



2016 Responsible Business Report



*IHG® Rewards Club not applicable to Kimpton® Hotels & Restaurants; to be included at a future date.

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Cover image: InterContinental Lijiang Ancient Town Resort, People's Republic of China.

This report forms the summary of IHG's responsible business activities for the year to 31 December 2016.

2016 highlights



100%

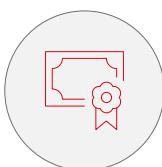
score on the Human Rights Campaign's 2017 Corporate Equality Index

A-

score reported for the CDP Climate Change submission

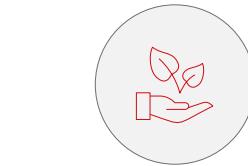
B

score reported for the Water CDP Programme



88.7%

all-time high for employee engagement scores in our corporate offices and managed hotels

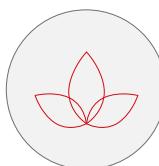


7.9%

reduction in water use per occupied room in water-stressed areas from 2013-2016*

7.4%

reduction in carbon footprint per occupied room from 2013-2016*

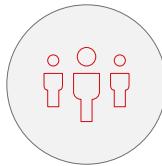


\$67.4m

avoided costs by IHG branded hotels through using the IHG Green Engage™ system

15,324

Green Solutions implemented through our IHG Green Engage system



125,000+

responsible business e-learning courses completed

11,985

participants globally benefited from the IHG® Academy in 2016

120,000+

colleagues from 81 countries took part in our biggest ever global fundraising week for the IHG® Foundation

27,000+

colleagues in our corporate offices and hotels completed our human rights e-learning



RobecoSam

Silver Class

recognised as a sustainability leader in the travel and tourism industry by RobecoSam

*from a 2012 baseline

Introduction

We are one of the world's leading hotel companies, whose purpose is to create Great Hotels Guests Love® through delivering our promise of True Hospitality for everyone.

We bring this commitment to life through our culture and by embedding it in all aspects of the way we work. Doing the right things in the right way engenders pride amongst our colleagues and greater preference among our owners, as well as building trust with our guests and local communities, who hold this pledge in increasingly high regard.

As a business, our purpose is to create Great Hotels Guests Love, which we achieve through providing True Hospitality for everyone. We want to ensure we have a positive impact on the lives of all people that interact with IHG. True Hospitality means making everyone feel welcome and cared for, recognised and respected, whoever and wherever they are in the world. We deliver this through our people and the actions we take and through our responsible business agenda which includes our award-winning corporate responsibility programmes.

Our culture of responsible business

Our commitment to doing business responsibly begins with our Chairman, the Board and its Committees. They provide strong leadership and promote responsible business behaviours throughout the organisation to ensure compliance with relevant laws and regulations and instil a strong culture of business ethics. IHG's attitudes and ethical values are reflected in our Code of Conduct, Human Resource policies and performance reward systems. We have policies, programmes and training in place to ensure our employees deliver on our responsible business commitments such as human rights, anti-bribery and corruption, information security, and antitrust laws and procedures. We also work to ensure a safe and secure environment for our guests, employees and those working at, or visiting, our hotels and corporate offices.

In 2016 we reinforced our commitment to ethical business practices and embedded policies and training such as our human rights e-learning, risk management and data protection approach.

We continue to evolve our business to ensure we can adapt to the changing global landscape and take steps to contribute to the United Nations Sustainable Development Goals (SDGs).

Engaging with our stakeholders, we have identified the issues with the highest relevance to IHG and to them. We use this to decide on where to focus our efforts and what to report on.

Our people

Being a responsible business cannot be achieved without the support and active engagement of our colleagues in IHG branded hotels and offices. They are fundamental to the delivery of our different brand experiences and to fulfilling the brand promise for our guests. Our colleagues across the globe care for the good of our guests, local communities and business too.

Environmental sustainability and Sustainable communities

IHG works to make the communities around our hotels and corporate offices better places to be for all.

As one of the world's leading hotel companies, we have an important role to play. The World Travel and Tourism Council's latest research in partnership with Oxford Economics shows that the contribution from Travel and Tourism to world GDP has risen to 9.8% and continues to grow.

On the ground, we are capitalising on the hospitality industry's unique ability to make a positive difference to the environment and thousands of local communities through our corporate responsibility programmes: IHG Green Engage™ system and IHG® Academy. We also continue to empower and equip our hotels to prepare for disasters and to support colleagues and communities when disasters strike.

We know our guests value and appreciate our approach. We make it easier for them to make informed travel decisions by highlighting our efforts to reduce our environmental impact and create positive community impact in our operations.

In 2016 we delivered strong progress against our community targets and continued to make reductions in water use and our carbon emissions. 2017 will see us continue to focus delivery on all of our five-year targets with a particular focus on our carbon footprint and water use targets.



2017 marks the United Nations Year of Sustainable Tourism for Development. During this important year the United Nations World Tourism Organisation (UNWTO) will raise awareness of the contribution of travel and tourism to sustainable development. IHG is a supporter of the International Year of Sustainable Tourism for Development.

IHG® Foundation

Building on the positive impact of IHG's responsible business programmes, the IHG Foundation launched in February 2016. This independent charity provides grant funding to projects that create positive change. The IHG Foundation focuses on helping communities develop hospitality skills, ensuring support for those impacted by disasters, encouraging grassroots community groups and protecting the environment. Through these efforts, the IHG Foundation will help to build stronger, healthier, more prosperous communities around the world.



Please visit www.ihgfoundation.org to learn more.

About IHG

We predominantly franchise our brands, and manage hotels on behalf of third-party owners. Our asset-light strategy enables us to grow our business whilst generating high returns on invested capital.



4,321 (542,650)

Franchised hotels (rooms)
2015: 4,219 [530,748]

8 (2,412)

Owned/leased hotels (rooms)
2015: 7 [2,217]

845 (222,073)

Managed hotels (rooms)
2015: 806 [211,403]

OUR 2013-2017 TARGETS

In September 2013, IHG launched five-year targets to signal our commitment to doing business responsibly and to creating shared value for our business, our owners, the environment and the local communities in which our hotels operate.

Provide skills and improved employability to people via the IHG Academy

Having exceeded the initial target of 20,000 two years early, we doubled our target to 40,000 IHG Academy participants.



Reduce water use per occupied room in water-stressed areas*

In 2016, we continued to reduce water use across our hotels and, with the implementation of our global water stewardship programme, we will continue to focus our efforts to reduce water use per occupied room.



Reduce carbon footprint per occupied room*

We continued to make reductions in our carbon footprint in 2016 and are committed to driving significant progress to achieve our target. We will continue to leverage the IHG Green Engage system and are implementing a number of initiatives to further reduce our carbon footprint.



*from a 2012 baseline

Track and report diversity within our supply chain

Our spend with diverse suppliers in 2016 was \$59.1m.

Integrate corporate responsibility criteria into the selection and evaluation process for all preferred suppliers

All new preferred suppliers are required to sign the IHG Vendor Code of Conduct as part of the process of becoming a preferred supplier.



*IHG® Rewards Club not applicable to Kimpton® Hotels & Restaurants; to be included at a future date.

Chairman's statement



"The Board is committed to ensuring a strong culture of responsibility is embedded across the business and that we deliver our strategy with integrity and in a sustainable way."

Patrick Cescau
Chairman

Welcome to IHG's 2016 Responsible Business Report, which provides an overview of our people, culture and practices, an update on our corporate responsibility programmes, and the progress we have made against our formal targets.

IHG has always taken great pride in our ability to successfully deliver for all stakeholders – from shareholders and owners, to guests, colleagues, partners and the communities in which we operate.

As a Board, we know the importance of delivering excellent financial and operational performance through having a strong culture and a commitment to remaining true to our values. This means we achieve success in a responsible and sustained way.

This resonates strongly with the 350,000 people who work in our hotels and corporate offices globally, as well as our shareholders, owners, guests and corporate clients. It is an approach that allows IHG to make a difference, both inside and outside our business, empowering our people to care for our guests as well as the local community and environment.

In 2015, world leaders adopted the United Nations 2030 Agenda for Sustainable Development, along with the Sustainable Development Goals (SDGs). At IHG, we believe that businesses have an important role to play, and we are helping to bring positive change through our corporate responsibility programmes and our ability to create jobs as we grow globally.

The SDGs are wide ranging and we have identified the seven where we believe that, in partnership with our owners, colleagues and wider stakeholder community, IHG can make the greatest impact. This report sets out the achievements we have already made in these areas, which will continue to be a focus for us in 2017.

A handwritten signature in black ink, appearing to read "Patrick Cescau".

Patrick Cescau
Chairman

Chief Executive Officer's review



“As a business, a culture of responsibility and strong values guides all our actions, from how we operate to the way more than 350,000 colleagues behave in our hotels and offices. It makes a difference to our guests and clients, and it is empowering to know it also makes a real difference to the communities and environments in which we work.”

Richard Solomons
Chief Executive Officer

Our focus on Responsible Business runs through everything we do at IHG.

The commitment our people show to responsible business practices enhances the reputation of both IHG and our brands, helping us to create Great Hotels Guests Love through providing True Hospitality to everyone. In turn, we remain focused on providing an environment where individuals feel valued and accepted. At IHG, we promote diversity and equality, protect labour rights and ensure the well-being of our employees.

In 2016, we delivered more key achievements and milestones, both through our corporate responsibility programmes and in the support and education we provide to colleagues.

We place a high importance on training and development and I am delighted that more than 3,800 hotels are now using our online learning platform, IHG Frontline, to build knowledge and service skills. During the year, we also improved the employment prospects of almost 12,000 local people in 75 countries around the world through the IHG Academy.

We continued to embed a culture of responsible business across the organisation, driving awareness of human rights and modern slavery, and delivering training to help ensure colleagues can identify any early warning signs. We also established a Supply Chain Risk Group to identify and evaluate risks at corporate or hotel level, and we maintained our focus on responsible procurement, with more than 1,600 suppliers now signed up to the IHG Vendor Code of Conduct.

We remain committed to growing our business in a responsible way. We understand the impacts our hotels have on the environment and take steps to manage this. We continued to reduce carbon and water use per occupied room in 2016, but we know there is still more that can be done. In partnership with our hotels, and the IHG Owners Association, we will continue this work in 2017.

Finally, building on the success of our responsible business initiatives, we launched the IHG Foundation in February 2016. The IHG Foundation works to build stronger, healthier, more prosperous communities around the world. During the year it made several important grants and donations to organisations in different countries. In September, we held our most successful global fundraising week ever, with 120,000 colleagues from hotels and corporate offices in 81 countries taking part in 8,300 events on behalf of the IHG Foundation. I am incredibly pleased with this achievement and was delighted to participate alongside other members of the Board and the Executive Committee.

Like everyone connected to IHG, I am proud of our commitment to operating in a responsible and ethical way. This is something that is engrained in our culture and brought to life through the everyday actions of our colleagues, partners and owners. I know this is truly valued by all who interact with our hotels and offices, and by those we have helped in communities around the world.

As a business, we will continue to ensure we remain focused on operating and growing in a sustainable, responsible way.

A handwritten signature in black ink, appearing to read "Richard Solomons".

