

Delivering on the recommendations of TCFD continued

Identifying and assessing IHG's climate-related risks and opportunities

While our principal risks outline uncertainties that might threaten the ability to achieve our objectives throughout our business plan, climate change has the potential to impact IHG's prospects over a range of future temperature scenarios and time horizons.

With the support of external experts, we have undertaken scenario analysis to identify and assess which climate-related risks and opportunities are most relevant and potentially impactful for IHG over the short, medium and long term. Our analysis focused on the assessment of both transition and physical climate change uncertainties across all hotels in our three regions (Americas, EMEAA and Greater China) under three different temperature scenarios and timeframes, as outlined in the adjacent tables.

Our climate scenario analysis identifies risks as having a 'potential impact' on IHG if they could directly impact revenue, costs or IHG's reputation without mitigation. Our qualitative assessment of climate impacts on IHG's financial performance considered future revenue growth from our 10-year business plan and aligns with long-term market growth rates projected to 2050.

While scenario analysis is not designed to deliver precise forecasts, we are actively enhancing and refining our data and assumptions to evolve the transparency of our TCFD disclosure to cover both quantitative and qualitative impacts in future. We will look to determine the materiality of climate-related risks and opportunities following the same criteria used to determine the significance of other information in our financial filings.

→ See the forward-looking statement on page 263.

Our initial analysis was conducted during a period of pronounced variability in the recovery of the hospitality industry following the Covid-19 pandemic. This situation led to limited visibility in forecasting. Our assessment is now based on an assumption of reduced volatility in the medium- and longer-term outlook.

We prioritise climate-related uncertainties that we feel could be most significant to IHG and our stakeholders, building our business's resilience to climate change by embedding operational decision-making and business processes that appropriately consider and address climate-related risks. Since our 2022 report, we have evolved the framing of our identified climate-related risks and opportunities to consider potential qualitative impacts across all relevant risk categories. We have also begun to assess chronic physical risks in addition to acute

ones, and we will review how these and the wider impacts considered on pages 55 and 56 can be factored into future quantification.


Determining the significance of climate-related risks and opportunities to IHG

In preparing our 2023 Annual Report, the potential impacts of climate change have been considered. There are no climate-related estimates and assumptions that have a material impact on asset values in the Group Financial Statements (see page 172). While there is currently no material medium-term impact expected from climate change, the risks attached to climate change

continue to evolve, and these will be assessed against the Group's judgements and estimates.

We acknowledge the interconnectedness of the specific risks outlined on pages 55 and 56 and the overarching risk posed by climate change to both our hotel owners and IHG. The cumulative impact of climate-related risks has the potential to influence the overall appeal of investments in the industry at a broader scale. In the future, we will assess the aggregate impact on our wider stakeholders, including our hotel owners.

Scenario analysis

Temperature alignment	Physical risks RCP ^a used in scenario model	Transition risks SSP ^b used in scenario model	Key characteristics of scenarios
1.5°C scenario	2.6	1	 <p>Stronger policy action The world takes immediate and substantial action to reduce GHG emissions in line with the UN Paris Agreement, with higher use of renewable energy and widespread carbon capture and systematic change, influenced by policies such as carbon taxes. Lower likelihood of significant acute and chronic physical climate risks.</p> <p>Lower policy action The world takes limited to no action to reduce GHG emissions, with continued high use of fossil fuels. Increased likelihood and intensity of significant acute and chronic physical climate risks.</p>
2°C scenario	4.5	1	
4°C scenario	8.5	3	

Climate risk time horizons How IHG defines/reasoning

Short (1–5 years)	Our short-term time horizon incorporates our financial going concern and viability statement assessments, along with our budget-setting timeline. Our hotel energy performance targets are also aligned to this timeframe.
Medium (6–15 years)	Our medium-term time horizon reflects our 10-year responsible business plan, Journey to Tomorrow, and our climate-related targets. It also reflects our time horizon from a strategic planning perspective.
Long (16–30 years)	A long-term time horizon of up to 30 years aligns with national government policy and regulatory timeframes: for example, the UK's 2050 net-zero target and the Paris Agreement. It also reflects the longer-term nature of the contracts we sign with our owners.

^a To assess potential physical impacts, we have aligned the temperature rise scenarios in our analysis with the Intergovernmental Panel on Climate Change's (IPCC) 1.5°C, 2°C and 4°C aligned Representative Concentration Pathways (RCPs) 2.6, 4.5 and 8.5, respectively.

^b To assess potential transition impacts, we have based our analysis on the International Institute for Applied Systems Analysis' (IIASA) Shared Socioeconomic Pathways (SSPs) to capture how societal, economic and technological trends could evolve over time and under three selected temperature rise scenarios.