the strategic measures.

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

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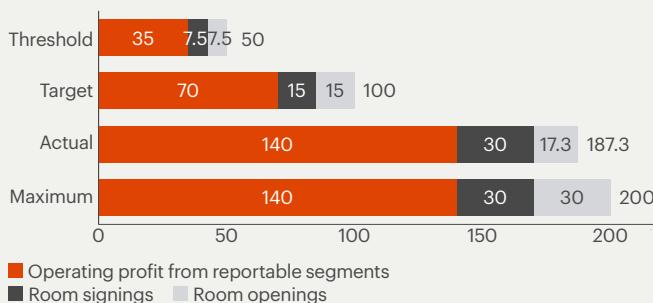
APP outcome for 2021

The performance measures for the 2021 APP were determined in accordance with the DR Policy and were:

- operating profit from reportable segments (70%);
- room signings (15%); and
- room openings (15%).

Target award was 115% of salary and maximum was up to 200% of target for each measure, subject to an overall cap on the award of 200% of salary. The tables below show threshold, target and maximum opportunity, as well as weighting and actual 2021 achievement.

APP measures – % of total award



APP

Performance	Achievement	Weighting	Weighted achievement
Operating profit from reportable segments: performance relative to target			
Threshold	\$222m	50%	
Target	\$296m	100%	
Maximum	\$443m	200%	70% 140.0%
Actual	\$535.1m	200%	
Room signings (k rooms)			
Threshold	52.4	50%	
Target	58.2	100%	
Maximum	64.0	200%	15% 30.0%
Actual	68.9	200%	
Room openings (k rooms)			
Threshold	39.0	50%	
Target	43.3	100%	
Actual	44.0	139.2%	15% 17.3%
Maximum	47.6	200%	

Operating profit from reportable segments is a Non-GAAP measure and excludes certain items from operating profit. Additionally, in determining operating profit from reportable segments for APP purposes, budgeted exchange rates for the year are used to ensure like-for-like comparison with the APP target set at the start of the year.

Operating profit from reportable segments (at actual exchange rates) (see page 158)	\$533.6m
Difference due to exchange rates	\$1.5m
Operating profit from reportable segments (at 2021 budget exchange rates)	\$535.1m

LTIP 2019/21 (granted in 2019)

Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance conditions. Conditions and weighting are described on page 117.

TSR measures the return to shareholders by investing in IHG relative to a comparator group containing the following major globally branded competitors: Accor S.A., Choice Hotels International Inc., Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Marriott International Inc., Melia Hotels International S.A., NH Hotels Group, and Wyndham Hotels & Resorts Inc., as per data provided by our corporate bankers sourced from Thomson Reuters Datastream.

Following the acquisition and delisting of Millennium & Copthorne Hotels PLC by City Developments Limited in October 2019, a Singapore-based real estate company, it was removed from the comparator group for the 2019/21 cycle.

The share price in respect of the 2018/20 LTIP cycle has been restated using the volume weighted average price of 5,072p for Keith Barr and Elie Maalouf and 5,143p for Paul Edgecliffe-Johnson on the date of actual vesting on 24 February 2021. There is a slight difference in the share price at the date of vesting for Keith Barr and Elie Maalouf as our share administration portal holds shares for participants who are US citizens in a separate entity to non-US participants. Final vesting transactions are therefore carried out separately, resulting in a slight share price variation based on the timing that the two transactions take place. The corresponding values shown in the 2020 report (prior to the actual vesting) were an estimate calculated using an average share price over the final quarter of 2020 of 4,460p.

LTIP outcome for 2019/21 cycle

The performance measures for the 2019/21 three-year LTIP cycle were determined in accordance with the DR Policy and were:

- Total Shareholder Return (40%);
- Total Gross Revenue (20%);
- net system size growth (20%); and
- cash flow (20%).

The following tables show threshold and maximum opportunity, as well as weighting and actual achievement, based on the formulaic outcomes against the three-year targets set in 2019, and following the application of Committee discretion, for each performance measure.

LTIP measures – % of maximum opportunity



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Performance measure and weighting		Performance targets		Result	Formulaic achievement	Discretionary outcome
		Target	% Vesting	Outcome	Below threshold	0%
Total Shareholder Return: Three-year growth relative to average of competitors 40%	Maximum 83.4%	Maximum 100%		17.9%		
Total Gross Revenue: based on IHG's performance against an absolute Total Gross Revenue target 20%	Threshold 26.0%	Threshold 20%				
Net system size growth: based on IHG's performance against an absolute NSSG target 20%	Maximum \$5.63bn	Maximum 100%	Outcome \$-7.92bn		Below threshold	0%
Cash flow: based on IHG's performance against an absolute cash flow target 20%	Threshold \$3.94bn	Threshold 20%				
	Maximum 159.0k rooms	Maximum 100%	Outcome 84.6k rooms		Below threshold	0%
	Threshold 111.3k rooms	Threshold 20%				
	Maximum 2.49bn USD	Maximum 100%	Reported Outcome 1.49bn USD		Below threshold	20%
	Threshold 1.87bn USD	Threshold 20%	Adjusted Outcome 1.78bn USD			

Adjustments to cash flow outcome

Over the performance period of the 2019/21 LTIP award there have been events that have impacted IHG's cash flow that were unquantified or unforeseen when the original targets were set. In line with the adjustments reported in the 2019 and 2020 Annual Reports, the table below shows the reconciliation between reported cash flow and the outcome for the 2019/21 LTIP.

Reconciliation	Cash flow \$bn
Reported cash flow from operations	2.06
Net cash from investing activities	(0.57)
Reported outcome per definition	1.49
Six Senses acquisition	0.29
Adjusted outcome	1.78

Adjustment to net system size growth outcome

The formulaic NSSG LTIP outcome above includes the same adjustment reported for the 2018/20 cycle last year to exclude the removal from IHG brands of rooms associated with the SVC portfolio towards the end of 2020 due to the SVC management agreement termination. The formulaic outcome also includes an adjustment to exclude room removals incremental to our normal level due to the Holiday Inn and Crowne Plaza estate review in 2021. These events were not budgeted for at the time of setting the 2019/21 targets and the Committee, in its judgement, considered it was appropriate to adjust for them on the basis of its view that LTIP participants should not have been disincentivised from making these decisions in the long-term interest of shareholders.

LTIP

As outlined in the Chair's Statement on pages 104 to 108, the Remuneration Committee has exercised its discretion to adjust the formulaic outcome of the 2019/21 LTIP. This cycle will vest on 23 February 2022 and is the first under which Executive Directors are subject to a two-year post-vest holding period. The individual outcomes for this cycle are shown below.

The share price of 4,858p used to calculate the 2019/21 LTIP cycle value shown in the single figure table is the average over the final quarter of 2021.

Executive Director	Award cycle	Maximum opportunity at grant (number of shares)	% of maximum opportunity vested	Outcome (number of shares awarded at vest)	Total value of award £000	Value of award attributable to share price appreciation
Keith Barr	LTIP 2019/21	34,693	20%	6,938	337	-7
Paul Edgecliff-Johnson	LTIP 2019/21	25,509	20%	5,101	248	-5
Elie Maalouf	LTIP 2019/21	25,802	20%	5,160	251	-5

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

AUDITED

Other outstanding awards

Scheme interests awarded during 2020 and 2021

During 2020 and 2021, awards were granted under the LTIP cycle and made to each Executive Director over shares with a maximum value of 205% of salary in 2020 and a maximum value of 350% in 2021 for the CEO and 275% for all other Executive Directors using an average of the closing mid-market share price for the five days prior to grant, as in the table below. These are in the form of conditional awards over Company shares and do not carry the right to dividends or dividend equivalents during the vesting period.

The vesting date for the 2020/22 LTIP award is the day after the announcement of our financial year 2022 Preliminary Results in February 2023. These awards will vest to the extent performance targets are met and will then be held in a nominee account for a further two years, transferring to the award-holder in February 2025.

The vesting date for the 2021/23 LTIP award is the day after the announcement of our financial year 2023 Preliminary Results in February 2024. These awards will vest to the extent performance targets are met and will then be held in a nominee account for a further two years, transferring to the award-holder in February 2026.

Although the approved DR Policy permitted award levels of 350% and 275% of salary respectively for the CEO and other Executive Directors for the 2020/22 cycle, the actual awards granted for this cycle were made at the previous maximum award level of 205% for all Executive Directors. Prior to making the awards, the Committee noted the views of some investors in relation to the size of share awards where the share price had fallen substantially relative to the prior year's grant and the potential windfall gains which could occur if and when share prices recovered. The grant price for the 2020/22 cycle was £34.96, representing a reduction of -29% from the grant price for the 2019/21 cycle awards. The use of lower maximum opportunity levels resulted in fewer shares being awarded to the Executive Directors than would have been the case if awards were granted at the levels permitted under the DR Policy (-41% fewer shares in the case of the CEO and ~25% fewer for the other Executive Directors). The Committee will consider whether it is appropriate to adjust the formulaic outcome at the time of vesting, including taking into account the movement in share price between grant and vesting dates, in the context of any potential windfall gains.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant £	Face value of award at grant £000	Number of shares received if minimum performance achieved
2021/23 cycle					
Keith Barr	10 May 2021	59,385	50.88	3,022	11,877
Paul Edgecliffe-Johnson	10 May 2021	34,310	50.88	1,746	6,862
Elie Maalouf	10 May 2021	32,525	50.88	1,655	6,505
2020/22 cycle					
Keith Barr	12 May 2020	49,153	34.96	1,718	9,830
Paul Edgecliffe-Johnson	12 May 2020	36,140	34.96	1,263	7,228
Elie Maalouf	12 May 2020	38,463	34.96	1,345	7,692

Performance measures and consideration of discretion

The performance measures for the 2020/22 cycle are as agreed in the 2020 DR Policy: Relative TSR, Total Gross Revenue (TGR), net system size growth and cash flow for the three years ending 31 December 2022. NSSG is a relative measure and is measured to 30 September rather than 31 December due to the timing of publication of competitor data. Minimum performance is equal to 20% of the maximum award.

As noted in the 2020 Directors' Remuneration Report, TGR was removed from the LTIP measures for the 2021/23 cycle, which covers the three years ending 31 December 2023, and the weightings for relative NSSG and absolute cash flow were both increased, maintaining a similar balance between absolute and relative measures as for the previous cycle. TGR is heavily impacted by the pace and shape of market RevPAR recovery, which is outside of management's control and remained very unpredictable at the time of setting targets.

Relative NSSG for both cycles is subject to the achievement of a ROCE underpin of 20%, below which the Committee has the discretion to reduce the outcome for the measure. The underpin was introduced to ensure IHG's high returns on capital were prioritised in strategic decision-making (e.g. M&A activity) as opposed to simply reflecting trading performance. As noted in last year's report and the Chair's letter to this year's report, the Committee is minded not to reduce the NSSG vesting outcome for the 2020/22 cycle if the underpin is not met by reason only of the impact on earnings of the pandemic.

As noted in the Chair's Statement on pages 104 to 108, the Committee is tracking a shadow cash flow target in respect of the 2020/22 LTIP cycle and has indicated that this shadow target will be highly relevant when considering the vesting of this cycle in early 2023. The shadow target is disclosed on page 124 of this report.

Any use of discretion, including the factors influencing the decision, will be clearly communicated in the Directors' Remuneration Report for the year in which the decision is made.

AUDITED

Executive Directors' shareholdings and share interests

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between the individuals' personal interests and those of shareholders.

■ Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 500% of salary for the Chief Executive Officer and 300% for any other Executive Director. Executive Directors are expected to hold all net shares earned until the previous guideline shareholding requirement is achieved (300% for the CEO and 200% for other Executive Directors) and at least 50% of all subsequent net shares earned until the current guideline shareholding is met. The number of shares held outright includes all Directors' beneficial interests and those held by their spouses and other connected persons. It also includes the net value of unvested shares that are not subject to any further performance conditions.

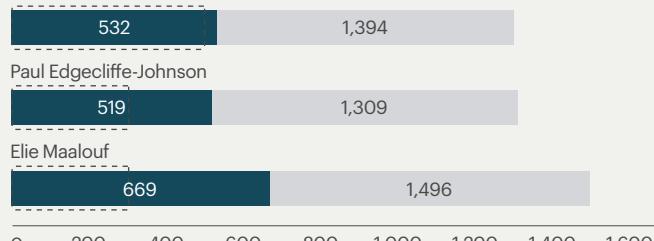
Percentages are calculated using the 31 December 2021 share price of 4,781p.

The full guideline minimum shareholding requirement continues for six months after cessation of employment and 50% of the requirement continues for an additional six months. As a part of this requirement, since 2019, shares have been granted and all unvested awards held in a nominee account with Executive

Directors required to electronically sign an agreement to the terms of the grant, including the post-employment shareholding requirement.

Shares and awards held by Executive Directors at 31 December 2021: % of salary

Keith Barr



■ Shares held outright and net value of shares subject to holding/deferral period

■ Total number of shares and awards as a % of salary

□ Guideline shareholding

Percentages have been calculated using a combined tax and social security rate of 47% for Keith Barr and Paul Edgecliffe-Johnson and a rate of 45.1% for Elie Maalouf.

Current Directors' shareholdings

The APP deferred share awards are not subject to performance conditions. Details on the performance conditions to which the unvested LTIP awards are still subject can be found on page 118. There have been no changes in the shareholding interests of any of the Directors since the end of the financial year up to the publication of this report.

Shares and awards held by Executive Directors at 31 December 2021: number of shares

	Number of shares held outright		APP deferred share awards		LTIP share awards (unvested)		Total number of shares and awards held	
	2021	2020	2021	2020	2021	2020	2021	2020
Keith Barr	81,830	70,279	26,696	37,705	143,231	119,227	251,757	227,211
Paul Edgecliffe-Johnson	58,723	53,376	19,137	26,751	95,959	86,479	173,819	166,606
Elie Maalouf	74,698	67,428	19,625	25,417	96,790	88,691	191,113	181,536

Other information relating to Directors' remuneration

Consideration of discretion

The Committee's consideration of discretion in respect of 2021 remuneration outcomes is covered in detail on pages 104 to 107.

During the year, the Committee also continued to track the forecast vesting outcome for the 2020/22 LTIP cycle. No decisions will be made until the end of the cycle's performance period, however, the Committee's approach for the cash flow target and ROCE underpin for the 2020/22 cycle is described on pages 124 and 125.

Dividends paid to Executive Directors

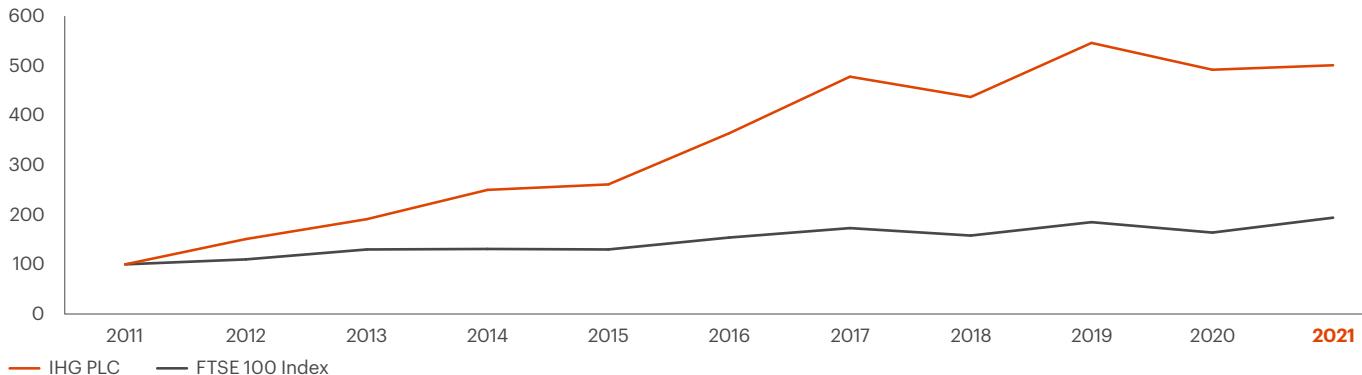
No dividends were paid out by IHG in 2021.

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

Relative performance graph

InterContinental Hotels Group PLC is a member of the FTSE 100 share index, and the graph below shows the Company's Total Shareholder Return (TSR) performance from 31 December 2011 to 31 December 2021, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100.



Chief Executive Officer's remuneration

The table below shows the Chief Executive Officer's single figure of total remuneration for the 10 years to 31 December 2021.

Single figure	CEO	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Single figure of remuneration (£'000)	Keith Barr										
	Richard Solomons	4,881	3,131	6,611 ^b	3,197	3,662	2,161	3,143 ^a	3,376	1,484	3,176
Annual incentive received (% of maximum)	Keith Barr							69.7	84.1	58.7	0
	Richard Solomons	68.0	74.0	74.0	75.0	63.9	66.8				200.0
Shares received under the LTIP (% of maximum)	Keith Barr							46.1	45.4	78.9	30.6
	Richard Solomons	100.0	59.0	56.1	50.0	49.4	46.1				20.0

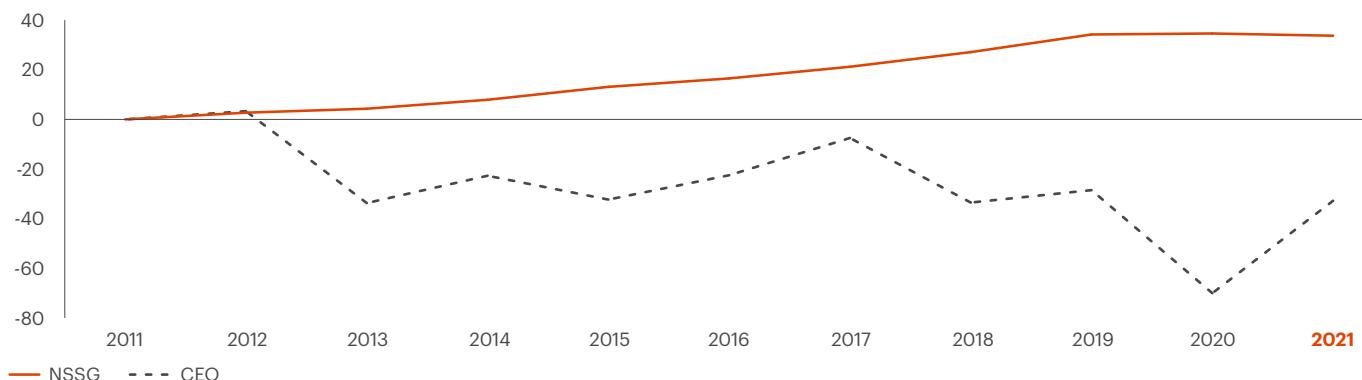
^a For Keith Barr, the 2018 figure includes a one-off cash payment for relocation costs in lieu of benefits received whilst on international assignment prior to CEO position, fully explained in the 2017 report.

^b For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in the 2014 report.

^c In respect of period 1 January to 30 June 2017.

Growth of company vs growth of CEO pay

As an additional point of reference, the chart below shows CEO single figure table remuneration over the past 10 years as disclosed above, excluding the 2014 one-off cash payment to Richard Solomons in respect of pension entitlements, and the Company's net system size growth, a key metric in our Long Term Incentive Plan, and in our Annual Performance Plan in recent years, and aligned to our ambition. Subject to performance achievements, increased LTIP grant levels made since 2021 under the approved 2020 Directors' Remuneration Policy should in due course contribute towards bridging the gap between the growth in pay of the CEO and the growth of the Company.



CEO pay ratio

As we have noted in previous Annual Reports, pay ratios will differ significantly between companies, even within the same industry, depending on demographics and business models. The Group's UK employee demographic, which primarily consisted of largely professional, management and senior corporate roles, changed in 2019 with the addition of a number of hotel employing entities which include a large proportion of part-time and flexible-working support and service roles. As per last year's report, we show below the ratio both including and excluding the new UK employing entities.

On a like-for-like population basis with our original disclosure in the 2018 Annual Report, the median ratio has increased from 26:1 in 2020 to 42:1 in 2021 but is down on the pre-pandemic years of 2018 and 2019. 2020 was impacted by actions taken on pay as outlined in the 2020 Annual Report and lower variable incentive pay. In 2021, the strong performance in the APP has benefited both the CEO and the wider corporate population. LTIP awards below the Executive Committee in the form of restricted stock and top-up awards below the Board meant that the 2019/21 LTIP award values were lower as a percentage of maximum for the CEO than other eligible employees. On this basis, the Company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole, and as outlined on page 112.

Year	Method	Full population			Population excluding hotel employing entities		
		25th	Median	75th	25th	Median	75th
Financial year ended 31 December 2021	Option C	163:1	65:1	41:1	57:1	42:1	28:1
Financial year ended 31 December 2020	Option C	89:1	44:1	25:1	35:1	26:1	18:1
Financial year ended 31 December 2019	Option C	180:1	122:1	59:1	71:1	49:1	32:1
Financial year ended 31 December 2018	Option C	-	-	-	72:1	48:1	29:1

The 2018, 2019 and 2020 figures have been restated to reflect the value of the CEO's LTIP awards on the date of actual vesting rather than the estimated vesting levels used in the respective years' Annual Reports.

What drives the difference in pay between our CEO and other employees?

Pay ratios reflect how remuneration arrangements differ as responsibility increases for more senior roles within the organisation, for example:

- a greater proportion of performance-related variable pay and share-based incentives apply for the more senior executives, including Executive Directors, who will have a greater degree of influence over performance outcomes;
- role-specific specialist plans apply in certain areas such as corporate reservations, sales, hotel development and General Managers of IHG managed, owned, leased and managed lease hotels. The target and maximum amounts that can be earned under these plans are typically a higher percentage of base salary for more senior employees, which in turn affect the pay ratio; and
- incentive plans for other corporate employees are typically based on a combination of individual performance and the Group's operating profit from reportable segments.

Calculation methodology and supporting information

Option C has been selected for the identification of the percentile employees. IHG prefer to use this method as we are able to produce the most accurate total remuneration figure for all UK employees on a basis comparable with the statutory reporting for Executive Directors using the most available data at the time of producing the Annual Report. Specifically, this involves:

- compiling all monthly payroll data for all UK employees from 1 January to 31 December 2021 detailing complete variable and fixed remuneration, including pension and taxable benefits such as company car or allowance and healthcare; and
- valuing APP for the corporate workforce based on actual 2021 company performance metrics and budgeted target personal performance so that it reflects the same input as for the CEO data.

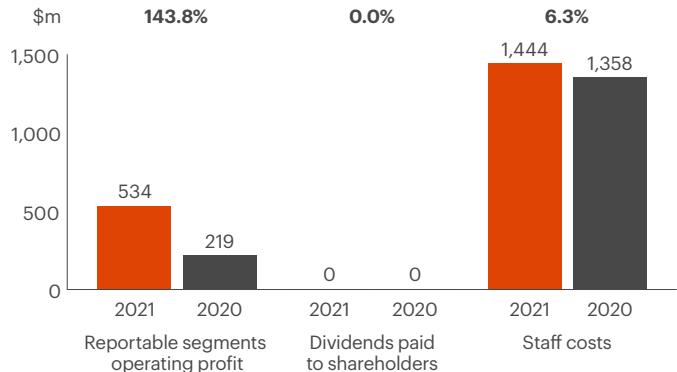
Option C requires three UK employees to be identified as the equivalent of the 25th, 50th and 75th percentile. Having identified these employees, the 2021 remuneration is calculated on the same basis as the CEO single total figure of remuneration.

The 2021 salary and total pay for the individuals identified at the lower, median and upper quartiles are set out below.

Year		25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
		Salary £	Total remuneration £	Salary £	Total remuneration £	Salary £	Total remuneration £
Financial year ended 31 December 2021	– Full population	18,285	44,281	59,597			
Financial year ended 31 December 2021	– Excluding hotel employing entities	44,027	61,125	81,239			
		55,732	75,055	115,377			

Relative importance of spend on pay

The chart below sets out the actual expenditure of the Group in 2021 and 2020, showing the differences between those years. Further information, including where 2020 figures have been restated, can be found in the Group Financial Statements starting on page 128 and the accompanying notes.



Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

Annual percentage change in remuneration of Directors compared to employees

The table below shows the percentage change in all Directors' remuneration compared to that of an average employee between the financial years ended 31 December 2019 to 31 December 2021.

The remuneration figures for the Directors were taken from the data used to compile the single figure tables of remuneration shown on pages 115 and 123 excluding any rounding up or down. No employees are directly employed by the Group's Parent Company, so the average employee data for this year's report is based on the same UK corporate employee population as that on which the CEO pay ratio is calculated. Salaries were reduced for part of the year in 2020, accounting for the year-on-year variations for both 2020 vs 2019 and 2021 vs 2020. Elie Maalouf's salary is paid in USD but reported in the single figure table in GBP and, as such, his year-on-year change is also impacted by changes in exchange rates between years.

No bonus was paid to Executive Directors or other corporate employees for 2020, which is reflected in the bonus percentage changes for both 2019-20 and 2020-21. Non-Executive Directors are not eligible for a bonus.

Taxable benefits for Non-Executive Directors are largely constituted of travel expenses, which were significantly impacted by travel restrictions during 2020 and 2021, whereas Executive Director and average employee taxable benefits typically comprise elements of their reward package such as company car or allowance and healthcare benefits.

	Year-on-year change 2021 vs 2020			Year-on-year change 2020 vs 2019		
	Salary	Bonus	Taxable benefit	Salary	Bonus	Taxable benefit
Executive Directors						
Keith Barr	20%	100%	-9%	-14%	-100%	25%
Paul Edgecliffe-Johnson	20%	100%	-8%	-13%	-100%	-14%
Elie Maalouf	14%	100%	79%	-15%	-100%	-10%
Non-Executive Directors						
Patrick Cescau	18%	N/A	-80%	-13%	N/A	-53%
Graham Allan	-	N/A	-	-	N/A	-
Daniela Barone Soares	-	N/A	-	-	-	-
Arthur de Haast	18%	N/A	-1%	-	N/A	-
Ian Dyson	18%	N/A	-100%	-13%	N/A	-90%
Duriya Farooqui	-	N/A	-	-	N/A	-
Jo Harlow	18%	N/A	100%	-13%	N/A	-94%
Jill McDonald	18%	N/A	-1%	-13%	N/A	-87%
Sharon Rothstein	-	N/A	-	-	N/A	-
Average employee	3%	100%	-11%	-6%	-100%	-9%

No data has been reported for Graham Allan, Duriya Farooqui and Sharon Rothstein as they joined the Board in 2020 therefore only part-year data is available which does not enable a comparison with 2021. Similarly, Daniela Barone Soares joined the Board during 2021 so there will be no full year data comparisons for her in 2021 and 2022.

As stated in the notes to the single figure table on page 115, under HM Revenue and Custom rules, the 2021 taxable benefits figure for the non-UK based Executive Director, Elie Maalouf, includes some travel and food expenses that were not previously reported, accounting for the year-on-year change figure for taxable benefits in 2021 vs 2020. Ian Dyson did not incur any expenses in 2021 but incurred expenses of £229.55 in 2020 relating to attending the February 2020 Board meeting, hence the percentage change for 2021 vs 2020 is -100%. Jo Harlow incurred expenses of £128.65 in 2020, also relating to the February 2020 Board meeting, and £257.21 in 2021 relating to the December 2021 Board dinner, hence the percentage change for 2021 vs 2020 is 100%. These expenses for Ian and Jo are below £500 so round down to £nil for the respective years in the single figure table on page 123.

AUDITED

Payments for loss of office

There were no payments for loss of office in 2021.

Pension entitlements

No Executive Director is entitled to any Defined Benefit pension or related benefit from IHG.

Payments to past Directors – benefits

Sir Ian Prosser

Sir Ian Prosser, who retired as Director on 31 December 2003, had an ongoing healthcare benefit of £1,408.90 during the year.

AUDITED

Single total figure of remuneration: Non-Executive Directors

Non-Executive Director	Committee appointments	Date of original appointment	Fees £000	Taxable benefits £000		Total £000
			2021	2020	2021	2020
Patrick Cescau	N	01/01/13	444	377	1	7
Graham Allan	A R	01/09/20	78	24	0	0
Richard Anderson	A R	01/03/21	20	-	0	-
Daniela Barone Soares	R RB	01/03/21	65	-	0	-
Anne Busquet	A RB	01/03/15	28	66	1	1
Arthur de Haast	R RB	01/01/20	78	66	0	0
Ian Dyson	A N R	01/09/13	104	88	0	0
Duriya Farooqui	A RB	07/12/20	78	5	0	0
Jo Harlow	N R	01/09/14	104	88	0	0
Jill McDonald	A RB N	01/06/13	92	78	0	0
Dale Morrison	A N R	01/06/11	112	95	1	2
Sharon Rothstein	A RB	01/06/20	78	38	0	0

 See page 81 for Board and Committee membership key and attendance.

Fees: Fees are paid in line with the DR Policy. Anne Busquet stepped down from the Board on 7 May 2021, Richard Anderson stepped down on 26 May 2021 and Dale Morrison stepped down on 31 December 2021 so all fees and taxable benefits for these Directors ceased on those dates.

Benefits: For Non-Executive Directors, benefits include taxable travel and accommodation expenses to attend Board meetings away from the designated home location. Under concessionary HM Revenue and Custom rules, non-UK based Non-Executive Directors are not subject to tax on travel expenses for the first five years; this is reflected in the taxable benefits for Anne Busquet, Duriya Farooqui, Dale Morrison and Sharon Rothstein. Due to global restrictions on travel during 2020 and 2021 as a result of the pandemic, only the February 2020 Board meeting was held in person so taxable travel and accommodation expenses are lower again this year.

Other: Non-Executive Directors are not eligible for any incentive awards or for any pension contributions or benefit.

Shares held by Non-Executive Directors at 31 December 2021:

The Non-Executive Directors who held shares are listed in the table below:

Non-Executive Director	2021	2020
Patrick Cescau	11,135	11,135
Daniela Barone Soares	316	-
Ian Dyson	1,500	1,500
Arthur de Haast	1,000	1,000
Jo Harlow ^a	950	950

^a Shares held in the form of American Depository Receipts.

There have been no changes in the shareholding interests of any of the Directors since the end of the financial year up to the publication of this report.

Fees: Non-Executive Directors

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy; 2022 increases are in line with the budget for the wider UK and US corporate workforce and an increase was waived in 2021. Graham Allan was appointed as Senior Non-Executive Director from 1 January 2022. The fee levels for 2022 will be as follows:

Non-Executive Director	Role	2022 £000	2021 £000
Patrick Cescau	Chair of the Board	461	444
Graham Allan	Senior Independent Director	116	78
Daniela Barone Soares	Non-Executive Director	81	78
Arthur de Haast	Non-Executive Director	81	78
Ian Dyson	Chair of Audit Committee	108	104
Duriya Farooqui	Non-Executive Director	81	78
Jo Harlow	Chair of Remuneration Committee	108	104
Jill McDonald	Chair of Responsible Business Committee	95	92
Sharon Rothstein	Non-Executive Director	81	78

Directors' Remuneration Report continued

Annual Report on Directors' Remuneration continued

Implementation of Directors' Remuneration Policy in 2022

This section explains how the DR Policy will be applied in 2022.

Salary: Executive Directors

Directors' salaries are agreed annually in line with the DR Policy.

The following salaries will apply from 1 April 2022.

Executive Director	Increase %	2022 £	2022 \$	2021 £	2021 \$
Keith Barr	4	897,900		863,300	
Paul Edgecliffe-Johnson	4	660,200		634,800	
Elie Maalouf ^a	4		870,100		836,600

^a Elie Maalouf is paid in USD and his annual base salary for 2020 and 2021 is shown in USD. The sterling equivalent values calculated using an exchange rate of \$1 = £0.78 in 2021 and \$1 = £0.73 in 2022 are: 2021 – £652,548 and 2022 – £635,173.

The increases above are in line with the budget for the wider UK and US corporate workforce.

2020/22 LTIP cycle cash flow target

As explained on page 118, the Committee has determined that the shadow cash flow target it set as a point of reference in October 2020 will be highly relevant when considering the vesting of this cycle in early 2023. Following consultation with shareholders, the shadow target is disclosed below.

Measure	Definition	Weighting	Original performance objective	Shadow performance objective
Absolute cash flow	Cumulative annual cash generation over three-year performance period	20	Threshold – US 1.91bn (20% of cash flow element vests); Maximum – US 2.54bn (100% of cash flow element vests); and Vesting will be on a straight-line basis in between the two points above.	Threshold – US 0.82bn (20% of cash flow element vests); Maximum – US 1.09bn (100% of cash flow element vests); and Vesting will be on a straight-line basis in between the two points above.

Measures for 2022 APP

The 2022 APP structure is in line with the approved DR Policy and will be based on a 70% weighting for a measure of operating profit from reportable segments and a 30% weighting for other key strategic measures that are reviewed annually and set in line with business priorities. Operating profit from reportable segments is a focal measure of business performance for our shareholders and is a function of other critical measures, such as RevPAR, profit margin and fee revenues. The Committee has determined that for 2022, it remains important to the Company's strategic objectives to focus on new room openings and new room signings in the APP. New room openings are critical to driving both short- and long-term profitable growth and are a recognised key performance measure across the industry, while new room signings provide the best gauge of future growth as they create the path for openings in future years, which will in turn drive profit and revenue growth. The two strategic measures will be equally weighted, with each worth 15% of the overall APP. The targets are commercially sensitive and will be disclosed in the 2022 Annual Report.

Measure	Definition	Weighting (%)	Performance objective
Operating profit from reportable segments	A measure of IHG's operating profit from reportable segments for the year	70	Achievement against target
Room signings	Absolute number of new room signings	15	Achievement against target
Room openings	Absolute number of new room openings	15	Achievement against target

As part of the APP structure, the Committee considers whether to apply discretion to adjust outcomes on the strategic measures following a review of performance against IHG's Global Metrics. These are based on a range of KPIs including several ESG measures such as energy reduction, employee engagement and guest satisfaction. As per the 2021 plan, 2022 performance against the Global Metrics, together with data on relative performance against peers, will be tracked and used by the Committee as reference points in considering whether to use discretion to adjust the formulaic outcome of the strategic measures.

2022/24 LTIP cycle performance measures and targets

For 2022/24, we propose to retain the same measures and weightings as the 2021/23 cycle, again excluding Total Gross Revenue (TGR). TGR is driven mainly by RevPAR and NSSG but also includes other forms of revenue, such as food and beverage and spas. Setting a TGR target remains challenging in the context of limited visibility over the short-to-medium term, given factors including:

- the potential volatility caused by future new variants of Covid-19;
- the performance volatility resulting in countries following a zero Covid-19 strategy;
- unpredictability around the trajectory of international travel recovery; and
- while leisure travel demand is strong, continuing uncertainty around the shape of international business travel re-emergence.

The measures for the 2022/24 LTIP cycle are as follows:

Measure	Definition	Weighting (%)	Performance objective
Relative Total Shareholder Return (TSR)	IHG's performance against a comparator group of global hotel companies: Accor S.A., Choice Hotels International Inc., Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Marriott International Inc., Melia Hotels International S.A., NH Hotels Group, and Wyndham Hotels & Resorts Inc. TSR is the aggregate of share price growth and dividends paid, assuming reinvestment of dividends in the Company's shares during the three-year performance period.	30	Threshold – median of comparator group (20% of TSR element vests); Maximum – upper quartile of comparator group (100% of TSR element vests); and Vesting will be on a straight-line basis in between the two points above.
Relative net system size growth with ROCE underpin	IHG's aggregated compound annual growth rate (CAGR) against our six largest competitors with over 500k rooms: Marriott International, Inc., Hilton Worldwide Holdings Inc., Accor S.A., Jin Jiang International Holdings Company Limited, Wyndham Hotels & Resorts Inc., Choice Hotels International Inc. Targets will be set based on increased room count that is consistent with the relevant company's business plan objectives and practice as at the start of the LTIP cycle.	40	Threshold – Fourth ranked competitor excluding IHG (20% of NSSG element vests); Maximum – First ranked competitor excluding IHG (100% of NSSG element vests); and Vesting will be on a straight-line basis in between the two points above. This measure is subject to the achievement of a Return on Capital Employed underpin. See below for further details.
Absolute cash flow	Cumulative annual cash generation over three-year performance period.	30	Threshold – US 1.58bn (20% of cash flow element vests); Maximum – US 2.11bn (100% of cash flow element vests); and Vesting will be on a straight-line basis in between the two points above.

Operation of Return on Capital Employed (ROCE) underpin

The Committee has the discretion to reduce the amount of the award vesting under the net system size growth measure by any amount, including to zero, in the event that a Return on Capital Employed (ROCE) falls below a predetermined level over the period of an LTIP cycle. The extent of reduction would be determined taking into consideration criteria including:

- the reason the ROCE underpin has not been met;
- the impact on other metrics, including cash flow and Total Gross Revenue; and
- the materiality of the circumstances under which the underpin has not been met.

ROCE is defined as operating profit from reportable segments divided by Capital Employed. For Capital Employed, we expect to define this as Total Assets less Current Liabilities, adjusted for deferred revenue and deferred tax assets/liabilities. At the end of each cycle, the Committee will agree the appropriate capital base of the Company taking into account any short-term impacts that are not part of the long-term capital of the business.

For the 2022/24 LTIP cycle, the underpin will remain at the 20% level set for the previous two cycles. Under normal circumstances, the Committee considers this an appropriate level to protect shareholder interests without disincentivising the pursuit of long-term strategically advantageous return-enhancing opportunities, which could have a short-term impact on ROCE. However, it should be noted that, as outlined on page 107, the Committee is minded not to reduce the NSSG outcome if the ROCE underpin is not met for the 2020/22 cycle solely due to the impact on earnings of the pandemic. Performance and vesting outcomes and any use of discretion will be fully disclosed and explained in the relevant Directors' Remuneration Report.

Statement of compliance

Our statement of compliance summarises how the Group has applied the principles of the 2018 UK Corporate Governance Code (available at www.frc.org.uk/directors under UK Corporate Governance Code) as published in July 2018 (the Code) and comments on compliance with the Code's provisions.

1. Board Leadership and Company Purpose

A. The role of the Board

The Board continues to lead the Group's strategic direction and long-term objectives. Further responsibilities of the Board are set out on page 88.

The Board met eight times during 2021 and all Directors continue to act in what they consider to be in the best interests of the Company, consistent with their statutory duties. Further details of 2021 Board meetings, including information on matters discussed and decisions taken by the Board are set out on pages 89 to 91, attendance information is on page 81, skills and experience and biographical information is on pages 82 to 84.

A description of IHG's business model is set out on pages 10 to 13. An assessment of the principal risks facing the Group is included on pages 40 to 47.

Potential conflicts of interest are reviewed annually and powers of authorisation are exercised in accordance with the Companies Act and the Company's Articles of Association.

During the year, if any Director has unresolved concerns about the operation of the Board or the management of the Company, these would be recorded in the minutes of the meeting.

B. The Company's purpose, values and strategy

Our purpose is to provide True Hospitality for Good. A description of how IHG does business, including an overview of our culture and values, is included on pages 36 to 38. Culture and people were particularly prominent on the Board's agenda as the Group recovered from the pandemic. A summary of the Board's activities in relation to the Voice of the Employee is included on page 101. An outline of the Group's approach to rewarding its workforce is contained on pages 24 to 25, 108 and 112.

C. Resources

The Board delegates oversight of the allocation of day-to-day resources to management (principally through the Executive Committee).

Information on the Group's key performance indicators, including the measures used to monitor them, is included on pages 50 to 53.

A summary of the procedures for identifying and discussing emerging risks is set out on page 40.

D. Shareholders and stakeholders

The Board engaged actively throughout 2021 with shareholders and other stakeholders. The Chair held a number of meetings with major institutional shareholders to discuss the role of the Board and other general governance issues, following which the Chair ensured that their views were communicated to the Board as a whole. Further details are on page 92.

Information on the Board's consideration of and engagement with other stakeholders, including employees, suppliers, hotel owners and guests, is included on pages 20 to 28, 39, 90 and 91, 101, 107, 108, 112 and 114.

E. Workforce policies and practices

The Board has overarching responsibility for the Group's workforce policies and practices and delegates day-to-day responsibility to the CEO and Chief Human Resources Officer to ensure that they are consistent with the Company's values and support its long-term success.

Employees are able to report matters of concern confidentially through our Confidential Disclosure Channel. The Board routinely reviews reports generated from the disclosures and ensures that arrangements are in place for investigation and follow-up action as appropriate.

This should be read in conjunction with the Strategic Report on pages 2 to 77, and Governance, including the Directors' Remuneration Report, on pages 80 to 125, as a whole.

The Board considers that the Group has complied in all material respects with the Code's provisions for the year ended 31 December 2021, save as noted below in respect of provision 38.

2. Division of Responsibilities

F. The Chair

Patrick Cescau leads the operation and governance of the Board and its Committees. The Chair has been in post for nine years and was independent on appointment. Provision 19 of the Code states that a chair should not remain in post beyond nine years from the date of their first appointment to the Board but this period can be extended for a limited time to facilitate effective succession planning.

In January 2022, the Company announced that Patrick will retire from the Board effective 31 August 2022, to be succeeded by Deanna Oppenheimer. The duration of Patrick's tenure beyond nine years is considered appropriate to facilitate an orderly transition to Deanna.

G. Board composition

The size and composition of the Board and its Committees are kept under review by the Nomination Committee to ensure the appropriate combination of Executive and Non-Executive Directors. Details of the composition of the Board and Committees are available on pages 81 to 84.

At least half of the Board, excluding the Chair, are Independent Non-Executive Directors. Provision 10 of the Code considers the independence of Non-Executive Directors and circumstances that might impair their independence, including holding office for over nine years and cross-directorships. Dale Morrison served on the Board for over 10 years and was the Senior Independent Director until his retirement on 31 December 2021. In this role, he acted as the lead on the recruitment of a new Chair. The appointment of a new Chair was a key priority during 2021, accordingly the Board judged it appropriate for Dale to remain as a Director while the process continued. In light of his extended tenure, the Board carefully considered Dale's commitments and contribution and concluded that he had remained an Independent Non-Executive Director during his tenure.

Daniela Barone Soares was appointed to the Board from 1 March 2021 and at that time both she and Jo Harlow were Independent Non-Executive Directors of Halma plc. As Daniela did not stand for re-election as a Director of Halma plc and retired from its Board on 22 July 2021, the Board did not consider either of their independence as Non-Executive Directors of the Company to be impaired.

Regarding the Chair succession referred to above, while Patrick Cescau was not part of the Search Committee that led the search process, it was noted that Patrick and Deanna Oppenheimer held a cross-directorship at Tesco PLC from March 2012 to April 2015. As the cross-directorship was over six years prior to Deanna's appointment to the Board, the Board did not consider either of their independence as Non-Executive Directors of the Company to be impaired.

H. Non-Executives

Non-Executive Director terms of appointment outline IHG's time commitment expectations required to fulfil their role. The commitments of each Director are included in the Directors' biographical details on pages 82 to 84. Details of Non-Executive Director appointment terms are set out on page 113.

The Chair annually reviews the time each Non-Executive Director dedicates to IHG as part of the internal performance evaluation of Directors (see page 94) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

Dale Morrison was Senior Independent Non-Executive Director (SID) from 31 May 2014 to 31 December 2021 and was succeeded by Graham Allan from 1 January 2022. The SID provides a sounding board for the Chair and serves as an intermediary for the other Directors and shareholders. Graham also led the annual performance review of the Chair (see page 94).

After each Board meeting, Non-Executive Directors and the Chair meet without Executive Directors being present (see page 88).

I. Policies, processes, information and resources

The Chair and Company Secretary ensure that the Board and its Committees have the necessary policies and processes in place and that they receive timely, accurate and clear information. The Board and its Committees also have access to the Company Secretary, independent advice and other necessary resources, at the Company's expense. They receive administrative and logistical support of a full-time executive assistant. See page 88 for more details.

3. Composition, Succession and Evaluation

J. Appointments

Appointments to the Board are led by the Nomination Committee in accordance with its Terms of Reference (available on our website at www.ihgplc.com/investors under Corporate governance). The Nomination Committee also supports the Board in succession planning for the Board and senior management. Further details of the role of the Nomination Committee and what it did in 2021 are in the Nomination Committee Report on pages 102 to 103. The overall process of appointment and removal of Directors is overseen by the Board as a whole.

All of the Directors retire and seek election or re-election at each AGM.

K. Skills

Details of the skills, experience and biographical information of the Board are set out on pages 82 to 84.

The Chair and Company Secretary ensure that new Directors receive a full induction and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role (see page 93).

The length of service of Non-Executive Directors is reviewed regularly, details of the review in 2021 are included on page 103.

L. Annual evaluation

The Board undertakes either an internal or external annual Board effectiveness evaluation. The last external evaluation was carried out in 2019, so in 2021 an internal Board evaluation was conducted. A summary of the evaluation is set out on page 94.

Performance evaluations of Directors, including the Chair, are also carried out on an annual basis. Directors' biographies are set out on pages 82 to 84 and details of performance evaluations carried out in 2021 are on page 94.

4. Audit, Risk and Internal Control

M. Audit functions

The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 81 for membership details). Ian Dyson, the Chair of the Committee, has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which we operate. Details of the Committee's role, responsibilities and activities are set out on pages 95 to 99.

The Audit Committee reviewed the effectiveness of the Group's internal audit function and also assessed PricewaterhouseCoopers LLP's performance during 2021, including its independence, effectiveness and objectivity. Details of these reviews are set out in the Audit Committee Report on pages 95 to 99.

N. Assessment of the Company's position and prospects

The Statement of Directors' Responsibilities (including the Board's statement confirming that it considers that the Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy) is set out on page 130.

The status of IHG as a going concern is set out in the Directors' Report on page 230. An explanation of the Group's performance, business model, strategy and the risks and uncertainties relating to IHG's prospects, including the viability of the Group, is set out in the Strategic Report on pages 2 to 77.

O. Risk management

The Board determines the nature and extent of the principal risks the organisation is willing to take to achieve its strategic objectives. An assessment of the principal and emerging risks facing the Group was carried out during the year, including those risks that would threaten the Group's business model, future performance, solvency or liquidity and reputation (see pages 40 to 47 for further details of the principal risks). The Board and Audit Committee monitor the Group's risk management and internal controls systems and conduct an annual review of their effectiveness. Throughout the year, the Board has directly, and through delegated authority to the Executive Committee and the Audit Committee, overseen and reviewed all material controls, including financial, operational and compliance controls. See pages 40 to 47, and 95 to 99.

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee is responsible for developing policy on executive remuneration and determining remuneration packages of Directors and senior management. The Directors' Remuneration Report is set out on pages 104 to 125. Details of the Remuneration Committee's focus areas during 2021 are set out on page 113 and its membership details are on page 81.

Provision 38 of the Code states that pension contribution rates for executive Directors should be aligned with those available to the workforce. As explained in the Annual Report and 20-F 2019, this is already the case for new UK appointments and will be the case for existing UK Executive Directors from January 2023. US retirement benefit arrangements differ in a number of ways from the UK and include a Deferred Compensation Plan for senior employees. Given the importance of the CEO, Americas' role to the business and the market competitiveness concerns over Executive Director pay, the arrangements as they relate to the CEO, Americas are to be maintained. Further details can be found on page 108.

Q. Procedure for developing policy on executive remuneration

Details of how the Directors' Remuneration Policy (DR Policy) was implemented in 2021 and the implementation of the DR Policy in 2022, are set out on pages 115 to 125.

During 2021, no individual Director was involved in deciding his or her own remuneration outcome.

R. Independent judgement and discretion

The Remuneration Committee has formal discretions in place in relation to outcomes under the APP and LTIP, and these are disclosed as part of the DR Policy, which is set out on pages 110 to 117 of the Company's Annual Report and Form 20-F 2019. When determining outcomes under these plans, the Committee considers whether it is appropriate to adjust outcomes under these discretions, taking account of the Group's performance, relative performance against competitors, and other relevant factors. Information on the Remuneration Committee's consideration of the use of discretion during 2021 is set out on pages 104 to 108.

Group Financial Statements



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^a Independent Auditors' Reports comprise reports from PricewaterhouseCoopers LLP (PCAOB ID: 876) and Ernst & Young LLP (PCAOB ID: 1438)



Statement of Directors' Responsibilities

Financial Statements and accounting records

The Directors are required to prepare the Annual Report and Form 20-F and the Financial Statements for the Company and the Group at the end of each financial year in accordance with applicable law and regulations. Under company law directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period. The Directors have prepared the Consolidated Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with UK accounting standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law. In preparing the Consolidated Financial Statements, the Directors have also elected to comply with International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB').

In preparing these Financial Statements, IHG Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable;
- State whether the Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards;
- State for the Company Financial Statements whether applicable UK accounting standards, comprising FRS 101, have been followed; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors have responsibility for ensuring that the Company and the Group keep adequate accounting records sufficient to show and explain the Company's and the Group's transactions and which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group, and taking reasonable steps to prevent and detect fraud and other irregularities.

Disclosure Guidance and Transparency Rules

The Board confirms that to the best of its knowledge:

- The Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards, and IFRSs as issued by the IASB, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group taken as a whole;
- The Company Financial Statements have been prepared in accordance with UK accounting standards, comprising FRS 101, and give a true and fair view of the assets, liabilities and financial position of the Company; and
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

UK Corporate Governance Code

Having taken advice from the Audit Committee, the Board considers that this Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

Disclosure of information to Auditor

The Directors who held office as at the date of approval of this report confirm that they have taken steps to make themselves aware of relevant audit information (as defined by Section 418(3) of the Companies Act 2006). None of the Directors are aware of any relevant audit information which has not been disclosed to the Company's and Group's Auditor.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRSs.

The Group's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Group's transactions and dispositions of assets;
- Are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Consolidated Financial Statements in accordance with UK-adopted international accounting standards and IFRSs as issued by the IASB, and that receipts and expenditure are being made only in accordance with authorisation of management and the Directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Financial Statements.

Any internal control framework has inherent limitations and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the Group's internal control over financial reporting at 31 December 2021 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

Based on this assessment, management has concluded that as at 31 December 2021 the Group's internal control over financial reporting was effective.

During the period covered by this document there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 December 2021, together with the Group's Consolidated Financial Statements, were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their auditor's report can be found on page 138.

For and on behalf of the Board

Keith Barr
Chief Executive Officer
21 February 2022

Paul Edgecliffe-Johnson
Chief Financial Officer
21 February 2022

Independent Auditor's UK Report

Independent auditors' report to the members of InterContinental Hotels Group PLC

Report on the audit of the Financial Statements

Opinion

In our opinion:

- InterContinental Hotels Group PLC's Group Financial Statements and Parent Company Financial Statements (the 'Financial Statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs at 31 December 2021 and of the Group's profit and cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Form 20-F (the 'Annual Report'), which comprise: the Group and Parent Company statements of financial position at 31 December 2021; the Group income statement, Group statement of comprehensive income, Group statement of cash flows and Group and Parent Company statements of changes in equity for the year then ended; the Accounting policies; and the notes to the Financial Statements.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the Accounting policies, the Group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group Financial Statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5 to the Group Financial Statements, we have provided no non-audit services to the Parent Company or its controlled undertakings in the period under audit.

Our audit approach

Context

2021 is our first year as independent auditors of the Group. As part of our audit transition, we carried out procedures over opening balances at 1 January 2021 by shadowing the prior year audit undertaken by the predecessor auditor, reviewing the predecessor auditor's working papers in the UK, US and India and re-evaluating the predecessor auditor's conclusions in respect of key judgements included in the opening Group statement of financial position.

Overview

Audit scope

- PwC component audit teams were engaged to perform a full scope audit in the US and specified procedures over transactions processed at the Group's Global Business Service Centre in India. The Group audit team carried out audit procedures over the consolidation and material balances and transactions processed centrally. The territories where we conducted audit procedures, together with work performed at corporate functions and at the Group level, accounted for approximately: 91% of the Group's revenue; 88% of the Group's statutory profit before tax; and 82% of the Group's adjusted profit before tax, exceptional items and the System Fund.
- The Group audit team performed substantive procedures over all of the material balances and transactions of the Parent Company.

