



Annual Report and  
Form 20-F 2017

**IHG<sup>®</sup>**

Throughout the world, in almost 100 countries, True Hospitality is brought to life for everyone across our brands, every day.





# Contents

## Strategic Report

2	<b>IHG at a glance</b>
4	<b>Chairman's statement</b>
6	<b>Chief Executive Officer's review</b>
8	<b>Industry overview</b>
10	<b>Our brands</b>
12	<b>Our business model</b>
14	<b>Our strategy for high-quality growth</b>
16	<b>Our Strategic Model in action</b>
18	<b>Doing business responsibly</b>
20	<b>Risk management</b>
22	Viability statement
23	<b>Key performance indicators (KPIs)</b>
26	<b>Performance</b>
26	Key performance measures (including Non-GAAP measures) used by management
27	Group
32	Regional highlights
33	Americas
35	Europe
37	Asia, Middle East and Africa (AMEA)
39	Greater China

## Governance

46	<b>Chairman's overview</b>
47	<b>Corporate Governance</b>
47	Our Board and Committee governance structure
48	Our Board of Directors
50	Our Executive Committee
52	Board meetings
53	Director induction, training and development
54	Board effectiveness evaluation
55	Engagement with shareholders
56	Audit Committee Report
60	Corporate Responsibility Committee Report
61	Nomination Committee Report
62	Statement of compliance with the UK Corporate Governance Code
64	<b>Directors' Remuneration Report</b>

## Group Financial Statements

80	<b>Statement of Directors' Responsibilities</b>
81	<b>Independent Auditor's UK Report</b>
87	<b>Independent Auditor's US Report</b>
88	<b>Group Financial Statements</b>
95	<b>Accounting policies</b>
104	<b>Notes to the Group Financial Statements</b>

## Parent Company Financial Statements

146	<b>Parent Company Financial Statements</b>
146	Parent Company statement of financial position
146	Parent Company statement of changes in equity
147	<b>Notes to the Parent Company Financial Statements</b>

## Additional Information

154	<b>Other financial information</b>
160	<b>Directors' Report</b>
164	<b>Group information</b>
173	<b>Shareholder information</b>
181	<b>Exhibits</b>
182	<b>Form 20-F cross-reference guide</b>
184	<b>Glossary</b>
186	<b>Useful information</b>
188	<b>Forward-looking statements</b>

The Strategic Report on pages 2 to 43 was approved by the Board on 19 February 2018.  
George Turner, Company Secretary

## IHG at a glance

We are one of the world's leading hotel companies, committed to providing True Hospitality for everyone. This is a simple but powerful purpose, centred on creating great guest experiences and recognising, respecting and understanding people. It extends to our guests, owners, colleagues, partners, and communities all around the world.

Our portfolio of differentiated brands are well-known and loved by millions of people, and we make sure we have the right hotels for both our guests and owners, whatever their needs. We focus on strengthening our established brands and addressing gaps in our portfolio, on building and leveraging our

scale, developing lifetime guest relationships, and delivering revenue to our hotels through the lowest-cost, direct channels. As a manager and franchisor of hotel brands, our proposition to third-party hotel owners is highly competitive and has a track record of delivering returns. To drive future growth,

we focus on building brand preference in quality, high-potential industry segments and geographies. This approach is supported by disciplined processes and targeted allocation of resources, enabling us to drive sustainable growth in our profitability and deliver superior shareholder returns over the long term.

### Our brands

 <p>Live the InterContinental life</p>	 <p>A different way to stay</p>	 <p>Capturing the spirit of Chinese hospitality</p>
 <p>Making travel inspiring</p>	 <p>Where wellness is built in</p>	 <p>Making business travel work</p>
 <p>Joy of travel for all</p>	 <p>Simple, smart travel</p>	 <p>Feel at ease when you stay with us</p>
 <p>The joy of lifetime vacations</p>	 <p>The joy of family holidays</p>	 <p>Your home base</p>
 <p>Where the rest is easy</p>	 <p>Creating relevant rewarding relationships</p>	

### Financial highlights

#### Group revenue

**\$1,784m** (+4.0%)

2016: \$1,715m

#### Group operating profit

**\$763m** (+12.5%)

2016: \$678m

#### Group operating profit before exceptional items ■

**\$759m** (+7.4%)

2016: \$707m

#### Total gross revenue in IHG's System ■

**\$25.7bn** (+4.9%)

2016: \$24.5bn

#### Total underlying operating profit growth ■

**\$59m** (+8.4%)

2016: \$61m

#### Revenue per available room (RevPAR) growth

**+2.7%**

2016: +1.8%

#### Underlying fee revenue growth ■

**+5.0%**

2016: +4.4%

#### ■ Use of Non-GAAP measures

In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 26, and reconciliations to IFRS figures, where they have been adjusted, are on pages 154 and 155. Total underlying operating profit growth and underlying fee revenue growth are stated at constant currency.

1. Holiday Inn Suzhou Taihu Lake, China

2. HUALUXE Xiamen Haicang, China



1.



2.

## Our scale

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

Total hotels (rooms) in the IHG System

**5,348**  
(798,075)

2016: 5,174 (767,135)

Franchised hotels (rooms)

**4,433**  
(552,834)

2016: 4,321 (542,650)

Managed hotels (rooms)

**907**  
(242,883)

2016: 845 (222,073)

Owned and leased hotels (rooms)

**8**  
(2,358)

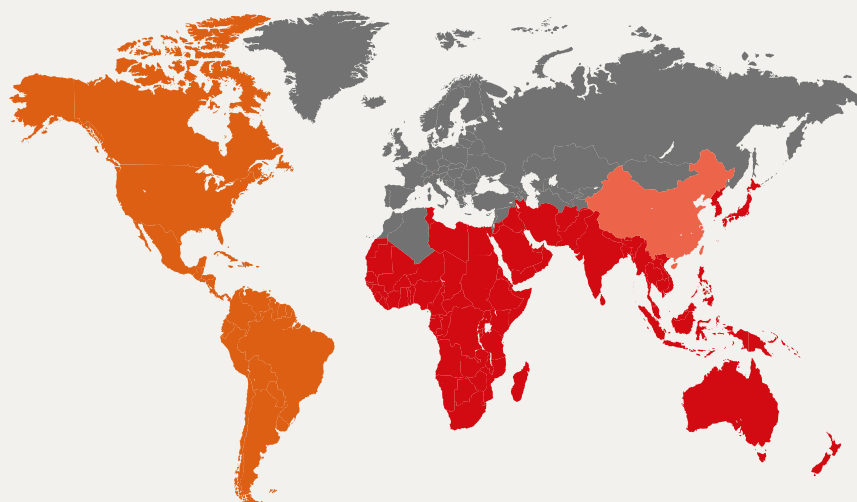
2016: 8 (2,412)

Total hotels (rooms) in the pipeline

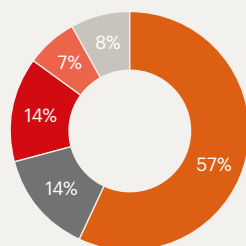
**1,655**  
(244,146)

2016: 1,470 (230,076)

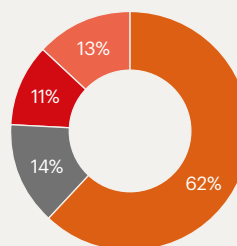
## Where we operate



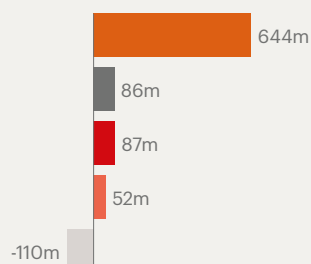
Group revenue 2017 (\$1,784m)



Number of rooms (798,075)



Group operating profit before exceptional items 2017 (\$759m)



### Key

- Americas
- Europe
- Asia, Middle East and Africa (AMEA)
- Greater China
- Central

## Chairman's statement

Our ability to deliver on our proven strategy, focused on guests and owners, laid the foundation for further high-quality growth in 2017, in what was another year of shifting dynamics within the global hospitality sector.



**Patrick Cescau**  
Chairman

### Final dividend

**71.0¢**

to be paid on 11 May 2018  
(2016: 64.0 ¢)

Consumer expectations continue to evolve, supported by ever-increasing choice and the integration of sophisticated technology into the guest journey, which has transformed how people choose, experience and share products and brands. When you combine this changing landscape with an evolving global economic, political and societal backdrop, it has never been more important for businesses to embrace change whilst protecting what is core to their purpose and ambition.

The global economy continued to improve in 2017, led by Europe and Asia, and we saw encouraging signs of positive growth prospects for the year ahead, including the decision to cut corporate tax in the US towards the end of the year. On the other hand, in many markets political volatility and instability continued, and we saw the devastating impact of terror attacks and a series of natural disasters in certain parts of the world.

As a global business operating in nearly 100 countries, we have considerable experience of managing our business through volatility. Whatever external challenges we

may face, our focus remains on delivering consistent, quality brands and experiences that meet guest needs and build loyalty. This commitment to quality extends to how we grow our business too, and we take a targeted approach, ensuring that we commit resources against the most attractive segments, and work with owners who share our values.

The Board has an important responsibility to ensure that we maintain our discipline and strategic direction, whilst at the same time remaining as agile and dynamic as possible. This approach and consistent execution of our strategy will continue to be central to maintaining IHG's long track record of delivering high-quality, sustainable growth for our stakeholders.

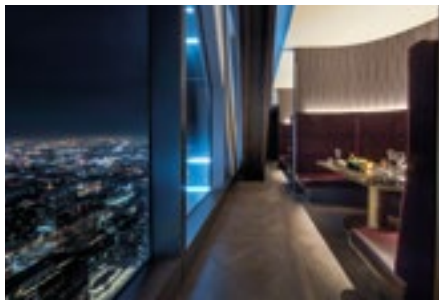
### CEO succession

In 2017, we said goodbye to Richard Solomons, following his decision to retire as Chief Executive Officer (CEO) in June, after 25 years with the business and six as CEO. I would like to thank Richard for his outstanding leadership, which helped IHG become the leading global organisation it is today, with a track record of creating exceptional shareholder value.

We place an ongoing high importance on succession planning and talent development, and the appointment of Keith Barr as CEO was the result of a rigorous evaluation. With significant industry experience and an excellent track record in the business, having already transformed our Greater China operations and more recently led our sales and marketing function, the Board was unanimous in its assessment that Keith was the best candidate for the job. Following a smooth transition into the role, Keith is instilling great energy and passion in the business, and has moved decisively to introduce changes designed to accelerate IHG's growth, with the full support of the Board. The foundation for these changes has been laid over several years, successfully completing our major asset-disposal programme and subsequently focusing on building a powerful global enterprise for our fee-based business. As our industry becomes more competitive, ensuring that we are now best set-up to maximise the potential of our strategy is crucially important, and will allow us to deliver increased value and returns for our shareholders over the long term.

**1. InterContinental Los Angeles Downtown, California, US**

**2. IHG Academy programme at InterContinental Singapore**



1.



2.

Supporting Keith with this work will be a key priority for the Board in 2018, alongside ensuring there is a continued strong focus on risk management and operational delivery.

**Board composition and talent**

Effectively challenging and supporting the business in its corporate decision making is a role the Board takes seriously, and we place high importance on making sure there is the right mix of expertise, skills and diversity that befits a global organisation. We focus on ensuring our actions and processes are effective, that we regularly review training for individual Board members and that we seek external consultation regarding areas for improvement. In 2017, we were proud to be recognised by the independent Hampton-Alexander Review as one of the top 10 FTSE 100-listed companies for female representation across our Board, as well as our Executive Committee and their direct reports.

Building a business and culture that is representative of the markets in which we operate is an important factor in ensuring that, both as an organisation and as individuals, the actions we take to serve multiple stakeholders meet IHG's strong values.

At the end of 2017, the Board comprised seven Non-Executive Directors, myself as Chairman, and two Executive Directors. In addition to Keith's appointment, we were delighted that, effective 1 January 2018, Elie Maalouf, IHG's Chief Executive Officer for the Americas, joined the Board as an Executive Director. Elie is an excellent addition and offers substantial and highly relevant commercial and hotel development, branding, finance, real estate and operations experience across multiple industries.

**Shareholder returns**

I am pleased to announce that the Board is recommending a final dividend of 71.0 cents per ordinary share, an increase of 10.9% on the final dividend for 2016. This results in a full-year dividend of 104.0 cents per share, up 10.6% on 2016.

**Doing business responsibly**

I spent time in different parts of our business during the year, once again seeing first-hand the great work of colleagues in our hotels, visiting impressive new properties such as our InterContinental® and Hotel Indigo® hotels in downtown Los Angeles, and also meeting owners, representatives of the IHG Owners Association, and shareholders.

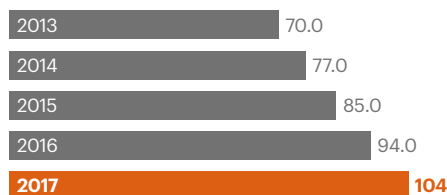
When visiting parts of our company, one element I am particularly proud of is our truly global commitment to being a responsible business. I have seen this through the everyday behaviours of our colleagues, through the work the IHG® Foundation does to support people and communities when they need it most, and through our corporate responsibility programmes. Thousands of people have gained valuable skills and employment experience in our industry through our IHG® Academy programme, while our IHG Green Engage™ system continues to help hotels effectively reduce things like carbon, water and energy use. In recognition of our actions, we were extremely proud to be ranked first in our industry on the S&P Dow Jones Sustainability World Index in 2017. We enter this year with new three-year responsible business targets, aligned to the areas where we can have the greatest positive impact.

I would like to sincerely thank all colleagues for their work in what has been another year of strong progress, and our owners for their continued confidence in IHG and our brands.

**Patrick Cescau**  
Chairman

**Full-year dividend**

Five-year progress (¢)



**Final dividend**

71.0¢ to be paid on 11 May 2018  
(2016: 64.0¢)

## Chief Executive Officer's review

Having worked in the hospitality industry for almost three decades, including nearly 18 years at IHG, it was a great honour to become CEO in 2017. With the support of our owners and hugely talented colleagues, I have worked all around the world helping IHG and our brands grow.



**Keith Barr**  
Chief Executive Officer

### Key highlights

**Total room signings**  
**83,000**  
The highest number since 2008

**Launch of avid hotels**  
**\$20bn**  
Market opportunity

**Total room openings**  
**48,000**  
The highest number since 2009

As a company, we are extremely grateful to my predecessor, Richard Solomons, whose legacy is a strong business, with a proven strategy built to deliver long-term sustainable growth.

Since my appointment in July, I have been clear that the right foundations for success have been carefully put in place, and that we must now build on this and execute our strategy at a faster pace, in order to deliver industry-leading net rooms growth over the medium term. Important changes to our structure and how we operate are underway, and with greater focus and agility we will deliver more for our owners and guests.

In 2017, we delivered another year of consistent, high-quality growth and strong financial and operational performance. We continued to expand and invest in our brands, entering exciting markets and introducing our newest brand, avid™ hotels. We also further enhanced our IHG® Rewards Club loyalty programme with new partnerships and benefits, and made important progress

with our next generation Guest Reservation System (GRS). Following successful hotel pilots, GRS will roll out in 2018 as part of IHG Concerto™, our new cloud-based platform, which over time will seamlessly bring together all our hotels' core systems.

### Financial and operational highlights

We delivered strong underlying profit growth and opened our highest number of hotels since 2009, including the most ever in both AMEA and Greater China. We finished the year with 5,348 properties in our portfolio and, supported by positive industry trends such as low-cost travel and growing middle classes, demand for our brands remains healthy. We are focused on targeting segments and markets with the greatest opportunities, and we made great progress in the year, signing our highest number of hotels since 2008. Underlining our organic growth potential, we closed 2017 with a pipeline of 244,146 rooms, which represents a 13% share of the active industry pipeline and is three times our share of current supply.

### Brands

In a world where consumers and our hotel owners have more choice, it has never been more important to focus on ensuring our brands are competitive and that we have a portfolio tailored to the highest growth markets and segments. IHG has a proud history of leading the way in service, design, technology and marketing, and we continue to ensure our actions are based on insights that deliver rich, relevant guest experiences and compelling propositions for our owners.

At the heart of our growth are our Holiday Inn® and Holiday Inn Express® brands, and working with our owners, we continued to introduce new services and vibrant designs that are increasing guest satisfaction scores and revenues. Holiday Inn Express has also been at the centre of our very successful Franchise Plus business model in Greater China, leading to the signing of 54 hotels in 2017. Due to its strong performance, we took the important step of extending our leading franchise offer to our Holiday Inn and Crowne Plaza® brands, which will help drive further growth in the region.



1. Artist's impression of avid brand hotel exterior

2. Holiday Inn Express Shanghai Puijiang, China



1.



2.

“The right foundations for success have been carefully put in place, and we must now build on this and execute our strategy at a faster pace.”

The launch of avid hotels was another significant milestone and represents a huge opportunity. Building on our long-standing successful track record in the Mainstream space, this brand will bring much-needed consistency and quality to a segment of 14 million people, worth an estimated \$20 billion in industry revenues. Since launching in September, we've seen significant owner interest, closing the year with 44 properties signed and one already under construction. In the first six weeks of 2018, signings further increased to 75 hotels.

Equally exciting as launching new brands, is taking others into new markets, and we made important progress in 2017 with the introduction of Kimpton® Hotels & Restaurants in China and Asia, and EVEN® Hotels into China and Australasia.

Making sure we have the right brands in markets and segments with the highest potential will remain a key focus for us. As part of this, we will be launching an Upscale conversion brand in 2018, leveraging the power of our system to capture share of this significant premium-priced market.

#### Technology

The role of technology increases in importance every year, from how we use and manage data, to the systems in place to support our hotels, and our IHG App, which both enhances guest experiences and serves as a key revenue driver. Digital revenue in 2017 was \$4.6 billion, including more than \$2 billion of mobile revenues, which have more than doubled over three years.

Another important area of technology is the development of IHG Concerto, which puts IHG at the very forefront of our industry and provides a major competitive advantage (see page 17 for more details). Hotel colleagues will have everything at their fingertips to provide more personal touches and manage reservations and revenues, and over time, guests will benefit from an unrivalled tailored booking experience. This is a long-term programme, which will see increasingly sophisticated functionality added in phases.

#### Accelerating growth

I strongly believe that our strategy remains the right one for IHG and our stakeholders, but moving with speed and focus is important when operating in an industry with both increasing opportunity as well as competition. To accelerate our growth, we will sharpen our focus on scale and how we invest resources in the highest opportunity markets and segments. We will also strengthen our brand portfolio and loyalty offer, enhance our marketing, and prioritise digital and technological innovations that drive hotel performance and stronger owner returns.

Our plans rely on the support of our passionate colleagues, who shape and deliver outstanding guest experiences every day, and our owners, whose trust in IHG and our brands remains paramount to our success. Linking us all is a commitment to a shared purpose of providing True Hospitality for everyone – guests, owners, colleagues and partners. This is a simple but powerful culture centred on recognising, respecting and understanding people, and making everyone feel welcome and cared for, wherever they are in the world.

Testament to everyone's efforts are the hundreds of awards once again received during the year. In particular, we were very proud to see IHG recognised as an Aon Global Best Employer, based on our excellent employee engagement scores.

I would like to thank everyone who helped make 2017 another great success for IHG and I look to 2018 with much optimism for another strong performance.

**Keith Barr**  
Chief Executive Officer

## Industry overview

Whether for business or leisure, the world is there to be explored. With more options, more time and more money, millions of people are looking for great places to stay and memorable experiences.

### The global hotel industry

The global hotel industry is made up of 17.2 million rooms and can be segmented into hotels affiliated with a global or national chain ('branded'), and hotels that are unaffiliated ('independent'). 30% of hotel rooms are in the US, with Europe accounting for 29%. Greater China claims 14% and has increased rooms supply by +5.3% Compound Annual Growth Rate (CAGR) over the past eight years.

Several industry metrics are widely recognised to track performance, including revenue per available room (RevPAR) and rooms supply. RevPAR is important as an indicator of the value guests ascribe to a given hotel, brand or market and grows when guests stay more often or pay higher rates. Rooms supply is significant because it is reflective of the attractiveness of investing in the hotel industry from an owner perspective and is influenced mainly by the profitability of a brand or market. Driven by strong fundamentals, the global hotel industry has seen consistent growth in both of these indicators for the past eight years.

US industry demand growth accelerated in 2017, and has regularly outpaced GDP growth since 2010. US supply growth has been below the long-term average for eight years, and limiting factors indicate this will not significantly change in the short term. These dynamics have had a positive effect on RevPAR, driving US occupancies to an all-time high in 2017, and real average daily rate (ADR) to three per cent above its 2007 peak. Looking ahead, US fundamentals remain positive and industry forecasters expect robust room demand with RevPAR growth driven mainly by rate increases.

China has seen the fastest industry demand and supply growth of any major hotel market in recent history, driven by rapid expansion and urbanisation of the middle class. Historically, Chinese RevPAR has been suppressed by strong supply growth but grew in 2017 as the market matured and supply stabilised. In Europe, RevPAR has grown steadily since 2010 as demand growth has consistently outpaced supply growth.

The hotel industry is cyclical; long-term fluctuations in RevPAR tend to reflect the interplay between industry demand, supply and the macroeconomic environment. In the short term, at a local market level, political, economic and natural factors such as terrorism, oil market conditions and hurricanes can impact demand and supply.

### The branded hotel market

IHG operates within the branded hotel market, which accounts for 53% of total rooms supply globally. Despite ongoing industry consolidation, with two of the largest hotel companies acquiring sizable players, the market remains fragmented. According to Smith Travel Research, five of the leading companies (IHG, Marriott, Hilton, Wyndham and AccorHotels) only account for 24% of global room supply and 58% of the development pipeline (hotels in planning and under construction, but not yet opened).

Branded hotel companies have consistently increased their share of the global hotel market since 2008, helped by consumers' trust in brands to deliver consistent stay experiences, and the advantages brands bring to owners, such as favourable financing and lower distribution costs. Large hotel companies benefit from economies of scale and have shown greater resilience during economic downturns.

Nevertheless, competitor pressures in the branded hotel market are intensifying as all major players pursue a growth strategy. Marriott has grown through acquisition and is leveraging scale, Hilton is organically launching new brands and Accor is diversifying inorganically within the travel space.

As a global business, with a footprint in nearly 100 countries, operating in the midst of change and uncertainty is something IHG is very used to and continues to be one of our greatest strengths. Our strategy of developing a strong brand portfolio and an industry-leading loyalty programme, together with our fee-based income streams and prevalent mainstream positioning, means we remain resilient through varying economic cycles.



Please see pages 20 to 22 to read about our risk management process.

### Business models and competitive landscape

There are two principal business models in the industry:

- Fee-based
  - Franchised – owned and operated by parties distinct from the brand, who pay fees to the hotel company for the use of their brand.
  - Managed – operated by a party distinct from the owner, who pays management fees and, if the hotel uses a third-party brand name, fees to that third party also.
- Owner-operated
  - Owned – operated and branded by the owner who bears all of the cost but benefits from all of the income.
  - Leased – similar to owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner.

Although asset-heavy business models, such as owner-operated hotels, allow tighter control over hotel operations, the managed and franchised models offer quicker growth due to lower capital investments. However, they require strong relationships with third-party hotel owners.

Alongside traditional hotel providers and the launch of new hotel brands, hotel companies are increasingly competing with alternative lodging propositions. These include home rental and serviced apartments, as well as other digitally enabled propositions, giving consumers access to broader choice as to where they stay and how they book.

### Key industry growth drivers

There are three major drivers of global long-term hotel industry growth:

- Long-term macroeconomic growth
  - GDP growth
  - Growth of disposable incomes
  - Corporate profitability
- Demographic changes
  - Ageing population, with greater desire and means to travel
  - Growing middle classes
- Socio/Political factors
  - Growth in air travel
  - Emerging markets expansion

Trends shaping our industry

Mobile expansion

In 2017, four out of five internet users went online via a mobile device. Rapidly expanding mobile connectivity continues to provide brands with the opportunity to explore new ways of interacting with customers across their entire guest journey. In particular, social media and other mobile apps foster instant, real-time conversations between guests, their networks and travel brands.

At IHG, we are constantly refining our award-winning mobile App, to offer guests easier ways to book, industry-leading loyalty redemption options and a richer stay experience. This resulted in over \$2bn of mobile revenue in 2017.



Please see Driving digital growth case study on page 17.



The IHG® App

4.9bn

unique mobile phone owners in 2017.

