

However, we believe by taking action to decarbonise, we can drive long-term business value for both our hotel owners and all other IHG stakeholders. We can enhance the IHG Hotels & Resorts masterbrand by reducing our environmental

impact and supporting our hotel owners to manage increasing operational costs, secure supply chains and reduce exposure to increasing climate risks, regulation and taxes.

→ See page 162 for critical accounting policies and the use of judgements, estimates and assumptions.

## Summary of IHG's most significant climate-related risks and opportunities

Risk/opportunity description <sup>a</sup>	Unmitigated potential risks and opportunities	IHG's risk management and strategic response to build business resilience
<p><b>Transition risks and opportunities<sup>b</sup></b></p> <p><b>IHG's ability to decarbonise in line with stakeholder expectations</b></p> <p><b>Potential short term (1-5 years) impact under a 1.5°C scenario, if unmitigated</b></p> <p>Our key stakeholders have increasing expectations for businesses to influence positive change and deliver on their environmental commitments. This includes increasing questions from corporate clients and regulatory intervention by governments.</p> <p>Decarbonising our business in line with expectations presents a potential opportunity for IHG to enhance its brand, by supporting owners to decarbonise and capture a greater share of guests seeking more sustainable hotels. Failure to meet expectations could cause reputational damage.</p>	<p><b>Reputational:</b></p> <p>In scenarios projecting global temperature increases of 1.5°C, 2°C and 4°C, our analysis showed a potential reputational impact of IHG not decarbonising in line with stakeholder expectations in the short-term, if unmitigated. Under a 1.5°C scenario, this impact would remain a potential impact in the medium to long term if IHG fell further behind competitors and peers in meeting its carbon target. Alternatively, IHG may outperform peers and enhance the sustainable reputation of the IHG brand. Under a 4°C scenario, the longer-term reputational risk will be lower as most companies and governments will fail to meet their own targets.</p> <p><b>Market:</b></p> <p>If investors' expectations for businesses to demonstrate a shift towards low-carbon increase, this may influence decision-making and disadvantage companies unable to evidence sufficient progress and advantage those that are.</p> <p>Should the expectations of hotel owners not align with IHG's decarbonisation plans, potential challenges and conflicts may arise that inhibit IHG's ability to influence and deliver on its commitments.</p> <p><b>Policy and legal:</b></p> <p>The speed at which governments align their policies and plans to their climate change commitments will impact the rate at which IHG can decarbonise.</p>	<p>Our work on decarbonisation supports our overarching corporate aim of 'Care for our people, communities and planet' – one of IHG's four strategic priorities. Our decarbonisation strategy and Transition Plan can be found on page 57.</p> <p>→ See details of the actions we are taking to make progress towards our commitment and to maximise the opportunities associated with decarbonising in our Responsible Business Report on pages 28 to 32.</p> <p>The dependencies associated with our decarbonisation strategy are outlined on page 58 and the metrics and targets we have developed to measure this risk are detailed on page 59.</p> <p>Additionally, our approach to stakeholder engagement supports the management of this potential risk or opportunity. This includes developing partnerships and working with governments, trade associations and industry peers to influence policy positively and to present opportunities for IHG hotel owners to decarbonise.</p> <p>→ See more on our stakeholder engagement relating to climate change on pages 13 to 15 of our 2023 Responsible Business Report.</p> <p>→ See IHG's business strategy on pages 18 to 35.</p> <p>→ See page 58 for further details on the key external factors that influence IHG's decarbonisation.</p>
<p><b>Changing consumer preferences towards sustainable travel</b></p> <p><b>Potential short term (1-5 years) impact under a 1.5°C scenario, if unmitigated</b></p> <p>Increasing appetite to travel sustainably could have a direct positive or negative impact on IHG's financial performance, depending on IHG's response and ability to adapt to changing consumer preferences for sustainable travel.</p>	<p><b>Market:</b></p> <p>Under 1.5°C, 2°C and 4°C scenarios, our analysis identified a potential financial impact in the short-term. This impact could be negative if IHG fails to adapt to a potential shift in customer demand favouring sustainable stays. Alternatively, IHG could capitalise on this trend and secure a substantial share of the growing market.</p> <p>We continue to receive sustainability-related questions from corporate customers, particularly when they seek accommodation providers that can support them with their own ESG ambitions. To enhance our understanding of this risk, we monitor ESG-related questions from corporate customers submitting Requests For Proposals (RFPs). In 2023, we saw more than 70% of customer accounts include ESG questions in RFPs, including requests for environmental data about our hotels. We have also conducted an internal analysis and found that nearly all top strategic global customers' accounts have their own carbon targets.</p>	<p>We support our hotels in reducing the impact of their operations and improving their sustainable credentials through the provision of training, tools, and resources, as well as cross-industry collaboration and partnerships that enable hotels to innovate.</p> <p>Whether our guests are travelling for business or leisure, we see a real opportunity to help them have a more sustainable stay as part of the IHG guest experience. In 2023, we continued to promote our Greener Stay initiative, as well as facilitating hotels' access to leading third-party sustainability certification programmes and launching IHG's Meeting for Good sustainable meetings programme, which helps hotels to respond to the growing demand for sustainable meeting offerings, post-pandemic.</p>

<sup>a</sup> The terminology used for our climate uncertainties has been adjusted to better align with IHG's risk management framework: however, the scenario analysis remains unchanged. See last year's Annual Report for previous wording.

<sup>b</sup> In our 2022 Annual Report, we identified a decline in aviation as a priority transition risk, however, external forecasts show that aviation is set to increase in the future and leisure and business travel has returned to pre-Covid-19 levels. As a result, we have transferred this risk from one that we actively mitigate and report on, to monitoring as part of our sustainable travel risk.