Key audit matters

- Breakage assumption used to estimate IHG Rewards loyalty programme deferred revenue (Group)
- Allocation of expenses to the System Fund (Group)
- Expected credit losses (Group and Parent Company)
- Recognition of the UK deferred tax asset (Group)

Materiality

- Overall Group materiality: \$25.0 million based on approximately 5% of four-year average adjusted profit before tax, exceptional items and the System Fund.
- Overall Parent Company materiality: £13.3 million based on approximately 1% of net assets.
- Performance materiality: \$18.7 million (Group) and £9.9 million (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

Independent Auditor's UK Report continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

We considered the key audit matters included in the prior year audit report. Deferred revenue relating to the IHG Rewards loyalty programme and allocation of expenses to the System Fund remain key audit matters in the current year. Expected credit losses and recognition of the UK deferred tax asset are new key audit matters for 2021 given the level of estimation uncertainty associated with expected credit losses and the level of judgement involved in forecasting the recoverability of the UK deferred tax asset. Impairment of non-current assets was a key audit matter in the prior year. During 2021, there has been a general improvement in economic conditions and in the market expectation of the Covid-19 recovery period. As such, we did not identify significant risk of further impairments. We also considered the possibility of significant reversal of any previous impairments, but we did not identify an enhanced level of risk in this regard. As a result, impairment of non-current assets was not considered to be a key audit matter for 2021.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Breakage assumption used to estimate IHG Rewards deferred revenue (Group) At 31 December 2021, the deferred revenue balance relating to the IHG Rewards loyalty programme was \$1,292m (2020: \$1,245m). The hotel loyalty programme, IHG Rewards, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and to consume points at a later date in exchange for accommodation or other benefits. The Group recognises deferred revenue in an amount that reflects the Group's unsatisfied performance obligations, valued at the stand-alone selling price of the future benefit to the member. The amount of revenue recognised and deferred is impacted by the estimate of breakage which is the estimate of the number of points that will never be consumed. The Group engages an external actuary who uses statistical formulae to assist in determining this breakage estimate. Significant estimation uncertainty exists in projecting members' future consumption activity and how this may be impacted by Covid-19. A small change in the breakage assumption would result in a material difference in the deferred revenue balance at 31 December 2021 and therefore in the revenue recognised in the year. Refer to the Estimates section of the Accounting policies and to note 3 to the Group Financial Statements for management's disclosures.	We evaluated and tested the design and operation of key controls in place over management's determination of the breakage assumption. We tested a sample of data used by management's actuary in deriving the breakage assumption to underlying records. We assessed the competence and objectivity of management's actuary. We deployed our own actuarial experts to assess the reasonableness of the methods and assumptions used by management's actuary in determining breakage. Our actuarial experts calculated an independent expectation of a reasonably possible range for deferred revenue based on independently determined breakage assumptions. We compared the deferred revenue balance, which reflected management's assumptions about the ongoing impact of Covid-19 on future activity of programme members, with our independently calculated range. We assessed the appropriateness of the related disclosures including sensitivity analysis in the Estimates section of the Accounting policies and in note 3 to the Group Financial Statements. Based on the procedures performed, we noted no material issues arising from our work.
Allocation of expenses to the System Fund (Group) The Group operates a System Fund to collect and administer cash assessments from hotel owners. Expenses incurred are allocated to the System Fund in accordance with the principles agreed with the IHG Owners Association. For the year ended 31 December 2021, the Group recorded System Fund expenses of \$939m (2020: \$867m). System Fund expenses are excluded from the Group result to determine operating profit from reportable segments, a key metric used by the Group. There is judgement involved in developing the internal policies that the Group has put in place in order to apply the principles set out in the IHG Owners Association letter to expenses incurred and there is complexity in subsequently evaluating whether expenses are appropriately allocated to the System Fund in line with these internal policies. Refer to the Accounting policies and to note 33 to the Group Financial Statements for management's disclosures.	We evaluated and tested the design and operation of key controls over the allocation of expenses to the System Fund. We understood and assessed the internal policies and governance structure that the Group has put in place in order to apply the principles set out in the IHG Owners Association letter to expenses incurred. We tested a sample of expenses that had been allocated to the System Fund to assess whether they were in compliance with these policies and consistent with historical practice. We checked whether there were any manual journal entries that transferred expenses to or from the System Fund to evaluate whether there was an appropriate rationale for any such journals and we assessed whether the resulting classification of expenses was in line with the principles agreed with the IHG Owners Association. Based on the procedures performed, we noted no material issues arising from our work.

Key audit matter

Expected credit losses (Group and Parent Company)

At 31 December 2021, the Group recorded a provision for expected credit losses of \$133m (2020: \$78m) against a gross trade receivables balance of \$532m (2020: \$387m). In the Parent Company Financial Statements, amounts due from Group undertakings of £912m were recorded (2020: £926m) with no expected credit losses (2020: £nil) recognised on these balances.

A provision for impairment is made for lifetime expected credit losses. Management has established a provision matrix for the Group's trade receivables that is based on historical credit loss experience by region and number of days past due. Where historical experience is not relevant to defined owner groups, for example owners with payment plans, the expected lifetime losses are calculated by reference to other sources of data. The calculation of expected credit losses is subject to estimation uncertainty, which is increased due to continued uncertainty about the pace and scale of market recovery from Covid-19 and the related risk of owner liquidity.

Refer to the Estimates section of the Accounting policies, to note 18 to the Group Financial Statements and to note 4 to the Parent Company Financial Statements for management's disclosures.

How our audit addressed the key audit matter

We evaluated and tested the design and operation of key controls in place over management's expected credit loss calculations.

We obtained management's expected credit loss model for the Group at 31 December 2021 and we tested its mathematical integrity. We agreed a sample of the historical aged receivables analysis and collections experience underpinning the model to underlying records. We challenged management to demonstrate that the assumptions used in the model were consistent with recent historical experience of regional collections. Where inconsistencies were identified, we checked whether management had made appropriate updates to historical assumptions to reflect the most recent collections experience, including in response to Covid-19.

We separately challenged the appropriateness of expected lifetime losses for those owner groups where management determined historical experience not to be relevant. We obtained evidence to determine whether these provisions were required to state trade receivables at their net realisable value. We read internal management reporting to identify any contradictory evidence.

For the Parent Company amounts due from Group undertakings, we understood the payment terms associated with the only material receivable to determine whether a provision for expected credit losses was required at 31 December 2021, identifying that the receivable was repayable within one month of year-end. We evaluated whether the counterparty had the ability to settle the amount due at 31 December 2021.

For both the Group and the Parent Company, we evaluated whether the overall provisions recorded were supportable and in compliance with the requirements of IFRS 9.

We assessed the appropriateness of the related disclosures in the Estimates section of the Accounting policies, in note 18 to the Group Financial Statements and in note 4 to the Parent Company Financial Statements.

Based on the procedures performed, we noted no material issues arising from our work.

Recognition of the UK deferred tax asset (Group)

At 31 December 2021, the Group recognised a deferred tax asset of \$127m (2020: \$103m) related to the UK tax group. The asset largely represents brought forward revenue tax losses and future tax deductions for amortisation. Judgement is used when assessing the extent to which deferred tax assets, particularly in respect of tax losses, should be recognised. Deferred tax assets are therefore recognised to the extent that it is regarded as probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which such assets can be utilised in the future. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions. The recoverability of the UK deferred tax asset has been assessed by starting with management's forecasts, overlaying tax principles to those forecasts and following the methodology required by IAS 12. This has demonstrated that the UK deferred tax asset should reverse over a seven- to ten-year period. Under UK law, tax losses do not expire but they can only be offset against 50% of annual UK taxable profits.

We focused on this area given the size of the asset, the length of the period over which it is forecast to be recovered and the inherent judgement in management's forecasts of future profitability within the UK tax group. Further UK tax losses incurred in 2021 present an additional risk that the asset recognised may not be recoverable. In addition, the asset increased by \$30m during the year as a result of changes to the UK rate of corporate income tax effective from 1 April 2023.

Refer to note 8 to the Group Financial Statements for management's disclosures.

We evaluated and tested the design and operation of key controls in place over the recognition of deferred tax assets and over the Group's forecasting process.

We compared forecast UK cash flows to Board approved forecasts and we assessed the historical accuracy of management's forecasting. We evaluated the appropriateness of the assumptions reflected in the UK forecasts, including assessing the reasonableness of growth projections compared to historical experience and industry data. As part of this assessment, we benchmarked management's estimate of the Covid-19 forecast recovery period to third-party sources.

We deployed tax specialists to assess the appropriateness of tax overlay adjustments applied to the forecasts by reference to the requirements of tax principles, including the restriction of losses to 50% of annual UK taxable profits, and to determine whether the UK deferred tax asset met the recognition criteria of IAS 12.

We challenged the appropriateness of the recovery period of seven to ten years. With input from our tax specialists, we validated that there is no expiry period applicable to brought forward UK losses. We performed independent sensitivity analysis to understand the impact of reasonably possible changes to key assumptions on this forecast recovery period.

We assessed the appropriateness of the related disclosures in note 8 to the Group Financial Statements.

Based on the procedures performed, we noted no material issues arising from our work.

Independent Auditor's UK Report continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls and the industry in which they operate.

The Group Financial Statements are a consolidation of approximately 600 reporting units. The Group operates a Global Business Service Centre ('BSC') in India which processes transactions for the majority of reporting units. We identified one aggregation of components in the US which required a full scope audit due to its size and because this aggregated component holds the IHG Rewards loyalty programme and System Fund. We engaged a PwC component audit team in the US to carry out this audit. We also instructed our US component team to undertake specified procedures over certain balances and transactions in certain other US reporting units. We engaged a second PwC component audit team in India to undertake testing of transactions processed by the BSC encompassing all reporting units within the BSC's scope.

Where work was performed by component auditors, we determined the appropriate level of involvement we needed to have in that audit work to ensure that we could conclude that sufficient appropriate audit evidence had been obtained for the Group Financial Statements as a whole. In addition to instructing and reviewing the reporting from our component audit teams, we conducted file reviews and participated in key meetings with local management. Due to Covid-19, most of these meetings took place remotely but we were able to make one site visit to the US in person. We also had regular dialogue with component teams throughout the year.

The Group consolidation, financial statement disclosures and certain balances and transactions processed centrally by management in the UK, including certain Parent Company balances and transactions that were included in Group audit scope, were audited by the Group audit team. This included taxation, treasury, impairment reviews and expected credit losses on trade receivables. Taken together, the audit procedures carried out by the Group and component audit teams provided coverage of 91% of the Group's revenue, 88% of the Group's statutory profit before tax and 82% of the Group's adjusted profit before tax, exceptional items and the System Fund. This provided the evidence we needed for our opinion on the Group Financial Statements taken as a whole. This was before considering the contribution to our audit evidence from performing audit work at the Group level, including disaggregated analytical review procedures, which covered certain of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Our audit of the Parent Company Financial Statements was undertaken by the Group audit team and included substantive procedures over all material balances and transactions.

The Group has set out a target to reduce emissions from its owned, leased, managed and franchised hotels by 46% by 2030 from a 2019 baseline. Management considers that the impact of climate change does not give rise to a material impact on the Financial Statements. However, management's climate change initiatives and commitments will impact the Group in a variety of ways. Disclosure of the impact of climate change risk is incorporated in the Task Force on climate-related financial disclosures ('TCFD') section of the Annual Report.

As part of our audit, we made enquiries of management to understand the extent of the potential impact of climate change on the Group's business and Financial Statements, including reviewing management's climate change risk assessment which was prepared with support from an external expert. We used our knowledge of the Group and we engaged with our climate change experts to evaluate the risk assessment performed by management. We assessed that the key areas in the Financial Statements which are more likely to be materially impacted by climate change are those areas that are based on future cash flows. As a result, we particularly considered how climate change risks and the impact of climate commitments made by the Group would impact the assumptions made in the forecasts prepared by management that are used in the Company's impairment analysis, for going concern purposes and for assessing the recognition of deferred tax assets. Our procedures did not identify any material impact on our key audit matters for the year ended 31 December 2021. We also checked the consistency of the disclosures in the TCFD section of the Annual Report with the relevant financial statement disclosures, including notes 8 and 13 and the Going concern section of the Accounting policies, and with our understanding of the business.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Overall materiality	\$25.0 million	£13.3 million
How we determined it	Approximately 5% of four-year average adjusted profit before tax, exceptional items and the System Fund	Approximately 1% of net assets
Rationale for benchmark applied	<p>The Group's principal measure of performance is operating profit from reportable segments, which excludes exceptional items and the System Fund result, in order to present results from operating activities on a consistent basis and to exclude the impact of the System Fund, which is not managed to generate a profit or loss for the Group over the longer term. We took this measure into account in determining our materiality as it is the metric against which the performance of the Group is most commonly assessed by management and reported to shareholders. From operating profit from reportable segments, we deducted net finance costs and fair value gains on contingent purchase consideration to arrive at adjusted profit before tax.</p> <p>Given the volatility in profitability in 2020 and 2021 as a result of Covid-19, we based our materiality calculation on a four-year average of the Group's adjusted profit before tax.</p>	<p>InterContinental Hotels Group PLC is the ultimate parent company which holds the Group's investments and bonds. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern for the Parent Company is the payment of dividends. We therefore considered net assets to be an appropriate benchmark.</p>

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was \$11.0 million to \$22.5 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to \$18.7 million for the Group Financial Statements and £9.9 million for the Parent Company Financial Statements.

In determining the performance materiality, we considered a number of factors, including the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls, and we concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$1.2 million (Group audit) and £0.6 million (Parent Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation and testing of key controls over the Group's budgeting process and the assessment of going concern;
- Evaluation of management's Base Case, Downside Case and Severe Downside Case scenarios and reverse stress testing calculations, understanding and evaluating the key assumptions, including assumptions related to the Covid-19 recovery period;
- Validation that the cash flow forecasts used to support management's impairment, deferred tax asset recoverability, going concern and viability assessments were consistent and in line with the Group's Board approved plan;
- Assessment of the historical accuracy and reasonableness of management's forecasting;
- Identification of RevPAR as the key assumption inherent in management's cash flow forecasts and validation of this assumption to industry sources;
- Consideration of the Group's available financing and debt maturity profile and evaluation of the reasonableness of management's assumption that bank facilities will remain undrawn over the period of the going concern assessment;
- Testing of the mathematical integrity of management's models and liquidity headroom, covenant compliance, sensitivity and reverse stress testing calculations;
- Assessment of the reasonableness of management's planned or potential mitigating actions;
- Consideration whether climate change is expected to have any significant impact during the period of the going concern assessment; and
- Review of the related disclosures in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent Auditor's UK Report continued

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement included within the Statement of compliance is materially consistent with the Financial Statements and our knowledge obtained during the audit and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- The directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the Financial Statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the Financial Statements and the audit

Responsibilities of the directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with the Listing Rules, UK and overseas tax legislation, employment laws and regulations and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls) and we determined that the principal risks were related to posting inappropriate journal entries and management bias in allocating expenses to the System Fund and in accounting for key estimates, including IHG Rewards deferred revenue. The Group audit team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group audit team and/or component auditors included:

- Inquiries of management, internal audit and the Group's legal counsel, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of correspondence received from regulators and consideration of the impact, if any, on our audit and the disclosures made in the financial statements;
- Evaluation and testing of the effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;

- Identification and testing of significant manual journal entries, in particular any journal entries posted with unusual account combinations which resulted in an impact on revenue or the System Fund; and
- Challenging assumptions and judgements made by management in making significant accounting estimates, in particular in relation to IHG Rewards loyalty programme deferred revenue and expected credit losses.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members at the Annual General Meeting on 7 May 2021 to audit the Financial Statements for the year ended 31 December 2021 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matters

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Giles Hannam (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 February 2022

Independent Auditor's US Report

Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of InterContinental Hotels Group PLC

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying Group statement of financial position of InterContinental Hotels Group PLC and its subsidiaries (the 'Group') as of 31 December 2021 and the related Group income statement and Group statements of comprehensive income, changes in equity and cash flows for the year then ended, the Accounting policies and the related notes (collectively referred to as the 'Group Financial Statements'). We also have audited the Group's internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Group Financial Statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2021 and the results of its operations and its cash flows for the year then ended in accordance with (i) International Financial Reporting Standards as issued by the International Accounting Standards Board and (ii) UK-adopted International Accounting Standards. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Group's management is responsible for the Group Financial Statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting on page 130. Our responsibility is to express opinions on the Group Financial Statements and on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Group Financial Statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the Group Financial Statements included performing procedures to assess the risks of material misstatement of the Group Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Group Financial Statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Group Financial Statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the Group Financial Statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the Group Financial Statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the Group Financial Statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Breakage assumption used to estimate IHG Rewards loyalty programme deferred revenue

As described in the Estimates section of the Accounting policies and in note 3 to the Group Financial Statements, deferred revenue relating to the IHG Rewards loyalty programme was \$1,292m as of 31 December 2021. The hotel loyalty programme, IHG Rewards, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and to consume points at a later date in exchange for accommodation or other benefits. The Group recognises deferred revenue in an amount that reflects the Group's unsatisfied performance obligations, valued at the stand-alone selling price of the future benefit to the member. The amount of revenue recognised and deferred is impacted by the estimate of breakage which is the estimate of the number of points that will never be consumed. The Group engages an external actuary who uses statistical formulae to assist in determining this breakage estimate. Significant estimation uncertainty exists in projecting members' future consumption activity and how this may be impacted by Covid-19.

The principal consideration for our determination that performing procedures relating to the breakage assumption used to estimate IHG Rewards loyalty programme deferred revenue is a critical audit matter is that there is significant estimation uncertainty in projecting members' future consumption activity and how this may be impacted by Covid-19. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate the breakage assumption and the related audit evidence. The audit effort involved the use of professionals with specialised skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the Group Financial Statements. These procedures included testing the effectiveness of controls relating to management's determination of the breakage assumption. These procedures also included, among others, (i) testing a sample of data used by management's actuary in deriving the breakage assumption to underlying records; (ii) assessing the competence and objectivity of management's expert; (iii) assessing the reasonableness of the methods and assumptions used by management's actuary in determining breakage; (iv) developing an independent expectation of a reasonably possible range for deferred revenue based on independently determined breakage assumptions; (v) comparing the deferred revenue balance, which reflected management's assumptions about the ongoing impact of Covid-19 on future activity of programme members, with our independently calculated range; and (vi) assessing the appropriateness of the related disclosures including sensitivity analysis in the Group Financial Statements. Professionals with specialised skill and knowledge were used to assist in the evaluation of the breakage assumption.

Allocation of expenses to the System Fund

As described in the System Fund and other co-brand revenues section of the Accounting policies and in note 33 to the Group Financial Statements, the Group recorded System Fund expenses of \$939m for the year ended 31 December 2021. The Group operates a System Fund to collect and administer cash assessments from hotel owners. Expenses incurred are allocated to the System Fund in accordance with the principles agreed with the IHG Owners Association.

The principal consideration for our determination that performing procedures relating to the allocation of expenses to the System Fund is a critical audit matter is that there is judgement involved in developing the internal policies in order to apply the principles agreed with the IHG Owners Association to expenses incurred and there is complexity in subsequently evaluating whether expenses are appropriately allocated to the System Fund in line with these internal policies. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management's classification of expenses.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the Group Financial Statements. These procedures included testing the effectiveness of controls relating to allocation of expenses to the System Fund. These procedures also included, among others, (i) understanding and assessing the internal policies that the Group has put in place in order to apply the principles agreed with the IHG Owners Association to expenses incurred; (ii) testing a sample of expenses that had been allocated to the System Fund to assess whether they were in compliance with these policies and consistent with historical practice; and (iii) checking whether there were any manual journal entries that transferred expenses to or from the System Fund to evaluate whether there was an appropriate rationale for any such journals and to determine whether the resulting classification of the expenses was in line with the principles agreed with the IHG Owners Association.

Expected credit losses on trade receivables

As described in the Estimates section of the Accounting policies and in note 18 to the Group Financial Statements, the Group recorded a provision for expected credit losses of \$133m as of 31 December 2021 against a gross trade receivables balance of \$532m. A provision for impairment is made for lifetime expected credit losses. Management has established a provision matrix that is based on historical credit loss experience by region and number of days past due. Where the historical experience is not relevant to defined owner groups, for example owners with payment plans, the expected lifetime losses are calculated by reference to other sources of data. Although cash collection from owners has improved since 2020, the proportion of older debt is higher than in periods prior to the pandemic. There also remains a risk of reduced owner liquidity. These factors, taken together with the continued uncertainties about the pace and scale of market recovery, result in expected credit losses continuing to be a significant estimate.

The principal consideration for our determination that performing procedures relating to expected credit losses on trade receivables is a critical audit matter is the significant estimation uncertainty involved in determining the level of expected credit losses. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management's estimates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the Group Financial Statements. These procedures included testing the effectiveness of controls relating to expected credit losses. These procedures also included, among others, (i) testing the mathematical integrity of management's expected credit loss matrix; (ii) testing a sample of the historical aged receivables analysis and collections experience underpinning the model to underlying records; (iii) assessing assumptions used in the model against recent historical experience of regional collections; (iv) assessing the appropriateness of expected lifetime losses for those owner groups where management determined historical experience not to be relevant and obtaining evidence to determine whether these provisions were required to state trade receivables at their net realisable value; (v) evaluating whether the overall provision recorded is supportable and in compliance with the requirements of IFRS 9; (vi) reviewing internal management reporting to identify any contradictory evidence; and (vii) assessing the appropriateness of the related disclosures in the Group Financial Statements.

Independent Auditor's US Report continued

Recognition of the UK deferred tax asset

As described in the Taxes section of the Accounting policies and in note 8 to the Group Financial Statements, a deferred tax asset of \$127m was recognised related to the UK tax group as of 31 December 2021. Judgement is used when assessing the extent to which deferred tax assets, particularly in respect of tax losses, should be recognised. Deferred tax assets are therefore recognised to the extent that it is regarded as probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which such assets can be utilised in the future. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions. The recoverability of the UK deferred tax asset has been assessed by starting with the management's forecasts, overlaying tax principles to those forecasts and following the methodology required by IAS 12. This has demonstrated that the UK deferred tax asset should reverse over a seven- to ten-year period. Under UK law, tax losses do not expire but they can only be offset against 50% of annual UK taxable profits.

The principal consideration for our determination that performing procedures relating to recognition of the UK deferred tax asset is a critical audit matter is the significant estimation uncertainty involved in determining the future taxable profits of the UK tax group. This in turn led to a high degree of auditor judgment, subjectivity and effort in evaluating audit evidence and in determining the reasonableness of the forecast seven- to ten-year period to recover this asset. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the Group Financial Statements. These procedures included testing the effectiveness of controls relating to the recognition of deferred tax assets and the Group's forecasting process. These procedures also included, among others, (i) performing a retrospective comparison of UK forecast taxable profits to actual past performance to determine the historical accuracy of management's forecasting; (ii) evaluating the appropriateness of the assumptions reflected in the UK forecasts, including assessing the reasonableness of growth predictions compared to historical experience and industry data and benchmarking management's estimate to third-party sources; (iii) assessing the appropriateness of tax overlay adjustments applied to the forecasts by reference to the requirements of tax principles, including the restriction of losses to 50% of annual UK taxable profits, and determining whether the UK deferred tax asset meets the recognition criteria of IAS 12; (iv) assessing the appropriateness of the forecast recovery period of seven to ten years; and (v) assessing the appropriateness of the related disclosures in the Group Financial Statements. Professionals with specialised skills and knowledge were used to assist in the evaluation of recognition of the UK deferred tax asset.

/s/PricewaterhouseCoopers LLP

London, England
21 February 2022

We have served as the Company's auditor since 2021.

2020 Independent Auditor's US Report

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of InterContinental Hotels Group PLC

Opinion on the Financial Statements

We have audited the accompanying Group statement of financial position of InterContinental Hotels Group PLC (the 'Group') as of 31 December 2020, the related Group statements of income, comprehensive income, changes in equity and cash flows for each of the two years in the period ended 31 December 2020, and the related notes (collectively referred to as the 'Group Financial Statements'). In our opinion, the Group Financial Statements present fairly, in all material respects, the financial position of the Group at 31 December 2020, and the results of its operations and its cash flows for each of the two years in the period ended 31 December 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

Basis for Opinion

These Group Financial Statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's Financial Statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Group Financial Statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the Group Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Group Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Group Financial Statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We served as auditors from the Group's listing in 2003 to 2021

and of the Group's predecessor businesses from 1988.

London, England

22 February 2021

Note that the report set out above is included for the purposes of InterContinental Hotels Group PLC's Annual Report on Form 20-F for 2021 only and does not form part of InterContinental Hotels Group PLC's Annual Report and Accounts for 2021.

Group Financial Statements

Group income statement

For the year ended 31 December 2021	Note	2021 \$m	2020 \$m	2019 \$m
Revenue from fee business	3	1,153	823	1,510
Revenue from owned, leased and managed lease hotels	3	237	169	573
System Fund revenues		928	765	1,373
Reimbursement of costs		589	637	1,171
Total revenue	2	2,907	2,394	4,627
Cost of sales		(486)	(354)	(782)
System Fund expenses		(939)	(867)	(1,422)
Reimbursed costs		(589)	(637)	(1,171)
Administrative expenses		(300)	(267)	(385)
Share of losses of associates and joint ventures	2	(8)	(14)	(3)
Other operating income		11	16	21
Depreciation and amortisation	2	(98)	(110)	(116)
Impairment loss on financial assets		-	(88)	(8)
Other impairment charges	6	(4)	(226)	(131)
Operating profit/(loss)	2	494	(153)	630
Operating profit/(loss) analysed as:				
Operating profit before System Fund and exceptional items		534	219	865
System Fund		(11)	(102)	(49)
Operating exceptional items	6	(29)	(270)	(186)
		494	(153)	630
Financial income	7	8	4	6
Financial expenses	7	(147)	(144)	(121)
Fair value gains on contingent purchase consideration	25	6	13	27
Profit/(loss) before tax		361	(280)	542
Tax	8	(96)	20	(156)
Profit/(loss) for the year from continuing operations		265	(260)	386
Attributable to:				
Equity holders of the parent		266	(260)	385
Non-controlling interest		(1)	-	1
		265	(260)	386
Earnings/(loss) per ordinary share:	10			
Basic		145.4¢	(142.9)¢	210.4¢
Diluted		144.6¢	(142.9)¢	209.2¢

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group statement of comprehensive income

	2021 \$m	2020 \$m	2019 \$m
For the year ended 31 December 2021			
Profit/(loss) for the year	265	(260)	386
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Losses on cash flow hedges, including related tax charge of \$7m (2020: \$4m credit, 2019: \$nil)	(69)	3	(34)
Costs of hedging	2	(6)	(6)
Hedging losses/(gains) reclassified to financial expenses	96	(13)	38
Exchange gains/(losses) on retranslation of foreign operations, net of related tax charge of \$4m (2020: \$4m credit, 2019: \$3m credit)	18	(85)	(39)
	47	(101)	(41)
Items that will not be reclassified to profit or loss:			
Gains/(losses) on equity instruments classified as fair value through other comprehensive income, net of related tax charge of \$1m (2020: \$4m credit, 2019: \$2m charge)	14	(43)	10
Re-measurement gains/(losses) on defined benefit plans, including related tax credit of \$nil (2020: \$1m credit, 2019: \$1m credit)	7	(7)	(6)
Tax related to pension contributions	1	1	-
	22	(49)	4
Total other comprehensive income/(loss) for the year	69	(150)	(37)
Total comprehensive income/(loss) for the year	334	(410)	349
Attributable to:			
Equity holders of the parent	335	(410)	348
Non-controlling interest	(1)	-	1
	334	(410)	349

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group Financial Statements continued

Group statement of changes in equity

	Equity share capital \$m	Capital reserve \$m	Shares held by employee share trusts \$m	Other reserves \$m	Fair value reserve \$m	Cash flow hedge reserves \$m	Currency translation reserve \$m	Retained earnings \$m	IHG share- holders' equity \$m	Non- controlling interest \$m	Total equity \$m
At 1 January 2021	156	10	(1)	(2,875)	11	(24)	298	568	(1,857)	8	(1,849)
Profit for the year	–	–	–	–	–	–	–	266	266	(1)	265
Other comprehensive income											
Items that may be subsequently reclassified to profit or loss:											
Losses on cash flow hedges	–	–	–	–	–	(69)	–	–	(69)	–	(69)
Costs of hedging	–	–	–	–	–	2	–	–	2	–	2
Hedging losses reclassified to financial expenses	–	–	–	–	–	96	–	–	96	–	96
Exchange gains on retranslation of foreign operations	–	–	–	–	–	–	18	–	18	–	18
	–	–	–	–	–	29	18	–	47	–	47
Items that will not be reclassified to profit or loss:											
Gains on equity instruments classified as fair value through other comprehensive income	–	–	–	–	14	–	–	–	14	–	14
Re-measurement gains on defined benefit plans	–	–	–	–	–	–	–	7	7	–	7
Tax related to pension contributions	–	–	–	–	–	–	–	1	1	–	1
	–	–	–	–	14	–	–	8	22	–	22
Total other comprehensive income for the year	–	–	–	–	14	29	18	8	69	–	69
Total comprehensive income for the year	–	–	–	–	14	29	18	274	335	(1)	334
Transfer of treasury shares to employee share trusts	–	–	(34)	–	–	–	–	34	–	–	–
Release of own shares by employee share trusts	–	–	13	–	–	–	–	(13)	–	–	–
Equity-settled share-based cost	–	–	–	–	–	–	–	39	39	–	39
Tax related to share schemes	–	–	–	–	–	–	–	2	2	–	2
Exchange adjustments	(2)	–	–	2	–	–	–	–	–	–	–
At 31 December 2021	154	10	(22)	(2,873)	25	5	316	904	(1,481)	7	(1,474)

All items within total comprehensive income are shown net of tax.

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

	Equity share capital \$m	Capital redemption reserve \$m	Shares held by employee share trusts \$m	Other reserves \$m	Fair value reserve \$m	Cash flow hedge reserves \$m	Currency translation reserve \$m	Retained earnings \$m	IHG shareholders' equity \$m	Non-controlling interest \$m	Total equity \$m
At 1 January 2020	151	10	(5)	(2,870)	57	(6)	381	809	(1,473)	8	(1,465)
Loss for the year	–	–	–	–	–	–	–	(260)	(260)	–	(260)
Other comprehensive income											
Items that may be subsequently reclassified to profit or loss:											
Losses on cash flow hedges	–	–	–	–	–	3	–	–	3	–	3
Costs of hedging	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Hedging gains reclassified to financial expenses	–	–	–	–	–	(13)	–	–	(13)	–	(13)
Exchange losses on retranslation of foreign operations	–	–	–	–	–	(2)	(83)	–	(85)	–	(85)
–	–	–	–	–	–	(18)	(83)	–	(101)	–	(101)
Items that will not be reclassified to profit or loss:											
Losses on equity instruments classified as fair value through other comprehensive income	–	–	–	–	(43)	–	–	–	(43)	–	(43)
Gains on equity instruments transferred to retained earnings on disposal	–	–	–	–	(3)	–	–	3	–	–	–
Re-measurement losses on defined benefit plans	–	–	–	–	–	–	–	(7)	(7)	–	(7)
Tax related to pension contributions	–	–	–	–	(46)	–	–	(3)	(49)	–	(49)
Total other comprehensive loss for the year	–	–	–	–	(46)	(18)	(83)	(3)	(150)	–	(150)
Total comprehensive loss for the year	–	–	–	–	(46)	(18)	(83)	(263)	(410)	–	(410)
Transfer of treasury shares to employee share trusts	–	–	(14)	–	–	–	–	14	–	–	–
Release of own shares by employee share trusts	–	–	18	–	–	–	–	(18)	–	–	–
Equity-settled share-based cost, net of \$3m reclassification to cash-settled awards	–	–	–	–	–	–	–	27	27	–	27
Tax related to share schemes	–	–	–	–	–	–	–	(1)	(1)	–	(1)
Exchange adjustments	5	–	–	(5)	–	–	–	–	–	–	–
At 31 December 2020	156	10	(1)	(2,875)	11	(24)	298	568	(1,857)	8	(1,849)

All items within total comprehensive loss are shown net of tax.

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group Financial Statements continued

Group statement of changes in equity continued

	Equity share capital \$m	Capital redemption reserve \$m	Shares held by employee share trusts \$m	Other reserves \$m	Fair value reserve \$m	Cash flow hedge reserves \$m	Currency translation reserve \$m	Retained earnings \$m	IHG shareholders' equity \$m	Non-controlling interest \$m	Total equity \$m
At 1 January 2019	146	10	(4)	(2,865)	47	(4)	420	1,111	(1,139)	8	(1,131)
Profit for the year	-	-	-	-	-	-	-	385	385	1	386
Other comprehensive income											
Items that may be subsequently reclassified to profit or loss:											
Losses on cash flow hedges	-	-	-	-	-	(34)	-	-	(34)	-	(34)
Costs of hedging	-	-	-	-	-	(6)	-	-	(6)	-	(6)
Hedging losses reclassified to financial expenses	-	-	-	-	-	38	-	-	38	-	38
Exchange losses on retranslation of foreign operations	-	-	-	-	-	-	(39)	-	(39)	-	(39)
	-	-	-	-	-	(2)	(39)	-	(41)	-	(41)
Items that will not be reclassified to profit or loss:											
Gains on equity instruments classified as fair value through other comprehensive income	-	-	-	-	10	-	-	-	10	-	10
Re-measurement losses on defined benefit plans	-	-	-	-	-	-	-	(6)	(6)	-	(6)
	-	-	-	-	10	-	-	(6)	4	-	4
Total other comprehensive income/(loss) for the year	-	-	-	-	10	(2)	(39)	(6)	(37)	-	(37)
Total comprehensive income for the year	-	-	-	-	10	(2)	(39)	379	348	1	349
Transfer of treasury shares to employee share trusts	-	-	(19)	-	-	-	-	19	-	-	-
Purchase of own shares by employee share trusts	-	-	(5)	-	-	-	-	-	(5)	-	(5)
Release of own shares by employee share trusts	-	-	23	-	-	-	-	(23)	-	-	-
Equity-settled share-based cost	-	-	-	-	-	-	-	41	41	-	41
Tax related to share schemes	-	-	-	-	-	-	-	4	4	-	4
Equity dividends paid	-	-	-	-	-	-	-	(721)	(721)	(1)	(722)
Transaction costs relating to shareholder returns	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Exchange adjustments	5	-	-	(5)	-	-	-	-	-	-	-
At 31 December 2019	151	10	(5)	(2,870)	57	(6)	381	809	(1,473)	8	(1,465)

All items within total comprehensive income are shown net of tax.

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group statement of financial position

31 December 2021	Note	2021 \$m	2020 \$m
ASSETS			
Goodwill and other intangible assets	13	1,195	1,293
Property, plant and equipment	14	137	201
Right-of-use assets	15	274	303
Investment in associates and joint ventures	16	77	81
Retirement benefit assets	27	2	-
Other financial assets	17	173	168
Derivative financial instruments	24	-	5
Deferred compensation plan investments		256	236
Non-current tax receivable		1	15
Deferred tax assets	8	147	113
Contract costs	3	72	70
Contract assets	3	316	311
Total non-current assets		2,650	2,796
Inventories		4	5
Trade and other receivables	18	574	514
Current tax receivable		1	18
Other financial assets	17	2	1
Cash and cash equivalents	19	1,450	1,675
Contract costs	3	5	5
Contract assets	3	30	25
Total current assets		2,066	2,243
Total assets		4,716	5,039
LIABILITIES			
Loans and other borrowings	22	(292)	(869)
Lease liabilities	15	(35)	(34)
Trade and other payables	20	(579)	(466)
Deferred revenue	3	(617)	(452)
Provisions	21	(49)	(16)
Current tax payable		(52)	(30)
Total current liabilities		(1,624)	(1,867)
Loans and other borrowings	22	(2,553)	(2,898)
Lease liabilities	15	(384)	(416)
Derivative financial instruments	24	(62)	(18)
Retirement benefit obligations	27	(92)	(103)
Deferred compensation plan liabilities		(256)	(236)
Trade and other payables	20	(89)	(94)
Deferred revenue	3	(996)	(1,117)
Provisions	21	(41)	(44)
Deferred tax liabilities	8	(93)	(95)
Total non-current liabilities		(4,566)	(5,021)
Total liabilities		(6,190)	(6,888)
Net liabilities		(1,474)	(1,849)
EQUITY			
IHG shareholders' equity		(1,481)	(1,857)
Non-controlling interest		7	8
Total equity		(1,474)	(1,849)

Signed on behalf of the Board,
Paul Edgecliff-Johnson
21 February 2022

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Group Financial Statements continued

Group statement of cash flows

	Note	2021 \$m	2020 \$m	2019 \$m
For the year ended 31 December 2021				
Profit/(loss) for the year		265	(260)	386
Adjustments reconciling profit/(loss) for the year to cash flow from operations	26	583	568	521
Cash flow from operations		848	308	907
Interest paid		(134)	(132)	(110)
Interest received		8	2	3
Contingent purchase consideration paid		–	–	(6)
Tax paid	8	(86)	(41)	(141)
Net cash from operating activities		636	137	653
Cash flow from investing activities				
Purchase of property, plant and equipment		(17)	(26)	(75)
Purchase of intangible assets		(35)	(50)	(104)
Investment in associates		–	(2)	(10)
Investment in other financial assets		(5)	(5)	(9)
Acquisition of businesses, net of cash acquired	11	–	–	(292)
Deferred and contingent purchase consideration paid	25	(13)	–	(2)
Capitalised interest paid	7	–	(1)	(5)
Distributions from associates and joint ventures		–	5	–
Disposal of hotel assets, net of costs and cash disposed	12	44	1	–
Repayments of other financial assets		14	13	4
Disposal of equity securities		–	4	–
Net cash from investing activities		(12)	(61)	(493)
Cash flow from financing activities				
Purchase of own shares by employee share trusts		–	–	(5)
Dividends paid to shareholders	9	–	–	(721)
Dividend paid to non-controlling interest		–	–	(1)
Transaction costs relating to shareholder returns		–	–	(1)
Issue of long-term bonds, including effect of currency swaps	23	–	1,093	–
(Repayment)/issue of commercial paper	23	(828)	738	–
Repayment of long-term bonds	23	–	(290)	–
Principal element of lease payments	23	(32)	(65)	(59)
(Decrease)/increase in other borrowings	23	–	(125)	127
Proceeds from currency swaps	23	–	3	–
Net cash from financing activities		(860)	1,354	(660)
Net movement in cash and cash equivalents in the year		(236)	1,430	(500)
Cash and cash equivalents at beginning of the year	19	1,624	108	600
Exchange rate effects		3	86	8
Cash and cash equivalents at end of the year	19	1,391	1,624	108

 Notes on pages 149 to 205 form an integral part of these Group Financial Statements.

Accounting policies

General information

This document constitutes the Annual Report and Financial Statements in accordance with UK Listing Rules requirements and the Annual Report on Form 20-F in accordance with the US Securities Exchange Act of 1934.

The Consolidated Financial Statements of InterContinental Hotels Group PLC (the 'Group' or 'IHG') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 21 February 2022. InterContinental Hotels Group PLC (the 'Company') is incorporated and registered in England and Wales.

Basis of preparation

The Consolidated Financial Statements of IHG have been prepared on a going concern basis (see below) and under the historical cost convention, except for assets and liabilities measured at fair value under relevant accounting standards. The Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards and with applicable law and regulations and with International Financial Reporting Standards ('IFRSs') as issued by the IASB. On 31 December 2020, IFRSs as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or change in accounting policies from the transition. UK-adopted international accounting standards differ in certain respects from IFRSs as issued by the IASB. However, the differences have no impact on the Consolidated Financial Statements for the years presented.

Going concern

The resilience of the Group's fee-based model, wide geographic spread and strong cash management means that the Group has been able to generate \$636m of net cash from operating activities in a year when trading has still been substantially impacted by the global pandemic. Trading has recovered significantly during 2021, with RevPAR up 46% on 2020 and returning to 70% of 2019's pre-pandemic levels.

As at 31 December 2021 the Group had total liquidity of \$2,655m, comprising \$1,350m of undrawn bank facilities and \$1,305m of cash and cash equivalents (net of overdrafts and restricted cash). In March 2021 the Group used cash reserves to repay £600m commercial paper under the UK's Covid Corporate Financing Facility ('CCFF').

In 2020, the Group agreed amendments of existing covenants on its syndicated and bilateral revolving credit facilities (the 'bank facilities') until December 2022 as set out in note 24.

A period of 18 months has been used, from 1 January 2022 to 30 June 2023, to complete the going concern assessment. There are a wide range of possible planning scenarios over the going concern period. In adopting the going concern basis for preparing these financial statements the Directors have considered a scenario (the 'Base Case') which is based on continued improvement in demand as travel restrictions are reduced, with RevPAR assumed to reach greater than 90% of 2019 levels in 2023. The only debt maturity in the period under consideration is the £173m 3.875% November 2022 bond which is assumed to be repaid with cash on maturity. Under this scenario, the bank facilities remain undrawn.

The principal risks and uncertainties which could be applicable have been considered and are able to be absorbed within the \$400m liquidity covenant and amended covenant requirements. A large number of the Group's principal risks, for example macro external factors or preferred brands and loyalty, would result in an impact on RevPAR which is one of the sensitivities assessed against the headroom available in the Base Case.

Climate risks are not considered to have a significant impact over the 18-month period of assessment. Other principal risks that could result in a large one-off incident that has a material impact on cash flow have also been considered, for example a cybersecurity event. The assumptions applied in the Base Case scenario are consistent with those used for Group planning purposes, for impairment testing and for assessing recoverability of deferred tax assets.

The Directors have also reviewed a 'Downside Case' which is based on current external market downside forecasts with RevPAR growth reduced by 8% in 2022 in comparison to the Base Case followed by similar growth rates to the Base Case in 2023. The Directors have also reviewed a 'Severe Downside Case' which is based on a severe but plausible scenario. This assumes that the performance during 2022 continues without further recovery on 2021 levels with RevPAR remaining at 70% of 2019 levels, and then with recovery in 2023. The assumptions used in the going concern assessment are consistent with those used in the viability assessment. Under the Downside Case and Severe Downside Case, the bank facilities remain undrawn.

Under the Severe Downside scenario, there is limited headroom to the covenants at 30 June 2023 to absorb additional risks. However, based on experience in 2020, the Directors reviewed a number of actions, such as reductions in bonuses and other discretionary spend, creating substantial additional headroom. After these actions are taken, the principal risks and uncertainties which could be applicable can be absorbed within the amended covenant requirements.

In the Severe Downside Case, the Group has substantial levels of existing cash reserves available (approximately \$1bn at 30 June 2023) and is not expected to draw on the bank facilities. These cash reserves would increase after the additional actions are taken as described above. The Directors reviewed a reverse stress test scenario to determine how much additional RevPAR downside could be absorbed before utilisation of the bank facilities would be required. The Directors concluded that the outcome of this reverse stress test showed that it was very unlikely the bank facilities would need to be drawn.

The leverage and interest cover covenant tests at 30 June 2022, 31 December 2022 and 30 June 2023 (the last day of the assessment period), have been considered as part of the Base Case, Downside Case and Severe Downside Case scenarios. However, as the bank facilities are unlikely to be drawn even in a scenario significantly worse than the Severe Downside scenario, the Group does not need to rely on the additional liquidity provided by the bank facilities to remain a going concern. In the event that a further covenant amendment was required, the Directors believe it is reasonable to expect that such an amendment could be obtained based on prior experience in negotiating the 2020 amendments, however the going concern conclusion is not dependent on this expectation. The bank facilities mature in September 2023, outside the period considered by the going concern assessment and it has been assumed that these bank facilities are renewed as they mature. However, as explained above, the going concern conclusion is not dependent on the bank facilities. The Group also has alternative options to manage this risk including raising additional funding in the capital markets.

Having reviewed these scenarios, the Directors have a reasonable expectation that the Group has sufficient resources to continue operating until at least 30 June 2023 and there are no material uncertainties that may cast doubt on the Group's going concern status. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Accounting policies continued

Presentational currency

The Consolidated Financial Statements are presented in millions of US dollars reflecting the profile of the Group's revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

In the Consolidated Financial Statements, equity share capital, the capital redemption reserve and shares held by employee share trusts are translated into US dollars at the relevant rate of exchange on the last day of the period; the resultant exchange differences are recorded in other reserves.

The functional currency of the Parent Company is sterling since this is a non-trading holding company located in the United Kingdom that has sterling denominated share capital and whose primary activity is the payment and receipt of sterling dividends and of interest on sterling denominated external borrowings and intercompany balances.

Critical accounting policies and the use of judgements, estimates and assumptions

In determining and applying the Group's accounting policies, management are required to make judgements, estimates and assumptions. An accounting policy is considered to be critical if its selection or application could materially affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements, or the reported amounts of revenues and expenses during the reporting period, or could do so within the next financial year.

Judgements

System Fund

The Group operates a System Fund (the 'Fund') to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty programme. Assessments are generally levied as a percentage of hotel revenues.

The Fund is not managed to generate a profit or loss for IHG over the longer term, but is managed for the benefit of the IHG System with the objective of driving revenues for the hotels in the System.

In relation to marketing and reservation services, the Group's performance obligation under IFRS 15 'Revenue from Contracts with Customers' is determined to be the continuous performance of the services rather than the spending of the assessments received. Accordingly, assessment fees are recognised as hotel revenues occur, Fund expenses are charged to the Group income statement as incurred and no constructive obligation is deemed to exist under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Accordingly, no liability is recognised relating to the balance of unspent funds.

No other critical judgements have been made in applying the Group's accounting policies.

Estimates

Management consider that significant estimates and assumptions are used in the areas described below. Estimates and assumptions are evaluated by management using historical experience and other factors believed to be reasonable based on current circumstances.

In prior years, impairment of non-current assets was disclosed as a significant estimate. In the current year no estimates were applied which are considered to result in significant risk of a material adjustment to the carrying amounts of those assets in the next financial year.

Loyalty programme

The hotel loyalty programme, IHG Rewards, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and consume points at a later date for free or reduced accommodation or other benefits. The Group recognises deferred revenue in an amount that reflects IHG's unsatisfied performance obligations, valued at the stand-alone selling price of the future benefit to the member. The amount of revenue recognised and deferred is impacted by 'breakage'. On an annual basis the Group engages an external actuary who uses statistical formulae to assist in the estimate of the number of points that will never be consumed ('breakage').

Significant estimation uncertainty exists in projecting members' future consumption activity and how this may be impacted by Covid-19. The Group has extended its policies for points expiration and elite status in response to Covid-19 which is expected to limit breakage increases in the short term. Management's expectation is that member behaviour will return to pre-pandemic levels over the longer term. In 2021, the breakage estimate was formed using pre-Covid behaviour patterns as a base, but giving some weight to activity during the pandemic and incorporating the impact of planned programme changes. However, if member behaviour deviates significantly from expectations during the recovery period, future breakage estimates could increase or decrease. At 31 December 2021, deferred revenue relating to the loyalty programme was \$1,292m (2020: \$1,245m, 2019: \$1,233m). Based on the conditions existing at the balance sheet date, a one percentage point decrease/increase in the breakage estimate relating to earned points would increase/reduce this liability by \$55m.

Actuarial gains and losses would correspondingly adjust the amount of System Fund revenues recognised and deferred revenue in the Group statement of financial position.

Expected credit losses

Although cash collection from owners has improved since 2020, the proportion of older debt is higher than in periods prior to the pandemic. There also remains a risk of reduced owner liquidity. These factors, taken together with the continued uncertainties on the pace and scale of market recovery, result in expected credit losses continuing to be a significant estimate.

The provision equates to 25% of gross debt, with each one percentage point change resulting in a \$5m change to the provision. If historical evidence was applied to all owner groups (rather than by reference to other sources of data, see page 155), the provision would reduce by \$16m; alternatively a 10% collection rate of amounts over 270 days would reduce the provision by \$9m.

Significant accounting policies

Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Parent Company and entities controlled by the Group. Control exists when the Group has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

All intra-group balances and transactions are eliminated on consolidation.

The assets, liabilities and results of those businesses acquired or disposed of are consolidated for the period during which they were under the Group's control.

Foreign currencies

Within the Group's subsidiaries, transactions in foreign currencies are translated to the subsidiary's functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the subsidiary's functional currency at the relevant rates of exchange ruling on the last day of the period. On consolidation:

- The assets and liabilities of foreign operations, including goodwill, of the Group's subsidiaries with a functional currency other than US dollars are translated into US dollars at the relevant rates of exchange ruling on the last day of the period. The revenues and expenses of foreign operations are translated into US dollars at average rates of exchange for the period. The exchange differences arising on retranslation are taken to the currency translation reserve; and
- Exchange differences arising from the translation of borrowings that are designated as a hedge against a net investment in a foreign operation are taken to the currency translation reserve. The Group treats specific intercompany loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. On disposal of a foreign operation, the cumulative amount recognised in the currency translation reserve relating to that particular foreign operation is recycled against the gain or loss on disposal.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

Fee business revenue

Under franchise agreements, the Group's performance obligation is to provide a licence to use IHG's trademarks and other intellectual property. Franchise royalty fees are typically charged as a percentage of hotel gross rooms revenues and are treated as variable consideration, recognised as the underlying hotel revenues occur.

Under management agreements, the Group's performance obligation is to provide hotel management services and a licence to use IHG's trademarks and other intellectual property. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability or cash flows. Both are treated as variable consideration. Like franchise fees, base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria for each annual period will be met, provided there is no expectation of a subsequent reversal of the revenue.

Application and re-licensing fees are not considered to be distinct from the franchise performance obligation and are recognised over the life of the related contract.

Franchise and management agreements also contain a promise to provide technology support and network services to hotels. A monthly technology fee, based on either gross rooms revenues or the number of rooms in the hotel, is charged and recognised over time as these services are delivered. Technology fee income is included in Central revenue.

Technical service fees are received in relation to design and engineering support provided prior to opening of certain hotel properties. These services are a distinct performance obligation and the fees are recognised as revenue over the pre-opening period in line with the Group's assessment of the stage of completion of the project, based on the latest expectation of hotel opening date and its knowledge and experience of the pattern of work performed on comparable projects.

IHG's global insurance programme provides coverage to managed hotels for risks such as US workers' compensation, employee and general liability. Premiums are payable by the hotels to the third-party insurance provider. As some of the risk is reinsured by the Group's captive insurance company (the 'Captive'), SCH Insurance Company, premiums paid from the third-party insurance provider to the Captive are recognised within Central revenue as earned. This insurance revenue is outside the scope of IFRS 15.

Deferred revenue

Deferred revenue is recognised when payment is received before the related performance obligation is satisfied.

Contract assets

Amounts paid to hotel owners to secure management and franchise agreements ('key money') are treated as consideration payable to a customer. A contract asset is recorded which is recognised as a deduction to revenue over the initial term of the contract. Where loans are provided to an owner the difference, if any, between the face and market value of the loan on inception is recognised as a contract asset.

Typically, contract assets are not financial assets as they represent amounts paid by the Group at the beginning of a contract, and so are tested for impairment based on value in use rather than with reference to expected credit losses. Contract assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If carrying values exceed the recoverable amount, determined by reference to estimated future cash flows discounted to their present value using a pre-tax discount rate, the contract assets are written down to the recoverable amount.

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management agreements. The expected value of payments under performance guarantees reduces the overall transaction price and is recognised as a deduction to revenue over the term of the contract.

Contract costs

Certain costs incurred to secure management and franchise agreements, typically developer commissions, are capitalised and amortised as an expense over the initial term of the related contract. These costs are presented as contract costs in the Group statement of financial position.

Contract costs are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If carrying values exceed the recoverable amount determined by reference to estimated future cash flows discounted to their present value using a pre-tax discount rate, the contract costs are written down to the recoverable amount.

Revenue from owned, leased and managed lease hotels

At its owned, leased and managed lease hotels, the Group's performance obligation is to provide accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which are recognised when the rooms are occupied and food and beverages are sold. Guest deposits received in advance of hotel stays are recorded as deferred revenue on the balance sheet. They are recognised as revenue along with any balancing payment from the guest when the associated stay occurs, or are returned to the customer in the event of a cancellation.

Cost reimbursements

In a managed property, the Group typically acts as employer of the general manager and, in some cases, other employees at the hotel and is entitled to reimbursement of these costs. The performance obligation is satisfied over time as the employees perform their duties, consistent with when reimbursement is received. Reimbursements for these services are shown as revenue with an equal matching employee cost, with no profit impact.

Accounting policies continued

Certain other costs relating to both managed and franchised hotels are also contractually reimbursable to IHG and, where IHG is deemed to be acting as principal in the provision of the related services, the revenue and cost are shown on a gross basis.

System Fund and other co-brand revenues

The Group operates a System Fund (the 'Fund') to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty programme. The Fund also benefits from proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for IHG over the longer term, but is managed for the benefit of the IHG System with the objective of driving revenues for the hotels in the System.

Under both franchise and management agreements, the Group is required to provide marketing and reservations services, as well as other centrally managed programmes. These services are provided by the Fund and are funded by assessment fees. Costs are incurred and allocated to the Fund in accordance with the principles agreed with the IHG Owners Association. The Group acts as principal in the provision of the services as the related expenses primarily comprise payroll and marketing expenses under contracts entered into by the Group. The assessment fees from hotel owners are generally levied as a percentage of hotel revenues and are recognised as those hotel revenues occur.

Certain travel agency commission revenues within the Fund are recognised on a net basis, where it has been determined that IHG is acting as agent.

In respect of the loyalty programme, IHG Rewards, the related performance obligation is to arrange for the provision of future benefits to members on consumption of previously earned reward points. Members have a choice of benefits: reward nights at an IHG hotel or other goods or services provided by third parties. Under its franchise and management agreements, IHG receives assessment fees based on total qualifying hotel revenue from IHG Rewards members' hotel stays.

The Group's performance obligation is not satisfied in full until the member has consumed the points at a participating hotel or selected a reward from a third-party. Accordingly, loyalty assessments are deferred in an amount that reflects the stand-alone selling price of the future benefit to the member. Revenue is impacted by a 'breakage' estimate of the number of points that will never be consumed. On an annual basis, the Group engages an external actuary who uses statistical formulae to assist in formulating this estimate, which is adjusted to reflect actual experience up to the reporting date.