2.5bn

active mobile social media users in 2017.

Data power

Data generation continues to increase rapidly. Capturing this, and understanding it, can transform the level of insight a hotel company has into its guests, providing opportunities to enhance personalisation, operational efficiency and service delivery.

For IHG, cloud-based foundational systems such as IHG Concerto™ are being rolled out to ensure that we have the necessary agility and processing power to gather intelligence that can help us shape the way we interact with our guests and deliver more tailored experiences.



Please see IHG Concerto case study on page 17.



IHG Concerto™

\$3tn

value of the global data economy.

90%

of all existing data created since 2015.

Human connections

In an increasingly digital environment, human interaction remains a vital component of customer satisfaction. Personalisation and the personal touch are distinctly different. Whilst the use of data allows brands to offer a more personalised experience, a feeling of humanity – a unique emotional connection with a guest – can only come from hotel colleagues. When companies achieve both these elements, they can deliver particularly powerful experiences.

For IHG, a human connection is the most crucial element of our commitment to providing True Hospitality for everyone. Over 150,000 colleagues participated in our True Hospitality service training in 2017, which helps hotel staff to create personal, memorable moments with guests, as part of a tailored service. Meaningful connections lead to greater customer loyalty and encourage consumers to become powerful advocates for our brands. For IHG, this is extremely important, as our most loyal guests stay at our hotels more often and are more likely to book direct.



Crowne Plaza London – King's Cross, UK

87%

of customers increase business with and loyalty to companies who offer a real person to talk to when they need it.

80%

of people prefer human customer service to digital alternatives.

## Our brands

IHG is a brands business built on a commitment to providing True Hospitality for everyone. Through our family of well-loved and distinctive brands, our talented colleagues deliver memorable guest experiences all around the world, every day, and we are trusted for rewarding loyalty.

Continuing to evolve with changing consumer trends, we strengthened our brands with enhanced services and new designs in 2017, and expanded further into both new and existing markets. It was also the year we launched our newest brand, avid™ hotels.

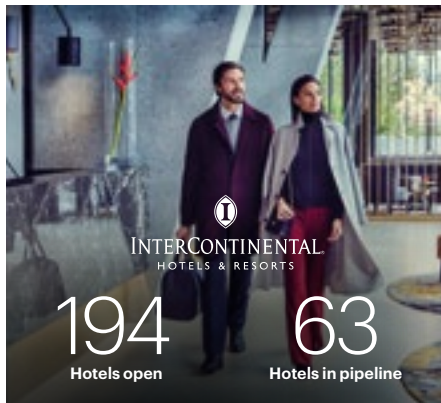
We plan to launch an Upscale conversion brand in 2018, which leverages the power of IHG's system to capture share of this significant premium priced market. The brand will initially launch in our new EMEA region and will subsequently be extended to our Americas and Greater China regions.



See page 29 for a breakdown of IHG hotels open and in the pipeline.

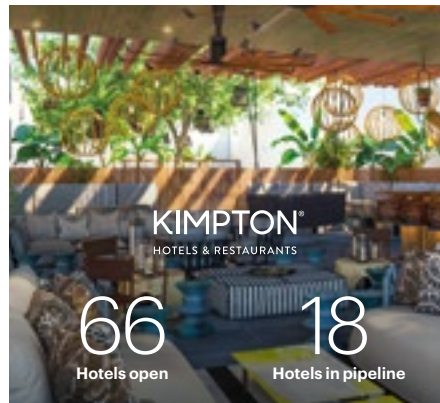


For more information on our brands visit [www.ihgplc.com/our-brands](http://www.ihgplc.com/our-brands)



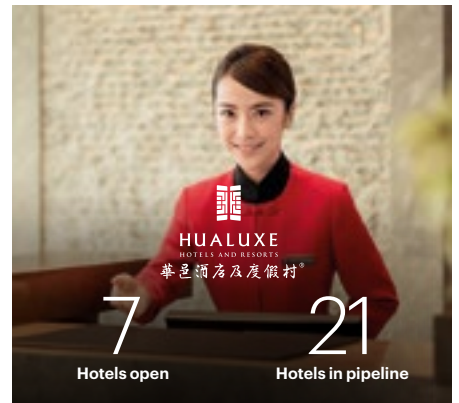
### Live the InterContinental life

The world's first, and largest, Luxury hotel brand, dedicated to those who appreciate and enjoy the InterContinental life. Offering the glamour and exhilaration of fascinating places, we provide our guests with a blend of international know-how and local cultural wisdom.



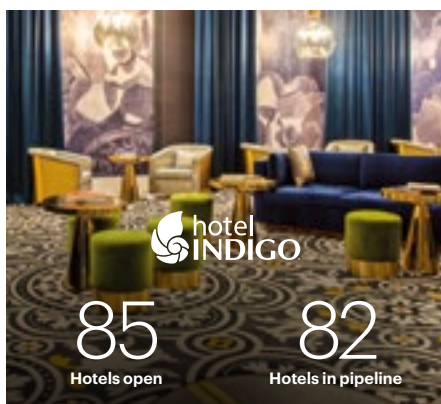
### A different way to stay

Kimpton is a brand renowned for making travellers feel genuinely cared for through thoughtful perks, inventive meetings and events, bold and playful design, and sincerely personal service. Having brought boutique to the US, we are now taking Kimpton global.



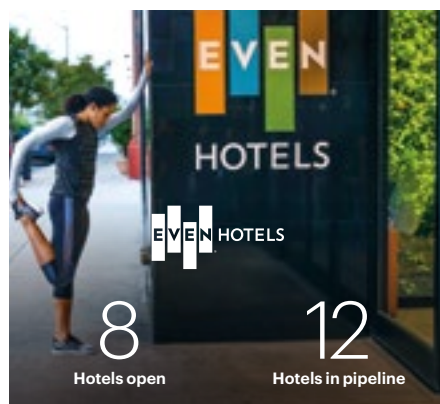
### Capturing the spirit of Chinese hospitality

The first Upscale international hotel brand designed for Chinese guests. Every detail of service and design is woven with Chinese culture and heritage, emphasising values of etiquette, rejuvenation in nature, recognition of status and enabling spaces.



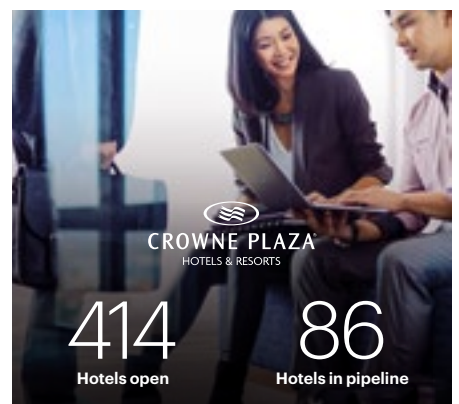
### Making travel inspiring

Hotel Indigo serves the curious; people with a passion for new places. Making travel inspiring in the world's most intriguing neighbourhoods, each hotel reflects the local area, combining thoughtful design and personal service to create authentic experiences.



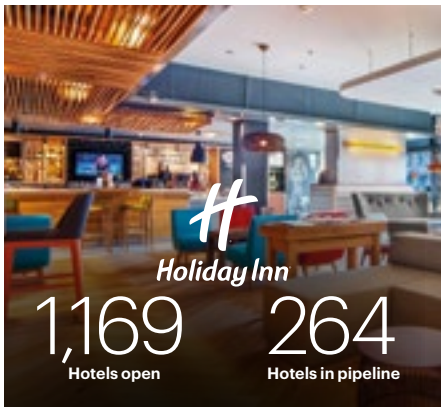
### Where wellness is built in

For travellers seeking a healthier and happier stay when away from home, EVEN Hotels and its wellness-savvy staff give guests a best-in-class fitness experience, nutritious food choices, and natural, relaxing spaces.



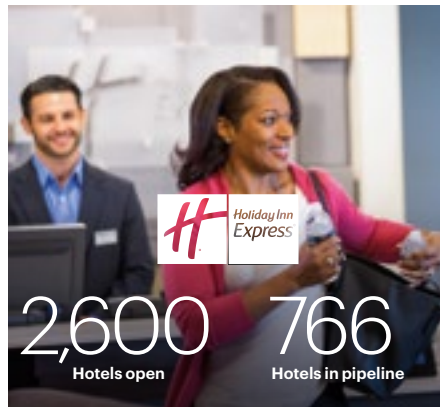
### Making business travel work

Championing a better way of business travel, Crowne Plaza understands that today's business travellers need to combine the flexibility to work, eat and connect with others, with the opportunity to simply relax whenever and wherever it suits.



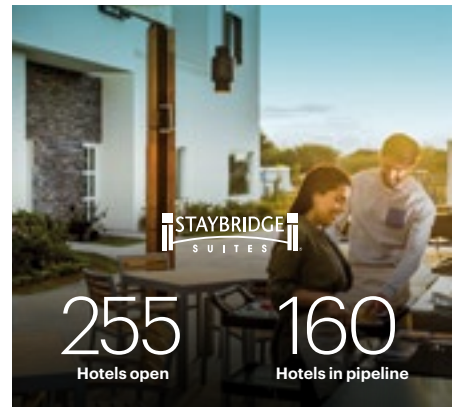
**Joy of travel for all**

An iconic brand, Holiday Inn has championed enjoyable travel for millions of guests since 1952. Today we have more new and refreshed hotels than ever before, and our guests' love for the brand continues to grow right across the globe.



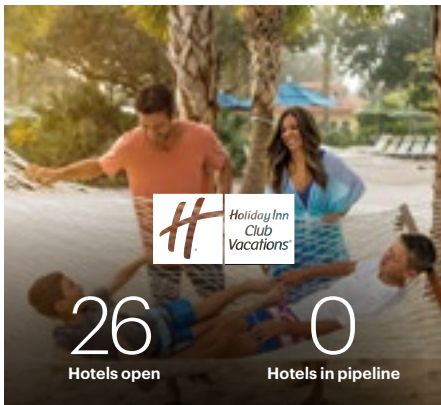
**Simple, smart travel**

IHG's largest brand has blazed a trail in defining a simple and smart travel experience, evolving guest room and public space designs to offer inviting, efficient hotels all over the world.



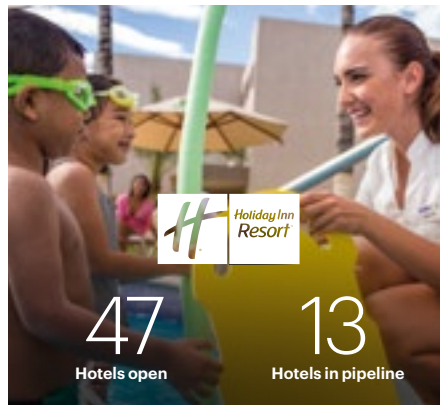
**Feel at ease when you stay with us**

At Staybridge Suites we offer a sense of community, comfort and convenience for guests, providing the best of home and hotel for business and leisure travellers alike.



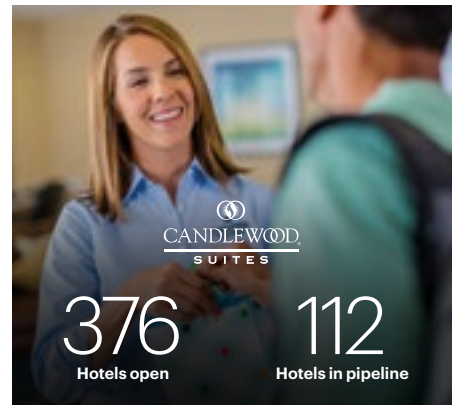
**The joy of lifetime vacations**

For families investing in a lifetime of memories, we offer exceptional villa accommodation in top leisure destinations, with easy access to world-class attractions such as mountain adventures, championship golf courses and serene beaches.



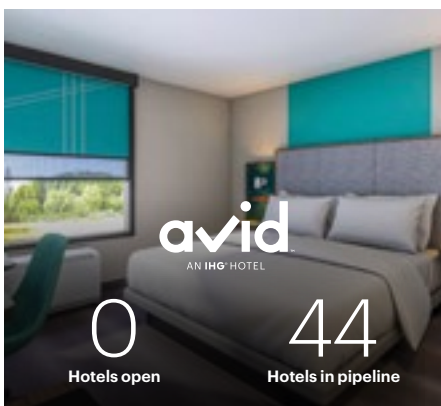
**The joy of family holidays**

We want families to experience the joy of great holidays. On the beach, or near theme parks and golf courses, we offer a variety of activities from kids' clubs and swimming pools, to informal restaurants and fireside lounges.



**Your home base**

Offering a more casual kind of longer stay, guests always feel at home and at their best while on the road. With hotels in easily accessible locations, guests can book whenever and wherever it works for them.



**Where the rest is easy**

Championing everyday travel at a fair price, Our avid hotels brand is designed for guests who don't want to compromise on quality or pay more for things they don't need. Delivering the essentials exceptionally well, avid experiences feel just right, every time.

**IHG® Rewards Club**

**Creating relevant, rewarding relationships**  
Relationships are important to us and we have more than 100 million enrolled IHG Rewards Club members worldwide. Offering industry-leading benefits across our brands, we ensure travel is experienced the way it should be: personal, simple and rewarding.

For more information on our rewards club visit [www.ihgplc.com/our-brands](http://www.ihgplc.com/our-brands) under Rewards Club.

## Our business model

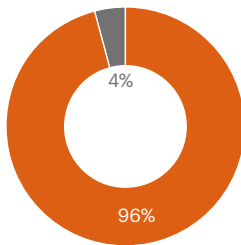
As an asset-light business, we are a manager and franchisor of hotel brands. This means we can focus on growing our fee revenues and fee margins, with limited requirements for capital. It’s an approach that’s helped us successfully grow our business and deliver high returns.

Whether we franchise to, or manage hotels on behalf of third-party hotel owners depends largely on market maturity, owner preference and, in certain cases, the particular brand.

- Mature markets predominantly follow a franchise model:
  - In the Americas and Europe, over 90% of IHG hotels are franchised.
- While a managed model is typically used in emerging markets:
  - In AMEA, about 80% of IHG hotels are managed by us.
  - In Greater China, that figure rises to more than 97%.

Our owned, leased and managed leased hotels have dramatically reduced from over 180 hotels 16 years ago, to just 12 hotels at 31 December 2017.

### % of our operating profit before central overheads

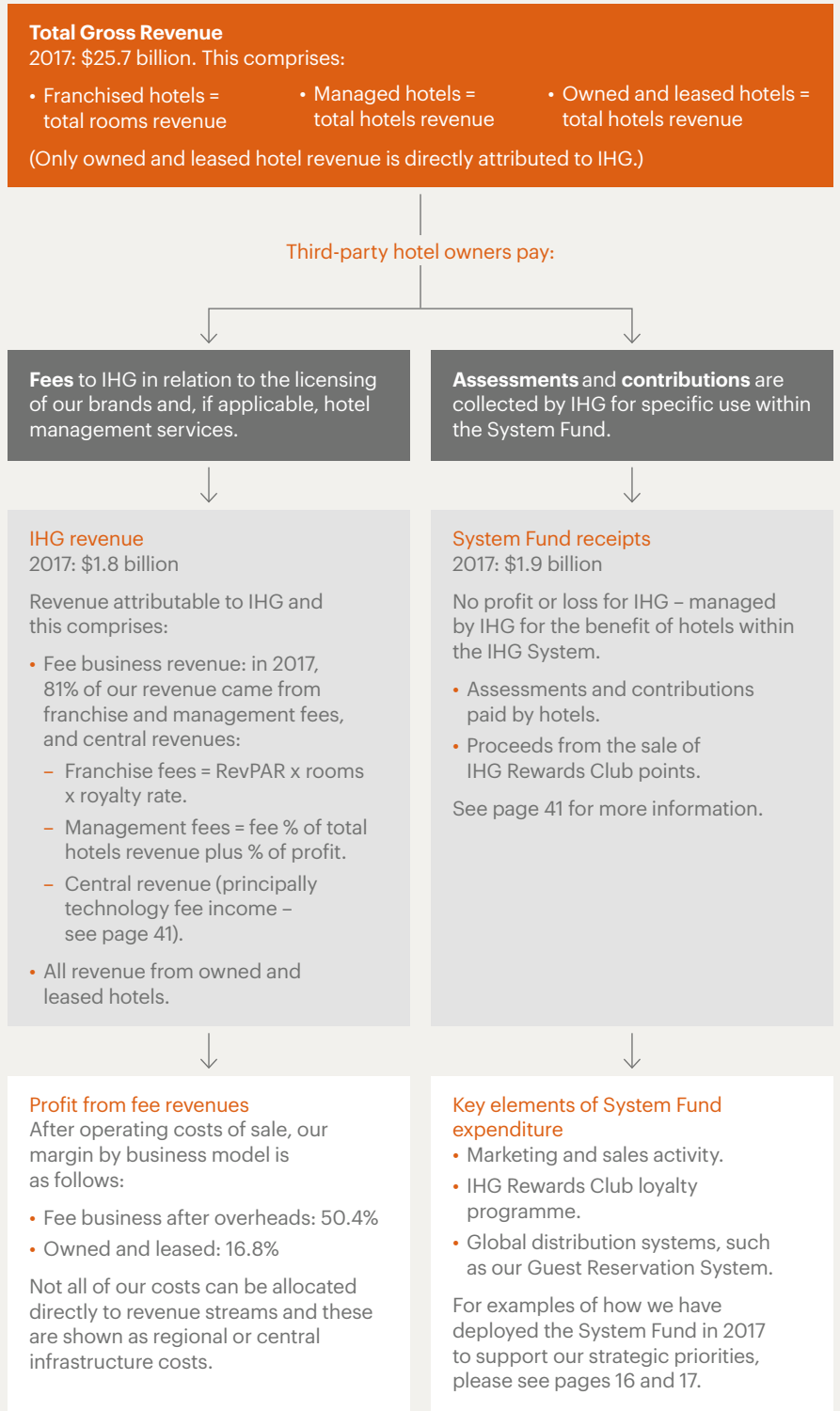


- Fee business
- Owned, leased and managed leases



**Definition: System Fund or Fund**  
Assessment fees and contributions collected from hotels within the IHG System which fund activities that drive revenue to our hotels including marketing, the IHG Rewards Club loyalty programme and our distribution channels.

## IHG revenue and the System Fund



## Disciplined approach to allocation of capital

Our business is highly cash generative (see page 43), and our focus on our brands and revenue systems is underpinned by a disciplined long-term approach to allocated capital and maintaining an asset-light business model. We have an efficient balance sheet and seek to maintain an investment grade credit rating. Our priorities for the use of free cash are consistent with previous years and comprise of:



### 1. Invest in the business

Through strategic investments and our day-to-day capital expenditures we continue to drive growth – see table below, and page 105 for further details of our capital expenditure in 2017.



### 2. Maintain sustainable growth in the ordinary dividend

We continue our focus on growing the ordinary dividend, which has seen compound annual growth of 11% since 2003.



### 3. Return surplus funds

In May 2017 we returned a further \$404 million to shareholders via a special dividend and share consolidation. Over the last 15 years we have returned \$13.0 billion to shareholders.

## IHG's outlook on capital expenditure

Capital expenditure incurred by IHG can be summarised as follows.

Capital expenditure	Examples
Maintenance capital expenditure, key money and selective investment to access strategic growth	Deployment of key money and selective investment which is used to access strategic opportunities, particularly in high-quality and sought-after locations when returns are financially and/or strategically attractive.  Corporate infrastructure maintenance – for example, in respect of our offices and systems.  Maintenance of our owned and leased hotels, which is now reducing as we have become increasingly asset-light.
Recyclable investments to drive the growth of our brands and our expansion in priority markets	Through the acquisition of real estate, investment through joint ventures or via equity capital.  We aim to recycle this capital by selling these investments when the time is right and to reinvest elsewhere in the business and across our portfolio, as we are currently doing for our EVEN Hotels brand.
System-Funded capital investments for strategic investment to drive growth at hotel level	The development of tools and systems that hotels use to drive performance, such as our new, pioneering Guest Reservation System developed with Amadeus.



See Chairman's statement for progress on dividends, page 5.

## Our strategy for high-quality growth

We have a clearly defined strategy which will continue to drive superior shareholder returns. Our focus is on delivering high-quality growth, which for us means consistent, sustained growth in cash flows and profits over the long term.

### Overview of strategy

IHG has an established and successful strategy. Our focus is on unlocking ways to execute this strategy at a faster pace, and accelerate growth. Our Strategic Model sets out our approach and remains central to our commitment to delivering high-quality, sustainable growth in cash flows and profits over the long term.

Through our Strategic Model, we focus on value-creation by building preferred brands, delivering a 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 shareholder returns.

In an increasingly competitive environment, IHG is well placed to accelerate the growth of our core business, as well as maximise returns on new initiatives. This includes our new brand, avid hotels, launched in 2017, which had 75 hotels in the pipeline as at 9 February 2018 – of which 44 hotels were signed at 31 December 2017 – see page 16 for more information.



We measure our performance with a set of carefully selected key performance indicators (KPIs), which monitor our success in achieving our strategy, see pages 23-25 for more details.





## Strategic Model

The individual components of IHG's Strategic Model are at the heart of our success, and continue to align our organisation to focus on the most important strategic initiatives and deliver our commitment to True Hospitality. This approach helps us create value for our stakeholders and deliver high-quality growth for our shareholders.

### Build and leverage scale



Scale provides significant advantages in the hospitality industry at both global and national level. IHG uses the breadth of its portfolio combined with our depth in attractive markets and focus on the highest opportunity segments, to drive significant efficiencies, leading to increased operating leverage and ultimately higher margins.



To see how we build and leverage scale, go to:

- Expanding our Upscale and Luxury portfolio on page 32

### Strengthen loyalty programme



Having an attractive, differentiated loyalty offering tailored to our guests' needs is critical to IHG's continuing success. We are continually innovating IHG Rewards Club to build lifetime relationships with our guests. This creates a sustainable long-term revenue source and transforms previously unaffiliated travellers into powerful advocates for our brands.



To see how we strengthen our loyalty programme, go to:

- Driving digital growth on page 17

### Enhance revenue delivery



By striving to drive business through our direct channels, IHG maximises returns for our owners as these channels are less costly than alternatives such as third-party intermediaries. Digital and technological innovation, alongside strong brands and compelling loyalty, is key in ensuring IHG continues to manage revenue delivery effectively.



To see how we enhance revenue delivery, go to:

- IHG Concerto on page 17
- Driving digital growth on page 17

### Evolve owner proposition



Within our asset-light business model, maintaining positive relationships with long-standing owners and constantly forging new owner relationships is vital for IHG. Our outstanding operational support, preferred brands, industry-leading franchise offer and continued investment in innovation delivers a compelling owner proposition and strong returns.



To see how we evolve our owner proposition, go to:

- Franchise Plus in Greater China, on page 32

### Optimise our preferred portfolio of brands for owners and guests



As competition intensifies, distribution channels proliferate and consumers become more demanding, actively building a strong portfolio of distinctive, preferred brands for both our owners and guests, is fundamental to IHG's success and future growth.



To see how we are optimising our portfolio of preferred brands, go to:

- avid hotels on page 16
- Crowne Plaza Accelerate programme on page 32
- Transforming Holiday Inn brand family on page 32

### Our Strategic Model in action

We are focused on delivering across all components of our Strategic Model and in 2017 made progress with several important global initiatives.



To see our regional highlights, please go to the Performance section on page 32.



avid™ hotels

**Launched in 2017, avid hotels is our new, US Mainstream brand, which we developed in collaboration with an owner advisory board.**

The brand has been created to target over 14 million currently underserved travellers, who together make up an estimated \$20 billion segment. It will feature all-new build construction and is designed for travellers who want a hotel stay that meets their expectations. That includes the basics done exceptionally well at a price point expected about \$10-15 less than IHG's industry-leading Holiday Inn Express brand.

The avid hotels guest experience is designed around these key hallmarks:

- Sound sleep from premium bedding and noise reducing construction.
- Technological enablement through IHG Connect Wi-Fi and smart TVs.
- High-quality breakfast, including premium coffee and branded grab n' go options.

The brand was developed with an owner advisory board, and, with a leaner operating model and 10-15% lower forecasted cost per key than Holiday Inn Express, it further enhances our proposition for owners. Leveraging our scale, experience and leading position in the Mainstream segment, we expect our avid hotels brand to be a key driver of IHG's future System size growth.

75

signings as at 9 February 2018 – of which 44 hotels were signed at 31 December 2017.

\$20bn

size of target guest segment.