Richard Solomons
Chief Executive Officer

Our strategic approach

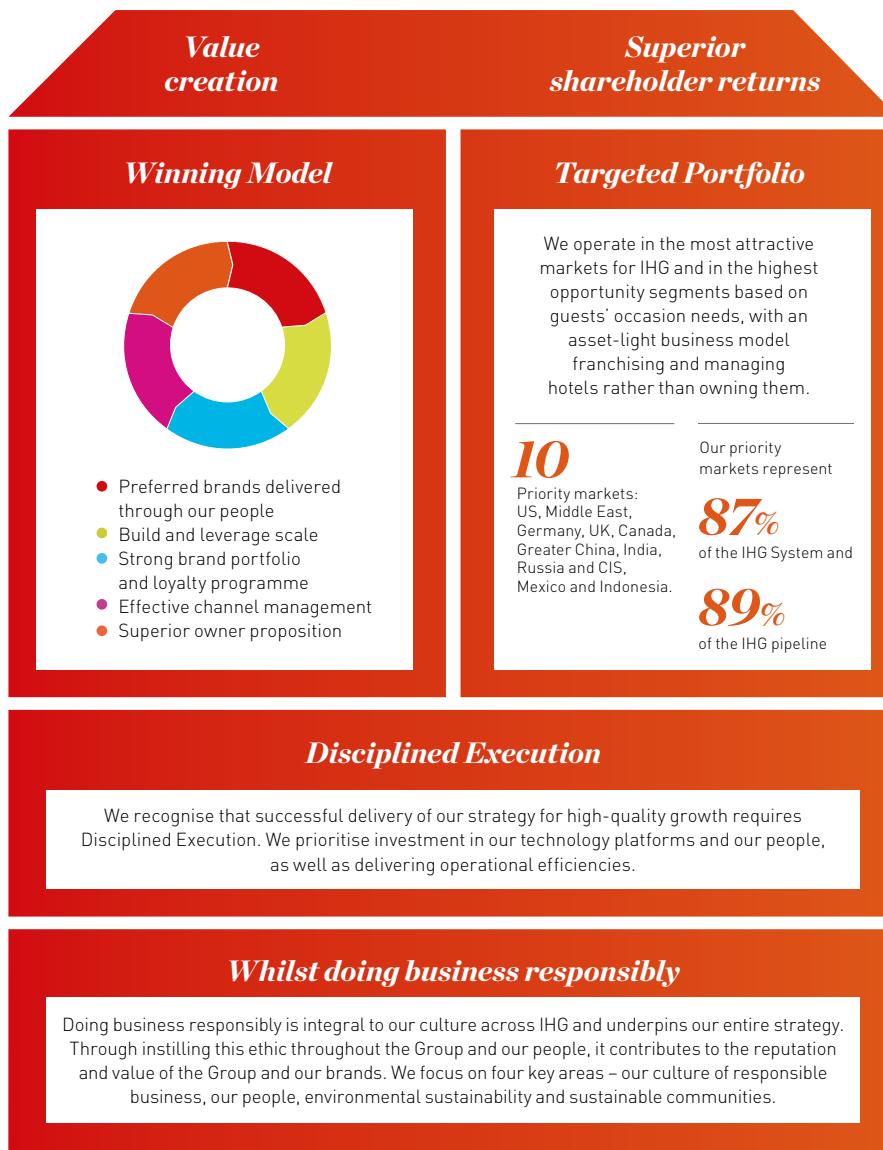
A commitment to operating our business responsibly underpins our entire strategy.

We are focused on delivering high-quality, responsible growth. Through our Winning Model, we focus on value creation by building preferred brands, delivering superior owner proposition, leveraging scale and generating revenue through the lowest-cost, direct channels. We concentrate on a Targeted Portfolio that, together with Disciplined

Execution of our strategy and a commitment to doing business responsibly, will drive superior returns for our shareholders and ensure that we have a positive impact on the lives of all of those who interact with IHG.



For more information on our strategy for high-quality growth, please see the [IHG Annual Report 2016](#).



Developing our responsible business approach

In order to develop our responsible business approach, we consult our stakeholders to determine the issues that are the most relevant to them and to our business and to identify the areas where our actions can deliver positive benefits.

"We regularly review our priorities through our responsible business practices, our policies and our corporate governance processes."

George Turner
Executive Vice President,
General Counsel and
Company Secretary

Using a materiality matrix, we can identify the issues with the highest relevance to our stakeholders and our business, including the effect we have on society, the environment, the economy and the wider stakeholder groups we work with. In determining the relevance to IHG, we consider the steps we are taking to embed a culture of responsible business and protect the reputation of IHG and its brands and the actions we can take to create positive benefits for communities around the world.

In developing our approach to responsible business, we consider all aspects of the hotel life cycle including our direct operations, our relationships with our owners and our supply chain.

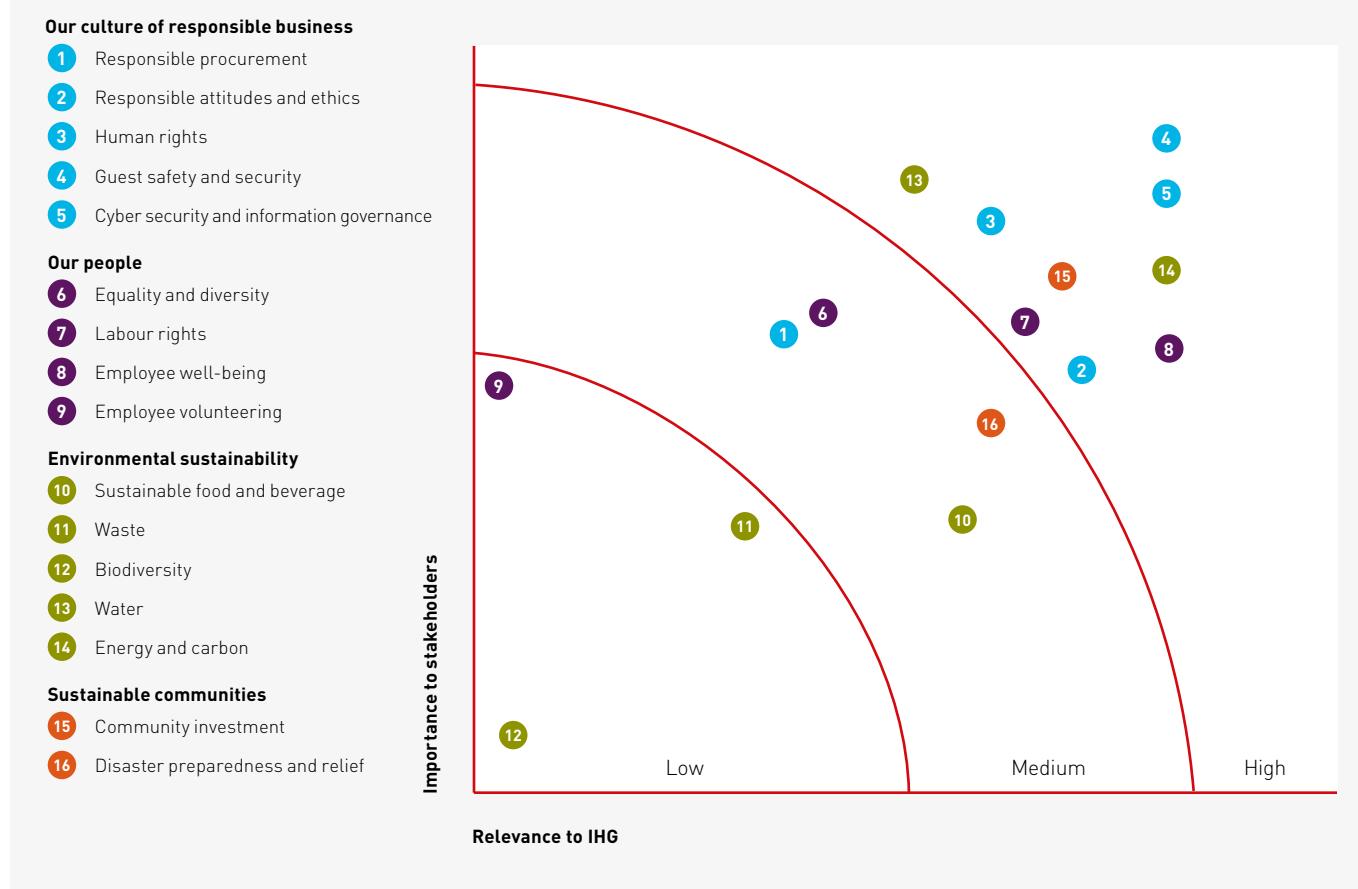
Prioritising the issues

We use a materiality matrix to align our responsible business priorities with IHG's

strategic approach (see page 6) and our principal risks (see page 17). In addition, in the context of our operating model, we consider the areas where we can make the greatest positive contribution to the communities where we operate and thereby help to make progress against the UN SDGs.

Future plans

We have already made significant progress against our responsible business targets. Our current five-year targets will come to an end in December 2017. The IHG Board, the Corporate Responsibility Committee and our stakeholders have challenged us to find even more meaningful ways to make a positive impact in the future. Consulting with these stakeholders, and working with our hotel owners and the IHG Leadership Team, we will develop new and stretching targets for the organisation from 2018.



Our commitment to the United Nations Sustainable Development Goals

In 2015, governments around the world adopted the 2030 Agenda for Sustainable Development, along with the Sustainable Development Goals (SDGs).



“Harnessing tourism’s benefits will be critical to achieving the Sustainable Development Goals and implementing the post-2015 development agenda”

Former UN Secretary-General
Ban Ki-moon on World Tourism Day, 2016

The agenda sets out a framework to end extreme poverty, fight inequality and injustice and fix climate change by 2030. The ambitious set of 17 goals and 169 associated targets, is people-centred, transformative, universal, and integrated.

As one of the world's leading hotel companies, IHG embraces its responsibility and opportunity to focus on ensuring that the growth of our business contributes towards the objectives of the SDGs. We are already working to ensure that we play our part to address some of the world's biggest challenges.

Our business intrinsically supports several SDGs, from reducing poverty and hunger through our economic multiplier effect, providing quality education via IHG Academy and decent work to hundreds of thousands of colleagues globally, to combating climate change through the IHG Green Engage system.

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



Clean water and sanitation

- United Nations studies show that water stress impacts over 40% of the global population with projections showing this set to rise.
- In 2015, we announced a Water Stewardship programme in collaboration with the Water Footprint Network. Working with this leading NGO, we have developed an innovative programme to enable hotels to manage and mitigate water risk.
- In 2016, we completed a water risk assessment for all open and pipeline hotels, and in 2017 will launch targeted actions to reduce water use.

Decent work and economic growth

- Tourism accounts for 1 in 11 jobs worldwide. With over 5,000 hotels globally, a further 1,400 in the pipeline, and 350,000 colleagues who work in these hotels and corporate offices, we can create positive economic impacts through the creation of local jobs.
- Our learning and development strategy ensures that IHG continues to invest in its employees, while our owners invest in theirs, helping them reach their potential so they can continue to deliver exceptional service to our guests.
- We offer quality work experience to thousands of participants on our IHG Academy programmes. During 2016, 2,145 IHG Academy programmes in 75 countries, benefitted 11,985 participants improving their employability in the hospitality industry.

Reduced inequalities

- Our diversity and inclusion strategy helps us reduce potential inequalities in IHG's workplace; and we are committed to equitable compensation practices regardless of race, gender or ethnicity.
- IHG has earned a perfect score of 100 percent on the Human Rights Campaign (HRC) Foundation's Corporate Equality Index (CEI) for three consecutive years and has been named a Best Place to Work for LGBT Equality in the United States.

- IHG champions equality for lesbian, gay, bisexual and transgender (LGBT) citizens, guests and colleagues as part of our commitment to creating a welcoming environment for all.
- Through IHG Academy programmes such as the one with Youth Career Initiative, we partner with a variety of community organisations to provide life-changing work experience opportunities to disadvantaged groups.

Sustainable cities and communities

- 'A city that is not good for its citizens is not good for tourists' (source:UNWTO).
- Our hotels provide critical economic stimulation in the communities within which they operate, this includes in developing countries.
- We ensure our hotels are prepared and able to play an active role in supporting those impacted by disasters, thus ensuring local communities can quickly get back on their feet.
- IHG Green Engage system provides blueprints for hotels to be designed, built, and operated in a way which is more environmentally efficient for the communities within which they operate.

Responsible consumption and production

- We provide our environmental data, including carbon and water footprints, to our corporate clients as part of their Request For Proposals (RFPs).
- In 2016, we continued to focus efforts on embedding responsible business in our procurement processes. The IHG Vendor Code of Conduct helps us ensure that we do business in a responsible way.
- Through our 'A Greener Stay' programme (see page 29), we reward consumers who act 'green' while staying in our properties by deferring housekeeping services. Hotels can operate more efficiently by reducing energy and water use, as well as reducing the use of chemicals in the housekeeping process.

- We have made human rights training accessible to all IHG branded hotels globally so they can be proactive in managing potential human rights risks in their operations and supply chains.
- IHG Green Engage system provides all our hotels globally with the means to track their environmental impacts and the guidance to operate in a more sustainable way.
- In 2015, we developed and rolled out a Sustainable Seafood Policy.
- In 2016, we announced cage-free eggs policies and goals.

Climate action

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

Partnerships for the goals

- Our franchise business model means that working in collaboration is an essential part of how we operate. We will continue to invest in our established partnerships to help deliver the aims of the SDGs.
- We continue to collaborate with industry associations, NGOs, government and community associations, as well as with the IHG Owners Association to drive awareness of the goals and to deliver positive change.
- Through the International Tourism Partnership, we played a leadership role in developing a standardised carbon and water measurement approach for the industry and we will continue to work with our industry partners in this forum to support the objectives of the SDGs.

Stakeholder engagement

We take time to understand the needs of our stakeholders and engage regularly with them so we can assess and evolve our priorities. We also have a range of strategic partnerships to support our responsible business strategy.