As materially all of the points will be either consumed at IHG managed or franchised hotels owned by third parties, or exchanged for awards provided by third parties, IHG is deemed to be acting as agent on consumption and therefore recognises the related revenue net of the cost of reimbursing the hotel or third-party that is providing the benefit.

Performance obligations under the Group's co-brand credit card agreements comprise:

- a) Arranging for the provision of future benefits to members who have earned points or free night certificates;
- b) Marketing services; and
- c) Providing the co-brand partner with the right to access the loyalty programme.

Revenue from a) and b) are reported within System Fund revenues. Prior to 1 January 2020, revenue from co-brand credit card agreements relating to the right to access the loyalty programme was recorded within the Fund. From 1 January 2020, this revenue is recorded within fee business revenue (see note 3).

Fees from these agreements comprise fixed amounts normally payable at the beginning of the contract, and variable amounts paid on a monthly basis. Variable amounts are typically based on the number of points and free night certificates issued to members and the marketing services performed by the Group. Total fees are allocated to the performance obligations based on their estimated stand-alone selling prices. Revenue allocated to marketing and licensing obligations is recognised on a monthly basis as the obligation is satisfied. Revenue relating to points and free night certificates is recognised when the member has consumed the points or certificates at a participating hotel or has selected a reward from a third party, net of the cost of reimbursing the hotel or third party that is providing the benefit.

Judgement is required in estimating the stand-alone selling prices which are based upon generally accepted valuation methodologies regarding the value of the licence provided and the number of points and certificates expected to be issued. However, the value of revenue recognised and the deferred revenue balance at the end of the year is not materially sensitive to changes in these assumptions.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants relating to costs are recognised on a systematic basis within the Group income statement as an offset to the costs which the grants are intended to compensate. Government grants which are unrelated to costs are presented within other operating income.

Financial income and expenses

Financial income and expenses comprise income and charges on the Group's financial assets and liabilities and related hedging instruments.

Finance charges relating to bank and other borrowings, including transaction costs and any discount or premium on issue, are recognised in the Group income statement using the effective interest rate method.

In the statement of cash flows, interest paid and received is presented within cash from operating activities, including any fees and discounts on issuance or settlement of borrowings.

Borrowing costs attributable to the acquisition or development of assets that necessarily take a substantial period of time to prepare for their intended use are capitalised as part of the asset cost.

Capitalised interest paid is presented within investing activities in the Group statement of cash flows.

Exceptional items

The Group discloses certain financial information both including and excluding exceptional items. The presentation of information excluding exceptional items allows a better understanding of the underlying trading performance of the Group and provides consistency with the Group's internal management reporting. Exceptional items are identified by virtue of their size, nature, or incidence so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance of the Group and its reportable segments; the tax effect of exceptional items is also presented as exceptional. In determining whether an event or transaction is exceptional, management considers quantitative as well as qualitative factors. All exceptional items are subject to review by the Audit Committee.

Examples of exceptional items that meet this definition and which have been presented as exceptional items in prior years include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, the costs of individually significant legal cases or commercial disputes and reorganisation costs.

Earnings per share

Basic earnings or loss per ordinary share is calculated by dividing the profit or loss for the year available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the year.

Diluted earnings or loss per ordinary share is calculated by adjusting basic earnings or loss per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Business combinations and goodwill

On the acquisition of a business, identifiable assets acquired and liabilities assumed are measured at their fair value. Contingent liabilities assumed are measured at fair value unless this cannot be measured reliably, in which case they are not recognised but are disclosed in the same manner as other contingent liabilities.

The measurement of deferred tax assets and liabilities arising on acquisition is as described in the general principles detailed within the 'Taxes' accounting policy note on page 156 with the exception that no deferred tax is provided on taxable temporary differences in connection with the initial recognition of goodwill.

The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred. Contingent purchase consideration is measured at fair value on the date of acquisition and is re-measured at fair value at each reporting date with changes in fair value recognised on the face of the Group income statement below operating profit. Deferred purchase consideration is measured at amortised cost and the effect of unwinding the discount is recorded in financial expenses.

Payments of contingent and deferred purchase consideration reduce the respective balance sheet liability. In respect of contingent purchase consideration, the portion of each payment relating to its original estimate of fair value on acquisition is reported within cash flow from investing activities in the Group statement of cash flows and the portion of each payment relating to the increase or decrease in the liability since the acquisition date is reported within cash flow from operating activities. In respect of deferred purchase consideration, the cash paid in excess of the initial fair value is reported within interest paid, and the remainder is reported within cash flows from investing activities.

Goodwill is recorded at cost, being the difference between the fair value of the consideration and the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Transaction costs are expensed and are not included in the cost of acquisition.

Intangible assets

Brands

Externally acquired brands are initially recorded at cost if separately acquired or fair value if acquired as part of a business combination, provided the brands are controlled through contractual or other legal rights, or are separable from the rest of the business. Brands are tested for impairment at least annually if determined to have indefinite lives.

The costs of developing internally generated brands are expensed as incurred.

Management agreements

Management agreements acquired as part of a business combination are initially recorded at the fair value attributed to those contracts on acquisition.

The value of management agreements is amortised on a straight-line basis over the contract lives, including any extension periods at the Group's option.

Software

Acquired and internally developed software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Following initial recognition, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Costs are generally amortised over estimated useful lives of three to five years on a straight-line basis with the exception of the Guest Reservation System which is amortised over eight to 10 years (see page 176).

Internally generated development costs are capitalised and amortised over the estimated useful life of the asset when all of the following can be demonstrated:

- The ability and intention to complete the project;
- That the completed software will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the project; and
- The ability to measure the expenditure.

Substantially all software is internally generated; amounts capitalised include internal and third-party labour and consultancy costs.

Costs incurred in the research phase before the above criteria are met are expensed.

Configuration and customisation costs relating to cloud computing arrangements that do not result in recognition of an intangible asset are expensed.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment.

Repairs and maintenance costs are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated to a residual value over their estimated useful lives, namely:

- Buildings – over a maximum of 50 years; and
- Fixtures, fittings and equipment – three to 25 years.

All depreciation is charged on a straight-line basis. Residual value is reassessed annually.

Leases

On inception of a contract, the Group assesses whether it contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to use the asset and the obligation under the lease to make payments are recognised in the Group statement of financial position as a right-of-use asset and a lease liability.

Lease contracts may contain both lease and non-lease components. The Group allocates payments in the contract to the lease and non-lease components based on their relative stand-alone prices and applies the lease accounting model only to lease components.

The right-of-use asset recognised at lease commencement includes the amount of lease liability recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated to a residual value over the shorter of the asset's estimated useful life and the lease term. Right-of-use assets are also adjusted for any re-measurement of lease liabilities and are subject to impairment testing. Residual value is reassessed annually.

Accounting policies continued

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including 'in-substance fixed' payments) and variable lease payments that depend on an index or a rate (initially measured using the index or rate at commencement), less any lease incentives receivable. 'In-substance fixed' payments are payments that may, in form, contain variability but that, in substance, are unavoidable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease term includes periods subject to extension options which the Group is reasonably certain to exercise and excludes the effect of early termination options where the Group is reasonably certain that it will not exercise the option. Minimum lease payments include the cost of a purchase option if the Group is reasonably certain it will purchase the underlying asset after the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the 'in-substance fixed' lease payments or as a result of a rent review or change in the relevant index or rate.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period over which the event or condition that triggers the payment occurs.

The Group has opted not to apply the lease accounting model to intangible assets, leases of low-value assets or leases which have a term of less than 12 months. Costs associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Lease payments are presented as follows in the Group statement of cash flows:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities;
- Payments for the interest element of recognised lease liabilities are included in interest paid within cash flows from operating activities; and
- Payments for the principal element of recognised lease liabilities are presented within cash flows from financing activities.

Subleases of the Group's assets are classified as operating leases when the risks and rewards of ownership are not substantially transferred to the sub-lessee. Rental income arising is accounted for on a straight-line basis in the Group income statement. All of the Group's sublease arrangements are classified as operating leases.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies. A joint venture exists when two or more parties have joint control over, and rights to the net assets of, the venture. Joint control is the contractually agreed sharing of control which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In determining the extent of power or significant influence, consideration is given to other agreements between the Group, the investee entity, and the investing partners, including any related management or franchise agreements and the existence of any performance guarantees.

Associates and joint ventures are accounted for using the equity method unless the associate or joint venture is classified as held for sale. Under the equity method, the Group's investment is recorded at cost adjusted by the Group's share of post-acquisition profits and losses, and other movements in the investee's reserves, applying consistent accounting policies. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

If there is objective evidence that an associate or joint venture is impaired, an impairment charge is recognised if the carrying amount of the investment exceeds its recoverable amount.

Upon loss of significant influence over an associate or joint control of a joint venture, any retained investment is measured at fair value with any difference to carrying value recognised in the Group income statement.

Impairment of non-financial assets

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and, in the case of goodwill and brands with indefinite lives, at least annually. Assets that do not generate independent cash flows are allocated to the cash-generating unit ('CGU'), or group of CGUs, to which they belong. If carrying values exceed their estimated recoverable amount, the assets or CGUs are written down to the recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, and any subsequent reversals, are recognised in the Group income statement.

With the exception of goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

Financial assets

On initial recognition, the Group classifies its financial assets as being subsequently measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL').

Financial assets which are held to collect contractual cash flows and give rise to cash flows that are solely payments of principal and interest are subsequently measured at amortised cost. Interest on these assets is calculated using the effective interest rate method and is recognised in the Group income statement as financial income. The Group recognises a provision for expected credit losses for financial assets held at amortised cost. Where there has not been a significant increase in credit risk since initial recognition, provision is made for defaults that are possible within the next 12 months. Where there has been a significant increase in credit risk since initial recognition, provision is made for credit losses expected over the remaining life of the asset.

The Group has elected to irrevocably designate equity investments as FVOCI as they mainly comprise strategic investments in entities that own hotels which the Group manages. Changes in the value of equity investments classified as FVOCI are recognised within gains or losses on equity instruments classified as fair value through other comprehensive income in the Group statement of comprehensive income and are never recycled to the Group income statement. On disposal of equity investments, any related balance within the fair value reserve is reclassified to retained earnings. Dividends from equity investments classified as FVOCI are recognised in the Group income statement as other operating income when the dividend has been declared, when receipt of the funds is probable and when the dividend is not a return of invested capital. Equity instruments classified as FVOCI are not subject to impairment assessment.

Financial assets measured at FVTPL include money market funds and other financial assets which do not have a fixed date of repayment.

Trade receivables

A trade receivable is recorded when the Group has an unconditional right to receive payment. In respect of franchise fees, base and incentive management fees, Central revenue and revenues from owned, leased and managed lease hotels, the invoice is typically issued as the related performance obligations are satisfied, as described on page 151. Trade receivables are non-interest-bearing and are generally on payment terms of up to 30 days.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment is made for lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience by region and number of days past due. Where the historical experience is not relevant to defined owner groups, for example those with payment plans, the expected lifetime losses are calculated by reference to other sources of data.

Trade receivables are written off once determined to be uncollectable.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash and cash equivalents comprise short-term deposits, money market funds and repurchase agreements that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They generally have an original maturity of three months or less.

Cash and cash equivalents may include amounts which are subject to regulatory or other contractual restrictions and not available for general use by the Group.

Cash balances are classified as other financial assets when subject to a specific charge or contractually ring-fenced for a specific purpose, such that the Group does not control the circumstances or timing of its release.

Money market funds

Money market funds are held at FVTPL, with distributions recognised in financial income.

Bank and other borrowings

Bank and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

Derivative financial instruments and hedging

Derivatives are initially recognised and subsequently measured at fair value. The subsequent accounting treatment depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivatives which have either not been designated as hedging instruments or relate to the ineffective portion of hedges are recognised immediately within financial income or expenses in the Group income statement.

Documentation outlining the measurement and effectiveness of any hedging arrangement is maintained throughout the life of the hedge relationship.

Interest arising from currency derivatives and interest rate swaps is recorded in either financial income or expenses over the term of the agreement, unless the accounting treatment for the hedging relationship requires the interest to be taken to reserves.

Interest paid as presented within the Group statement of cash flows includes interest paid on the Group's bonds and the related derivative financial instruments.

Cash flow hedges

Financial instruments are designated as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a highly probable forecast transaction or a particular risk associated with a recognised asset or liability.

Changes in the fair value are recorded in other comprehensive income and cash flow hedge reserves to the extent that the hedges are effective. When the hedged item is recognised, the cumulative gains and losses on the related hedging instrument are reclassified to the Group income statement, within financial expenses.

Net investment hedges

Financial instruments are designated as net investment hedges when they hedge the Group's net investment in foreign operations.

Changes in the fair value are recorded in other comprehensive income and the currency translation reserve to the extent that the hedges are effective. The cumulative gains and losses remain in equity until the relevant foreign operation is sold, at which point they are reclassified to the Group income statement as part of the gain or loss on disposal.

Deferred compensation plan

The Group operates a deferred compensation plan in the US which allows certain employees to make additional provision for retirement through the deferral of salary with matching company contributions within a dedicated trust. The related assets and liabilities are recognised on the balance sheet. The Group's obligation to employees under the plan is limited to the fair value of assets held by the plan and so the assets and liabilities are valued at the same amount, with no net impact on profit or loss.

Fair value measurement

The Group measures each of the following at fair value on a recurring basis:

- Financial assets and liabilities at FVTPL;
- Financial assets measured at FVOCI; and
- Derivative financial instruments.

Other assets are measured at fair value when impaired or re-measured on classification as held for sale by reference to fair value less costs of disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured by reference to the principal market for the asset or liability assuming that market participants act in their economic best interests.

The fair value of a non-financial asset assumes the asset is used in its highest and best use, either through continuing ownership or by selling it.

Accounting policies continued

The Group uses valuation techniques that maximise the use of relevant observable inputs using the following valuation hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Further disclosures on the particular valuation techniques used by the Group are provided in note 25.

Where significant assets (such as property) are valued by reference to fair value less costs of disposal, an external valuation will normally be obtained using professional valuers who have appropriate market knowledge, reputation and independence.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Group statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. To meet these criteria, the right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: the normal course of business; the event of default; and the event of insolvency or bankruptcy of the Group and all of the counterparties.

Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base and carrying value of assets and liabilities including property, plant and equipment, intangible assets, application fees, contract costs, unrelieved tax losses, associates, gains rolled over into replacement assets, deferred compensation and other short-term temporary differences.

Judgement is used when assessing the extent to which deferred tax assets, particularly in respect of tax losses, should be recognised. Deferred tax assets are therefore recognised to the extent that it is regarded as probable that there will be sufficient and suitable taxable profits (including the future release of deferred tax liabilities) in the relevant legal entity or tax group against which such assets can be utilised in the future. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset or liability will be settled, based on rates enacted or substantively enacted at the end of the reporting period.

Where deferred tax assets and liabilities arise in the same entity, or group of entities, and there would be a legal right to offset the assets and liabilities were they to reverse, the assets and liabilities are also

offset on the Group statement of financial position. Otherwise, the assets and liabilities are not offset.

Retirement benefits

Defined contribution plans

Payments to defined contribution schemes are charged to the Group income statement as they fall due.

Defined benefit plans

Plan assets are measured at fair value and plan liabilities are measured on an actuarial basis using the projected unit credit method, discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The difference between the value of plan assets and liabilities at the period-end date is the amount of surplus or deficit recorded in the Group statement of financial position as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up.

The service cost of providing pension benefits to employees, together with the net interest expense or income for the year, is charged to the Group income statement within administrative expenses. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability, after any asset restriction. Past service costs and gains, which are the change in the present value of the defined benefit obligation for employee service in prior periods resulting from plan amendments, are recognised immediately when the plan amendment occurs. Settlement gains and losses, being the difference between the settlement cost and the present value of the defined benefit obligations being settled, are recognised when the settlement occurs.

Re-measurements comprise actuarial gains and losses, the return on plan assets and changes in the amount of any asset restrictions. Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are carried out on a regular basis and are updated for material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the end of the reporting period.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a payment will be made and a reliable estimate of the amount payable can be made. If the effect of the time value of money is material, the provision is discounted using a current pre-tax discount rate that reflects the risks specific to the liability.

In respect of litigation, a provision is made when management consider it probable that payment may occur and the amount can be reliably estimated even though the defence of the related claim may still be ongoing through the court process.

Assets and liabilities held for sale

Assets and liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable and expected to complete within one year. For a sale to be highly probable, management need to be committed to a plan to sell the asset and the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs of disposal.

Depreciation and amortisation is not charged against assets classified as held for sale.

Disposal of non-current assets

The Group recognises sales proceeds and any related gain or loss on disposal on completion of the sales process. In determining whether the gain or loss should be recorded, the Group considers whether it:

- Has a continuing managerial involvement to the degree associated with asset ownership;
- Has transferred the significant risks and rewards associated with asset ownership; and
- Can reliably measure and will actually receive the proceeds.

Equity share capital and reserves

Equity share capital

Equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital. Share premium represents the amount of proceeds received for shares in excess of their nominal value.

Capital redemption reserve

The capital redemption reserve maintains the nominal value of the equity share capital of the Company when shares are repurchased or cancelled.

Shares held by employee share trusts

Shares held by employee share trusts comprise ordinary shares held by employee share trusts.

Other reserves

Other reserves comprise the merger and revaluation reserves previously recognised under UK GAAP, together with the reserve arising as a consequence of the Group's capital reorganisation in June 2005. The revaluation reserve relates to the previous revaluations of property, plant and equipment which were included at deemed cost on adoption of IFRS. Following the change in presentational currency to US dollars in 2008, this reserve also includes exchange differences arising on retranslation to period-end exchange rates of equity share capital, the capital redemption reserve and shares held by employee share trusts.

Fair value reserve

The fair value reserve comprises movements in the value of financial assets measured at fair value through other comprehensive income.

Cash flow hedge reserves

The cash flow hedge reserves comprise:

- Cash flow hedge reserve: the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss; and
- Cost of hedging reserve: the gain or loss which is excluded from the designated hedging instrument relating to the foreign currency basis spread of currency swaps.

Currency translation reserve

The currency translation reserve comprises the movement in exchange differences arising from the translation of foreign operations and exchange differences on foreign currency borrowings and derivative financial instruments that provide a hedge against net investments in foreign operations. On adoption of IFRS, cumulative exchange differences were deemed to be \$nil.

Non-controlling interest

A non-controlling interest is equity in a subsidiary of the Group not attributable, directly or indirectly, to the Group.

Share-based payments

The cost of equity-settled share-based payment transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The income statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

New accounting standards

Adoption of new accounting standards

The Group has applied the requirements of Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide additional guidance on the impact of new interest rate benchmarks on certain hedge relationships and on the measurement of certain financial assets and financial liabilities. The contractual cash flows of the Group's derivatives are unchanged and there is no change in the Group's risk management strategy or defined hedge accounting relationships. Valuing the Group's derivatives within hedge relationships (see note 24) using overnight index swap ('OIS') rates instead of interbank rates does not have a material impact on the carrying amount of derivative financial liabilities or amounts recognised in the cash flow hedge reserve at 31 December 2021.

In addition, the Group has applied the amendments to IFRS 16 – Covid-19 Related Rent Concessions beyond 30 June 2021. There was no material impact on the Group's reported financial performance or position.

New standards issued but not yet effective

From 1 January 2022, the Group will apply the amendments to:

- IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract;
- IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use; and
- Other existing standards arising from the Annual Improvements to IFRSs 2018 – 2020 cycle.

From 1 January 2023, the Group will apply the amendments to:

- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- IAS 8 – Definition of Accounting Estimates; and
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

There is no anticipated material impact from these amendments on the Group's reported financial performance or position.

The effective date for the amendment to IAS 1 – Classification of Liabilities as Current or Non-Current has been deferred to 1 January 2023. There is no anticipated material impact from these amendments on the Group's reported financial performance or position.

The effective date for IFRS 17 'Insurance Contracts' has been deferred to 1 January 2023. The Group has not yet determined the impact of this standard on the Group's reported financial performance or position.

Notes to the Group Financial Statements

1. Exchange rates

The results of operations have been translated into US dollars at the average rates of exchange for the year. In the case of sterling, the translation rate is \$1=£0.73 (2020: \$1=£0.78, 2019: \$1=£0.78). In the case of the euro, the translation rate is \$1=€0.85 (2020: \$1=€0.88, 2019: \$1=€0.89).

Assets and liabilities have been translated into US dollars at the rates of exchange on the last day of the year. In the case of sterling, the translation rate is \$1=£0.74 (2020: \$1=£0.73, 2019: \$1=£0.76). In the case of the euro, the translation rate is \$1=€0.88 (2020: \$1=€0.81, 2019: \$1=€0.89).

2. Segmental information

The Group has four reportable segments reflecting its geographical regions (Americas, EMEAA, Greater China) and its Central functions.

Central functions include technology, sales and marketing, finance, human resources and corporate services; Central revenue arises principally from technology fee income.

No operating segments have been aggregated to form these reportable segments.

Management monitors the operating results of these reportable segments for the purpose of making decisions about resource allocation and performance assessment. Each of the geographical regions is led by its own Chief Executive Officer who reports to the Group Chief Executive Officer.

The System Fund is not managed to generate a profit or loss for IHG over the longer term. As such, its results are not regularly reviewed by the Chief Operating Decision Maker ('CODM') and it does not constitute an operating segment under IFRS 8 'Operating Segments'. Similarly, reimbursements of costs are not reported to the CODM and so are not included within the reportable segments.

Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group Financial Statements, excluding System Fund and exceptional items. Group financing activities, fair value gains or losses on contingent purchase consideration and income taxes are managed on a Group basis and are not allocated to reportable segments.

Revenue

Year ended 31 December	2021 \$m	2020 \$m	2019 \$m
Americas	774	512	1,040
EMEAA	303	221	723
Greater China	116	77	135
Central	197	182	185
Revenue from reportable segments	1,390	992	2,083
System Fund revenues	928	765	1,373
Reimbursement of costs	589	637	1,171
Total revenue	2,907	2,394	4,627

Profit/(loss)

Year ended 31 December	2021 \$m	2020 \$m	2019 \$m
Americas	559	296	700
EMEAA	5	(50)	217
Greater China	58	35	73
Central	(88)	(62)	(125)
Operating profit from reportable segments	534	219	865
System Fund	(11)	(102)	(49)
Operating exceptional items (note 6)	(29)	(270)	(186)
Operating profit/(loss)	494	(153)	630
Net financial expenses	(139)	(140)	(115)
Fair value gains on contingent purchase consideration	6	13	27
Profit/(loss) before tax	361	(280)	542
Tax	(96)	20	(156)
Profit/(loss) for the year	265	(260)	386

2. Segmental information continued

Operating profit from reportable segments includes the following, which are included in other operating income in the Group income statement:

- In 2021, \$5m government grant income relating to the EMEAA region;
- In 2020, \$4m business interruption insurance proceeds and \$4m favourable litigation settlement, both in the Americas region, and \$3m gain on disposal of hotel assets in the EMEAA region; and
- In 2019, \$10m business interruption insurance proceeds relating to the Americas region.

Non-cash items included within operating profit from reportable segments

	Americas \$m	EMEAA \$m	Greater China \$m	Central \$m	Group \$m
Year ended 31 December 2021					
Depreciation and amortisation ^a	30	18	6	44	98
Equity-settled share-based payments cost	8	4	3	11	26
Share of losses of associates	7	1	–	–	8
Year ended 31 December 2020					
Depreciation and amortisation ^a	41	21	6	42	110
Equity-settled share-based payments cost	7	3	2	7	19
Share of losses of associates and joint ventures	14	–	–	–	14
Year ended 31 December 2019					
Depreciation and amortisation ^a	44	25	5	42	116
Equity-settled share-based payments cost	9	4	2	13	28
Share of losses/(gains) of associates and joint ventures	9	(6)	–	–	3

^a Included in the \$98m (2020: \$110m, 2019: \$116m) of depreciation and amortisation is \$20m (2020: \$29m, 2019: \$32m) relating to cost of sales in owned, leased and managed lease hotels, and \$78m (2020: \$81m, 2019: \$84m) relating to other assets. A further \$94m (2020: \$62m, 2019: \$54m) of depreciation and amortisation was recorded within System Fund expenses.

Capital expenditure

	Americas \$m	EMEAA \$m	Greater China \$m	Central \$m	Group \$m
Year ended 31 December 2021					
Capital expenditure per management reporting	35	25	1	39	100
Contract acquisition costs	(32)	(10)	(1)	–	(43)
Timing differences and other adjustments	3	(5)	–	4	2
Additions per the Group Financial Statements	6	10	–	43	59
Comprising additions to:					
Goodwill and other intangible assets	1	–	–	32	33
Property, plant and equipment	1	5	–	11	17
Investment in associates and joint ventures	4	–	–	–	4
Other financial assets	–	5	–	–	5
	6	10	–	43	59
Year ended 31 December 2020					
Capital expenditure per management reporting	46	44	2	56	148
Contract acquisition costs	(33)	(29)	(2)	–	(64)
Timing differences and other adjustments	17	4	–	(1)	20
Additions per the Group Financial Statements	30	19	–	55	104
Comprising additions to:					
Goodwill and other intangible assets	1	1	–	50	52
Property, plant and equipment	12	13	–	5	30
Investment in associates and joint ventures	17	–	–	–	17
Other financial assets	–	5	–	–	5
	30	19	–	55	104

Notes to the Group Financial Statements continued

2. Segmental information continued

Geographical information

Year ended 31 December	2021 \$m	2020 \$m	2019 \$m
Revenue			
United Kingdom	142	77	265
United States	1,263	1,067	1,957
Rest of World	574	485	1,032
	1,979	1,629	3,254
System Fund (note 33)	928	765	1,373
	2,907	2,394	4,627

For the purposes of the above table, fee business, owned, leased and managed lease and reimbursable revenues are determined according to the location of the hotel and other revenue is attributed to the country of origin. In addition to the United Kingdom, revenue relating to an individual country is separately disclosed when it represents 10% or more of total revenue. System Fund revenues are not included in the geographical analysis as the Group does not monitor the Fund's revenue by location of the hotel, or in the case of the loyalty programme, according to the location where members consume their rewards.

31 December	2021 \$m	2020 \$m
Non-current assets		
United Kingdom	64	72
United States	1,346	1,487
Rest of World	661	700
	2,071	2,259

For the purposes of the above table, non-current assets comprise goodwill and other intangible assets, property, plant and equipment, right-of-use assets, investments in associates and joint ventures, non-current contract costs and non-current contract assets. In addition to the United Kingdom, non-current assets relating to an individual country are separately disclosed when they represent 10% or more of total non-current assets, as defined above.

3. Revenue

Disaggregation of revenue

Year ended 31 December 2021	Americas \$m	EMEA \$m	Greater China \$m	Central \$m	Group \$m
Franchise and base management fees	683	120	91	–	894
Incentive management fees	8	29	25	–	62
Central revenue	–	–	–	197	197
Revenue from fee business	691	149	116	197	1,153
Revenue from owned, leased and managed lease hotels	83	154	–	–	237
	774	303	116	197	1,390
System Fund revenues (note 33)					928
Reimbursement of costs					589
Total revenue					2,907

Year ended 31 December 2020	Americas \$m	EMEA \$m	Greater China \$m	Central \$m	Group \$m
Franchise and base management fees	452	93	61	–	606
Incentive management fees	5	14	16	–	35
Central revenue	–	–	–	182	182
Revenue from fee business	457	107	77	182	823
Revenue from owned, leased and managed lease hotels	55	114	–	–	169
	512	221	77	182	992
System Fund revenues (note 33)					765
Reimbursement of costs					637
Total revenue					2,394

3. Revenue continued

Year ended 31 December 2019	Americas \$m	EMEA \$m	Greater China \$m	Central \$m	Group \$m
Franchise and base management fees	840	247	87	–	1,174
Incentive management fees	13	90	48	–	151
Central revenue	–	–	–	185	185
Revenue from fee business	853	337	135	185	1,510
Revenue from owned, leased and managed lease hotels	187	386	–	–	573
System Fund revenues (note 33)	1,040	723	135	185	2,083
Reimbursement of costs					1,171
Total revenue					4,627

In 2020, following communication with the IHG Owners Association, fees and expenses associated with the InterContinental Ambassador programme (the InterContinental Hotels & Resorts paid-for loyalty programme) previously reported within Central revenue were moved into the System Fund to align with the treatment of IHG's other brand loyalty programmes. Revenue arising from the licence of intellectual property under co-brand credit card agreements previously recorded within the System Fund was moved into Central revenue. This change was effective from 1 January 2020. For the year ended 31 December 2020, this change resulted in an increase of \$20m to Central revenue and \$21m to operating profit from reportable segments, and an equivalent reduction to System Fund revenues and increase to System Fund operating loss. Had this arrangement existed in 2019, Central revenue and operating profit in 2019 would have been \$18m and \$22m higher respectively; System Fund revenues would have reduced and System Fund operating loss would have increased by the same amounts.

Contract balances

	2021 \$m	2020 \$m
Trade receivables (note 18)	399	309
Contract assets	346	336
Deferred revenue	(1,613)	(1,569)

Contract assets

	2021 \$m	2020 \$m
At 1 January	336	334
Additions	45	74
Recognised as a deduction to revenue	(35)	(25)
Impairment charges	–	(53)
Repayments	(1)	–
Exchange and other adjustments	1	6
At 31 December	346	336

Analysed as:

Current	30	25
Non-current	316	311
	346	336

The Group also has future commitments for key money payments which are contingent upon future events and may reverse.

At 31 December 2021, the maximum exposure remaining under performance guarantees was \$85m (2020: \$72m).

In 2020, impairment of contract assets related primarily to deposits made to Service Properties Trust ('SVC') of \$33m. The remaining impairment of \$20m related to key money and performance guarantee payments on individual properties which were tested with reference to future franchise and management fees. Of the total impairment including SVC balances, \$42m related to the Americas region and \$11m to the EMEA region.

Notes to the Group Financial Statements continued

3. Revenue continued

Deferred revenue

	Loyalty programme \$m	Other co-brand fees \$m	Application & re-licensing fees \$m	Other \$m	Total \$m
At 1 January 2020	1,233	66	172	93	1,564
Increase in deferred revenue	344	–	14	45	403
Recognised as revenue	(332)	(11)	(20)	(39)	(402)
Exchange and other adjustments	–	–	–	4	4
At 31 December 2020	1,245	55	166	103	1,569
Increase in deferred revenue	384	–	19	45	448
Recognised as revenue	(337)	(11)	(22)	(35)	(405)
Exchange and other adjustments	–	–	–	1	1
At 31 December 2021	1,292	44	163	114	1,613
Analysed as:					
Current	535	11	21	50	617
Non-current	757	33	142	64	996
	1,292	44	163	114	1,613
At 31 December 2020:					
Current	376	11	22	43	452
Non-current	869	44	144	60	1,117
	1,245	55	166	103	1,569

This table does not include amounts which were received and recognised as revenue in the same year. Amounts recognised as revenue were included in deferred revenue at the beginning of the year.

Loyalty programme revenues, shown gross in the table above, are presented net of the corresponding redemption cost in the Group income statement.

Other deferred revenue includes technical service fees and guest deposits received by owned, leased and managed lease hotels.

Transaction price allocated to remaining performance obligations

The Group has applied the practical expedient in IFRS 15 not to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied as at the end of the reporting period for all amounts where the Group has a right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date (including franchise and management fees).

Amounts received and not yet recognised relating to performance obligations that were unsatisfied at the year end are as follows:

	2021			2020		
	Loyalty and co-brand \$m	Other \$m	Total \$m	Loyalty and co-brand \$m	Other \$m	Total \$m
Expected timing of recognition						
Less than one year	546	71	617	387	65	452
Between one and two years	406	45	451	313	40	353
Between two and three years	155	33	188	249	29	278
Between three and four years	98	25	123	176	24	200
Between four and five years	53	22	75	73	22	95
More than five years	78	81	159	102	89	191
	1,336	277	1,613	1,300	269	1,569

3. Revenue continued

Contract costs

	2021 \$m	2020 \$m
At 1 January	75	72
Costs incurred	11	11
Amortisation	(9)	(9)
Exchange and other adjustments	-	1
At 31 December	77	75
Analysed as:		
Current	5	5
Non-current	72	70
	77	75

4. Staff costs and Directors' remuneration

	2021 \$m	2020 \$m	2019 \$m
Staff costs			
Wages and salaries	1,315	1,233	1,982
Social security costs	86	86	131
Pension and other post-retirement benefits:			
Defined benefit plans (note 27)	2	3	3
Defined contribution plans	41	36	64
	1,444	1,358	2,180
Analysed as:			
Costs borne by IHG ^a	569	500	735
Costs borne by the System Fund ^b	304	242	313
Costs reimbursed	571	616	1,132
	1,444	1,358	2,180

^a Included \$27m in 2020 classified as exceptional relating to reorganisation programmes and \$9m in 2019 classified as exceptional relating to the comprehensive efficiency programme completed in 2019.

^b Included \$20m in 2020 relating to the 2020 corporate reorganisation programme and \$8m in 2019 relating to the comprehensive efficiency programme completed in 2019.

Staff costs are presented net of government support income of \$23m (2020: \$36m). \$12m (2020: \$28m) relates principally to employee costs at certain of the Group's leased hotels and \$11m (2020: \$8m) relates to ongoing support received in the form of tax credits which relate to the Group's corporate office presence in certain countries. The income has been recognised as a reduction to the payroll costs that the grants and credits are intended to compensate. There are no unfulfilled conditions or other contingencies attached to these grants.

	2021	2020	2019
Monthly average number of employees, including part-time employees			
Employees whose costs are borne by IHG:			
Americas	1,481	1,931	2,170
EMEA	2,808	4,088	5,227
Greater China	299	314	339
Central	1,425	1,813	1,900
	6,013	8,146	9,636
Employees whose costs are borne by the System Fund	4,508	4,686	4,800
Employees whose costs are reimbursed	11,807	15,980	22,207
	22,328	28,812	36,643

Notes to the Group Financial Statements continued

4. Staff costs and Directors' remuneration continued

	2021 \$m	2020 \$m	2019 \$m
Directors' remuneration			
Base salaries, fees, annual performance payments and benefits	8.4	4.2	6.4

 More detailed information on the remuneration including pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 115 and 123. In addition, amounts received or receivable under long-term incentive schemes are shown on page 115.

5. Auditor's remuneration

	2021 \$m	2020 \$m	2019 \$m
Audit of the Financial Statements	3.7	3.0	3.0
Audit of subsidiaries	3.4	3.3	3.2
Audit-related assurance services	0.2	0.2	0.2
Other assurance services ^a	0.7	1.1	1.3
Other non-audit services not covered by the above	-	0.1	0.1
	8.0	7.7	7.8

^a In 2020, excluded fees of \$0.2m which had not been incurred as at 31 December 2020.

In 2021, auditor's remuneration was paid to PricewaterhouseCoopers LLP; in 2020 and 2019 auditor's remuneration was paid to Ernst & Young LLP. Audit fees in respect of the pension scheme were not material.

Under SEC regulations, the auditor's remuneration of \$8.0m (2020: \$7.7m, 2019: \$7.8m) is required to be presented as follows: audit \$7.3m (2020: \$6.5m, 2019: \$6.4m); other audit-related \$0.7m (2020: \$1.1m, 2019: \$1.3m); and all other fees \$nil (2020: \$0.1m, 2019: \$0.1m).

6. Exceptional items

	Note	2021 \$m	2020 \$m	2019 \$m
Cost of sales:				
Derecognition of right-of-use assets and lease liabilities	(a)(h)	-	22	-
Gain on lease termination	(b)	-	30	-
Provision for onerous contractual expenditure	(h)	-	(10)	-
Reorganisation costs	(c)(h)	-	(8)	-
		-	34	-
Administrative expenses:				
Reorganisation costs	(c)	-	(19)	(20)
Acquisition and integration costs	(d)	-	(6)	(7)
Litigation and commercial disputes	(e)	(25)	(5)	(28)
		(25)	(30)	(55)
Impairment loss on financial assets	(f)	-	(48)	-
Other impairment charges:				
Goodwill	(h)	-	-	(49)
Management agreements	13	-	(48)	(50)
Property, plant and equipment	14, (h)	-	(90)	-
Right-of-use assets	15, (h)	-	(16)	(32)
Associates	16	(4)	(19)	-
Contract assets	3	-	(53)	-
		(4)	(226)	(131)
Operating exceptional items		(29)	(270)	(186)
Financial expenses	(g)	-	(14)	-
Fair value gains on contingent purchase consideration	(h)	-	21	38
Exceptional items before tax		(29)	(263)	(148)
Tax on exceptional items	(i)	3	52	20
Exceptional tax	(j)	26	-	-
Tax		29	52	20
Operating exceptional items analysed as:				
Americas		(22)	(118)	(62)
EMEA		(7)	(128)	(109)
Greater China		-	(5)	-
Central		-	(19)	(15)
		(29)	(270)	(186)

 The above items are treated as exceptional (as defined by management) by reason of their size, nature, or incidence as further described on page 152.

(a) Derecognition of right-of-use assets and lease liabilities

In 2020, related to right-of-use assets (\$49m) and lease liabilities (\$71m) associated with the UK portfolio and German leases which were derecognised following a reassessment of the leases as fully variable. The net gain of \$22m was presented as exceptional due to the size of the derecognised assets and liabilities.

(b) Gain on lease termination

In 2020, related to the termination of the InterContinental San Juan lease, which was part of the SVC portfolio. The right-of-use assets (\$60m) and lease liabilities (\$90m) associated with this hotel were derecognised, resulting in a net gain of \$30m, which was presented as exceptional due to the value of the assets and liabilities derecognised and for consistency with the impairments of other assets related to the SVC portfolio.

Notes to the Group Financial Statements continued

6. Exceptional items continued

(c) Reorganisation costs

In 2020, reorganisation costs related to the UK portfolio (see below), other owned and leased hotels and a corporate reorganisation completed in the year reflecting the reassessment of near-term priorities and the resources needed to support reduced levels of demand. An additional \$20m relating to the corporate restructuring was charged to the System Fund.

In 2019, related to a comprehensive efficiency programme to fund a series of new strategic initiatives to drive an acceleration in IHG's future growth. The programme commenced in 2018 and was completed in 2019; no further restructuring costs related to this programme were incurred in 2020. The 2019 cost included consultancy fees of \$6m and severance costs of \$8m. An additional \$28m was charged to the System Fund.

These charges were classified as exceptional as they related to a significant programme carried out in response to the impacts of Covid-19 and previously to a comprehensive programme to reorganise Group operations, which do not reflect normal, ongoing costs of the business.

(d) Acquisition and integration costs

In 2019, primarily related to the acquisition of Six Senses and in 2020, related to the integration of that business into the operations of the Group. Costs were presented as exceptional reflecting the fact that the acquisition of Six Senses is not a recurring event.

(e) Litigation and commercial disputes

In 2021, relates to the provisionally agreed costs to settle two commercial disputes, \$18m in the Americas region and \$7m relating to a leased property in the EMEAA region.

In 2020, related to the agreed cost of settlement of \$14m in respect of a lawsuit in the EMEAA region, offset primarily by the partial release of the 2019 provision related to a lawsuit in the Americas region which was settled in 2020.

In 2019, primarily represented management's best estimate of the settlement in respect of the Americas lawsuit, together with the cost of an arbitration award made against the Group in the EMEAA region.

These costs are presented as exceptional reflecting (i) the nature of the 2021 disputes which arose as a direct result of trading performance during Covid-19; (ii) the quantum of the settlements; and (iii) in respect of releases, consistency with the treatment applied in prior years.

(f) Impairment loss on financial assets

In 2020, comprised \$33m and \$15m related to SVC and other trade deposits and loans respectively (see note 17). The impairment losses were presented as exceptional as they related to the termination of a significant portfolio of over 100 management agreements and to significant changes in credit risk on other trade deposits and loans as a result of the pandemic.

(g) Financial expenses

In 2020, management undertook actions to strengthen liquidity and extend the maturity profile of the Group's debt. The Group issued a tender offer for its £400m 3.875% 2022 bonds resulting in a repayment of £227m and concurrently issued €500m 1.625% 2024 bonds and £400m 3.375% 2028 bonds. The exceptional charge included the premium on repayment and associated write-off of fees and discount. The charge was presented as exceptional primarily due to the size of the charge as well as the nature of the refinancing which was driven by increased liquidity requirements resulting from the pandemic.

(h) Exceptional items relating to the UK portfolio

Included within exceptional items are the following items relating to the UK portfolio:

	2021 \$m	2020 \$m	2019 \$m
Cost of sales:			
Derecognition of right-of-use assets and lease liabilities	-	18	-
Provision for onerous contractual expenditure	-	(10)	-
Reorganisation costs	-	(4)	-
	-	4	-
Other impairment charges:			
Goodwill	-	-	(49)
Property, plant and equipment	-	(50)	-
Right-of-use assets	-	-	(32)
	-	(50)	(81)
Operating exceptional items			
Fair value gains on contingent purchase consideration (note 25)	-	21	38
Exceptional items before tax	-	(25)	(43)

The UK portfolio experienced hugely challenging trading conditions as a result of Covid-19, with all 12 hotels closing for extended periods during 2020 and experiencing historically low occupancies during periods of temporary reopenings.

In 2020, the right-of-use asset (\$22m) and lease liability (\$40m) relating to the UK portfolio were derecognised as a result of the re-estimation of the 'in-substance fixed' rent payable under the leases, resulting in a gain of \$18m; from 2020 the leases were considered to be fully variable.

In 2020, a \$10m provision was recognised to the extent the costs of contractual expenditure committed under the hotel leases exceeded the future economic benefits expected to be received under the leases.

6. Exceptional items continued

In 2020, hotels incurred a total cost of \$4m to restructure hotel operations in response to the impact of Covid-19 on hotel occupancy and revenues.

Assumptions used in 2020 impairment testing of property, plant and equipment are detailed in note 14.

In 2019, goodwill (\$49m) and the right-of-use asset (\$32m) (prior to derecognition) were impaired as a result of trading disruption arising from hotel renovations and rebranding.

A fair value gain on contingent purchase consideration of \$21m was recognised in 2020 (2019: \$38m), arising from a reduction in expected future rentals payable such that there is no remaining above-market element. Information on the fair value calculation is provided in note 25.

As a result of the adjustments outlined above, non-current assets, lease liabilities and contingent purchase consideration relating to the UK portfolio were all measured at \$nil at 31 December 2020 and 31 December 2021.

(i) Tax on exceptional items

The tax impacts of the exceptional items are shown in the table below:

	2021		2020		2019	
	Current tax \$m	Deferred tax \$m	Current tax \$m	Deferred tax \$m	Current tax \$m	Deferred tax \$m
Derecognition of right-of-use assets and lease liabilities	–	–	–	(4)	–	–
Provision for onerous contractual expenditure	–	–	–	2	–	–
Reorganisation costs	–	–	3	2	4	–
Acquisition and integration costs	–	–	1	–	–	–
Litigation and commercial disputes	–	4	–	–	–	6
Impairment loss on financial assets	–	–	4	2	–	–
Other impairment charges	–	1	6	37	–	18
Financial expenses	–	–	–	3	–	–
Fair value gains on contingent purchase consideration	–	–	–	(4)	–	(6)
Adjustments in respect of prior years ^a	(2)	–	–	–	–	(2)
	(2)	5	14	38	4	16
Total current and deferred tax		3		52		20

^a In 2021, relates to exceptional items recorded in 2014 which are undergoing tax audit (see page 171). In 2019, related to a 2014 disposal.

(j) Exceptional tax

An exceptional tax credit of \$26m has been recorded as a result of the enactment of a change to the UK rate of corporate income tax from 19% to 25%, effective 1 April 2023. The change has resulted in the re-measurement of those UK deferred tax assets and liabilities which are forecast to be utilised or to crystallise after this effective date, using the higher tax rate. A further credit of \$4m has been recorded within the Group statement of comprehensive income in respect of movements in deferred tax assets and liabilities originally recorded there. The value attributable to unrecognised deferred tax assets has increased by \$34m as a result of the rate change. This has no impact on the reported tax charge.

Notes to the Group Financial Statements continued

7. Financial income and expenses

	2021 \$m	2020 \$m	2019 \$m
Financial income			
Financial income on deposits and money market funds	2	2	3
Interest income on loans and other assets	6	2	3
	8	4	6
Financial expenses			
Interest expense on external borrowings	109	102	78
Interest expense on lease liabilities	29	37	41
Capitalised interest	-	(1)	(5)
Unwind of discount on deferred purchase consideration	1	1	1
Other charges	8	5	6
	147	144	121
Analysed as:			
Financial expenses before exceptional items	147	130	121
Exceptional financial expenses (note 6)	-	14	-
	147	144	121

All financial income relates to financial assets held at amortised cost.

Interest expense on external borrowings and unwind of discount on deferred purchase consideration relate to financial liabilities which are held at amortised cost. Other charges includes bank charges and non-bank interest expense.

In 2021, \$1m (2020: \$3m, 2019: \$13m) was payable to the IHG Rewards loyalty programme relating to interest on the accumulated balance of cash received in advance of the consumption of points awarded. The expense and corresponding System Fund interest income are eliminated within financial expenses. Financial income includes \$2m (2020: \$nil, 2019: \$nil) of other interest which is also attributable to the System Fund.

Capitalised interest relates to the System Fund. There was no interest capitalised during the year (rate used for capitalisation of interest in 2020: 2.9%, 2019: 3.1%).

Net interest payable on a frozen GAAP basis as calculated for bank covenants was \$133m (2020: \$111m, 2019: \$99m). Further details are provided on page 190.

8. Tax**Tax on profit/(loss)**

	2021 \$m	2020 \$m	2019 \$m
Current tax			
UK tax at 19.00%:			
Current period	1	-	5
Adjustments in respect of prior periods	-	(2)	13
	1	(2)	18
Foreign tax:			
Current period	138	43	154
Benefit of tax reliefs on which no deferred tax previously recognised	-	(2)	(2)
Adjustments in respect of prior periods	4	(5)	(11)
	142	36	141
	143	34	159
Deferred tax			
Origination and reversal of temporary differences	(21)	(35)	11
Changes in tax rates and tax laws	(25)	(8)	2
Adjustments to estimated recoverable deferred tax assets ^a	2	(14)	(2)
Reduction in deferred tax expense by previously unrecognised deferred tax assets	-	(1)	-
Adjustments in respect of prior periods	(3)	4	(14)
	(47)	(54)	(3)
Income tax charge/(credit) for the year	96	(20)	156
Analysed as tax relating to:			
Profit before exceptional items ^b	125	32	176
Exceptional items:			
Tax on exceptional items (note 6)	(3)	(52)	(20)
Exceptional tax (note 6)	(26)	-	-
	96	(20)	156

^a Represents a reassessment of the recovery of deferred taxes in line with the Group's profit forecasts.

^b Includes \$115m (2020: \$41m, 2019: \$113m) in respect of US taxes.

Notes to the Group Financial Statements continued

8. Tax continued

	Total ^a			Before exceptional items and System Fund ^b		
	2021 %	2020 %	2019 %	2021 %	2020 %	2019 %
Reconciliation of tax charge						
UK tax at standard rate	19.0	19.0	19.0	19.0	19.0	19.0
Tax credits	(0.1)	0.5	(0.8)	(0.1)	(1.7)	(0.6)
System Fund ^c	0.4	(6.6)	1.1	(0.1)	(1.1)	(0.5)
Impairment charges	–	–	1.7	–	–	–
Other permanent differences	1.4	(4.2)	1.3	1.2	12.1	0.8
Non-recoverable foreign taxes ^d	3.5	(5.1)	3.2	3.1	16.9	2.4
Net effect of different rates of tax in overseas businesses ^e	6.8	(4.5)	6.7	6.9	18.9	5.5
Effect of changes in tax rates and tax laws ^f	(7.0)	2.9	(0.4)	–	(9.6)	(0.3)
Reduction in current tax expense by previously unrecognised deferred tax assets	(0.1)	0.7	(0.4)	(0.1)	(2.4)	(0.3)
Items on which deferred tax arose but where no deferred tax is recognised ^g	2.0	(1.9)	–	1.3	5.1	–
Effect of adjustments to estimated recoverable deferred tax assets ^h	0.5	5.1	(0.4)	0.4	(16.9)	(0.3)
Reduction in deferred tax expense by previously unrecognised deferred tax assets	–	0.3	–	–	–	–
Adjustment to tax charge in respect of prior periods	0.2	0.9	(2.2)	(0.4)	(2.7)	(1.9)
	26.6	7.1	28.8	31.2	37.6	23.8

^a Calculated in relation to total profits including exceptional items and System Fund.

^b Calculated in relation to profits excluding exceptional items and System Fund earnings.

^c The System Fund is, in general, not subject to taxation.

^d The large increase in 2020 when compared to 2019 is a result of the material decrease in Group profitability. This meant that the Group was no longer able to obtain effective relief for withholding taxes incurred on its revenues and in respect of other taxes, primarily in the US and Singapore.

^e Before exceptional items and System Fund includes 6.7 percentage points (2020: 18.9 percentage points, 2019: 4.9 percentage points) driven by the relatively high blended US rate, which includes US Federal and State taxes as well as Base Erosion and Anti-Avoidance Tax ('BEAT'). In 2020, the lower profitability resulted in a large impact of BEAT, and the trading results in the year led to a higher proportion of the Group's profit being taxed in the US.

^f In 2021, the UK Government enacted an increase to the UK rate of Corporation Tax from 19% to 25%. This has led to an increase in value to the Group's existing deferred tax assets in the UK, contributing to a benefit to the Group's total effective rate of 7.1 percentage points. In 2020, the UK Government reversed a previously enacted drop to the UK rate of Corporation Tax, contributing to a benefit to the Group effective tax rate, before exceptional items and System Fund, of 7.9 percentage points.

^g Predominantly in respect of losses arising in the year.

^h In 2020, the Group simplified its Group structure which led to an increase to existing deferred tax assets within the UK.

A reconciliation between total tax rate and tax rate before exceptional items and System Fund is shown below:

	2021			2020			2019		
	Profit before tax \$m	Tax \$m	Rate %	(Loss)/ profit before tax \$m	Tax \$m	Rate %	Profit before tax \$m	Tax \$m	Rate %
Group income statement	361	96	26.6	(280)	(20)	7.1	542	156	28.8
Adjust for:									
Exceptional items (note 6)	29	29		263	52		148	20	
System Fund	11	–		102	–		49	–	
	401	125	31.2	85	32	37.6	739	176	23.8

 Information concerning Non-GAAP measures can be found in the Strategic Report on pages 73 to 77.

Tax paid

Total net tax paid during the year of \$86m (2020: \$41m, 2019: \$141m) is all in respect of operating activities.

The total tax paid includes, in respect of the US:

- payments of \$88m (2020: \$29m, 2019: \$80m); and
- refunds arising from earlier periods of \$15m (2020: \$24m, 2019: \$nil);

and in respect of the UK:

- payments of \$1m (2020: \$2m, 2019: \$13m); and
- refunds arising from earlier periods of \$3m (2020: \$nil, 2019: \$nil).

8. Tax continued

A reconciliation of tax paid to the total tax charge in the Group income statement is as follows:

	2021 \$m	2020 \$m	2019 \$m
Current tax charge in the Group income statement	(143)	(34)	(159)
Current tax (charge)/credit in the Group statement of comprehensive income	-	(1)	2
Current tax credit taken directly to equity	-	-	4
Total current tax charge	(143)	(35)	(153)
Movements to tax contingencies ^a	4	(8)	3
Timing differences of cash tax paid and foreign exchange differences ^b	53	2	9
Tax paid per cash flow	(86)	(41)	(141)

^a Tax contingency movements are included within the current tax charge but do not impact cash tax paid in the year. Settlements of tax contingencies are included within cash tax paid in the year but not recorded in the current year tax charge.

^b 2021 includes \$20m of refunds in respect of earlier years, \$12m of other receivables which have been allocated to payments that otherwise would have been due and \$28m of payments due in 2022.

Current tax

Within current tax payable is \$24m (2020: \$25m) in respect of uncertain tax positions, with the largest single item not exceeding \$10m (2020: \$8m).

The calculation of the Group's total tax charge involves consideration of applicable tax laws and regulations in many jurisdictions throughout the world. From time to time, the Group is subject to tax audits and uncertainties in these jurisdictions. The issues involved can be complex and audits may take a number of years to conclude.

Where the interpretation of local tax law is not clear, management relies on judgement and accounting estimates to ensure all uncertain tax positions are adequately provided for in the Group Financial Statements, in accordance with IFRIC 23 'Uncertainty over Income Tax Treatments', representing the Group's view of the most likely outcome, or, where multiple issues are considered likely to be settled together, the probability weighted amounts of the range of outcomes. This may involve consideration of some or all of the following factors:

- strength of technical argument, impact of case law and clarity of legislation;
- professional advice;
- experience of interactions, and precedents set, with the particular taxing authority; and
- agreements previously reached in other jurisdictions on comparable issues.

The Group's most material territories for tax are the USA and the UK.