InterContinental Danang Sun Peninsula Resort, Vietnam



## IHG Concerto™

**Technology is an increasingly important element of the guest experience and offers huge potential to deliver stronger owner returns.**

IHG Concerto represents the next step in our ambitious technology roadmap. Connected through the cloud, IHG Concerto is a user-friendly hotel platform, combining an industry-leading Guest Reservations System (GRS), enhanced Revenue Management System (RMS) and will include other capabilities such as property management and sales and catering systems. Our pilots to hotels began in 2017, and our ambition is for roll-out to hotels to be completed by late 2018 to early 2019. IHG Concerto will bring several benefits:

- Guests can customise their stay based on features they find important – made possible by new ways of classifying and selling room inventory.
- Hotel staff have more time to devote to delivering True Hospitality to guests – enabled by a more efficient hotel management system.
- Owners benefit from smarter revenue management tools.

IHG Concerto provides our hotels with advanced digital agility, aligning with our strategy to leverage innovation for real competitive advantage.

# 5,000<sup>+</sup>

targeted IHG hotels using IHG Concerto by 2019.

# 19

different countries where IHG Concerto was in use in 2017.



## Driving digital growth

**Digital is IHG's preferred channel. It represents the lowest cost for owners and allows us to interact with guests at every stage of their journey.**

The IHG® App and *Your Rate* by IHG® Rewards Club are both key elements to ensuring the continued growth and vitality of our direct digital channels.

Mobile is IHG's primary digital growth driver, spearheaded by our award-winning App, offering guests real convenience and industry-leading loyalty redemption options:

- 34% of overall IHG revenue growth is driven by direct digital.
- 72% of direct digital revenue growth came from IHG's App in 2017, which saw a 27% year-on-year increase in visits.
- Mobile visits have now surpassed their desktop equivalents.

*Your Rate* was launched in 2016 and offers loyalty members the lowest rate available when booking direct with us, compared with other channels. It not only helps build and strengthen lifetime relationships with guests, but it also helps reduce cost of sale and increase long-term sustainable revenue growth for our third-party hotel owners.

# >\$1bn

IHG App revenue in 2017.

# 72%

2017 IHG digital bookings through mobile in China.



## Accelerate growth

**Having built a powerful and effective global enterprise, we are now focused on executing our proven and well-established strategy at a faster pace to deliver industry-leading net rooms growth over the medium term.**

This will involve us redeploying and refocusing resources to leverage our scale; strengthening our loyalty programme; continuing to prioritise digital and technological innovation; expanding our industry-leading franchise proposition; strengthening our existing brands; and adding new brands where we see the greatest potential for growth.

We made good initial progress in 2017, which involved:

- Establishing a new regional operating structure whereby, effective 1 January 2018, we now have three regions instead of four – Americas, Greater China and the new region of EMEA (Europe, Middle East, Asia and Africa).
- Combining our Commercial and Technology operations into one function to oversee technology, revenue management, channels and sales, along with the many inter-dependencies between these areas.
- Creating one global Marketing function focused on fully integrated brand, marketing and loyalty activities.
- Outsourcing our Central Reservation Office (call-centre) capabilities in the UK.

# 3

operating regions.

# \$125m

targeted annual savings by 2020 for reinvestment to drive growth.

## Doing business responsibly

Our focus on responsible business is part of everything we do at IHG, helping create a diverse and inclusive culture that embodies our commitment to provide True Hospitality for everyone.

In a fast-changing world, building trust with guests, colleagues and other stakeholders, living our core values and having a positive impact on society and the environment is more important than ever to IHG's long-term success. Our people, policies and corporate responsibility programmes bear testimony to a culture of responsible business that is deep-rooted and embedded in our strategy, including:

- Strong governance and leadership, which promotes a culture of responsible business attitudes and behaviours.
- Ensuring our employees understand key legal and reputational issues and our Winning Ways.
- 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.

We have comprehensive Group-wide policies and approaches on key responsible business issues. These are set out in our Code of Conduct and include Human Rights and Modern Slavery, Bribery and Financial Crime, Environment, Community Activities and Diversity and Inclusion. We regularly review our policies to ensure we align with best practice.

### IHG® Foundation

From skills in hospitality to helping communities prepare for disasters, the IHG Foundation, an independent charity, helps make our world a more hospitable place. In support, IHG colleagues participate in fundraising and volunteering activities every year.



To find out more about the IHG Foundation visit [www.ihgfoundation.org](http://www.ihgfoundation.org)

## Our targets

Following the conclusion of our five-year targets, in March 2018 we launch new three-year IHG Responsible Business targets in the four areas where we can have the greatest impact: Environmental sustainability; Community impact; Our people and Responsible procurement.

These targets and our approach to responsible business help us contribute to the objectives of the United Nations Sustainable Development Goals (SDGs).



See page 60 for more information on our 2013-2017 performance, and how the Corporate Responsibility Committee have considered Environmental, Social, Community and Human Rights issues during 2017.



See our IHG Responsible Business Report for information about our new targets [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business)

## Our Winning Ways

The set of behaviours that define how we interact with our guests and colleagues, are embedded in the way we work, and are a vital component of our culture.



Do the right thing



Aim higher



Show we care



Celebrate difference



Work better together

## Diversity and inclusion

At IHG, diversity is embedded in our culture. We understand that differing backgrounds and perspectives create a more dynamic and inclusive environment. Our global diversity and inclusion strategy seeks to ensure diversity in our management teams and wider workforce, and recognises the importance of our business representing the communities in which we operate.

In 2017, the Hampton-Alexander Review listed IHG in the top 10 of FTSE 100-listed companies for female representation across our Board, the Executive Committee and its direct reports.

We have also achieved a perfect score on the Human Rights Campaign's annual Corporate Equality Index in the US for four years in a row, making IHG a best place to work for lesbian, gay, bisexual and transgender (LGBTQ) workplace equality.

As at 31 December 2017	Male	Female	Total
<b>Directors</b>	6	4	<b>10</b>
<b>Executive Committee</b>	8	2	<b>10</b>
<b>Executive Committee Direct Reports</b>	37	26	<b>63</b>
<b>Senior Managers*</b>	100	38	<b>138</b>
<b>All employees</b> (whose costs were borne by the Group or the Systems Fund)	5,184	7,029	<b>12,213</b>

\* Including directors of subsidiaries.



For more information on our Diversity and Inclusion Policy and strategy see pages 61 and 66.

## Attracting talent

To attract and retain the best talent, we invest in our people and support them in developing their careers, rewarding and recognising their contribution, whilst ensuring diversity across the workforce.

In 2017, we introduced 'Apply on the Go', which simplifies the hiring process by enabling candidates to apply for roles using a mobile device.

## Continuous learning

We know that great service can turn an ordinary stay into an extraordinary one. The IHG® True Hospitality Service Skills training ensures colleagues consistently meet our guests' needs. So far more than 150,000 colleagues in 90 countries from more than 3,500 hotels have completed the programme.

In 2017, we completed the global rollout of our General Manager (GM) Learning Programme via our online platform, Fuse. Fuse brings our GMs together in an online community to share best practice, seek advice and complete professional development courses.

**Colleague engagement**

We recognise great service during our annual Celebrate Service Week. The 2017 campaign saw over 1,300 inspiring stories of True Hospitality shared and over 1,200 social media posts using #IHGCelebrateService and #TrueHospitality.

Employee engagement is measured through our bi-annual survey, Colleague HeartBeat powered by Aon Hewitt. Corporate, managed hotel and customer reservations office employees take part. In 2017 a revised survey delivered record-breaking participation of 97%, earning IHG recognition from Aon Hewitt as a Best Employer, benchmarked against industry scores.

**Human rights**

Our training and awareness programme focuses on those areas of human rights that are most relevant to our business. Our human rights policy has been translated into more than 40 languages and, to ensure our values are consistently reflected, we require all IHG branded hotels to adopt and display a human rights policy. We also have in place an e-learning module on Human Rights and Modern Slavery, which has been completed by 40,000 colleagues to date.

**Anti-corruption and anti-bribery**

We are committed to operating with integrity and complying with all relevant laws, including all applicable anti-corruption legislation. IHG has a zero-tolerance approach to bribery and corruption; a position clearly set out in our Code of Conduct, Anti-Bribery and Gifts and Entertainment policies which apply to all

IHG employees and Directors, and our managed hotels. In 2017, all Board and Executive Committee members completed the latest anti-bribery e-learning module, along with more than 30,000 colleagues.

**Responsible procurement and due diligence**

In 2015, we launched an automated procurement system across many of our large corporate offices. This helps our central procurement team manage our supply chain, and we continue to increase corporate spend through the system. Onboarded suppliers are required to complete due diligence questionnaires covering responsible business and human rights. We have piloted a new supplier assessment and audit programme, using third-party risk assessment providers, which will be developed further in 2018.

We also carry out due diligence and compliance checks on all new parties we enter into hotel agreements with. A central committee considers and reviews any issues identified, including bribery and corruption and human rights.

**Environmental sustainability**

The IHG Green Engage™ system is our Group-wide, online sustainability programme. It supports our Environment policy and helps hotels manage their use of energy, carbon, water and waste. By creating more energy-efficient hotels, we can drive profitability for owners while minimising environmental impact.

We are a member of FTSE4Good and were ranked first in our industry on the 2017 S&P Dow Jones Sustainability World Index.

**Community impact**

Our Supporting Our Communities Policy aims to maximise the positive contribution we make by creating shared value in our communities and with our business partners. We support and develop people working in the hospitality industry, and have improved the employability of 47,962 IHG® Academy participants between 2013 and 2017.

We guide our hotels to enhance their disaster preparedness and provide extensive support to colleagues affected by disaster.



Our principal risk assessment process takes into account the risks related to, and the impact of, non-financial matters on the business (see page 21 for a further description of our principal risks and the measures taken to mitigate their impact). We also consider our impact on the wider communities in which we operate through our responsible business programmes (see our Responsible Business Report).

**IHG Code of Conduct**

The IHG Code of Conduct supports colleagues in making the right decisions. It sets out the principles we must all work by at IHG. It also provides guidance on where to go if colleagues are faced with a difficult issue and need further help.



For further information on our Code of Conduct, including our Modern Slavery Statement see Policies under [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business)

**Stakeholder engagement**

Listening to and building strong, long-term relationships with our stakeholders helps focus our priorities and strategies and

creates loyalty, trust and credibility. We take into consideration the views of our stakeholders at all levels of decision making.



For more information see Corporate Governance on pages 47 to 63.



See our 2017 IHG Responsible Business Report for a full stakeholder list, which supports our responsible business strategy [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business)

**Key stakeholder engagement**

	Forms of engagement include:	Outcomes and measures include:
 <b>Colleagues</b>	<ul style="list-style-type: none"> <li>Executive Committee and Senior Management led employee 'Town Halls'.</li> <li>Annual Celebrate Service Week.</li> <li>Bi-annual Colleague HeartBeat survey.</li> <li>Company intranet and employee focused events.</li> </ul>	<ul style="list-style-type: none"> <li>97% average participation in the 2017 Colleague HeartBeat survey.</li> </ul>
 <b>Guests and corporate clients</b>	<ul style="list-style-type: none"> <li>IHG Rewards Club.</li> <li>HeartBeat surveys (guest satisfaction surveys).</li> <li>Dedicated Guest Relations teams.</li> </ul>	<ul style="list-style-type: none"> <li>3.7 million completed HeartBeat surveys and 7 million text and social media guest comments captured and analysed in 2017.</li> <li>IHG True Hospitality Service Skills training delivered to more than 150,000 colleagues.</li> </ul>
 <b>Shareholders</b>	<ul style="list-style-type: none"> <li>AGM.</li> <li>Presentations following results announcements.</li> <li>Annual investor perception survey.</li> <li>Programme of one-to-one meetings with major institutional shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Average of 98% votes in favour across all resolutions at 2017 AGM.</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Supplier registration form and onboarding process included in our IHG Vendor Code of Conduct.</li> <li>US supplier diversity data collection.</li> </ul>	<ul style="list-style-type: none"> <li>Increased diverse supplier spend in the US to \$66 million, up from \$59 million in 2016.</li> </ul>
 <b>Hotel Owners</b>	<ul style="list-style-type: none"> <li>Global and regional branches of the IHG Owners Association.</li> <li>Asian American Hotels Owner's Association.</li> <li>Regional conferences.</li> <li>Owner HeartBeat surveys (owner satisfaction surveys).</li> </ul>	<ul style="list-style-type: none"> <li>avid hotels launched following collaboration with an owner advisory board as part of the brand development (see page 16).</li> </ul>

## Risk management

Our risk management system continues to evolve; we have an established process to manage the risks we face as a business.

### Our Strategic 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 is visible through the nature and extent of risk taken by the Board in pursuit of strategic and other business objectives. This risk appetite is cascaded through the goals we set, decisions we make and how we allocate resources. IHG's appetite and tolerance for risk is further implemented through our governance committees, structures, policies and targets we select, as well as in development guidelines for new hotels. In 2017, the Board and Board Committees have reviewed many of these aspects directly through their meetings and discussions of principal risks.

### Our risk management system

Our risk management system is fully integrated with the way we run the business through our culture, our processes and 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 focuses on culture, process and control and monitoring and reporting.



### 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 comprising the Group Financial Controller and 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.


Throughout 2017 the Global Risk team have performed continuous assessments of the principal risks facing the Group, including those which would threaten its business model, future performance, solvency or liquidity. These risks are formally reviewed with the Group's Directors on a bi-annual basis and considered in more detail through the activities of the Board and Committees. As part of our reviews we have consolidated a previously identified risk relating to our owner proposition into other factors listed.

As outlined on page 7, we are now focused on executing our strategy at a faster pace. This emphasises the importance of the steps we take to consider risk explicitly as part of decision making, for example in the reprioritisation of resources, as well as considering the effect of any operational or functional changes on our risk management system described above.

Our principal risks remain structurally similar to those reported in previous years. However, we have noted the potential impact of the initiatives we are putting in place to accelerate growth both as a specific risk and also with the inherent trends and measures we undertake to mitigate other risks to a residual level appropriate to our risk tolerance, given a more dynamic organisational context.

In addition, we continue to conclude that the potential impact of Brexit on IHG will have no material impact on our strategy or operations.

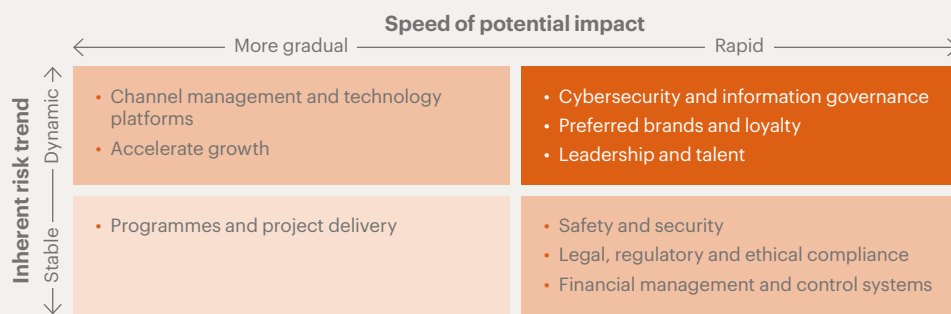
 See pages 52 and 57 for details of the assessment of our principal risks by the Board and the Audit Committee.

 These principal risks are supplemented by a broader description of risk factors set out on pages 164 to 167.

### Risk trend and speed of impact

Through the principal risk process we assess whether the risk area is stable or dynamic (inherent risk trend), and the rate at which there could be a material impact on IHG (speed of potential impact). The trend and unmitigated speed of impact are summarised in the following diagram with further detail on the initiatives undertaken to manage each of these risks in the table on the next page.

### Principal risk – assessment of trend and speed of impact



## Principal risks descriptions

### Inherent risk trend

- (D) Dynamic  
(S) Static

### Risk impact

How each principal risk links to our strategic priorities:

- (SM) Strategic Model (TP) Targeted Portfolio (DE) Disciplined Execution (RB) Responsible Business

Risk description	Trend	Impact	Initiatives to manage these risks
Inherent threats to <b>cybersecurity and information governance</b> continue to evolve at pace and, in 2017, created dynamic risks to multiple industries, evidenced by reported cyber incidents across the hospitality industry and by IHG (see page 139). This risk could impact our operations; lead to loss of sensitive data; undermine stakeholder trust; and result in fines and legal/regulatory action.	(D)	(SM) (DE) (RB)	<ul style="list-style-type: none"> <li>We apply a risk-based methodology to identify, and consider the value and threats to, our key information assets. These include Payment Card Information (PCI), Personally Identifiable Information (PII), as well as sensitive financial and employee information. We monitor and update our information security policies and practices to respond to the risks we face, including those relating to evolving privacy requirements across IHG, including our increasingly third-party hosted infrastructure and systems.</li> <li>Our approach to monitoring this dynamic risk combines IHG specialist teams in information security, technology and cyber enabled crime, supplemented by external insight and relationships to enhance our capability to analyse, prevent and detect potential threats.</li> <li>During 2017, we continued our initiative to tokenise credit card data in key systems through implementation of our secure payment technology in more than 86% of our US franchised estate.</li> <li>Despite our information security programme, we also recognise the need for rapid and appropriate response to data incidents. We have a clearly developed incident management capability which clarifies accountabilities and processes across the organisation, and works closely with our insurers. These also consider data reporting obligations, for example in relation to the EU General Data Protection Regulation (GDPR).</li> </ul>
Failure to deliver <b>preferred brands and loyalty</b> could impact our competitive positioning, our growth ambitions and our reputation with guests and owners. The rapid rate of recent consolidation activity; brand launches and loyalty programme developments across the hospitality industry creates both risk and opportunity.	(D)	(SM) (TP)	<ul style="list-style-type: none"> <li>In 2017 we continued our investment of \$200m in the refresh of the Crowne Plaza estate in the Americas; extended the implementation of our Holiday Inn Open Lobby; and updated room design concepts in several brands. (See page 32 for further details.) We launched avid hotels to positive reactions from owners, signed deals to extend other brands in new territories and built brand recognition across the portfolio, (see pages 6-7, 10-11, 16 and 32 for further details). In January 2018 we also integrated our Kimpton Karma members into the IHG Rewards Club programme.</li> <li>The creation of one Global Marketing function will enable us to focus on fully integrated brand, marketing and loyalty activities, strengthening our existing brands and adding new brands where we see greatest potential for growth. For further information on initiatives to manage the opportunities and risks in our brand strategy, see pages 16 and 17.</li> </ul>
<b>Leadership and talent</b> risk is inherent to all businesses and failure to effectively attract, develop and retain talent in key areas could impact our ability to achieve growth ambitions and execute effectively.	(D)	(SM) (DE) (RB)	<ul style="list-style-type: none"> <li>In 2017, we have enhanced our ability to attract, retain and develop the best talent (see pages 18-19) within the hospitality sector, including GM and senior corporate positions.</li> <li>Our focus on accelerating growth will increase opportunities for our people and our ambitions will place demands on key leadership and hotel talent. As we begin to redeploy and reprioritise resources, our human resources team are reviewing our performance management framework to promote interdependence and to incentivise team and individual performance. We have a global diversity and inclusion strategy (see pages 61 and 66), which will be led by a Diversity and Inclusion Board, with specific and targeted actions to address any inequalities in the workplace.</li> </ul>
Failure to capitalise on innovation in booking technology and maintain and enhance <b>our channel management and technology platforms</b> and to respond to changing guest and owner needs remains a dynamic risk to IHG's revenues and growth ambitions, particularly with the emergence of both evolutionary and disruptive technologies.	(D)	(SM) (DE)	<ul style="list-style-type: none"> <li>Technology innovation in the hotel industry continues to accelerate, with established and new competitors launching new solutions leveraging technology to enhance guest and owner experience. The speed of technological development and implementation in key markets such as China requires constant focus.</li> <li>Our Commercial and Technology team continues to develop on and above property capabilities and functionality, including responsive website design and mobile check out, while undertaking controlled pilots in more complex areas such as mobile key solutions. In mid-2017 we began to pilot IHG Concerto (see page 17) which, as well as increased functionality, will increase the resilience of our revenue systems. We have also implemented our centrally controlled and high-performing IHG Connect solution to benefit owners and guests.</li> <li>Changes to accelerate our growth will enable us to prioritise resources and streamline technology governance practices to drive efficiency and pace in our innovation and project delivery.</li> </ul>
IHG's focus to <b>accelerate growth</b> will require significant reprioritisation of activities and refocusing of resources. Given the importance and scope of the multi-faceted initiatives that will be undertaken to accelerate growth there are inherent risks which will require appropriate planning, project management, governance and clearly defined success factors.	(D)	(SM) (TP) (DE) (RB)	<ul style="list-style-type: none"> <li>Our executive team, supported by our programme office, is providing direct leadership and steering a portfolio of activities to accelerate growth, engaging our wider senior leader team to clarify and align on objectives, key drivers and associated behaviours required in the future; and to provide regular visibility to the Board to ensure that the scope and timing of delivery remains within our risk appetite framework.</li> <li>We are also supported by third-party expertise to enable us to reprioritise resources and sequence activities in the most impactful way across the organisation, whilst mitigating and assuring risk to an acceptable level.</li> <li>Our focus on accelerating growth involves evolving our risk management system, governance and assurance arrangements to enable effective and agile decision making during the organisational change, in alignment with our appetite and tolerance for risk.</li> </ul>

## Risk management continued

Risk description	Trend	Impact	Initiatives to manage these risks
Failure to maintain an effective <b>safety and security</b> system and to respond appropriately in the event of an issue could result in an adverse impact to IHG; such as reputational and/or financial damage and undermining stakeholder confidence.	(S)	(SM) (TP) (RB)	<ul style="list-style-type: none"> <li>The environment in which IHG develops and operates hotels continues to evolve, creating continued inherent challenges to the safety and security expectations of our guests and owners. Although we assess this risk to be stable overall, our Risk team coordinates and monitors a management system designed to provide an appropriate level of control of safety and security in IHG branded hotels and IHG offices.</li> <li>Our design &amp; engineering, hotel opening and operations teams work together with our operational safety and security experts to evaluate our standards and provide guidance and training to our owners and hotel colleagues. We also have internal and external threat intelligence expertise to monitor potential impacts on IHG from, for example, terrorism.</li> </ul>
Whilst the hotel sector is not subject to stringent industry specific regulations, the global business regulatory environment is continuously evolving and failure to ensure <b>legal, regulatory and ethical compliance</b> would impact IHG financially, operationally and reputationally.	(S)	(DE) (RB)	<ul style="list-style-type: none"> <li>Our regulatory compliance specialists work to identify and respond to relevant regulatory and societal expectations. This is a particular imperative in relation to new privacy and cyber legislation, such as the EU GDPR and China's new cybersecurity law, and continued scrutiny of the hospitality industry in relation to the environment and human rights.</li> <li>Our regulatory compliance programme focuses on bribery, sanctions, data privacy and competition compliance, with expectations defined within our Code of Conduct and related policies and training and awareness tools. Our development and legal teams work closely during owner due diligence procedures and escalate any identified 'red flags' for senior leadership review and decision. We also have in place a whistleblower hotline to report any concerns and defined controls which are routinely monitored. For example, we regularly review our gift and entertainment processes and registers to ensure these remain appropriate and are complied with.</li> <li>For details on our culture of responsible business and our approach to issues such as human rights, anti-bribery and environmental sustainability, please refer to pages 18-19).</li> </ul>
A material breakdown in our <b>financial management and control systems</b> would lead to increased public scrutiny, regulatory investigation and litigation.	(S)	(DE) (RB) (TP)	<ul style="list-style-type: none"> <li>This risk has not experienced any material change in 2017, however IHG continues to operate a strong set of processes across its financial, operational and compliance processes. See page 42 for details of our approach to taxation, page 56 for details of our approach to internal financial control and pages 126-129 for specific details on financial risk management policies. Our finance team has worked to understand and prepare for changes to revenue recognition reporting under IFRS 15.</li> <li>We continue to develop a scalable finance operating model, with increasing use of analytical capabilities, to enable us to adapt to future changes in the industry landscape and as we redeploy and refocus resources.</li> </ul>
The inability to realise value from our <b>programme and project delivery</b> may result in failure to improve commercial performance, financial loss and undermining of stakeholder confidence.	(S)	(SM) (DE)	<ul style="list-style-type: none"> <li>IHG is currently delivering multiple high value and complex business change programmes. Resource prioritisation across these initiatives is overseen by our executive team, and processes, education and support have been provided throughout 2017 to increase the quality and consistency of programme delivery. Our plans to accelerate our growth will build on these capabilities during 2018 to review end-to-end processes and manage delivery interdependencies across IHG.</li> </ul>

### Viability statement

The Group's annual planning process builds a robust three-year plan. The detailed three-year plan takes into consideration the principal risks, the Group's strategy, and current market conditions. That plan then forms the basis for strategic actions taken across the business. The plan is reviewed annually by the Directors, and approved towards the end of the calendar year. Once approved, the plan is then cascaded to the business and used to set performance metrics and objectives. Performance against those metrics and objectives is then regularly reviewed by the Directors. The key assumptions included in the three-year plan relate to RevPAR, System size and no change to our stated dividend policy. There are no significant debt maturities in the period under consideration and therefore no assumptions have been included in relation to refinancing.