“25 years ago, IHG was one of the founding members of the ITP, and throughout this period, have worked in partnership with our members to drive responsible business within the tourism industry. Though IHG’s leadership, notably in the areas of human rights, water and carbon management we are driving positive change together, and through their innovations they have implemented practical solutions for hotels.”

Fran Hughes
Director, International Tourism Partnership



	Key stakeholder feedback	Response
 Colleagues	<ul style="list-style-type: none"> Awareness of our responsible business initiatives has increased, particularly on human rights. However, there are still opportunities to further drive engagement across the business. A large majority of IHG employees in managed hotels and corporate offices tell us they are "more positive" about working at IHG as a result of our responsible business initiatives and programmes. Over 120,000 colleagues took part in IHG Foundation Week, our global fundraising week for the IHG Foundation, and subsequently more than 300 corporate colleagues have volunteered to support their communities throughout the year by driving awareness and taking action in support of the IHG Foundation. In 2017 we will be holding engagement events to mobilise this group. 	<ul style="list-style-type: none"> We continue to engage with colleagues through conferences and meetings, internal events, our intranet and in-house publications. Colleagues are encouraged to follow our dedicated social media channels, where we promote our "responsible business champions". We encourage them to like and share our stories. We will continue to promote our environmental initiatives and to work with volunteer "Green Teams" in corporate offices and hotels and to promote the work they do. We will work with our IHG Foundation volunteers to drive participation in IHG Foundation Week in September 2017.
 Guests & corporate clients	<ul style="list-style-type: none"> Feedback from our guests and corporate clients suggests responsible business is an important issue and they demand evidence of our commitment. "I would stay at a hotel that made an effort to be environmentally responsible." IHG guest Over 50% of corporate clients now request key environmental data such as hotel carbon footprint, water consumption and waste. 	<ul style="list-style-type: none"> We are working to better promote our responsible business initiatives and corporate responsibility programmes to our guests through our hotel brand websites and IHG brand blogs. We will deliver focussed content on IHG® Rewards Club channels to better promote our work in this area. Through the IHG Green Engage system we will continue to deliver even more environmental data to corporate clients.
 IHG Owners Association	<ul style="list-style-type: none"> We interact with our hotel owners in meetings, regional conferences and through an annual survey. Whilst owners have told us that IHG's corporate responsibility programmes are highly valued attributes of partnering with IHG, they also highlight the need to better demonstrate the cost savings associated with these initiatives. 	<ul style="list-style-type: none"> We will continue to promote best practice and to share case studies with our owner community. We will continue to develop the IHG Green Engage system and IHG Academy online tool to ensure they are more user-friendly and help drive maximum business value.
 Shareholders	<ul style="list-style-type: none"> In 2015, we held a corporate responsibility breakfast briefing for shareholders. Feedback on the event was positive overall. "They have clearly set out their progress and what they aim to do to try and achieve their targets. They have got clear actual plans in place to try and achieve those targets." IHG shareholder Questions were raised on how to build on the successful achievements to date and for further information on impacts to IHG's bottom line, particularly carbon and water. 	<ul style="list-style-type: none"> The 2016 Responsible Business Report is available online for the investment community. In it, we continue to report on our progress to date. In 2017 we will develop our future targets and will announce these in 2018. We continue to engage with shareholders as requested on an ongoing and ad hoc basis. We report on responsible business and our corporate responsibility programmes at our Annual General Meeting.

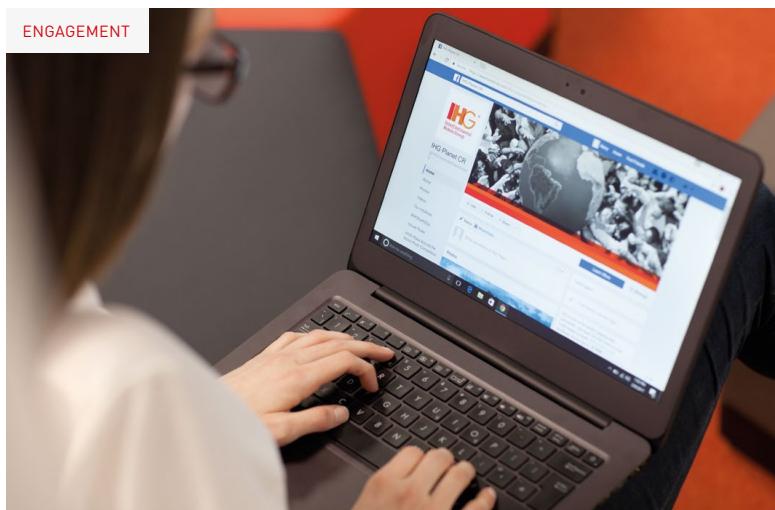


SHAREHOLDERS

INVESTOR SURVEYS

Throughout the year, we complete surveys and assessments that shareholders and institutional investors regularly review to assess their investments. In 2016, we were once again listed as a constituent of the FTSE4Good index. We also surpassed several other global hotel companies by ranking second in our industry, based on our RobecoSAM Corporate Sustainability Assessment (CSA) scores, which we completed for the renowned Dow Jones Sustainability Index. Additionally, we improved our CDP results once again with a score of A- for our climate change submission reflecting our leading position in the hospitality industry. We also provided data for the CDP's Annual Report of Corporate Water Disclosure for the first time. Our 'B' score positioned us immediately alongside some of the world's other leading hotel companies.

	Key stakeholder feedback	Response
 Suppliers	<ul style="list-style-type: none"> Where possible, hotels are encouraged to source goods and services locally. We also engage with suppliers through our Vendor Code of Conduct. 	<ul style="list-style-type: none"> We will continue to ensure that corporate responsibility criteria is fully embedded in the IHG procurement process to enable us to work with suppliers in a responsible manner.
 Academic institutions	<ul style="list-style-type: none"> IHG is a thought leader within the travel and tourism industry and we collaborate with a large number of academic institutions around the world to develop an approach for the hospitality industry to reduce its environmental footprint and increase its positive community impact. 	<ul style="list-style-type: none"> We will continue to partner with selected academic institutions to play a leadership role in developing responsible business solutions for the hospitality industry.
 NGOs, government and community organisations	<ul style="list-style-type: none"> We work with many organisations and are engaged in a number of strategic partnerships. Through this participation we can implement new initiatives and policies to further embed responsible business practices across the organisation. See page 13 for examples. 	<ul style="list-style-type: none"> We will continue to partner with organisations to develop and share best practice.
 Industry associations	<ul style="list-style-type: none"> We collaborate with our industry peers to share best practice and to promote a responsible industry. This involves participation in working groups and developing common reporting methodology. See page 13 for examples. 	<ul style="list-style-type: none"> We will continue to be a key player in industry associations, taking a leadership role in those working groups that are aligned to issues most relevant to IHG and our stakeholders.



SOCIAL MEDIA

Our dedicated Facebook and Twitter channels regularly showcase responsible business heroes across our global estate. Whether we are celebrating a former IHG Academy participant that has been promoted to a Front Desk Manager or a Hotel Engineer that has achieved an energy saving of 40%, we share these achievements with our audience. With over 65,000 fans on Facebook and a further 2,900 on Twitter, we have seen our engagement rates rapidly increase in 2016.

65,000

fans on Facebook

2,900

fans on Twitter

"Responsible business is good business. A commitment to social consciousness, environmental sustainability and philanthropic actions inspires and motivates our employees, our businesses and our industry as a whole. As owners of IHG-branded properties, we take pride in executing initiatives that lead the way for positive change in the communities we serve."

Allen Fusco
2017 Chair
IHG Owners Association

NGOs, government and community organisations

We work and participate in a number of public–private forums and are engaged in a number of strategic partnerships.

These include:

United Nations Global Compact

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

Business for Social Responsibility (BSR)

BSR is a global non-profit organisation with a network of 250 member companies, who together build sustainable business strategies and solutions. Through our partnership with BSR and our representation on the human rights working group, we leverage their experience and expertise to develop our approach to human rights.

Water Footprint Network (WFN)

In 2015, we announced our partnership with the Water Footprint Network to develop a global water stewardship programme to enable our hotels to manage and mitigate their water risks. In 2016, we completed a water risk assessment across all of our hotels and pipeline hotels to map risks related to water stress, setting the foundation to develop tailored water actions plans at each of our hotels.

CARE International UK

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

CARE is also a beneficiary of the IHG Foundation.

“IHG played a pivotal role in the development of the sustainability benchmarking tool, giving a global network of travel buyers greater transparency and visibility in their travel procurement programmes.”

Monica Sanchez
Director, Research
Global Business Travel Association

Goodwill Industries International

“One of America’s most inspiring companies” [Forbes], we work with Goodwill Industries’ network of 165 community-based agencies in the United States and Canada to provide skills development and employment opportunities to those seeking a career in the hospitality industry, and through the IHG Academy we partner with Goodwill in several locations.

Goodwill Industries is also a beneficiary of the IHG Foundation.

Infrastructure Leasing & Financial Services (IL&FS)

Through our IHG Academy partnership with IL&FS, one of India’s largest skills development organisations, we provide training and skills development to support students with on-the-job training in our IHG branded hotels in India. There is a particular emphasis on mobilising the female workforce.

Youth Career Initiative (YCI)

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

YCI is also a beneficiary of the IHG Foundation.

International Tourism Partnership (ITP)

In 2017, the ITP celebrates its 25th year, and IHG was one of the founding members. We work with industry peers to share knowledge and resources, develop policy and implement programmes which have a positive social, economic and environmental impact. IHG is part of the ITP’s Human Trafficking Working Group as well as the Water Working Group. Over the years, IHG has worked with other ITP members to develop measurement initiatives for carbon and water.

Business in the Community (BITC)

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

We are part of the BITC international leadership team and disaster relief working group, bringing together like minded companies to develop a cross-sector collaborative approach for disaster preparedness and response. We are also part of the BITC Human Rights Working Group.

Global Sustainable Tourism Council (GSTC)

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

Global Business Travel Association (GBTA)

GBTA is the world’s leading business travel and meetings organisation with over 7,000 members. GBTA and the GBTA Foundation deliver world-class education, events, research, advocacy and media to a network of travel professionals. IHG is represented on the Sustainability Committee which aims to balance the social, economic and environmental impact of their members’ business travel programmes. In 2016, in partnership with GBTA, we took a leading role in developing sustainability benchmarking tools that support travel buyers to assess their managed travel and sustainability programmes.

American Hotel & Lodging Association (AHLA)

AHLA provides focused advocacy, communications support and educational resources for the hospitality industry. Representatives from IHG serve on the Board of Directors, the advocacy council, and co-lead the Sustainability Committee, amongst other working groups. Elie Maalouf, CEO, the Americas, sits on the Board and the AH&LA Executive Committee.

The U.S. Travel Association (USTA)

The US Travel Association is a national organisation that represents all sub-industries of the US travel industry, and works to increase travel to and within the United States. IHG serves on the Board of Directors and its Washington Representatives Committee. Elie Maalouf, CEO, the Americas is a member of U.S. Travel’s CEO Roundtable.

International Franchise Association (IFA)

The IFA is the world’s largest organisation representing franchising worldwide. The IFA’s mission is to protect, enhance and promote franchising. Members of the organisation include franchise companies in 300 different business format categories, individual franchisees and companies that support the industry. Representatives from IHG serve on the organisation’s Legislative Action Group.

Our culture of responsible business

In a climate where employees, guests and other stakeholders are seeking confirmation that companies share their values, the things we do to instil a culture of responsible business across the Group contribute to the credibility and value of the IHG brand and our hotel brands. These include:

- Strong governance and leadership which promote responsible business attitudes and behaviours throughout IHG.
- Ensuring our employees understand key legal and reputational issues and our winning ways (see page 24).
- Ensuring the safety and security of employees, guests and other visitors to our hotels and offices.
- Operating effective risk management and internal controls.
- Engaging in responsible procurement.



Responsible business across the hotel life cycle

In developing our approach to responsible business, we consider all aspects of the hotel life cycle to understand our impact in terms of our direct operations, our relationships with our owners and our supply chain.

Our culture of responsible business underpins our entire strategy and impacts the way we approach all aspects of the hotel life cycle. Our responsible business initiatives were developed to address the aspects of our business where we believe we can make the biggest difference at scale. We work to reduce the environmental impacts of hotel operations. Leveraging the economic and social contribution of hotels, we are creating jobs, stimulating local economies, providing opportunities for skills building, and offering support when disasters strike.

IHG RESPONSIBLE BUSINESS APPROACH ACROSS THE HOTEL LIFE CYCLE

1. Design & Development

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

2. Procurement

Hotels work to source goods and services in a responsible and sustainable way.

3. Operations

Hotels are operated in innovative ways to manage our environmental impacts and enhance our positive impact on the local economy and local people whilst ensuring the safety and security of employees and guests.