In the USA, the Internal Revenue Service ('IRS') has a right to commence a routine audit of the federal income tax returns for up to three years following the filing of the federal return. The Group has agreed all federal income tax returns up to and including those filed for the 2017 year except for the 2014 year, and no audits have so far been initiated for periods from 2018 onwards. There are two issues under discussion in respect of the 2014 year for which total federal tax assessed by the IRS is \$28m. Should the IRS's views be sustained, state taxes of \$4m and interest of up to \$9m would also be payable. The Group is contesting certain elements of the IRS assessment but has recorded federal tax provisions of \$8m (2020: \$6m), state tax provisions of \$1m (2020: \$1m) and interest of \$3m (2020: \$2m), which the Group considers the most likely outflow. It is the Group's expectation that this audit will be resolved in 2022, however there are possible scenarios which would lead to a longer period of time to ultimate resolution, including litigation. The issues involved are isolated to the 2014 year.

In the UK, HM Revenue and Customs ('HMRC') has a right to commence a routine audit of UK Corporation Tax returns for up to 12 months following the filing of the return. The Group has agreed all UK tax returns up to and including 2015. The Group received a single question from HMRC in respect of a 2016 return in 2019, to which a response was provided also in 2019. Although formal agreement of the return has not yet been received from HMRC, the Group considers there to be minimal risk of any adjustment. A transfer pricing audit was initiated in September 2019 in respect of the 2017 period but is still at the data gathering stage with no issues having so far been identified and communicated to the Group; HMRC have reserved the right to consider similar points in later periods if any adjustments were to be ultimately agreed. The Group has provisions of \$2m (2020: \$2m) in respect of UK Corporation Tax uncertainties.

Notes to the Group Financial Statements continued

8. Tax continued

Deferred tax

	Property, plant, equipment and software \$m	Other intangible assets \$m	Application fees \$m	Deferred gains on loan notes \$m	Associates \$m	Losses \$m	Employee benefits \$m	Deferred compen- sation \$m	Credit losses \$m	Contract costs \$m	Other short-term temporary differences \$m	Total \$m
At 1 January 2020	(119)	(14)	43	(34)	(58)	27	33	41	12	(16)	33	(52)
Group income statement	23	14	(2)	–	–	28	–	1	10	(1)	(19)	54
Group statement of comprehensive income	–	–	–	–	–	6	1	–	–	–	8	15
Group statement of changes in equity	–	–	–	–	–	–	(1)	–	–	–	–	(1)
Exchange and other adjustments	1	–	1	–	1	–	1	–	–	–	(2)	2
At 31 December 2020	(95)	–	42	(34)	(57)	61	34	42	22	(17)	20	18
Group income statement	15	–	(2)	–	2	21	4	6	(1)	4	(2)	47
Group statement of comprehensive income	–	–	–	–	–	4	–	–	–	–	(15)	(11)
Group statement of changes in equity	–	–	–	–	–	–	2	–	–	–	–	2
Exchange and other adjustments	(1)	–	–	–	–	(2)	(1)	–	(1)	(1)	4	(2)
At 31 December 2021	(81)	–	40	(34)	(55)	84	39	48	20	(14)	7	54

The deferred tax on the loan notes represents tax that is expected to become due in 2025. The deferred tax in respect of losses of \$84m (2020: \$61m) comprises \$84m in respect of revenue losses (2020: \$60m) and \$nil in respect of capital losses (2020: \$1m). There are no amounts recognised in relation to uncertain tax positions within deferred tax in either the current or prior year.

A deferred tax asset of \$120m (2020: \$95m) has been recognised in legal entities which have made a loss in the current or the previous year. Of the 2021 amount, \$114m (2020: \$89m) is within the UK tax group and predominantly represents revenue tax losses and future tax deductions for amortisation.

Additional UK deferred tax assets of \$13m (2020: \$14m) are recognised in legal entities which were profitable in both the current and previous years.

The recoverability of the UK deferred tax assets has been assessed by:

- starting with the Base Case forecasts (see page 149 within ‘Going concern’);
- overlaying tax principles to those forecasts; and
- following the methodology required by IAS 12 ‘Income Taxes’.

This has demonstrated that the UK deferred tax asset, including \$73m in respect of losses, should reverse over a seven- to ten-year period. Under UK law, tax losses do not expire, although they can only be offset against 50% of annual UK taxable profits. If the anticipated recovery of RevPAR to 2019 levels for the European and UK markets were to be one year later than is forecast within the Base Case, or if actual future UK taxable profits were to be 20% lower than those currently forecast, then the recovery period for the deferred tax asset would be extended by approximately one further year.

The Group’s TCFD disclosures on pages 32 to 35 describe how physical and transitional climate risks present both risks and opportunities for IHG. The potential downside risk has been considered in the context of the UK deferred tax asset recoverability, without taking account of opportunities or mitigating actions, and could be absorbed within the sensitivities disclosed above.

The analysis of the deferred tax balance after considering the offset of assets and liabilities within entities where there is a legal right to do so, and analysis of the most material territories as follows:

	2021 \$m	2020 \$m
Deferred tax assets	147	113
Deferred tax liabilities	(93)	(95)
	54	18

Analysed as:

United Kingdom	127	103
United States	(87)	(89)
Other	14	4
	54	18

8. Tax continued

The Group does not recognise deferred tax assets if it cannot anticipate being able to offset them against existing deferred tax liabilities or against future profits or gains.

The total unrecognised deferred tax position is as follows:

	Gross		Unrecognised deferred tax	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Revenue losses	458	467	87	76
Capital losses	551	562	138	109
	1,009	1,029	225	185
Tax credits	10	12	10	12
Other ^a	16	19	3	3
	1,035	1,060	238	200

^a Primarily relates to costs incurred for which tax relief has not been obtained.

There is no expiry date to any of the above unrecognised assets other than for the losses and tax credits as shown in the table below:

Expiry date	Gross		Unrecognised deferred tax	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
2021	-	33	-	8
2022	10	11	3	3
2023	2	2	-	-
2024	4	5	1	1
2025	100	110	25	26
2026	13	1	2	-
2027	-	3	-	1
2028	6	7	2	2
After 2028	12	17	11	15

No deferred tax liability has been provided in respect of \$0.4bn (2020: \$0.5bn) of taxable temporary differences relating to subsidiaries (comprising undistributed earnings and net inherent gains) because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Tax risks, policies and governance

The Group's Chief Financial Officer & Group Head of Strategy has responsibility for tax and tax policies at Board level. These policies and procedures are subject to regular review and update and are approved by the Audit Committee. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying material tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance. IHG's Approach to Tax document is available on IHG's website at www.ihgplc.com/en/responsible-business/policies. In addition, as a result of its business profile as a hotel manager and also as a residual legacy from prior acquisitions, IHG has a small number of subsidiaries in jurisdictions commonly portrayed as tax havens. IHG manages such subsidiaries on a basis consistent with its business principles (for example, by making some foreign incorporated companies UK tax resident or by operating others so that local profits are commensurate with local activity).

Factors that may affect the future tax charge

Many factors will affect the Group's future tax rate, the main ones being future legislative developments, future profitability of underlying subsidiaries and tax uncertainties.

The impact of Covid-19 has resulted in changes to the Group's current geographic profit mix which is likely to continue to result in a slightly higher than usual tax rate for the Group in the short term.

Worldwide tax reform continues, notably with the OECD's proposals in connection with its review into "Tax Challenges Arising from Digitalisation", and this could impact the Group over the longer term. The Group continues to monitor activity in this area.

Notes to the Group Financial Statements continued

9. Dividends

	2021 cents per share	2020 cents per share	2019 cents per share
	\$m	\$m	\$m
Paid during the year			
Final (declared for previous year)	-	-	78.1
Interim	-	-	39.9
Special (note 29)	-	-	262.1
	-	-	380.1
			721

The final dividend of 85.9¢ per ordinary share (amounting to \$157m) is proposed for approval at the AGM on 6 May 2022. No dividends were paid in 2021 or 2020.

10. Earnings/(loss) per ordinary share

	2021	2020	2019
Basic earnings/(loss) per ordinary share			
Profit/(loss) available for equity holders (\$m)	266	(260)	385
Basic weighted average number of ordinary shares (millions)	183	182	183
Basic earnings/(loss) per ordinary share (cents)	145.4	(142.9)	210.4
Diluted earnings/(loss) per ordinary share			
Profit/(loss) available for equity holders (\$m)	266	(260)	385
Diluted weighted average number of ordinary shares (millions)	184	182	184
Diluted earnings/(loss) per ordinary share (cents)	144.6	(142.9)	209.2
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares (millions)	183	182	183
Dilutive potential ordinary shares (millions)	1	-	1
	184	182	184

The effect of the notional exercise of outstanding ordinary share awards was anti-dilutive in 2020 and therefore was not included in the diluted earnings per share calculation.

11. Acquisition of businesses

Six Senses

On 12 February 2019, the Group acquired a 100% ownership interest in Six Senses Hotels Resorts Spas ('Six Senses'), a leading operator of top-tier luxury hotels, resorts and spas with a world-renowned reputation for wellness and sustainability. The total purchase consideration was \$304m, comprising \$299m paid on acquisition, including the settlement of working capital and \$5m of contingent purchase consideration. The fair value of net assets acquired was \$246m, including brands of \$189m, management agreements of \$45m, and a right-of-use asset of \$19m offset by an equal lease liability. Goodwill recognised was \$58m.

The value of the contingent purchase consideration was reassessed at 31 December 2021 (see note 25).

The value of management agreements and right-of-use assets recognised on acquisition were impaired by \$41m and \$5m respectively in 2020 (see notes 13 and 15).

UK portfolio

Following a 2018 deal with Covivio to operate 10 UK hotels under long-term leases, in 2019 the Group added a further two hotels to the portfolio bringing the total hotels in the UK portfolio to 12.

The total purchase consideration for the 12 hotels was \$73m, comprising \$10m paid on acquisition, a working capital refund of \$3m and \$66m of contingent purchase consideration. The fair value of the net assets acquired was \$14m and goodwill of \$64m was recognised, of which \$12m was recognised in 2019.

Goodwill and non-current assets allocated to the UK portfolio were impaired in full during 2019 and 2020 such that the remaining value is \$nil (see note 6).

The contingent purchase consideration was valued at \$nil as at 31 December 2021 (see note 25).

Cash flows relating to acquisitions

	2021 \$m	2020 \$m	2019 \$m
Cash paid on acquisition, including working capital settlement	-	-	299
Settlement of stamp duty liability	-	-	3
Less: cash and cash equivalents acquired	-	-	(7)
Less: working capital settlement received in year following acquisition	-	-	(3)
Net cash outflow arising on acquisitions	-	-	292

12. Assets and liabilities sold

Three hotels in the Americas region have been sold in 2021. Total cash consideration of \$46m was received with no gain or loss arising after charging disposal costs. Net assets of \$44m disposed comprised \$45m property, plant and equipment and \$2m right-of-use assets, less \$3m lease liabilities. The net cash inflow arising was \$44m.

In 2020, the Group sold one hotel in EMEAA, the Holiday Inn Melbourne Airport. Total consideration of \$2m was received with a total gain, net of disposal costs, of \$3m. The gain was included in other operating income in the Group income statement.

13. Goodwill and other intangible assets

	Goodwill \$m	Brands \$m	Software \$m	Management agreements \$m	Other intangibles \$m	Total \$m
Cost						
At 1 January 2020	529	439	864	122	23	1,977
Additions	-	-	50	-	2	52
Disposals	-	-	(29)	-	-	(29)
Exchange and other adjustments	8	-	1	-	-	9
At 31 December 2020	537	439	886	122	25	2,009
Additions	-	-	32	-	1	33
Disposals	-	-	(40)	-	-	(40)
Exchange and other adjustments	(5)	-	-	-	-	(5)
At 31 December 2021	532	439	878	122	26	1,997
Amortisation and impairment						
At 1 January 2020	(190)	-	(340)	(63)	(8)	(601)
Provided	-	-	(36)	(1)	(1)	(38)
System Fund expense	-	-	(51)	-	(2)	(53)
Impairment charge	-	-	-	(48)	-	(48)
System Fund impairment charge	-	-	(4)	-	-	(4)
Disposals	-	-	29	-	-	29
Exchange and other adjustments	(1)	-	-	-	-	(1)
At 31 December 2020	(191)	-	(402)	(112)	(11)	(716)
Provided	-	-	(30)	(1)	(1)	(32)
System Fund expense	-	-	(82)	-	(1)	(83)
Disposals	-	-	28	-	-	28
Exchange and other adjustments	-	-	1	-	-	1
At 31 December 2021	(191)	-	(485)	(113)	(13)	(802)
Net book value						
At 31 December 2021	341	439	393	9	13	1,195
At 31 December 2020	346	439	484	10	14	1,293
At 1 January 2020	339	439	524	59	15	1,376

Goodwill and brands

Brands

Brands relate to the acquisitions of Kimpton (\$193m), Regent (\$57m) and Six Senses (\$189m). They are each considered to have an indefinite life given their strong brand awareness and reputation, and management's commitment to continued investment in their growth. The brands are protected by trademarks and there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of the brands. In the hotel industry there are a number of brands that have existed for many years and IHG has brands that are over 60 years old.

Allocation of goodwill and brands to CGUs

	At 1 January 2020 \$m	Exchange adjustments \$m	At 31 December 2020 \$m	Exchange adjustments \$m	At 31 December 2021 \$m	Analysed as:	
						Goodwill \$m	Brands \$m
Americas (group of CGUs)	421	-	421	(2)	419	132	287
EMEAA (group of CGUs)	332	7	339	(2)	337	201	136
Greater China	25	-	25	(1)	24	8	16
	778	7	785	(5)	780	341	439

Notes to the Group Financial Statements continued

13. Goodwill and other intangible assets continued

The recoverable amounts of the CGUs, or groups of CGUs, have been determined from value in use calculations. The key assumptions are RevPAR growth and the expected recovery period (detailed on page 149 within 'Going concern'), terminal growth rates and pre-tax discount rates. Cash flows beyond the five-year period are extrapolated using terminal growth rates that do not exceed the average long-term growth rates for the relevant markets. Cash flow projections are discounted using pre-tax rates that are based on the Group's weighted average cost of capital and incorporate adjustments reflecting risks specific to the territory of the CGU.

The weighted average terminal growth rates and pre-tax discount rates are as follows:

	2021		2020	
	Terminal growth rate %	Pre-tax discount rate %	Terminal growth rate %	Pre-tax discount rate %
Americas	2.0	10.2	1.7	8.5
EMEA	2.2	12.8	1.9	12.1
Greater China	2.5	12.6	2.5	13.3

The increase in discount rates in 2021 in Americas and EMEA was primarily driven by increased long-term risk-free rates.

The recoverable amounts of the CGUs, or groups of CGUs, exceeded their carrying value such that no impairment has arisen. Assumptions were sensitised, including using the Downside Case scenario (detailed on page 149 within 'Going concern') with no impairment arising.

The Group's TCFD disclosures on pages 32 to 35 describe how physical and transitional climate risks present both risks and opportunities for IHG. The potential downside risk has been considered when testing goodwill and brands and could be absorbed within existing headroom, without taking account of opportunities or mitigating actions.

Software

Software includes \$233m relating to the development of the next-generation Guest Reservation System with Amadeus. Internally developed software with a value of \$155m developed within the two phases of the project is being amortised over 10 years and eight years respectively, with seven years remaining at 31 December 2021, reflecting the Group's experience of the long life of guest reservation systems and the initial term over which the Group is party to a technology agreement with Amadeus. The remaining project value relates to enhancements to existing systems as part of the project, which are amortised over five years.

In 2021, no impairment was charged. In 2020, \$4m impairment was charged to the System Fund relating to projects which are no longer expected to complete.

A loss on disposal of software assets of \$12m was recorded in 2021, relating to amounts previously capitalised in respect of costs incurred to implement cloud computing arrangements. These losses are recorded within depreciation and amortisation (\$8m) and System Fund depreciation and amortisation (\$4m) in the Group income statement.

Management agreements

Management agreements relate to contracts recognised at fair value on acquisition. The weighted average remaining amortisation period for all management agreements is 17 years (2020: 18 years).

In 2021, there were no indicators of further impairment relating to management agreements and no indicators that impairment losses recognised in prior years may have reversed.

2020 impairment of management agreements

The 2020 impairment charge of \$48m related to the Kimpton (\$5m), Regent (\$2m) and Six Senses (\$41m) management agreement portfolios acquired in 2015, 2018 and 2019 respectively. The key assumption was RevPAR growth which assumed a recovery to 2019 levels over a five-year period from 2021.

Contracts were valued at the higher of value in use and fair value less costs of disposal, using discounted cash flow techniques. Where the recoverable amount was measured at fair value, this was categorised as a Level 3 fair value measurement.

Management agreement portfolios	Region	Basis of recoverable amount	Recoverable amount \$m	Long-term growth rate %	Pre-tax discount rate %
Kimpton	Americas	Value in use	4	1.7	8.4
Regent	Greater China	Value in use	3	2.0-4.6	7.0-15.9
Six Senses (open hotels)	EMEA	Fair value less costs of disposal	-	2.0	8.9-14.7
	Greater China	Fair value less costs of disposal	-	2.0	9.9
Six Senses (pipeline)	Americas	Value in use	1	2.0	9.8
	EMEA	Value in use	2	2.0	8.9
	Greater China	Value in use	-	2.0	8.5

2019 impairment of management agreements

The 2019 impairment charge of \$50m related to the Kimpton management agreement portfolio acquired in 2015 and arose from revised expectations regarding future trading, the rate of hotel exits and the cost of retaining hotels in the portfolio. The recoverable amount was based on value in use calculations using management fee projections based on near-term industry projected growth rates for the sector and discounted at a rate of 8.0%.

14. Property, plant and equipment

	Land and buildings \$m	Fixtures, fittings and equipment \$m	Total \$m
Cost			
At 1 January 2020	207	307	514
Additions	2	28	30
Fully depreciated assets written off	–	(17)	(17)
Disposals	(1)	(2)	(3)
Exchange and other adjustments	–	6	6
At 31 December 2020	208	322	530
Additions	–	17	17
Fully depreciated assets written off	–	(7)	(7)
Disposals	(103)	(29)	(132)
Exchange and other adjustments	–	(4)	(4)
At 31 December 2021	105	299	404
Depreciation and impairment			
At 1 January 2020	(73)	(132)	(205)
Provided	(4)	(33)	(37)
System Fund expense	–	(5)	(5)
Impairment charge	(39)	(51)	(90)
System Fund impairment charge	–	(5)	(5)
Fully depreciated assets written off	–	17	17
Disposals	1	1	2
Exchange and other adjustments	–	(6)	(6)
At 31 December 2020	(115)	(214)	(329)
Provided	(4)	(27)	(31)
System Fund expense	–	(4)	(4)
Fully depreciated assets written off	–	7	7
Disposals	66	21	87
Exchange and other adjustments	–	3	3
At 31 December 2021	(53)	(214)	(267)
Net book value			
At 31 December 2021	52	85	137
At 31 December 2020	93	108	201
At 1 January 2020	134	175	309

The Group's property, plant and equipment mainly comprises buildings and leasehold improvements on 19 hotels (2020: 23 hotels), but also offices and computer hardware, throughout the world.

In 2021, there were no impairments relating to property, plant and equipment and no indicators that impairment losses recognised in prior years may have reversed.

2020 impairment of property, plant and equipment

Total impairment charges of \$90m were recognised in relation to property, plant and equipment in 2020, in addition \$5m was recognised in the System Fund.

The recoverable amount of property, plant and equipment in the UK portfolio was measured at value in use, using a discounted cash flow approach. The key assumptions were 2021 revenues and profits, based on hotel budgets. For the purposes of impairment testing it was assumed that the landlord would exercise a termination right such that the current leases would end in 2022 and that the hotels would remain loss-making over this period. The recoverable amount of the property, plant and equipment tested for impairment was assessed as \$nil resulting in an impairment charge of \$50m. Estimated future cash flows were discounted at a pre-tax rate of 10.1%.

An impairment charge of \$35m was also recognised on property, plant and equipment relating to three premium-branded hotels in North America. The recoverable amount was measured at value in use, using a discounted cash flow approach that measures the present value of projected income flows (over a 10-year period) and the income from the property sale. The key assumptions were RevPAR growth assuming a five-year period of recovery to 2019 levels, discount rates and terminal capitalisation rates. Cash flows beyond the five-year period were extrapolated using a US long-term growth rate of 1.7%. Estimated future cash flows were discounted at pre-tax rates of 11.0%-12.0% and capitalisation rates of 7.5%-9.0% were used to calculate the eventual sales values of the hotels. The hotels were sold in 2021 (see note 12).

Notes to the Group Financial Statements continued

14. Property, plant and equipment continued

Impairment charges of \$3m were also recognised in relation to three land sites held by the Group in the US which were measured at fair value. The sites were appraised by a professional external valuer using comparable sales data. Within the fair value hierarchy, this is categorised as a Level 3 measurement.

Impairment charges of \$7m were recognised in relation to property, plant and equipment in the US corporate headquarters. The key assumptions and sensitivities are detailed in note 15. \$5m of this impairment charge was borne by the System Fund in line with the principles for cost allocation relating to this facility. The remaining \$2m was recognised in the Americas region (\$1m) and Central (\$1m).

Net book value by operating segment

	Americas \$m	EMEA \$m	Greater China \$m	Central \$m	Total \$m
Land and buildings	41	1	–	10	52
Fixtures, fittings and equipment	31	11	–	43	85
	72	12	–	53	137

15. Leases

Right-of-use assets

	Property \$m	Other \$m	Total \$m
Cost			
At 1 January 2020	822	5	827
Additions and other re-measurements	12	1	13
Derecognition	(93)	–	(93)
Terminations	(125)	(2)	(127)
Exchange and other adjustments	1	–	1
At 31 December 2020	617	4	621
Additions and other re-measurements	4	–	4
Terminations	(6)	(1)	(7)
Disposals	(3)	–	(3)
Exchange and other adjustments	(5)	–	(5)
At 31 December 2021	607	3	610
Depreciation and impairment			
At 1 January 2020	(335)	(2)	(337)
Provided	(34)	(1)	(35)
System Fund expense	(4)	–	(4)
Impairment charge	(16)	–	(16)
System Fund impairment charge	(32)	–	(32)
Derecognition	44	–	44
Terminations	64	1	65
Exchange and other adjustments	(3)	–	(3)
At 31 December 2020	(316)	(2)	(318)
Provided	(26)	(1)	(27)
System Fund expense	(3)	–	(3)
System Fund impairment reversal	3	–	3
Terminations	4	1	5
Disposals	1	–	1
Exchange and other adjustments	3	–	3
At 31 December 2021	(334)	(2)	(336)
Net book value			
At 31 December 2021	273	1	274
At 31 December 2020	301	2	303
At 1 January 2020	487	3	490

The Group's leased assets mainly comprise hotels and offices. Leases contain a wide range of different terms and conditions. The term of property leases ranges from 1-99 years. The weighted average lease term remaining on the Group's top eight leases (which comprise 94% of the right-of-use asset net book value) is 56 years. The InterContinental Boston lease, expiring in 2105, has a significant impact on this weighted average lease term. Undiscounted cash flows on the Boston lease of \$3,252m (2020: \$3,268m) represent 94% of the total undiscounted cash flows relating to lease liabilities disclosed in note 24.

15. Leases continued

Many of the Group's property leases contain extension or early termination options, which are used for operational flexibility. The lease agreement over the US corporate headquarters contains a material extension option which is not included in the calculation of the lease asset and liability as the extension would not take effect before 2031 and there is no reasonable certainty the option will be exercised. The value of the undiscounted rental payments relating to this lease and not included in the value of the lease asset and liability is \$283m. Additionally, the Group has the option to extend the term of the InterContinental Boston lease for two additional 20-year terms, the first of which would take effect from 2105. These extension options have not been included in the calculation of the lease liability.

2021 impairment reversal of right-of-use assets

There were no impairments relating to leases held by the Group in 2021.

Impairment reversals of \$3m were recognised in relation to the US corporate headquarters and arose as a result of contractual agreements to sublease or surrender certain areas for the remainder of the lease term, removing uncertainty over future cash flows for those areas.

The recoverable amount was measured at value in use, using a discounted cash flow based on the agreed contractual terms. A pre-tax discount rate of 9.5% was applied.

The impairment reversal was substantially all recognised in the System Fund in line with existing principles for cost allocation relating to this facility.

2020 impairment of right-of-use assets

For impairment testing of hotel properties, each hotel is deemed to be a CGU. In 2020, the impact of Covid-19 and the recovery period on trading was considered as a trigger for impairment testing for all hotel assets and an impairment charge of \$5m was recognised relating to one hotel in the EMEAA region, based on value in use calculations. Trading projections reflected a five-year RevPAR recovery period to 2019 levels and estimated future cash flows were discounted at a pre-tax rate of 8.8%.

Additionally, impairment charges of \$43m were recognised in relation to the US corporate headquarters following management approval of a decision to sublet approximately half of the space in the Group's US corporate headquarters. The area to be sublet was vacated in early 2021. Future sublease rentals are expected to be lower than the head lease rentals which, together with the impact of the expected time taken and costs incurred to sublet the space, resulted in an impairment charge of \$50m at 31 December 2020, \$7m of which related to property, plant and equipment.

The recoverable amount was measured at fair value less costs of disposal. This was equivalent to value in use given subletting the floors was considered to represent the highest and best use of the asset and so the cash flows were the same in both scenarios.

The key assumptions were the time taken to successfully sublet the whole space (over 2021-2023) and sublease rentals per square foot. A pre-tax discount rate of 8.5% was applied. Within the fair value hierarchy, this was categorised as a Level 3 fair value measurement. \$32m of this impairment charge was borne by the System Fund in line with the principles for cost allocation relating to this facility. The remaining \$11m was recognised in the Americas region (\$5m) and Central (\$6m).

Lease liabilities

The majority of the Group's lease liabilities are discounted at incremental borrowing rates of up to 11%. The rate implicit in the InterContinental Boston lease was 9.7% and was derived from a valuation of the hotel at lease inception in 2006.

Currency	2021 \$m	2020 \$m
US dollars	374	385
Sterling	6	10
Euros	5	7
Other	34	48
	419	450

Analysed as:

Current	35	34
Non-current	384	416
	419	450

Notes to the Group Financial Statements continued

15. Leases continued

Amounts recognised in the Group income statement

	2021 \$m	2020 \$m	2019 \$m
Depreciation of right-of-use assets	27	35	38
System Fund depreciation of right-of-use assets	3	4	5
Impairment charge	-	16	32
System Fund impairment (reversal)/charge	(3)	32	-
Derecognition of right-of-use assets and lease liabilities	-	(22)	-
Gain on lease termination	-	(30)	-
Expense relating to variable lease payments	31	7	58
Expense relating to short-term leases and low-value assets	1	2	3
Income from subleasing right-of-use assets	(1)	(1)	(2)
Recognised in operating profit/(loss)	58	43	134
Interest on lease liabilities	29	37	41
Total recognised in the Group income statement	87	80	175

Variable lease payments

Variable lease payments are payable under certain of the Group's hotel leases and arise where the Group is committed to making additional lease payments that are contingent on the performance of the hotels.

The UK portfolio leases and two German hotel leases contain guarantees that the Group will fund any shortfalls in lease payments up to an annual and cumulative cap. Since there is no floor to the rent reductions applicable under these leases, they are treated as fully variable. One of the German leases terminated in early 2022, following settlement of a commercial dispute.

Subleases

At 31 December 2021, the Group is party to certain operating sublease arrangements with the largest relating to the Group's US corporate headquarters. Sublease income relating to the US headquarters is principally recognised in the System Fund. The net book value of the related right-of-use assets is \$1m. The depreciation charge for the year on these assets was \$nil and sublease income recognised in the year on these and other leased assets was \$1m (2020: \$1m, 2019: \$2m).

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Total \$m
Operating sublease payments receivable	2	2	5	9

The undiscounted future cash flows receivable from subleased properties amounted to \$2m in 2020 and \$3m in 2019.

Amounts recognised in the Group statement of cash flows

Total cash paid during the year relating to leases of \$87m (2020: \$104m, 2019: \$159m) comprises \$55m (2020: \$39m, 2019: \$100m) paid in respect of operating activities and \$32m (2020: \$65m, 2019: \$59m) paid in respect of financing activities.

Exposure to future cash outflows

A lease liability is recorded when the leased assets are available for use by the Group.

In 2021, the Group signed an agreement to lease a new global head office in the UK for a period of 15 years at an average annual rental of approximately \$3m. The lease was signed and commenced in January 2022.

At 31 December 2021 and 31 December 2020, the Group was not committed to future cash outflows in relation to any other leases that have not yet commenced.

The maturity analysis of lease liabilities is disclosed in note 24.

16. Investment in associates and joint ventures

	2021 \$m	2020 \$m
Cost		
At 1 January	136	145
Additions	4	17
Share of losses	(8)	(14)
System Fund share of losses	(2)	(1)
Dividends and distributions	-	(7)
Exchange and other adjustments	2	(4)
At 31 December	132	136
Impairment		
At 1 January	(55)	(35)
Charge for the year ^a	-	(23)
Exchange and other adjustments	-	3
At 31 December	(55)	(55)
Net book value	77	81
Analysed as:		
Material associates	42	43
Other associates	35	38

^a In 2020, the \$23m impairment charge was presented net of \$4m gain on related put option (see note 6).

In 2021, there were no indicators of further impairment relating to investments in associates and no indicators that impairment losses recognised in prior years may have reversed.

Barclay associate

The Group held one material associate investment at 31 December 2021, a 19.9% interest in 111 East 48th Street Holdings, LLC (the 'Barclay associate') which owns InterContinental New York Barclay, a hotel managed by the Group. The investment is classified as an associate and equity accounted. Whilst the Group has the ability to exercise significant influence through certain decision rights, approval rights relating to the hotel's operating and capital budgets rest solely with the 80.1% majority member. The Group's ability to receive cash dividends is dependent on the hotel generating sufficient income to satisfy specified owner returns. \$18m was provided in 2021 in relation to settlement of a commercial dispute regarding owner returns during the pandemic.

Due to the significant trading impact of Covid-19 and resulting restrictions in New York, the hotel was closed for most of 2020 and Spring 2021. The closure period and the significant impact on RevPAR during the recovery period resulted in an impairment charge of \$13m in 2020. The recoverable amount of the investment was measured at fair value less costs of disposal, based on the Group's share of the market value of the hotel less debt in the associate. The hotel was appraised by a professional external valuer using an income capitalisation approach which is a discounted cash flow technique that measures the present value of projected income flows (over a 10-year period) and the property sale. Within the fair value hierarchy, this was categorised as a Level 3 fair value measurement. The external valuer assumed a return to 2019 RevPAR levels over a three- to four-year period, based on industry data specific to the New York market and supply factors in the luxury market located close to the InterContinental New York Barclay. The pre-tax discount and capitalisation rates used in the valuation were 7.5% and 6.0% respectively.

The 2020 impairment charge was presented net of a \$4m fair value gain on a put option over part of the Group's investment in the associate given there is an interdependency between the value of the option and the fair value of the associate investment. This fair value gain reversed in 2021.

Notes to the Group Financial Statements continued

16. Investment in associates and joint ventures continued

Summarised financial information in respect of the Barclay associate is set out below:

	2021 \$m	2020 \$m
31 December		
Non-current assets	485	497
Current assets	38	32
Current liabilities	(32)	(19)
Non-current liabilities	(246)	(247)
Net assets	245	263
Group share of reported net assets at 19.9%	49	52
Adjustments to reflect impairment, capitalised costs, and additional rights and obligations under the shareholder agreement	(7)	(9)
Carrying amount	42	43
 Year ended 31 December		
Revenue	42	16
Loss from continuing operations and total comprehensive loss for the year	(24)	(52)
Group's share of loss for the year, including the cost of funding owner returns	(5)	(13)

In 2019, the Group's share of losses from the Barclay associate was \$10m.

Other associates and joint ventures

	Associates			Joint ventures		
	2021 \$m	2020 \$m	2019 \$m	2021 \$m	2020 \$m	2019 \$m
(Losses)/profits from continuing operations and total comprehensive (loss)/income for the year	(3)	(3)	7	-	2	-

In 2020, impairment charges of \$8m were recognised in relation to two associates, both in the Americas region. Cash flows were based on management forecasts covering a five-year period, and discounted at pre-tax rates of 12.0% and 8.4%, resulting in recoverable amounts of \$1m and \$4m respectively.

A further associate with a value of \$5m at 31 December 2019 was liquidated in 2020. A final dividend of \$3m was received and the remaining investment of \$2m was impaired to \$nil in 2020; the charge was recognised within Central costs.

\$2m was received in 2020 on liquidation of a joint venture.

17. Other financial assets

	2021 \$m	2020 \$m
Equity securities	106	88
Restricted funds:		
Shortfall reserve deposit	6	9
Ring-fenced amounts to satisfy insurance claims:		
Cash	4	3
Money market funds	8	15
Bank accounts pledged as security	42	43
Other	1	3
	61	73
Trade deposits and loans	8	8
	175	169
 Analysed as:		
Current	2	1
Non-current	173	168
	175	169

17. Other financial assets continued

Equity securities

The methodology to calculate fair value and the sensitivities to the relevant significant unobservable inputs are detailed in note 25. The significant investments are as follows:

		2021		2020
		Fair value \$m	Dividend income \$m	Fair value \$m
Investment in entity which owns:				
InterContinental The Willard Washington DC		25	-	22
InterContinental San Francisco		17	-	15
InterContinental Grand Stanford Hong Kong		35	-	27

^a Reported within other operating income in the Group income statement.

Restricted funds

The shortfall reserve deposit is held for the specific purpose of funding shortfalls in owner returns relating to the Barclay associate. Any shortfalls funded are subject to potential clawback in future years. The maximum length of time for which the restricted funds will be held is the life of the hotel management agreement. \$3m was withdrawn from the deposit during the year to fund working capital requirements. In 2020, \$16m was withdrawn both in connection with the refinancing of the hotel's senior bank loan and to fund working capital requirements.

Amounts ring-fenced to satisfy insurance claims are principally held in the Group's Captive, which is a regulated entity (see note 21).

The bank accounts pledged as security (£31m) are subject to a charge in favour of the members of the UK unfunded pension arrangement (see note 27). The amounts pledged as security may change in future years subject to the trustees' agreement and updated actuarial valuations. The bank accounts will continue to be pledged as security until the date at which the UK unfunded pension liabilities have been fully discharged, unless otherwise agreed with the trustees.

Expected credit losses

Other financial assets with a total value of \$61m (2020: \$66m) are subject to the expected credit loss model requirements of IFRS 9 'Financial Instruments'. Equity securities, money market funds and other amounts measured at fair value are excluded. With the exception of the expected credit loss arising on trade deposits and loans (see below), expected credit losses are considered to be immaterial.

Included within trade deposits and loans is an owner loan with a principal value of \$6m where repayments due in 2021 and 2020 have not been received; and an owner loan with a principal value of \$4m which became past due in 2021. These loans are impaired in full. Other trade deposits and loans are not past due. In 2021, \$4m was collected in respect of an asset which was measured at \$nil at initial recognition as part of a business acquisition.

	2021 \$m	2020 \$m
Trade deposits and loans:		
Gross and net balance with no significant increase in credit risk since initial recognition	6	4
Gross balance with a significant increase in credit risk since initial recognition	17	19
Provision for lifetime expected credit losses ^a	(15)	(15)

^a Comprises \$6m and \$9m (2020: \$6m and \$9m) relating to the Americas and EMEAA regions respectively.

Credit risk

Restricted funds are held with bank counterparties which are rated at least A+ based on Standard and Poor's ratings.

The maximum exposure to credit risk of other financial assets at the end of the reporting period by geographic region is as follows:

	2021 \$m	2020 \$m
Americas	66	72
EMEAA	67	64
Greater China	42	33
	175	169

Notes to the Group Financial Statements continued

18. Trade and other receivables

	2021 \$m	2020 \$m
Trade receivables ^a	399	309
Other receivables	102	129
Prepayments	73	76
	574	514

^a Including cost reimbursements of \$23m (2020: \$26m).

Other receivables includes \$53m (2020: \$77m) relating to the UK portfolio rent. The Group has deferred certain rent payments due since 1 April 2020 with consideration given to the UK Government and other commercial tenant protection measures which are in place up to 31 March 2022. A rent reconciliation was finalised in 2021 which resulted in credit notes being received against unpaid 2020 rentals. A further reconciliation will be performed in 2022, at which point amounts due at the end of 2021 will be eliminated. \$29m (2020: \$65m) has been recognised within trade and other payables in relation to the rents due under the leases at 31 December 2021, with the receivable balance reflecting the recovery of both amounts due and amounts paid in the year.

Expected credit losses

The ageing of trade receivables shown below reflects the initial terms under the invoice rather than the revised terms where payment flexibility has been provided to owners. The net balances presented in the table below could result in additional credit losses if they are ultimately found to be uncollectable. Expected credit losses relating to other receivables are immaterial.

	2021			2020		
	Gross \$m	Credit loss allowance \$m	Net \$m	Gross \$m	Credit loss allowance \$m	Net \$m
Not past due	249	(2)	247	153	(1)	152
Past due 1 to 30 days	66	(5)	61	59	(2)	57
Past due 31 to 90 days	52	(7)	45	61	(6)	55
Past due 91 to 180 days	36	(9)	27	40	(7)	33
Past due 181 to 360 days	38	(21)	17	74	(62)	12
Past due more than 361 days	91	(89)	2	n/a	n/a	n/a
	532	(133)	399	387	(78)	309

As a result of the increased credit risk faced from customers due to the pandemic the Group has increased its focus on older receivables. In 2021, this has resulted in both an increase in cash collections relating to older receivables and a reassessment of those receivables previously considered to be irrecoverable. \$60m of fully provided receivables have been reinstated leading to an increase in both gross receivables and the expected credit loss provision. In addition, debts older than 180 days have been disclosed into further ageing categories. These changes have no impact on total amounts receivable, total credit loss provisions or the impairment loss recorded in the Group income statement.

	2021 \$m	2020 \$m
Movement in the allowance for expected lifetime credit losses		
At 1 January	(78)	(18)
Fully provided receivables reinstated	(60)	-
Impairment loss ^a	(4)	(40)
System Fund impairment reversal/(loss)	6	(24)
Amounts written off	8	7
Exchange and other adjustments	(5)	(3)
At 31 December	(133)	(78)

^a The impairment loss on financial assets disclosed on the face of the Group income statement also includes a gain of \$4m (2020: loss of \$48m) related to trade deposits and loans.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The maximum exposure to credit risk for trade and other receivables, excluding prepayments, at the end of the reporting period by geographic region is as follows:

	2021 \$m	2020 \$m
Americas	275	212
EMEAA	172	183
Greater China	54	43
	501	438

19. Cash and cash equivalents

	2021 \$m	2020 \$m
Cash at bank and in hand	124	104
Short-term deposits	301	358
Money market funds	1,025	892
Repurchase agreements	-	321
Cash and cash equivalents as recorded in the Group statement of financial position	1,450	1,675
Bank overdrafts (note 22)	(59)	(51)
Cash and cash equivalents as recorded in the Group statement of cash flows	1,391	1,624

Cash at bank and in hand includes bank balances of \$67m (2020: \$55m) which are matched by bank overdrafts of \$59m (2020: \$51m) under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position with the matching overdrafts held by the Group's central treasury company in the UK. Accordingly, bank overdrafts are included within cash and cash equivalents for the purposes of the cash flow statement.

At 31 December 2021, \$9m (2020: \$5m) is restricted for use on capital expenditure under hotel lease agreements and therefore not available for wider use by the Group. An additional \$77m (2020: \$44m) is held within countries from which funds are not currently able to be repatriated to the Group's central treasury company.

Details of the credit risk on cash and cash equivalents is included in note 24.

20. Trade and other payables

	2021 \$m	2020 \$m
Current		
Trade payables	109	80
Other tax and social security payable	29	37
Other payables	119	146
Deferred purchase consideration (note 25)	-	13
Accruals	322	190
	579	466
Non-current		
Other payables	4	4
Deferred purchase consideration (note 25)	12	11
Contingent purchase consideration (note 25)	73	79
	89	94

Other payables includes \$29m (2020: \$65m) relating to the UK portfolio rent (see note 18).

21. Provisions

	Litigation and commercial disputes \$m	Insurance reserves \$m	Onerous contractual expenditure \$m	Other \$m	Total \$m
At 31 December 2020	12	36	8	4	60
Provided, of which \$25m is recorded within exceptional items	25	13	-	2	40
Utilised	(1)	(10)	-	-	(11)
Released	(2)	-	-	-	(2)
Reclassification from trade and other payables	3	-	-	-	3
At 31 December 2021	37	39	8	6	90
Analysed as:					
Current	36	10	2	1	49
Non-current	1	29	6	5	41
	37	39	8	6	90

Notes to the Group Financial Statements continued

21. Provisions continued

Litigation and commercial disputes

The increase in the provision in the year relates to the provisionally agreed cost of settling commercial disputes in the Americas and EMEAA regions. During the year the Group settled matters which alleged violations of anti-trust regulations; these matters were previously disclosed as a contingent liability.

The provision at 31 December 2020 principally related to management's best estimate of settlements required in respect of lawsuits filed against the Group in the Americas region. Settlement terms have been agreed and payments are expected to be made in 2022. There are certain amounts that the Group will pursue in relation to these matters, up to the full cost of settlement; as these amounts are not virtually certain as at 31 December 2021 they have not been recognised.

Insurance reserves

The Group holds insurance policies with third-party insurers against certain risks relating to its corporate operations and owned and leased properties, and also acts as third-party insurer for certain risks of its managed hotels. An element of these risks are reinsured through the Group's Captive insurance company, which reduces the cost of the Group's insurance policies.

The insurance reserves mainly relate to general third-party liability, US workers' compensation, global employee benefits and employment practices liability insurances. The amounts are based on reserves held principally in the Group's Captive insurance company, and are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience provided primarily by third-party claims handlers and the third-party insurers.

Of the total reserves, \$28m relates to incurred but not reported claims. The utilisation of these reserves is dependent on the timing of claims being reported and ultimately being settled; based on historical experience this is expected to be approximately five years for a majority of the claims.

Amounts utilised within the reserves are paid to a third-party insurer or a dedicated claims handler for subsequent settlement with the claimant. In order to protect the third-party insurer against the solvency risk of the Captive, the Group has outstanding letters of credit (see note 31).

Over and above the actuarially determined reserves, the Group is potentially exposed to claims with individual caps which do not exceed \$4m for periods prior to 2011 and up to \$62m (of which \$53m is in respect of the last five policy years) in aggregate for periods since 2011, noting that actual claims did not differ significantly to estimates in 2021 or 2020.

In respect of the managed hotels, the Group received insurance premiums of \$17m (2020: \$19m, 2019: \$19m) and incurred claims expense of \$14m (2020: \$16m, 2019: \$18m). Insurance premiums earned are included in Central revenue.

Other

Includes dilapidations provisions.

22. Loans and other borrowings

	Maturity date	Discount at issue %	2021 \$m	2020 \$m
Current				
Bank overdrafts (note 19)	n/a	n/a	59	51
Commercial paper	16 March 2021	0.444	—	818
£173m 3.875% bonds 2022	28 November 2022	1.213	233	—
			292	869
Non-current				
£173m 3.875% bonds 2022	28 November 2022	1.213	—	235
€500m 1.625% bonds 2024	8 October 2024	0.437	565	611
£300m 3.75% bonds 2025	14 August 2025	0.986	408	413
£350m 2.125% bonds 2026	24 August 2026	0.550	473	479
€500m 2.125% bonds 2027	15 May 2027	0.470	570	618
£400m 3.375% bonds 2028	8 October 2028	1.034	537	542
			2,553	2,898
Total loans and other borrowings			2,845	3,767

Denominated in the following currencies:

Sterling	1,652	2,490
US dollars	57	31
Euros	1,135	1,242
Other	1	4
	2,845	3,767

Bonds

Interest is payable annually on the dates in the table above, at the rates stated above.

22. Loans and other borrowings continued

Commercial paper

In 2020, the Group issued £600m under the UK Government's Covid Corporate Financing Facility ('CCFF') which matured on 16 March 2021.

Syndicated and Bilateral Facilities

There were no amounts drawn as at 31 December 2021 or 31 December 2020.

The Syndicated Facility comprises a \$1,275m revolving credit facility and the Bilateral Facility comprises a \$75m revolving credit facility. Each is unsecured and contains the same terms and covenants (see note 24). A variable rate of interest is payable on amounts drawn under both facilities, which were undrawn throughout 2021. The maximum amount drawn in 2020 was \$690m.

Facilities provided by banks

	2021		2020	
	Within 1 year \$m	Between 1 and 2 years \$m	Within 1 year \$m	Between 2 and 5 years \$m
Unutilised facilities				
Committed	–	1,350	–	1,350
Uncommitted	50	–	50	–

23. Net debt

	2021 \$m	2020 \$m
Cash and cash equivalents	1,450	1,675
Loans and other borrowings – current	(292)	(869)
– non-current	(2,553)	(2,898)
Lease liabilities	(35)	(34)
– current	(384)	(416)
– non-current	(67)	13
Derivative financial instruments hedging debt values (note 24)	(1,881)	(2,529)
Net debt		
Movement in net debt		
Net (decrease)/increase in cash and cash equivalents, net of overdrafts	(236)	1,430
Add back financing cash flows in respect of other components of net debt:		
Principal element of lease payments	32	65
Issue of long-term bonds, including effect of currency swaps	–	(1,093)
Repayment/(issue) of commercial paper	828	(738)
Repayment of long-term bonds	–	290
Decrease in other borrowings	–	125
860		(1,351)
Decrease in net debt arising from cash flows	624	79
Other movements:		
Lease liabilities	(7)	144
Increase in accrued interest	(1)	(5)
Disposals	3	19
Exchange and other adjustments	29	(101)
24		57
Decrease in net debt	648	136
Net debt at beginning of the year	(2,529)	(2,665)
Net debt at end of the year	(1,881)	(2,529)

 Information concerning Non-GAAP measures can be found in the Strategic Report on pages 73 to 77.

 Net debt on a frozen GAAP basis as calculated for bank covenants was \$1,801m (2020: \$2,375m). Further details are provided on page 190.

Notes to the Group Financial Statements continued

23. Net debt continued

Loans and other borrowings (excluding bank overdrafts), lease liabilities and currency swaps comprise the liabilities included in the financing activities section of the Group statement of cash flows and their movements are analysed as follows:

	At 1 January 2021 \$m	Financing cash flows \$m	Exchange adjustments \$m	Disposal \$m	Other ^a \$m	At 31 December 2021 \$m
Lease liabilities	450	(32)	(3)	(3)	7	419
£173m 3.875% bonds 2022	235	–	(3)	–	1	233
€500m 1.625% bonds 2024	611	–	(48)	–	2	565
£300m 3.75% bonds 2025	413	–	(5)	–	–	408
£350m 2.125% bonds 2026	479	–	(6)	–	–	473
€500m 2.125% bonds 2027	618	–	(48)	–	–	570
£400m 3.375% bonds 2028	542	–	(7)	–	2	537
Commercial paper	818	(828)	13	–	(3)	–
	4,166	(860)	(107)	(3)	9	3,205
Currency swaps	17	–	–	–	45	62
	4,183	(860)	(107)	(3)	54	3,267

	At 1 January 2020 \$m	Financing cash flows \$m	Exchange adjustments \$m	Disposal \$m	Other ^{a,b} \$m	At 31 December 2020 \$m
Unsecured bank loans	125	(125)	–	–	–	–
Lease liabilities	680	(65)	(2)	(19)	(144)	450
£173m 3.875% bonds 2022	528	(290)	–	–	(3)	235
€500m 1.625% bonds 2024	–	585	26	–	–	611
£300m 3.75% bonds 2025	399	–	13	–	1	413
£350m 2.125% bonds 2026	462	–	16	–	1	479
€500m 2.125% bonds 2027	564	–	53	–	1	618
£400m 3.375% bonds 2028	–	511	29	–	2	542
Commercial paper	–	738	78	–	2	818
	2,758	1,354	213	(19)	(140)	4,166
Currency swaps (exchange of principal)	20	(3)	–	–	–	17
Currency swaps (initial fee received)	–	3	–	–	(3)	–
	2,778	1,354	213	(19)	(143)	4,183

^a The change in value of currency swaps represents fair value movements.

^b Included \$90m lease termination relating to InterContinental San Juan (see note 6).

24. Financial risk management and derivative financial instruments

Overview

The Group is exposed to financial risks that arise in relation to underlying business activities. These risks include: market risk, liquidity risk, credit risk and capital risk. There are Board approved policies in place to manage these risks. Treasury activities to manage these risks may include money market funds, repurchase agreements, spot and forward foreign exchange instruments, currency swaps, interest rate swaps and forward rate agreements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises: foreign exchange risk and interest rate risk. Financial instruments affected by market risk include loans and other borrowings, cash and cash equivalents, debt and equity investments and derivatives.

Foreign exchange risk

The US dollar is the predominant currency of the Group's revenue and cash flows. Movements in foreign exchange rates can affect the Group's reported profit or loss, net liabilities and its interest cover. The most significant exposures of the Group are in currencies that are freely convertible. The Group's reported debt has an exposure to borrowings held in sterling and euros. After the effect of currency swaps, the Group holds its bond debt in sterling which is the primary currency of shareholder returns. US dollars are also borrowed when required to reflect the predominant trading currency and act as a net investment hedge of US dollar denominated assets.

The Group transacted currency swaps at the same time as the €500m 2.125% 2027 and €500m 1.625% 2024 bonds were issued in November 2018 and October 2020 respectively in order to swap the bonds' proceeds and interest flows into sterling (see page 189).

Interest rate risk

The Group is exposed to interest rate risk in relation to its fixed and floating rate borrowings. The Group's policy requires a minimum of 50% fixed rate debt over the next 12 months. With the exception of overdrafts, 100% of borrowings were fixed rate debt at 31 December 2021 (2020: 100%).

24. Financial risk management and derivative financial instruments continued

Derivative financial instruments

Derivatives are recorded in the Group statement of financial position at fair value (see note 25) as follows:

Description	Hedge relationship	2021 \$m	2020 \$m
Put option	None	-	4
Currency swaps	Cash flow hedge	(62)	(17)
		(62)	(13)

Analysed as:

Non-current assets	-	5
Non-current liabilities	(62)	(18)
	(62)	(13)

The carrying amount of currency swaps of \$62m liability (2020: \$17m liability) comprises \$67m loss (2020: \$13m gain) relating to exchange movements on the underlying principal, included within net debt (see note 23), and \$5m gain (2020: \$30m loss) relating to other fair value movements.

Details of the credit risk on derivative financial instruments are included on page 191.

Cash flow hedges

Currency swaps have been transacted to swap the proceeds from the euro bonds to sterling as follows:

Date of designation	Pay leg	Interest rate	Receive leg	Interest rate	Maturity	Risk	Hedge type	Hedged item
November 2018	£436m	3.5%	€500m	2.125%	May 2027	Foreign exchange	Cash flow	€500m 2.125% bonds 2027
October 2020	£454m	2.7%	€500m	1.625%	October 2024	Foreign exchange	Cash flow	€500m 1.625% bonds 2024

There is an economic relationship between the hedged item and the hedging instrument as the critical terms are aligned, such that the hedge ratio is 1:1.

The change in the fair value of hedging instruments used to measure hedge ineffectiveness in the period mirrors that of the hypothetical derivative (hedged item) and was \$40m loss (2020: \$7m gain).

Hedge ineffectiveness arises where the cumulative change in the fair value of the swaps exceeds the change in fair value of the future cash flows of the bonds, and may be due to any opening fair value of the hedging instrument, or a change in the credit risk of the Group or counterparty. There was no ineffectiveness in 2021 or 2020.

Amounts recognised in the cash flow hedge reserves are analysed in note 29.

Net investment hedges

The Group designates the following as net investment hedges of its foreign operations, being the net assets of certain Group subsidiaries with a US dollar functional currency:

- Borrowings under the Syndicated and Bilateral Facilities; and
- Short-dated foreign exchange swaps.

The designated risk is the spot foreign exchange risk and interest on these financial instruments is taken through financial income or expense.

Short-dated foreign exchange swaps are used when needed to manage sterling surplus cash and reduce US dollar borrowings whilst maintaining operational flexibility. No short-dated foreign exchange swaps have been held since the first quarter of 2020.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a foreign exchange risk that will match the foreign exchange risk on the US dollar borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component.

The change in value of hedging instruments recognised in the currency translation reserve through other comprehensive income was \$nil (2020: \$1m loss). There was no ineffectiveness recognised in the Group income statement during the current or prior year.

Notes to the Group Financial Statements continued

24. Financial risk management and derivative financial instruments continued

Interest and foreign exchange risk sensitivities

The following table shows the impact of a general strengthening in the US dollar against sterling and euro on the Group's profit or loss before tax and net liabilities, and the impact of a rise in US dollar, euro and sterling interest rates on the Group's profit or loss before tax. The impact of the strengthening in the euro against sterling on net liabilities is also shown, as this impacts the fair value of the currency swaps.