In assessing the viability of the Group, the Directors have reviewed a number of scenarios, weighting downside risks that would threaten the business model, future

performance, solvency and liquidity of the Group more heavily than opportunities. The scenario testing focuses mostly, but not exclusively, on the impact of declining RevPAR on the viability of the Group, as most of the principal risks outlined on pages 21 and 22 will cause a deterioration in RevPAR.

The scenarios included a severe but plausible downturn like the financial crisis that occurred from 2008 to 2009 (when the Board maintained the ordinary dividend despite the severity of the downturn in trading), a widespread cybersecurity breach and a reverse stress test of the business starting from the presumption of the Group having insufficient liquidity to continue trading. In the severe scenarios, the Directors also considered actions that would be taken if such events became a reality. These actions include a reduction in capital expenditure, salary freezes and suspension of bonus plans and the ordinary dividend. The results confirmed that the Group would be able to withstand the impact of each scenario.

The Directors have determined that the three-year period to 31 December 2020 is an appropriate period to be covered by the viability statement. Although hospitality industry business cycles are on average longer than three years, the end of those cycles has only resulted in declining RevPAR when that has been caused by exogenous shocks, and the decline in RevPAR has only lasted two years. The Board has therefore determined that no additional insight can be gained from assessing these scenarios over a longer period.

The Directors have assessed the viability of the Group over a three-year period to 31 December 2020, taking account of the Group's current position, the Group's strategy and the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2020.



## Key performance indicators (KPIs)

Our carefully selected set of KPIs allow us to effectively monitor our performance by measuring our success in delivering against our strategy, and in driving high-quality growth.

Our KPIs are organised around the framework of our strategy – our Strategic Model and targeted portfolio – underpinned by disciplined execution and doing business responsibly.

KPIs	2017 status	2018 specific priorities																
<p><b>Strategic Model and targeted portfolio</b></p> <p><b>Net rooms supply</b> Net total number of rooms in the IHG System.</p> <p>(A) (LT)</p> <table border="1"> <tr><th>Year</th><th>Rooms</th></tr> <tr><td>2017</td><td>798,075</td></tr> <tr><td>2016</td><td>767,135</td></tr> <tr><td>2015</td><td>744,368<sup>a</sup></td></tr> </table> <p><b>Growth in underlying fee revenues<sup>b</sup></b> Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages.</p> <table border="1"> <tr><th>Year</th><th>Growth</th></tr> <tr><td>2017</td><td>4.1%</td></tr> <tr><td>2016</td><td>2.3%</td></tr> <tr><td>2015</td><td>7.5%</td></tr> </table>	Year	Rooms	2017	798,075	2016	767,135	2015	744,368 <sup>a</sup>	Year	Growth	2017	4.1%	2016	2.3%	2015	7.5%	<p><b>4.0%</b> increase in net system size</p> <p><b>31%</b> pipeline as a % of system size</p> <p><b>83,481</b> rooms signings</p>	<ul style="list-style-type: none"> <li>• Launch and scale our new mainstream brand, avid hotels (see page 16 for details).</li> <li>• Leverage the expansion of our franchise offer for Holiday Inn, Holiday Inn Resort® and Crowne Plaza in Greater China, alongside Holiday Inn Express Franchise Plus model (see page 32 for details).</li> <li>• Continue to build international scale for Kimpton, accelerating the growth of the brand outside the Americas.</li> <li>• Ensure that, whilst driving strong rooms supply growth, we maintain a high level of guest satisfaction across our entire portfolio with removals from the system.</li> </ul>
Year	Rooms																	
2017	798,075																	
2016	767,135																	
2015	744,368 <sup>a</sup>																	
Year	Growth																	
2017	4.1%																	
2016	2.3%																	
2015	7.5%																	
<p><b>Total gross revenue from hotels in IHG's System<sup>b</sup></b> Total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Other than for owned and leased hotels, it is not revenue wholly attributable to IHG, as it is mainly derived from hotels owned by third parties.</p> <p>(A)</p> <table border="1"> <tr><th>Year</th><th>Revenue</th></tr> <tr><td>2017</td><td>\$25.7bn</td></tr> <tr><td>2016</td><td>\$24.5bn</td></tr> <tr><td>2015</td><td>\$24.0bn</td></tr> </table>	Year	Revenue	2017	\$25.7bn	2016	\$24.5bn	2015	\$24.0bn	<p><b>\$4.6bn</b> digital revenues delivered in 2017, up by 9%<sup>c</sup> on 2016</p>	<ul style="list-style-type: none"> <li>• Maintain our focus on increasing contribution from IHG Rewards Club members, and through direct bookings via our website or call centres.</li> <li>• Further grow our share of bookings through the IHG App, whilst also increasing engagement within the App.</li> <li>• Continue to expand the language capabilities of our online channels and call centres across all regions.</li> <li>• Drive greater food and beverage revenue and support brand preference by introducing new food and beverage concepts for our hotels to adopt.</li> </ul>								
Year	Revenue																	
2017	\$25.7bn																	
2016	\$24.5bn																	
2015	\$24.0bn																	
<p><b>System contribution to revenue</b> The percentage of room revenue booked through IHG's direct and indirect systems and channels.</p> <table border="1"> <tr><th>Year</th><th>Contribution</th></tr> <tr><td>2017</td><td>76%</td></tr> <tr><td>2016</td><td>75%</td></tr> <tr><td>2015</td><td>73%</td></tr> </table>	Year	Contribution	2017	76%	2016	75%	2015	73%	<p><b>22%</b> More hotels using IHG's revenue management service in 2017, vs 2016</p>									
Year	Contribution																	
2017	76%																	
2016	75%																	
2015	73%																	

<sup>a</sup> Including the acquisition of Kimpton (11,325 rooms).

<sup>b</sup> Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 26, and reconciliations to IFRS figures, where they have been adjusted, are on pages 154 and 155. Total underlying operating profit growth and underlying fee revenue growth are stated at constant currency.

<sup>c</sup> Based on a restating of 2016 digital revenues at 2017 FX rates.

### Link between KPIs and Directors' remuneration

As we continued our focus on delivering high-quality growth, Directors' Remuneration for 2017 was directly related to key aspects of our Strategic Model and targeted portfolio. The following indicates which KPIs have impacted Directors' Remuneration:

(A) The Annual Performance Plan

- 70% was linked to EBIT
- 30% was linked to non-financial measures, of which:
  - 20% was linked to improvements in Guest Love scores
  - 10% was linked to the delivery of other individual objectives; for Executive Directors, the majority of these objectives related to our KPIs

(LT) The Long Term Incentive Plan

- 50% was linked to Total Shareholder Return
- 25% was linked to rooms growth
- 25% was linked to RevPAR growth

## Key performance indicators (KPIs) continued

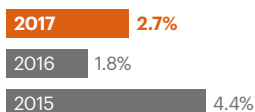
KPIs

### Strategic Model and targeted portfolio continued

#### Global RevPAR growth

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

LT



#### Guest Love

IHG's guest satisfaction measurement indicator.

A



2017 status

77%

of Europe Holiday Inn hotels have implemented or committed to Open Lobby

3.0ppt

growth in Guest Love over the last three years

2018 specific priorities

- Drive 2018 rollout of IHG Concerto amongst our owners, across the entire estate (see page 17).
- Continue to drive adoption of customer relationship management systems in our hotels to help build lifetime relationships with guests.
- Progress the rollout of our enhanced internet connectivity and wifi offer, IHG Connect, across our estate.
- Broaden consistency and quality across our Crowne Plaza portfolio in the US through the now established Crowne Plaza Accelerate programme (see page 32).
- Continue to invest in brand innovation, including room design and finding new ways to use public spaces such as Holiday Inn Open Lobby (see page 32).
- Support the recruitment and development of our high-performing General Managers.
- Drive adoption of our learning solutions, such as the IHG Frontline online training platform, and brand-orientated services training across all IHG hotels.

### Disciplined execution

#### Fee margins<sup>b</sup>

Operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases and significant liquidated damages.

A



1.6ppt

growth in fee margin in 2017

- Leverage our increasing scale in operations and systems to drive economies of scale across our portfolio of brands.
- Continue to strengthen our delivery capabilities to ensure that critical in-hotel initiatives are embedded on time and on target.
- Enhance our supplier management capabilities to drive further efficiencies throughout the business.

#### Employee Engagement survey scores

Average of our revised<sup>c</sup> bi-annual Colleague HeartBeat survey, completed by our corporate and managed hotel colleagues (excluding our joint ventures).

A



97%

2017 Colleague HeartBeat participation rate

- Improve and simplify performance management processes, in order to focus on productive development conversations.
- Drive adoption of improvements to our human resources systems, including online colleague training, to further our ability to develop and retain talent.

#### Free cash flow<sup>b,d</sup>

Cash flow from operating activities (after interest and tax paid), less purchase of shares by employee share trusts and maintenance capital expenditure, including key money paid<sup>e</sup>.

LT



7.3%

growth in EBITDA in 2017

- Continue to deliver consistent, sustained growth in profits and cash flow.
- Control capital deployment in line with business priorities.
- Continue programme to recycle capital invested in minor equity positions and joint ventures, over time, when conditions are favourable.

<sup>a</sup> Changes to the method for calculating IHG's guest satisfaction scores (previously Guest HeartBeat) were introduced in 2016. The comparative for 2015 has been restated.

<sup>b</sup> Use of Non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on page 26, and reconciliations to IFRS figures, where they have been adjusted, are on pages 154 and 155. Total underlying operating profit growth and underlying fee revenue growth are stated at constant currency.

<sup>c</sup> In 2017, the employee engagement survey was revised and relaunched as the Colleague HeartBeat survey. The 2016 and 2015 figures relate to previous survey results, which could not be restated and are not comparable.

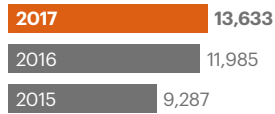
<sup>d</sup> Cash flow was introduced as a new measure for the 2017/19 LTIP cycle. Cumulative free cash flow over the three-year performance period forms part of the measure, with some adjustments. The target for each successive cycle is determined annually, taking into account IHG's long-range business plan, market expectations and circumstances at the time.

<sup>e</sup> In 2016, free cash flow excluded the \$95m cash receipt from renegotiation of long-term partnership agreements.

### Doing business responsibly

#### Number of people participating in IHG® Academy programmes

(A)



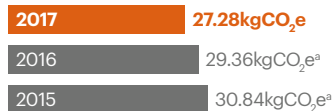
2,599

IHG Academy programmes across 74 countries

- Continue to provide skills and improved employability to people through IHG Academy (see page 19), ensuring a positive impact for local people, our owners and IHG.
- Continue to drive quality growth in the programme, including by increasing engagement with our hotels.

#### Carbon footprint per occupied room

(A)



15%

reduction in carbon footprint per occupied room from 2013-2017 on a 2012 baseline

- Continue to reduce our carbon footprint across our entire estate.
- Continue to drive quality use of the IHG Green Engage system across our entire estate.

#### Water use per occupied room in water-stressed areas

(A)



5.3%

reduction in water use per occupied room in water-stressed areas from 2013-2017 on a 2012 baseline

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

<sup>a</sup> Restated.



Please see [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business) for full disclosure of our carbon and water data, as well as more information on our new set of Responsible Business targets for 2018-2020.

### Final dividend

The Board has proposed a final dividend per ordinary share of 71.0¢. With the interim dividend per ordinary share of 33.0¢, the full-year dividend per ordinary share for 2017 will total 104.0¢.

#### Dividend policy

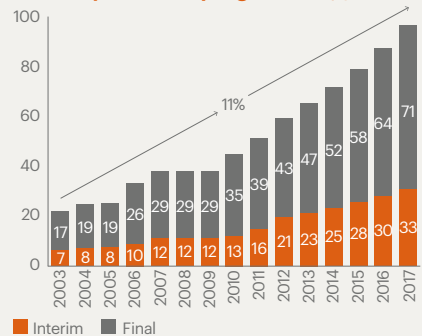
The Group's business is highly cash-generative and the Group has three primary uses for its cash; investing to drive growth, maintaining sustainable growth in the ordinary dividend and returning surplus funds to shareholders. These are kept under constant review by the Board.

IHG has a progressive dividend policy, which means growing dividend per ordinary share each year. The Group has an excellent track record of returning funds to shareholders through ordinary and special dividends and share buybacks,

with the ordinary dividend seeing 11% CAGR since 2003. This is in addition to special returns of funds detailed on page 178.

In determining the dividend, the Group seeks to maintain an efficient balance sheet and investment grade credit rating and aims to maintain a net debt: EBITDA ratio of 2.0-2.5x. The ratio at 31 December 2017 was 2.1x. The Directors will also take into account, and ensure there are sufficient, distributable reserves. For more details on our dividend policy and approach, see pages 5 and 42.

#### Ordinary dividend progression (¢)



## Performance

### Key performance measures (including Non-GAAP measures) used by management.

As well as the performance measures found in the Group Financial Statements, the following key performance measures are included in the performance review (and IHG at a glance on pages 2–3).

With the exception of RevPAR, these are financial measures that are either not defined under IFRS or are adjusted IFRS figures and are therefore described as Non-GAAP measures.

#### Revenue per Available Room (RevPAR)

RevPAR is the primary metric used by management to track hotel performance across regions and brands. RevPAR is also a commonly used performance measure in the hotel industry.

RevPAR comprises IHG System rooms revenue divided by the number of room nights available and can be mathematically derived from occupancy rate multiplied by average daily rate (ADR). Occupancy rate is rooms occupied by hotel guests expressed as a percentage of rooms that are available. ADR is rooms revenue divided by the number of room nights sold.

References to RevPAR, occupancy and average daily rate are presented on a comparable basis comprising groupings of hotels that have traded in all months in both the current and prior year. The principal exclusions in deriving this measure are new hotels, hotels closed for major refurbishment and hotels sold in either of the two years.

RevPAR and ADR are quoted at a constant US dollar conversion rate, in order to allow a better understanding of the comparable year-on-year trading performance excluding distortions created by fluctuations in exchange rates.

#### Total gross revenue

An important measure of IHG System performance is the growth in total gross revenue which provides a measure of the overall strength of the Group's brands.

Total gross revenue comprises total rooms revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Other than

owned and leased hotels, total gross revenue is not revenue attributable to IHG as it is derived mainly from hotels owned by third parties. A reconciliation of total gross revenue to the owned and leased revenue included in the Group Financial Statements is set out on page 28.

#### Underlying revenue ■ Underlying operating profit growth ■ Underlying fee revenue ■ Fee margin growth

Underlying revenue and underlying operating profit both exclude the impact of owned asset disposals, managed leases, significant liquidated damages and current year acquisitions, all translated at constant currency using prior year exchange rates. Underlying operating profit growth also excludes the impact of exceptional items (see below). The presentation of these additional performance measures allows a better understanding of comparable

year-on-year trading and thereby allows an assessment of the underlying trends in the Group's financial performance. These measures also provide consistency with the Group's internal management reporting.

Underlying fee revenue and fee margin further exclude the revenue and operating profit of the Group's remaining owned and leased properties, thereby providing metrics which measure the underlying performance of the Group's core fee-based business model.

#### Total operating profit before exceptional items and tax ■ Adjusted earnings per ordinary share ■ Underlying earnings per ordinary share

Total operating profit before exceptional items and tax enables a better understanding of the ongoing operational performance of the Group. For example, total operating profit including exceptional items can be significantly skewed by the profit on disposal of owned assets. In addition, taxes can be influenced by external factors such as legislative changes, and a before tax measure of operating profit is therefore considered more reflective of the Group's success in executing against its strategy.

Adjusted earnings per ordinary share excludes exceptional items, and their related tax impacts, and is reconciled to basic earnings per ordinary share in note 9 on page 115 of the Group Financial Statements. Adjusted earnings per ordinary share provides a per share measure that is not skewed by exceptional items.

Underlying earnings per ordinary share is calculated by dividing underlying profit for the period available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the period.

Underlying earnings per ordinary share provides a per share measure based on comparable year-on-year trading and reflects underlying trends in the Group's financial performance.

An analysis of exceptional items for the periods covered by the performance review is included in note 5 on page 110 of the Group Financial Statements.

Exceptional items are identified by virtue of either their size or nature and are excluded from these measures so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance of the Group and its regional operating segments. Exceptional items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals, and restructuring costs.

Total operating profit both before and after exceptional items is shown on the face of the Group income statement on page 88, as permitted under IFRS.

#### Net debt

Net debt is used in the monitoring of the Group's liquidity and capital structure, and is a number used to calculate the key ratios attached to the Group's bank covenants.

Net debt comprises loans and other borrowings less cash and cash equivalents, and is reconciled to the amounts included in the Group Financial Statements in note 21 on page 126.

#### Net capital expenditure

Net capital expenditure is defined as cash flow from investing activities, excluding tax paid on disposals and adjusted for System Fund depreciation and amortisation (recovery of previous System Fund capital expenditure). For internal management reporting, capital expenditure is reported as either maintenance, recyclable, or System Fund.

The disaggregation of net capital expenditure provides useful information as it enables users to distinguish between System Fund capital investments and recyclable investments (such as investments in associates and joint ventures), which are intended to be recoverable in the medium term, compared with maintenance capital expenditure (including key money paid), which represents a permanent cash outflow.

#### Free cash flow

Free cash flow is defined as cash flow from operating activities (after interest and tax paid), less purchase of shares by employee share trusts and maintenance capital expenditure, including key money paid. In 2016, free cash flow excluded the \$95m cash receipt from renegotiation of long-term partnership agreements.

Free cash flow is a useful measure for investors, as it represents the cash available to invest back into the business to drive growth, pay the ordinary dividend, with any surplus being available for additional returns to shareholders.

■ These are Non-GAAP financial measures which should be viewed as complementary to, and not as a substitute for, the measures prescribed by GAAP.



The performance review should be read in conjunction with the Non-GAAP reconciliations on pages 154 and 155 and the glossary on pages 184 to 185.

# Group

## Group results

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
<b>Revenue</b>					
Americas	1,025	993	3.2	955	4.0
Europe	241	227	6.2	265	(14.3)
AMEA	244	237	3.0	241	(1.7)
Greater China	126	117	7.7	207	(43.5)
Central	148	141	5.0	135	4.4
<b>Total</b>	<b>1,784</b>	<b>1,715</b>	<b>4.0</b>	<b>1,803</b>	<b>(4.9)</b>
<b>Operating profit before exceptional items</b>					
Americas	644	633	1.7	597	6.0
Europe	86	75	14.7	78	(3.8)
AMEA	87	82	6.1	86	(4.7)
Greater China	52	45	15.6	70	(35.7)
Central	(110)	(128)	14.1	(151)	15.2
	759	707	7.4	680	4.0
Exceptional items	4	(29)	113.8	819	(103.5)
<b>Operating profit</b>	<b>763</b>	<b>678</b>	<b>12.5</b>	<b>1,499</b>	<b>(54.8)</b>
Net financial expenses	(85)	(87)	2.3	(87)	-
<b>Profit before tax</b>	<b>678</b>	<b>591</b>	<b>14.7</b>	<b>1,412</b>	<b>(58.1)</b>
<b>Earnings per ordinary share</b>					
Basic	306.7¢	195.3¢	57.0	520.0¢	(62.4)
Adjusted	244.6¢	203.3¢	20.3	174.9¢	16.2
<b>Average US dollar to sterling exchange rate</b>	<b>\$1: £0.78</b>	<b>\$1: £0.74</b>	<b>5.4</b>	<b>\$1: £0.65</b>	<b>13.8</b>

### Highlights for the year ended 31 December 2017

During the year ended 31 December 2017, revenue increased by \$69m (4.0%) to \$1,784m primarily resulting from 4.0% rooms growth and 2.7% comparable RevPAR growth. Operating profit and profit before tax increased by \$85m (12.5%) and \$87m (14.7%) respectively. Operating profit before exceptional items increased by \$52m (7.4%) to \$759m.

Underlying<sup>a</sup> Group revenue and underlying<sup>a</sup> Group operating profit increased by \$80m (5.2%) and \$59m (8.4%) respectively.

Comparable Group RevPAR increased by 2.7% (including an increase in average daily rate of 1.1%). IHG System size increased by 4.0% to 798,075 rooms, whilst Group fee revenue<sup>b</sup> increased by 4.1% (5.0% at constant currency).

The net central operating loss before exceptional items decreased by \$18m (14.1%) to \$110m and by \$15m (11.7%) to \$113m at constant currency due to an increase in central revenues and the impact of our strategic cost management programme.

Group fee margin was 50.4%, up 1.6 percentage points (up 1.4 percentage points at constant currency) on 2016, after adjusting for owned and leased hotels, managed leases, and significant liquidated damages. Group fee margin benefited from efficiency improvements and by leveraging our global scale.

Basic earnings per ordinary share increased by 57.0% to 306.7¢, whilst adjusted earnings per ordinary share increased by 20.3% to 244.6¢, reflecting the increase in operating profit before tax and the impact of the share capital reduction as a result of the share consolidation in May 2017.

<sup>a</sup> Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 154 and 155). Underlying operating profit growth also excludes the impact of exceptional items.

<sup>b</sup> Underlying fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages (see pages 154 and 155).

### Accounting principles

The Group results are prepared under International Financial Reporting Standards (IFRS). The application of IFRS requires management to make judgements, estimates and assumptions, and those considered critical to the preparation of the Group results are set out on page 100 of the Group Financial Statements.

The Group discloses certain financial information both including and excluding exceptional items. For comparability of the periods presented, some of the performance indicators in this performance review are calculated after eliminating these exceptional items. Such indicators are prefixed with 'adjusted'. An analysis of exceptional items is included in note 5 on page 110 of the Group Financial Statements.

## Performance continued

### Group continued

#### Highlights for the year ended 31 December 2016

During the year ended 31 December 2016, revenue decreased by \$88m (4.9%) to \$1,715m primarily as a result of the sale of InterContinental Paris – Le Grand and InterContinental Hong Kong. Operating profit and profit before tax both decreased by \$821m to \$678m and \$591m, primarily due to the gain on sale of InterContinental Paris – Le Grand and InterContinental Hong Kong during the year ended 31 December 2015. Operating profit before exceptional items increased by \$27m (4.0%) to \$707m.

Underlying<sup>a</sup> Group revenue and underlying<sup>a</sup> Group operating profit increased by \$69m (4.6%) and \$61m (9.5%) respectively.

Comparable Group RevPAR increased by 1.8% (including an increase in average daily rate of 1.2%). IHG System size increased by 3.1% to 767,135 rooms, whilst underlying Group fee revenue<sup>b</sup> increased by 2.3% (4.4% at constant currency).

At constant currency, the net central operating loss before exceptional items decreased by \$12m (7.9%) to \$139m compared to 2015 (but at actual currency decreased by \$23m (15.2%) to \$128m).

Group fee margin was 48.8%, up 3.3 percentage points (up 2.5 percentage points at constant currency) on 2015, after adjusting for owned and leased hotels, managed leases, and significant liquidated damages. Group fee margin benefited from efficiency improvements and by leveraging our global scale.

Basic earnings per ordinary share decreased by 62.4% to 195.3¢, whilst adjusted earnings per ordinary share increased by 16.2% to 203.3¢, reflecting the increase in operating profit before exceptional items and the impact of the share consolidation in May 2016.

#### Group total gross revenue

	12 months ended 31 December		
	2017 \$bn	2016 \$bn	% change
<b>Analysed by brand</b>			
InterContinental	4.8	4.6	4.3
Kimpton	1.1	1.1	–
Crowne Plaza	4.3	4.1	4.9
Hotel Indigo	0.4	0.4	–
Holiday Inn	6.3	6.2	1.6
Holiday Inn Express	6.7	6.3	6.3
Staybridge Suites	0.9	0.8	12.5
Candlewood Suites	0.8	0.7	14.3
Other	0.4	0.3	33.3
<b>Total</b>	<b>25.7</b>	<b>24.5</b>	<b>4.9</b>
<b>Analysed by ownership type</b>			
Franchised	14.9	14.3	4.2
Managed	10.6	10.0	6.0
Owned and leased <sup>c</sup>	0.2	0.2	–
<b>Total</b>	<b>25.7</b>	<b>24.5</b>	<b>4.9</b>

Total gross revenue is a Non-GAAP financial measure, see page 26 for additional information.