4. Marketing

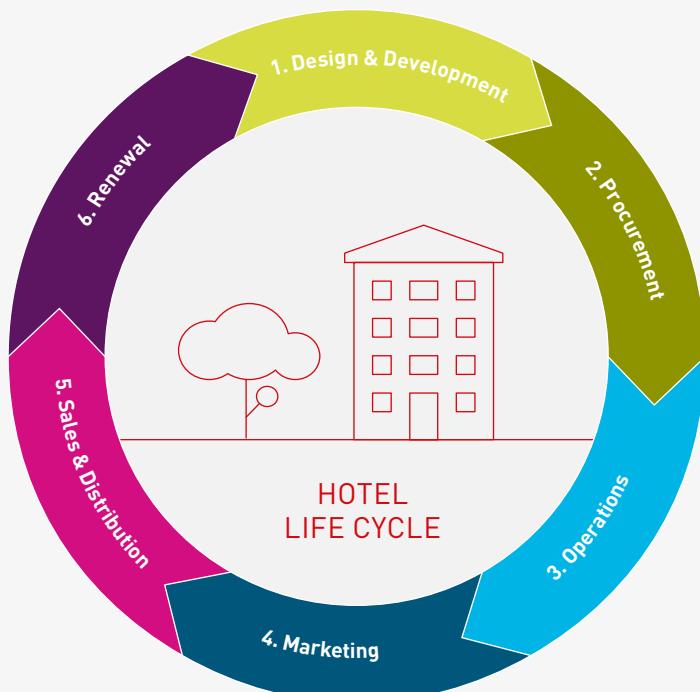
We enhance the reputation of IHG and its brands by delivering responsible hotels our guests want.

5. Sales & Distribution

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

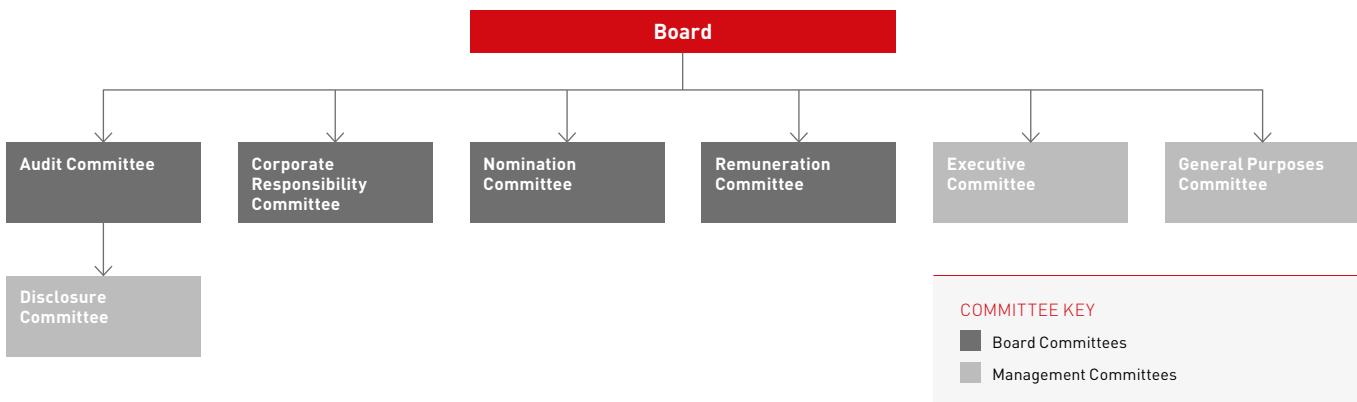
6. Renewal

Hotels renew, recycle and reuse materials.



Governance and leadership

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



The Board and its Committees

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

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

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

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

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

The Corporate Responsibility Committee:

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

During 2017, its priorities are to:

- Deliver against our five-year targets, and consider and determine targets for the period beyond 2017.
- Further enhance our efforts to reduce water use in our operations through developing our water stewardship strategy.
- Leverage our IHG Green Engage system and implement a number of initiatives to further reduce our carbon footprint.
- Accelerate the roll-out of IHG Academy across our global hotel estate and to deliver a positive impact on participants and our hotels.
- Continue to enhance disaster preparedness efforts in IHG hotels and local communities to deliver greater community resilience.
- Continue to increase awareness of human rights, embed the human rights standard and leverage e-learning courses and other training on Modern Slavery.
- Continue to deliver the stakeholder engagement plan, with a focus on guest and IHG Rewards Club member engagement.

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

Our Management Committees

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

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

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

Business Leaders

Regional presidents and their direct reports covering functions such as finance, operations, human resources, and sales and marketing are charged with delivering responsible business practices across the organisation. Each year they cascade responsible business targets to their teams and celebrate success in corporate awards.

IHG's approach to risk management

We deliver on our commitment to responsible business practices through our robust and effective risk management system, which continues to evolve in step with our business, and results in sustainable, long-term growth.

Our Winning Model strategy and risk

Our strategy and business model create a number of risks and opportunities for the business. The Board is ultimately accountable for the effectiveness of our risk management and internal control systems, and is supported by the Audit Committee, Executive Committee and delegated committees, who oversee our risk management system to ensure that risks are appropriately identified and managed within IHG's risk appetite.

Risk appetite

IHG's risk appetite reflects the nature and extent of risk that the Board is willing to take in pursuit of strategic and other business objectives. The risk appetite is then cascaded through the goals we set, the strategy we choose, decisions we make and how we allocate resources. IHG's risk appetite is further reflected in our governance committees, structures, policies and targets we select, as well as in development guidelines for new hotels. In 2016, the Audit Committee also considered IHG's approach to risk appetite more generally and in relation to the principal risk areas.

OUR RISK MANAGEMENT SYSTEM

Our risk management system is fully integrated with the way we run the business through our culture, our controls and our reporting, and is reflected in our strategy. The Global Risk Management function is responsible for the support, enhancement and monitoring of the effectiveness of this system and includes the following key areas.

Risk and culture

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



Risk and control management

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



Risk monitoring and reporting

- Risk and performance monitoring
- Principal risk reporting (see below)



More information on our risk management system is available at www.ihgplc.com under **Responsible business**, **Our culture of responsible business**, and **Risk management**.

IHG's principal risks, uncertainties and review process

The external risk environment remains dynamic. However, the Group's asset-light business model, diverse brand portfolio and wide geographical spread contribute to IHG's resilience to events that could affect specific segmental or geographical areas. Our Risk Working Group, chaired by the General Counsel and Company Secretary and comprised of the heads of Global Risk Management, Global Strategy and Global Internal Audit, provides input on, and oversight of, the principal risk review process, which identifies and assesses risks for ongoing monitoring and review by senior management.

The Directors have carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These risks are reviewed formally by the Directors on a biannual basis and are considered in more detail through the activities of the Board and Committees. The approach to principal risks was further strengthened in 2016 through an increased consideration of risks within the strategic-planning processes and the engagement of all Executive Committee members in the discussion of principal risks throughout the year. We have a standing risk working group who provide guidance and oversight with regard to the principal risks and risk management system.

During this process we consider the potential impact on our ability to meet our commitment to responsible business. In addition to the principal risks, during 2016 we performed detailed risk assessments with regards to a number of areas of responsible business, including human rights, supply chain and water amongst others. The outcomes of our risk assessments are reviewed regularly and are used to guide our behaviours and activities.

Our principal risks remain unchanged, however, reflecting the dynamic environment in which we operate, we continue to review and refine the approach we take to mitigating our risk – see the table on pages 18 and 19.

How the external environment for each principal risk has changed over the past year (Trend):				How each principal risk links to our strategic priorities (Impact):			
Risk description	Trend	Impact	Initiatives to manage these risks				
Failure to deliver preferred brands and loyalty could impact our competitive positioning, our growth ambitions and our reputation with guests, owners and investors.	(↔)	(WM) (TP)	<ul style="list-style-type: none"> Each of the brands in our portfolio is designed, and continues to evolve, to meet specific guest needs and occasions, through distinct and complementary brand propositions informed by guest research and insights. We continue to innovate and evolve our hotel-room and public-space designs to ensure we deliver differentiated, relevant guest experiences. In 2016, we introduced several new design initiatives across our Holiday Inn and Holiday Inn Express brands. We manage brand consistency through the entire hotel life cycle, supported by clear contractual terms, new hotel opening processes, brand standard requirements and compliance processes. Tools, training and guidance assist owners and those working at our hotels to deliver brand consistency. 	(WM)	(TP)	(DE)	(RB)
Failure to operate an appropriate risk management system which safeguards the safety and security of our guests and employees could impact our reputation.	(↔)	(WM) (TP) (RB)	<ul style="list-style-type: none"> We manage this risk by promoting a strong safety culture through our values and attitudes, our 'Winning Ways' (see page 24) and a strong governance system. In 2016, we enhanced oversight through the development of a Safe Hotel Advisory Group comprising risk and standards measurement. We continuously monitor and refresh our brand safety standards where necessary, and work with our hotels to ensure that brand safety standards are met throughout the hotel life cycle across our entire portfolio. Our operational safety and security teams have extensive subject matter expertise and experience, and provide support to line management to equip them to plan for, and respond to, incidents across all of our regions. 	(WM)	(TP)	(DE)	(RB)
Failure to recruit and retain the right leadership and talent , and to give them the tools, guidance and support to be successful, could impact the delivery of our strategic ambition.	(↔)	(WM) (DE) (RB)	<ul style="list-style-type: none"> We have a comprehensive, global people strategy in place, which includes a talent leadership programme, both in hotels and at a corporate level. The talent development programme also reflects our culture and values. Our leadership framework, support tools, and training and development programmes help our people grow their careers – see page 23. Our HR strategy manages specific training programmes globally, catering to specific talent needs in local markets, e.g. Greater China. We pro-actively manage succession planning at all levels and consider the diversity (more broadly than gender) of our people and leadership. 	(WM)	(TP)	(DE)	(RB)
Failure to maintain and enhance our channel management and technology platforms could impact on our ability to deliver revenue.	(↑)	(WM) (DE)	<ul style="list-style-type: none"> We recognise that technological advances, the growth of intermediaries and the sharing economy, and changing guest expectations mean that we must continually invest in, and improve, our technological systems to build lifetime relationships with our guests. Our focus is on encouraging guests to use direct booking channels. However, recognising that some travellers use intermediaries, we seek to secure improved terms with those intermediaries for our hotels. This year, we extended our Your Rate by IHG Rewards Club loyalty benefit to further markets, allowing more guests to get the best hotel rates by booking directly through IHG's booking channels. We remain on track to roll out our new Guest Reservation System in 2017, providing easier booking interfaces for both guests and hotels, enhanced digital functionality and easier technology upgrades to better meet guest needs. We have a multi-award-winning mobile app, which has been downloaded over seven million times since launching. Consistent with our philosophy and focus, our app includes the most advanced loyalty functionality across the industry. 	(WM)	(TP)	(DE)	
Failure to maintain strong relationships with owners, and to demonstrate attractive returns on investment, which we call our owner proposition , could impact the retention and growth of IHG's System size and development pipeline.	(↔)	(WM) (TP) (DE) (RB)	<ul style="list-style-type: none"> Our franchise and managed owner offer includes tools, hotel solutions, revenue delivery systems, operational support and guidance to allow us to support our hotels and maintain relationships with owners throughout the hotel lifecycle. We carefully monitor net System size growth, and focus on contract renewals and renegotiations, to ensure that our owners receive the best value with IHG franchise and management agreements. Through the IHG Owners Association, we work with our owners to understand their key priorities and perspectives, for example, in respect of the use of the System Fund. In 2016, we reviewed and enhanced the hotel budget guidance process to provide owners with better information. 	(WM)	(TP)	(DE)	(RB)