		2021 \$m	2020 \$m	2019 \$m
Increase/(decrease) in profit before tax				
Sterling: US dollar exchange rate	5¢ fall	7.0	5.9	4.0
Euro: US dollar exchange rate	5¢ fall	0.2	0.3	(2.6)
US dollar interest rates	1% increase	7.1	2.2	(1.6)
Sterling interest rates	1% increase	5.2	12.9	0.6
Decrease in net liabilities				
Sterling: US dollar exchange rate	5¢ fall	29.1	30.2	39.9
Euro: US dollar exchange rate	5¢ fall	49.7	50.6	24.1
Sterling: euro exchange rate	5¢ fall	67.4	68.2	33.0

In 2021 and 2020, interest rate sensitivity relates to cash balances and would only be realised to the extent deposit rates increase by 1%.

Interest rate sensitivities include the impact of hedging and are calculated based on the year-end net debt position.

Liquidity risk

Group policy ensures sufficient liquidity is maintained to meet all foreseeable medium-term cash requirements and provide headroom against unforeseen obligations.

Cash and cash equivalents are held in short-term deposits, repurchase agreements, and cash funds which allow daily withdrawals of cash. Most of the Group's funds are held in the UK or US, although \$77m (2020: \$44m) is held in countries where repatriation is restricted (see note 19).

Medium and long-term borrowing requirements are met through committed bank facilities and bonds as detailed in note 22. Short-term borrowing requirements may be met from drawings under uncommitted overdrafts and facilities.

The Syndicated and Bilateral Facilities contain two financial covenants: interest cover and a leverage ratio. Covenants are monitored on a 'frozen GAAP' basis excluding the impact of IFRS 16 'Leases' and are tested at half year and full year on a trailing 12-month basis.

The interest cover covenant requires a ratio of Covenant EBITDA:Covenant interest payable above 3.5:1 and the leverage ratio requires Covenant net debt: Covenant EBITDA of below 3.5:1. Covenant EBITDA is calculated (on a frozen GAAP basis) as operating profit before exceptional items, depreciation and amortisation and System Fund revenues and expenses.

These covenants were waived from 30 June 2020 through 31 December 2021 and have been relaxed for test dates in 2022. A temporary minimum liquidity covenant of \$400m is tested at each test date up to and including 31 December 2022. For covenant purposes, liquidity is defined as unrestricted cash and cash equivalents (net of bank overdrafts) plus undrawn facilities with a remaining term of at least six months.

	2019 and prior	30 June 2020 to 31 December 2021	30 June 2022	31 December 2022	30 June 2023
Amended covenant test levels for Syndicated and Bilateral Facilities					
Leverage	<3.5x	waived	<7.5x	<6.5x	<3.5x
Interest cover	>3.5x	waived	>1.5x	>2.0x	>3.5x
Liquidity	n/a	\$400m	\$400m	\$400m	n/a

The measures used in the covenant tests are calculated on a frozen GAAP basis and do not align to the values reported by the Group as Non-GAAP measures:

	2021	2020	2019
Covenant EBITDA (\$m)	601	272	897
Covenant net debt (\$m)	1,801	2,375	2,241
Covenant interest payable (\$m)	133	111	99
Leverage	3.00	8.73	2.50
Interest cover	4.52	2.45	9.06
Liquidity (\$m)	2,655	2,925	n/a

The interest margin payable on the Syndicated and Bilateral Facilities is linked to the leverage ratio and can vary between USD LIBOR + 0.90% and USD LIBOR + 2.75%.

24. Financial risk management and derivative financial instruments continued

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments. Liabilities relating to the Group's deferred compensation plan are excluded; their settlement is funded entirely by the realisation of the related deferred compensation plan investments and no net cash flow arises.

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	More than 5 years \$m	Total \$m
31 December 2021					
Non-derivative financial liabilities:					
Bank overdrafts	59	–	–	–	59
£173m 3.875% bonds 2022	241	–	–	–	241
€500m 1.625% bonds 2024	9	9	575	–	593
£300m 3.75% bonds 2025	15	15	435	–	465
£350m 2.125% bonds 2026	10	10	502	–	522
€500m 2.125% bonds 2027	12	12	36	578	638
£400m 3.375% bonds 2028	18	18	55	575	666
Lease liabilities	58	49	123	3,212	3,442
Trade and other payables (excluding deferred and contingent purchase consideration)	550	2	1	2	555
Deferred and contingent purchase consideration	–	–	52	42	94
Derivative financial liabilities:					
Currency swaps hedging €500m 1.625% bonds 2024 outflows	16	16	628	–	660
Currency swaps hedging €500m 1.625% bonds 2024 inflows	(9)	(9)	(575)	–	(593)
Currency swaps hedging €500m 2.125% bonds 2027 outflows	21	21	62	598	702
Currency swaps hedging €500m 2.125% bonds 2027 inflows	(12)	(12)	(36)	(578)	(638)
31 December 2020					
Non-derivative financial liabilities:					
Bank overdrafts	51	–	–	–	51
£173m 3.875% bonds 2022	9	245	–	–	254
€500m 1.625% bonds 2024	10	10	634	–	654
£300m 3.75% bonds 2025	15	15	456	–	486
£350m 2.125% bonds 2026	10	10	31	488	539
€500m 2.125% bonds 2027	13	13	39	640	705
£400m 3.375% bonds 2028	19	18	55	601	693
Commercial paper	819	–	–	–	819
Lease liabilities	57	55	136	3,257	3,505
Trade and other payables (excluding deferred and contingent purchase consideration)	416	2	1	1	420
Deferred and contingent purchase consideration	13	5	13	81	112
Derivative financial liabilities:					
Currency swaps hedging €500m 1.625% bonds 2024 outflows	16	16	652	–	684
Currency swaps hedging €500m 1.625% bonds 2024 inflows	(10)	(10)	(634)	–	(654)
Currency swaps hedging €500m 2.125% bonds 2027 outflows	21	21	63	627	732
Currency swaps hedging €500m 2.125% bonds 2027 inflows	(13)	(13)	(39)	(640)	(705)

Credit risk

Credit risk on cash and cash equivalents is minimised by operating a policy on the investment of surplus cash that generally restricts counterparties to those with a BBB- credit rating or better or those providing adequate security. The Group uses long-term credit ratings from Standard and Poor's, Moody's and Fitch Ratings as a basis for setting its counterparty limits.

In order to manage the Group's credit risk exposure, the treasury function sets counterparty exposure limits using metrics including credit ratings, the relative placing of credit default swap pricings, tier 1 capital and share price volatility of the relevant counterparty.

Repurchase agreements are fully collateralised investments, with a maturity of three months or less. The Group accepts only government or supranational bonds where the lowest credit rating is AA- or better as collateral. In the event of default, ownership of these securities would revert to the Group. The securities held as collateral are to protect against default by the counterparty.

The Group's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of each financial asset, including derivative financial instruments. The expected credit loss on cash and cash equivalents is considered to be immaterial.

Notes to the Group Financial Statements continued

24. Financial risk management and derivative financial instruments continued

The table below analyses the Group's short-term deposits, money market funds and repurchase agreement collateral classified as cash and cash equivalents by counterparty credit rating:

	AAA \$m	AA \$m	AA- \$m	A+ \$m	A \$m	A- \$m	Total \$m
31 December 2021							
Short-term deposits	–	–	87	45	169	–	301
Money market funds	1,025	–	–	–	–	–	1,025
31 December 2020							
Short-term deposits	–	–	98	165	94	1	358
Money market funds	892	–	–	–	–	–	892
Repurchase agreement collateral	238	65	18	–	–	–	321

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure consists of net debt, issued share capital and reserves. The structure is managed with the objective of maintaining an investment grade credit rating, to provide ongoing returns to shareholders and to service debt obligations, whilst maintaining maximum operational flexibility. A key characteristic of IHG's managed and franchised business model is that it is highly cash generative, with a high return on capital employed. Surplus cash is either reinvested in the business, used to repay debt or returned to shareholders.

The Group's debt is monitored on the basis of a cash flow leverage ratio, being net debt divided by adjusted EBITDA. The Group has a stated aim of maintaining this ratio at 2.5x to 3.0x. The ratio at 31 December 2021 (which differs from the ratio as calculated on a frozen GAAP basis for covenant tests) was 2.98 (2020: 7.69).

The Group currently has a senior unsecured long-term credit rating of BBB- from Standard and Poor's. In the event this rating was downgraded below BBB-, there would be an additional step-up coupon of 1.25% payable on the bonds which would result in additional interest of approximately \$35m per year.

25. Classification and measurement of financial instruments

Accounting classification and fair value hierarchy

	Hierarchy of fair value measurement	2021				2020			
		Fair value ^a \$m	Amortised cost \$m	Not categorised as a financial instrument \$m	Total \$m	Fair value ^a \$m	Amortised cost \$m	Not categorised as a financial instrument \$m	Total \$m
Financial assets									
Other financial assets	1,3 ^b	114	61	–	175	103	66	–	169
Cash and cash equivalents	1	1,025	425	–	1,450	892	783	–	1,675
Derivative financial instruments	2,3 ^c	–	–	–	–	5	–	–	5
Deferred compensation plan investments	1	256	–	–	256	236	–	–	236
Trade and other receivables	–	–	501	73	574	–	438	76	514
Financial liabilities									
Derivative financial instruments	2	(62)	–	–	(62)	(18)	–	–	(18)
Deferred compensation plan liabilities	1	(256)	–	–	(256)	(236)	–	–	(236)
Loans and other borrowings	–	–	(2,845)	–	(2,845)	–	(3,767)	–	(3,767)
Trade and other payables	3	(73)	(566)	(29)	(668)	(79)	(444)	(37)	(560)

^a With the exception of equity securities, which are measured at fair value through other comprehensive income, all are measured at fair value through profit or loss. Of those, the financial assets related to the deferred compensation plan investments were designated as such upon initial recognition.

^b Of those measured at fair value, \$8m (2020: \$15m) are Level 1 and \$106m (2020: \$88m) are Level 3.

^c In 2020, \$1m were Level 2 and \$4m were Level 3.

25. Classification and measurement of financial instruments continued

Financial assets and liabilities measured at amortised cost whose carrying amount is not a reasonable approximation of fair value are as follows:

	Hierarchy of fair value measurement	2021		2020	
		Carrying value \$m	Fair value \$m	Carrying value \$m	Fair value \$m
Deferred purchase consideration	2	(12)	(13)	(24)	(26)
£173m 3.875% bonds 2022	1	(233)	(239)	(235)	(248)
€500m 1.625% bonds 2024	1	(565)	(585)	(611)	(630)
£300m 3.75% bonds 2025	1	(408)	(428)	(413)	(448)
£350m 2.125% bonds 2026	1	(473)	(471)	(479)	(489)
€500m 2.125% bonds 2027	1	(570)	(601)	(618)	(650)
£400m 3.375% bonds 2028	1	(537)	(566)	(542)	(603)

Right of offset

Other than in relation to cash pooling arrangements (see note 19), there are no financial instruments with a significant fair value subject to enforceable master netting arrangements and other similar agreements that are not offset in the Group statement of financial position.

Valuation techniques

Money market funds, deferred compensation plan investments and bonds

The fair value of money market funds, deferred compensation plan investments and bonds is based on their quoted market price.

Unquoted equity securities

Unquoted equity securities are fair valued using a discounted cash flow model, either internally or using professional external valuers. The significant unobservable inputs used to determine the fair value of the equity securities are RevPAR growth (based on the market-specific growth assumptions used by external valuers), pre-tax discount rate which ranged from 6.3% to 9.3% (2020: 6.4% to 10.0%), and a non-marketability factor which ranged from 20.0% to 30.0% (2020: 20.0% to 30.0%).

Applying a one-year slower/faster RevPAR recovery period would result in a \$7m (2020: \$6m/\$8m) (decrease)/increase in fair value respectively. A one percentage point increase/decrease in the discount rate would result in a \$9m (2020: \$12m/\$16m) (decrease)/increase in fair value respectively. A five percentage point increase/decrease in the non-marketability factor would result in a \$6m (2020: \$5m) (decrease)/increase in fair value respectively.

Derivative financial instruments

Currency swaps are measured at the present value of future cash flows discounted back based on quoted forward exchange rates and the applicable yield curves derived from quoted interest rates. Adjustments for credit risk use observable credit default swap spreads.

The put option over part of the Group's investment in the Barclay associate has been valued as the excess of the amount receivable under the option (which is based on the Group's capital invested to date) over fair value. In 2021, the fair value of the hotel was derived from a limited update to the 2020 appraisals, provided by a professional external valuer. In 2020, the fair value of the hotel was based on the value as calculated for impairment testing using discounted future cash flows as described in note 16.

Deferred purchase consideration

Deferred purchase consideration arose in respect of the acquisition of Regent, and comprises the present value of \$13m payable in 2024. The first instalment of \$13m was paid in 2021. The discount rate applied is based on observable US corporate bond rates of similar term to the expected payment date.

Contingent purchase consideration

Regent \$73m (2020: \$74m)

In 2018, the Group acquired a 51% controlling interest in Regent Hospitality Worldwide, Inc ('RHW'), with put and call options existing over the remaining 49% shareholding exercisable in a phased manner from 2026 to 2033. The Group has a present ownership interest in the remaining shares and the acquisition was accounted for as 100% owned with no non-controlling interest recognised and contingent purchase consideration comprising the present value of the expected amounts payable on exercise of the options based on the annual trailing revenue of RHW in the year preceding exercise with a floor applied.

The value of the contingent purchase consideration is subject to periodic reassessment as interest rates and RHW revenue expectations change. At 31 December 2021, it is assumed that \$39m will be paid in 2026 to acquire an additional 25% of RHW with the remaining 24% acquired in 2028 for \$42m. This assumes that the options will be exercised at the earliest permissible date which is consistent with the assumption made on acquisition. The amount recognised is the discounted value of the total expected amount payable of \$81m. The discount rate applied is based on observable US corporate bond rates of similar term to the expected payment dates. The range of possible outcomes remains unchanged from the date of acquisition at \$81m to \$261m (undiscounted).

The significant unobservable inputs used to determine the fair value of the contingent purchase consideration are the projected trailing revenues of RHW and the date of exercising the options. If the annual trailing revenue of RHW were to exceed the floor by 10%, the amount of the contingent purchase consideration recognised in the Group Financial Statements would increase by \$7m (2020: \$7m). If the date for exercising the options is assumed to be 2033, the amount of the undiscounted contingent purchase consideration would be \$86m (2020: \$86m).

Notes to the Group Financial Statements continued

25. Classification and measurement of financial instruments continued

UK portfolio \$nil (2020: \$nil)

The contingent purchase consideration comprises the present value of the above-market element of the expected lease payments to the lessor. The above-market assessment is determined by comparing the expected lease payments as a percentage of forecast hotel operating profit (before depreciation and rent) with market metrics, on a hotel by hotel basis. There is no floor to the amount payable and no maximum amount. Market rents were initially determined with assistance of professional third-party advisers. The fair value is subject to periodic reassessment as interest rates and expected lease payments change.

A fair value adjustment of \$21m was recognised in 2020, resulting in a reduction to the value of the liability arising mainly from a reduction in expected future rentals payable such that there is no above-market element (see note 6). No further adjustment has been made in 2021. The fair value is not sensitive to reasonably possible changes in assumptions.

Six Senses \$nil (2020: \$5m)

The conditions related to a pipeline property have not been met such that no amounts will be paid.

Level 3 reconciliation

	Other financial assets \$m	Derivative financial instruments \$m	Contingent purchase consideration \$m
At 1 January 2020	128	–	(91)
Additions	5	–	–
Transfers into Level 3	8	–	–
Repayments and disposals	(5)	–	–
Valuation losses recognised in other comprehensive income	(47)	–	–
Unrealised changes in fair value ^a	–	4	13
Exchange and other adjustments	(1)	–	(1)
At 31 December 2020	88	4	(79)
Additions	3	–	–
Valuation gains recognised in other comprehensive income	15	–	–
Unrealised changes in fair value ^b	–	(4)	6
At 31 December 2021	106	–	(73)

^a \$21m fair value gain on contingent purchase consideration and \$4m gain on derivative financial instruments were presented as exceptional items in the Group income statement. The remaining \$8m fair value loss on contingent purchase consideration related to Regent.

^b The change in the fair value of derivative financial instruments is recognised within other impairment charges in the Group income statement and is presented as an exceptional item.

26. Reconciliation of profit/(loss) for the year to cash flow from operations

	2021 \$m	2020 \$m	2019 \$m
Profit/(loss) for the year	265	(260)	386
Adjustments for:			
Net financial expenses	139	140	115
Fair value gains on contingent purchase consideration	(6)	(13)	(27)
Income tax charge/(credit)	96	(20)	156
Operating profit adjustments:			
Impairment loss on financial assets	-	88	8
Other impairment charges	4	226	131
Other operating exceptional items	25	(4)	55
Depreciation and amortisation	98	110	116
	127	420	310
Contract assets deduction in revenue	35	25	21
Share-based payments cost	28	21	30
Share of losses of associates and joint ventures	8	14	3
	71	60	54
System Fund adjustments:			
Depreciation and amortisation	94	62	54
Impairment (reversal)/loss on financial assets	(6)	24	12
Other impairment (reversals)/charges	(3)	41	-
Other operating exceptional items	-	20	28
Share-based payments cost	13	11	12
Share of losses of associates	2	1	-
	100	159	106
Working capital and other adjustments:			
Increase in deferred revenue	39	1	57
Decrease in inventories	1	1	-
(Increase)/decrease in trade and other receivables	(75)	38	(70)
Increase/(decrease) in trade and other payables	153	(69)	(63)
Other adjustments	(8)	2	(1)
	110	(27)	(77)
Cash flows relating to exceptional items	(12)	(87)	(55)
Contract acquisition costs, net of repayments	(42)	(64)	(61)
Total adjustments	583	568	521
Cash flow from operations	848	308	907

27. Retirement benefits

UK

Since 6 August 2014, UK retirement and death in service benefits are provided for eligible employees by the IHG UK Defined Contribution Pension Plan. Members, including those who have been auto-enrolled since 1 September 2013, are provided with defined contribution arrangements under this plan; benefits are based on each individual member's personal account. The plan is HM Revenue & Customs registered and governed by an independent trustee, assisted by professional advisers as and when required. The overall operation of the plan is subject to the oversight of The Pensions Regulator.

The former defined benefit plan, the InterContinental Hotels UK Pension Plan, was wound up on 21 July 2015 following the completion of the buy-out and transfer of the defined benefit obligations to Rothesay Life on 31 October 2014.

Residual defined benefit obligations remain in respect of additional benefits provided to members of an unfunded pension arrangement ('UK plan') who were affected by lifetime or annual allowances under the former defined benefit arrangements. Accrual under this arrangement ceased with effect from 1 July 2013 and a cash-out offer in 2014 resulted in the extinguishment of approximately 70% of the unfunded pension obligations. The Group meets the benefit payment obligations of the remaining members as they fall due. A charge over certain ring-fenced bank accounts totalling \$42m (£31m) at 31 December 2021 (see note 17) is currently held as security on behalf of the remaining members.

Notes to the Group Financial Statements continued

27. Retirement benefits continued

US

During 2018, the Group completed a termination of the US funded Inter-Continental Hotels Pension Plan, which involved certain qualifying members receiving lump-sum cash-out payments with the remaining pension obligations subject to a buy-out by Banner Life Insurance Company, a subsidiary of Legal & General America.

The Group continues to maintain the unfunded Inter-Continental Hotels Non-qualified Pension Plans ('US plans') and unfunded Inter-Continental Hotels Corporation Postretirement Medical, Dental, Vision and Death Benefit Plan ('US post-retirement plan'), both of which are defined benefit plans. Both plans are closed to new members. A Retirement Committee, comprising senior Group employees and assisted by professional advisers as and when required, has responsibility for oversight of the plans.

Movement in UK and US retirement benefit obligations

	Defined benefit obligation			Fair value of plan assets			Net defined benefit obligation		
	2021 \$m	2020 \$m	2019 \$m	2021 \$m	2020 \$m	2019 \$m	2021 \$m	2020 \$m	2019 \$m
At 1 January	103	96	91	—	—	—	103	96	91
Recognised in profit or loss									
Interest expense	2	3	3	—	—	—	2	3	3
	2	3	3	—	—	—	2	3	3
Recognised in other comprehensive income									
Actuarial (gain)/loss arising from changes in:									
Demographic assumptions	(3)	(3)	(1)	—	—	—	(3)	(3)	(1)
Financial assumptions	(3)	10	9	—	—	—	(3)	10	9
Experience adjustments	(1)	1	(1)	—	—	—	(1)	1	(1)
Re-measurement (gain)/loss	(7)	8	7	—	—	—	(7)	8	7
Exchange adjustments	(1)	2	1	—	—	—	(1)	2	1
	(8)	10	8	—	—	—	(8)	10	8
Other									
Group contributions	—	—	—	(5)	(6)	(6)	(5)	(6)	(6)
Benefits paid	(5)	(6)	(6)	5	6	6	—	—	—
	(5)	(6)	(6)	—	—	—	(5)	(6)	(6)
At 31 December	92	103	96	—	—	—	92	103	96
Comprising:									
UK plan	30	31	26	—	—	—	30	31	26
US plans	45	50	48	—	—	—	45	50	48
US post-retirement plan	17	22	22	—	—	—	17	22	22
	92	103	96	—	—	—	92	103	96

Assumptions

The principal financial assumptions used by the actuaries to determine the defined benefit obligations are:

	2021 %	2020 %	2019 %
UK plan only:			
Pension increases	3.4	3.0	2.7
Inflation rate	3.4	3.0	2.7
Discount rate:			
UK plan	1.8	1.4	2.1
US plans	2.4	1.9	2.9
US post-retirement plan	2.4	2.0	2.9
US healthcare cost trend rate assumed for the next year:			
Pre-65 (ultimate rate reached in 2031)	6.2	6.4	6.7
Post-65 (ultimate rate reached in 2031)	6.5	6.8	7.1
Ultimate rate that the cost rate trends to	4.5	4.5	4.5

Mortality is the most significant demographic assumption. The current assumptions for the UK are based on the S3PA 'light' year of birth tables with projected mortality improvements using the CMI_2020 model and a 1.25% per annum long-term trend and a smoothing parameter ('s-kappa') of 7.5 with weightings of 95% and 82% for pensioners and 98% and 81% for non-pensioners, male and female respectively. In the US, the current assumptions use rates from the Pri-2012 Mortality Study and Generationally Projected with Scale MP-2021 mortality tables.

27. Retirement benefits continued

The assumptions applied to the UK plan and US plans for life expectancy at retirement age are as follows:

	2021 Years	2020 Years	2019 Years	UK		US	
				2021 Years	2020 Years	2019 Years	
Current pensioners at 65 ^a	– male	24	24	24	22	22	21
	– female	26	26	26	23	23	23
Future pensioners at 65 ^b	– male	25	25	25	23	23	22
	– female	28	28	28	25	24	24

^a Relates to assumptions based on longevity (in years) following retirement at the end of the reporting period.

^b Relates to assumptions based on longevity (in years) relating to an employee retiring in 2041.

The assumptions allow for expected increases in longevity.

Sensitivities

Changes in assumptions used for determining retirement benefit costs and obligations may have an impact on the Group income statement and the Group statement of financial position. The key assumptions are the discount rate, the rate of inflation, the assumed mortality rate and the healthcare costs trend rate. The sensitivity analysis below relates to the benefit obligation and is based on extrapolating reasonable changes in these assumptions, using year-end conditions and assuming no interdependency between the assumptions:

		2021 \$m	2020 \$m
Increase/(decrease) in liabilities			
Discount rate	0.25% decrease	2.8	3.2
	0.25% increase	(2.8)	(3.2)
Inflation rate			
	0.25% decrease	(1.2)	(1.4)
	0.25% increase	1.3	1.4
Mortality rate			
	One-year increase	5.1	5.7
Healthcare costs trend rate			
	1% decrease	(1.2)	(1.6)
	1% increase	1.3	1.7

Estimated future benefit payments

	2021 \$m	2020 \$m
Within one year	5	6
Between one and five years	21	22
More than five years	96	101
	122	129

Average duration of pension obligations

	2021 Years	2020 Years
UK plan	19.0	19.0
US plans	9.0	9.3
US post-retirement plan	9.4	9.9

Other pension plans

Philippines

The Group maintains a further, immaterial, pension plan for employees in the Philippines which is accounted for as a defined benefit plan.

At 31 December 2021, the net retirement benefit asset was \$2m comprising plan assets of \$9m and a defined benefit obligation of \$7m. Plan assets comprise \$7m domestic government securities and \$2m domestic equity investments.

Contributions in the year were \$1m; the charge to the Group income statement and all other movements were less than \$1m.

Key assumptions used in the valuation are the discount rate of 5.0% and the rate of salary increases of 7.0% (after 2022). The weighted average duration of liabilities is 13 years; estimated future benefit payments are less than \$1m in all years.

Defined contribution schemes

The Group also operates a number of smaller pension schemes outside the UK, the most significant of which is a defined contribution scheme in the US.

Notes to the Group Financial Statements continued

28. Share-based payments

Annual Performance Plan

Under the IHG Annual Performance Plan ('APP'), eligible employees (including Executive Directors) can receive all or part of their bonus in the form of deferred shares and/or receive one-off awards of shares. Deferred shares are released on the third anniversary of the award date. Under the terms of awards that are referred to in this note, a fixed percentage of the award is made in the form of shares. Awards under the APP are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. The grant of deferred shares under the APP is at the discretion of the Remuneration Committee.

The number of shares is calculated by dividing a specific percentage of the participant's annual performance-related award by the average of the middle market quoted prices on the three consecutive business days following the announcement of the Group's results for the relevant financial year.

Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') allows Executive Directors and eligible employees to receive conditional share awards, which normally have a vesting period of three years. In addition, certain awards to Executive Directors are subject to a further two-year holding period after vesting.

Performance-related awards: Executive Directors, and other eligible employees, are granted share awards containing performance-based vesting conditions set by the Remuneration Committee, which are normally measured over the vesting period.

Restricted stock units: Awards to eligible employees are granted subject to continued employment.

Awards are normally made annually and, except in exceptional circumstances, will not exceed 3.5 times salary for eligible employees.

Colleague Share Plan

The Colleague Share Plan gives eligible corporate employees the opportunity to purchase shares up to an annual limit of \$1,000 (or local currency equivalent limit) or such other amount determined by the Board or its duly authorised committee. After the end of the plan year, the participant will be awarded the right to receive one matching share for every purchased share (subject to continued employment). If the participant holds the purchased shares until the second anniversary of the end of the plan year, the conditional right to matching shares vests. During the year, 31,234 (2020: 36,298, 2019: nil) shares were purchased by participating employees. Matching shares were awarded for the first cycle in 2021 and will vest after 12 months.

The total fair value of the Colleague Share Plan is not significant.

 More detailed information on the performance measures for awards to Executive Directors is shown in the Directors' Remuneration Report on pages 104 to 125.

Costs relating to share-based payment transactions

	2021 \$m	2020 \$m	2019 \$m
Equity-settled			
Operating profit before System Fund and exceptional items	26	19	28
Operating exceptional items	-	-	1
System Fund	13	11	12
	39	30	41
Cash-settled			
Operating profit before System Fund and exceptional items	2	2	2
	41	32	43

No consideration was received in respect of ordinary shares issued under option schemes during 2021, 2020 or 2019.

The Group uses separate option pricing models and assumptions depending on the plan.

	APP			LTIP		
	Binomial valuation model			Monte Carlo Simulation and Binomial valuation model		
	2021	2020	2019	2021	2020	2019
Weighted average share price (pence)	5,009.0	3,771.0	4,597.0	4,980.0	3,450.0	4,850.0
Expected dividend yield				1.11%	1.48%	2.16%
Risk-free interest rate				0.09%	0.02%	0.72%
Volatility ^a				43%	33%	19%
Term (years)	1.5	3.0	3.0	3.0	3.0	3.0

^a The expected volatility was determined by calculating the historical volatility of the Company's share price corresponding to the expected life of the share award.

28. Share-based payments continued

Movements in the awards outstanding under the schemes are as follows:

	APP	LTIP	
	Number of shares thousands	Performance-related awards Number of shares thousands	Restricted stock units Number of shares thousands
Outstanding at 1 January 2019	591	1,088	1,301
Granted	217	287	540
Vested	(276)	(293)	(422)
Share capital consolidation	(21)	-	-
Lapsed or cancelled	(15)	(387)	(144)
Outstanding at 31 December 2019	496	695	1,275
Granted	138	383	696
Vested	(188)	(179)	(413)
Lapsed or cancelled	(33)	(85)	(137)
Outstanding at 31 December 2020	413	814	1,421
Granted	90	281	442
Vested	(147)	(70)	(391)
Lapsed or cancelled	(8)	(153)	(122)
Outstanding at 31 December 2021	348	872	1,350
Fair value of awards granted during the year (cents)			
2021	6,888.5	4,676.3	6,559.7
2020	4,965.9	2,473.5	4,397.5
2019	5,888.7	4,985.6	5,862.1
Weighted average remaining contract life (years)			
At 31 December 2021	0.5	1.2	1.2
At 31 December 2020	1.0	1.4	1.3
At 31 December 2019	1.1	1.3	1.2

The above awards do not vest until the performance and service conditions have been met.

The weighted average share price at the date of exercise for share awards vested during the year was 5,081.2p (2020: 4,874.5p). The closing share price on 31 December 2021 was 4,781.0p and the range during the year was 4,399.0p to 5,336.0p.

29. Equity

Equity share capital

	Number of shares millions	Nominal value \$m	Share premium \$m	Equity share capital \$m
Allotted, called up and fully paid				
At 1 January 2019 (ordinary shares of 19 ¹⁷ / ₂₁ p each)	197	50	96	146
Share capital consolidation	(10)	-	-	-
Exchange adjustments	-	2	3	5
At 31 December 2019 (ordinary shares of 20 ³⁴⁰ / ₃₉₉ p each)	187	52	99	151
Exchange adjustments	-	1	4	5
At 31 December 2020 (ordinary shares of 20 ³⁴⁰ / ₃₉₉ p each)	187	53	103	156
Exchange adjustments	-	-	(2)	(2)
At 31 December 2021 (ordinary shares of 20³⁴⁰/₃₉₉p each)	187	53	101	154

The authority given to the Company at the AGM held on 7 May 2021 to purchase its own shares was still valid at 31 December 2021. A resolution to renew the authority will be put to shareholders at the AGM on 6 May 2022.

The Company no longer has an authorised share capital.

In October 2018, the Group announced a \$500m return of funds to shareholders by way of a special dividend and share consolidation. On 11 January 2019, shareholders approved the share consolidation on the basis of 19 new ordinary shares of 20³⁴⁰/₃₉₉p per share for every 20 existing ordinary shares of 19¹⁷/₂₁p, which became effective on 14 January 2019 and resulted in the consolidation of 10m shares. The special dividend was paid on 29 January 2019 at a cost of \$510m. The dividend and share consolidation had the same economic effect as a share repurchase at fair value, therefore previously reported earnings per share was not restated.

Notes to the Group Financial Statements continued

29. Equity continued

Shares held by employee share trusts

	Number of shares millions	Carrying value \$m	Market value \$m
31 December 2021	0.9	21.7	57.3
31 December 2020	0.1	1.4	3.1
31 December 2019	0.1	4.9	9.6

Treasury shares

During 2021, 1.4m (2020: 0.6m, 2019: 0.8m) treasury shares were transferred to the employee share trusts. At 31 December 2021, 3.7m shares (2020: 5.1m, 2019: 5.7m) with a nominal value of \$1.0m (2020: \$1.4m, 2019: \$1.6m) were held as treasury shares.

Cash flow hedge reserves

	Cash flow hedge reserves		
	Cash flow hedge reserve \$m	Cost of hedging reserve \$m	Total \$m
At 1 January 2019	(3)	(1)	(4)
Costs of hedging deferred and recognised in other comprehensive income	–	(6)	(6)
Change in fair value of currency swaps recognised in other comprehensive income	(34)	–	(34)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	38	–	38
At 31 December 2019	1	(7)	(6)
Costs of hedging deferred and recognised in other comprehensive income	–	(6)	(6)
Change in fair value of currency swaps recognised in other comprehensive income	(1)	–	(1)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	(13)	–	(13)
Deferred tax	4	–	4
Exchange adjustments	(2)	–	(2)
At 31 December 2020	(11)	(13)	(24)
Costs of hedging deferred and recognised in other comprehensive income	–	2	2
Change in fair value of currency swaps recognised in other comprehensive income	(62)	–	(62)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	96	–	96
Deferred tax	(7)	–	(7)
At 31 December 2021	16	(11)	5

Amounts reclassified from other comprehensive income to financial expenses comprise \$15m (2020: \$9m, 2019: \$8m) net interest payable on the currency swaps and an exchange loss of \$81m (2020: \$22m gain, 2019: \$30m loss) which offsets a corresponding gain or loss on the hedged bonds.

30. Capital and other commitments

	2021 \$m	2020 \$m
Contracts placed for expenditure not provided for in the Group Financial Statements		
Property, plant and equipment	13	17
Intangible assets	4	2
	17	19

The Group has also committed to invest a further \$6m (2020: \$6m) in one of its associates.

31. Contingencies and guarantees

Security incidents

In 2016, the Group was notified of data security incidents. Two lawsuits related to these have been settled in full. A further claim, filed in 2017, remains open. There continues to be uncertainty around the timing of the legal process; accordingly the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

A separate claim was filed in 2019, alleging a breach of the reservation system previously used by Kimpton. There continues to be uncertainty around the timing of the legal process; accordingly the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

Litigation

From time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. These legal claims and proceedings are in various stages and include disputes related to specific hotels where the potential materiality is not yet known; such proceedings, either individually or in the aggregate, have not in the recent past and are not likely to have a significant effect on the Group's financial position or profitability. Two such disputes in the EMEAA region are expected to be resolved in early 2022.

The Group has also given warranties in respect of the disposal of certain of its former subsidiaries. It is the view of the Directors that, other than to the extent that liabilities have been provided for in these Group Financial Statements (see note 21), it is not possible to quantify any loss to which these proceedings or claims under these warranties may give rise, however, as at the date of reporting, the Group does not believe that the outcome of these matters will have a material effect on the Group's financial position.

Third-party bank loans

In limited cases, the Group may guarantee part of mortgage loans made to facilitate third-party ownership of hotels under IHG management or franchise agreements. These guarantee arrangements are treated as insurance contracts as IHG is insuring the bank against default by the hotel, with a liability only being recognised in the event that a payout becomes probable. At 31 December 2021, there were guarantees of up to \$69m in place (2020: \$56m). During 2020 and 2021, the underlying mortgage loans were subject to periods of forbearance, deferring debt service payments; and/or, in the case of several loans, were modified to be interest only through a given time period.

The largest guarantee is \$21m and the underlying loan matures in 2029. The underlying managed hotel has been subject to forbearance agreements and, as at 31 December 2021, the covenant test related to the loan is met. The possibility of a payment under the guarantee is currently considered to be not probable although uncertainty remains as to the continued impact of the pandemic. Should the Group fund any amount under the guarantee, there is a cross-indemnity that the Group would seek to pursue for the other parties' share.

Other

At 31 December 2021, the Group had outstanding letters of credit of \$45m (2020: \$43m) mainly relating to the Group's Captive (see note 21). The letters of credit do not have set expiry dates, but are reviewed and amended as required.

In 2020, the Group made business insurance claims in relation to a small number of owned, leased and managed properties relating to the impact of Covid-19. These claims are ongoing and it is not currently possible to determine the amounts which may ultimately be recovered.

Notes to the Group Financial Statements continued

32. Related party disclosures

	2021 \$m	2020 \$m	2019 \$m
Total compensation of key management personnel			
Short-term employment benefits	19.3	10.5	15.8
Contributions to defined contribution pension plans	0.5	0.3	0.5
Equity compensation benefits ^a	8.1	2.3	12.1
	27.9	13.1	28.4

^a As measured in accordance with IFRS 2 'Share-based Payment'.

There were no other transactions with key management personnel during the years ended 31 December 2021, 2020 or 2019. Key management personnel comprises the Board and Executive Committee.

	2021 \$m	2020 \$m	2019 \$m
Associates			
Fee revenue from associates	3	1	10
Amounts owed by associates	11	11	3
Amounts owed to associates	-	(4)	(4)

The Group has given a guarantee of \$12m (2020: \$12m) against the bank loan of one associate (see note 31) and has a performance guarantee with a maximum exposure remaining of \$10m (2020: \$10m) for another associate.

The Group funds shortfalls in owner returns relating to the Barclay associate (see note 17). In addition, loans both to and from the Barclay associate of \$237m (2020: \$237m) are offset in accordance with the provisions of IAS 32 'Financial Instruments: Presentation' and presented net in the Group statement of financial position. Interest payable and receivable under the loans is equivalent (average interest rate of 0.9% in 2021 (2020: 0.8%)) and presented net in the Group income statement. \$18m was provided in 2021 in relation to settlement of a commercial dispute regarding owner returns during the pandemic (see note 6).

33. System Fund

System Fund revenues comprise:

	2021 \$m	2020 \$m	2019 \$m
Assessment fees and contributions received from hotels	727	490	1,036
Loyalty programme revenues, net of the cost of point redemptions	201	275	337
	928	765	1,373

System Fund expenses include:

	2021 \$m	2020 \$m	2019 \$m
Marketing	147	109	461
Payroll costs (note 4)	304	242	313
Depreciation and amortisation	94	62	54
Impairment (reversal)/loss on financial assets (note 18)	(6)	24	12
Other impairment (reversals)/charges	(3)	41	-

34. Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2021 are disclosed below. Unless otherwise stated, the ownership interest disclosed comprises either ordinary shares, certificated or un-certificated membership interests which are indirectly held by InterContinental Hotels Group PLC.

Fully owned subsidiaries

24th Street Operator Sub, LLC (k)
 36th Street IHG Sub, LLC (k)
 426 Main Ave, LLC (k)
 46 Nevins Street Associates, LLC (k)
 2250 Blake Street Hotel, LLC (k)
 Alpha Kimball Hotel, LLC (k)
 Asia Pacific Holdings Limited (n)
 Barclay Operating Corp. (cj)
 BHMC Canada Inc. (o)
 BHR Holdings B.V. (p)
 BHR Pacific Holdings, Inc. (k)
 BHTC Canada Inc. (o)
 Blythswood Square Glasgow Hotel OpCo Ltd. (n)
 BOC Barclay Sub, LLC (cj)
 Bristol Oakbrook Tenant Company (k)
 Cambridge Lodging, LLC (k)
 Capital Lodging, LLC (k)
 CF Irving Owner, LLC (k)
 CF McKinney Owner, LLC (k)
 CF Waco Owner, LLC (k)
 Compañía Inter-Continental De Hoteles El Salvador SA (n)
 Crowne Plaza, LLC (k)
 Cumberland Akers Hotel, LLC (k)
 Dunwoody Operations, LLC (k)
 Edinburgh George Street Hotel OpCo Ltd. (n)
 Edinburgh IC Limited (cr)
 EVEN Real Estate Holding, LLC (k)
 General Innkeeping Acceptance Corporation (b) (l)
 Grand Central Glasgow Hotel OpCo Limited (n)
 Guangzhou SC Hotels Services Ltd. (t)
 H.I. Soaltee Management Company Ltd. (ac)
 HI Sugarloaf, LLC (ci)
 Hale International Ltd. (v)
 HC International Holdings, Inc. (w)
 HH France Holdings SAS (x)
 HH Hotels (EMEA) B.V. (p)
 HH Hotels (Romania) SRL (y)
 HIM (Aruba) NV (z)
 Hoft Properties, LLC (k)
 Holiday Hospitality Franchising, LLC (k)
 Holiday Inn Mexicana S.A. de C.V. (ab)
 Holiday Inns (China) Ltd. (ac)
 Holiday Inns (Courtalin) Holding SAS (x)
 Holiday Inns (Courtalin) SAS (x)
 Holiday Inns (England) Limited (cy)
 Holiday Inns (Germany), LLC (l)
 Holiday Inns (Jamaica) Inc. (l)
 Holiday Inns (Middle East) Limited (ac)
 Holiday Inns (Philippines), Inc. (l)
 Holiday Inns (Saudi Arabia), Inc. (l)
 Holiday Inns (Thailand) Limited (ac)
 Holiday Inns (UK), Inc. (l)
 Holiday Inns Crowne Plaza (Hong Kong), Inc. (l)
 Holiday Inns Holdings (Australia) Pty Limited (aa)
 Holiday Inns Inc. (k)
 Holiday Inns Investment (Nepal) Limited (ac)
 Holiday Inns of America (UK) Limited (cb)
 Holiday Inns of Belgium N.V. (ad)
 Holiday Pacific Equity Corporation (k)
 Holiday Pacific, LLC (k)
 Holiday Pacific Partners, LP (k)
 Hotel InterContinental London (Holdings) Limited (n)
 Hotel Inter-Continental London Limited (n)
 Hoteles Y Turismo HIH SRL (n)
 IC Hotelbetriebsführungs GmbH (ae)
 IC Hotels Management (Portugal) Unipessoal, Lda (af)
 IC International Hotels Limited Liability Company (ag)
 IHC Arabia for Management, LLC (u)

IHC Buckhead, LLC (ci)
 IHC Edinburgh (Holdings) (cy)
 IHC Hopkins (Holdings) Corp. (k)
 IHC Hotel Limited (n)
 IHC Inter-Continental (Holdings) Corp. (k)
 IHC London (Holdings) (n)
 IHC May Fair (Holdings) Limited (cb)
 IHC May Fair Hotel Limited (n)
 IHC M-H (Holdings) Corp. (k)
 IHC Overseas (U.K.) Limited (n)
 IHC UK (Holdings) Limited (cy)
 IHC United States (Holdings) Corp. (b) (k)
 IHC Willard (Holdings) Corp. (k)
 IHG (Marseille) SAS (x)
 IHG (Myanmar) Limited (ah)
 IHG (Thailand) Limited (bu)
 IHG Amsterdam Management BV (p)
 IHG Bangkok Ltd. (v)
 IHG Brasil Administracao de Hoteis e Servicos Ltda (ak)
 IHG Civ Holding Main Fund, LLC (k)
 IHG Commissions Services SRL (co)
 IHG Community Development, LLC (ci)
 IHG de Argentina SA (al)
 IHG ECS (Barbados) SRL (co)
 IHG Franchising Brasil Ltda. (bd)
 IHG Franchising DR Corporation (k)
 IHG Franchising, LLC (k)
 IHG Hotels (New Zealand) Limited (an)
 IHG Hotels Limited (n)
 IHG Hotels Management (Australia) Pty Limited (b) (aa)
 IHG Hotels Nigeria Limited (ao)
 IHG Hotels South Africa (Pty) Limited (ap)
 IHG International Partnership (n)
 IHG Istanbul Otel Yönetim Limited Sirketi (bx)
 IHG Japan (Management), LLC (ar)
 IHG Japan (Osaka), LLC (ar)
 IHG Management (Maryland), LLC (as)
 IHG Management (Netherlands) B.V. (p)
 IHG Management d.o.o. Beograd (cc)
 IHG Management MD Barclay Sub, LLC (cj)
 IHG Management SL d.o.o. (bo)
 IHG Mexico Operaciones SA de CV (ab)
 IHG Orchard Street Member, LLC (k)
 IHG Peru SRL (cf)
 IHG PS Nominees Limited (n)
 IHG Sermex SA de CV (ab)
 IHG Systems Pty Ltd. (b) (aa)
 IHG Szalloda Budapest Szolgáltato Kft. (at)
 IHG Technology Solutions, LLC (k)
 IND East Village SD Holdings, LLC (k)
 InterContinental Berlin Service Company GmbH (au)
 InterContinental (Branston) 1 Limited (c) (cy)
 InterContinental (PB) 1 (n)
 InterContinental (PB) 3 Limited (n)
 InterContinental Brasil Administracao de Hoteis Ltda (q)
 Intercontinental D.C. Operating Corp. (k)
 Inter-Continental Florida Investment Corp. (k)
 Inter-Continental Florida Partner Corp. (k)
 InterContinental Gestion Hotelera SLU (by)
 Intercontinental Hospitality Corporation (k)
 InterContinental Hotel Berlin GmbH (au)
 InterContinental Hotel Düsseldorf GmbH (av)
 Inter-Continental Hotelreira Limitada (aw)
 Inter-Continental Hotels (Montreal) Operating Corp. (ax)
 Inter-Continental Hotels (Montreal) Owning Corp. (ax)
 InterContinental Hotels (Puerto Rico) Inc. (az)

Inter-Continental Hotels (Singapore) Pte. Ltd. (ai)
 Inter-Continental Hotels Corporation (k)
 Intercontinental Hotels Corporation de Venezuela C.A. (ba)
 Intercontinental Hotels Corporation Limited (b) (m)
 InterContinental Hotels Group (Asia Pacific) Pty Ltd. (ai)
 InterContinental Hotels Group (Australia) Pty Limited (aa)
 InterContinental Hotels Group (Canada) Inc. (o)
 InterContinental Hotels Group (España) SAU (by)
 InterContinental Hotels Group (Greater China) Limited (ac)
 InterContinental Hotels Group (India) Pvt. Ltd. (aq)
 InterContinental Hotels Group (Japan) Inc. (l)
 InterContinental Hotels Group (New Zealand) Limited (an)
 InterContinental Hotels Group (Shanghai) Ltd. (bb)
 InterContinental Hotels Group Customer Services Limited (n)
 InterContinental Hotels Group do Brasil Limitada (bc)
 InterContinental Hotels Group Healthcare Trustee Limited (n)
 InterContinental Hotels Group Operating Corp. (e) (k)
 InterContinental Hotels Group Resources, LLC (b) (k)
 InterContinental Hotels Group Services Company (n)
 InterContinental Hotels Italia, S.r.L. (be)
 InterContinental Hotels Limited (a) (n)
 InterContinental Hotels Management GmbH (bf)
 InterContinental Hotels Management Montenegro d.o.o. (ce)
 InterContinental Hotels Nevada Corporation (ck)
 InterContinental Hotels of San Francisco Inc. (k)
 Intercontinental IOHC (Mauritius) Limited (bg)
 InterContinental Management AM, LLC (cm)
 InterContinental Management Bulgaria EOOD (bp)
 InterContinental Management France SAS (x)
 InterContinental Management Poland sp. Z.o.o (cn)
 InterContinental Overseas Holdings, LLC (k)
 KG Benefits, LLC (aj)
 KG Gift Card Inc. (aj)
 KG Liability, LLC (k)
 KG Technology, LLC (k)
 KHRG 851, LLC (k)
 KHRG Aertson, LLC (k)
 KHRG Allegro, LLC (k)
 KHRG Argyle, LLC (k)
 KHRG Atlanta Midtown, LLC (k)
 KHRG Austin Beverage Company, LLC (k)
 KHRG Baltimore, LLC (k)
 KHRG Born, LLC (k)
 KHRG Boston Hotel, LLC (k)
 KHRG Bozeman, LLC (k)
 KHRG Buckhead, LLC (k)
 KHRG Canary, LLC (k)
 KHRG Cayman, LLC (k)
 KHRG Cayman Employer Ltd. (k)
 KHRG Dallas, LLC (k)
 KHRG Dallas Beverage Company, LLC (k)
 KHRG Employer, LLC (k)
 KHRG Goleta, LLC (k)
 KHRG Gray, LLC (k)
 KHRG Gray U2, LLC (k)
 KHRG Huntington Beach, LLC (k)
 KHRG Key West, LLC (k)
 KHRG King Street, LLC (k)
 KHRG La Peer, LLC (k)
 KHRG Miami Beach, LLC (k)
 KHRG Muse, LLC (k)
 KHRG New Orleans, LLC (k)
 KHRG NPC, LLC (k)

Notes to the Group Financial Statements continued

34. Group companies continued

KHRG Palladian, LLC (k)
 KHRG Palomar Phoenix, LLC (k)
 KHRG Philly Monaco, LLC (k)
 KHRG Pittsburgh, LLC (k)
 KHRG Porsche Drive, LLC (k)
 KHRG Reynolds, LLC (k)
 KHRG Riverplace, LLC (k)
 KHRG Sacramento, LLC (k)
 KHRG Schofield, LLC (k)
 KHRG SFD, LLC (k)
 KHRG SF Wharf, LLC (k)
 KHRG SF Wharf U2, LLC (k)
 KHRG South Beach, LLC (k)
 KHRG State Street, LLC (k)
 KHRG Sutter, LLC (k)
 KHRG Sutter Union, LLC (k)
 KHRG Taconic, LLC (k)
 KHRG Tariff, LLC (k)
 KHRG Texas Hospitality, LLC (k)
 KHRG Texas Operations, LLC (k)
 KHRG Tryon, LLC (k)
 KHRG Vero Beach, LLC (k)
 KHRG Vintage Park, LLC (k)
 KHRG VZ Austin, LLC (k)
 KHRG Wabash, LLC (k)
 KHRG Westwood, LLC (k)
 KHRG Wilshire, LLC (k)
 Kimpton Hollywood Licenses, LLC (k)
 Kimpton Hotel & Restaurant Group, LLC (k)
 Kimpton Phoenix Licenses Holdings, LLC (k)
 Louisiana Acquisitions Corp. (k)
 Luxury Resorts and Spas (France) SAS (ct)
 Manchester Oxford Street Hotel OpCo Limited (n)
 Mercer Fairview Holdings, LLC (k)
 Met Leeds Hotel OpCo Limited (n)
 MH Lodging, LLC (k)
 Oxford Spires Hotel OpCo Limited (n)
 Oxford Thames Hotel OpCo Limited (n)
 PML Services, LLC (as)
 Pollstrong Limited (n)
 Powell Pine, Inc. (k)
 Priscilla Holiday of Texas, Inc. (cl)
 PT Regent Indonesia (bh)
 PT SC Hotels & Resorts Indonesia (bh)
 Raison d'Etre Holdings (BVI) Limited (v)
 Raison d'Etre Services (BVI) Limited (v)
 Raison d'Etre Spas, LLC (k)
 Raison d'Etre Spas, Sweden AB (db)
 Regent Asia Pacific Hotel Management Ltd. (bw)
 Regent Asia Pacific Management Ltd. (cp)
 Regent Berlin GmbH (cq)
 Regent International Hotels Ltd (bw)
 Resort Services International (Cayo Largo) L.P. (ci)
 Roxburgh Hotel Edinburgh OpCo Limited (n)
 Russell London Hotel OpCo Limited (n)
 SBS Maryland Beverage Company, LLC (as)
 SC Hotels International Services, Inc. (k)
 SC Leisure Group Limited (n)
 SC NAS 2 Limited (n)
 SC Quest Limited (n)
 SC Reservations (Philippines) Inc. (l)
 SCH Insurance Company (bi)
 SCIH Branston 3 (cy)
 Semiramis for training of Hotel Personnel and
 Hotels Management SAE (ch)
 SF MH Acquisition, LLC (k)
 Six Continents Holdings Limited (n)
 Six Continents Hotels de Colombia SA (bj)
 Six Continents Hotels International Limited (n)
 Six Continents Hotels, Inc. (k)
 Six Continents International Holdings B.V. (p)
 Six Continents Investments Limited (f) (n)
 Six Continents Limited (n)
 Six Continents Overseas Holdings Limited (n)
 Six Continents Restaurants Limited (cy)
 SixCo North America, Inc (w)
 Six Senses Americas IP, LLC (k)

Six Senses Capital Pte. Ltd (ay)
 Six Senses North America Management, LLC (k)
 SLC Sustainable Luxury Cyprus Limited (cs)
 SPHC Management Ltd. (bq)
 St David's Cardiff Hotel OpCo Limited (n)
 Sustainable Luxury Holdings (BVI) Limited (v)
 Sustainable Luxury Lanka Pvt. Ltd (cv)
 Sustainable Luxury Maldives Private Limited (cw)
 Sustainable Luxury Mauritius Limited (cx)
 Sustainable Luxury Services (BVI) Limited (v)
 Sustainable Luxury Singapore Private Limited (ai)
 Sustainable Luxury UK Limited (n)
 Sustainable Luxury USA Limited (cz)
 The Grand Central Hotel Glasgow Limited (n)
 The Met Hotel Leeds Limited (n)
 The Principal Edinburgh George Street Limited (n)
 The Principal London Limited (n)
 The Principal Manchester Limited (n)
 The Principal York Limited (n)
 The Roxburgh Hotel Edinburgh Limited (s)
 Vista Rockville FF&E, LLC (as)
 White Shield Company Limited (bk)
 Wotton House Hotel OpCo Limited (n)
 WY BLL Owner, LLC (k)
 York Station Road Hotel OpCo Limited (n)

Key

- (a) Directly owned by InterContinental Hotels Group PLC
- (b) Ordinary shares and preference shares
- (c) Ordinary A and ordinary B shares
- (d) 8% cumulative preference shares
- (e) ¼ vote ordinary shares and ordinary shares
- (f) Ordinary shares, 5% cumulative preference shares and 7% cumulative preference shares
- (g) The entities do not have share capital and are governed by an operating agreement
- (h) Accounted for as associates and joint ventures due to IHG's decision-making rights contained in the partnership agreement
- (i) Accounted for as another financial asset due to IHG being unable to exercise significant influence over the financial and operating policy decisions of the entity
- (j) Minority interest relates to one or more individual shareholders who are employed or were previously employed by the entity