Total gross revenue increased by 4.9% (5.7% increase at constant currency) to \$25.7bn, driven by IHG System size and comparable RevPAR growth.

<sup>a</sup> Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 154 and 155). Underlying operating profit growth also excludes the impact of exceptional items.

<sup>b</sup> Underlying fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages (see pages 154 and 155).

<sup>c</sup> See note 2 of the Group Financial Statements on page 104.

## Group hotel and room count

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	194	7	65,998	2,348
Kimpton	66	5	12,516	1,278
HUALUXE	7	3	2,089	993
Crowne Plaza	414	6	114,800	997
Hotel Indigo	85	10	10,645	1,740
EVEN Hotels	8	2	1,238	228
Holiday Inn <sup>a</sup>	1,242	1	232,693	937
Holiday Inn Express	2,600	103	262,398	15,389
Staybridge Suites	255	19	27,745	2,135
Candlewood Suites	376	14	35,424	1,232
Other	101	4	32,529	3,663
<b>Total</b>	<b>5,348</b>	<b>174</b>	<b>798,075</b>	<b>30,940</b>
<b>Analysed by ownership type</b>				
Franchised	4,433	112	552,834	10,184
Managed	907	62	242,883	20,810
Owned and leased	8	-	2,358	(54)
<b>Total</b>	<b>5,348</b>	<b>174</b>	<b>798,075</b>	<b>30,940</b>

<sup>a</sup> Includes 47 Holiday Inn Resort properties (11,954 rooms) and 26 Holiday Inn Club Vacations properties (7,676 rooms) (2016: 46 Holiday Inn Resort properties (11,652 rooms) and 26 Holiday Inn Club Vacations properties (7,601 rooms)).

Total number of hotels

5,348

Total number of rooms

798,075

During 2017, the global IHG System (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 174 hotels (30,940 rooms) to 5,348 hotels (798,075 rooms).

Openings of 285 hotels (48,817 rooms) were 20.1% higher than in 2016. Openings in the Americas included 124 hotels (12,949 rooms) in the Holiday Inn brand family. 43 hotels (10,570 rooms) were opened in Greater China in 2017, with the Europe and AMEA regions contributing openings of 26 hotels (4,917 rooms) and 26 hotels (11,085 rooms) respectively. 111 hotels (17,247 rooms) left the IHG System in 2017, a decrease from the previous year (116 hotels, 17,367 rooms).

## Group pipeline

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	63	1	17,353	(127)
Kimpton	18	-	2,796	(302)
HUALUXE	21	(1)	6,289	(667)
Crowne Plaza	86	(4)	23,047	(1,489)
Hotel Indigo	82	7	11,301	708
EVEN Hotels	12	6	2,110	1,330
Holiday Inn <sup>b</sup>	277	16	53,556	878
Holiday Inn Express	766	90	93,360	9,478
avid hotels	44	44	4,043	4,043
Staybridge Suites	160	20	17,941	2,620
Candlewood Suites	112	4	10,009	405
Other	14	2	2,341	(2,807)
<b>Total</b>	<b>1,655</b>	<b>185</b>	<b>244,146</b>	<b>14,070</b>
<b>Analysed by ownership type</b>				
Franchised	1,223	184	139,348	21,654
Managed	432	1	104,798	(7,584)
<b>Total</b>	<b>1,655</b>	<b>185</b>	<b>244,146</b>	<b>14,070</b>

<sup>b</sup> Includes 13 Holiday Inn Resort properties (3,620 rooms) (2016: 14 Holiday Inn Resort properties (3,531 rooms)).

Total number of hotels in the pipeline

1,655

Total number of rooms in the pipeline

244,146

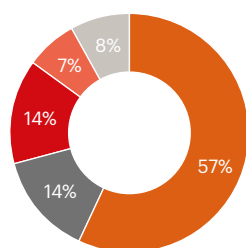
At the end of 2017, the global pipeline totalled 1,655 hotels (244,146 rooms), an increase of 185 hotels (14,070 rooms) on 31 December 2016. The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid.

Group signings increased from 516 hotels in 2016 to 605 hotels and rooms increased from 75,812 to 83,481 in 2017. This included 391 hotels (52,592 rooms) signed for the Holiday Inn brand family, 32.1% of which were contributed by Greater China (90 hotels, 16,904 rooms).

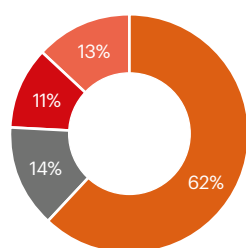
Active management of the pipeline to remove deals that have become dormant or no longer viable reduced the pipeline by 135 hotels (21,224 rooms), compared to 118 hotels (19,518 rooms) in 2016.

## Performance continued Progress against our 2017 regional priorities

Group revenue 2017 (\$1,784m)



Number of rooms (798,075)



- Americas
- Europe
- Asia, Middle East and Africa (AMEA)
- Greater China
- Central

 See page 32 for our Regional highlights.

### Americas

- Strengthened our Upscale and Luxury portfolio by opening the iconic InterContinental Los Angeles Downtown, Hotel Indigo Los Angeles Downtown and Crowne Plaza HY36 Midtown. In 2017, we signed a total of 365 hotels in the Americas.
- Drove brand preference through significant investment in Crowne Plaza, Holiday Inn and Holiday Inn Express. 78% of the Crowne Plaza estate participated in the Accelerate programme in 2017, and over 1,000 new design Holiday Inn Express hotels were open or in the pipeline as of year end.
- Enhanced owner returns by expanding use of our revenue management service, Revenue Management for Hire, across the region. Currently 67% of the Americas estate uses the service, up from 57% in 2016.

### Greater China

- Leveraged our Franchise Plus business model and grew significantly in tier 2 and 3 cities. Franchise Plus delivered 54 signings in 2017. More broadly, over 87% of openings for the region were outside tier 1 cities. We also expanded our franchise model to our Holiday Inn and Crowne Plaza brands.
- Debut signings for: Kimpton Hotels & Restaurants (Taipei and Sanya); and EVEN Hotels (three properties). HUALUXE had 21 hotels in the pipeline as of year-end.
- Drove a consistent guest experience through the rollout of True Hospitality Service training to 272 of our 328 hotels. Guest Love increased by 1.2ppts in 2017.
- Strengthened our talent acquisition and development through the GM Ready programme, to create immediate GM resource pool for new opening hotels. Continued building hotel commercial and revenue management capability through a Sales Transformation project.

### Asia, Middle East and Africa (AMEA)

- Signings increased 20% year-on-year to 12,620, and included regional firsts for both Kimpton Hotels & Restaurants and EVEN Hotels. Our Upscale and Luxury presence was enhanced by the opening of Hotel Indigo Bali Seminyak – the world’s first Hotel Indigo in a resort location – as well as InterContinental properties in Perth, Singapore, Hanoi and Fujairah Resort.
- Drove brand preference and our promise of True Hospitality through new service training, rolled out to 84% of AMEA hotels. Guest satisfaction in AMEA increased in 2017, with Guest Love 0.8ppts higher than last year.
- Enhanced our owner proposition through new ways of working for our hotel opening teams, establishing relationship directors who serve as an owner’s single point of contact post-deal signing, through to opening.

### Europe

- Grew system size in Europe’s most attractive markets and highest opportunity segments, with particular focus on the UK and Germany. In 2017, over half of the region’s signings and openings were in either the UK or Germany.
- Strengthened brand preference through continued rollout of Holiday Inn Open Lobby, which 77% of the estate has now installed or is committed to installing, driving a 7ppts Guest Love uplift. The Holiday Inn Express Generation 4 guestroom, which 87% of Generation 1 and 2 properties have now installed or are committed to, has driven a 4ppt Guest Love uplift post-refurbishment. We also enhanced brand awareness of Kimpton Hotels & Restaurants with the opening of Amsterdam De Witt, the first for the brand in the region.
- *YourRate* by IHG Rewards Club has now rolled out to all our European markets except Israel and is having a positive impact on direct bookings. IHG Rewards Club enrolments increased by 16% this year, against 2016.



#### Industry performance in 2017

#### IHG's regional performance in 2017

### Americas

Industry RevPAR in the Americas increased by 3.8%, driven by a 2.8% average daily rate growth and 0.6pts occupancy growth. Occupancy achieved its highest level ever recorded, topping the record set in 2015. Room demand was up 2.9%, its highest since 2014, led by increasing business and consumer confidence in the US. Demand was further propelled in the US by two hurricanes in the latter part of the year, while supply growth remained robust (1.9%) despite a fall from its seven year high in 2016.

US lodging industry room demand advanced 2.7% in 2017, its largest increase since 2014, whilst supply growth edged up to 1.8%. US industry RevPAR increased by 3.0%, led by an average daily rate growth of 2.1%. RevPAR in the US Mainstream chain scale, where the Holiday Inn and Holiday Inn Express brands operate, increased by 2.2%.

In Canada, industry RevPAR increased by 7.7%, driven by a 5.2% increase in average daily rate, and in Mexico, RevPAR increased by 6.4% with average daily rate advancing 6.0%.

IHG's comparable RevPAR in the Americas increased by 1.6%, driven by 1.2% average daily rate growth. The region is predominantly represented by the US, where comparable RevPAR increased by 1.2%, with 3.0% growth in the fourth quarter led by demand in hurricane impacted areas. In the US, we are most represented by our Mainstream brands Holiday Inn and Holiday Inn Express. RevPAR in our Mainstream brands increased slightly behind the segment, with RevPAR for the Holiday Inn brand increasing by 1.9% whilst that for the Holiday Inn Express brand increased by 1.7%.

Canada achieved strong growth of 6.1%, whilst Mexico grew 5.1%, led by rate growth.

### Europe

Strong demand and solid average daily rate growth propelled European industry RevPAR in 2017 up 7.2%, its largest gain since 2000. Demand rebounded in Continental Europe as certain markets recovered from terror incidents in 2016 and inbound tourism increased. Regional room demand grew 4.4% with average daily rate advancing 3.6%. UK industry RevPAR was up 4.1%, led by a 3.6% rate increase. UK room demand increased by 2.3% in 2017. In Germany, industry RevPAR was up 3.0%, driven by a 2.0% growth in average daily rate and a 2.1% increase in demand. A number of countries in the region including Italy, Russia and Spain, saw industry RevPAR rise in 2017 through increasing demand and average daily rate.

IHG's regional comparable RevPAR in Europe increased by 6.3%, driven by both occupancy and average daily rate growth. The UK grew by 4.5%, ahead of the industry, led by average daily rate driven growth in the provinces. In London, RevPAR increased by 4.3% driven by strong demand growth in the first half of the year. Germany achieved growth of 2.1%, and Russia increased by 7.1%, both led by rate growth. Across the rest of Europe, RevPAR achieved strong growth of 7.6%, led by recovery in markets previously impacted by terror attacks.

### Asia, Middle East and Africa (AMEA)

AMEA room demand growth increased by its fastest rate of the past five years resulting in rising occupancy across most countries in the region. Average daily rate was also on the rise, driving up regional RevPAR growth to 3.0%; its highest for the past four years. RevPAR was up in several countries in the region, including Japan (3.0%), Australia (2.8%), India (3.8%) and Thailand (4.2%) with growth in both demand and average daily rate.

Egypt drove RevPAR growth in the Middle East (3.4%). Excluding Egypt, Middle East RevPAR fell 5.2% as Saudi Arabia, the United Arab Emirates, and others were impacted by weak oil prices and high supply growth. Room demand was up in all but two of the 11 Middle East countries excluding Egypt, as declining average daily rate was the principal driver of the weaker performance. Supply growth remained robust, up 5.4% in 2017, excluding Egypt, and it has been above 5% for the past decade.

Across this large region, IHG is widely represented both geographically and by brand, and comparisons across the industry are hard to make. Overall, IHG regional comparable RevPAR increased by 1.5%, driven by occupancy growth. Performance outside the Middle East was strong with 4.4% RevPAR growth overall, led by strong trading in the mature markets of Australia, where RevPAR increased by 4.5%, ahead of the industry, and in Japan where RevPAR increased by 2.7%. The Middle East RevPAR was down 4.1%, impacted by low oil prices and industry wide supply growth. Total RevPAR declined by 3.0% for the year impacted by the proportion of hotel openings in developing markets where RevPARs are significantly lower than developed markets.

### Greater China

Lodging industry RevPAR in Greater China increased by 5.2% via strong demand gains and the first average daily rate increase of the past seven years. While RevPAR declined from 2010 to 2016, demand has been robust, but performance had been held back by falling average daily rate and increasing supply. Supply gains in 2017 (3.5%) were the smallest of the past 18 years.

The two largest sub-regions (North & East) saw RevPAR gains of greater than 5% each, whereas the South and Central, the next two largest sub-regions, reported growth of more than 8% each. RevPAR growth in all four of the sub-regions was driven primarily by demand increases with supporting average daily rate gains. While supply growth slowed in Greater China overall, certain areas continued to see strong increases, including Macau (9.6%), the West (6.2%) and Central China (5.1%). Demand was also strongest in those three sub-regions, up more than 10% each.

IHG's regional comparable RevPAR in Greater China increased by 6.0% in 2017, slightly ahead of the industry. Our RevPAR was driven by better than the industry occupancy, which increased by 5.5%, whilst average daily rate grew by 0.4%. Mainland China RevPAR increased by 6.6%, led by growth of 6.9% in tier 1 cities due to strong transient, corporate and meeting demand. RevPAR grew in Hong Kong and Macau by 2.7% and 11.4%, respectively.

Source: Smith Travel Research for all of the above industry facts.

#### Comparable RevPAR movements on previous year (12 months ended 31 December 2017)

Region	Franchised	Managed	Owned and leased
Americas	Crowne Plaza	InterContinental	All brands
	Holiday Inn	Kimpton	
	Holiday Inn Express	Crowne Plaza	
	All brands	Holiday Inn	
		Staybridge Suites	
		Candlewood Suites	
Europe	All brands	All brands	
		All brands	
AMEA	All brands	All brands	
Greater China		All brands	

Performance continued

Regional highlights

In 2017, we delivered several important initiatives regionally, to enhance both our guest and owner proposition.



Americas

**Crowne Plaza Accelerate programme**

Now in its second year, Crowne Plaza Accelerate is a \$200m investment in our Americas portfolio, designed to improve guest experience, brand awareness and commercial performance. The programme centres on delivering distinctive service, refurbishments and innovation to differentiate the brand. Owner enthusiasm is demonstrated by widespread adoption, with 114 hotels (78% of the Americas estate), participating in 2017. These properties have seen an average RevPAR uplift of 2.3% vs non-participating hotels.

Plaza Workspace is one innovative way we are differentiating the brand; both for guests and for owners. Guests enjoy public spaces designed to meet the needs of their modern business-leisure balance, whilst owners benefit from new sources of F&B revenue, driving a payback period of just two years.



Europe

**Transforming Holiday Inn brand family**

Our Holiday Inn Express and Holiday Inn estate in Europe is undergoing a major transformation. Two key elements of this are re-engineered guest bedrooms and re-imagined public spaces.

The Holiday Inn Express Generation 4 guestroom utilises modern, flexible design to meet the evolving needs of the smart traveller. Driving a 4ppt Guest Love uplift post-refurbishment, rollout has now reached 87% of all Generation 1 and 2 properties.

The rollout of Holiday Inn Open Lobby, a concept which transforms hotel lobbies into revenue-generating welcoming areas to work or socialise, is continuing at pace – 77% of open and pipeline hotels have installed or are now committed to Open Lobby. Guests are responding well, with uplifts in Guest Love (+7ppts) and F&B profit (+20%).



AMEA

**Expanding our Upscale and Luxury portfolio**

Expanding our Upscale and Luxury portfolio is a key part of IHG's growth strategy, particularly in AMEA. IHG's brands in this space deliver enriching, authentic, local experiences that guests increasingly seek out. 2017 saw several landmark signings and openings:

- Kimpton Bali, a resort in the Nusa Dua area, was our first Kimpton signing in AMEA;
- EVEN Hotels Auckland was signed, the first of several EVEN Hotels to be developed across key Australasian cities;
- Hotel Indigo Bali Seminyak opened – the world's first Hotel Indigo resort – alongside growing the AMEA pipeline to 14 hotels; and
- InterContinental Hanoi Landmark 72 opened – Vietnam's tallest hotel – as well as InterContinental hotels in Singapore, Perth and an InterContinental Resort in Fujairah.



Greater China

**Franchise Plus in Greater China**

The Chinese hotel market is maturing and IHG is adapting to ensure our owner proposition in the region remains compelling.

In 2016, we launched our Franchise Plus model, specifically for Holiday Inn Express. This provides all the benefits of operating a franchise hotel, with several features typical of a managed model, to ensure a high-quality guest experience and maximise owner returns. Franchise Plus has significantly accelerated Holiday Inn Express growth in China, with 54 signings in 2017, well over double the number of managed signings.

Building on this momentum, in 2017 we extended our franchise offer to Crowne Plaza, Holiday Inn and Holiday Inn Resort. We will grow the franchise business in China through established strategic partners with proven records of superior hotel management.



Please see Our Strategic Model on pages 14 to 15 to read more.

# Americas

## Americas results

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
<b>Revenue</b>					
Franchised	703	685	2.6	661	3.6
Managed	172	172	-	166	3.6
Owned and leased	150	136	10.3	128	6.3
<b>Total</b>	<b>1,025</b>	<b>993</b>	<b>3.2</b>	<b>955</b>	<b>4.0</b>
<b>Percentage of Group revenue</b>	<b>57.4</b>	<b>57.9</b>	<b>(0.5)</b>	<b>53.0</b>	<b>4.9</b>
<b>Operating profit before exceptional items</b>					
Franchised	606	600	1.0	575	4.3
Managed	65	64	1.6	64	-
Owned and leased	29	24	20.8	24	-
Regional overheads	(56)	(55)	(1.8)	(66)	16.7
	644	633	1.7	597	6.0
Exceptional items	37	(29)	227.6	(41)	29.3
<b>Operating profit</b>	<b>681</b>	<b>604</b>	<b>12.7</b>	<b>556</b>	<b>8.6</b>
<b>Percentage of Group operating profit before central overheads and exceptional items</b>	<b>74.1</b>	<b>75.8</b>	<b>(1.7)</b>	<b>71.9</b>	<b>3.9</b>

### Highlights for the year ended 31 December 2017

With 4,029 hotels (497,460 rooms), the Americas represented 62% of the Group's room count and 74% of the Group's operating profit before central overheads and exceptional items for the year ended 31 December 2017. The key profit producing market is the US, although the Group is also represented in Latin America, Canada, Mexico and the Caribbean. 88% of rooms in the region are operated under the franchise business model, primarily in the Mainstream segment (including the Holiday Inn brand family). In the Upscale segment, Crowne Plaza is predominantly franchised whereas, in the Luxury segment, InterContinental-branded hotels are operated under both franchise and management agreements, whilst Kimpton is managed. 12 of the Group's 13 hotel brands are represented in the Americas.

Revenue and operating profit increased by \$32m (3.2%) to \$1,025m and by \$77m (12.7%) to \$681m respectively. Operating profit before exceptional items increased by \$11m (1.7%) to \$644m. On an underlying<sup>a</sup> basis, revenue increased by \$37m (3.9%), while operating profit increased by \$16m (2.5%), driven predominantly by RevPAR growth in the fee business and an increase in net rooms.

Franchised revenue and operating profit increased by \$18m (2.6%) to \$703m and by

\$6m (1.0%) to \$606m respectively. On a constant currency basis, revenue increased by \$17m (2.5%) and operating profit increased by \$6m (1.0%) as incremental royalties<sup>b</sup> growth from RevPAR and net rooms growth were partly offset by a delay in the recognition of a payroll tax credit, the implementation of the previously disclosed Crowne Plaza Accelerate financial incentives, and the annualisation of our investment in the Americas development team. Royalties growth of 3.3% was driven by comparable RevPAR growth of 1.8%, including 1.9% for Holiday Inn and 1.7% for Holiday Inn Express, together with 1.5% rooms growth.

Managed revenue remained flat at \$172m, whilst operating profit increased by \$1m (1.6%) to \$65m. Revenue and operating profit included \$34m (2016: \$34m) and \$nil (2016: \$nil) respectively from one managed-lease property. Excluding results from this managed-lease hotel and on a constant currency basis, revenue increased by \$6m (4.3%) and operating profit increased by \$7m (10.9%) respectively.

Owned and leased revenue increased by \$14m (10.3%) to \$150m, whilst operating profit increased by \$5m (20.8%) to \$29m due to North American inbound business to Holiday Inn Aruba and the ramp up of EVEN Hotels Brooklyn.

### Highlights for the year ended 31 December 2016

Revenue and operating profit increased by \$38m (4.0%) to \$993m and by \$48m (8.6%) to \$604m respectively. Operating profit before exceptional items increased by \$36m (6.0%) to \$633m. Underlying<sup>a</sup> revenue increased by \$53m (5.8%), while underlying<sup>a</sup> operating profit increased by \$46m (7.7%), driven predominantly by RevPAR growth in the fee business and an increase in net rooms. The underlying results exclude the impact of owned asset disposals, managed leases, and the benefit of significant liquidated damages receipts (2016: \$nil; 2015: \$3m).

Franchised revenue and operating profit increased by \$24m (3.6%) to \$685m and by \$25m (4.3%) to \$600m respectively. Royalties<sup>b</sup> growth of 2.4% was driven by comparable RevPAR growth of 1.9%, including 2.6% for Holiday Inn and 1.7% for Holiday Inn Express, together with 2.0% rooms growth. On a constant currency basis, revenue and operating profit increased by \$29m (4.4%) to \$690m and by \$30m (5.2%) to \$605m respectively.

Managed revenue increased by \$6m (3.6%) to \$172m, whilst operating profit stayed flat at \$64m due to costs relating to our 20% interest in InterContinental New York Barclay and the ongoing impact of new supply on RevPAR growth in New York. Revenue and operating profit included \$34m (2015: \$38m) and \$nil (2015: \$nil) respectively from one managed-lease property. Excluding results from this managed-lease hotel, the benefit of significant liquidated damages receipts (2016: \$nil; 2015: \$3m) and on a constant currency basis, revenue increased by \$16m (12.8%) and operating profit increased by \$5m (8.2%) respectively.

Owned and leased revenue increased by \$8m (6.3%) to \$136m, whilst operating profit stayed flat at \$24m.

Regional overheads increased by \$11m (16.7%) to \$55m due to a \$10m year-on-year decrease in US healthcare costs.

<sup>a</sup> Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 154 and 155). Underlying operating profit growth also excludes the impact of exceptional items.

<sup>b</sup> Royalties are fees, based on rooms revenue, that a franchisee pays to the brand owner for use of the brand name.

## Performance continued

### Americas continued

#### Americas hotel and room count

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	50	2	17,578	1,170
Kimpton	65	4	12,242	1,004
Crowne Plaza	156	(8)	41,278	(2,838)
Hotel Indigo	51	5	6,828	896
EVEN Hotels	8	2	1,238	228
Holiday Inn <sup>a</sup>	773	(1)	135,604	(1,140)
Holiday Inn Express	2,217	63	199,410	7,039
Staybridge Suites	244	18	26,156	1,971
Candlewood Suites	376	14	35,424	1,232
Other	89	5	21,702	(95)
<b>Total</b>	<b>4,029</b>	<b>104</b>	<b>497,460</b>	<b>9,467</b>
<b>Analysed by ownership type</b>				
Franchised	3,727	94	437,292	6,426
Managed	296	10	58,343	3,041
Owned and leased	6	-	1,825	-
<b>Total</b>	<b>4,029</b>	<b>104</b>	<b>497,460</b>	<b>9,467</b>
<b>Percentage of Group hotel and room count</b>	<b>75.3</b>	<b>(0.6)</b>	<b>62.3</b>	<b>(1.3)</b>

<sup>a</sup> Includes 25 Holiday Inn Resort properties (6,787 rooms) and 26 Holiday Inn Club Vacations properties (7,676 rooms) (2016: 25 Holiday Inn Resort properties (6,791 rooms) and 26 Holiday Inn Club Vacations properties (7,601 rooms)).