Risk description	Trend	Impact	Initiatives to manage these risks
The threat faced from the risk of cybersecurity and information governance is constantly evolving and, in 2016, has impacted a large number of organisations across multiple industries, including a number of cyber attacks on the hospitality industry. This threat could impact our operations, result in fines and legal actions, and undermine stakeholder trust in our business. In 2016, our Kimpton Hotels & Restaurants business in The Americas was subject to a cyber attack, and an investigation into another such attack at hotels in The Americas region is ongoing.	↑	(WM) (DE) (RB)	<ul style="list-style-type: none"> We have applied a risk-based methodology to considering the value of our information assets, including Payment Card Information (PCI), other Personally Identifiable information (PII), non-public financial information and employee data, to formulate a set of policies, processes, guidance and accountabilities with regards to information security. We monitor the evolution of this risk through our Information Security team and our Threats and Intelligence team, using forward-looking indicators and intelligence to inform our approach to managing this risk. We are implementing a number of initiatives to address specific elements of this risk. These include the role out of a Secure Payment System, tokenisation of key systems, the development of a revised information-management policy and increased focus on information shared with our suppliers and business partners. The approach to the risk is overseen by an Information Security Committee, who led and sponsored a full review of all relevant policies in 2016. We have a clearly defined incident management capability, which we are continuously developing and embedding across the organisation. We have deployed our incident response plan to develop and implement investigation, containment and mitigation steps in relation to both the Kimpton Security Incident and the Americas Security Incident.
Failure to effectively manage our programme and project delivery could impact the value realised from our investments.	↔	(WM) (DE)	<ul style="list-style-type: none"> Our programme management capability is overseen by our Strategic Portfolio Governance Group and implemented by our Strategic Portfolio Management team. The Strategic Portfolio Management team ensure strategic alignment and prioritisation of key programmes, develop organisational capability through training and implement the Group's project delivery approaches and tools. This team is supported by regional and functional project management teams, who manage and monitor specific programmes and projects. In 2016, we continue to streamline our priorities to ensure we focus on those core programmes that have a significant impact on our business, including Crowne Plaza Accelerate and our new Guest Reservation System.
While the hotel sector is not subject to stringent industry-specific regulations, failure to ensure legal, regulatory and ethical compliance could impact our reputation.	↑	(DE) (RB)	<ul style="list-style-type: none"> Our regulatory compliance programme works to identify and respond to relevant regulatory requirements. These include, but are not limited to, anti-bribery and corruption, data privacy and antitrust. We ensure that our corporate employees conduct annual Code of Conduct training that highlights, on a rolling basis, key areas such as anti-bribery and competition law to ensure that we consistently adhere to the highest legal and ethical standards. Our hotels across the globe also provide training to their employees to ensure they are aware of their obligations.
Increased public scrutiny, litigation and regulatory investigation highlight the need for companies to ensure that their financial management and control systems are robust.	↔	(TP) (DE) (RB)	<ul style="list-style-type: none"> The maintenance of a sound financial-reporting and control environment is achieved through an effective policy framework, training programmes, and layered performance and review processes. IHG has a mature, experienced and stable global finance function that includes, among others, the following teams: Group Tax; Group Treasury; Procurement and Cost Efficiency; Global BSC Operations; Global and Regional Financial Planning and Analysis; Global Financial Reporting; and Governance and Compliance including compliance with the Sarbanes-Oxley Act 2002 (SOX).

Responsible procurement

We take steps to engage in responsible procurement, both by driving innovation with suppliers and conducting business responsibly.

Our supply chains

Our supply chain activities can be split into two broad categories – corporate supply chains and hotel supply chains. Our corporate supply chains cover procurement for our corporate offices and are mainly focused on items such as technology and professional services. At the hotel level, supply chains cover procurement for all items required for running a hotel and cover a wide range of items including food, linens, cleaning supplies and furniture. Hotel procurement happens both at the local level and for some locations, via centralised purchasing arrangements that are available to our hotels. Our hotel owners will also have supply chains at different stages of their hotel's life cycle, for instance at the construction stage for new build hotels.

Our suppliers

IHG's Vendor Code of Conduct sets out the standards under which IHG suppliers are expected to operate, including in relation to human rights and modern slavery across such areas as voluntary freedom of association, working conditions, forced labour and the exploitation of children. In 2015, we enhanced our procurement systems and have asked the majority of our existing corporate suppliers and all new corporate suppliers to sign the IHG Vendor Code of Conduct, as well as suppliers who support our hotel buying platform in the US. As of January 2016, over 1,600 suppliers have signed up to the IHG Vendor Code of Conduct.

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

IHG franchised hotels are independently owned and operated, however, all of our hotels and owners, both managed and franchised, have a shared commitment to responsible business. From 2014, we have required all IHG branded hotels to adopt their own human rights policy and we have provided guidance and training materials to hotels on this topic to enable this.

Diversity in the supply chain

We operate a supplier diversity programme for our US suppliers. We track and report our supply chain diversity profile and during 2016 our spend with diverse suppliers in the US was \$59.1m, a modest decrease from 2015 (\$62.4m). Tracking our spend with diverse suppliers in the US helps support our commitment to provide suppliers with equal access to purchasing opportunities.

Ethical sourcing

We encourage our hotels to use environmentally friendly products and to source goods and services locally wherever possible. In 2015, we developed and rolled out a Sustainable Seafood Policy which applies to all IHG branded hotels globally and which clarifies that shark fin is not permitted to be served in our hotels' bars and restaurants.

In 2016, we further strengthened our commitment by stipulating that 90% of our top ten seafood products are sourced sustainably in the Americas, Europe and Greater China by 2020, unless otherwise impractical. In AMEA, where there is a broad range in supply chains and operations, we will continue to focus on driving the sustainable sourcing of seafood for our hotels.

In 2016, we also committed to sourcing 100% cage-free eggs throughout our US, Canadian and European hotels by no later than 2022. We also pledged to source 100% cage-free eggs at all our hotels globally, both franchised and managed, by 2025. Our restaurant and bars teams partner with our corporate responsibility team to constantly scan and review opportunities to further responsibly source the food items served in IHG branded hotels.

Supply chain risks

At the beginning of 2016 we established the Supply Chain Risk Group. The Group has a remit to focus on identifying and evaluating all of our supply risks across both corporate offices and hotels. We have developed the IHG value chain profile and assessed risks associated with the value chain and control environment.

The output of this work aims to help us to understand our risks and vulnerabilities. From a corporate perspective, our more significant risks are from information security and intellectual property, rather than from an ethical sourcing standpoint. The majority of our ethical sourcing risks are within the hotel environment, where we cannot always control the supply chains, nor have visibility of them.

Systems and policies

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

Responsible attitudes and ethics

We take steps to ensure that there is a culture of responsible business at IHG, and that corporate employees and employees at IHG managed hotels act with integrity.

We are committed to complying with the laws and regulations of all the countries and jurisdictions in which we operate.

Code of Conduct

Through our Code of Conduct we set the principles for doing business responsibly. The Code provides employees with an overview of our key global policies and incorporates our values, our Winning Ways (see page 24) which are a key part of the way we do business. The Code is reviewed annually by the IHG Audit Committee.

Human rights

IHG focuses on those areas of human rights that are most relevant to our business and we work to ensure our values are reflected consistently across our business. Our human rights policy is available in more than 40 languages. To demonstrate our commitment to human rights we:

- Support the protection of human rights, particularly those of our colleagues, the parties we do business with, and the communities where we operate.
- Respect our colleagues' rights to voluntary freedom of association under the law.
- Provide a safe and healthy working environment.
- Do not support forced and compulsory labour or the exploitation of children.
- Support the elimination of employment discrimination and promote diversity in the workplace.
- Provide our colleagues with remuneration and tools for growing their careers, and take their well-being into consideration.
- Promote fair competition and do not support corruption.
- Conduct our business with honesty and integrity in compliance with applicable laws.
- Develop and implement company procedures and processes to ensure we comply with this policy.

In 2014, we established a standard that requires all IHG branded hotels to adopt and display a human rights policy at the individual property level. This standard demonstrates our ongoing commitment to operating as a responsible business.

In 2015, we developed and launched a Human Rights e-learning module. Available as a resource to all hotels and colleagues, the learning module is designed to raise awareness of IHG's human rights approach and support hotels to meet the human rights standard. By the end of 2016, more than 27,000 colleagues had completed the e-learning module.

Throughout 2016, we continued to raise the importance of human rights and published a 10-minute trainer session. We also developed a poster for display in colleague areas to highlight the risks of modern slavery, as well as the key warning signs to watch out for and how to report concerns.

In March 2017, we published our 2016 IHG Slavery and Human Trafficking Statement. To view our statement, visit ihgplc.com/modernslavery

We are a signatory to the UN Global Compact aligning our operations and strategies with the 10 universal principles that include commitments to human rights and labour standards. We are part of the Business in the Community (BITC) and Business for Social Responsibility (BSR) cross-industry working groups on human rights as well as the International Tourism Partnership's Human Trafficking Working Group. We are also working with our internal procurement team to further embed our human rights approach into our contracts.

Anti-bribery

At IHG we are committed to operating with integrity and to complying with all relevant laws including all applicable anti-corruption legislation. IHG has a zero-tolerance approach to bribery and corruption and this position is clearly set out in our Code of Conduct and Anti-Bribery policy. This position applies to all IHG employees and Directors and our managed hotels. Bribery is not permitted under any circumstances. Facilitation payments are also prohibited.

We have an anti-corruption training programme which all IHG employees and Directors must complete. To date more than 30,000 people have completed our online anti-bribery training.

We also have a gifts and entertainment policy, which applies to all IHG employees and Directors and people working in managed hotels. This policy sets out which types of gifts and entertainment are never acceptable and contains reporting and approval requirements for items over certain values. Our Code of Conduct also prohibits political donations.

We regularly monitor our anti-corruption programme including its suitability, adequacy and effectiveness and implement improvements as appropriate. Reporting on the anti-corruption programme is provided to the Audit Committee and Board.

Ethical concerns

We think it is extremely important that all employees feel comfortable reporting ethical concerns. As a result, we have a confidential reporting channel which provides employees with a means to share any ethical concerns they may have. Employees are made aware of this through regular internal communications as well as through a dedicated website, www.ihgethics.com. Regular reporting on the channel is provided to our Audit Committee.



The Code, Anti-Bribery and Human Rights policies can be found on www.ihgplc.com/policies.

Our people

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

They are fundamental to the delivery of our different brand experiences and to fulfilling the brand promise for our guests. By ensuring that our colleagues do business in a responsible way, they enhance the reputation of IHG and its brands.

As a global business, more than 350,000 people work across our managed and franchised hotels and IHG's corporate offices. With tourism accounting for 1 in 11 jobs worldwide, and our ongoing strategy to further increase our pipeline, in the coming years there will be a need for IHG and our owners to recruit even more individuals to work in our hotels worldwide.



IHG® FRONTLINE

IHG Frontline is an online learning platform that enables hotel colleagues at IHG branded hotels to enhance their knowledge and skills around brands, service and operations. More than 3,800 IHG hotels have participated in the programme, meaning more than 100,000 colleagues have access to 50 courses on the platform.



We are committed to promoting diversity and equality, protecting labour rights and ensuring employee well-being.

Diversity and equality

With brands, employees, guests and owners all around the globe, IHG enjoys a rich diversity in our business. One of our Winning Ways, Celebrate Difference, highlights our belief in, and commitment to, creating a welcoming environment for our guests and employees.

We believe in diversity and inclusion across all aspects of our business, and reducing inequalities is embedded within our strategy and commitment to the UN Sustainable Development Goals (SDGs). We create the right working environments and business relationships, and encourage a culture where everyone feels valued and accepted. This includes our employees, our guests, hotel ownership, strategic sourcing relationships, recruitment, community relations, franchising and marketing partnerships.

We recruit and promote individuals solely on the basis of their suitability for the job and do not discriminate on the grounds of race, colour, ethnic or national origin, gender, sexual orientation, age, religion, marital status or disability unrelated to the role. In 2016, we were once again recognised in the United States by the Human Rights Campaign (HRC) Foundation's 2017 Corporate Equality Index by achieving a 100% score.

Development and training programmes, including for leadership and management, are accessible throughout IHG.

We are making continued progress in attracting and retaining female leaders. The Hampton-Alexander review recently listed IHG in the Top 20 of the FTSE 100 for female representation combined across Executive Committees and Direct Reports.

As at 31 December 2016:

- Three of the nine Directors on the Board are female (33%), however, following the appointment of Malina Ngai on 1 March 2017, four of the 10 Directors on the Board will be female (40 %);
- 34 out of the 128 senior managers employed by the Group (including directors of the subsidiaries) are female (27%);
- 6,890 out of the 12,021 people employed by the Group and whose costs were borne by the Group or the System Fund are female (57%).

We have focused on building voluntary, employee-led resource groups across the organisation to foster a diverse and inclusive workplace. These groups comprise of individuals who share common interests, backgrounds or demographic factors such as gender, race or ethnicity, and as such the following groups have been established in the business: Black Employee Resource Group (BERG) and IHG Out and Open, a Lesbian, Gay, Bisexual, Transgender and Ally (LGBTAl) Employee Resource Group. Both are sponsored by senior leaders in the business.

The role of leaders

The role of leaders at IHG is to create an environment where everyone is heading in the same direction, completely aligned and committed. They attract, develop, motivate and retain great talent to work in all parts of IHG. Leading by example, they deliver competitive advantage in a responsible way and ensure that all individuals understand the value of doing business responsibly.