Subsidiaries where the effective interest is less than 100%

IHG ANA Hotels Group Japan LLC (74.66%) (ar)
 IHG ANA Hotels Holdings Co., Ltd. (66%) (ar)
 Regent Hospitality Worldwide, Inc. (51%) (bt)
 Sustainable Luxury Holding (Thailand) Limited (73.99%) (c) (j) (cu)
 Sustainable Luxury Hospitality (Thailand) Limited (73.99%) (c) (j) (cu)
 Sustainable Luxury Management (Thailand) Limited (49%) (c) (j) (cu)
 Sustainable Luxury Operations (Thailand) Ltd. (99.99%) (j) (cu)
 Universal de Hoteles SA (99.99%) (j) (bj)
 World Trade Centre Montreal Hotel Corporation (74.11%) (bl)

Associates, joint ventures and other

111 East 48th Street Holdings LLC (19.9%) (g) (h) (k)
 Alkoer, Sociedad de Responsabilidad Limitada de Capital Variable (50%) (h) (cg)
 Beijing Orient Express Hotel Co., Ltd. (16.15%) (bm)
 Blue Blood (Tianjin) Equity Investment Management Co., Limited (30.05%) (bn)
 Carr Clark SWW Subventure, LLC (26.67%) (g) (ca)
 Carr Waterfront Hotel, LLC (11.46%) (g) (h) (ca)
 China Hotel Investment Limited (30.05%) (i) (am)
 Desarrollo Alkoer Irapuato S. de R.L. de C.V. (50%) (cg)
 Desarrollo Alkoer Saltillo S. de R.L. de C.V. (50%) (cg)
 Desarrollo Alkoer Silao S. de R.L. de C.V. (50%) (cg)
 EDG Alpharetta EH, LLC (0%) (d) (h) (r)
 Gestion Hotelera Gestel, C.A. (50%) (c) (h) (ba)
 Groups360, LLC (13.05%) (h) (k)
 H.I. Soaltee Hotel Company Private Ltd. (26%) (br)
 Inter-Continental Hotels Saudi Arabia Limited (40%) (bs)
 NF III Seattle, LLC (25%) (g) (r)
 NF III Seattle Op Co, LLC (25%) (g) (r)
 Nuevas Fronteras S.A. (23.66%) (cd)
 President Hotel & Tower Co Ltd. (30%) (bu)
 Shanghai Yuhuan Industrial Development Co., Ltd. (1%) (da)
 Sustainable Luxury Gravity Global Private Limited (51%) (h) (bz)
 SURF-Samui Pte. Ltd. (49%) (ay)
 Tianjin ICBCI IHG Equity Investment Fund Management Co., Limited (21.04%) (bv)

34. Group companies continued

Registered addresses

- (k) 3411 Silverside Road, Tatnall Building #104, Wilmington, DE 19810, USA
- (l) 205 Powell Place, 37027 Brentwood, TN 37027, USA
- (m) Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
- (n) Broadwater Park, Denham, Buckinghamshire, UB9 5RH, UK
- (o) 333 Bay Street, Suite 400, Toronto M5H 2R2, Ontario, Canada
- (p) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
- (q) Alameda Jau 536, Suite 3s-A, 01420-000, São Paulo, Brazil
- (r) The Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA
- (s) Caledonian Exchange, 19a Canning Street, Edinburgh, EH3 8HE, UK
- (t) Building 4, No 13 Xiao Gang Zhong Ma Road, Zhuhai District, Guangzhou, Guangdong, P.R. China
- (u) Level 6, Akaria Plaza, North Wing, Gate D, Olaya Street, PO Box 93228, Riyadh 1148, KSA
- (v) Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola VG1110, British Virgin Islands
- (w) Wilmington Trust SP Services, Inc. 1105 North Market Street, Suite 1300, Wilmington, DE 19801, USA
- (x) 31-33 rue Mogador, 75009 Paris, France
- (y) Bucharest, 1st District, 50-52 Buzesti St, 83 module, 11 floor, Romania
- (z) 230 J E Irausquin Boulevard, Palm Beach, Aruba
- (aa) Level 11, 20 Bond Street, Sydney NSW 2000, Australia
- (ab) Ontario # 1010, Col. Providencia, Guadalajara, Jalisco CP44630, Mexico
- (ac) Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong SAR
- (ad) Rond-Point Robert Schuman 11, 1040 Brussels, Belgium
- (ae) QBC 4 – Am Belvedere 4, 1100, Vienna, Austria
- (af) Avenida da Republica, no 52 – 9, 1069 – 211, Lisbon, Portugal
- (ag) 24, Rusakovskaya Str., Moscow 107014, Russian Federation
- (ah) No. 84, Pan Haliain Street, Unit #1, Level 8, Uniteam Marine Office Building, Sanchuang Township, Yangon, Myanmar
- (ai) 230 Victoria Street, #13-00 Bugis Junction Towers, 188024, Singapore
- (aj) 4640 Admiralty Way, 5th Floor, Marina del Rey, CA 90292, USA
- (ak) Alameda Jau 536, Suite 3S-B, 01420-000 São Paulo, Brazil
- (al) Avenida Cordoba 1547, piso 8, oficina A, Buenos Aires, Argentina
- (am) The Phoenix Centre, George Street, Belleville St. Michael, Barbados
- (an) Level 10, 55 Shortland Street, Auckland Central, Auckland 1010, New Zealand
- (ao) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
- (ap) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
- (aq) 11th Floor, Building No. 10, Tower C, DLF Phase-II, DLF Cyber City, Gurgaon, Haryana-122002, India
- (ar) 20th Floor, Toranomon Kotoshira Tower, 2-8, Toranomon 1-chome, Minato-ku, Tokyo, Japan
- (as) 2 Wisconsin Circle #700, Chevy Chase, MD, 20815, USA
- (at) 1052 Budapest, Apáczai Csere Jánus u. 12-14A, Hungary
- (au) Budapester Str. 2, 10787 Berlin, Germany
- (av) Konigsallee 59, D-40215, Dusseldorf, Germany
- (aw) Alameda Jau 536, Suite 3S-E, 01420-000 São Paulo, Brazil
- (ax) 1980 Pérodeau Street, Vaudreuil-Dorion, J7V 8P7, Quebec, Canada
- (ay) 168 Robinson Road, #16-01 SIF Building, 068899, Singapore
- (az) 361 San Francisco Street Penthouse, San Juan, PR 00901, Puerto Rico
- (ba) Hotel Tamanaco Inter-Continental, Final Av. Ppal, Mercedes, Caracas, Venezuela
- (bb) 22nd Floor, Citigroup Tower, No. 33 Huayanshiquao Road, Pudong, Shanghai, P.R. China
- (bc) Alameda Jau 536, Suite 3S-C, 01420-000 São Paulo, Brazil
- (bd) Alameda Jau 536, Suite 3S-D, 01420-000 São Paulo, Brazil
- (be) Viale Monte Nero n.84, 20135 Milano, Italy
- (bf) Thurn-und-Taxis-Platz 6 – 60313 Frankfurt am Main, Germany
- (bg) Juris Tax Services Ltd. Level 12, NeX Teracom Tower II, Ebene, Mauritius
- (bh) Menara Imperium 22nd Floor, Suite D, Jl. HR. Rasuna Said Kav.1, Guntur Sub-district, Setiabudi District, South Jakarta 12980, Indonesia
- (bi) Primmer Piper Eggleston & Cramer PC, 30 Main St., Suite 500, P.O. Box 1489, Burlington, VT 05402-1489, USA
- (bj) Calle 49, Sur 45 A 300 of 1102 Envigado Antioquia, Colombia
- (bk) 21 Engineer Lane, Gibraltar, GX11 1AA, Gibraltar
- (bl) Suite 2500, 1000 de La Gauchetiere St. West, Montreal C H3B OA2, Canada
- (bm) Room 311, Building 1, No. 6 East Wen Hua Yuan Road, Beijing Economy and Technology Development Zone, Beijing, P.R. China
- (bn) Room N306, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R. China
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Financial Statements





Six Senses Lisbon, Portugal

Parent Company Financial Statements

Parent Company statement of financial position

31 December 2021	Note	2021 £m	2020 £m
Fixed assets			
Investments	3	3,160	3,131
Current assets			
Debtors: due after more than one year	4	28	18
Debtors: due within one year	4	922	927
Creditors: amounts falling due within one year	7	(832)	(600)
Net current assets		118	345
Total assets less current liabilities		3,278	3,476
Creditors: amounts falling due after one year	8	(1,941)	(2,138)
Net assets		1,337	1,338
Capital and reserves			
Called up share capital	10	39	39
Share premium account		75	75
Capital redemption reserve		7	7
Share-based payment reserve		393	364
Cash flow hedge reserves	6	3	(19)
Profit and loss account		820	872
Total equity		1,337	1,338

Signed on behalf of the Board,

Paul Edgecliffe-Johnson

21 February 2022

The loss after tax amounts to £52m (2020: £56m).

Registered number 05134420

Parent Company statement of changes in equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share-based payment reserve £m	Cash flow hedge reserves £m	Profit and loss account £m	Total equity £m
At 1 January 2020	39	75	7	339	(5)	928	1,383
Loss for the year	-	-	-	-	-	(56)	(56)
Other comprehensive income (items that may be subsequently reclassified to profit or loss):							
Losses on cash flow hedges, net of related tax credit of £3m	-	-	-	-	2	-	2
Costs of hedging	-	-	-	-	(5)	-	(5)
Hedging gains reclassified to financial expenses	-	-	-	-	(11)	-	(11)
Total other comprehensive loss for the year	-	-	-	-	(14)	-	(14)
Total comprehensive loss for the year	-	-	-	-	(14)	(56)	(70)
Share-based payments capital contribution	-	-	-	25	-	-	25
At 31 December 2020	39	75	7	364	(19)	872	1,338
Loss for the year	-	-	-	-	-	(52)	(52)
Other comprehensive income (items that may be subsequently reclassified to profit or loss):							
Losses on cash flow hedges, including related tax charge of £5m	-	-	-	-	(50)	-	(50)
Costs of hedging	-	-	-	-	2	-	2
Hedging losses reclassified to financial expenses	-	-	-	-	70	-	70
Total other comprehensive income for the year	-	-	-	-	22	-	22
Total comprehensive income/(loss) for the year	-	-	-	-	22	(52)	(30)
Share-based payments capital contribution	-	-	-	29	-	-	29
At 31 December 2021	39	75	7	393	3	820	1,337

 Notes on pages 210 to 215 form an integral part of these Financial Statements.

Notes to the Parent Company Financial Statements

1. Accounting policies

Authorisation of Financial Statements and statement of compliance with FRS 101

The Parent Company Financial Statements of InterContinental Hotels Group PLC (the 'Company') for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 21 February 2022 and the statement of financial position was signed on the Board's behalf by Paul Edgecliffe-Johnson. The Company is a public limited company incorporated and registered in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder. The Company's primary activity is acting as a holding company for the Group's investments.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. Having considered the going concern status and liquidity of the Group (see page 149) the Directors confirm they have a reasonable expectation that the Company has sufficient resources to continue operating until at least 30 June 2023 and there are no material uncertainties that may cast doubt on the Company's going concern status. Accordingly, they continue to adopt the going concern basis in preparing the Parent Company Financial Statements.

The Parent Company Financial Statements are presented in sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

The audit fee of £0.02m (2020: £0.02m) was borne by a subsidiary undertaking in both years.

Basis of preparation

The Parent Company Financial Statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted IFRSs.

FRS 101 sets out amendments to adopted IFRSs that are necessary to achieve compliance with the Companies Act and related Regulations.

The following disclosures have not been provided as permitted by FRS 101:

- A cash flow statement and related notes as required by IAS 7 'Statement of Cash Flows';
- A comparative period reconciliation for share capital as required by IAS 1 'Presentation of Financial Statements';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- Disclosures in respect of the compensation of key management personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

Where the Consolidated Financial Statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group-settled share-based payments; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out herein have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Critical accounting policies and the use of judgements, estimates and assumptions

There are no critical estimates or judgements which are considered to present significant risk of a material adjustment to the Parent Company Financial Statements in the next financial year.

1. Accounting policies continued

Significant accounting policies

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the income statement.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, amounts due from and amounts due to Group undertakings and loans and other borrowings.

Investments in equity securities

Investments in subsidiaries are carried at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The carrying amount is reviewed at each reporting date, including a comparison to the market capitalisation of the Company (£8.8bn) on 31 December 2021, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Amounts due from and amounts due to Group undertakings

Amounts due from Group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for expected credit losses. Allowances for expected credit losses are made based on the risk of non-payment, taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowances are measured as either 12-month expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

Amounts due to Group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Loans and other borrowings

Loans and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including transaction costs and any discount or premium on issue, are recognised in the income statement using the effective interest rate method.

Borrowings are classified as due after more than one year when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

Derivative financial instruments and hedging

Derivatives are initially recognised and subsequently measured at fair value. The subsequent accounting treatment depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivatives which have either not been designated as hedging instruments or relate to the ineffective portion of hedges are recognised immediately in the income statement.

Documentation outlining the measurement and effectiveness of any hedging arrangement is maintained throughout the life of the hedge relationship.

Interest arising from currency derivatives and interest rate swaps is recorded in either financial income or expenses over the term of the agreement, unless the accounting treatment for the hedging relationship requires the interest to be taken to reserves.

Capital and reserves

Accounting policies relating to capital and reserves, which are also applicable to the Company, can be found on page 157 of the Group Financial Statements.

Share-based payments

The cost of equity-settled share-based payment transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The income statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the Company grants awards over its own shares to the employees of its subsidiaries, it recognises, in the Parent Company Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its Consolidated Financial Statements with the corresponding credit being recognised directly in equity.

Notes to the Parent Company Financial Statements continued

2. Directors' remuneration

The average number of Directors of the Company during the year, analysed by category, was as follows:

Number of Directors	2021	2020
Non-Executive Directors	10	9
Executive Directors	3	3
	13	12

Directors' remuneration	2021 £m	2020 £m
Base salaries, fees, annual performance payments and benefits	6.1	3.3

 More detailed information on the remuneration including pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 115 and 123. In addition, amounts received or receivable under long-term incentive schemes are shown on page 115.

Number of Directors	2021	2020
Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	3	3

3. Investments

Cost and net book value	£m
At 1 January 2021	3,131
Share-based payments capital contribution	29
At 31 December 2021	3,160

The Company is the beneficial owner of all the equity share capital of InterContinental Hotels Limited, a company registered in England and Wales.

 A full list of subsidiary and other related undertakings is given in note 34 of the Group Financial Statements on pages 203 to 205.

4. Debtors

	2021 £m	2020 £m
Due after more than one year		
Deferred tax (note 5)	28	18
	28	18
Due within one year		
Amounts due from Group undertakings	912	926
UK Corporation tax	10	1
	922	927

5. Deferred tax

	Losses £m	Currency swaps £m	Total £m
At 1 January 2021	14	4	18
Income statement	15	–	15
Other comprehensive income	–	(5)	(5)
At 31 December 2021	29	(1)	28

Deferred tax is recognised on the basis of an expectation of sufficient future profits within the Group.

 More detailed information on the basis for deferred tax recognition is shown in note 8 of the Group Financial Statements on page 172.

6. Derivative financial instruments and hedging

Currency swaps have been transacted to swap the proceeds from the euro bonds to sterling as follows:

Date of designation	Pay leg	Interest rate	Receive leg	Interest rate	Maturity	Hedged item	Fair value	
							2021 £m	2020 £m
November 2018	£436m	3.5%	€500m	2.125%	May 2027	€500m 2.125% bonds 2027	(16)	–
October 2020	£454m	2.7%	€500m	1.625%	October 2024	€500m 1.625% bonds 2024	(31)	(14)

Hedge ineffectiveness arises where the cumulative change in the fair value of the swaps exceeds the change in fair value of the future cash flows of the bonds. The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period was a £30m loss (2020: £5m gain).

The cash flow hedge reserves are analysed as follows:

	Cash flow hedge reserves		
	Cash flow hedge reserve £m	Cost of hedging reserve £m	Total £m
At 1 January 2020	–	(5)	(5)
Costs of hedging deferred and recognised in other comprehensive income	–	(5)	(5)
Change in fair value of currency swaps recognised in other comprehensive income	(1)	–	(1)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	(11)	–	(11)
Deferred tax	3	–	3
At 31 December 2020	(9)	(10)	(19)
Costs of hedging deferred and recognised in other comprehensive income	–	2	2
Change in fair value of currency swaps recognised in other comprehensive income	(45)	–	(45)
Reclassified from other comprehensive income to profit or loss – included in financial expenses	70	–	70
Deferred tax	(5)	–	(5)
At 31 December 2021	11	(8)	3

Notes to the Parent Company Financial Statements continued

7. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts due to Group undertakings	659	–
Loans and other borrowings:		
Commercial paper	–	600
£173m 3.875% bonds 2022	173	–
	832	600

 More detailed information on loans and other borrowings is shown in note 22 of the Group Financial Statements on pages 186 to 187.

8. Creditors: amounts falling due after one year

	2021 £m	2020 £m
Derivative financial liabilities (note 6)	47	14
Loans and other borrowings:		
£173m 3.875% bonds 2022	–	173
€500m 1.625% bonds 2024	419	448
£300m 3.75% bonds 2025	303	302
£350m 2.125% bonds 2026	351	351
€500m 2.125% bonds 2027	423	453
£400m 3.375% bonds 2028	398	397
	1,941	2,138

 More detailed information on loans and other borrowings is shown in note 22 of the Group Financial Statements on pages 186 to 187.

9. Employee benefits

Share-based payments

The Company operates the Annual Performance Plan, Long Term Incentive Plan (performance-related awards and restricted stock units) and the Colleague Share Plan.

 More detailed information on the plans is shown in note 28 of the Group Financial Statements on pages 198 to 199.

The weighted average share price at the date of exercise for share awards vested during the year was 5,081.2p (2020: 4,874.5p).

The share awards outstanding at the year end have a weighted average contractual life of 0.5 years (2020: 1.0 years) for the Annual Performance Plan, 1.2 years (2020: 1.4 years) for performance-related awards and 1.2 years (2020: 1.3 years) for restricted stock units.

10. Capital and reserves

	Number of shares millions	Equity share capital £m
Allotted, called up and fully paid		
At 31 December 2020 and 31 December 2021 (ordinary shares of 20³⁴⁰/₃₉₉p each)	187	39

The authority given to the Company at the AGM held on 7 May 2021 to purchase its own shares was still valid at 31 December 2021. A resolution to renew the authority will be put to shareholders at the AGM on 6 May 2022.

The Company no longer has an authorised share capital.

At 31 December 2021, 3,701,408 (2020: 5,061,408) shares with a nominal value of £771,822 (2020: £1,055,411) were held as treasury shares.

The share premium account represents the amount of proceeds received for shares in excess of their nominal value.

11. Dividends and shareholder returns

The final dividend of 85.9¢ per ordinary share (amounting to \$157m) is proposed for approval at the AGM on 6 May 2022. No dividends were paid in 2021 or 2020.

12. Contingencies

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2021:

Company name	Company number
InterContinental (PB) 1	06724223
InterContinental (PB) 3 Limited	06947603
IHC May Fair Hotel Limited	02323039
Asia Pacific Holdings Limited	03941780
Six Continents Hotels International Limited	00722401
Hotel InterContinental London (Holdings) Limited	06451128

The Company will guarantee all outstanding liabilities of the above UK subsidiary undertakings as at the balance sheet date in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantees as remote.

In 2021 and 2020, there were no contingent liabilities to disclose in respect of guarantees of the liabilities of subsidiaries.

Additional Information



Hotel Indigo Belgrade, Serbia

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Holiday Inn Bangkok, Thailand



Hotel Indigo Bali Seminyak Beach, Indonesia

Other financial information

Use of Non-GAAP measures

In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures.

 Further explanation in relation to these measures and their definitions can be found on pages 73 to 77.

Revenue and operating profit Non-GAAP reconciliations

Highlights for the year ended 31 December 2021

Reportable segments

	Revenue				Operating profit			
	2021 \$m	2020 \$m	Change \$m	Change %	2021 \$m	2020 \$m	Change \$m	Change %
Per Group income statement	2,907	2,394	513	21.4	494	(153)	NM ^a	NM ^a
System Fund	(928)	(765)	(163)	21.3	11	102	(91)	(89.2)
Reimbursement of costs	(589)	(637)	48	(7.5)	–	–	–	–
Operating exceptional items	–	–	–	–	29	270	(241)	(89.3)
Reportable segments	1,390	992	398	40.1	534	219	315	143.8

Reportable segments analysed as:

Fee business	1,153	823	330	40.1	570	278	292	105.0
Owned, leased and managed lease	237	169	68	40.2	(36)	(59)	23	39.0
	1,390	992	398	40.1	534	219	315	143.8

^a Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

Underlying revenue and underlying operating profit

	Revenue				Operating profit			
	2021 \$m	2020 \$m	Change \$m	Change %	2021 \$m	2020 \$m	Change \$m	Change %
Reportable segments (see above)	1,390	992	398	40.1	534	219	315	143.8
Significant liquidated damages ^a	(6)	(1)	(5)	500.0	(6)	(1)	(5)	500.0
Owned and leased asset disposals ^b	(11)	(21)	10	(47.6)	3	6	(3)	(50.0)
Currency impact	–	16	(16)	–	–	(1)	1	–
Underlying revenue and underlying operating profit	1,373	986	387	39.2	531	223	308	138.1

^a \$6m recognised in 2021 reflects the significant liquidated damages related to one hotel in Greater China. The \$1m recognised in 2020 reflects the continued recognition of the significant liquidated damages related to the previously disclosed exit of a portfolio of 2.1k hotels in Germany.

^b The results of three EVEN Hotels have been removed in 2021 (being the year of disposal for these hotels) and the prior year to determine underlying growth. The results of hotels removed in 2020 (being the year of disposal or lease termination for these hotels) have also been removed to determine underlying growth.

Underlying fee revenue and underlying fee operating profit

	Revenue				Operating profit			
	2021 \$m	2020 \$m	Change \$m	Change %	2021 \$m	2020 \$m	Change \$m	Change %
Reportable segments fee business (see above)	1,153	823	330	40.1	570	278	292	105.0
Significant liquidated damages ^a	(6)	(1)	(5)	500.0	(6)	(1)	(5)	500.0
Currency impact	–	11	(11)	–	–	–	–	–
Underlying fee revenue and underlying fee operating profit	1,147	833	314	37.7	564	277	287	103.6

^a \$6m recognised in 2021 reflects the significant liquidated damages related to one hotel in Greater China. The \$1m recognised in 2020 reflects the continued recognition of the significant liquidated damages related to the previously disclosed exit of a portfolio of 2.1k hotels in Germany

Revenue and operating profit Non-GAAP reconciliations continued
Americas

	Revenue				Operating profit ^b			
	2021 \$m	2020 \$m	Change \$m	Change %	2021 \$m	2020 \$m	Change \$m	Change %
Per Group financial statements, note 2	774	512	262	51.2	559	296	263	88.9
Reportable segments analysed as^a:								
Fee business ^d	691	457	234	51.2	568	323	245	75.9
Owned, leased and managed lease	83	55	28	50.9	(9)	(27)	18	(66.7)
	774	512	262	51.2	559	296	263	88.9
Reportable segments (see above)	774	512	262	51.2	559	296	263	88.9
Owned and leased asset disposals ^c	(11)	(17)	6	(35.3)	3	7	(4)	(57.1)
Currency impact	-	-	-	-	-	2	(2)	-
Underlying revenue and underlying operating profit	763	495	268	54.1	562	305	257	84.3

^a Revenues as included in the Group Financial Statements, note 3.

^b Before exceptional items.

^c The results of three EVEN Hotels have been removed in 2021 (being the year of disposal for these hotels) and the prior year to determine underlying growth. The results of hotels removed in 2020 (being the year of disposal or lease termination for these hotels) have also been removed to determine underlying growth.

^d Fee margin calculated as fee business operating profit^b less significant liquidated damages, divided by fee business revenue less significant liquidated damages: 2021 (\$568m/\$691m), 2020 (\$323m/\$457m), 2019 (\$663m/\$853m).

EMEA

	Revenue				Operating profit ^b			
	2021 \$m	2020 \$m	Change \$m	Change %	2021 \$m	2020 \$m	Change \$m	Change %
Per Group financial statements, note 2	303	221	82	37.1	5	(50)	55	NM ^e
Reportable segments analysed as^a:								
Fee business ^f	149	107	42	39.3	32	(18)	50	NM ^e
Owned, leased and managed lease	154	114	40	35.1	(27)	(32)	5	(15.6)
	303	221	82	37.1	5	(50)	55	NM ^e
Reportable segments (see above)	303	221	82	37.1	5	(50)	55	NM ^e
Significant liquidated damages ^c	-	(1)	1	-	-	(1)	1	-
Owned asset disposals ^d	-	(4)	4	-	-	(1)	1	-
Currency impact	-	8	(8)	-	-	(2)	2	-
Underlying revenue and underlying operating profit	303	224	79	35.3	5	(54)	59	NM^e

^a Revenues as included in the Group Financial Statements, note 3.

^b Before exceptional items.

^c \$1m recognised in 2020 reflects the continued recognition of the significant liquidated damages related to the previously disclosed exit of a portfolio of 2.1k hotels in Germany.

^d The results of the hotels removed in 2020 (being the year of disposal or lease termination for these hotels) have been removed to determine underlying growth.

^e Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

^f Fee margin calculated as fee business operating profit^b less significant liquidated damages, divided by fee business revenue less significant liquidated damages: 2021 (\$32m/\$149m), 2020 (\$19m/\$106m), 2019 (\$191m/\$326m).

Other financial information continued

Revenue and operating profit Non-GAAP reconciliations continued Greater China

	Revenue				Operating profit ^b			
	2021 \$m	2020 \$m	Change \$m	Change %	2021 \$m	2020 \$m	Change \$m	Change %
Per Group financial statements, note 2	116	77	39	50.6	58	35	23	65.7
Reportable segments analysed as^a:								
Fee business ^d	116	77	39	50.6	58	35	23	65.7
Reportable segments (see above)	116	77	39	50.6	58	35	23	65.7
Significant liquidated damages ^c	(6)	-	(6)	-	(6)	-	(6)	-
Currency impact	-	5	(5)	-	-	1	(1)	-
Underlying revenue and underlying operating profit	110	82	28	34.1	52	36	16	44.4

^a Revenues as included in the Group Financial Statements, note 3.

^b Before exceptional items.

^c \$6m recognised in 2021 reflects the significant liquidated damages related to one property.

^d Fee margin calculated as fee business operating profit^b less significant liquidated damages, divided by fee business revenue less significant liquidated damages: 2021 (\$52m/\$110m), 2020 (\$35m/\$77m), 2019 (\$73m/\$135m).

Highlights for the year ended 31 December 2020

Reportable segments

	Revenue				Operating profit			
	2020 \$m	2019 \$m	Change \$m	Change %	2020 \$m	2019 \$m	Change \$m	Change %
Per Group income statement	2,394	4,627	(2,233)	(48.3)	(153)	630	(783)	NM ^a
System Fund	(765)	(1,373)	608	(44.3)	102	49	53	108.2
Reimbursement of costs	(637)	(1,171)	534	(45.6)	-	-	-	-
Operating exceptional items	-	-	-	-	270	186	84	45.2
Reportable segments	992	2,083	(1,091)	(52.4)	219	865	(646)	(74.7)

Reportable segments analysed as:

Fee business	823	1,510	(687)	(45.5)	278	813	(535)	(65.8)
Owned, leased and managed lease	169	573	(404)	(70.5)	(59)	52	(11)	NM ^a
	992	2,083	(1,091)	(52.4)	219	865	(646)	(74.7)

Underlying fee revenue

	Revenue			
	2020 \$m	2019 \$m	Change \$m	Change %
Reportable segments fee business (see above)	823	1,510	(687)	(45.5)
Significant liquidated damages	(1)	(11)	10	(90.9)
Currency impact	-	(4)	4	-
Underlying fee revenue	822	1,495	(673)	(45.0)

^a Percentage change considered not meaningful, such as where a positive balance in the latest period is comparable to a negative or zero balance in the prior period.

Revenue and operating profit Non-GAAP reconciliations continued

Highlights for the year ended 31 December 2019

Reportable segments

	Revenue				Operating profit			
	2019 \$m	2018 \$m	Change \$m	Change %	2019 \$m	2018 \$m	Change \$m	Change %
Per Group income statement	4,627	4,337	290	6.7	630	582	48	8.2
System Fund	(1,373)	(1,233)	(140)	11.4	49	146	(97)	(66.4)
Reimbursement of costs	(1,171)	(1,171)	—	—	—	—	—	—
Operating exceptional items	—	—	—	—	186	104	82	78.8
Reportable segments	2,083	1,933	150	7.8	865	832	33	4.0

Reportable segments analysed as:

Fee business	1,510	1,486	24	1.6	813	793	20	2.5
Owned, leased and managed lease	573	447	126	28.2	52	39	13	33.3
	2,083	1,933	150	7.8	865	832	33	4.0

Underlying fee revenue

	Revenue			
	2019 \$m	2018 \$m	Change \$m	Change %
Reportable segments fee business (see above)	1,510	1,486	24	1.6
Significant liquidated damages	(11)	(13)	2	(15.4)
Acquisitions ^a	(14)	—	(14)	—
Currency impact	—	(17)	17	—
Underlying fee revenue	1,485	1,456	29	2.0

^a The results of acquired businesses (Six Senses and two UK portfolio hotels) are removed only in the year of acquisition when determining underlying growth compared to the prior year.

Fee margin reconciliation

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Revenue					
Reportable segments analysed as fee business (page 160)	1,153	823	1,510	1,486	1,379
Significant liquidated damages	(6)	(1)	(11)	(13)	—
Captive insurance company (note 21)	(17)	(19)	(19)	(11)	(9)
	1,130	803	1,480	1,462	1,370
Operating profit					
Reportable segments analysed as fee business (pages 218 to 221)	570	278	813	793	731
Significant liquidated damages	(6)	(1)	(11)	(13)	—
Captive insurance company (note 21)	(3)	(3)	(1)	(1)	—
	561	274	801	779	731
Fee margin^a					
	49.6%	34.1%	54.1%	53.3%	53.4%

^a Reported as a KPI on page 52.

Other financial information continued

Net capital expenditure reconciliation

	12 months ended 31 December	
\$m	2021 \$m	2020 \$m
Net cash from investing activities	(12)	(61)
Adjusted for:		
Contract acquisition costs net of repayments	(42)	(64)
System Fund depreciation and amortisation ^a	91	58
Deferred purchase consideration paid	13	-
Net capital expenditure	50	(67)
Analysed as:		
Capital expenditure: maintenance (including contract acquisition costs, net of repayments of \$42m (2020: \$64m))	(75)	(107)
Capital expenditure: recyclable investments	53	17
Capital expenditure: System Fund capital investments	72	23
Net capital expenditure	50	(67)

^a Excludes depreciation on right-of-use assets.

Gross capital expenditure reconciliation

	12 months ended 31 December	
\$m	2021 \$m	2020 \$m
Net capital expenditure	50	(67)
Add back:		
Disposal receipts	(58)	(18)
Rewards of contract acquisition costs	(1)	-
Distributions from associates and joint ventures	-	(5)
System Fund depreciation and amortisation ^a	(91)	(58)
Gross capital expenditure	(100)	(148)
Analysed as:		
Capital expenditure: maintenance (including gross contract acquisition costs of \$43m (2020: \$64m))	(76)	(107)
Capital expenditure: recyclable investments	(5)	(6)
Capital expenditure: System Fund capital investments	(19)	(35)
Gross capital expenditure	(100)	(148)

^a Excludes depreciation on right-of-use assets.

Adjusted free cash flow reconciliation

	12 months ended 31 December				
	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Net cash from operating activities	636	137	653	709	616
Adjusted for:					
Payment of contingent purchase consideration	-	-	6	-	-
Principal element of lease payments	(32)	(65)	(59)	(35)	(25)
Purchase of shares by employee share trusts	-	-	(5)	(3)	(3)
Capital expenditure: maintenance (excluding contract acquisition costs)	(33)	(43)	(86)	(60)	(72)
Adjusted free cash flow^a	571	29	509	611	516

^a Reported as a KPI on page 52.

Adjusted interest reconciliation

	12 months ended 31 December	
	2021 \$m	2020 \$m
Net financial expenses		
Financial income	8	4
Financial expenses	(147)	(144)
	(139)	(140)
Adjusted for:		
Interest attributable the System Fund	(3)	(3)
Capitalised interest relating to System Fund assets	-	(1)
Exceptional financial expenses	-	14
	(3)	10
Adjusted interest	(142)	(130)

Adjusted EBITDA reconciliation

	2021 \$m	2020 \$m	2019 \$m
Operating profit/(loss)	494	(153)	630
Add back			
System Fund result	11	102	49
Operating exceptional items	29	270	186
Depreciation and amortisation	98	110	116
Adjusted EBITDA	632	329	981

Adjusted earnings per ordinary share reconciliation

	12 months ended 31 December	
	2021 \$m	2020 \$m
Profit/(loss) available for equity holders	266	(260)
Adjusting items:		
System Fund revenues and expenses	11	102
Interest attributable to the System Fund	(3)	(4)
Operating exceptional items	29	270
Exceptional finance expenses	-	14
Fair value gains on contingent purchase consideration	(6)	(13)
Tax on fair value gains on contingent purchase consideration	1	-
Tax on exceptional items	(3)	(52)
Exceptional tax	(26)	-
Adjusted earnings	269	57
Basic weighted average number of ordinary shares (millions)	183	182
Adjusted earnings per ordinary share (cents)	147.0	31.3

Other financial information continued

Revenue per available room (RevPAR), average daily rate and occupancy

RevPAR is the primary metric used by management to track hotel performance across regions and brands. RevPAR is also a commonly used performance measure in the hotel industry. RevPAR comprises IHG system rooms revenue divided by the number of room nights available and can be mathematically derived from occupancy rate multiplied by average daily rate (ADR). Occupancy rate is rooms occupied by hotel guests expressed as a percentage of rooms that are available. ADR is rooms revenue divided by the number of room nights sold.

References to RevPAR, occupancy and ADR are presented on a comparable basis comprising groupings of hotels that have traded in both the current and prior year, including the impact of hotels temporarily closed as a result of Covid-19. The principal exclusions in deriving this measure are new hotels, hotels closed for major refurbishment and hotels sold in either of the two years. RevPAR and ADR are quoted at a constant US\$ conversion rate, in order to allow a better understanding of the comparable year-on-year trading performance excluding distortions created by fluctuations in exchange rates.

The following tables present RevPAR statistics for the year ended 31 December 2021 and a comparison to 2020. Fee business and owned, leased and managed lease statistics are for comparable hotels and include only those hotels in the Group's System at 31 December 2021 and franchised, managed, owned, leased or managed lease by the Group since 1 January 2020. The comparison with 2020 is at constant US\$ exchange rates.

	Fee business	Owned, leased and managed lease			
		2021	Change vs 2020	2021	Change vs 2020
Americas					
InterContinental					
Occupancy	40.8%	15.7ppt	-	-	
Average daily rate	\$185.22	6.4%	-	-	
RevPAR	\$75.55	73.0%	-	-	
Kimpton					
Occupancy	51.5%	21.5ppt	-	-	
Average daily rate	\$233.27	10.7%	-	-	
RevPAR	\$120.04	90.1%	-	-	
Crowne Plaza					
Occupancy	43.1%	13.2ppt	-	-	
Average daily rate	\$112.91	7.2%	-	-	
RevPAR	\$48.72	54.4%	-	-	
Hotel Indigo					
Occupancy	55.8%	18.9ppt	-	-	
Average daily rate	\$153.25	20.7%	-	-	
RevPAR	\$85.44	82.4%	-	-	
EVEN Hotels					
Occupancy	53.8%	23.5ppt	-	-	
Average daily rate	\$122.17	19.8%	-	-	
RevPAR	\$65.74	112.4%	-	-	
Holiday Inn					
Occupancy	51.4%	14.8ppt	-	-	
Average daily rate	\$109.76	11.7%	-	-	
RevPAR	\$56.42	56.8%	-	-	
Holiday Inn Express					
Occupancy	62.2%	16.7ppt	-	-	
Average daily rate	\$112.18	12.1%	-	-	
RevPAR	\$69.79	53.3%	-	-	
avid					
Occupancy	58.69%	28.6ppt	-	-	
Average daily rate	\$81.67	10.6%	-	-	
RevPAR	47.93%	115.4%	-	-	
Staybridge Suites					
Occupancy	72.7%	16.9ppt	-	-	
Average daily rate	\$108.68	7.7%	-	-	
RevPAR	\$79.02	40.4%	-	-	
Candlewood Suites					
Occupancy	74.2%	12.7ppt	-	-	
Average daily rate	\$85.73	8.2%	-	-	
RevPAR	\$63.61	30.5%	-	-	

RevPAR, average daily rate and occupancy continued

	Fee business	Owned, leased and managed lease			
		2021	Change vs 2020	2021	Change vs 2020
EMEA					
InterContinental					
Occupancy	38.5%	6.3ppt	18.6%	(0.8)ppt	
Average daily rate	\$180.87	6.1%	\$252.19	4.6%	
RevPAR	\$69.65	26.9%	\$47.01	0.1%	
Crowne Plaza					
Occupancy	40.5%	9.4ppt	-	-	
Average daily rate	\$109.31	3.1%	-	-	
RevPAR	\$44.27	34.3%	-	-	
Hotel Indigo					
Occupancy	36.9%	12.0ppt	-	-	
Average daily rate	\$128.23	9.9%	-	-	
RevPAR	\$47.37	62.6%	-	-	
Holiday Inn					
Occupancy	42.0%	9.6ppt	-	-	
Average daily rate	\$85.65	3.9%	-	-	
RevPAR	\$36.01	34.4%	-	-	
Holiday Inn Express					
Occupancy	47.2%	12.0ppt	-	-	
Average daily rate	\$76.22	9.0%	-	-	
RevPAR	\$36.01	46.2%	-	-	
Staybridge Suites					
Occupancy	57.9%	11.0ppt	-	-	
Average daily rate	\$135.00	18.3%	-	-	
RevPAR	\$78.21	46.2%	-	-	
Greater China					
InterContinental					
Occupancy	51.1%	6.2ppt	-	-	
Average daily rate	\$119.19	6.2%	-	-	
RevPAR	\$60.85	20.8%	-	-	
HUALUXE					
Occupancy	50.7%	5.7ppt	-	-	
Average daily rate	\$68.77	0.4%	-	-	
RevPAR	\$34.84	13.1%	-	-	
Crowne Plaza					
Occupancy	48.0%	7.1ppt	-	-	
Average daily rate	\$74.90	2.6%	-	-	
RevPAR	\$35.96	20.4%	-	-	
Hotel Indigo					
Occupancy	49.1%	6.3ppt	-	-	
Average daily rate	\$130.82	16.4%	-	-	
RevPAR	\$64.28	33.4%	-	-	
Holiday Inn					
Occupancy	47.7%	7.9ppt	-	-	
Average daily rate	\$55.64	1.6%	-	-	
RevPAR	\$26.56	21.8%	-	-	
Holiday Inn Express					
Occupancy	49.3%	6.7ppt	-	-	
Average daily rate	\$41.73	4.5%	-	-	
RevPAR	\$20.58	20.9%	-	-	

Directors' Report

This Directors' Report includes the information required to be given in line with the Companies Act or, where provided elsewhere, an appropriate cross reference is given. The Governance Report approved by the Board is provided on pages 80 to 127 and incorporated by reference herein.

Subsidiaries, joint ventures and associated undertakings

The Group has around 390 subsidiaries, joint ventures and related undertakings (including branches outside of the United Kingdom). A list of subsidiaries and associated undertakings disclosed in accordance with the Companies Act is provided at note 34 of the Group Financial Statements on pages 203 to 205.

Directors

The Directors may exercise all the powers of the Company, subject to the Articles of Association, legislation and regulation. This includes the ability to exercise the authority to allot or purchase the Company's shares pursuant to authorities granted by shareholders at the Company's AGM every year. Further details of the powers of the Company's Directors can be found on page 239.

 For biographies of the current Directors see pages 82 to 85.

Directors' and Officers' (D&O) liability insurance and existence of qualifying indemnity provisions

The Company maintains the Group's D&O liability insurance policy, which covers Directors and Officers of the Company defending civil proceedings brought against them in their capacity as Directors or Officers of the Company (including those who served as Directors or Officers during the year). There were no indemnity provisions relating to the UK pension plan for the benefit of the Directors during 2021.

Major institutional shareholders

As at 21 February 2022, being the last practicable date, the Company had been notified of the following significant holdings in its ordinary shares under section 5 of the UK Disclosure Guidance and Transparency Rules (DTRs). IHG did not receive notifications between 31 December 2021 and 21 February 2022.

Shareholder	As at 21 February 2022		As at 22 February 2021		As at 17 February 2020	
	Ordinary shares/ADSs ^a	% ^a	Ordinary shares/ADSs ^a	% ^a	Ordinary shares/ADSs ^a	% ^a
BlackRock, Inc.	11,247,319 ^b	6.12	10,429,827 ^c	5.71	9,939,317	5.46
Boron Investments B.V.	6,890,000	3.77	6,890,000	3.77	11,450,000	6.01
Cedar Rock Capital Limited	9,076,898	4.95	14,923,417	5.07	14,923,417	5.07
Fiera Capital Corporation	11,037,891	6.06	11,037,891	6.06	11,037,891	6.06
Fundsmith LLP ^d	8,989,647	4.91	10,222,246	5.18	10,222,246	5.18
Royal Bank of Canada	9,189,549	5.02	9,161,021 ^e	5.01	n/a	n/a

^a The number of shares and percentage of voting rights was determined at the time of the relevant disclosures made in accordance with Rule 5 of the DTRs and doesn't necessarily reflect the impact of any share consolidation or any changes in shareholding subsequent to the date of notification that are not required to be notified to us under the DTRs.

^b Total shown includes 2,080,427 qualifying financial instruments to which voting rights are attached.

^c Total shown includes 1,431,074 qualifying financial instruments to which voting rights are attached.

^d The Company understands that Fundsmith LLP subsequently disposed of its entire interest in the Company's ordinary shares.

^e Total shown includes 123,160 qualifying financial instruments to which voting rights are attached.

The Company's major shareholders have the same voting rights as other shareholders. The Company does not know of any arrangements the operation of which may result in a change in its control.

 For further details on shareholder profiles see page 249.

Articles of Association

 A summary is provided on pages 239 and 240.

 The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at www.ihgplc.com/investors under Corporate governance.

Shares

Share capital

The Company's issued share capital at 31 December 2021 consisted of 187,717,720 ordinary shares of 20³⁴pence each, including 3,701,408 shares held in treasury, which constituted 1.97% of the total issued share capital (including treasury shares). There are no special control rights or restrictions on share transfers or limitations on the holding of any class of shares.

During 2021, 1,360,000 shares were transferred from treasury to the employee share ownership trust.

As far as is known to management, IHG is not directly or indirectly owned or controlled by another company or by any government. The Board focuses on shareholder value creation. When it decides to return capital to shareholders, it considers all of its options, including share buybacks and special dividends.

Share issues and buybacks

In 2021, the Company did not issue any new shares, nor did it buy back any existing shares.

Dividends

While the Board determined that it would not be appropriate to pay a dividend during 2021, subject to shareholder approval at the 2022 AGM, a final dividend of 85.9¢ in respect of 2021 will be payable on 17 May 2022 to shareholders on the register at the close of business on 1 April 2022.

The Companies (Miscellaneous Reporting) Regulations 2018

Set out below is our employee engagement statement and on page 228, our statement summarising how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others.

-  Details of how the Directors have had regard to the matters set forth in Section 172(1)(a) to (f) of the Companies Act is provided on pages 90 and 91.

Employee engagement statement

Our statement relates to IHG's directly employed individuals and should be read in conjunction with our people section, Section 172 statement, Voice of the Employee and wider workforce remuneration and employee engagement disclosures on pages 24 to 26, 91 and 92, 101, 107, 108, 112 and 114.

During 2021, the main communication channels to provide information of concern to employees included weekly newsletters, virtual town halls, CEO and regional leadership calls, podcasts, blogs, email broadcasts, videos and business function team meetings.

Employees have been consulted and given opportunities to express their views and concerns through participation in the employee engagement survey, Voice of the Employee sessions, ERGs, Next events (interactive sessions relating to IHG's strategy and behaviours), quarterly performance, development and wellbeing meetings, team meetings and the Q&A session as part of the CEO quarterly business update call.

Each December, employees are invited to join the employee share plan. The plan is available to around 98% of our corporate employees below the senior/mid-management level (who receive LTIP and restricted stock units awards). Further details are on page 228.

Employees have been made aware of the financial and economic factors affecting the performance of the Company through quarterly business update calls with the CEO, as well as business function team meetings, and other regional leadership calls.

The Chair and other Directors have engaged with employees through a number of means, including direct interactions, Voice of the Employee sessions, Next events and a series of opportunities held during the year to meet Executive Directors via video meetings or in person.

Details of how Directors have had regard to employee interests, and the effect of that regard, including principal decisions taken by IHG during the year can be found on pages 91 and 92, 101, 107, 108, 112 and 114.

Employee numbers

Having a predominantly franchised and managed business model means that many of those people who work at hotels operated under our brands are not our employees. When the Group's entire estate is taken into account (including those working in our franchised and managed hotels), approximately 325,000 people worked globally across IHG's brands as at 31 December 2021.

The average number of IHG employees, including part-time employees, during 2021 were as follows:

- 6,013 people worldwide (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;
- 4,508 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund; and
- 11,807 General Managers and (in the US predominantly) other hotel workers, who work in managed hotels, who have contracts or are directly employed by IHG and whose costs are borne by those hotels.

-  See note 4 of the Group Financial Statements on pages 163 and 164.

Employment of disabled persons

IHG continues to focus on providing an inclusive environment, in which employees are valued for who they are and what they bring to the Group, and in which talented individuals are retained through all levels of the organisation.

We look to appoint the most appropriate person for the job and are committed to providing equality of opportunity to all employees without discrimination. Every effort is made to ensure that applications for employment from disabled employees are fully and fairly considered and that disabled employees have equal opportunities to training, career development and promotion.

-  See our people disclosures on pages 24 to 26.

-  Visit www.ihgplc.com/responsible-business for more information.

2021 share awards and grants to employees

Our current policy is to settle the majority of awards or grants under the Company's share plans with shares purchased in the market or from shares held in treasury; however, the Company continues to review this policy. The Company's share plans incorporate the current Investment Association's guidelines on dilution which provide that commitments to issue new shares or re-issue treasury shares under executive plans should not exceed 5%, and under all plans should not exceed 10% of the issued ordinary share capital of the Company (adjusted for share issuance and cancellation) in any 10-year period. During the financial year ended 31 December 2021, the Company transferred 1,360,000 treasury shares (0.72% of the total issued share capital) to satisfy obligations under its share plans.

The estimated maximum dilution from awards made under the Company's share plans over the last 10 years is 4.0%.

As at 31 December 2021, there were no options outstanding. The Company has not utilised the authority given by shareholders at any of its AGMs to allot shares for cash without first offering such shares to existing shareholders.

Employee share ownership trust (ESOT)

IHG operates an ESOT for the benefit of employees and former employees. The ESOT receives treasury shares from the Company and purchases ordinary shares in the market and releases them to current and former employees in satisfaction of share awards. During 2021, the ESOT released 538,777 shares and at 31 December 2021 it held 889,796 ordinary shares in the Company. The ESOT adopts a prudent approach to purchasing shares, using funds provided by the Group, based on expectations of future requirements.

In July 2019, shares held in the ESOT that had been allocated to share plan participants under the Annual Performance Plan were transferred to Equate UK Limited (now Computershare Investor Services Plc) where they are held in a nominee account on behalf of those participants (Nominee). The shares held by the Nominee have been allocated to share plan participants on terms that entitle those participants to request or require the Nominee to exercise the voting rights relating to those shares. The Nominee exercises those votes in accordance with the directions of the participants. Shares that have not been allocated to share plan participants under such terms continue to be held by the ESOT and although the trustee has the right to vote or abstain from exercising their voting rights in relation to those shares, it has a policy of not voting, which is in line with guidelines. The trustee also has the right to accept or reject any offer relating to the shares, in any way it sees fit.

Directors' Report continued

The Nominee holds ordinary shares in the Company, in the form of unvested share plan awards, allocated to Annual Performance Plan share plan participants. The number of shares can be found in note 28 to the Group Financial Statements on pages 198 and 199.

Unless otherwise requested by the Company, the trustee of the ESOT waives all ordinary dividends on the shares held in the ESOT, other than shares which have been allocated to participants on terms which entitle them to the benefit of dividends, except for such amount per share as shall, when multiplied by the number of shares held by it on the relevant date, equal one pence or less.

Colleague Share Plan

The Company's employee share plan, known as the Colleague Share Plan, was first introduced in 2019 following approval by shareholders at the Company's 2019 AGM, and the first Plan Year commenced in January 2020.

In accordance with the Colleague Share Plan Rules, participants' contributions are used to purchase shares on a monthly basis on behalf of the individuals (Purchased Shares) and held within the Nominee. At the end of the Plan Year, the participants receive a conditional right to receive one share (Matching Share) for every one Purchased Share that they have purchased. Providing the participants hold the Purchased Shares in the Nominee until the second anniversary of the end of the Plan Year, the conditional right to Matching Shares will vest.

In 2021, 356 shares vested outside of the usual timetable due to deaths or good leavers, and in January 2022, 35,378 shares vested as part of the first Plan Year. As at 21 February 2022, the Nominee held 29,594 Purchased Shares in relation to the second Plan Year, and 2,548 shares in relation to the third Plan Year.

Code of Conduct

The Code of Conduct (our Code) applies to all Directors, officers and employees and complies with the NYSE rules as set out in Section 406 of the US Sarbanes-Oxley Act 2002. Further details on our Code are set out in the Strategic Report on pages 37 and 38 and the Board's oversight of the Code is set out on page 98.

Business relationships with suppliers, customers and others

Our business relationships with our guests, hotel owners and suppliers are fundamental to our commercial success. During the year, the Board considered matters related to them and had regard to the impact of decisions on them as detailed in the key matters discussed by the Board on pages 90 and 91. These included strategic and operational matters related to brand integrity, brand portfolio, loyalty strategy, as well as technology, supply chain and procurement.

The Board monitors relationships through a mixture of presentations, reports and direct engagement. The Responsible Business Committee specifically reviews responsible procurement processes, targets and the Supplier Code of Conduct.

Details of how relationships have been maintained during the year are set out in the key stakeholder engagement tables on pages 20, 21 and 39.

The Group is party to a technology agreement with Amadeus Hospitality Americas, Inc. (Amadeus), for the next generation central reservation system used by the Group. The initial term of 10 years will expire in 2028, and the Group has the right to extend this agreement for two additional periods of up to 10 years each on the same terms, conditions and pricing. The financial and performance obligations in this agreement are guaranteed by Amadeus IT Group S.A., the parent company of Amadeus.

Otherwise, there are no specific individual contracts or arrangements considered to be essential to the business of the Group as a whole.

Future business developments of the Group

Details on these are set out in the Strategic Report on pages 2 to 77.

Finance

Political donations

The Group made no political donations under the Companies Act during the year and proposes to maintain this policy in respect of such donations. The Group's wider political donations policy continues to be kept under review.

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 24 to the Group Financial Statements on pages 188 to 192.

Significant agreements and change of control provisions

The Group is a party to the following arrangements which could be terminated upon a change of control of the Company and which are considered significant in terms of their potential impact on the business of the Group as a whole:

- The 10-year £400 million bond issued by the Company on 28 November 2012, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.
- The \$1.275 billion syndicated loan facility agreement dated 30 March 2015 and maturing in September 2023, under which a change of control of the Company would entitle each lender to cancel its commitment and declare all amounts due to it payable.
- The 10-year £300 million bond issued by the Company on 14 August 2015, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.
- The 10-year £350 million bond issued by the Company on 24 August 2016, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.
- The 8.5-year €500 million bond issued by the Company on 15 November 2018, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.
- The four-year €500 million bond issued by the Company on 8 October 2020, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.
- The eight-year £400 million bond issued by the Company on 8 October 2020 (of which £173 million remains outstanding), under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.

Further details on material contracts are set out on page 241.

Disclosure of information to Auditor

For details, see page 130.

Greenhouse gas (GHG) emissions

By delivering more environmentally sustainable hotels, we create value for IHG, our hotel owners and all our stakeholders. We recognise the risks from climate change and the importance of reducing our carbon footprint and in 2020 we set ambitious 2030 carbon reduction targets, approved by the Science Based Targets initiative and aligned to a 2°C scenario. Recognising the need to go further, in 2021 we upgraded our existing science-based target to align with the most ambitious goals of the Paris Agreement to keep global warming within 1.5°C. This upgraded target requires us to reduce emissions by 46% across the energy used across our franchised, managed, owned, leased and managed lease hotels. During 2021, due mainly to the impact of Covid-19 on our industry,

our absolute scope 1 and 2 GHG emissions from our managed, owned, leased and managed lease hotels fell by 6% from base year 2019 and our scope 3 GHG emissions from our franchised hotels plus FERA fell by 17%. Total scope 1, 2 and 3 GHG emissions from the whole estate fell by 12% from base year 2019 (towards a 2030 reduction target of 46%). Covid-19 has continued to impact occupancy levels across our estate and required intermittent hotel closures in many locations, which, in addition to the energy efficiency efforts from our hotels, has significantly lowered our carbon footprint for the year. As the industry recovers, we will continue to focus on achieving our carbon reduction goals by driving energy efficiency in our hotels and increasingly looking at renewable energy solutions.