Total number of hotels

# 4,029

Total number of rooms

# 497,460

Americas System size increased by 104 hotels (9,467 rooms) to 4,029 hotels (497,460 rooms) during 2017. 190 hotels (21,615 rooms) opened in the year, compared to 188 hotels (23,535 rooms) in 2016. Openings included 124 hotels (12,949 rooms) in the Holiday Inn brand family, representing 59.9% of the region's openings.

86 hotels (12,148 rooms) were removed from the Americas System in 2017, demonstrating our continued commitment to quality, compared to 103 hotels (15,117 rooms) in 2016. 26.3% of 2017 room removals were Holiday Inn rooms in the US (17 hotels, 3,189 rooms) compared to 37.3% in 2016 (30 hotels, 5,638 rooms).

#### Americas pipeline

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	7	-	1,893	(639)
Kimpton	14	(3)	2,238	(711)
Crowne Plaza	14	(3)	2,719	(567)
Hotel Indigo	33	1	4,026	61
EVEN Hotels	8	2	1,114	334
Holiday Inn <sup>b</sup>	128	-	16,375	(929)
Holiday Inn Express	524	36	49,607	2,811
avid hotels	44	44	4,043	4,043
Staybridge Suites	146	15	15,432	1,536
Candlewood Suites	112	4	10,009	405
Other	12	1	1,648	309
<b>Total</b>	<b>1,042</b>	<b>97</b>	<b>109,104</b>	<b>6,653</b>
<b>Analysed by ownership type</b>				
Franchised	1,002	105	102,844	9,549
Managed	40	(8)	6,260	(2,896)
<b>Total</b>	<b>1,042</b>	<b>97</b>	<b>109,104</b>	<b>6,653</b>

<sup>b</sup> Includes one Holiday Inn Resort property (165 rooms) (2016: three Holiday Inn Resort properties (455 rooms)).

Total number of hotels in the pipeline

# 1,042

Total number of rooms in the pipeline

# 109,104

At 31 December 2017, the Americas pipeline totalled 1,042 hotels (109,104 rooms), representing an increase of 97 hotels (6,653 rooms) over the prior year. Strong signings of 365 hotels (37,419 rooms) were ahead of last year by 33 hotels (381 rooms). The majority of 2017 signings were within the Holiday Inn brand family (220 hotels, 21,829 rooms) and our extended-stay brands, Staybridge Suites and Candlewood Suites (70 hotels, 6,977 rooms). Launched in the US in September 2017, avid hotels is making good progress towards becoming IHG's next brand of scale with signings of 44 hotels (4,043 rooms).

78 hotels (9,151 rooms) were removed from the pipeline in 2017 compared to 64 hotels (7,436 rooms) in 2016.

# Europe

## Europe results

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
<b>Revenue</b>					
Franchised	109	102	6.9	104	(1.9)
Managed	132	125	5.6	131	(4.6)
Owned and leased	-	-	-	30	(100.0)
<b>Total</b>	<b>241</b>	<b>227</b>	<b>6.2</b>	<b>265</b>	<b>(14.3)</b>
<b>Percentage of Group revenue</b>	<b>13.5</b>	<b>13.3</b>	<b>0.2</b>	<b>14.7</b>	<b>(1.4)</b>
<b>Operating profit before exceptional items</b>					
Franchised	85	78	9.0	77	1.3
Managed	26	22	18.2	28	(21.4)
Owned and leased	-	-	-	1	(100.0)
Regional overheads	(25)	(25)	-	(28)	10.7
	86	75	14.7	78	(3.8)
Exceptional items	(2)	-	-	175	(100.0)
<b>Operating profit</b>	<b>84</b>	<b>75</b>	<b>12.0</b>	<b>253</b>	<b>(70.4)</b>
<b>Percentage of Group operating profit before central overheads and exceptional items</b>	<b>9.9</b>	<b>9.0</b>	<b>0.9</b>	<b>9.4</b>	<b>(0.4)</b>

### Highlights for the year ended 31 December 2017

Comprising 692 hotels (113,415 rooms) at the end of 2017, Europe represented 14% of the Group's room count and 10% of the Group's operating profit before central overheads and exceptional items for the year ended 31 December 2017. Revenues are primarily generated from hotels in the UK and continental European gateway cities. The largest proportion of rooms in Europe are operated under the franchise business model primarily in the Mainstream segment (Holiday Inn and Holiday Inn Express). Similarly, in the Upscale segment, Crowne Plaza is predominantly franchised, whereas, in the Luxury segment, the majority of InterContinental-branded hotels are operated under management agreements.

Revenue and operating profit increased by \$14m (6.2%) to \$241m and by \$9.0m (12.0%) to \$84m respectively. Operating profit before exceptional items increased by \$11m (14.7%) to \$86m. On an underlying<sup>a</sup> basis, revenue increased by \$15m (10.0%) and operating profit increased by \$12m (16.4%) driven by strong trading, 3.0% rooms growth

and effective cost control to maintain overheads in line with the prior year. Overall, comparable RevPAR in Europe increased by 6.3%, with the UK and Germany increasing by 4.5% and 2.1% respectively. Recovery in markets previously impacted by terror attacks led to RevPAR growth in the year of 7.1% in France and double digit growth in Belgium and Turkey.

Franchised revenue increased by \$7m (6.9%) to \$109m, whilst operating profit increased by \$7m (9.0%) to \$85m. On a constant currency basis, revenue and operating profit increased by \$8m (7.8%) and \$7m (9.0%) respectively, positively impacted by strong US inbound tourism to the UK in the first half of the year.

Managed revenue increased by \$7m (5.6%) and operating profit increased by \$4m (18.2%). Revenue and operating profit included \$77m (2016: \$77m) and \$nil (2016: \$2m) respectively from managed leases. Excluding properties operated under this arrangement, and on a constant currency basis, revenue increased by \$7m (14.6%) and operating profit increased by \$5m (25.0%).

### Highlights for the year ended 31 December 2016

Revenue decreased by \$38m (14.3%) to \$227m and operating profit decreased by \$178m (70.4%) to \$75m, primarily due to the gain on sale of InterContinental Paris – Le Grand during the year ended 31 December 2015. Operating profit before exceptional items decreased by \$3.0m (3.8%) to \$75m. Underlying<sup>a</sup> revenue increased by \$1m (0.6%) and underlying<sup>a</sup> operating profit stayed flat at \$76m. Overall, comparable RevPAR in Europe increased by 1.7%, with the UK increasing by 2.6%, led by average daily rate growth in the provinces, Germany growing by 6.8% and Russia and CIS growing at 14.7%.

Franchised revenue decreased by \$2m (1.9%) to \$102m, whilst operating profit increased by \$1m (1.3%) to \$78m. On a constant currency basis, revenue and operating profit increased by \$6m (5.8%) and \$6m (7.8%) respectively.

Managed revenue decreased by \$6m (4.6%) and operating profit decreased by \$6m (21.4%). Revenue and operating profit included \$77m (2015: \$75m) and \$2m (2015: \$1m) respectively from managed leases. Excluding properties operated under this arrangement, and on a constant currency basis, revenue decreased by \$5m (8.9%) and operating profit decreased by \$6m (22.2%). Performance was impacted by difficult trading conditions for our hotels in Paris, and a revenue reduction in relation to three managed hotels; two of which have exited the system and one of which is undergoing a major refurbishment.

The last remaining hotel in the owned and leased estate, InterContinental Paris – Le Grand, was sold in 2015. Following this, revenue and operating profit in the estate decreased to nil.

<sup>a</sup> Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 154 and 155). Underlying operating profit growth also excludes the impact of exceptional items.

## Performance continued

### Europe continued

#### Europe hotel and room count

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	32	1	9,889	165
Kimpton	1	1	274	274
Crowne Plaza	97	5	22,477	1,590
Hotel Indigo	24	3	2,182	272
Holiday Inn <sup>a</sup>	286	(5)	46,928	(901)
Holiday Inn Express	244	10	30,508	1,930
Staybridge Suites	7	-	1,000	-
Other	1	-	157	16
<b>Total</b>	<b>692</b>	<b>15</b>	<b>113,415</b>	<b>3,346</b>
<b>Analysed by ownership type</b>				
Franchised	636	7	98,302	1,272
Managed	56	8	15,113	2,074
<b>Total</b>	<b>692</b>	<b>15</b>	<b>113,415</b>	<b>3,346</b>
<b>Percentage of Group hotel and room count</b>	<b>13.0</b>	<b>(0.1)</b>	<b>14.2</b>	<b>(0.2)</b>

Total number of hotels

692

Total number of rooms

113,415

During 2017, Europe System size increased by 15 hotels (3,346 rooms) to 692 hotels (113,415 rooms). The Group opened 26 hotels (4,917 rooms) in Europe in 2017, compared to 24 hotels (4,188 rooms) in 2016. In Germany, we opened a record 11 hotels (2,101 rooms).

11 hotels (1,571 rooms) left the Europe System in the period, compared to seven hotels (830 rooms) in the previous year.

<sup>a</sup> Includes one Holiday Inn Resort property (88 rooms) (2016: one Holiday Inn Resort property (88 rooms)).

#### Europe pipeline

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	5	(1)	779	(34)
Kimpton	1	-	149	-
Crowne Plaza	16	2	3,199	14
Hotel Indigo	20	2	2,353	89
Holiday Inn	38	4	7,781	512
Holiday Inn Express	67	9	10,410	1,015
Staybridge Suites	7	2	921	284
Other	1	1	396	396
<b>Total</b>	<b>155</b>	<b>19</b>	<b>25,988</b>	<b>2,276</b>
<b>Analysed by ownership type</b>				
Franchised	135	24	20,774	2,866
Managed	20	(5)	5,214	(590)
<b>Total</b>	<b>155</b>	<b>19</b>	<b>25,988</b>	<b>2,276</b>

Total number of hotels in the pipeline

155

Total number of rooms in the pipeline

25,988

The Europe pipeline totalled 155 hotels (25,988 rooms) at 31 December 2017, representing an increase of 19 hotels (2,276 rooms) over 31 December 2016. Signings of 59 hotels (9,241 rooms), a decrease of one hotel (313 rooms) from the prior year, included 19 hotels (3,690 rooms) in Germany, a record number of signings for the fourth year running, and 14 hotels (1,497 rooms) in the UK.

14 hotels (2,048 rooms) were removed from the pipeline in 2017, compared to 12 hotels (1,944 rooms) in 2016.

AMEA results

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
<b>Revenue</b>					
Franchised	17	16	6.3	16	-
Managed	193	184	4.9	189	(2.6)
Owned and leased	34	37	(8.1)	36	2.8
<b>Total</b>	<b>244</b>	<b>237</b>	<b>3.0</b>	<b>241</b>	<b>(1.7)</b>
<b>Percentage of Group revenue</b>	<b>13.7</b>	<b>13.8</b>	<b>(0.1)</b>	<b>13.3</b>	<b>0.5</b>
<b>Operating profit before exceptional items</b>					
Franchised	14	12	16.7	12	-
Managed	91	89	2.2	90	(1.1)
Owned and leased	2	2	-	3	(33.3)
Regional overheads	(20)	(21)	4.8	(19)	(10.5)
	87	82	6.1	86	(4.7)
Exceptional items	(2)	-	-	(2)	(100.0)
<b>Operating profit</b>	<b>85</b>	<b>82</b>	<b>3.7</b>	<b>84</b>	<b>(2.4)</b>
<b>Percentage of Group operating profit before central overheads and exceptional items</b>	<b>10.0</b>	<b>9.8</b>	<b>0.2</b>	<b>10.4</b>	<b>(0.6)</b>

Highlights for the year ended 31 December 2017

Comprising 299 hotels (85,661 rooms) at 31 December 2017, AMEA represented 11% of the Group's room count and contributed 10% of the Group's operating profit before central overheads and exceptional items during the year. The majority of rooms in AMEA are operated under the managed business model.

Revenue and operating profit increased by \$7m (3.0%) to \$244m and by \$3m (3.7%) to \$85m respectively. Operating profit before exceptional items increased by \$5m (6.1%) to \$87m. On an underlying basis<sup>a</sup>, revenue and operating profit increased by \$9m (4.8%) and \$9m (11.7%) respectively.

Comparable RevPAR increased 1.5% primarily due to an increase in occupancy. Performance was positive in Japan and Australia, which grew by 2.7% and 4.5% respectively, however the Middle East decreased by 4.1%, impacted by low oil prices and industry wide oversupply.

Franchised revenue increased by \$1m (6.3%) to \$17m, whilst operating profit increased by \$2m (16.7%) to \$14m. On a constant currency basis, revenue stayed flat at \$16m and operating profit increased by \$2m (16.7%).

Managed revenue and operating profit increased by \$9m (4.9%) to \$193m and \$2m (2.2%) to \$91m respectively. Comparable RevPAR increased by 2.1%, with average daily rate declines offset by occupancy gains. Australasia benefitted from strong domestic travel, whilst growth in South East Asia was driven by international arrivals in Indonesia and Thailand. Revenue and operating profit included \$52m (2016: \$51m) and \$4m (2016: \$5m) respectively from one managed-lease property. Excluding results from this hotel and on a constant currency basis, revenue increased by \$12m (9.0%) to \$145m, whilst operating profit increased by \$6m (7.1%) to \$90m.

In the owned and leased estate, on an actual and constant currency basis, revenue decreased by \$3m (8.1%) to \$34m and operating profit stayed flat at \$2m.

Highlights for the year ended 31 December 2016

Revenue and operating profit decreased by \$4m (1.7%) to \$237m and by \$2m (2.4%) to \$82m respectively. Operating profit before exceptional items decreased by \$4m (4.7%) to \$82m. Underlying<sup>a</sup> revenue and underlying<sup>a</sup> operating profit decreased by \$8m (4.1%) and \$3m (3.7%) respectively.

Comparable RevPAR decreased 0.2% primarily due to a fall in rate. Performance was positive in India, which grew by 14.1%, and Japan exhibited growth of 3.6%, however the Middle East decreased by 7.0%, impacted by declining oil prices and oversupply.

On an actual and constant currency basis franchised revenue and operating profit remained flat at \$16m and \$12m respectively.

Managed revenue and operating profit decreased by \$5m (2.6%) to \$184m and \$1m (1.1%) to \$89m respectively. Revenue and operating profit included \$51m (2015: \$46m) and \$5m (2015: \$5m) respectively from one managed-lease property. Excluding results from this hotel and on a constant currency basis, revenue decreased by \$9m (6.3%) to \$134m, whilst operating profit remained flat at \$85m. Good underlying growth in our managed business was offset by a \$7m revenue reduction in relation to four hotels; three long-standing contracts being renewed onto standard market terms and one equity stake disposal.

In the owned and leased estate, on an actual and constant currency basis, revenue increased by \$1m (2.8%) to \$37m and operating profit decreased by \$1m (33.3%) to \$2m.

<sup>a</sup> Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 154 and 155). Underlying operating profit growth also excludes the impact of exceptional items.

## Performance continued

### AMEA continued

#### AMEA hotel and room count

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	72	3	21,902	699
Crowne Plaza	79	6	22,097	1,348
Hotel Indigo	3	1	612	289
Holiday Inn <sup>a</sup>	97	4	23,502	2,190
Holiday Inn Express	38	4	8,667	1,084
Staybridge Suites	4	1	589	164
Other	6	-	8,292	3,836
<b>Total</b>	<b>299</b>	<b>19</b>	<b>85,661</b>	<b>9,610</b>
<b>Analysed by ownership type</b>				
Franchised	59	4	13,476	906
Managed	238	15	71,652	8,758
Owned and leased	2	-	533	(54)
<b>Total</b>	<b>299</b>	<b>19</b>	<b>85,661</b>	<b>9,610</b>
<b>Percentage of Group hotel and room count</b>	<b>5.6</b>	<b>0.2</b>	<b>10.8</b>	<b>0.9</b>

Total number of hotels

299

Total number of rooms

85,661

The AMEA System size increased by 19 hotels (9,610 rooms) to 299 hotels (85,661 rooms) as at 31 December 2017. Openings increased by nine hotels (6,612 rooms) to 26 hotels (11,085 rooms) in 2017 including 3,512 rooms in Makkah, Saudi Arabia which relate to the remaining portion of the signing that was announced in 2015.

Seven hotels (1,475 rooms) were removed from the AMEA System in 2017, compared to four hotels (995 rooms) in 2016.

<sup>a</sup> Includes 15 Holiday Inn Resort properties (3,259 rooms) (2016: 14 Holiday Inn Resort properties (2,953 rooms)).

#### AMEA pipeline

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	23	(4)	5,701	(980)
Kimpton	1	1	50	50
Crowne Plaza	20	(1)	5,456	(98)
Hotel Indigo	14	-	2,387	(195)
EVEN Hotels	1	1	200	200
Holiday Inn <sup>b</sup>	57	8	14,284	1,020
Holiday Inn Express	41	6	7,686	200
Staybridge Suites	7	3	1,588	800
Other	-	-	18	(3,512)
<b>Total</b>	<b>164</b>	<b>14</b>	<b>37,370</b>	<b>(2,515)</b>
<b>Analysed by ownership type</b>				
Franchised	18	7	4,054	1,648
Managed	146	7	33,316	(4,163)
<b>Total</b>	<b>164</b>	<b>14</b>	<b>37,370</b>	<b>(2,515)</b>

Total number of hotels in the pipeline

164

Total number of rooms in the pipeline

37,370

At 31 December 2017, the AMEA pipeline totalled 164 hotels (37,370 rooms) compared to 150 hotels (39,885 rooms) at 31 December 2016. Hotel signings in AMEA were the highest since 2007 with 63 hotels (12,620 rooms), an increase of 21 hotels (2,069 rooms) from 2016. The AMEA pipeline decreased by 2,515 rooms partly due to the opening of 3,512 rooms in Makkah, Saudi Arabia. The majority of 2017 signings were within the Holiday Inn brand family (42 hotels, 7,787 rooms) including the rebranding of a portfolio of 14 properties in India to the Holiday Inn Express brand as well as three InterContinental hotels (730 rooms).

23 hotels (4,050 rooms) were removed from the pipeline in 2017, compared to 23 hotels (4,651 rooms) in 2016.

<sup>b</sup> Includes five Holiday Inn Resort properties (1,075 rooms) (2016: five Holiday Inn Resort properties (1,256 rooms)).



## Greater China

### Greater China results

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
<b>Revenue</b>					
Franchised	4	3	33.3	4	(25.0)
Managed	122	114	7.0	105	8.6
Owned and leased	-	-	-	98	(100.0)
<b>Total</b>	<b>126</b>	<b>117</b>	<b>7.7</b>	<b>207</b>	<b>(43.5)</b>
<b>Percentage of Group revenue</b>	<b>7.1</b>	<b>6.8</b>	<b>0.3</b>	<b>11.5</b>	<b>(4.7)</b>
<b>Operating profit before exceptional items</b>					
Franchised	2	3	(33.3)	5	(40.0)
Managed	73	64	14.1	59	8.5
Owned and leased	-	-	-	29	(100.0)
Regional overheads	(23)	(22)	(4.5)	(23)	4.3
	52	45	15.6	70	(35.7)
Exceptional items	-	-	-	698	(100.0)
<b>Operating profit</b>	<b>52</b>	<b>45</b>	<b>15.6</b>	<b>768</b>	<b>(94.1)</b>
<b>Percentage of Group operating profit before central overheads and exceptional items</b>	<b>6.0</b>	<b>5.4</b>	<b>0.6</b>	<b>8.4</b>	<b>(3.0)</b>

#### Highlights for the year ended 31 December 2017

Comprising 328 hotels (101,539 rooms) at 31 December 2017, Greater China represented approximately 13% of the Group's room count and contributed approximately 6% of the Group's operating profit before central overheads and exceptional items for the year ended 31 December 2017. The majority of rooms in Greater China are operated under the managed business model.

Revenue and operating profit increased by \$9m (7.7%) to \$126m and by \$7m (15.6%) to \$52m respectively. On an underlying<sup>a</sup> basis, revenue increased by \$11m (9.4%) and operating profit increased by \$7m (15.6%), driven by strong trading in mainland China and 9.2% rooms growth as well as robust cost control as we continue to leverage the scale of the operational platform we have built in Greater China.

On an actual and constant currency basis, franchised revenue increased by \$1m (33.3%) to \$4m, whereas operating profit decreased by \$1m (33.3%) to \$2m due to additional investment in growth initiatives.

Managed revenue and operating profit increased by \$8m (7.0%) to \$122m and by \$9m (14.1%) to \$73m respectively. Comparable RevPAR increased by 6.1%, whilst the Greater China System size grew by 7.6%. RevPAR in mainland tier 1 cities benefitted from strong transient, corporate and meetings demand. On a constant currency basis, revenue and operating profit increased by \$10m (8.8%) to \$124m and by \$10m (15.6%) to \$74m respectively.

#### Highlights for the year ended 31 December 2016

Revenue decreased by \$90m (43.5%) to \$117m and operating profit decreased by \$723m (94.1%) to \$45m, primarily due to the gain on sale of InterContinental Hong Kong in 2015. Operating profit before exceptional items decreased by \$25m (35.7%) to \$45m. Underlying<sup>a</sup> revenue and underlying<sup>a</sup> operating profit increased by \$14m (12.8%) and by \$6m (14.6%) respectively. Overall, the region achieved comparable RevPAR growth of 2.2%. Trading in mainland tier 1 cities was particularly strong, whilst the rest of mainland China showed slower growth.

On an actual and constant currency basis, franchised revenue and operating profit decreased by \$1m (25.0%) and by \$2m (40.0%) respectively.

Managed revenue and operating profit increased by \$9m (8.6%) to \$114m and by \$5m (8.5%) to \$64m respectively. Comparable RevPAR increased by 3.0%, whilst the Greater China System size grew by 9.0%, driving a 7.0% increase in total gross revenue derived from rooms business. Total gross revenue derived from non-rooms business increased by 6.8%, primarily due to increased food and beverage revenue. On a constant currency basis, revenue and operating profit increased by \$15m (14.3%) to \$120m and by \$8m (13.6%) to \$67m respectively, with ongoing investment in growth initiatives more than offset by scale efficiencies and strategic cost management.

The last remaining hotel in the owned and leased estate, InterContinental Hong Kong, was sold in 2015. Following this, revenue and operating profit in the estate decreased to nil.

<sup>a</sup> Underlying excludes the impact of owned asset disposals, significant liquidated damages and the results from managed-lease hotels, translated at constant currency by applying prior-year exchange rates (see pages 154 and 155). Underlying operating profit growth also excludes the impact of exceptional items.

Performance continued  
Greater China continued

Greater China hotel and room count

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	40	1	16,629	314
HUALUXE	7	3	2,089	993
Crowne Plaza	82	3	28,948	897
Hotel Indigo	7	1	1,023	283
Holiday Inn <sup>a</sup>	86	3	26,659	788
Holiday Inn Express	101	26	23,813	5,336
Other	5	(1)	2,378	(94)
<b>Total</b>	<b>328</b>	<b>36</b>	<b>101,539</b>	<b>8,517</b>
<b>Analysed by ownership type</b>				
Franchised	11	7	3,764	1,580
Managed	317	29	97,775	6,937
<b>Total</b>	<b>328</b>	<b>36</b>	<b>101,539</b>	<b>8,517</b>
<b>Percentage of Group hotel and room count</b>	<b>6.1</b>	<b>0.5</b>	<b>12.7</b>	<b>0.6</b>

<sup>a</sup> Includes six Holiday Inn Resort properties (1,820 rooms) (2016: six Holiday Inn Resort properties (1,820 rooms)).

Total number of hotels

328

Total number of rooms

101,539

The Greater China System size increased by 36 hotels (8,517 rooms) in the year to 328 hotels (101,539 rooms). 43 hotels (10,570 rooms) opened during 2017, 14 hotels and 2,632 rooms higher than 2016. Recent growth in the region has focused on tier 2 and 3 cities, which now represent approximately 65% of our open rooms. 33 Holiday Inn brand family hotels (7,184 rooms) were also added in the year, compared to 17 hotels (3,773 rooms) in 2016 with Holiday Inn Express passing a significant milestone, with more than 100 hotels now open.

Seven hotels (2,053 rooms) were removed in 2017 compared to two hotels (425 rooms) in 2016.