Making IHG a great place to work

We ask our employees in our corporate offices and owned and managed hotels to live our Winning Ways, a set of behaviours and values which define how we expect them to interact with our guests and their colleagues. Our employees helped shape these Winning Ways. They are:

We do the right thing

Keeping our promises; not letting people down; and making decisions, even when they're difficult.

We show we care

Treating people as individuals; and looking and listening for the little things that make a difference.

We aim higher

Putting our hearts into learning new things; and looking for ways to improve.

We celebrate difference

Being respectful of all cultures; learning from others; and playing an active role in the communities in which we operate.

We work better together

Thinking about what we do and how it might affect others; and working hard to develop excellent working relationships.

These values are entrenched in responsible business practices and integral to delivering our strategy.

In turn IHG offer employees at corporate offices and managed hotels our 'Room to be yourself' commitment, which involves four promises:

Room to have a great start

To ensure IHG remains great, it is vital that all our employees have a great start to their career with us. We ensure they have access to the tools and information they need to succeed, from day one. This means they can be productive and integrated into their role as quickly as possible.

Room to be involved

At IHG, we love to share. That's why we communicate with colleagues on matters relating to the Group's business and performance. We share this information through various channels, including conferences, team meetings and our company intranet. We know that to stay at the top of our game, we need honest, regular feedback. We encourage employees to share their thoughts on a regular basis, formally capturing them through our employee engagement survey, the results of which are a business-wide key performance objective.

Room to grow

Our employees are given access to the required support, experience and training, and are provided with development opportunities.

Room for you

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

We promote IHG as a place where people can bring the same amount of energy, enthusiasm and dedication to their jobs as they do to their interests and hobbies. Because we are in the hospitality business, when our people perform at their best our business performs at its best.

Continuous development

IHG offers to its hotels, both managed and franchised, access to on-demand learning content, exactly when they need it. A foundational building block for doing this is through a modernised Learning Management System (LMS) and new learning technology platforms that enable us to deliver the right learning content to the appropriate audiences.

General Manager development

We continue to progress the consolidation and expansion of our General Manager (GM) offering via our General Manager Programme. This programme now includes a new interactive learning technology, providing all GMs with social learning and other online tools to connect them together and share their progress with one another. We are excited to continue investing in this programme, with a view to making it best in class.

Leading with impact and influence

'Leading with Impact and Influence' is a development programme for high-performing managers. Participants lead an individual project that aligns to IHG's priorities and addresses a live business need whilst acquiring new leadership skills and behaviours.

Employee engagement

Understanding how engaged employees feel is intrinsic to how we operate our business and it is measured through our employee engagement survey. Asking for, and acting on feedback on how we can make IHG a great place to work, has led to year on year increases in employee engagement. The survey also demonstrates that actively involving our employees with our responsible business initiatives is key to driving commitment and pride amongst IHG employees. In 2017 we are strengthening this approach, moving to a more continuous survey and feedback approach.

Our employees

Having a predominantly franchised estate means that most of the people who work at IHG branded hotels are not employed by IHG. When the Group's entire estate is taken into account (including those working in both franchised and managed hotels) over 350,000 people globally worked across IHG's brands as at 31 December 2016. We call these 'our colleagues'.

However, IHG employed the following:

- 6,587 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;
- 5,434 people who worked directly on behalf of the System Fund and whose costs are borne by the System Fund;
- 22,002 General Managers and, (in the US predominantly) other hotel workers, who work in managed hotels, who have contracts or letters of service with IHG and whose costs are borne by those hotels.

2017 priorities

- Further enhance our approach to learning delivery, by leveraging new technology channels.
- Implement a comprehensive employee engagement survey that is designed to capture colleague feedback across the whole employee career journey at IHG.

Environmental sustainability

As one of the world's leading hotel companies, with more than 5,000 branded hotels in nearly 100 countries, we understand the impact our business activities have on the environment and take active steps to manage it.

The hotel business is growing and IHG is committed to ensuring our portfolio grows in a responsible way, always mindful of the resources we use, as well as the opportunity we have to do things differently. Our stakeholders, our colleagues and our guests want us to demonstrate how seriously we take issues such as climate change, water scarcity, utility consumption, and environmental preservation.

We put the environment right at the heart of how our hotels operate. Our long-term success, as well as the comfort and well-being of our guests and the planet, depends on it.



2013 – 2017 TARGETS

12%

reduction in carbon footprint per occupied room*

12%

reduction in water use per occupied room in water-stressed areas*

OUR ACHIEVEMENTS

7.4%

reduction in carbon footprint per occupied room from 2013-2016*

7.9%

reduction in water use per occupied room in water-stressed areas from 2013-2016*

\$67.4m

IHG branded hotels avoided costs of \$67.4m through using the IHG Green Engage system

15,324

green solutions implemented through using the IHG Green Engage system

* from a 2012 baseline.

In 2016, we continued to reduce our carbon footprint and water use against our 5-year targets, but acknowledge there is still progress to be made to achieve our targets by year end 2017.

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

We have seen significant reductions in carbon and water use per occupied room in our managed hotels. However, our franchised hotels continue to present some challenges and we are developing several strategies for our franchised operations.

- Across our company and managed hotels, we ran pilots with a focus on reducing water and carbon use. These successful initiatives will be rolled out to all our hotels in 2017.
- We have developed a new toolkit with guidance and solutions for our hotels to adopt the most effective water and carbon saving solutions.
- Through the IHG Green Engage system we have set carbon and water saving targets, giving IHG branded hotels greater clarity and transparency on reduction milestones.
- We have identified Green Solutions that deliver the greatest carbon and water savings, and identified appropriate vendors so that our hotels can procure technologies to deliver greater cost efficiencies.

IHG Green Engage system

Our online sustainability tool that helps us minimise our hotels impact on the local environment. It's our way of ensuring that our surroundings are preserved for everyone to enjoy. The system:

- Sets and tracks property specific reduction goals for carbon, energy, water and waste.
- Uses actual data to provide customised environmental performance benchmarking, taking into account hotel location, brand and outfitting.

- Recommends over 200 Green Solutions and provides case studies and implementation plans to reduce the impact our hotels have on the environment. The tool also demonstrates the cost savings that can be achieved by hotels when they implement the solutions.
- Supports hotels to create environmental action plans and targets.
- Can achieve energy savings of up to 25% on average for those hotels achieving Level 3 certification; making our hotels more cost-effective to operate and ultimately allowing us to improve the value of service we offer our guests.
- Automatically feeds sustainability information about our hotels to our clients. In 2016, 54% of our business accounts asked for this information – such as carbon footprint, water consumption and waste.
- Allows guests to make better informed purchasing decisions. By linking to the hotel booking sites, guests can see what level (1-4) of certification in the IHG Green Engage system the hotel has achieved.



HOLIDAY INN EXPRESS MOUNTAIN VIEW-S PALO ALTO, UNITED STATES

At the Holiday Inn Mountain View, S Palo Alto, California, the team has been busy installing the latest solar technology onto the roof of the hotel. The Hotel's General Manager, Roshan Patel, commented, 'In addition to using the IHG Green Engage system, we are continually looking at ways to conserve our energy and through the installation of these solar panels, we are doing our bit to use clean, efficient energy sources.'

WHAT ARE GREEN SOLUTIONS?

Green Solutions are action items that hotels can implement on property to build and operate sustainable hotels. Each Green Solution outlines the action the hotel must take (such as replacing incandescent bulbs in guest rooms), and provides detailed steps to implement the solution. These recommendations cover design, operations and technologies aimed at reducing energy, water and waste, cutting carbon emissions, improving guest health and comfort and reducing operating and maintenance costs.

Examples from the 200+ Green Solutions include:

- Using energy-efficient lighting and lighting controls.
- Installing water-efficient bathroom fixtures.
- Using energy efficient appliances and systems.
- Rainwater harvesting.
- Alternative energy sourcing.
- Improving indoor air quality.
- Increasing waste diversion.
- Sustainable event management.

The system recognises progress and performance through four levels of certification. In 2014, we implemented a global standard that all our hotels must participate in the IHG Green Engage system and we have been working with IHG branded hotels globally to drive adoption to manage their overall environmental impact.

We work with a number of third parties to align the IHG Green Engage system activity to their requirements and through the system over 485 hotels have pursued additional third-party certification, including TripAdvisor's GreenLeaders, Green Globe, Green Tourism and Green Key Global.

IHG was the first hotel company to be approved for pre-certification for new and existing buildings by LEED, one of the leading programmes for the design, construction and operation of green buildings.

To ensure the quality of participation in the IHG Green Engage system, hotels that reach any level of certification undergo a third-party assurance process administered by Deloitte. In addition, our environmental performance data is independently verified through Lloyd's Register Quality Assurance (LRQA) in accordance with ISO14064 – 3:2006 specification with guidance for validation and verification of greenhouse gas assertions.

Innovation not offsetting

As a global organisation, we believe our biggest contribution towards cutting greenhouse gas emissions will come from changing our own behaviour. We are therefore committed to reducing and managing carbon emissions across our hotel estate, rather than by purchasing carbon offsets. This provides a clear incentive to deliver the sorts of innovative solutions which guests want and which can deliver the greatest savings and efficiencies.

Our carbon footprint

Following the introduction of the Hotel Carbon Measurement Initiative (HCFMI) standard across the industry in 2012, which IHG played a leading role in developing, we added a carbon calculator to the IHG Green Engage system. As well as strengthening our efforts to improve the quantity and quality of data gathered by our hotels, the calculator enables hotels to minimise their impact on the environment by tracking, managing and reducing carbon.



SEAWATER AIR CONDITIONING AT THE INTERCONTINENTAL BORA BORA RESORT & THALASSO SPA

The InterContinental Bora Bora Resort & Thalasso Spa uses a unique and innovative system to cool the property. Through the installation of a 2km pipeline at a depth of 900 meters, seawater at a temperature of 50°C is piped to a titanium heat exchanger. The hotel's 15kW seawater pump provides cooling that would otherwise consume 300kW of electricity. Through the circuit the seawater is returned back to the sea, thus limiting the hotel's impact on the environment.

CHENGDU, SICHUAN PROVINCE, CHINA – WATER CONSERVATION

Like many cities around the world, Chengdu has a high level of exposure to water stress. In partnership, with Water Footprint Network (WFN) we are working with four IHG branded hotels in Chengdu to develop tailored Water Stewardship Implementation plans that can be incorporated in to everyday hotel operations.

Water

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

The IHG Green Engage system provides our hotels with a comprehensive guide to water-saving technologies and processes recommending nearly 30 Green Solutions devoted solely to water. Typically, over 40% of the water used in a hotel is from showers, toilets, taps and kitchens, but installing low-flow faucets, toilets and shower heads, helps to reduce water consumption.

Through our partnership with the Water Footprint Network (WFN), one of the world's leading centres of excellence for water stewardship, we have been developing a worldwide water stewardship programme to enable hotels to manage and mitigate water risk in their operations. This builds on our five-year target to reduce water use in water-stressed areas per occupied room by 12%.

Together in 2016, we completed the hospitality industry's most comprehensive water risk assessment across our global estate of more than 5,000 open IHG branded hotels and pipeline hotels. Through a mapping exercise we have identified risks related to both water quantity and quality and this has set the foundation to develop tailored water stewardship action plans to apply best practice techniques for each of our hotels, particularly those in water-stressed areas.

Through our partnership with the International Tourism Partnership (ITP) we played a leading role in the development of the Hotel Water Measurement Initiative (HWMI) which was launched in World Water Week, Stockholm, August 2016. The HWMI represents a common methodology for hotels globally to measure and report on water consumption in a consistent manner across the hotel industry. This follows on from the successful implementation across the hospitality industry of the Hotel Carbon Measurement Initiative (HCMI), that launched in 2012.

Waste

The IHG Green Engage system provides guidance to hotels on how to manage their waste and through the system we encourage hotels to create a waste management plan that sets out how they are going to handle, store and dispose of waste, both on and off-site.

Throughout 2015 and 2016, Holiday Inn and Holiday Inn Express hotels in the US and Canada upgraded their in-room coffee offering to improve the guest experience. As part of the upgrades we encouraged hotels to donate, recycle and reuse their old coffee makers to give them a second life. More than 90% of the hotels took action, diverting over 643,000 lbs of waste from landfill.