Reporting boundary	Measure	2021		2020		2019	
		Global	UK and UK offshore only	Global	UK and UK offshore only	Global	UK and UK offshore only
Emissions from operations under our direct control - corporate offices and IHG owned, leased, managed and managed lease hotels	Energy – fuel use from hotel operations and hotel transport services (kWh)	1,941,261,216	12,174,022	1,495,581,991	6,776,945	1,990,594,175	11,739,148
	Energy – purchased electricity, heat, steam and cooling (kWh)	3,417,866,055	9,884,029	2,865,754,370	8,598,040	3,597,266,540	11,417,267
	Total Energy – fuel use from hotel operations and hotel transport services, purchased electricity, heat, steam and cooling (kWh)	5,359,127,271	22,058,051	4,361,336,361	15,374,985	5,587,860,715	23,156,415
	Scope 1 Direct emissions (tCO ₂ e from fuel use and refrigerants)	440,719	2,279	335,359	1,281	464,215	2,247
	Scope 2 Indirect emissions, Location-based (tCO ₂ e from purchased energy)	1,790,015	2,052	1,477,557	1,950	1,902,829	2,818
	Scope 2 Indirect emissions, Market-based (tCO ₂ e from purchased energy)	1,794,741	3,129	1,484,256	2,988	1,929,643	4,350
	Total scope 1 and 2 emissions, Location-based (tCO ₂ e)	2,230,734	4,331	1,812,916	3,231	2,367,044	5,065
	Scope 1 and 2 intensity, Location-based (tCO ₂ e per (£000 revenue))	0.33	0.04	0.34	0.05	0.20	0.02
Emissions from operations outside our direct operational control - franchised hotels.	Scope 3 Indirect emissions from franchised hotel operations (tCO ₂ e)	2,072,377	106,665	1,901,097	104,625	2,535,432	148,848
Emissions from operations outside our direct operational control - Fuel- and energy-related emissions (FERA)	Scope 3 Indirect emissions from Fuel- and energy-related emissions (tCO ₂ e)	790,717	18,486	686,775	18,290	896,244	25,985
Emissions from all operations - corporate offices, IHG owned, leased, managed hotels and managed lease, and franchised hotels	Total scope 1, 2 and 3 GHG emissions (tCO ₂ e)	4,303,111	110,996	3,714,013	107,856	4,902,476	153,913
Emissions from all operations - corporate offices, IHG owned, leased and managed hotels, and franchised hotels AND FERA	Total scope 1, 2 and 3 AND FERA GHG emissions (tCO ₂ e)	5,093,828	129,482	4,400,788	126,147	5,798,720	179,898

Scope

We report scope 1, scope 2 and scope 3 emissions as defined by the GHG Protocol Corporate Accounting and Reporting Standard methodology, under the operational control approach:

- Scope 1 emissions are direct emissions from the burning of fuels or from refrigerant losses by our managed, owned, leased and managed lease hotels.

- Scope 2 emissions are indirect emissions generated by the energy purchased or acquired by our managed, owned, leased and managed lease hotels.
- Scope 3 emissions are indirect emissions that arise as a result of energy used in our franchised hotels.

Directors' Report continued

Methodology

We work with external consultants to give us an up-to-date picture of IHG's carbon footprint and assess our performance over time. To calculate our emissions, they use the GHG Protocol Corporate Accounting and Reporting Standard methodology and refer to other existing and emerging definitions, methodologies and standards, as relevant. Our consultants use utility consumption data as reported by hotels on the IHG Green Engage™ system, complete outlier checks as necessary, apply sampling and extrapolation methodology to estimate our global energy use and apply the appropriate emission factors to calculate our GHG emissions. For 2021, the sample covered 90% of our UK hotels and 68% of our global hotels.

Any missing datapoints for energy use in 2021 have been filled using average consumption per room night from the nearest 12-month period. Region-brand, regional and global average consumption per room night were calculated for each fuel type and outliers were identified by comparison to the median of the relevant region-brand group. Consumption data has been estimated for non-reporting hotels based on region-brand average consumption per room night, applied to a hotel's number of room nights. This ensures that all hotels have a consumption figure corresponding to their occupied room nights. As IHG's System size is continually changing, 2020 and 2019 data have been restated. Our reporting is based on calendar year reporting, showing annual GHG emissions for the period 1 January to 31 December 2021. This aligns with our financial reporting period, to enable analysis of both financial and non-financial indicators for the same period.

Energy reduction initiatives

IHG hotels globally use the IHG Green Engage system, a comprehensive online environmental management platform that helps them measure, track and report their utility consumption and carbon footprint, as well as providing over 200 'Green Solutions' with detailed guidance to support hotels in reducing their energy, water and waste impacts. To comply with the IHG Green Engage standard, hotels are required amongst others to report their monthly energy consumption and complete key energy saving actions. In addition, in 2021, hotels were set an annual carbon reduction target to drive continuous improvement. Performance against this target was reviewed on a monthly basis and presented to regional operations teams. To incentivise and facilitate our hotels reporting

Listing Rules – compliance with LR 9.8.4C

Section	Applicable sub-paragraph within LR 9.8.4C
1	Interest capitalised
4	Details of long-term incentive schemes

The above table sets out only those sections of LR 9.8.4C which are relevant. The remaining sections of LR 9.8.4 are not applicable.

Going concern

An overview of the business activities of IHG, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 2 to 77 and in the Group information on pages 231 to 242.

The resilience of the Group's fee-based model, wide geographic spread and strong cash management means that the Group has been able to generate \$636m of net cash from operating activities in a year when trading has still been substantially impacted by the global pandemic. As at 31 December 2021 the Group had total liquidity of \$2,655m, comprising \$1,350m of undrawn bank facilities and \$1,305m of cash and cash equivalents (net of overdrafts and restricted cash).

There remains a wide range of possible planning scenarios over the going concern period. The scenarios considered and assessment made by the Directors in adopting the going concern basis for preparing these financial statements is included on page 149.

into Green Engage, in 2021 we launched and began the rollout of an automated data entry initiative for hotels. This initiative will streamline the reporting process for our hotels so that they can spend less time reporting their data and more time focussing on reducing energy at their hotels. The initiative will also help to support more accurate and timely data from our hotels into Green Engage.

In 2021, we saw our global emissions fall by 12% and energy consumption fall by 11% compared to base year 2019 (scope 1, 2 and 3). This was largely due to the impact of Covid-19 on our industry, resulting in low occupancy levels and intermittent hotel closures, but also in part due to targeted energy reduction efforts in our estate, including for example the implementation of a daily energy consumption tracker in some locations which informed shutdowns of parts of our hotels when occupancy was low. We also provided our hotels with information and resources on low cost, quick payback measures to reduce energy consumption. Where possible, we have worked closely with our hotels throughout the pandemic to help minimise energy consumption and utility costs during hotel closure and maximise energy efficiency during the re-opening stage.

Hotel Energy Reduction Opportunities (HERO) tool

To support our hotels to decarbonise, we have identified some key energy conservation measures that will reduce energy at our hotels. In order to facilitate implementation at a hotel level, we have worked with global specialists in the built environment, to develop a prioritisation tool for our hotels. The tool reviews the existing infrastructure of the hotel and what initiatives the hotel has already implemented and then recommends measures to drive further efficiencies. This tool provides information on the expected capital cost of measures, as well as indicative energy and cost saving information. The tool will be launched in 2022 and reinforced through training of hotel and operations teams. We are also reviewing financing opportunities that are available to hotels in different geographies.

See our planet-related activities and TCFD disclosures, as well as our carbon footprint KPI on pages 29 to 35 and 53.

See our Responsible Business Report and ESG databook at www.ihgplc.com/responsible-business

Location

Group Financial Statements, note 7, page 168

Directors' Remuneration Report, pages 104 to 125

Based on the assessment completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue operating until at least 30 June 2023 and there are no material uncertainties that may cast doubt on the Group's going concern status. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Please see the viability statement on pages 48 and 49.

By order of the Board,

Nicolette Henfrey

Company Secretary
InterContinental Hotels Group PLC
Registered in England and Wales, Company number 5134420
21 February 2022

Group information

History and developments

The Company was incorporated and registered in England and Wales with registered number 5134420 on 21 May 2004 as a limited company under the Companies Act 1985 with the name Hackremco (No. 2154) Limited. In 2004/05, as part of a scheme of arrangement to facilitate the return of capital to shareholders, the following structural changes were made to the Group: (i) on 24 March 2005, Hackremco (No. 2154) Limited changed its name to New InterContinental Hotels Group Limited; (ii) on 27 April 2005, New InterContinental Hotels Group Limited re-registered as a public limited company and changed its name to New InterContinental Hotels Group PLC; and (iii) on 27 June 2005, New InterContinental Hotels Group PLC changed its name to InterContinental Hotels Group PLC and became the holding company of the Group.

The Group, formerly known as Bass, and then Six Continents, was historically a conglomerate operating as, among other things, a brewer, soft drinks manufacturer, hotelier, leisure operator, and restaurant, pub and bar owner. In 1988 Bass acquired Holiday Inn International and the remainder of the Holiday Inn brand in 1990. The InterContinental brand was acquired by Bass in 1998 and the Candlewood Suites brand was acquired by Six Continents in 2003.

On 15 April 2003, following shareholder and regulatory approval, Six Continents PLC separated into two new listed groups, InterContinental Hotels Group PLC, comprising the hotels and soft drinks businesses, and Mitchells & Butler plc, comprising the retail and standard commercial property developments business.

The Group disposed of its interests in the soft drinks business by way of an initial public offering of Britvic (Britannia Soft Drinks Limited for the period up to 18 November 2005, and thereafter, Britannia SD Holdings Limited (renamed Britvic plc on 21 November 2005), which became the holding company of the Britvic Group on 18 November 2005), a manufacturer and distributor of soft drinks in the UK, in December 2005. The Group now continues as a stand-alone hotels business.

Recent acquisitions and divestitures

The Group made no acquisitions in 2021, however deferred purchase consideration for the previous Regent acquisition resulted in a \$13 million cash outflow during the year (2020: \$0, 2019: \$300 million). The 2019 net cash outflow principally related to the acquisition of Six Senses Hotels Spas and its management business ('Six Senses') in February 2019.

In 2021 the Group disposed of a portfolio of three EVEN Hotels in the US resulting in a net cash inflow of \$44 million.

Further information is included in notes 11 and 12 to the Group Financial Statements on pages 174 to 175.

Capital expenditure

- Gross capital expenditure in 2021 totalled \$100 million compared with \$148 million in 2020 and \$265 million in 2019, see page 222.
- At 31 December 2021, capital committed (being contracts placed for expenditure on property, plant and equipment and intangible assets not provided for in the Group Financial Statements) totalled \$17 million, see page 200.

Risk factors

The Group is subject to a variety of inherent risks that may have an adverse impact on its business operations, financial condition, turnover, profits, brands and reputation. This section describes the main risks that could materially affect the Group's business. The risks below are not the only ones that the Group faces. Some risks are not yet known to the Group and some risks that the Group does not currently believe to be material could later turn out to be material.

While the pandemic, and related restrictions imposed by governments and others, has not fundamentally changed our risk factors, it continues to heighten the uncertainty which we face in many areas in delivering our short- and longer-term ambitions and reconfirmed that many of our risks are connected. This includes the continuing significance of the safety and security of our colleagues and guests, government interventions impacting domestic, national and international travel, consumer confidence and appetite to travel internationally in the longer term, how we operate our hotels and the overall impact on our business resilience. The response to the primary safety concerns of Covid-19 also created several secondary impacts. For example:

- heightened risk of negative reputational impact (and the business consequences) as a result of any of our pandemic crisis management actions being negatively perceived by any stakeholder group;
- heightened cyber risks from working remotely;
- closure of key corporate locations putting pressure on our processes, systems and infrastructure;
- enhanced exposure to key person or workforce availability risks;
- strain on third-party supplier relationships – both in relation to business and operational continuity and wider risks of supplier insolvency and/or default;
- changes to global or local laws or requirements; and

- significant cost pressures for owners raising risks of default on payments due to IHG, employees or suppliers; non-compliance by owners with standards and other requirements; and owner insolvency and work-outs; impacting our ability to roll out initiatives as planned and the wider risk to our business model.

The period of the pandemic has also observed trends in other risk factors. For example:

- further waves of the pandemic and/or a slower than anticipated industry recovery for business and leisure travel could create further volatility and challenging conditions in the capital markets making it more difficult to obtain additional funding if required and potential impact to financial performance which could result in further actions required to manage costs;
- geopolitical and socioeconomic developments (including focus on climate-related impacts) which may increase the likelihood of disruption to inbound or outbound travel and trade, the potential for measures to be taken against businesses or heightened expectations in corporate performance; and
- inherent risks of burnout, physical and mental health impacts and challenges to attract and retain staff while uncertainty in the hospitality industry continues.

To enable focus on the material risk factors facing the Group, the detail below has been organised under headings corresponding to the ordering of the principal risks outlined earlier in this document and considers the assessment of inherent risk trend and speed of potential impact on IHG objectives.

The principal risks are on pages 42 to 47, the cautionary statements regarding forward-looking statements are on page 251 and financial and forward-looking information including note 8 on pages 169 to 173, and note 24 on pages 188 to 192.

Group information continued

Risk factors continued

1. Macro external factors

The Group is exposed to the risks of political and economic developments

The Group is exposed to political, economic and financial market developments such as recession, inflation and availability of credit and currency fluctuations that could lower revenues and reduce income. The outlook for 2022 may worsen due to continuing disruption from Covid-19 on domestic and international travel patterns; potential disruptions in the US economy; the impact of fluctuating commodity prices (including oil) on economies dependent on such exports; continued unrest in parts of the Middle East, Africa and Asia; and barriers to global trade, including unforeseeable changes in regulations, imposition of tariffs or embargoes, and other trade restrictions or controls. The interconnected nature of economies suggests any of these, or other events, could trigger a recession that reduces leisure and business travel to and from affected countries and adversely affects room rates and/or occupancy levels and other income-generating activities. Specifically, the Group is most exposed to the impact of political and economic risk factors in relation to the US market and to Greater China. The owners or potential owners of hotels franchised or managed by the Group face similar risks that could adversely impact their solvency and the Group's ability to secure and retain franchise or management agreements.

Accordingly, the Group is particularly susceptible to adverse changes in these economies as well as changes in their currencies. In addition to trading conditions, the economic outlook also affects the financial health of current and potential owners and their ability to access capital, which could impact existing operations, timely payment of IHG fees, and the health of the pipeline.

The Group is exposed to the risks of overcapacity in the hotel industry

The future operating results of the Group could be adversely affected by industry overcapacity (by number of rooms) and weak demand due, for example, to the pandemic and associated restrictions on travel and customer confidence in returning to business and leisure travel, to the cyclical nature of the hotel industry, and to other differences between planning assumptions and actual operating conditions. These conditions could result in reductions in room rates and occupancy levels, which would adversely impact the financial performance of the Group.

2. Preferred brands and loyalty

The Group is subject to a competitive and changing industry

The Group operates in a competitive industry and must compete effectively against traditional competitors such as other global hotel chains, local hotel companies and independent hotels to win the loyalty of guests, employees and owners. The competitive landscape also includes other types of businesses, both global and specific to certain markets, such as web-based booking channels (which include online travel agents and intermediaries), and alternative sources of accommodation such as short-term lets of private property. Failure to compete effectively in traditional and emerging areas of the business could impact the Group's market share, system size, profitability and relationships with owners and guests. The hospitality industry has experienced recent consolidation and is likely to see this trend continue as companies seek to maintain or increase competitive advantage. Further consolidation by competitors may result in such competitors having access to increased resources, capabilities or capacity and provide advantages from scale of revenues, marketing funds and/or cost structures.

The Group is reliant on the reputation of its existing brands and is exposed to inherent reputation risks

Any event that materially damages the reputation of one or more of the Group's brands and/or fails to sustain the appeal of the Group's brands to its customers and owners may have an adverse impact on the value of that brand and subsequent revenues from that brand

or business. In particular, if the Group is unable to create consistent, valued and quality products and guest experiences across the franchised, managed, owned, leased and managed lease hotels or if the Group, its franchisees or business partners fail to act responsibly, this could result in an adverse impact on its brand reputation. In addition, the value of the Group's brands could be influenced by a number of external factors outside the Group's control, such as, but not limited to, changes in sentiments against global brands, changes in applicable regulations related to the hotel industry or to franchising, successful commoditisation of hotel brands by online travel agents and intermediaries, or changes in owners' perceptions of the value of the Group.

The Group is exposed to inherent uncertainties associated with brand development and expansion

In recent years the Group has launched or acquired a number of brands, such as EVEN Hotels, HUALUXE Hotels and Resorts, avid hotels, voco hotels, Kimpton Hotels & Restaurants, Regent, Six Senses, Atwell Suites, Vignette Collection and entered into co-branded credit card relationships to support the IHG Rewards programme and an exclusive loyalty partnership with Mr & Mrs Smith. As the roll out, integration and growth of these brands (including associated loyalty programmes) is dependent on market conditions, guest preference and owner investment, and also continued cooperation with third parties, there are inherent risks that we will be unable to recover costs incurred in developing or acquiring the brands or any new programmes or products, or those brands, programmes, or products will not succeed as we intend. The Group's ongoing agenda to deliver industry-leading net rooms growth creates risks relating to the transition of systems, operating models and processes, and may result in failures to improve commercial performance, leading to financial loss and undermining stakeholder confidence.

The Group is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements

The Group's growth strategy depends on its success in identifying, securing and retaining franchise and management agreements. This is an inherent risk for the hotel industry and the franchising business and management model. Competition with other hotel companies may generally reduce the number of suitable franchise, management and investment opportunities offered to the Group and increase the bargaining position of property owners seeking to become a franchisee or engage a manager. The terms of new franchise or management agreements may not be as favourable as current arrangements; the Group may not be able to renew existing arrangements on similarly favourable terms, or at all.

There can also be no assurance that the Group will be able to identify, retain or add franchisees to the IHG System, to secure management contracts or open hotels in our development pipeline. For example, the availability of suitable sites, market saturation, planning and other local regulations or the availability and affordability of finance may restrict the supply of suitable hotel development opportunities under franchise or management agreements and mean that not every hotel in our development pipeline may develop into a new hotel that enters our system. In connection with entering into franchise or management agreements, the Group may be required to make investments in, or guarantee the obligations of, third parties or guarantee minimum income to third parties. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with those of the Group, including, for example, the unwillingness of franchisees to support individual or master brand or system improvement initiatives. This could result in franchisees prematurely terminating contracts which could lead to disputes, litigation, damages and other expenses and would adversely impact the overall IHG System size and the Group's financial performance.

3. Leadership and talent

The Group requires the right people, skills and capability to manage growth and change

In order to remain competitive, the Group must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Group's strategic business plans could be undermined by failure to build and sustain a resilient corporate culture, failure to recruit or retain key personnel, unexpected loss of key senior employees, failures in the Group's succession planning and incentive plans, or failure to invest in the development of key skills.

The Group must compete against other companies inside and outside the hospitality industry for suitably qualified or experienced employees, up to and including Executive Directors. Some of the markets in which the Group operates may experience economic growth and/or low levels of unemployment, pay compression, and there may be attractive roles and competitive rewards available elsewhere which limit the ability to attract and retain talent in key roles.

Some emerging markets may not have the required local expertise to operate a hotel, particularly for luxury and lifestyle brands, and may not be able to attract the right talent. Failure to attract and retain employees and increasing labour costs may threaten the ability to operate hotels and our corporate support functions, achieve business growth targets or impact the profitability of our operations. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Group risks losing accumulated knowledge if key employees leave the Group.

Collective bargaining activity could disrupt operations, increase our labour costs or interfere with the ability of our management to focus on executing our business strategies

Approximately 3,800 colleagues at our managed, owned, leased and managed lease hotels in the US, Canada, Mexico, Grand Cayman and Dutch Antilles are covered by collective bargaining agreements and similar agreements. If relationships with those colleagues or the unions that represent them deteriorate, the properties we own, lease or manage could experience labour disruptions such as strikes, lockouts, boycotts and public demonstrations. Collective bargaining agreements representing half of our organised colleagues in the US expired during 2018. These agreements were successfully renegotiated during 2019. Hotel sector union member participation continues to increase in key markets within the Americas region, which may require IHG to enter into new labour agreements as more employees become unionised in the future. Labour disputes, which are generally more likely when collective bargaining agreements are being renegotiated, could harm our relationship with our colleagues, result in increased regulatory inquiries and enforcement by governmental authorities and deter guests. Further, adverse publicity related to a labour dispute could harm our reputation and reduce customer demand for our services.

Labour regulation and the negotiation of new or existing collective bargaining agreements could lead to higher wage and benefit costs, changes in work rules that raise operating expenses, legal costs and limitations on our ability or the ability of our third-party property owners to take cost saving measures during economic downturns. We do not have the ability to control the negotiations of collective bargaining agreements covering unionised labour employed by our third-party property owners and franchisees. Increased unionisation of our workforce, new labour legislation or changes in regulations could disrupt our operations, reduce our profitability or interfere with the ability of our management to focus on executing our business strategies.

4. Cybersecurity and information governance

The Group is exposed to the risks related to cybersecurity and data privacy

The Group is increasingly dependent upon the collection, usage, retention, availability, integrity and confidentiality of information, including, but not limited to: guest, employee and owner credit card, financial and personal data, business performance, financial reporting and commercial development. The information is sometimes held in different formats such as digital, paper, voice recordings and video and could be stored in many places, including facilities managed by third-party service providers, in our Company managed hotels, and by our franchisees, who are subject to the same or similar risks.

Cyber breaches increasingly appear to be an unfortunate reality for most firms and we therefore invest in trying to avoid them where reasonable and practical to do so – in recognition of the possible impact of cybersecurity breaches beyond data loss on operational performance and regulatory actions or fines, as well as the potential impact on our reputation. The threats towards the hospitality industry and the Group's information are dynamic, and include cyber-attacks, fraudulent use, loss or misuse by employees and breaches of our vendors' security arrangements, amongst others.

The Group experienced cybersecurity incidents including: (a) at a number of Kimpton hotels that resulted in unauthorised access to guest payment card data; and (b) an incident that involved malware being installed on servers that processed payment cards used at restaurants and bars of 12 IHG managed properties, that the Group became aware of in 2016. These incidents resulted in the Group reimbursing the impacted card networks for counterfeit fraud losses and related expenses and becoming subject to investigations regarding compliance with applicable State and Federal data security standards, and legal action from individuals and organisations impacted by the Security Incidents. To date, four lawsuits have been filed against IHG entities relating to the Security Incidents.

The legal and regulatory environment around data privacy and requirements set out by the payment card industry surrounding information security across the many jurisdictions in which the Group operates are constantly evolving (such as the EU GDPR, China cybersecurity law, and California privacy law). If the Group fails to protect information and ensure relevant controls are in place to enable the acceptable use and release of information through the appropriate channels in a timely and accurate manner, IHG System performance, guest experience and the reputation of the Group may be adversely affected. This could lead to revenue losses, fines, penalties, litigation and other additional costs.

We are also required to comply with marketing and advertising laws relating to our direct marketing practices, including email marketing, online advertising, and postal mailings. Further restrictions to the content or interpretations of these laws could adversely impact our current and planned activities and the effectiveness or viability of our marketing strategies to maintain, extend and acquire relationships with customers, and impact the amount and timing of our sales of certain products.

 For information of incidents relating to cybersecurity and data privacy, see pages 201 and 242.

Group information continued

Risk factors continued

5. Channel management and technology

The Group is exposed to increasing competition from online travel agents and intermediaries

A proportion of the Group's bookings originate from large multinational, regional and local online travel agents and intermediaries with which the Group has contractual arrangements and to which it pays commissions. These platforms offer a wide range of products, often across multiple brands, have growing booking and review capabilities, and may create the perception that they offer the lowest prices. Some of these online travel agents and intermediaries have strong marketing budgets and aim to create brand awareness and brand loyalty among consumers and may seek to commoditise hotel brands through price and attribute comparison. Further, if these companies continue to gain market share, they may impact the Group's profitability, undermine the Group's own booking channels and value to its hotel owners, and may be able to increase commission rates and negotiate other favourable contract terms.

The Group is exposed to inherent risks in relation to changing technology and systems

As the use of the internet, artificial intelligence, mobile and data technology grows, and new and disruptive technology solutions are developed, customer needs and expectations evolve at pace. The Group may find that its evolving technology capability is not sufficient and may have to make substantial additional investments in new technologies or systems to remain competitive. Failure to keep pace with developments in technologies or systems, and also with regulatory, risk and ethical considerations of how these developments are used, may put the Group at a competitive disadvantage. In addition, the technologies or systems that the Group chooses to deploy may not be commercially successful or the technology or system strategy may not be sufficiently aligned with the needs of the business. Any such failure could adversely affect guest experiences, and the Group may lose customers, fail to attract new customers, incur substantial costs or face other losses. This could further impact the Group's reputation in regards to innovation. (See also "4. Cybersecurity and information governance".)

The Group is reliant upon the resilience of its reservation system and other key technology platforms and is exposed to risks that could disrupt their operation and/or integrity

The value of the Group is partly derived from the ability to drive reservations through its reservation system and technology platforms which are highly integrated with other processes and systems and linked to multiple sales channels, including the Group's own websites, in-house and third-party managed call centres, hotels, third-party intermediaries and travel agents.

The scope and complexity of our technology infrastructure, including increasing reliance on third-party suppliers to support and protect our systems and information, as well as the rapidly evolving cyber threats, means that we are inherently vulnerable to physical damage, failures, disruptions, denial of service, phishing or other malware attacks, ransomware, cyber terrorism and fraud, as well as human error, negligence and wilful misuse. These risks may be heightened when these capabilities are provided off shore or in cloud-based environments. Our franchisees and suppliers are also inherently vulnerable to the same risks.

Lack of resilience and operational availability of these systems provided by the Group or third-party technology providers and inability or difficulty in updating existing or implementing new functionality could lead to prolonged service disruption. This might result in significant business interruption, impact the guest booking experience, lead to loss of or theft of data, and subsequently adversely impact Group revenues, incur financial costs to remediate or investigate, lead to regulatory and/or contractual enforcement actions or lawsuits, or damage the Group's reputation and relationships with hotel owners.

6. Investment effectiveness and efficiency

The Group is exposed to risks related to executing and realising benefits from strategic transactions, including acquisitions and restructuring

The Group may seek to make strategic transactions, including acquisitions, divestments or investments in the future. The Group may not be able to identify opportunities or complete transactions on commercially reasonable terms, or at all, and may not realise the anticipated benefits from such transactions. Strategic transactions come with inherent valuation, financial and commercial risks, and regulatory and insider information risks during the execution of the transactions. The Group may also continue to make organisational adjustments to support delivery of our growth ambitions, including the integration of acquisitions into the Group's operating processes and systems. This creates inherent risks of complexity and that any changes made could be unsustainable or that we are unable to achieve the return envisaged through reinvestment. In addition, the Group may face unforeseen costs and liabilities, diversion of management attention, as well as longer-term integration and operational risks, which could result in a failure to realise benefits, financial losses, lower employee morale and loss of talent.

The Group is dependent upon a wide range of external stakeholders and business partners

The Group relies on the performance, behaviours and reputation of a wide range of business partners and external stakeholders, including, but not limited to, owners, contractors, lenders, suppliers, outsourced providers, vendors, joint-venture partners, online travel agents, third-party intermediaries and other business partners which may have different ethical values, interests and priorities. Further, the number and complexity of interdependencies with stakeholders is evolving. Breakdowns in relationships, contractual disputes, deterioration of the financial health of our partners, poor vendor performance, sub-standard control procedures, business continuity arrangements, insolvency, stakeholder behaviours or adverse reputations, which may be outside of the Group's control, could adversely impact on the Group's performance and competitiveness, delivery of projects, guest experiences or the reputation of the Group or its brands.

7. Legal, regulatory and ethical compliance

The Group is exposed to the risk of litigation

Certain companies in the Group are the subject of various claims and proceedings. The ultimate outcome of these matters is subject to many uncertainties, including future events and uncertainties inherent in litigation. In addition, the Group could be at risk of litigation claims made by many parties, including but not limited to: guests, customers, joint venture partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of the hotels it manages. Claims filed may include requests for punitive damages as well as compensatory damages. Unfavourable outcomes of claims or proceedings could have a material adverse impact on the Group's results of operations, cash flow and/or financial position. Exposure to significant litigation or fines may also affect the reputation of the Group and its brands. (See also legal proceedings on page 242.)

The Group is required to comply with existing and changing regulations and act in accordance with societal expectations across numerous countries, territories and jurisdictions

Government regulations affect countless aspects of the Group's business including corporate governance, health and safety, the environment, social responsibility, bribery and corruption, employment law and diversity, franchise laws and regulation, disability access, data privacy and information protection, financial, accounting and tax. Regulatory changes may require significant changes in the way the business operates and may inhibit the Group's strategy, including the markets the Group operates in, brand protection, and use or transmittal of personal data. If the Group fails to comply with existing or changing regulations, the Group may be subject to fines, prosecution, loss of licence to operate or reputational damage.

The reputation of the Group and the value of its brands are influenced by a wide variety of factors, including the perception of stakeholder groups such as guests, owners, suppliers and communities in which the Group operates. The social and environmental impacts of its business are under increasing scrutiny, and the Group is exposed to the risk of damage to its reputation if it fails to (or fails to influence its business partners to) undertake responsible practices and engage in ethical behaviour, or fails to comply with relevant regulatory requirements.

The Group is exposed to risks associated with its intellectual property

Given the importance of brand recognition to the Group's business, the protection of its intellectual property poses a risk due to the variability and changes in controls, laws and effectiveness of enforcement globally, particularly in jurisdictions which may not have developed levels of protection for corporate assets such as intellectual property, trade secret, know-how and customer information, and records. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Group's brands and its ability to develop the business and compete currently or in the future. Third-party claims that we infringe their intellectual property could lead to disputes, litigation, damages and other expenses. (See also "4. Cybersecurity and information governance".)

8. Financial management and control systems

The Group is exposed to a variety of risks associated with its financial stability and ability to borrow and satisfy debt covenants

While the strategy of the Group is to grow through activities that do not involve significant amounts of its own capital, the Group does require capital to fund some development opportunities, technological innovations and strategic acquisitions; and to maintain and improve owned, leased and managed lease hotels. The Group is reliant upon having financial strength and access to borrowing facilities to meet these expected capital requirements. The majority of the Group's borrowing facilities are only available if the financial covenants in the facilities are complied with. Non-compliance with covenants could result in the Group's lenders demanding repayment of the funds advanced and any undrawn facilities could be unavailable. If the Group's financial performance does not meet market expectations, it may not be able to refinance existing facilities on terms considered favourable.

The Group's operations are dependent on maintaining sufficient liquidity to meet all foreseeable medium-term requirements and provide headroom against unforeseen obligations

Cash and cash equivalents is held in short-term deposits and money market with short maturities. Most of the Group's funds are held in the UK or US, although \$75 million (2020: \$44 million) is held in countries where repatriation is restricted as a result of foreign exchange regulations. Medium and long-term borrowing requirements are met through committed bank facilities and bonds. Short-term borrowing requirements may be met from drawings under uncommitted overdrafts and facilities.

The Group is exposed to an impairment of the carrying value of our brands, goodwill or other tangible and intangible assets negatively affecting our consolidated operating results

Significant amounts of goodwill, intangible assets, right-of-use assets, property, plant and equipment, investments and contract assets are recognised on the Group balance sheet. We review the value of our goodwill and indefinite-lived intangible assets for impairment annually (or whenever events or circumstances indicate impairment may have occurred). Changes to estimated values can result from political, economic and financial market developments or other shifts in the business climate, the competitive environment, the perceived reputation of our brands (by guests or owners), or changes in interest rates, operating cash flows, market capitalisation, or developments in the legal or regulatory environment.

Because of the significance of our goodwill and other non-current assets, we have incurred and may incur future impairment charges on these assets which could have a material adverse effect on our financial results or result in reversals of impairments not being correctly identified and recorded.

The Group is exposed to fluctuations in exchange rates, currency devaluations or restructurings and to interest rate risk in relation to its borrowings

The US dollar is the predominant currency of the Group's revenue and cash flows. Movements in foreign exchange rates can affect the Group's reported profit, net liabilities and interest cover. The most significant exposures of the Group are in currencies that are freely convertible. The Group's reported debt has an exposure to borrowings held in pounds sterling (including €1,000 million euro bonds which have been swapped into sterling using currency swaps). Conducting business in currencies other than US dollars exposes us to fluctuations in exchange rates, currency devaluations, or restructurings. This could potentially lower our reported revenues, increase our costs, reduce our profits or disrupt our operations. Our exposure to these factors is linked to the pace of our growth in territories outside the US and, if the proportion of our revenues grows, this may increase the potential sensitivity to currency movements having an adverse impact on our results.

The Group is also exposed to interest rate risk in relation to its fixed and floating rate borrowings and may use interest rate swaps to manage the exposure.

The Group could be affected by credit risk on treasury transactions

The Group uses long-term credit ratings from Standard and Poor's, Moody's and Fitch Ratings as a basis for setting its counterparty limits. In order to manage the Group's credit risk exposure, the treasury function sets counterparty exposure limits using metrics including credit ratings, the relative placing of credit default swap pricings, tier 1 capital and share price volatility of the relevant counterparty. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In respect of credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets represents the maximum exposure to credit risk.

The Group may be impacted by changes affecting the availability of the London Interbank Offered Rate ("LIBOR")

In line with announcements from the U.K. Financial Conduct Authority, from 1 January 2022 publication ceased of one week and two month USD LIBOR tenors and all tenors for EUR, CHF, JPY and GBP LIBOR. Publication of all other USD LIBOR tenors will cease after 30 June, 2023.

We are party to various agreements where obligations are calculated based on LIBOR, the most relevant and material being our Syndicated and Bilateral Facilities, which were undrawn at 31 December 2021.

The discontinuation of LIBOR is not currently anticipated to have a material impact on the Group, however changes from LIBOR to an alternative benchmark rate could impact the Group's future cost of capital, receipts or payments under agreements that reference LIBOR, and the future valuation of derivative financial instruments, any of which could impact our reported results and cash flows.

Group information continued

Risk factors continued

The Group's financial performance may be affected by changes in tax laws

Many factors will affect the Group's future tax rate, the key ones being legislative developments, future profitability of underlying subsidiaries and tax uncertainties. Tax liabilities or refunds may also differ from those anticipated, in particular as a result of changes in tax law, changes in the interpretation of tax law, or clarification of uncertainties in the application of tax law. The Group continues to monitor significant tax reform proposals, most notably the OECD's review into 'Tax Challenges Arising from Digitalisation' as well as US tax reform proposals.

The Group may face difficulties insuring its business

Historically, the Group has maintained insurance at levels determined to be appropriate in light of the cost of cover and the risk profile of the business. However, the Group's claims experience and wider external market forces may limit the scope of coverage the Group can obtain and the Group's ability to obtain coverage at reasonable rates. Other forces beyond the Group's control, such as terrorist attacks or natural disasters, may be uninsurable or simply too expensive to insure. Inadequate or insufficient insurance carried by the Group, our owners or other partners for damage, other potential losses or liabilities to third parties involving properties that we own, manage or franchise could expose the Group to large claims or could result in the loss of capital invested in properties.

9. Safety and security

The Group is exposed to a variety of risks associated with safety, security and crisis management

There is a constant need to protect the safety and security of our guests, employees and assets against natural and man-made threats. These include, but are not limited to, exceptional events such as extreme weather, civil or political unrest, violence and terrorism, serious and organised crime, fraud, employee dishonesty, cyber crime, pandemics or contagious diseases (including but not limited to Covid-19), fire, and day-to-day accidents, incidents and petty crime which impact the guest or employee experience, could cause loss of life, sickness or injury and result in compensation claims, fines from regulatory bodies, litigation, and impact reputation. Serious incidents or a combination of events could escalate into a crisis which, if managed poorly, could further expose the Group and its brands to significant reputational damage.

10. Environmental and social megatrends

The Group is exposed to the risk of events or stakeholder expectations that adversely impact domestic or international travel, including climate change

The room rates and occupancy levels of the Group could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, political or civil unrest, epidemics and pandemics or threats thereof, travel-related accidents or industrial action, natural or man-made disasters, or other local factors impacting specific countries, cities or individual hotels, as well as increased transportation and fuel costs. Additionally, the Group may be impacted by increasing stakeholder and societal expectations and attitudes in relation to factors contributing to climate change including overtravel and overtourism, and those linked directly to hotels including waste, water, energy, or impact on local communities. A decrease in the demand for business and/or leisure hotel rooms as a result of such events or attitudinal and demand shifts may have an adverse impact on the Group's operations or growth prospects and financial results. In addition, inadequate planning, preparation, response or recovery in relation to a major incident or crisis may cause loss of life, prevent operational continuity, or result in financial loss, and consequently impact the value of our brands and/or the reputation of the Group.

Domestic and international environmental laws and regulations may cause us to incur substantial costs or subject us to potential liabilities

The Group is exposed to certain compliance costs and potential liabilities under various foreign and US federal, state and local environmental, health and safety laws and regulations. These laws and regulations govern actions and reporting requirements relating to matters including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. The Group's failure to comply with such laws, including any required permits or licences, could result in substantial fines or possible revocation of our authority to conduct some of our operations. We could also be liable under such laws for the costs of investigation, removal or remediation of hazardous or toxic substances at our currently or formerly franchised, managed, owned, leased or managed lease hotels or at third-party locations in connection with our waste disposal operations, regardless of whether or not we knew of, or caused, the presence or release of such substances. The Group may also be required to remediate such substances or remove, abate or manage asbestos, mould, radon gas, lead or other hazardous conditions at our properties. The presence or release of such toxic or hazardous substances could result in third-party claims for personal injury, property or natural resource damages, business interruption or other losses. Such claims and the need to investigate, remediate or otherwise address hazardous, toxic or unsafe conditions could adversely affect the Group's operations, the value of any affected real property, or our ability to sell, lease or assign our rights in any such property, or could otherwise harm our business or reputation. Environmental, health and safety requirements have also become increasingly stringent, and our costs may increase as a result. New or revised laws and regulations or new interpretations of existing laws and regulations, such as those related to climate change, could affect the operation of our properties or result in significant additional expense and restrictions on the Group's business operations.

The Group is exposed to risks relating to our commitments in relation to Climate Change

In line with our commitment to reduce our energy use and carbon emissions in line with climate science, the Group has implemented a 2030 science-based target to reduce absolute scope 1, 2, and scope 3 greenhouse gas emissions from fuel and energy-related activities and franchises by 46.2% by 2030 from a 2019 base year. This ambition is challenging to implement and will require significant transformation across IHG, hotel owners and supply chain partners, including investment in physical assets and operational procedures. If these changes, many of which are outside of IHG's control, do not occur, the Group may have difficulty achieving its target.

Directors' and Executive Committee members' shareholdings

As at 21 February 2022: (i) Executive Directors had the number of beneficial interests in shares (including Directors' share awards under IHG's share plans) set out in the table on page 119; (ii) Non-Executive Directors had the number of beneficial interests in shares set out in the table on page 123; and (iii) Executive Committee members had the number of beneficial interests in shares (including members' share awards under IHG's share plans) set out in the table below. These shareholdings indicate all Directors' or Executive Committee members' beneficial interests and those held by their spouses and other connected persons. As at 21 February 2022, no Director or Executive Committee member held more than 1.0% of the total issued share capital. None of the Directors have a beneficial interest in the shares of any subsidiary.

Executive Committee member	Number of shares held outright			APP deferred share awards			LTIP share awards (unvested)			Total number of shares held		
	21 Feb 2022	31 Dec 2021	31 Dec 2020	21 Feb 2022	31 Dec 2021	31 Dec 2020	21 Feb 2022	31 Dec 2021	31 Dec 2020	21 Feb 2022	31 Dec 2021	31 Dec 2020
Keith Barr	81,830	81,830	70,279	26,696	26,696	37,705	143,231	143,231	119,227	251,757	251,757	227,211
Paul Edgecliffe-Johnson	58,723	58,723	53,376	19,137	19,137	26,751	95,959	95,959	86,479	173,819	173,819	166,606
Elie Maalouf	74,698	74,698	67,428	19,625	19,625	25,417	96,790	96,790	88,691	191,113	191,113	181,536
Claire Bennett	22,045	22,045	16,521	13,144	13,144	14,379	54,499	54,499	55,340	89,688	89,688	86,240
Jolyon Bulley	52,164	52,164	57,939	10,219	10,219	11,787	53,683	53,683	51,624	116,066	116,066	121,350
Yasmin Diamond	2,902	2,902	7,581	8,557	8,557	11,016	37,836	37,836	36,887	49,295	49,295	55,484
Nicolette Henfrey	1,801	1,801	4,528	3,594	3,594	6,621	38,996	38,996	32,939	44,391	44,391	44,088
Wayne Hoare	2,714	2,714	0	1,867	1,867	4,666	38,945	38,945	22,653	43,526	43,526	27,319
Kenneth Macpherson	24,060	24,060	30,160	13,066	13,066	18,557	54,202	54,202	54,789	91,328	91,328	103,506
George Turner	30,100	30,100	27,951	12,920	12,920	18,151	55,070	55,070	55,848	98,090	98,090	101,950

Executive Directors' benefits upon termination of office

All current Executive Directors have a rolling service contract with a notice period from the Group of 12 months. As an alternative, the Group may, at its discretion, pay in lieu of that notice. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct.

Payment in lieu of notice could potentially include up to 12 months' salary and the cash equivalent of 12 months' pension contributions, and other contractual benefits. Where possible, the Group will seek to ensure that, where a leaver mitigates their losses by, for example, finding new employment, there will be a corresponding reduction in compensation payable for loss of office.

 Visit www.ihgplc.com/investors under Corporate governance in the Directors' Remuneration Policy section, for further details about the determination of termination payments in the Directors Remuneration Policy.

Group information continued

Description of securities other than equity securities

Fees and charges payable to a depositary

Category (as defined by SEC)	Depository actions	Associated fee
Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of: <ul style="list-style-type: none">• Share distributions, stock splits, rights, mergers• Exchange of securities or any other transactions or event or other distribution affecting the ADSs or the deposited securities	\$5 for each 100 ADSs (or portion thereof)
Receiving or distributing dividends	Distribution of stock dividends	\$5 for each 100 ADSs (or portion thereof)
Selling or exercising rights	Distribution of cash	\$0.05 or less per ADS (or portion thereof) \$5 for each 100 ADSs (or portion thereof)
Withdrawing an underlying security	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	\$5 for each 100 ADSs (or portion thereof)
Transferring, splitting or grouping receipts	Acceptance of ADRs surrendered for withdrawal of deposited securities	\$1.50 per ADS
General depositary services, particularly those charged on an annual basis	Transfers, combining or grouping of depositary receipts	\$0.05 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting such charge from one or more cash dividends or other cash distributions
Expenses of the depositary	Other services performed by the depositary in administering the ADRs	Expenses payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting charges from one or more cash dividends or other cash distributions are \$20 per transaction
	Expenses incurred on behalf of ADR holders in connection with: <ul style="list-style-type: none">• Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment• The ADR Depositary's or its custodian's compliance with applicable laws, rules or regulations• Stock transfer or other taxes and other governmental charges• Cable, telex, facsimile transmission/delivery• Transfer or registration fees in connection with the deposit and withdrawal of deposited securities• Expenses of the ADR Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency)• Any other charge payable by the ADR Depositary or its agents	

Fees and charges payable by a depositary

J.P. Morgan Chase Bank N.A. (the ADR Depositary) is the depositary for IHG's ADR programme. The ADR Depositary's principal executive office is at: J.P. Morgan Depositary Receipts, 383 Madison Avenue, Floor 11, New York, NY 10179. The ADR Depositary has agreed to reimburse certain reasonable Company expenses related to the Company's ADR programme and incurred by the Company in connection with the ADR programme. The Company did not receive any payments from the ADR Depositary during the year ended 31 December 2021 in respect of legal, accounting and other fees incurred in connection with the preparation of the Annual Report and Form 20-F, ongoing SEC compliance and listing requirements, investor relations programmes, and advertising and public relations expenditure.

Change in certifying accountant

Following the audit tender process completed by the Company in 2019 and described in its 2019 Annual Report and Form 20-F, on 7 May 2021 the Company's shareholders approved the appointment of PwC as the Company's statutory auditor for the financial year ended 31 December 2021.

As confirmed in the Company's 2020 Annual Report and Form 20-F, in connection with the audits of IHG's financial statements for each of the two fiscal years ended 31 December 2020 (i) there were no disagreements with the Company's previous statutory auditor, EY, as that term is used in Item 16F(a)(1)(iv) of Form 20-F, over any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures, which if not resolved to EY's satisfaction would have caused EY to make reference to the matter in their report and (ii) there were no 'reportable events' as that term is described in Item 16F(a)(1)(v) of Form 20-F.

Further, in the two fiscal years prior to 31 December 2020, and in the subsequent interim period to 7 May 2021, the Company did not consult with PwC regarding the application of accounting principles to a specific completed or contemplated transaction or regarding the type of audit opinion that might be rendered in respect of the Company's consolidated financial statements or the effectiveness of internal control over financial reporting. Further, PwC did not provide any written or oral advice that was an important factor considered by the Company in reaching a decision as to any such accounting, auditing or financial reporting matter or any matter being the subject of disagreement or defined as a reportable event or any other matter as defined in Item 16F(a)(1)(v) of Form 20-F.

Articles of Association

The Company's Articles of Association (the Articles) were first adopted with effect from 27 June 2005 and were most recently amended at the AGM held on 7 May 2020 and are available on the Company's website at www.ihgplc.com/investors under Corporate governance. The following summarises material rights of holders of the Company's ordinary shares under the material provisions of the Articles and English law. This summary is qualified in its entirety by reference to the Companies Act and the Articles.

The Company's shares may be held in certificated or uncertificated form. No holder of the Company's shares will be required to make additional contributions of capital in respect of the Company's shares in the future.

In the following description, a 'shareholder' is the person registered in the Company's register of members as the holder of the relevant share.

Principal objects

The Company is incorporated under the name InterContinental Hotels Group PLC and is registered in England and Wales with registered number 5134420. The Articles do not restrict its objects or purposes.

Directors

Under the Articles, a Director may have an interest in certain matters ('Permitted Interest') without the prior approval of the Board, provided they have declared the nature and extent of such Permitted Interest at a meeting of the Directors or in the manner set out in Section 184 or Section 185 of the Companies Act.

Any matter in which a Director has a material interest, and which does not comprise a Permitted Interest, must be authorised by the Board in accordance with the procedure and requirements contained in the Articles. In particular, this includes the requirement that a Director may not vote on a resolution to authorise a matter in which they are interested, nor may they count in the quorum of the meeting at which such business is transacted.

Further, a Director may not vote in respect of any proposal in which they, or any person connected with them, has any material interest other than by virtue of their interests in securities of, or otherwise in or through, the Company, nor may they count in the quorum of the meeting at which such business is transacted. This is subject to certain exceptions, including in relation to proposals: (a) indemnifying them in respect of obligations incurred on behalf of the Company; (b) indemnifying a third party in respect of obligations of the Company for which the Director has assumed responsibility under an indemnity or guarantee; (c) relating to an offer of securities in which they will be interested as an underwriter; (d) concerning another body corporate in which the Director is beneficially interested in less than one per cent of the issued shares of any class of shares of such a body corporate; (e) relating to an employee benefit in which the Director will share equally with other employees; and (f) relating to liability insurance that the Company is empowered to purchase for the benefit of Directors of the Company in respect of actions undertaken as Directors (or officers) of the Company.

The Directors have authority under the Articles to set their own remuneration (provided certain criteria are met). While an agreement to award remuneration to a Director is an arrangement with the Company that comprises a Permitted Interest (and therefore does not require authorisation by the Board in that respect), it is nevertheless a matter that would be expected to give rise to a conflict of interest between the Director concerned and the Company, and such conflict must be authorised by a resolution of the Board. The Director that is interested in such a matter may neither vote on the resolution to authorise such conflict, nor count in the quorum of the meeting at which it was passed. Furthermore, as noted above, the interested Director is not permitted to vote in respect of any proposal in which they have any material interest (except in respect of the limited exceptions outlined above) nor may they count in the quorum of the meeting at which such business is transacted.

As such, a Director has no power, in the absence of an independent quorum, to vote on compensation to themselves, but may vote on a resolution (and may count in the quorum of the meeting at which it was passed) to award compensation to Directors provided those arrangements do not confer a benefit solely on them.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to any limitation in the Articles, unless sanctioned by an ordinary resolution of the Company.

At the Company's AGM on 7 May 2021, shareholders approved the amendment of the borrowing limit in the Articles from an amount equal to three times the share capital and consolidated reserves, to \$5 billion.

Under the Articles, there are no age-limit requirements relating to a person's qualification to hold office as a Director of the Company.

Directors are not required to hold any shares of the Company by way of qualification.

The Articles require annual retirement and re-election of all Directors at the AGM.

Rights attaching to shares

Dividend rights and rights to share in the Company's profits

Under English law, dividends are payable on the Company's ordinary shares only out of profits available for distribution, as determined in accordance with accounting principles generally accepted in the UK and by the Companies Act. No dividend will bear interest as against the Company.

Holders of the Company's ordinary shares are entitled to receive such dividends as may be declared by the shareholders in general meeting, rateably according to the amounts paid up on such shares, provided that the dividend cannot exceed the amount recommended by the Directors.

The Company's Board of Directors may declare and pay to shareholders such interim dividends as appear to them to be justified by the Company's financial position. If authorised by an ordinary resolution of the shareholders, the Board of Directors may also direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company).

Any dividend unclaimed by a member (or by a person entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law) after six years from the date the dividend was declared, or became due for payment, will be forfeited and will revert to the Company.

Voting rights

The holders of ordinary shares are entitled, in respect of their holdings of such shares, to receive notice of general meetings and to attend, speak and vote at such meetings in accordance with the Articles.

Voting at any general meeting of shareholders is by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every shareholder who is present in person or by proxy at a general meeting has one vote regardless of the number of shares held. Resolutions put to the members at electronic general meetings shall be voted on by a poll, which poll votes may be cast by such electronic means as the Board in its sole discretion deems appropriate for the purposes of the meeting.

On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder. A poll may be demanded by any of the following:

- the Chair of the meeting;
- at least five shareholders present in person or by proxy and entitled to vote at the meeting;

Group information continued

Articles of Association continued

- any shareholder or shareholders present in person or by proxy representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to vote at the meeting; or
- any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting and on which there have been paid up sums in the aggregate at least equal to one-tenth of the total sum paid up on all the shares conferring that right.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a general meeting is two persons carrying a right to vote upon the business to be transacted, whether present in person or by proxy.

Matters are transacted at general meetings of the Company by the proposing and passing of resolutions, of which there are two kinds:

- an ordinary resolution, which includes resolutions for the election of Directors, the approval of financial statements, the cumulative annual payment of dividends, the appointment of the Auditor, the increase of share capital or the grant of authority to allot shares; and
- a special resolution, which includes resolutions amending the Articles, disapplying statutory pre-emption rights, modifying the rights of any class of the Company's shares at a meeting of the holders of such class or relating to certain matters concerning the Company's winding up or changing the Company's name.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons present and entitled to vote at a meeting at which there is a quorum.

Special resolutions require the affirmative vote of not less than three-quarters of the persons present and entitled to vote at a meeting at which there is a quorum.

AGMs must be convened upon advance written notice of 21 days. Other meetings must be convened upon advance written notice of 14 days. The days of delivery or receipt of the notice are not included. The notice must specify the nature of the business to be transacted.

The Board of Directors may, if they choose, make arrangements for shareholders, who are unable to attend the place of the meeting, to participate at other places or to allow for shareholders to attend and participate in shareholder meetings by electronic means.

Variation of rights

If, at any time, the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act, with the consent in writing of holders of three-quarters in nominal value of the issued shares of that class or upon the adoption of a special resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles relating to proceedings at a general meeting apply, except that the quorum is to be the number of persons (which must be two or more) who hold or represent by proxy not less than one-third in nominal value of the issued shares of that class.

Rights in a winding-up

Except as the Company's shareholders have agreed or may otherwise agree, upon the Company's winding up, the balance of assets available for distribution is to be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them:

- after the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors; and
- subject to any special rights attaching to any class of shares.

This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of a special resolution of the shareholders, divide among the shareholders the whole or any part of the Company's assets in kind.

Limitations on voting and shareholding

There are no limitations imposed by English law or the Articles on the right of non-residents or foreign persons to hold or vote the Company's ordinary shares or ADSs, other than the limitations that would generally apply to all of the Company's shareholders.