Greater China pipeline

At 31 December	Hotels		Rooms	
	2017	Change over 2016	2017	Change over 2016
<b>Analysed by brand</b>				
InterContinental	28	6	8,980	1,526
Kimpton	2	2	359	359
HUALUXE	21	(1)	6,289	(667)
Crowne Plaza	36	(2)	11,673	(838)
Hotel Indigo	15	4	2,535	753
EVER Hotels	3	3	796	796
Holiday Inn <sup>b</sup>	54	4	15,116	275
Holiday Inn Express	134	39	25,657	5,452
Other	1	-	279	-
<b>Total</b>	<b>294</b>	<b>55</b>	<b>71,684</b>	<b>7,656</b>
<b>Analysed by ownership type</b>				
Franchised	68	48	11,676	7,591
Managed	226	7	60,008	65
<b>Total</b>	<b>294</b>	<b>55</b>	<b>71,684</b>	<b>7,656</b>

<sup>b</sup> Includes seven Holiday Inn Resort properties (2,380 rooms) (2016: six Holiday Inn Resort properties (1,820 rooms)).

Total number of hotels in the pipeline

294

Total number of rooms in the pipeline

71,684

At 31 December 2017, the Greater China pipeline totalled 294 hotels (71,684 rooms) compared to 239 hotels (64,028 rooms) at 31 December 2016. Signings (118 hotels, 24,201 rooms) were the highest ever in terms of hotel count since 2007 and highest in terms of rooms since 2008, representing an increase of 29.6% (5,532 rooms) from the prior year. 90 hotels (16,904 rooms) were signed for the Holiday Inn brand family, including 54 franchised Holiday Inn Express hotels.

20 hotels (5,975 rooms) were removed from the pipeline in 2017, compared to 19 hotels (5,487 rooms) in 2016.

## Central

### Central results

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
Revenue	148	141	5.0	135	4.4
Gross costs	(258)	(269)	4.1	(286)	5.9
	(110)	(128)	14.1	(151)	15.2
Exceptional items	(29)	-	-	(11)	100.0
<b>Operating loss</b>	<b>(139)</b>	<b>(128)</b>	<b>(8.6)</b>	<b>(162)</b>	<b>21.0</b>

#### Highlights for the year ended 31 December 2017

The net operating loss increased by \$11m (8.6%) compared to 2016. Central revenue, which mainly comprises technology fee income, increased by \$7m (5.0%) to \$148m (an increase of \$8m (5.7%) at constant currency), driven by increases in both comparable RevPAR (2.7%) and IHG System size (4.0%). At constant currency, gross costs decreased by \$7m (2.6%) compared to 2016 (an \$11m or 4.1% decrease at actual currency) benefitting from the impact of our cost management programme. Net operating loss before exceptional items decreased by \$18m (14.1%) to \$110m (a \$15m or 11.7% decrease at constant currency).

#### Highlights for the year ended 31 December 2016

The net operating loss decreased by \$34m (21.0%) compared to 2015. Central revenue, which mainly comprises technology fee income, increased by \$6m (4.4%) to \$141m (an increase of \$9m (6.7%) at constant currency), driven by increases in both comparable RevPAR (1.8%) and IHG System size (3.1%). At constant currency, gross costs decreased by \$3m (1.0%) compared to 2015 (a \$17m or 5.9% decrease at actual currency) driven by a continued focus on strategic cost management. Net operating loss before exceptional items decreased by \$23m (15.2%) to \$128m (a \$12m or 7.9% decrease to \$139m at constant currency).

## System Fund

### System Fund assessments

	12 months ended 31 December				
	2017 \$m	2016 \$m	2017 vs 2016 % change	2015 \$m	2016 vs 2015 % change
Assessment fees and contributions received from hotels	1,562	1,439	8.5	1,351	6.5
Proceeds from sale of IHG Rewards Club points	324	283	14.5	222	27.5
<b>Total</b>	<b>1,886</b>	<b>1,722</b>	<b>9.5</b>	<b>1,573</b>	<b>9.5</b>

In addition to franchise or management fees, hotels within the IHG System pay assessments and contributions (other than for Kimpton and InterContinental) which are collected by IHG for specific use within the System Fund. The System Fund also receives proceeds from the sale of IHG Rewards Club points. The System Fund is managed for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels.

The System Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The operation of the System Fund does not result in a profit or loss for the Group and consequently the revenues and expenses of the System Fund are not included in the Group income statement.

#### Highlights for the year ended 31 December 2017

In the year to 31 December 2017, System Fund income increased by 9.5% to \$1,886m primarily as a result of an 8.5% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 14.5% increase in proceeds from the sale of IHG Rewards Club points.

#### Highlights for the year ended 31 December 2016

In the year to 31 December 2016, System Fund income increased by 9.5% to \$1,722m primarily as a result of a 6.5% increase in assessment fees and contributions from hotels resulting from increased hotel room revenues, reflecting increases in RevPAR and IHG System size. Continued strong performance in co-branded credit card schemes drove the 27.5% increase in proceeds from the sale of IHG Rewards Club points.

## Performance continued

### Other financial information

#### Exceptional items

Pre-tax exceptional items totalled a net gain of \$4m. (Exceptional tax items are described below). The gain included \$73m from the sale of IHG's 6.29% interest in Avendra, LLC, a North American hospitality procurement services provider, in December 2017. Exceptional charges included \$15m relating to the cost of integrating Kimpton into the operations of the Group, which has now been completed, \$36m relating to reorganisation costs (see below) and an \$18m impairment charge relating to an associate investment in the Americas region resulting from the currently depressed trading outlook for the New York hotel market.

Exceptional items are treated as exceptional by reason of their size or nature and are excluded from the calculation of adjusted earnings per ordinary share in order to provide a more meaningful comparison of performance (for more information see page 26).

#### Reorganisation costs

In September 2017, the Group launched a comprehensive efficiency programme which will fund a series of new strategic initiatives to drive an acceleration in IHG's future growth. The programme is centred around strengthening the Group's organisational structure to redeploy resources to leverage scale in the highest opportunity markets and segments. The organisational changes include combining Europe and Asia, Middle East and Africa into one business unit, and creating a new Global Marketing organisation and a new Commercial and Technology function. The strategic initiatives will involve strengthening our loyalty programme, continuing to prioritise digital and technological innovation, enhancing our industry-leading franchise proposition, strengthening our existing brands and also adding new brands where we see the greatest potential for growth.

The programme is expected to realise c.\$125m in annual savings by 2020, of which c.\$75m will benefit the System Fund. These savings, primarily in administrative expenses, are planned to be reinvested as they are realised to accelerate medium-term revenue growth. There will be an estimated \$200m cost to achieve these savings, (of which \$45m was incurred in 2017), including amounts charged to the System Fund. The exceptional cost charged to the Group income statement in 2017 of \$36m includes consultancy fees of \$24m and severance costs of \$8m.

#### Net financial expenses

Net financial expenses reduced by \$2m to \$85m, due to the impact of a weaker pound on translation of sterling interest expense and a reduction in the average interest rate

payable on bond debt following the 2016 refinancing, offset by higher average net debt levels in 2017.

Financing costs included \$7m (2016: \$3m) of interest costs associated with IHG Rewards Club where interest is charged on the accumulated balance of cash received in advance of the redemption of points awarded. The increase in 2017 is due to US base rate increases in 2016 and 2017. Financing costs in 2017 also included \$20m (2016: \$20m) in respect of the InterContinental Boston finance lease.

#### Taxation

The effective rate of tax on operating profit excluding the impact of exceptional items was 30% (2016: 30%). Excluding the impact of prior-year items, the equivalent tax rate would be 31% (2016: 31%). This rate is higher than the average UK statutory rate of 19.25% (2016: 20%), due mainly to certain overseas profits (particularly in the US) being subject to statutory tax rates higher than the UK statutory rate, unrelieved foreign taxes and disallowable expenses.

Taxation within exceptional items totalled a credit of \$116m (2016: credit of \$12m). In 2017, this included a \$108m credit, comprising a \$140m deferred tax credit net of a \$32m current tax charge, as a result of significant US tax reform that was enacted in December 2017, a current tax charge of \$28m arising on the sale of Avendra, a current tax credit of \$13m on reorganisation costs, a \$7m (2016: \$6m) deferred tax credit in respect of the impairment charge relating to the InterContinental Barclay associate, a \$10m deferred tax credit representing a reduction in the Group's unremitted earnings provision and a \$6m (2016: \$5m) deferred tax credit on Kimpton integration costs.

Net tax paid in 2017 totalled \$172m (2016: \$130m). Tax paid represents an effective rate of 25% (2016: 22%) on total profits (excluding exceptionals) and is lower than the effective income statement tax rate of 30% (2016: 30%), primarily due to the timing of US tax payments and the impact of deferred taxes.

IHG pursues an approach to tax that is consistent with its business strategy and its overall business conduct principles. This approach seeks to ensure full compliance with all tax filing, payment and reporting obligations on the basis of communicative and transparent relationships with tax authorities. Policies and procedures related to tax risk management are subject to regular review and update and are approved by the IHG Audit Committee.



The Group's Approach to Tax document is available on IHG's website at [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business) under Policies.

Tax liabilities or refunds may differ from those anticipated, in particular as a result of changes in tax law, changes in the interpretation of tax law, or clarification of uncertainties in the application of tax law. Procedures to minimise risk include the preparation of thorough tax risk assessments for all transactions carrying material tax risk and, where appropriate, material tax uncertainties are discussed and resolved with tax authorities in advance.

IHG's contribution to the jurisdictions in which it operates includes a significant contribution in the form of taxes borne and collected, including taxes on its revenues and profits and in respect of the employment its business generates. IHG earns approximately 80% of its revenues in the form of franchise, management or similar fees, with almost 83% of IHG-branded hotels being franchised. In jurisdictions in which IHG does franchise business, the prevailing tax law will generally provide for IHG to be taxed in the form of local withholding taxes based on a percentage of fees rather than based on profits. Costs to support the franchise business are normally incurred regionally or globally, and therefore profits for an individual franchise jurisdiction cannot be separately determined.

#### Dividends

The Board has proposed a final dividend per ordinary share of 71.0¢. With the interim dividend per ordinary share of 33.0¢, the full-year dividend per ordinary share for 2017 will total 104.0¢, an increase of 11% over 2016.

On 21 February 2017, the Group announced a \$0.4bn return of funds to shareholders by way of a special dividend and share consolidation. The special dividend (202.5¢ per ordinary share) was paid on 22 May 2017.

IHG pays its dividends in pounds sterling and US dollars. The sterling amount of the final dividend will be announced on 23 April 2018 using the average of the daily exchange rates from 18 April 2018 to 20 April 2018 inclusive. See page 25 for details of IHG's dividend policy.

#### Earnings per ordinary share

Basic earnings per ordinary share increased by 57.0% to 306.7¢ from 195.3¢ in 2016. Adjusted earnings per ordinary share increased by 20.3% to 244.6¢ from 203.3¢ in 2016.

#### Share price and market capitalisation

The IHG share price closed at £47.19 on 31 December 2017, up from £36.38 on 31 December 2016. The market capitalisation of the Group at the year end was £9.0bn.

## Liquidity and capital resources

### Sources of liquidity

The Group is primarily financed by public bonds, £400m of which are repayable on 28 November 2022, £300m repayable on 14 August 2025 and £350m repayable on 24 August 2026. This is in addition to a \$1.275bn revolving syndicated bank facility (the Syndicated Facility) and a \$75m revolving bilateral facility (the Bilateral Facility) which mature in March 2022. \$264m was drawn under the Syndicated and Bilateral Facilities at the year end.

The Syndicated and Bilateral Facilities contain the same terms and two financial covenants; interest cover; and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group is in compliance with all of the financial covenants in its loan documents, none of which is expected to present a material restriction on funding in the near future.

Additional funding is provided by the 99-year finance lease (of which 88 years remain) on InterContinental Boston and other uncommitted bank facilities (see note 20 to the Group Financial Statements). In the Group's opinion, the available facilities are sufficient for the Group's present liquidity requirements. Borrowings included bank overdrafts of \$110m (2016: \$89m), which were matched by an equivalent amount of cash and cash equivalents under the Group's cash pooling arrangements.

Net debt of \$1,851m (2016: \$1,506m) is analysed by currency as follows:

	2017 \$m	2016 \$m
<b>Borrowings</b>		
Sterling	1,416	1,289
US dollar	601	418
Euros	2	2
Other	-	3
<b>Cash and cash equivalents</b>		
Sterling	(13)	(27)
US dollar	(75)	(127)
Euros	(13)	(12)
Canadian dollar	(13)	(8)
Chinese renminbi	(12)	(7)
Other	(42)	(25)
<b>Net debt</b>	<b>1,851</b>	<b>1,506</b>
<b>Average debt level</b>	<b>1,810</b>	<b>1,235</b>

Under these arrangements, each pool contains a number of bank accounts with the same financial institution, and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed daily as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position, with the most significant balances in the US and Canada, and the matching overdrafts are held by the Group's central treasury company in the UK.

Cash and cash equivalents include \$3m (2016: \$3m) that is not available for use by the Group due to local exchange controls.

Information on the maturity profile and interest structure of borrowings is included in notes 20 and 22 to the Group Financial Statements.

The Group had net liabilities of \$851m at 31 December 2017, (\$759m at 31 December 2016).

### Cash from operating activities

Net cash from operating activities totalled \$634m for the year ended 31 December 2017, down \$118m on the previous year largely due to cash received in 2016 on behalf of the System Fund of approximately \$95m from renegotiation of long-term partnership agreements.

Cash flow from operating activities is the principal source of cash used to fund the ongoing operating expenses, interest payments, maintenance capital expenditure and normal dividend payments of the Group. The Group believes that the requirements of its existing business and future investment can be met from cash generated internally, disposition of assets, and external finance expected to be available to it.

	Total amounts committed \$m	Less than 1 year \$m	1-3 years \$m	3-5 years \$m	After 5 years \$m
<b>Long-term debt obligations<sup>a, b</sup></b>	1,683	-	-	805	878
<b>Interest payable<sup>b</sup></b>	306	47	92	91	76
<b>Finance lease obligations<sup>c</sup></b>	3,317	16	32	35	3,234
<b>Operating lease obligations</b>	534	56	91	90	297
<b>Agreed pension scheme contributions</b>	9	9	-	-	-
<b>Capital contracts placed</b>	104	104	-	-	-
<b>Total</b>	<b>5,953</b>	<b>232</b>	<b>215</b>	<b>1,021</b>	<b>4,485</b>

<sup>a</sup> Repayment period classified according to the related facility maturity date.

<sup>b</sup> Excluding bank overdrafts.

<sup>c</sup> Mainly represents the minimum lease payments related to the 99-year lease (of which 88 years remain) on InterContinental Boston. Payments under the lease step up at regular intervals over the lease term.

### Cash from investing activities

Net cash outflows from investing activities increased by \$47m to \$263m.

The Group had committed contractual capital expenditure of \$104m at 31 December 2017 (2016: \$97m).

### Cash used in financing activities

Net cash used in financing activities totalled \$446m, which was \$1,010m lower than 2016, reflecting the difference between the \$400m special dividend paid in May 2017 and the \$1.5bn special dividend paid in May 2016. Net cash inflows from borrowings were \$100m lower than in 2016.

Overall net debt increased during the year by \$345m to \$1,851m as at 31 December 2017.

### Off-balance sheet arrangements

At 31 December 2017, the Group had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Contingent liabilities

Contingent liabilities include performance guarantees with possible cash outflows totalling \$31m, guarantees over the debt of equity investments of \$54m and outstanding letters of credit of \$35m. The Group may also be exposed to additional liabilities resulting from security incidents. See note 30 to the Group Financial Statements for further details.

### Contractual obligations

The Group had the following contractual obligations outstanding as of 31 December 2017. See table below.

# Governance

- 46 Chairman's overview**
- 47 Corporate Governance**
- 47 Our Board and Committee governance structure
- 48 Our Board of Directors
- 50 Our Executive Committee
- 52 Board meetings
- 53 Director induction, training and development
- 54 Board effectiveness evaluation
- 55 Engagement with shareholders
- 56 Audit Committee Report
- 60 Corporate Responsibility Committee Report
- 61 Nomination Committee Report
- 62 Statement of compliance with the UK Corporate Governance Code
- 64 Directors' Remuneration Report**
- 64 Remuneration Committee Chairman's statement
- 65 At a glance
- 67 Remuneration at IHG – the wider context
- 68 Directors' Remuneration Policy summary
- 70 Annual Report on Directors' Remuneration





It's the unique spirit of every colleague that makes True Hospitality real every day – for our guests, owners and partners.

## Chairman's overview



Good governance is integral to IHG's success and our ability to create a culture built on strong ethics, values and diversity.

We are committed to maintaining the highest standards of corporate governance. Our governance framework supports our culture, values and our commitment to conducting business responsibly.

Good corporate governance underpins a successful business. The Board oversees the long-term strategic aims of the Group and is responsible for the leadership of the Group and ensuring our actions are in keeping with the strong ethics and values that shape our culture, while also recognising the significance of serving our stakeholders.

### Focus areas and activities

The Board has continued to focus on creating long-term sustainable value for our shareholders and the wider communities in which we operate. During the year, the Board took full responsibility for the CEO succession to ensure a smooth transition whilst continuing to deliver against our strategy. Further details on the CEO succession can be found on page 61.

The Board has continued to develop strategy through the Annual Strategy Meeting. This involves the whole Board as well as senior executives and provides a valuable opportunity for detailed discussion on the long-term strategic aims of the Group. The Board regularly monitors progress against the agreed strategy. Further details can be found on page 52.

In order to deliver the strategy at pace, the Board has been focused on changes to the operating structure to accelerate growth and has provided input and guidance throughout the year. The Board has considered how this agenda reflects our values and purpose, and the performance behaviours required to continue to deliver against our strategy, while ensuring that the Group's risk appetite is continually taken into account. Further details can be found on pages 52 and 57.

### Governance framework

The Board delegates certain responsibilities to the Audit, Corporate Responsibility, Nomination and Remuneration Committees (the Principal Committees) to assist in ensuring that effective corporate governance permeates throughout the business.

The Audit Committee has this year been focused on cybersecurity and new reporting standards, the Corporate Responsibility Committee has overseen the delivery of our five-year Responsible Business targets and the setting of new measures, the Nomination Committee has been focused on the appointment of a new CEO, and the Remuneration Committee has continued to monitor the changing remuneration landscape as a priority area.

### Board culture and composition

We regularly review the composition, diversity and size of the Board to ensure that we have the right talent to support our strategy. As we announced last year, Malina Ngai was appointed as an Independent Non-Executive Director on 1 March 2017, bringing considerable experience in consumer-facing, branded operations and significant insight into the Asian market. In July 2017, Keith Barr was appointed the new CEO following Richard Solomons' decision to retire after 25 years with the business, including six as CEO. During the year, we also announced the appointment of Elie Maalouf to the Board as an Executive Director with effect from 1 January 2018, bringing considerable experience in hotel development, branding,

finance, real estate and operations, across multiple industries. Details of the induction process for new Directors can be found on page 53.

We recognise that diversity and inclusion is essential to our success. By ensuring that different genders, backgrounds, ages and nationalities are represented throughout the organisation, we ensure that decision making is informed by a range of skillsets, experience and cultural perspectives. Details of our approach to succession planning and diversity can be found on page 61.

We are aware that effective meetings depend on the dynamics of the Board, and our high-performance culture is driven by creating an engaging and inclusive environment where different perspectives are welcomed. Directors actively contribute to discussions, helping to develop proposals and deliver against our strategy. Details of items discussed by the Board in 2017 can be found on page 52.

### Training, development and Board performance review

The training and development needs of each Director are regularly reviewed. During 2017, Directors received training on a variety of topics; further details of which can be found on page 53.

Our external evaluation was carried out in early 2017. This proved a highly informative experience and I am delighted to report that the review concluded the Board is well-functioning and effective. Further details on these findings are set out on page 54.

### Compliance and our dual listing

As a dual-listed company with a premium listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange, we are required to file an Annual Report in the UK and a Form 20-F in the US. To ensure consistency of information provided to both UK and US investors, we have produced a combined Annual Report and Form 20-F. Our statement of compliance with the 2016 UK Corporate Governance Code (the Code) is located on pages 62 and 63. I am pleased to report that, during 2017, we complied fully with all principles and provisions of the Code. As required by the SEC, a statement outlining the differences between the Group's UK corporate governance practices and those followed by US companies can be found on page 176.

### Looking forward

We recognise that good corporate governance facilitates effective management that can deliver the long-term success of our organisation. We are looking to the new governance reforms and will ensure that our ways of working, structures of reporting, systems of control and commitment to conducting business responsibly comply with the revised governance regime and continue to deliver our strategy with integrity and transparency.

**Patrick Cescau**  
Chairman of the Board  
19 February 2018



## Corporate Governance

### Our Board and Committee governance structure

The Group's governance framework, which is directed by the Board and through the Group's Board and Management Committees, supports our culture, values, and our commitment to conducting business responsibly.

#### The Board and its Committees

The Board is responsible for the long-term success of the Group and ensures that there are effective risk and internal management controls in place. It leads the strategic direction and long-term objectives of the Group, and monitors its performance. The Board is supported by its Principal Committees in carrying out its functions, overseeing the delivery of the Group's strategic objectives and driving sustainable shareholder value for the long term, whilst considering the interests and impacts on key stakeholders. See pages 52 to 53 for details on the Board and how it spent its time during 2017.

#### Management Committees

The schedule of matters reserved exclusively to the Board was reviewed at the December 2017 Board meeting and is available on our website. Operational matters, routine business and information disclosure procedures are delegated by the Board to Management Committees.

The Executive Committee is chaired by the CEO and manages a range of day-to-day strategic and operational issues facing the Group, with clear oversight from the Board.

The General Purposes Committee attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

The Disclosure Committee ensures that proper procedures are in place for information disclosures required pursuant to UK and US accounting, statutory and listing requirements and reports to the CEO, the Chief Financial Officer and the Audit Committee.

More information on our Board and Committees is available on our website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance.

#### Board and Committee membership and attendance in 2017

	Appointment date	Committee appointments	Meetings				
			Board	Audit Committee	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
Total meetings held			8	5	3	3	6
<b>Chairman</b>							
Patrick Cescau	01/01/13	<b>N</b>	8/8	-	-	3/3	-
<b>Chief Executive Officer</b>							
Keith Barr	01/07/17		4/4	-	-	-	-
Richard Solomons	10/02/03		4/4	-	-	-	-
<b>Executive Directors</b>							
Paul Edgecliffe-Johnson	01/01/14		8/8	-	-	-	-
<b>Senior Independent Non-Executive Director</b>							
Dale Morrison	01/06/11	<b>A N R</b>	8/8	5/5	-	3/3	6/6
<b>Non-Executive Directors</b>							
Anne Busquet	01/03/15	<b>A C N</b>	8/8	5/5	3/3	3/3	-
Ian Dyson	01/09/13	<b>A N R</b>	8/8 <sup>a</sup>	5/5	-	2/3 <sup>a</sup>	5/6 <sup>a</sup>
Jo Harlow	01/09/14	<b>A N R</b> <sup>b</sup>	8/8	3/3 <sup>b</sup>	-	3/3	6/6
Luke Mayhew	01/07/11	<b>A C N R</b> <sup>c</sup>	8/8	2/2 <sup>c</sup>	3/3	3/3	4/4 <sup>c</sup>
Jill McDonald	01/06/13	<b>A C N</b>	8/8	5/5	3/3	3/3	-
Malina Ngai	01/03/17	<b>C N R</b>	7/7	-	2/2	3/3	5/5

<sup>a</sup> Ian Dyson was unable to attend one Nomination Committee meeting and one Remuneration Committee meeting due to a prior commitment.

<sup>b</sup> Jo Harlow stepped down from the Audit Committee and became Chairman of the Remuneration Committee on 1 October 2017.

<sup>c</sup> Luke Mayhew stepped down from the Remuneration Committee and became a member of the Audit Committee on 1 October 2017.

#### Board Committee membership key

- A** Audit Committee member
- C** Corporate Responsibility Committee member
- N** Nomination Committee member
- R** Remuneration Committee member
- Chairman of a Board Committee

## Corporate Governance continued

### Our Board of Directors



N

**Patrick Cescau**  
Non-Executive Chairman

Appointed to the Board: 1 January 2013

**Skills and experience:** From 2005 to 2008, Patrick was Group Chief Executive of Unilever Group, having previously been Chairman of Unilever PLC, Vice Chairman of Unilever NV and Foods Director, following a progressive career with the company, which began in France in 1973. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc and Tesco PLC, and a Director at INSEAD.