HOLIDAY INN, WINCHESTER, UNITED KINGDOM

Through waste initiatives and water and energy conservation, the Holiday Inn Winchester is going above and beyond to preserve its resources and local surroundings. Through its development, the hotel was built with a number of sustainable features including smart lighting and air conditioning. A heat recovery system is in place along with LED lighting fitted in all public areas. Through its water conservation efforts, the hotel is 'off-sewer', meaning the water the hotel uses is filtered and re-used, therefore no water is discharged into the sewer. Additionally, across the guest rooms, low flow showerheads are fitted in all bathrooms that do not impede the water quality and aerators have been fitted to all tap faucets. The hotel is also a leader with its waste management initiatives, with 100% of waste diverted from landfill, and food waste is processed in its anaerobic digesters. For guests with electric cars, there is an electric car charging point at the hotel.



A GREENER STAY

Guests staying at Holiday Inn and Holiday Inn Express hotels in the Americas for more than one night can elect to participate in 'A Greener Stay', a programme where guests can opt out of housekeeping services in return for additional points from IHG Rewards Club, our leading hotel loyalty programme.

As a result of this initiative, guests are encouraged to make more environmentally-conscious decisions when travelling. More than 1,400 hotels are participating in the programme, minimising their environmental impact. The hotels participating are working to reduce their energy and water usage, thus reducing their environmental impact.

Food waste

Through careful menu planning, our hotels reduce food waste and make use of seasonally available ingredients. The IHG Green Engage system guides our hotels to set up or make use of food donation programmes where possible and encourages them to sustainably dispose of food waste.

Amenity recycling

In the United States, Canada and Mexico, our hotels continue to partner with Clean the World, a not-for-profit corporation which collects and recycles discarded soap and shampoo products and distributes them to impoverished people in the developing world to help prevent hygiene-related illness.

We now have 303 hotels participating in the programme, and through the partnership, they have recycled 603,810 lbs of soap and amenity waste, and distributed over 1.9 million bars of soap to the developing world.

Clean the World is also a beneficiary of the IHG Foundation.

Biodiversity

Keeping the disturbance of animals, plants and their natural habitats to a minimum is an important part of our role as a responsible business. As part of our IHG Green Engage system we have developed a set of recommendations aimed at preserving and protecting on-site local flora and fauna and the wider regional ecosystems affected by our operations. This includes advice on management of green spaces and long-term strategies for protecting local environments.

Environmental legislation

We work with government bodies to help refine proposed regulation and make it fit for our industry, as well as provide a best practice example of managing environmental impact that can help inform others seeking to do the same. The IHG Green Engage system plays a key role in helping hotel owners manage current regulatory performance and prepare for anticipated regulations. In 2016, we continued to support these efforts through our ongoing participation in the American Hotel and Lodging Association (AHLA) where we co-chair the AHLA Sustainability Committee.

Throughout the year we demonstrated our IHG Green Engage system to the United States Council on Environmental Quality, the United States Department of Energy and several United States Congressional staffs. We continue to engage in dialogue with lawmakers around the world on the best way for governments to support the environmental efforts of private business.

Guest awareness and participation

Through signage, literature and colleagues, our hotels can promote their green efforts and encourage guests to participate in greater environmental stewardship. In 2015, we launched the 'A Greener Stay' programme in our Holiday Inn and Holiday Inn Express hotels in the Americas to encourage guests to reduce energy and water usage. We also promote local sustainability initiatives such as low carbon alternative means of transport.

Supporting travel buyers

We know that sustainability is important to our corporate clients. Every year, more and more travel buyers ask for information about the environmental footprint of our hotels so that they can make more sustainable choices in their travel procurement. In 2016, 54% of our business accounts asked for this information about our hotels (such as carbon footprint and waste diversion rates) using the Global Business Travel Association (GBTA) corporate responsibility module.

Since 2013, we have continually enhanced our ability to report this information to our travel buyers. The IHG Green Engage system automatically reports this information about each of our hotels to corporate clients that ask for it.

We also report our environmental performance data to the CDP Supply Chain programme for both our carbon and, for the first time in 2016, water; enabling our corporate clients to have access to even more robust information.

Our priorities for 2017 are:

- Working closely across our franchised estate to drive reductions in our carbon footprint and water use. Through increasing our data sample year on year, we've identified those areas where we will focus our efforts.
- Continue to drive quality use of the IHG Green Engage system across our entire estate.
- Implement initiatives at hotel level to improve water stewardship and enable further reductions in water use.

Sustainable communities

We know that our success and the well-being of those who work in, and around, IHG branded hotels are closely linked. That is why sustainable communities is a key element of responsible business at IHG.

Our aim is to maximise the positive contribution we make by creating shared value in our communities and with our business partners.

We provide True Hospitality for everyone, by creating real life career-building opportunities through the IHG Academy. The programme offers education and skills training to local people, through local organisations and community groups. In turn, many of our IHG Academy participants have found employment at IHG hotels, helping us to create Great Hotels Guests Love.

Through our disaster relief work, we provide support to colleagues impacted by disaster and guide our hotels to enhance their own disaster preparedness. The IHG Foundation also provides support to communities impacted by disaster.

We also partner with stakeholders in local communities as well as with humanitarian agencies, non-governmental organisations, other companies, and government bodies. We look closely at issues such as skills shortages, infrastructure development, and community resilience in areas where we have a substantial presence.



Around the world, we have a positive impact on communities through creating jobs, stimulating local economic development, helping ensure community resilience through skills building opportunities and ensuring our hotels are prepared in the event of a disaster.

2013 – 2017 TARGET

40,000

provide skills and improved employability to 40,000 people via the IHG Academy

OUR ACHIEVEMENTS

2,145

IHG Academy programmes in 75 countries

11,985

individuals participated in an IHG Academy in 2016

1,219

Supported 1,219 colleagues impacted by 20 disasters across the globe in 2016

Changing lives with the IHG Academy

First launched in China in 2006, the IHG Academy provides opportunities for local people from all walks of life to build their knowledge and skills, improve their employability and start and nurture a career in the hospitality industry. It's our way of opening our doors and creating opportunities for all.

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

Within a global framework, each IHG Academy is unique, ensuring that the programme meets the needs of the local community it serves. All IHG Academy programmes operate together with local community organisations and/or education providers to offer participants real experience of working in a hotel or corporate office. The IHG Academy gives participants the opportunity to build their skills and improve their chances of finding a job in the hotel sector, in many cases in one of our hotels. From 2013-2016, 34,329 IHG® Academy participants have benefited from the programme.

IHG ACADEMY



HOTEL INDIGO SAVANAH, GEORGIA, UNITED STATES

Since opening in March 2016, the Hotel Indigo Savannah has partnered with the Savannah-Chatham Metropolitan Police Department (SCMPD) through the Savannah Area Chamber of Commerce to run a pioneering IHG Academy programme. Holding mentorship and local community investment at the top of their priorities, their partnership is a clear fit. The programme is aimed at engaging with the local youth and in doing so, reducing juvenile crime, and improving their employability skills.

Since its inception, two participants have gone through the programme, with one participant securing employment at the hotel.

"We want to tell the hotel industry, that what Hotel Indigo Savannah have done by supporting programmes like ours, engaging youth that are desperate to get engaged so they can get off the streets...that is something that all businesses should feel excited to be a part of."

Jonas Subaar
SCMPD Pre-Apprentice
Programme Business Liaison

IHG ACADEMY



In 2015, we exceeded our target to provide skills and improved employability to 20,000 people via the IHG Academy and so doubled our target to 40,000 by the end of 2017. In 2016, we trained 11,985 new IHG Academy participants across 2,145 IHG Academy programmes in 803 hotels and corporate offices across 75 countries.

In 2016, 2,354 new participants joined our IHG Academy programmes in China. Among those participants who completed their IHG Academy programme in China during 2016, 40% of them joined IHG hotels in full-time roles.

2010 saw the launch of the IHG Academy scholarship programme in China. Each year we offer financial assistance to students from low-income families who wish to pursue education and careers in hospitality. We assisted a total of 100 IHG Academy scholars in 2016 to pay for their education, and since the scholarship programme began 974 have been supported.

NORWICH, UK – IHG ACADEMY HOTEL TAKEOVER

Each year, Hospitality and Catering students from City College Norwich take over three Holiday Inn hotels across the city.

In 2016, at the Holiday Inn Norwich City, Holiday Inn Norwich and Holiday Inn Norwich – North, staff took a step back and 133 students filled roles across the hotel including reception, housekeeping, bar, restaurant, and kitchen for five days. Even supervisory and management roles at the three hotels were filled by these passionate students.

The student takeover finished with a gala dinner at the Holiday Inn Norwich – North which the students organised a fundraising event for Springboard, a UK based hospitality charity, and the City College Norwich Student Opportunities Fund.

Since its inception in 1998, the IHG Academy Hotel Takeover has become one of the most ambitious student work experience programmes in the UK.

"I think the highlight has been the guests. They come by to say thank you for the service they have received ... I have really enjoyed the experience and it has made me realise that I definitely want to work in the hospitality sector."

Daniel Young
IHG Academy participant &
Interim General Manager,
Holiday Inn Norwich – North

Disaster relief

Hotels are at the centre of their communities, a focal point for economic and social activity. Just as they can be a place for communities to come together in times of celebration, they can also play a vital role by providing security and refuge when disaster strikes.

Our disaster relief efforts build on our long and proud history of helping local communities and our colleagues in times of need. Through our work, we guide and empower our hotels to be prepared in the event of a disaster. We aim to provide a consistent response in our hotels and corporate offices, using our global partnership with CARE International UK to draw on their expertise in disaster preparedness and relief, guiding our hotels on how to respond.

In 2016, we supported 1,219 colleagues impacted by 20 disasters across the globe.

IHG Foundation also supports communities impacted by disaster.

Our priorities for 2017

- Continue to provide skills and improved employability to people via IHG Academy, ensuring positive impact for local people, our owners and IHG.
- Continue to drive quality growth in IHG Academy, including increased engagement with our franchise hotels and enabling the transfer of talent across regions.
- Continue to work with humanitarian agencies and other organisations to further leverage our hotels in times of disaster and to continue our focus on disaster preparedness.



KUMAMOTO, JAPAN EARTHQUAKE – APRIL 2016

The earthquake taught me two great lessons: first, the importance of effective safety awareness and preparation; and second, the importance of storing relief materials for immediate deployment during emergency situations. The relief that IHG coordinated helped our team a lot, both the materials provided and the messages shared.”

Tetsuya Koga

General Manager ANA Crowne Plaza
Kumamoto New Sky

In April 2016, the Japanese City of Kumamoto was struck by a powerful earthquake measuring 7.0 magnitude and was followed by hundreds of aftershocks. Thousands of people were injured with many more displaced. At ANA Crowne Plaza Wakkanai, 99 colleagues were impacted by the disaster and IHG responded immediately by providing support.

Through IHG's colleague disaster relief support, three nearby IHG hotels and our corporate office in Japan facilitated the packaging and distribution of care packages to those colleagues impacted.

The IHG Foundation also made a donation to International Federation of Red Cross and Red Crescent Societies to support the local community impacted.



IHG FOUNDATION WEEK

Since 2011, IHG has held an annual global charitable fundraising week and for the first time in 2016, this was in aid of the IHG Foundation, an independent charity which helps to build stronger, healthier, more prosperous communities around the world. A record number of more than 120,000 colleagues from IHG branded hotels and corporate offices in 81 countries participated in over 8,300 events across the globe including mountain hikes, volunteering at local community organisations and bazaars.

George Turner, Executive Vice President, General Counsel and Company Secretary led a grand cycling tour with colleagues from London to Amsterdam. Visiting several hotels en-route, the group took part in hotel fundraising events at each of the hotels. From colleagues' efforts across the globe, we were able to raise more than \$350,000 for the IHG Foundation.

Our awards and recognition

IHG is a member of the

FTSE4GOOD Index

RobecoSam

Silver Class

recognised as a sustainability leader
in the travel and tourism industry by
RobecoSam

For the third straight year,
we received a

100% score

on the Human Rights campaign's
Corporate Equality Index

A– score

reported for the CDP
Climate Change submission

B score

reported for the water
CDP programme

Project Icarus Sustainability

Gold Medal

from the Global Business
Travel Association (GBTA)

Hampton- Alexander Review

Recognised as one of the 20 organisations
in the FTSE 350 as being at or above
female representation combined across
executive committee and direct reports

We were recognised by
graduates at the

JobCrowd awards

Harvard Business Review 2016
Empathy Index – Recognised by the

Harvard Business Review

as an empathetic company

IHG have been accredited by

Top Employers

UK and China in 2016 for
our great people offering

IHG Foundation

Launched in 2016, the IHG Foundation works to build stronger, healthier, more prosperous communities around the world.

IHG Foundation has made

34

grants to

25

organisations

The IHG Foundation is committed to helping communities develop hospitality skills, ensuring support for those impacted by disasters, encouraging grassroots community groups and protecting the environment.