Working Time Regulations 1998

In the UK, many employees of Group companies are covered by the Working Time Regulations which came into force on 1 October 1998. These regulations implemented the EU Working Time Directive and parts of the Young Workers Directive, and lay down rights and protections for employees in areas such as maximum working hours, minimum rest time, minimum days off and paid leave. The Working Time Regulations continue to apply in the UK following the UK's exit from the EU as retained EU law under the European Union (Withdrawal) Act 2018, as amended.

In the UK, there is in place a national minimum wage under the National Minimum Wage Act 1998, as amended. At 31 December 2021, the minimum wage for individuals aged 18 to 20 was £6.56 per hour, aged 21 to 22 was £8.36 per hour and for those aged 23 or over was £8.91 per hour in each case, excluding apprentices aged under 19 years or, otherwise, in the first year of their apprenticeships.

This particularly impacts businesses in the hospitality and retailing sectors. Compliance with the National Minimum Wage Act is being monitored by the Low Pay Commission, an independent statutory body established by the UK Government.

None of the Group's UK employees are covered by collective bargaining agreements with trade unions.

Continual attention is paid to the external market in order to ensure that terms of employment are appropriate. The Group believes the Group companies will be able to conduct their relationships with trade unions and employees in a satisfactory manner.

Material contracts

The following contracts have been entered into otherwise than in the course of ordinary business by members of the Group:

- (i) in the two years immediately preceding the date of this document in the case of contracts which are or may be material; or (ii) that contain provisions under which any Group member has any obligation or entitlement that is material to the Group as at the date of this document. To the extent that these agreements include representations, warranties and indemnities, such provisions are considered standard in an agreement of that nature, save to the extent identified below.

Syndicated Facility

On 30 March 2015, the Company signed a five-year \$1.275 billion bank facility agreement (Syndicated Facility) with Bank of America Merrill Lynch International Limited, Barclays Bank plc, HSBC Bank PLC, SunTrust Robinson Humphrey, The Bank of Tokyo-Mitsubishi UFJ, Ltd and The Royal Bank of Scotland plc, all acting as joint bookrunners and The Bank of Tokyo-Mitsubishi UFJ, Ltd as facility agent. The Company has exercised its ability to extend the term of the Syndicated Facility by two additional periods of 12 months, and, in April 2020, agreed a further extension of the Syndicated Facility taking its term to September 2023. The interest margin payable on borrowings under the Syndicated Facility is linked to IHG's consolidated leverage ratio. The margin can vary between LIBOR + 0.90% and LIBOR + 2.75% depending on the level of the ratio. The Syndicated Facility was undrawn as at 31 December 2021.

£3 billion Euro Medium Term Note programme

In 2020, the Group updated its Euro Medium Term Note programme (Programme) and issued a tranche of €500 million 1.625% notes due 8 October 2024 (2020 Euro Issuance) and a tranche of £400 million 3.375% notes due 8 October 2028 (2020 GBP Issuance).

On 14 September 2020, an amended and restated trust deed (Trust Deed) was executed by InterContinental Hotels Group PLC as issuer (Issuer), Six Continents Limited and InterContinental Hotels Limited as guarantors (Guarantors) and HSBC Corporate Trustee Company (UK) Limited as trustee (Trustee), pursuant to which the trust deed dated 27 November 2009, as supplemented by four supplemental trust deeds dated 7 July 2011, 9 November 2012, 16 June 2015 and 11 August 2016 between the same parties relating to the Programme, were amended and restated. Under the Trust Deed, the Issuer may issue notes (Notes) unconditionally and irrevocably guaranteed by the Guarantors, up to a maximum nominal amount from time to time outstanding of £3 billion (or its equivalent in other currencies). Notes are to be issued in series (each a Series) in bearer form. Each Series may comprise one or more tranches (each a Tranche) issued on different issue dates. A Tranche of Notes may be issued on the terms and conditions set out in a base prospectus as amended and/or supplemented by a document setting out the final terms (Final Terms) of such Tranche or in a separate prospectus specific to such Tranche.

Under the Trust Deed, each of the Issuer and the Guarantors has given certain customary covenants in favour of the Trustee.

The Final Terms issued under each of the 2020 Euro Issuance and the 2020 GBP Issuance provide that the holders of the Notes have the right to repayment if the Notes (a) become non-investment grade within the period commencing on the date of announcement of a change of control and ending 90 days after the change of control (Change of Control Period) and are not subsequently, within the Change of Control Period, reinstated to investment grade; (b) are downgraded from a non-investment grade and are not reinstated to its earlier credit rating or better within the Change of Control Period; or (c) are not credit rated and do not become investment grade credit rated by the end of the Change of Control Period.

On 14 September 2020, the Issuer and the Guarantors entered into an amended and restated agency agreement (Agency Agreement) with HSBC Bank plc as principal paying agent and the Trustee, pursuant to which the Issuer and the Guarantors appointed paying agents and calculation agents in connection with the Programme and the Notes.

Under the Agency Agreement, each of the Issuer and the Guarantors has given a customary indemnity in favour of the paying agents and the calculation agents.

On 14 September 2020, the Issuer and the Guarantors entered into an amended and restated dealer agreement (Dealer Agreement) with HSBC Bank plc as arranger and Barclays Bank PLC, Commerzbank Aktiengesellschaft, HSBC Bank plc, Merrill Lynch International, MUFG Securities EMEA plc, Truist Securities, Inc. and Wells Fargo Securities International Limited as dealers (Dealers), pursuant to which the Dealers were appointed in connection with the Programme and the Notes.

Under the Dealer Agreement, each of the Issuer and the Guarantors has given customary warranties and indemnities in favour of the Dealers.

£1 billion Euro Commercial Paper Programme

In 2020, the Group established a £1 billion Euro Commercial Paper Programme (ECP) and issued £600m of commercial paper under the Joint HM Treasury and Bank of England Covid Corporate Financing Facility. The issuance was repaid on maturity in March 2021.

Group information continued

Legal proceedings

Group companies have extensive operations in the UK, as well as internationally, and are involved in a number of legal claims and proceedings incidental to those operations. These legal claims and proceedings are in various stages and include disputes related to specific hotels where the potential materiality is not yet known. It is the Company's view that such proceedings, either individually or in the aggregate, have not in the recent past and are not likely to have a significant effect on the Group's financial position or profitability.

Notwithstanding the above, the Company notes the matters set out below. Litigation is inherently unpredictable and, as of 21 February 2022, unless stated otherwise, the outcome of these matters cannot be reasonably determined.

A claim was filed on 5 July 2016 by CPTS Hotel Lessee, LLC (CPTS) against Holiday Hospitality Franchising, LLC (HHF). The claimant alleges breach of the licence agreement and seeks a declaratory judgement from the court that it has the right to terminate its licence with HHF. HHF and InterContinental Hotels Group Resources, Inc. filed a claim against CPTS Hotel Lessee, LLC also seeking a declaratory judgement and alleging breach of contract and fraud. On 1 May 2018, the court granted IHG's motion for preliminary injunction and ruled that the license agreement at issue is not terminable at will by CPTS. As of 21 February 2022, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

A claim was filed on 26 June 2017 against InterContinental Hotels Corporation, InterContinental Hotels Group Resources, Inc., and InterContinental Hotels Group (Canada), Inc. seeking class action status and alleging breach of fiduciary duty, negligence, breach of confidence, intrusion upon seclusion, breach of contract, breach of privacy legislation, and unjust enrichment regarding an alleged

data breach. The claim was amended in March 2018 to name Six Continents Hotels, Inc. as the sole defendant. The claimant alleges that security failures allowed customers' financial information to be compromised. As of 21 February 2022, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

Two claims were filed on 19 March 2018 and 6 December 2018 against Six Continents Hotels, Inc. and other hotel companies, alleging violations of anti-trust regulations. One of the matters is a class action, and both suits allege that the defendant hotel companies conspired to eliminate competitive branded keyword search advertising in the hotel industry, which raised prices for hotel rooms in violation of applicable law. These matters have now been resolved and the claims have been dismissed with prejudice.

A claim was filed on 5 April 2019 and amended on 16 December 2019 against Kimpton seeking class action status and alleging harm related to the compromise of personal information due to a data security breach. The allegations relate to a breach of the reservation system previously used by Kimpton. As of 21 February 2022, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

An arbitration was filed on 21 December 2018 alleging that IHG Hotels Limited and InterContinental Hotels Group PLC misrepresented the right of a third party to license the Crowne Plaza brand. The claimant seeks monetary damages for various alleged losses. As of 21 February 2022, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

Exchange controls and restrictions on payment of dividends

There are no restrictions on dividend payments to US citizens.

Although there are currently no UK foreign exchange control restrictions on the export or import of capital or the payment of dividends on the ordinary shares or the ADSs, economic sanctions which may be in force in the UK from time to time impose restrictions on the payment of dividends to persons resident (or treated as so resident) in or governments of (or persons exercising public functions in) certain countries.

Other than economic sanctions which may be in force in the UK from time to time, there are no restrictions under the Articles of Association or under English law that limit the right of non-resident or foreign owners to hold or vote the ordinary shares or the ADSs. In addition, the Articles contain certain limitations on the voting and other rights of any holder of ordinary shares whose holding may, in the opinion of the Directors, result in the loss or failure to secure the reinstatement of any licence or franchise from any US governmental agency held by Six Continents Hotels, Inc. or any subsidiary thereof.

Shareholder information

Taxation

This section provides a summary of material US federal income tax and UK tax consequences to the US holders, described below, of owning and disposing of ordinary shares or ADSs of the Company. This section addresses only the tax position of a US holder who holds ordinary shares or ADSs as capital assets. This section does not, however, discuss all of the tax considerations that may be relevant to any particular US holder, such as the provisions of the Internal Revenue Code of 1986, as amended (IR Code) known as the Medicare Contribution tax or tax consequences to US holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding ordinary shares or ADSs as part of a straddle, conversion transaction, integrated transaction or wash sale, or persons entering into a constructive sale with respect to the ordinary shares or ADSs;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- partnerships or other entities classified as partnerships for US federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organisations;
- persons who acquired the Company's ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise in connection with employment; and
- persons who, directly or indirectly, own ordinary shares or ADSs representing 10% or more of the Company's voting power or value.

This section does not generally deal with the position of a US holder who is resident in the UK for UK tax purposes or who is subject to UK taxation on capital gains or income by virtue of carrying on a trade, profession or vocation in the UK through a branch, agency or permanent establishment to which such ADSs or ordinary shares are attributable ('trading in the UK').

As used herein, a 'US holder' is a person who, for US federal income tax purposes, is a beneficial owner of ordinary shares or ADSs and is: (i) a citizen or individual resident of the US; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the US, any state therein or the District of Columbia; (iii) an estate whose income is subject to US federal income tax regardless of its source; or (iv) a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust.

This section is based on the IR Code, its legislative history, existing and proposed regulations, published rulings and court decisions, and on UK tax laws and the published practice of HM Revenue and Customs (HMRC), all as of the date hereof. These laws, and that practice, are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the ADR Depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For US federal income tax purposes, an owner of ADRs evidencing ADSs will generally be treated as the owner of the underlying shares represented by those ADSs. For UK tax purposes, in practice, HMRC will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs (although case law has cast some doubt on this). The discussion below assumes that HMRC's position is followed.

Generally, exchanges of ordinary shares for ADSs, and ADSs for ordinary shares, will not be subject to US federal income tax or UK taxation on capital gains, although UK stamp duty or stamp duty reserve tax (SDRT) may arise as described below.

Investors should consult their own tax advisers regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of ordinary shares or ADSs in their particular circumstances.

The following disclosures assume that the Company is not, and will not become, a passive foreign investment company (PFIC), except as described below.

Taxation of dividends

UK taxation

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will generally not be liable for UK taxation on dividends received in respect of the ADSs or ordinary shares.

US federal income taxation

A US holder is generally subject to US federal income taxation on the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Distributions in excess of the Company's current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain. Because the Company has not historically maintained, and does not currently maintain, books in accordance with US tax principles, the Company does not expect to be in a position to determine whether any distribution will be in excess of the Company's current and accumulated earnings and profits as computed for US federal income tax purposes. As a result, it is expected that amounts distributed will be reported to the Internal Revenue Service (IRS) as dividends.

Subject to applicable limitations, dividends paid to certain non-corporate US holders will be taxable at the preferential rates applicable to long-term capital gain if the dividends constitute 'qualified dividend income'. The Company expects that dividends paid by the Company with respect to the ADSs will constitute qualified dividend income. Non-corporate US holders should consult their own tax advisers to determine whether they are subject to any special rules that limit their ability to be taxed at these preferential rates.

Dividends must be included in income when the US holder, in the case of shares, or the ADR Depositary, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit limitation purposes, dividends will generally be income from sources outside the US.

The amount of any dividend paid in pounds sterling will be the US dollar value of the sterling payments made, determined at the spot sterling/US dollar rate on the date the dividend distribution is includable in income, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted into US dollars on that date, a US holder should not be required to recognise foreign currency gain or loss in respect of the dividend income. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includable in income to the date the payment is converted into US dollars will be treated as ordinary income or loss from sources within the US.

Shareholder information continued

Taxation continued

Taxation of capital gains

UK taxation

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will not generally be liable for UK taxation on capital gains, or eligible for relief for allowable losses, realised or accrued on the sale or other disposal of ADSs or ordinary shares. A US holder of ADSs or ordinary shares who is an individual and who, broadly, has temporarily ceased to be resident in the UK or has become temporarily treated as non-resident for UK tax purposes for a period of not more than five years and who disposes of ordinary shares or ADSs during that period may, for the year of assessment when that individual becomes resident again in the UK, be liable to UK tax on capital gains (subject to any available exemption or relief), notwithstanding the fact that such US holder was not treated as resident in the UK at the time of the sale or other disposal.

US federal income taxation

A US holder who sells or otherwise disposes of ordinary shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the amount realised and its tax basis in the ordinary shares or ADSs, each determined in US dollars. Such capital gain or loss will be a long-term capital gain or loss where the US holder has a holding period greater than one year. Losses may also be treated as long-term capital losses to the extent of certain 'extraordinary dividends' that qualified for the preferential tax rates on qualified dividend income described above. The capital gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

PFIC rules

Based on the manner in which the Group operates its business and estimates of the value of its assets (which estimates are based, in part, on the market value of the Company's ADSs) the Company believes that it was not a PFIC for US federal income tax purposes for its 2021 taxable year. However, the Company's PFIC status is an annual factual determination and thus may be subject to change. If the Company were a PFIC for any taxable year during which a US holder owned ordinary shares or ADSs, gain realised on the sale or other disposition of ordinary shares or ADSs would, in general, not be treated as capital gain. Instead, gain would be treated as if the US holder had realised such gain rateably over the holding period for the ordinary shares or ADSs and, to the extent allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC, would be taxed as ordinary income. The amount allocated to each other taxable year would be taxed at the highest tax rate in effect (for individuals or corporations, as applicable) for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, similar rules would apply to any 'excess distribution' received on the ordinary shares or ADSs (generally, the excess of distributions received on the ordinary shares or ADSs during the taxable year over 125% of the average amount of distributions received during a specified prior period). The preferential rates for qualified dividend income described above would not apply if the Company were a PFIC for the taxable year of the distribution or the preceding taxable year.¹

Certain elections may be available (including a market-to-market election) to US holders that would result in alternative treatments of the ordinary shares or ADSs. If the Company were a PFIC for any taxable year in which a US holder held ordinary shares or ADSs, a US holder would generally be required to file IRS Form 8621 with their annual US federal income tax returns, subject to certain exceptions.

¹ Subject to PFIC analysis upon receipt of financial statements.

Additional tax considerations

UK inheritance tax

An individual who is neither domiciled nor deemed domiciled in the UK is only chargeable to UK inheritance tax to the extent the individual owns assets situated in the UK. As a matter of UK law, it is not clear whether the situs of an ADS for UK inheritance tax purposes is determined by the place where the depositary is established and records the entitlements of the deposit holders, or by the situs of the underlying share which the ADS represents, but HMRC may take the view that the ADSs, as well as the ordinary shares, are or represent UK-situs assets.

However, an individual who is domiciled in the US (for the purposes of the Estate and Gift Tax Convention (the Convention)), and is not a UK national as defined in the Convention, will not be subject to UK inheritance tax (to the extent UK inheritance tax applies) in respect of the ordinary shares or ADSs on the individual's death or on a transfer of the ordinary shares or ADSs during their lifetime, provided that any applicable US federal gift or estate tax is paid, unless the ordinary shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base of an individual used for the performance of independent personal services. Where the ordinary shares or ADSs have been placed in trust by a settlor, they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the US and was not a UK national. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other undervalue transfer, broadly within seven years of death, and in certain other circumstances. Where the ordinary shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the Convention generally provides for either a credit against US federal tax liabilities for UK inheritance tax paid or for a credit against UK inheritance tax liabilities for US federal tax paid, as the case may be.

UK stamp duty and SDRT

Neither stamp duty nor Stamp Duty Reserve Tax (SDRT) will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS and any separate instrument or written agreement of transfer are executed and remain at all times outside the UK. UK legislation does however provide for stamp duty (in the case of transfers) or SDRT to be payable at the rate of 1.5% on the amount or value of the consideration (or, in some cases, the value of the ordinary shares) where ordinary shares are issued or transferred to a person (or a nominee or agent of a person) whose business is or includes issuing depositary receipts or the provision of clearance services. In accordance with the terms of the deposit agreement, any tax or duty payable on deposits of ordinary shares by the depositary or by the custodian of the depositary will typically be charged to the party to whom ADSs are delivered against such deposits.

Following litigation on the subject, HMRC has accepted that it will no longer seek to apply the 1.5% SDRT charge when new shares are issued to a clearance service or depositary receipt system on the basis that the charge is not compatible with EU law. HMRC's published practice states that the disapplication of the 1.5% charge on the issue of shares (and transfers integral to the raising of capital) into clearance services or depositary receipt systems in accordance with the relevant principles of EU law will remain the position following the UK's exit from the EU unless the relevant UK statutory provisions are amended. In HMRC's view, the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt system unless they are an integral part of an issue of share capital. Specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.

A transfer of the underlying ordinary shares will generally be subject to stamp duty or SDRT, normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the depositary to an ADS holder, under which no beneficial interest passes, will not be subject to stamp duty or SDRT.

US backup withholding and information reporting

Payments of dividends and sales proceeds with respect to ADSs and ordinary shares may be reported to the IRS and to the US holder. Backup withholding may apply to these reportable payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US holders (including, among others, corporations) are not

subject to information reporting and backup withholding. The amount of any backup withholding from a payment to a US holder will be allowed as a credit against the holder's US federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. US holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain US holders who are individuals (and certain specified entities), may be required to report information relating to their ownership of non-US securities unless the securities are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-US financial institutions). US holders should consult their tax advisers regarding any reporting obligations they may have with respect to the Company's ordinary shares or ADSs.

Disclosure controls and procedures

As of the end of the period covered by this report, the Group carried out an evaluation under the supervision and with the participation of the Group's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Group's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act 1934).

These are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act 1934 is recorded, processed, summarised and reported within the specified periods. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective.

Shareholder information continued

Summary of significant corporate governance differences from NYSE listing standards

The Group's statement of compliance with the principles and provisions specified in the UK Corporate Governance Code issued in July 2018 by the Financial Reporting Council (the Code) is set out on pages 126 and 127.

IHG has also adopted the corporate governance requirements of the US Sarbanes-Oxley Act and related rules and of the NYSE, to the extent that they are applicable to it as a foreign private issuer. As a foreign private issuer, IHG is required to disclose any significant ways in which its corporate governance practices differ from those followed by US companies. These are as follows:

Basis of regulation

The Code contains a series of principles and provisions. Listed companies are required to state how they have applied the Code's principles and the provisions operate on a 'comply or explain' basis, where any areas of non-compliance should be disclosed with an explanation for the non-compliance.

In contrast, US companies listed on the NYSE are required to adopt and disclose corporate governance guidelines adopted by the NYSE.

Independent Directors

The Code's principles recommend that at least half the Board, excluding the Chair, should consist of independent non-executive directors. As at 21 February 2022, the Board consisted of the Chair, independent at the time of his appointment, three Executive Directors and eight independent Non-Executive Directors. NYSE listing rules applicable to US companies state that companies must have a majority of independent directors. The NYSE has set out six bright line tests for director independence. The Board's judgement is that all of its Non-Executive Directors are independent. However, it did not explicitly take into consideration the NYSE's tests in reaching this determination.

Chair and Chief Executive Officer

The Code recommends that the Chair and Chief Executive Officer should not be the same individual to ensure that there is a clear division of responsibility for the running of the Company's business. There is no corresponding requirement for US companies. The roles of Chair and Chief Executive Officer were, as at 21 February 2022 and throughout 2021, fulfilled by separate individuals.

Committees

The Company has a number of Board Committees which are similar in purpose and constitution to those required for domestic companies under NYSE rules. The NYSE requires US companies to have audit, remuneration and nominating/corporate governance committees composed entirely of independent directors, as defined under the NYSE rules. The Company's Nomination, Audit and Remuneration Committees consist entirely of Non-Executive Directors who are independent under the standards of the Code, which may not necessarily be the same as the NYSE independence standards. The nominating/governance committee is responsible for identifying individuals qualified to become Board members and to recommend to the Board a set of corporate governance principles. As the Company is subject to the Code, the Company's Nomination Committee is responsible for nominating, for approval by the Board, candidates for appointment to the Board, including recommending suitable candidates for the role of Senior Independent Non-Executive Director. The Company's Nomination Committee consists of the Chair and independent Non-Executive Directors.

The Chair of the Company is not a member of either the Remuneration or Audit Committees. As set out on page 95, the Audit Committee is chaired by an independent Non-Executive Director who, in the Board's view, has the experience and qualifications to satisfy the criterion under US rules for an 'audit committee financial expert'.

Non-Executive Director meetings

NYSE rules require that non-management Directors of US companies must meet on a regular basis without management present, and independent Directors must meet separately at least once per year. The Code recommends: (i) the Board Chair to hold meetings with the Non-Executive Directors without the Executive Directors present; and (ii) the Non-Executive Directors to meet at least annually without the Chair present to appraise the Chair's performance. The Company's Non-Executive Directors have met frequently without Executive Directors being present, and intend to continue this practice, after every Board meeting if possible.

Shareholder approval of equity compensation plans

The NYSE rules require that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans. The Company complies with UK requirements which are similar to the NYSE rules. The Board does not, however, explicitly take into consideration the NYSE's detailed definition of 'material revisions'.

Code of Conduct

The NYSE requires companies to adopt a code of business conduct and ethics, applicable to Directors, officers and employees. Any waivers granted to Directors or officers under such a code must be promptly disclosed. As set out on pages 37 and 38, IHG's Code of Conduct is applicable to all Directors, officers and employees, and is available on the Company's website at www.ihgplc.com/responsible-business. No waivers have been granted under the Code of Conduct.

Compliance certification

Each chief executive of a US company must certify to the NYSE each year that he or she is not aware of any violation by the Company of any NYSE corporate governance listing standard. As the Company is a foreign private issuer, the Company's Chief Executive Officer is not required to make this certification. However, he is required to notify the NYSE promptly in writing after any of the Company's executive officers become aware of any non-compliance with those NYSE corporate governance rules applicable to the Company.

Return of funds

Since March 2003, the Group has returned over £6.6 billion of funds to shareholders by way of special dividends, capital returns and share repurchase programmes.

Return of funds programme	Timing	Total return	Returned to date
£501m special dividend ^a	Paid in December 2004	£501m	£501m
£250m share buyback	Completed in 2004	£250m	£250m
£996m capital return ^a	Paid in July 2005	£996m	£996m
£250m share buyback	Completed in 2006	£250m	£250m
£497m special dividend ^a	Paid in June 2006	£497m	£497m
£250m share buyback	Completed in 2007	£250m	£250m
£709m special dividend ^a	Paid in June 2007	£709m	£709m
£150m share buyback	N/A ^b	£150m	£120m
\$500m special dividend ^{ac}	Paid in October 2012	£315m ^d (\$500m)	£315m (\$505m)
\$500m share buyback	Completed in 2014	£315m ^d (\$500m)	£315m (\$500m) ^f
\$350m special dividend	Paid in October 2013	£229m ^g (\$350m)	£228m (\$355m) ^h
\$750m special dividend ^a	Paid in July 2014	£447m ⁱ (\$750m)	£446m (\$763m) ^j
\$1,500m special dividend ^a	Paid in May 2016	£1,038m ^k (\$1,500m)	£1,038m (\$1,500m)
\$400m special dividend ^a	Paid in May 2017	£309m ^l (\$400m)	£310m (\$404m)
\$500m special dividend ^a	Paid in January 2019	£389m ^m (\$500m)	£388m (\$510m)
Total		£6,645m	£6,613m

^a Accompanied by a share consolidation.

^b This programme was superseded by the share buyback programme announced on 7 August 2012.

^c IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008.

^d The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.63, as set out in the circular detailing the special dividend and share buyback programme published on 14 September 2012.

^e Sterling dividend translated at \$1=£0.624.

^f Translated into US dollars at the average rates of exchange for the relevant years (2014 \$1=£0.61; 2013 \$1=£0.64; 2012 \$1 = £0.63).

^g The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.65, as announced in the Half-Year Results to 30 June 2013.

^h Sterling dividend translated at \$1=£0.644.

ⁱ The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate translated at \$1=£0.597.

^j Sterling dividend translated at \$1=£0.5845.

^k The dividend was first determined in US dollars and converted to sterling at the rate of \$1 = £0.6923, as announced on 12 May 2016.

^l The dividend was first determined in US dollars and converted to sterling at the rate of \$1 = £0.7724, as announced on 11 May 2017.

^m The dividend was first determined in US dollars and converted to sterling at the rate of £1 = \$1.2860, as announced on 17 January 2019.

Shareholder information continued

Purchases of equity securities by the Company and affiliated purchaser

During the financial year ended 31 December 2021, no ordinary shares were purchased by the Company or the Company's employee share ownership trust.

	Total number of shares (or units) purchased	Average price paid per share (or unit) (£)	Total number of shares (or units) purchased as part of publicly announced plans or programmes	Maximum number of shares (or units) that may be purchased under the plans or programmes
Month 1 (no purchases this month)	nil	nil	nil	18,265,631 ^a
Month 2 (no purchases this month)	nil	nil	nil	18,265,631 ^a
Month 3 (no purchases this month)	nil	nil	nil	18,265,631 ^a
Month 4 (no purchases this month)	nil	nil	nil	18,265,631 ^a
Month 5 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 6 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 7 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 8 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 9 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 10 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 11 (no purchases this month)	nil	nil	nil	18,321,631 ^b
Month 12 (no purchases this month)	nil	nil	nil	18,321,631 ^b

^a Reflects the resolution passed at the Company's AGM held on 7 May 2020.

^b Reflects the resolution passed at the Company's AGM held on 7 May 2021.

Dividend history

The table below sets forth the amounts of ordinary dividends on each ordinary share and special dividends, in respect of each financial year indicated.

2021	Interim dividend		Final dividend		Total dividend		Special dividend	
	pence	cents	pence	cents	pence	cents	pence	cents
2020	–	–	–	–	–	–	–	–
2019	32.0	39.9	– ^b	– ^b	32.0	39.9	–	–
2018	27.7	36.3	60.4	78.1	88.1	114.4	203.8 ^c	262.1 ^c
2017	24.4	33.0	50.2	71.0	74.6	104.0	156.4 ^c	202.5 ^c
2016	22.6	30.0	49.4	64.0	72.0	94.0	438.2 ^c	632.9 ^c
2015	17.7	27.5	40.3	57.5	58.0	85.0	–	–
2014	14.8	25.0	33.8	52.0	48.6	77.0	174.9 ^c	293.0 ^c
2013	15.1	23.0	28.1	47.0	43.2	70.0	87.1	133.0
2012	13.5	21.0	27.7	43.0	41.2	64.0	108.4 ^c	172.0 ^c
2011	9.8	16.0	24.7	39.0	34.5	55.0	–	–
2010	8.0	12.8	22.0	35.2	30.0	48.0	–	–
2009	7.3	12.2	18.7	29.2	26.0	41.4	–	–
2008 ^d	6.4	12.2	20.2	29.2	26.6	41.4	–	–
2007	5.7	11.5	14.9	29.2	20.6	40.7	200 ^e	–
2006	5.1	9.6	13.3	25.9	18.4	35.5	118 ^e	–

^a The sterling amount of the final dividend will be announced on 27 April 2022 using the average of the daily exchange rates from 22 April 2022 to 26 April 2022 inclusive.

^b The Board withdrew its recommendation of a final dividend in respect of 2019 of 85.9¢ per share.

^c Accompanied by a share consolidation.

^d IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008. Starting with the interim dividend for 2008, all dividends have first been determined in US dollars and converted into sterling prior to payment.

^e This special dividend was announced on 19 October 2018 and paid on 29 January 2019.

Shareholder profiles

Shareholder profile by type as at 31 December 2021

Category of shareholder	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
Private individuals	30,231	94.25%	7,613,718	4.06%
Nominee companies	1,123	3.50%	149,895,212	79.85%
Limited and public limited companies	593	1.85%	17,717,265	9.44%
Other corporate bodies	116	0.36%	10,538,835	5.61%
Pension funds, insurance companies and banks	11	0.03%	1,952,690	1.04%
Total	32,074	100%	187,717,720	100%

Shareholder profile by size as at 31 December 2021

Range of shareholdings	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
1-199	22,086	68.86%	1,313,645	0.70%
200-499	5,510	17.18%	1,724,841	0.92%
500-999	2,188	6.82%	1,517,793	0.81%
1,000-4,999	1,526	4.76%	3,003,049	1.60%
5,000-9,999	190	0.59%	1,322,761	0.70%
10,000-49,999	278	0.87%	6,277,244	3.34%
50,000-99,999	98	0.31%	7,235,758	3.85%
100,000-499,999	128	0.40%	30,828,476	16.42%
500,000-999,999	37	0.12%	25,542,168	13.61%
1,000,000 and above	33	0.10%	108,951,985	58.04%
Total	32,074	100%	187,717,720	100%

Shareholder profile by geographical location as at 31 December 2021

Country/Jurisdiction	Percentage of issued share capital
UK	48.9%
Rest of Europe	20.2%
US (including ADRs)	27.7%
Rest of world	3.2%
Total	100%

The geographical profile presented is based on an analysis of shareholders (by manager) of 38,000 shares or above where geographical ownership is known. This analysis only captures 90% of total issued share capital. Therefore, the known percentage distributions have been multiplied by 100/90.1 (1.110) to achieve the figures shown in the table above.

As of 21 February 2022, 8,054,722 ADRs equivalent to 8,054,722 ordinary shares, or approximately 4.4% of the total issued share capital, were outstanding and were held by 418 holders. Since certain ordinary shares are registered in the names of nominees, the number of shareholders on record may not be representative of the number of beneficial owners.

As of 21 February 2022, there were a total of 31,976 recorded holders of ordinary shares, of whom 243 had registered addresses in the US and held a total of 306,151 ordinary shares (0.16% of the total issued share capital).

Exhibits

The following exhibits are filed as part of this Annual Report on Form 20-F with the SEC, and are publicly available through the SEC's website.

 Visit www.sec.gov and search InterContinental Hotels Group PLC under Company Filings.

Exhibit 1 ^a	Articles of Association of the Company dated 7 May 2020 (incorporated by reference to Exhibit 1 of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 2(d)	Description of Securities Registered Under Section 12 of the Exchange Act
Exhibit 4(a)(i)(a) ^a	Amended and restated trust deed dated 14 September 2020 relating to a £3 billion Euro Medium Term Note Programme, among InterContinental Hotels Group PLC, Six Continents Limited, InterContinental Hotels Limited and HSBC Corporate Trustee Company (UK) Limited (incorporated by reference to Exhibit 4(a)(i)(a) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 4(a)(ii) ^a	\$1.275 billion bank facility agreement dated 30 March 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank, N.A. London Branch, Commerzbank Aktiengesellschaft, London Branch, DBS Bank Ltd., London Branch, HSBC Bank plc, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Royal Bank Of Scotland plc, U.S. Bank National Association and Wells Fargo Bank N.A., London Branch (incorporated by reference to Exhibit 4(a)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 3 March 2016)
Exhibit 4(a)(iii) ^a	Waiver and amendment letter dated 20 April 2020 relating to the \$1.275 billion bank facility agreement dated 30 March 2015 (incorporated by reference to Exhibit 4(a)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 4(a)(iv) ^a	Extension letter dated 27 April 2020 relating to the \$1.275 billion bank facility agreement dated 30 March 2015 (incorporated by reference to Exhibit 4(a)(iv) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 4(a)(v) ^a	Waiver and amendment letter dated 4 December 2020 relating to the \$1.275 billion bank facility agreement dated 30 March 2015 (incorporated by reference to Exhibit 4(a)(v) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 4(a)(vi)	Amendment letter dated 16 July 2021 relating to the \$1.275 billion bank facility agreement dated 30 March 2015
Exhibit 4(c)(i) ^a	Paul Edgecliffe-Johnson's service contract dated 6 December 2013, commencing on 1 January 2014 (incorporated by reference to Exhibit 4(c)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2014)
Exhibit 4(c)(ii) ^a	Rules of the InterContinental Hotels Group Long Term Incentive Plan as approved by shareholders on 2 May 2014 and as amended on 14 February 2019, 4 December 2019 and 7 May 2020 (incorporated by reference to Exhibit 4(c)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 4(c)(iii) ^a	Rules of the InterContinental Hotels Group Annual Performance Plan as amended (incorporated by reference to Exhibit 4(c)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 4 March 2021)
Exhibit 4(c)(iv) ^a	Keith Barr's service contract dated 5 May 2017, commencing on 1 July 2017 (incorporated by reference to Exhibit 4(c)(v) of the InterContinental Hotels Group Annual Report on Form 20-F (File No. 1-10409) dated 1 March 2018)
Exhibit 4(c)(v) ^a	Elie Maalouf's service contract dated 19 October 2017, commencing on 1 January 2018 (incorporated by reference to Exhibit 4(c)(vi) of the InterContinental Hotels Group Annual Report on Form 20-F (File No. 1-10409) dated 1 March 2018)
Exhibit 8	List of subsidiaries as at 31 December 2021 (can be found on pages 203 to 205)
Exhibit 12(a)	Certification of Keith Barr filed pursuant to 17 CFR 240.13a-14(a)
Exhibit 12(b)	Certification of Paul Edgecliffe-Johnson filed pursuant to 17 CFR 240.13a-14(a)
Exhibit 13(a)	Certification of Keith Barr and Paul Edgecliffe-Johnson furnished pursuant to 17 CFR 240.13a-14(b) and 18 U.S.C.1350
Exhibit 15(a)(i)	Consent of independent registered public accounting firm, PricewaterhouseCoopers LLP
Exhibit 15(a)(ii)	Consent of independent registered public accounting firm, Ernst & Young LLP
Exhibit 101.INS	Inline XBRL Instance Document
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document

^a Incorporated by reference.

Forward-looking statements

The Annual Report and Form 20-F 2021 contains certain forward-looking statements as defined under US legislation (Section 21E of the Securities Exchange Act of 1934) with respect to the financial condition, results of operations and business of the Group and certain plans and objectives of the Board of Directors of InterContinental Hotels Group PLC with respect thereto. Such statements include, but are not limited to, statements made in the Chair's statement and in the Chief Executive Officer's review. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. These statements are based on assumptions and assessments made by the Group's management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements, including, but not limited to: the risks of political and economic developments; the risks of overcapacity in the hotel industry; the Group being subject to a competitive and changing industry; the Group's reliance on the reputation of its existing brands and exposure to inherent reputation risks; the Group's exposure to inherent uncertainties associated with brand development and expansion; the Group's exposure to a variety of risks related to identifying, securing and retaining franchise and management agreements; the Group's requirement for the right people, skills and capability to manage growth and change; the risks associated with collective bargaining activity which could disrupt operations, increase labour costs or interfere with the ability of management to focus on executing business strategies; the Group's exposure to the risks related to cybersecurity and data privacy; the Group's exposure to increasing competition from online travel agents and intermediaries; the Group's exposure to inherent risks in relation to changing technology and systems; the Group's reliance upon the resilience

of its reservation system and other key technology platforms, and the risks that could disrupt their operation and/or integrity; the Group's exposure to risks related to executing and realising benefits from strategic transactions, including acquisitions and restructuring; the Group's dependence upon a wide range of external stakeholders and business partners; the Group's exposure to the risk of litigation; the Group's requirement to comply with existing and changing regulations and act in accordance with societal expectations across numerous countries, territories and jurisdictions; the Group's exposure to risks associated with its intellectual property; the Group's exposure to a variety of risks associated with its financial stability and ability to borrow and satisfy debt covenants; the Group's operations being dependent on maintaining sufficient liquidity to meet all foreseeable medium-term requirements and provide headroom against unforeseen obligations; the Group's exposure to an impairment of the carrying value of its brands, goodwill or other tangible and intangible assets negatively affecting its consolidated operating results; the Group's exposure to fluctuations in exchange rates, currency devaluations or restructurings and to interest rate risk in relation to its borrowings; the risk that the Group may be affected by credit risk on treasury transactions; the risk that the Group might be impacted by changes affecting the availability of the London Interbank Offered Rate ("LIBOR"); the risk that the Group's financial performance may be affected by changes in tax laws; the risks associated with insuring the Group's business; the Group's exposure to a variety of risks associated with safety, security and crisis management; the Group's exposure to the risk of events or stakeholder expectations that adversely impact domestic or international travel, including climate change; the risks associated with domestic and international environmental laws and regulations that may cause us to incur substantial costs or subject us to potential liabilities; and the Group's exposure to risks relating to our commitments in relation to climate change.

The main factors that could affect the business and financial results are described in the Strategic Report of the Annual Report and Form 20-F 2021.

Form 20-F cross-reference guide

The table below references information in this document that will be included in the Company's Annual Report on Form 20-F for 2021 filed with the SEC.

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Glossary

ADR

an American Depository Receipt, being a receipt evidencing title to an ADS.

ADR Depository

J.P. Morgan Chase Bank N.A.

ADS

an American Depository Share as evidenced by an ADR, being a registered negotiable security, listed on the New York Stock Exchange, representing one ordinary share of 20^{34%₃₉} pence each of the Company.

Annual Report

the Annual Report and Form 20-F in relation to the years ending 31 December 2020 or 2021 as relevant.

APP

Annual Performance Plan.

average daily rate

rooms revenue divided by the number of room nights sold.

capital expenditure

purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets, plus contract acquisition costs (key money).

Captive

the Group's captive insurance company, SCH Insurance Company.

Code

IHG's Code of Conduct, or the UK Corporate Governance Code issued in 2018 by the Financial Reporting Council in the UK.

Colleague

individuals who work at IHG corporate offices, reservation centres, managed, owned, leased, managed lease and franchised hotels collectively.

Companies Act

the UK Companies Act 2006, as amended from time to time.

Company or Parent Company

InterContinental Hotels Group PLC.

comparable RevPAR

a comparison for a grouping of hotels that have traded in all months in financial years being compared. Principally excludes new hotels, hotels closed for major refurbishment and hotels sold in either of the two years. Hotels which have been temporarily closed as a result of Covid-19 are not excluded from comparable RevPAR.

Compound Annual Growth Rate (CAGR)

growth over a period of years expressed as the constant rate of growth that would produce the same growth if compounded annually.

constant currency

a prior-year value translated using the current year's average exchange rates.

currency swap

an exchange of a deposit and a borrowing, each denominated in a different currency, for an agreed period of time.

Deferred Compensation Plan

a US plan that allows for the additional provision for retirement within a dedicated trust, either through employee deferral of salary with matching company contributions or through direct company contribution.

derivatives

financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.

DR Policy

Directors' Remuneration Policy.

EMEA

Europe, Middle East, Asia and Africa (excludes Greater China).

Employee

individuals directly employed at IHG corporate offices, reservation centres and managed, owned, leased and managed lease hotels.

employee engagement survey

our employee engagement survey, known as the Colleague HeartBeat, completed by IHG employees or those colleagues who are employed at managed or managed leased hotels.

Enterprise contribution to revenue

the percentage of room revenue booked through IHG managed channels and sources: direct via our websites, apps and call centres; through our interfaces with Global Distribution Systems (GDS) and agreements with Online Travel Agencies (OTAs); other distribution partners directly connected to our reservation system; and Global Sales Office business or IHG Reward members that book directly at a hotel.

ERG

employee resource group.

executive officers

defined by the SEC as the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any officer who performs a policy making function, or any other person who performs similar policy making functions.

fee business

IHG's franchise and managed businesses combined.

franchised hotels

hotels operated under an IHG brand license by a franchisee. IHG receives a fixed percentage of rooms revenue and neither owns, leases nor operates the property.

franchisee

an owner who uses a brand under licence from IHG.

FRC

UK Financial Reporting Council.

Group or IHG

the Company and its subsidiaries.

Guest Love

IHG's guest satisfaction measurement tool used to measure brand preference and guest satisfaction.

Guest Reservation System or GRS

our global electronic guest reservation system.

hedging

the reduction of risk, normally in relation to foreign currency or interest rate movements, by making offsetting commitments.

hotel revenue

revenue from all revenue-generating activity undertaken by managed and owned, leased and managed lease hotels, including room nights, food and beverage sales.

IASB

International Accounting Standards Board.

IFRS

International Financial Reporting Standards as issued by the IASB and adopted under UK law.

IHG PLC

InterContinental Hotels Group PLC.

Glossary continued

International Sustainability Standards Board (ISSB)

formed by the IFRS to create sustainability-related disclosure standards that provide investors with consistent and comparable information about companies' sustainability-related risks and opportunities.

liquidated damages

payments received in respect of the early termination of franchise and management agreements.

LTIP

Long Term Incentive Plan.

managed hotels

hotels operated by IHG under a management agreement on behalf of the hotel owner. IHG generates revenue through a fixed percentage of the total hotel revenue and a proportion of hotel profit, and neither leases nor owns the property.

managed lease

properties which are held through a lease but with the same characteristics as management agreements.

management agreement

a contract to operate a hotel on behalf of the hotel owner.

market capitalisation

the value attributed to a listed company by multiplying its share price by the number of shares in issue.

net rooms supply

net total number of IHG System hotel rooms.

NYSE

New York Stock Exchange.

occupancy rate

rooms occupied by hotel guests, expressed as a percentage of rooms that are available.

ordinary share

ordinary shares of 20³⁴⁰/₃₉₉ pence each in the Company.

owned, leased and managed lease hotels

hotels operated by IHG where IHG is, or effectively acts as, the owner, with responsibility for assets, employees and running costs. The entire revenue and profit of the hotels are recorded in IHG's financial statements.

owner

the owner of a hotel property.

pipeline

hotels/rooms due to enter the IHG System at a future date. A hotel enters the pipeline once a contract has been signed and appropriate fees paid.

ppt

a percentage point is the unit for the arithmetic difference of two percentages.

reimbursable revenues

reimbursements from managed and franchised hotels for costs incurred by IHG, for example the cost of IHG employees working in managed hotels. The related revenues and costs are presented gross in the Group income statement and there is no impact to profit.

revenue management

the employment of pricing and segment strategies to optimise the revenue generated from the sale of room nights.

revenue per available room or RevPAR

rooms revenue divided by the number of room nights that are available (can be mathematically derived from occupancy rate multiplied by average daily rate).

room count

number of rooms franchised, managed, owned, leased or managed lease by IHG.

rooms revenue

revenue generated from the sale of room nights.

royalties

fees, based on rooms revenue, that a franchisee pays to the Group.

science-based targets (SBTs)

measurable, actionable and time-bound carbon reduction targets, based on the best available science and in line with the scale of reductions required to keep global warming below 2°C or 1.5°C from pre-industrial levels.

Science Based Targets initiative (SBTi)

helps businesses commit to and meet SBTs by independently assessing and approving any targets that are set.

SEC

US Securities and Exchange Commission.

subsidiary

a company over which the Group exercises control.

System

hotels/rooms operating under franchise and management agreements together with IHG owned, leased and managed lease hotels/rooms, globally (the IHG System) or on a regional basis, as the context requires.

System Fund or Fund

assessment fees and contributions collected from hotels within the IHG System which fund activities that drive revenue to our hotels including marketing, the IHG Rewards loyalty programme and our distribution channels.

Task Force on Climate-related Financial Disclosure (TCFD)

created by the Financial Stability Board to improve and increase reporting of climate-related financial information and to help inform investors and others about the risks they face related to climate change.

technology fee income

income received from hotels under franchise and management agreements for the use of IHG's Guest Reservation System.

Total Shareholder Return or TSR

the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity.

US 401(k) Plan

the Defined Contribution 401(k) plan.

workforce

IHG employees.

working capital

the sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

 For the definitions of our Key performance measures (including Non-GAAP measures) see pages 73 to 77.

Useful information

Investor information

Website and electronic communication

As part of IHG's commitment to reduce the cost and environmental impact of producing and distributing printed documents in large quantities, this Annual Report and Form 20-F 2021 has been made available to shareholders through our website at www.ihgplc.com/investors under Annual Report.

Shareholders may electronically appoint a proxy to vote on their behalf at the 2022 AGM. Shareholders who hold their shares through CREST may appoint proxies through the CREST electronic proxy appointment service, by using the procedures described in the CREST Manual.

Shareholder hotel discount

IHG offers discounted hotel stays (subject to availability) for registered shareholders only, through a controlled-access website. This is not available to shareholders who hold shares through nominee companies, ISAs or ADRs. For further details please contact the Company Secretary's office (see page 259).

Responsible Business Report

In line with our commitment to responsible business practices, this year we have produced a Responsible Business Report showcasing our approach to responsible business and progress against our Responsible Business Targets.

 Visit www.ihgplc.com/responsible-business for further information.

Registrar

For information on a range of shareholder services, including enquiries concerning individual shareholdings, notification of a shareholder's change of address and amalgamation of shareholder accounts (in order to avoid duplicate mailing of shareholder communications), shareholders should contact the Company's Registrar, Equiniti, on +44 (0) 371 384 2132^a.

Dividend services

Dividend Reinvestment Plan (DRIP)

The Company offers a DRIP for shareholders to purchase additional IHG shares with their cash dividends. For further information about the DRIP, please contact our Registrar helpline on +44 (0) 371 384 2132^a.

 Visit www.shareview.co.uk/info/drip for a DRIP application form and information booklet.

Bank mandate

We encourage shareholders to have their dividends paid directly into their UK bank or building society accounts, to ensure efficient payment and clearance of funds on the payment date. For further information, please contact our Registrar (see page 259).

Overseas payment service

It is also possible for shareholders to have their dividends paid directly to their bank accounts in a local currency. Charges are payable for this service.

 Visit www.shareview.co.uk/info/ops for further information.

Out-of-date/unclaimed dividends

If you think that you have out-of-date dividend cheques or unclaimed dividend payments, please contact our Registrar (see page 259).

Individual Savings Account (ISA)

Equiniti offers a Stocks and Shares ISA that can invest in IHG shares.

For further information, please contact Equiniti on +44 (0) 345 300 0430^a.

Share-dealing services

Equiniti offers the following share-dealing facilities.

Postal dealing

0371 384 2132 from the UK^a
+44 121 415 7034 from overseas^a

Telephone dealing

For more information, call +44 (0)345 603 7037^b

Internet dealing

Visit www.shareview.co.uk for more information.

Changes to the base cost of IHG shares

Details of all the changes to the base cost of IHG shares held from April 2004 to January 2019, for UK Capital Gains Tax purposes, may be found on our website at www.ihgplc.com/investors under Shareholder centre in the Tax information section.

'Gone away' shareholders

Working with ProSearch (an asset reunification company), we continue to look for shareholders who have not kept their contact details up to date. We have funds waiting to be claimed and are committed to doing what we can to pay these to their rightful owners. Please contact ProSearch on +44 (0) 371 384 2735^c or visit www.prosearchassets.com for further details.

^a Lines are open from 08:30 to 17:30 Monday to Friday, excluding UK public holidays.

^b Lines are open from 08:00 to 18:00 Monday to Friday, excluding UK public holidays.

^c Lines are open from 09:00 to 17:00 Monday to Friday, excluding UK public holidays.

Useful information continued

Investor information

Shareholder security

Many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. More detailed information on this or similar activity can be found at www.fca.org.uk/consumers on the Financial Conduct Authority website.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Trading markets

The principal trading market for the Company's ordinary shares is the London Stock Exchange (LSE). The ordinary shares are also listed on the NYSE, trading in the form of ADSs evidenced by ADRs. Each ADS represents one ordinary share. The Company has a sponsored ADR facility with J.P. Morgan Chase Bank, N.A., as ADR Depository.

American Depository Receipts (ADRs)

The Company's shares are listed on the NYSE in the form of American Depository Shares, evidenced by ADRs and traded under the symbol 'IHG'. Each ADR represents one ordinary share. All enquiries regarding ADR holder accounts and payment of dividends should be directed to J.P. Morgan Chase Bank, N.A., our ADR Depository bank (contact details shown on the opposite page).

Documents on display

Documents referred to in this Annual Report and Form 20-F that are filed with the SEC can be found at the SEC's public reference room located at 100 F Street, NE Washington, DC 20549. For further information and copy charges please call the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically and the Company's SEC filings since 22 May 2002 are also publicly available through the SEC's website at www.sec.gov. Copies of the Company's Articles of Association can be obtained via the website at www.ihgplc.com/investors under Corporate governance or from the Company's registered office on request.

Financial calendars

Dividends

	2021
2021 Interim dividend	
Ex-dividend date	N/A
Record date	N/A
Payment date	N/A
<hr/>	
2021 Final dividend of 85.9¢ per ordinary share ^a	
Ex-dividend date	31 March
Record date	1 April
Payment date	17 May

^a The sterling amount of the final dividend will be announced on 27 April 2022 using the average of the daily exchange rates from 22 April 2022 to 26 April 2022 inclusive.

Other dates

	2021
Financial year end	31 December
<hr/>	
	2022
Announcement of Preliminary Results for 2021	22 February
Announcement of 2022 First Quarter Trading Update	6 May
Annual General Meeting	6 May
Announcement of Half-Year Results for 2022	9 August
Announcement of 2022 Third Quarter Trading Update	21 October
Financial year end	31 December
<hr/>	
	2023
Announcement of Preliminary Results for 2022	February

Contacts

Registered office

Broadwater Park, Denham, Buckinghamshire, UB9 5HR,
United Kingdom

Telephone:
+44 (0) 1895 512 000

www.ihgplc.com

For general information about the Group's business, please contact the Corporate Affairs department at the above address. For all other enquiries, please contact the Company Secretary's office at the above address.

Registrar

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex,
BN99 6DA, United Kingdom

Telephone:
+44 (0) 371 384 2132

www.shareview.co.uk

ADR Depository

Shareowner Services, PO Box 64504, St. Paul, MN 55164-0504,
United States of America

Telephone:
+1 800 990 1135 (US calls) (toll-free)
+1 651 453 2128 (non-US calls)

Enquiries: www.shareowneronline.com under contact us

www.adr.com

Auditor

PricewaterhouseCoopers LLP

Investment bankers

BofA Securities
Goldman Sachs

Solicitors

Freshfields Bruckhaus Deringer LLP

Stockbrokers

BofA Securities

IHG® Rewards

If you wish to enquire about, or join, IHG Rewards, visit www.ihg.com/ihgrewards or telephone:

+800 2222 7172^b (Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Israel, Italy, Luxembourg, Netherlands, Norway, Portugal, Russia, Spain, Sweden, Switzerland, and UK)

+44 1950 499004^c (all other countries/regions in Europe and Africa)

1 888 211 9874 (US and Canada)

001 800 272 9273^c (Mexico)

+1 801 975 3013^c (Spanish) (Central and South America)

+1 801 975 3063^c (English) (Central and South America)

+973 6 500 9 296^a (Middle East)

+800 2222 7172^b (Australia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore and Thailand)

800 830 1128^a or 021 20334848^a (Mainland China)

800 965 222 (Hong Kong SAR)

0800 728 (Macau SAR)

00801 863 366 (Taiwan, China)

+632 8857 8788^c (all other countries/regions in Asia Pacific)

^a Denotes international access code. 00 or 011 in most countries.

^b Toll charges apply.

^c Universal international freephone number.

^c International calling rates may apply.

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www.superunion.com

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Hotel Indigo® Miami Brickell, US

IHG is proud of its people and the care shown for the communities in which it operates. We are pleased to feature photos of some of our people, as well as some of our community activities throughout this Annual Report and Form 20-F.

Back cover middle image:
Kimpton® Fitzroy, London, UK

InterContinental Hotels Group PLC

Broadwater Park, Denham
Buckinghamshire UB9 5HR
United Kingdom
Tel +44 (0) 1895 512 000

www.ihgplc.com

Make a booking at www.ihg.com



IHG® HOTELS & RESORTS



REGENT

INTERCONTINENTAL
HOTELS & RESORTS

VIGNETTE
COLLECTION

KIMPTON
HOTELS & RESTAURANTS

HOTEL INDIGO

VOCO

HUALUXE
HOTELS AND RESORTS
華邑酒店及度假村



CROWNE PLAZA

Holiday Inn Express

Holiday Inn

avid

ATWELL SUITES

STAYBRIDGE SUITES

Holiday Inn Club Vacations

CANDLEWOOD SUITES

IHG® REWARDS