Hospitality skills development

The IHG® Foundation provides support to community organisations and education providers to tackle key social challenges and break down the barriers that many individuals face in accessing employment and to help them build their knowledge and skills in the hospitality industry.

International disaster relief

The IHG Foundation helps local communities when they need it the most, providing support when disaster strikes to help them get back on their feet and to be better prepared for future disasters. From earthquakes in Japan, Ecuador, Italy and Indonesia and flooding in China, France, Germany and the US to Hurricane Matthew in Haiti and Cyclone Winston in Fiji, the IHG Foundation is ensuring that local people are supported when they need it most. The foundation has also provided support to CARE International UK to help build disaster preparedness capacity and ensure vulnerable communities are prepared for future disasters.

Grassroots community support

Be it London, Bali, New York or Hong Kong the IHG Foundation collaborates with local organisations working hard to develop communities around the world where we can all prosper, creating better places for us all.

Environmental sustainability

Mindful of the impacts the hospitality industry has on the environment, the IHG Foundation provides support for organisations developing opportunities to do things differently, to preserve scarce resources. Supporting a hotel amenity recycling scheme in China as well as work to show the potential of wetlands to address key issues of water stress in the urban environment, the IHG Foundation is helping to create a more sustainable future for everyone.

The IHG Foundation is a charity registered in England and Wales (no. 1164791) and a 501(c)3 organisation in the United States. In China, the IHG Foundation is brought to life through a partnership with the China Soong Ching Ling Foundation.



For more information on the IHG Foundation and the support it is providing for community projects with lasting impact, please visit www.ihgfoundation.org.



Our performance

Our five-year targets, 2013–2017, signal our commitment to doing business responsibly and to creating shared value for IHG, our owners, the environment and the local community.

2013 – 2017 Targets

SUSTAINABLE COMMUNITIES

Provide skills and improved employability to 40,000 people via IHG® Academy

Number of people participating in IHG® Academy programmes



86% of target complete

2016 progress

- 11,985 participants benefited from the IHG® Academy.
- 2,145 IHG® Academy programmes across 75 countries.
- At the end of 2015 we exceeded the original target of 20,000 participants. As a result of this, we have doubled the target to 40,000 participants by year end 2017.

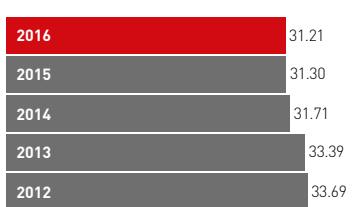
2017 priorities

- Continue to provide skills and improved employability to people through IHG® Academy, ensuring a positive impact for local people, our owners and IHG.
- Continue to drive quality growth in the programme, including increasing engagement with our franchise hotels and enabling the transfer of talent inter-regionally.

ENVIRONMENTAL SUSTAINABILITY^a

Reduce carbon footprint per occupied room by 12% (from a 2012 baseline)

Carbon footprint (KgCO₂e) per occupied room



61% of target complete

2016 progress

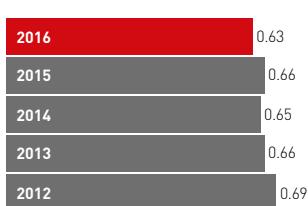
- 7.4% reduction in carbon footprint per occupied room (to 31.21 KgCO₂e) from 2013–2016, on a 2012 baseline across our entire estate.
- We acknowledge there is still progress to be made to achieve our target by year end 2017 and are executing strategies to do so.
- Reported a Carbon Disclosure Score of A-.

2017 priorities

- Working closely across our franchised estate to drive reductions in our carbon footprint.
- Continue to drive quality use of the IHG Green Engage system to reduce our impact on the environment and enable cost savings.

Reduce water use per occupied room in water-stressed areas (from a 2012 baseline) by 12%

Water use (m³) per occupied room



66% of target complete

2016 progress

- 7.9%^b reduction in water use per occupied room (by 0.06m³) from 2013–2016, on a 2012 baseline in water-stressed areas.
- We acknowledge there is still progress to be made to achieve our target by year end 2017 and are executing strategies to do so.
- Completed the hospitality industry's most comprehensive water risk assessment across our global estate.

2017 priorities

- Continue to reduce water use across our entire estate, with a particular focus on hotels in water-stressed areas.
- Implement initiatives at hotel level to improve water stewardship and enable further reductions in water use.

^a We are continuing to improve the quantity and quality of the environment data reported by hotels using the IHG Green Engage system; enabling us to improve the accuracy of our data. Each year our estate changes and the number of hotels reporting data increases, enabling our sampling to become more representative. Consequently, we are restating the impacts for all years from the baseline year 2012 annually to enable comparisons to be made. Reporting period from 1 October 2015 to 30 September 2016. We calculate our environmental performance up to 15 decimal places. We have rounded to 2 decimal places in this report.

^b We calculate water performance to 15 decimal places. Using full decimal place calculation results in a 7.9% reduction.

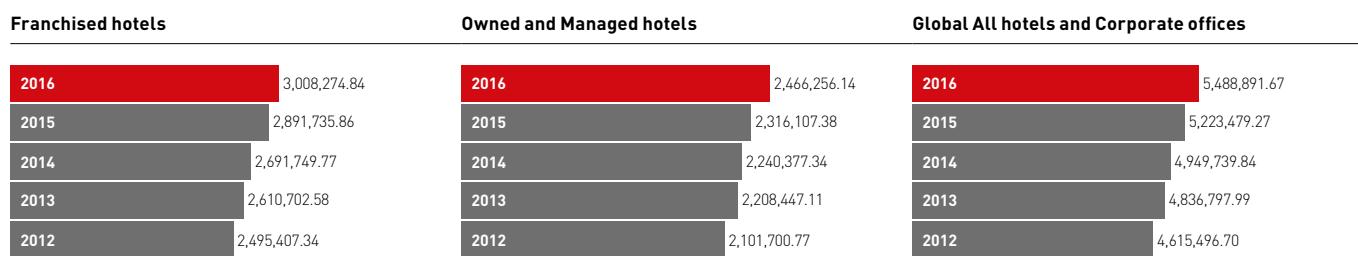
RESPONSIBLE PROCUREMENT

Diversity within our supply chain	2016 progress	2017 priorities
<ul style="list-style-type: none"> Track and report supply chain diversity. 	<ul style="list-style-type: none"> Our spend with diverse suppliers was \$59.1m. A modest decrease on our spend in 2015 (\$62.4m). 	<ul style="list-style-type: none"> Continue to work with diverse suppliers across our markets and increase this spend as appropriate.
Supplier evaluation of corporate responsibility criteria		
Achievements	2016 progress	2017 priorities
<ul style="list-style-type: none"> Integrate corporate responsibility criteria into the selection and evaluation process for all preferred suppliers. 	<ul style="list-style-type: none"> We have enhanced our procurement systems to require new suppliers to sign the IHG® Vendor Code of Conduct as part of the process of becoming a preferred supplier. 	<ul style="list-style-type: none"> Continue to ensure that CR criteria is fully embedded in IHG procurement systems, forming an important decision criteria for preferred suppliers.

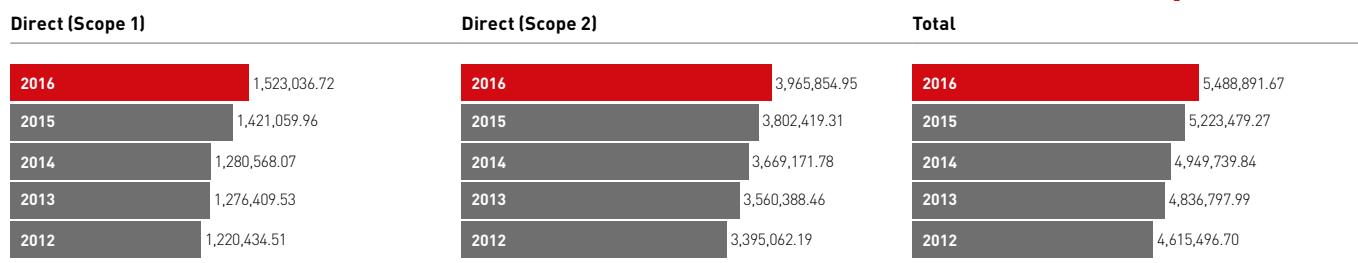
Other Performance Data

CARBON FOOTPRINT^a

IHG's total carbon footprint (tCO₂e)



IHG's direct and indirect global emissions in our corporate offices and managed, franchised, owned and leased hotels (tCO₂e)^c



^a We are continuing to improve the quantity and quality of the environment data reported by hotels using the IHG Green Engage system; enabling us to improve the accuracy of our data. Each year our estate changes and the number of hotels reporting data increases, enabling our sampling to become more representative. Consequently, we are restating the impacts for all years from the baseline year 2012 annually to enable comparisons to be made. Reporting period from 1 October 2015 to 30 September 2016. We calculate our environmental performance up to 15 decimal places. We have rounded to 2 decimal places in this report.

^b We calculate water performance to 15 decimal places. Using full decimal place calculation results in a 7.9% reduction.

^c We report Scope 1 and 2 emissions as defined by the GHG protocol as follows:

Scope 1 [Direct emissions]: combustion of fuel and operation of facilities; and
Scope 2 [Indirect emissions]: electricity, heat, steam and cooling purchased for own use.

CARBON FOOTPRINT (CONTINUED)^a

IHG's direct and indirect emissions in our owned, leased and managed estate (tCO₂e)^c

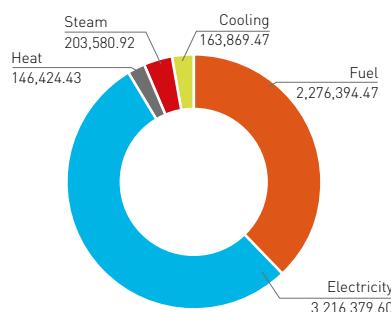
Direct (Scope 1)	Direct (Scope 2)	Total
2016 556,902.39	2016 1,909,353.76	2016 2,466,256.14
2015 513,461.35	2015 1,802,646.02	2015 2,316,107.38
2014 469,583.23	2014 1,770,794.11	2014 2,240,377.34
2013 475,145.92	2013 1,733,301.20	2013 2,208,447.11
2012 454,830.57	2012 1,646,870.20	2012 2,101,700.77

IHG's direct and indirect emissions in our franchised estate (tCO₂e)^c

Direct (Scope 1)	Direct (Scope 2)	Total
2016 965,187.78	2016 2,043,087.07	2016 3,008,274.84
2015 906,513.22	2015 1,985,222.64	2015 2,891,735.86
2014 809,781.44	2014 1,881,968.33	2014 2,691,749.77
2013 800,047.57	2013 1,810,655.01	2013 2,610,702.58
2012 764,512.67	2012 1,730,894.67	2012 2,495,407.34

ENERGY CONSUMPTION^a

Energy consumption for owned, leased and managed estate (Mwh)



^a We are continuing to improve the quantity and quality of the environment data reported by hotels using the IHG Green Engage system; enabling us to improve the accuracy of our data. Each year our estate changes and the number of hotels reporting data increases, enabling our sampling to become more representative. Consequently, we are restating the impacts for all years from the baseline year 2012 annually to enable comparisons to be made. Reporting period from 1 October 2015 to 30 September 2016. We calculate our environmental performance up to 15 decimal places. We have rounded to 2 decimal places in this report.

^b We calculate water performance to 15 decimal places. Using full decimal place calculation results in a 7.9% reduction.

^c We report Scope 1 and 2 emissions as defined by the GHG protocol as follows:

Scope 1 (Direct emissions): combustion of fuel and operation of facilities; and
Scope 2 (Indirect emissions): electricity, heat, steam and cooling purchased for own use.

WATER^a

Total water consumption for owned, leased and managed estate in water stressed and non water stressed areas(M³)



■ Water-stressed 48%
■ Non-water-stressed 52%

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

2016	0.58
2015	0.60
2014	0.59
2013	0.60
2012	0.62

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

2016	101,973,797.96
2015	100,154,196.85
2014	92,524,887.44
2013	86,645,615.45
2012	84,739,725.97

WASTE^a

IHG's waste per occupied rooms (lbs)

Total dry waste per occupied room

2016	5.29
2015	5.66
2014	4.90
2013	4.24
2012	4.19

Total wet waste per occupied room

2016	2.11
2015	1.80
2014	1.96
2013	2.51
2012	2.65

Total recycling per occupied room

2016	1.00
2015	1.19
2014	1.03
2013	1.22
2012	1.23

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GENDER PROFILE AS AT 31 DECEMBER 2016:

Directors on the Board



■ Female 33%
■ Male 67%

Senior managers



■ Female 27%
■ Male 73%

Group



■ Female 57%
■ Male 43%

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