**Board contribution:** Patrick has held board positions for nearly 15 years in leading global businesses and brings extensive international experience in strategy, brands, consumer

products, and finance. As Chairman, Patrick is responsible for leading the Board and ensuring it operates in an effective manner, and promoting constructive relations with shareholders. As Chairman of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group's leadership needs.

**Other appointments:** Currently a Senior Independent Non-Executive Director of International Airlines Group, Patrick is also a trustee of The Leverhulme Trust, Patron of the St Jude India Children's Charity and Member of the TEMASEK European Advisory Panel.



**Keith Barr**  
Chief Executive Officer

Appointed to the Board: 1 July 2017

**Skills and experience:** Keith has spent more than 25 years working in the hospitality industry across a wide range of roles. He started his career in hotel operations and joined IHG in 2000. Since April 2011 he has been a member of IHG's Executive Committee. Directly before being appointed Chief Executive Officer, Keith served as Chief Commercial Officer for four years. He led IHG's global brand, loyalty, sales and marketing functions, and oversaw IHG's loyalty programme, IHG® Rewards Club. Prior to this, Keith was CEO

of IHG's Greater China business for four years, setting the foundations for growth in a key market.

**Board contribution:** Keith is responsible for the executive management of the Group and ensuring the implementation of Board strategy and policy.

**Other appointments:** Member of Cornell University's School of Hotel Administration Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship Advisory Board.



**Paul Edgecliffe-Johnson**  
Chief Financial Officer

Appointed to the Board: 1 January 2014

**Skills and experience:** Paul is a chartered accountant and a fellow of the Institute of Chartered Accountants. He was previously Chief Financial Officer of IHG's Europe and Asia, Middle East and Africa regions, a position he held since September 2011. He joined IHG in August 2004 and has held a number of senior-level finance positions, including Head of Investor Relations, Head of Global Corporate Finance and Financial Planning & Tax, and Head of Hotel Development, Europe. Paul also acted as Interim Chief Executive

Officer of the Europe, Middle East and Africa region (prior to the reconfiguration of our operating regions).

**Board contribution:** Paul is responsible, together with the Board, for overseeing the financial operations of the Group and setting its financial strategy.

**Other appointments:** Currently a Non-Executive Director of Thomas Cook Group plc.



**Elie Maalouf**  
Chief Executive Officer, Americas

Appointed to the Board: 1 January 2018

**Skills and experience:** Elie was appointed Chief Executive Officer, Americas in February 2015, with nearly 15 years' experience working in a major global franchise business. He joined the Group having spent six years as President and Chief Executive Officer of HMSHost Corporation, a global travel and leisure company. Elie brings broad experience spanning hotel development, branding, finance, real estate and operations management as well as food and beverage expertise. Prior to joining IHG, Elie was Senior Advisor with McKinsey & Company from 2012 to 2014.

**Board contribution:** Elie is responsible for business development and performance of all hotel brands and properties in the Americas region and brings a deep understanding of the global hospitality sector to the Board.

**Other appointments:** Currently a member of the American Hotel & Lodging Association Executive Committee of the Board, the U. S. Travel Association CEO Roundtable, the Atlanta Committee for Progress and the Global Advisory Council at the University of Virginia Darden School of Business.



A N R

**Dale Morrison**  
Senior Independent Non-Executive Director

Appointed to the Board: 1 June 2011

**Skills and experience:** Dale is a founding partner of TriPointe Capital Partners, a private equity firm. In 2016 he also founded Twin Ridge Capital, a private equity firm. Dale was previously President and Chief Executive Officer of McCain Foods Limited and President and Chief Executive Officer of Campbell Soup Company.

**Board contribution:** Dale has over 10 years' experience in sales and marketing positions, and over 25 years' experience in general management,

having held senior positions in the branded foods sector. Dale's role as Senior Independent Non-Executive Director is fundamental to the successful operation of the Board.

**Other appointments:** Currently a Non-Executive Director of International Flavors & Fragrances Inc., and Non-Executive Chairman of Marlin 1 (holding company for Young's Seafood International Holdings Ltd.).



A C N

**Anne Busquet**  
Independent Non-Executive Director

Appointed to the Board: 1 March 2015

**Skills and experience:** Anne began her career at Hilton International in Paris, before joining American Express in New York, where she held several executive positions and served for 23 years. Anne was also the Chief Executive Officer of Local and Media Services at InterActiveCorp, an internet commerce conglomerate.

**Board contribution:** Anne brings more than 20 years' experience in senior positions in multinational companies, predominantly in the financial, branded and digital-commerce sectors.

**Other appointments:** Currently the President of AMB Advisors, an independent consulting firm, and Managing Director at Golden Seeds LLC, an angel investment company. Anne also serves on the boards of Pitney Bowes, MTBC, Elior Group and Provista Diagnostics, Inc. and on the advisory boards of JEGI and SheSpeaks.



A N R

**Ian Dyson**  
Independent Non-Executive Director  
Appointed to the Board: 1 September 2013

**Skills and experience:** Ian has held a number of senior executive and finance roles, including Group Finance & Operations Director for Marks and Spencer plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was Chief Executive Officer of Punch Taverns plc, Finance Director for the Rank Group Plc, a leading European gaming business, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc.

**Board contribution:** Ian has gained significant experience from working in various senior finance roles, predominantly in the retail, leisure and hospitality sectors. Ian became Chairman of the Audit Committee on 1 April 2014, and, as such, is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place.

**Other appointments:** Currently a Non-Executive Director and Chairman of the Audit Committee of SSP Group plc, Senior Independent Non-Executive Director and Chairman of the Audit Committee of ASOS plc and Senior Independent Non-Executive Director of Paddy Power Betfair plc.



R N

**Jo Harlow**  
Independent Non-Executive Director  
Appointed to the Board: 1 September 2014

**Skills and experience:** Jo most recently held the position of Corporate Vice President of the Phones Business Unit at Microsoft Corporation. She was previously Executive Vice President of Smart Devices at Nokia Corporation, following a number of senior management roles at Nokia from 2003. Prior to that, she held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble Company from 1984 to 1992.

**Board contribution:** Jo has over 25 years' experience working in various senior roles, predominantly in the branded and technology sectors. Jo became Chairman of the Remuneration Committee on 1 October 2017, and as such she is responsible for setting the remuneration policy.

**Other appointments:** Currently a Non-Executive Director of Halma plc and J Sainsbury plc and a member of the Supervisory Board of Ceconomy AG.



A C N

**Luke Mayhew**  
Independent Non-Executive Director  
Appointed to the Board: 1 July 2011

**Skills and experience:** Luke served for 12 years on the Board of John Lewis Partnership plc, including as Managing Director of the Department Store division. Luke also spent five years at British Airways Plc and seven years at Thomas Cook Group plc in senior positions. He was also a Non-Executive Director of WH Smith PLC and Chairman of Pets at Home Group Plc.

**Board contribution:** Luke has over 30 years' experience in senior roles in the branded sector and was Remuneration Committee Chairman at Brambles Limited from 2006 to 2014 and at IHG from July 2011 to September 2017.

**Other appointments:** Currently a Senior Independent Director of DFS Furniture plc, a trustee of BBC Children in Need and a Governor of the Southbank Centre.



A C N

**Jill McDonald**  
Independent Non-Executive Director  
Appointed to the Board: 1 June 2013

**Skills and experience:** Jill started her career at Colgate-Palmolive Company, spent 16 years with British Airways Plc and has held a number of senior marketing positions in the UK and overseas. Jill was Chief Executive Officer UK and President for the North West Europe division for McDonald's, and held a number of other senior roles in the company from 2006. From May 2015 until September 2017, Jill served as Chief Executive Officer of the Halfords Group plc.

**Board contribution:** Jill has nearly 30 years' experience working with high-profile international consumer-facing brands at both marketing and operational level. As Chairman of the Corporate Responsibility Committee, she is responsible for corporate responsibility objectives and strategy and approach to sustainable development.

**Other appointments:** Currently Managing Director, Clothing, Home and Beauty, at Marks and Spencer plc.



C N R

**Malina Ngai**  
Independent Non-Executive Director  
Appointed to the Board: 1 March 2017

**Skills and experience:** Malina is Group Chief Operating Officer of A.S. Watson Group, which is part of Hong Kong-based conglomerate CK Hutchison Holdings Limited. A.S. Watson Group is the largest international health and beauty retailer in Asia and Europe with thirteen brands including Watsons, Superdrug, Savers, The Perfume Shop, Kruidvat, ICI Paris XL and ParknShop. In addition, Malina is Vice Chairman of the Hong Kong Retail Management Association and was previously a member of the Board of Directors of the Hong Kong Sports Institute Limited.

**Board contribution:** Malina has over 20 years' experience gained from working in senior positions in global organisations across a broad range of sectors, with particular understanding of consumer-facing branded companies and the role that technology and digital commerce play in transforming the consumer experience.

**Other appointments:** Currently Group Chief Operating Officer of A.S. Watson Group and Vice Chairman of the Hong Kong Retail Management Association.

## Changes to the Board

Keith Barr	Keith was appointed Chief Executive Officer on 1 July 2017.
Jo Harlow	Jo was appointed Chairman of the Remuneration Committee and stepped down as a member of the Audit Committee on 1 October 2017.
Elie Maalouf	Elie was appointed to the Board on 1 January 2018.
Luke Mayhew	Luke was appointed a member of the Audit Committee and stepped down as Chairman and member of the Remuneration Committee on 1 October 2017.
Malina Ngai	Malina was appointed to the Board on 1 March 2017.
Richard Solomons	Richard retired from the Board and his role as Chief Executive Officer on 30 June 2017.

## Corporate Governance continued

### Our Executive Committee

In addition to Keith Barr, Paul Edgecliffe-Johnson and Elie Maalouf, the Executive Committee from 1 January 2018 comprises:



**Claire Bennett**  
 Chief Marketing Officer  
 Appointed to the Executive Committee:  
 October 2017 (joined the Group: 2017)

**Skills and experience:** Claire previously spent 11 years at American Express in a range of senior leadership roles across marketing, consumer travel and loyalty. Most recently, Claire was General Manager (GM), Global Travel & Lifestyle, where she led a team responsible for delivering premium lifestyle services. Prior to this, Claire held roles as Executive Vice President for Consumer Loyalty, and Senior Vice President, Global Marketing and Brand Management, where she led worldwide advertising, media, sponsorship and marketing research teams.

Before joining American Express, Claire also held senior marketing roles at Dell and Quaker Oats/Pepsico Company, building significant industry expertise across technology, consumer packaged goods, financial services, and travel and hospitality sectors.

Claire has been an Executive Board Member of the World Travel and Tourism Council (WTTTC), served as a Board Member of Tumi Inc. and participated on multiple industry advisory boards.

**Key responsibilities:** These include all aspects of our brands, loyalty, partnerships, and marketing execution.



**Jolyon Bulley**  
 Chief Executive Officer, Greater China  
 Appointed to the Executive Committee:  
 November 2017 (joined the Group: 2001)

**Skills and experience:** Jolyon has held a number of significant roles at IHG and was appointed CEO for Greater China in November 2017.

Prior to that he was Chief Operating Officer (COO) for the Americas, leading the region's operations for franchised and managed hotels, in addition to cultivating franchisee relationships and enhancing hotel operating performance. Jolyon has also served as COO for Greater China for almost four years, with oversight of the region's hotel portfolio and brand performance, food and beverage brand solutions, new hotel openings and owner relations.

Jolyon joined IHG in 2001, as Director of Operations, New South Wales in Australia, and then held roles of increasing responsibility across IHG's Asia-Pacific region. He became Regional Director Sales & Marketing for Australia, New Zealand & South Pacific in 2003, relocated to Singapore in 2005 and held positions of Vice President Operations South East Asia & India, Vice President Resorts, and Vice President Operations, South East & South West Asia.

**Key responsibilities:** These include the management, growth and profitability of IHG's fastest growing region, which includes mainland China, Hong Kong SAR, Macau SAR and Taiwan.



**Yasmin Diamond**  
 Executive Vice President, Global Corporate Affairs  
 Appointed to the Executive Committee:  
 April 2016 (joined the Group: 2012)

**Skills and experience:** Before joining IHG in April 2012, Yasmin was Director of Communications at the Home Office, where she advised the Home Secretary, Ministers and senior officials on the strategic development and daily management of all the Home Office's external and internal communications. She was previously Director of Communications at the Department for Environment, Food and Rural Affairs; Head of Communications for Welfare to Work and New Deal and Head of Marketing at the Department for Education and Skills. Before joining government communications, Yasmin was Publicity Commissioner for the BBC.

In 2011, Yasmin was awarded a Companion of the Order of the Bath (CB) in the New Year's honours list in recognition of her career in government communications. In addition, Yasmin sits on the Board of Trustees for the British Council, the UK's international organisation for cultural relations and educational opportunities.

**Key responsibilities:** These include all global communications activity, ensuring that it supports and enables IHG's broader strategic priorities. This includes all external and internal activity, covering both corporate and brand communications, as well as leading IHG's Corporate Responsibility strategy and key public affairs work.



**Kenneth Macpherson**  
 Chief Executive Officer, EMEA  
 Appointed to the Executive Committee:  
 April 2013 (joined the Group: 2013)

**Skills and experience:** Prior to taking up the position of CEO, EMEA in January 2018, Kenneth was IHG's Chief Executive Officer for Greater China for over four years.

Kenneth has extensive management experience, with a background in sales, marketing strategy, business development, and operations. He joined IHG from Diageo, where he worked for over 20 years in senior management positions, including Managing Director of Diageo Greater China. Prior to being based in China in 2005, Kenneth led the development of Diageo's China strategy. He has also served as the Commercial

Director of Diageo Asia Venture in Singapore, where he was responsible for commercial and brand strategy, as well as sales and marketing, and new brand development.

In 2017, Kenneth received the Shanghai Magnolia Gold Award for expatriates for his outstanding contribution to the city's social and economic development.

**Key responsibilities:** These include business development and performance of all the hotel brands and properties in the EMEA region.



**Eric Pearson**  
**Chief Commercial and Technology Officer**  
 Appointed to the Executive Committee:  
 February 2012 (joined the Group: 1997)

**Skills and experience:** Eric joined IHG in 1997, and has held roles of increasing responsibility throughout his tenure. As Chief Marketing Officer for IHG’s Americas region, Eric was accountable for all sales and marketing activities across brands, driving top-line revenue into more than 3,300 hotels. In addition to these responsibilities, Eric became interim Head of Global Brands in 2011 before being appointed IHG’s Chief Information Officer in 2012.

Eric has also served as Senior Vice President, Distribution Marketing, where he was responsible for overseeing digital marketing, reservation channels, and global revenue management.

Before joining IHG, Eric worked for The Walt Disney Company, IBM and NASA in different management and technical capacities.

**Key responsibilities:** These include global sales, distribution, revenue management, property systems, digital and voice, and technology.



**Ranjay Radhakrishnan**  
**Chief Human Resources Officer**  
 Appointed to the Executive Committee:  
 December 2016 (joined the Group: 2016)

**Skills and experience:** Ranjay joined IHG as Chief Human Resources Officer in December 2016. He previously spent 23 years at Unilever, in a range of senior leadership roles at global, regional and country levels. At Unilever, Ranjay was most recently Executive Vice President Global HR (Categories & Market Clusters), where he led HR for Unilever’s eight regions (Market Clusters) and four global Product Categories under a unified global HR leadership role.

mature and developing markets. His other roles at Unilever included Executive Vice President Human Resources in Europe; Vice President Talent, Learning and Organisation for Global Markets; Vice President Leadership Development & Reward for Asia, Africa and Central Eastern Europe; and Vice President HR for North Africa and The Middle East.

Ranjay has worked in a number of specialist areas of HR such as Talent, Learning, Reward, Change and Organisational Effectiveness, complementing large generalist roles in both

**Key responsibilities:** These include global talent management, learning and capability building, diversity, organisation development, reward and benefit programmes, employee relations, and all aspects of the people and organisation strategy for the Group.



**George Turner**  
**Executive Vice President, General Counsel and Company Secretary**  
 Appointed to the Executive Committee:  
 January 2009 (joined the Group: 2008)

**Skills and experience:** George is a solicitor and qualified to private practice in 1995. Prior to joining the Group, George spent over 10 years with Imperial Chemical Industries PLC, where he held various key positions including Deputy Company Secretary and Senior Legal Counsel.

**Key responsibilities:** These include corporate governance, risk management, information security, insurance, regulatory compliance, internal audit, legal and hotel standards.

### Changes to the Executive Committee

Claire Bennett	Claire was appointed to the Executive Committee on 1 October 2017.
Angela Brav	Angela stepped down from the Executive Committee and left IHG on 31 December 2017.
Jolyon Bulley	Jolyon was appointed to the Executive Committee on 1 November 2017.
Federico Lalatta Costerbosa	Federico stepped down from the Executive Committee and left IHG on 31 December 2017.
Kenneth Macpherson	Kenneth took up the new position of Chief Executive Officer, EMEAA on 1 January 2018.
Eric Pearson	Eric took up the new position of Chief Commercial and Technology Officer on 1 October 2017.
Jan Smits	Jan stepped down from the Executive Committee and left IHG on 31 December 2017.

## Corporate Governance continued

### Board meetings

The Chairman and Company Secretary operate a rigorous process for Board agenda setting which includes collaboration with all Board members to ensure that the agendas strike the appropriate balance between short-term business and the longer term. In addition, the Chairman, CEO and Company Secretary meet in advance of Board and Committee meetings to finalise the agendas. The Company Secretary maintains an annual agenda schedule for Board meetings that sets out strategic and operational matters to be considered throughout the year. A set of Board papers is circulated at least one week in advance of each meeting, to ensure that Directors have sufficient time to fully prepare for effective, focused and relevant discussions. Meetings begin with an update from the Chairman and CEO, and the Chief Financial Officer provides a financial review of the Group. Executive Committee members and other members of senior management present 'deep dives' on key initiatives and developments throughout the year, facilitating a strong overall understanding of Group operations.

The Board also receives presentations in the less formal context of pre-dinner meetings, scheduled the day before certain Board meetings.

The Board held eight scheduled meetings during the year, and individual attendance is set out on page 47. All Directors are expected to attend all Board meetings and relevant Committee meetings unless prevented by prior commitments, illness or a conflict of interest. Directors unable to attend Board or Committee meetings are sent the relevant papers and asked to provide comments to the Chairman of the Board or Committee in advance.

Time continues to be set aside at the start and end of meetings for the CEO to meet with the Chairman and Non-Executive Directors, and for the Chairman to meet privately with the Senior Independent Non-Executive Director and Non-Executive Directors to discuss any matters arising. The Senior Independent Non-Executive Director is available to discuss concerns with shareholders, in addition to the normal channels of shareholder communication.

During 2017, the Board continued to focus on strategic and operational matters, corporate governance, investor relations and risk management, whilst considering relevant stakeholders. The key focus areas for the Board during 2017 are outlined below:

	Area of discussion	Discussion topic
Strategic and operational matters	Commercial Delivery	Updates on IHG Connect (the Group's wifi initiative), GRS, and our Distribution and Revenue Management strategy.
	Changes to operating structure to accelerate growth	Review, assess and endorse the Group's operating structure. Refinement of the Group's purpose, ambition, values and behaviours reflecting the growth agenda, taking into consideration risk appetite and assessing risk mitigation strategies.
	Operating regions	Operating performance, competitive positioning and outlook in each region considered at each Board meeting and a deep-dive session on the Americas was presented.
	Brands	Brand performance and initiatives for the InterContinental brand, the launch of avid hotels and initiatives for our master brand – the IHG brand.
	Our People	Chief Human Resources Officer review of the Group's culture, behaviours and drivers of performance.
Corporate governance	Competitive marketplace review	Mergers and acquisitions activity in the industry.
	Updates from each of the Board Committees	Details of Committee activities during 2017 can be found on pages 56 to 61 and 64 to 77.
	Quarterly corporate governance and regulatory updates, including reviews of regulatory developments and any upcoming legislative changes affecting the business, our Board and/or its Committees	Internal quarterly updates are provided to the Board covering key regulatory and corporate governance developments and how the Group is responding. Further information can always be obtained from the Company Secretary in line with ongoing director training and development.
	Annual Report and Form 20-F	Details of the review process of the Annual Report and Form 20-F can be found on page 57.
	Board effectiveness evaluation	Details of the process and outputs of the external Board effectiveness review can be found on page 54.
	Internal controls and risk management systems, our risk appetite and our global insurance programme	The Board receives regular updates on internal controls, risk management systems, our risk appetite and our global insurance programme and reports on risk topics were delivered by the Chair of each Committee and considered by the Board.
	Terms of Reference for each Board Committee	Minor changes to the Terms of Reference of the Committees were approved during the year, in line with best practice. The Terms of Reference for all Committees and the Matters Reserved for the Board can be found on our website.
Investor relations and communications	Updates on investor perceptions and shareholder relations, consideration of analysts' reports and media updates	The Board receives a regular report outlining relative share price performance, share register movement and Investor Relations activity and engagement with shareholders.
	Global communications updates	The Board receives a regular report on the global communications landscape and communications activity across key regions, our brands and our people.
	Review and approval of shareholder returns strategies for 2017	During the year, the Board considered and approved the dividends and additional shareholder returns paid during 2017.
	Preparations for the AGM	Details of the 2018 AGM can be found on page 55.

## Director induction, training and development

### New Director inductions

All new Directors, upon appointment, undergo a comprehensive and formal induction programme which is tailored to meet their individual needs. We believe this is crucial to ensure our Directors have an in-depth understanding of the Group's business model, key stakeholders, our principal activities and our strategy, which is key to enabling all Directors to contribute to the Board effectively with their knowledge, skills, experience and expertise.

Malina Ngai was appointed as an Independent Non-Executive Director in March 2017. The key areas of Malina's induction included:

- Information regarding the Group's structure, strategy, business model and KPIs, key regions and operations, a financial overview, details of the Group's principal assets, liabilities and significant contracts, and an overview of our brands and their competition;
- The Group's risk management strategy and approach to corporate responsibility;
- Recent Board and Committee updates including commercial strategy, global technology trends, the Group Internal Audit plan and various Investor Relations presentations;
- Meetings with members of the Board, the Executive Committee and senior management;
- Meetings with the external Auditor, brokers and capital advisers; and
- Visits to various IHG hotels and corporate offices.

On 1 July 2017, Keith Barr was appointed CEO. While Keith had held numerous senior leadership positions within IHG since joining in 2000, he had not previously served on a board. As such, his induction was tailored to provide a thorough outline of his responsibilities and duties as a Director of a public limited company. This included:

- A briefing pack and Board induction meetings with the Company Secretary, Deputy Company Secretary and the external Corporate Legal Adviser focusing on Director's duties under the Companies Act, compliance with listing rules and relevant regulations;
- The rules relating to inside information and restrictions in dealing in IHG shares, together with a briefing of the policies and procedures IHG has in place to ensure compliance with such rules;
- Corporate governance standards followed by companies operating in the UK and US regulatory environment, including the UK Corporate Governance Code (the Code) and the current reform process covering remuneration, stakeholder engagement and the new Code;
- Meeting the lead Audit Partner to discuss key financial considerations and responsibilities;
- Meetings with all Committee Chairs, the Senior Independent Non-Executive Director and one to one meetings with all other Non-Executive Directors to understand and discuss key focus areas and priorities; and
- Strategy meetings with the Chairman as well as regular meetings with the Company Secretary and Group Financial Controller scheduled ahead of each Board and Committee meeting after the release of the papers for the first 12 months.

### Annual Strategy Meeting – March 2017

The Board maintains overall responsibility for the establishment and review of the long-term strategic aims and objectives of the Group. Substantial time is spent considering Group strategy, performance and oversight during the regular Board meetings and, in addition, the Board holds an Annual Strategy Meeting, dedicated to reviewing and discussing our global strategy in detail.

The 2017 Annual Strategy Meeting was held in Los Angeles and the Board undertook a strategic assessment of the competitive landscape and the commercial strategy and priorities for the Group. Given its scale, the Board spent significant time focusing on our Americas region, and across the American market more generally. The Board took the opportunity to visit several of our hotels across all market segments whilst in Los Angeles,

On 1 October 2017, Luke Mayhew stepped down as Chairman of the Remuneration Committee and joined the Audit Committee. Given that Luke had routinely attended the Audit Committee as a guest, a formal induction was considered unnecessary. An induction programme was created for Jo Harlow to support her transition to Chair of the Remuneration Committee. The programme included:

- A detailed handover, coaching and support from Luke Mayhew covering a variety of matters including agendas for Remuneration Committee meetings and determining the remuneration terms associated with Board resignations and appointments;
- Introductory meetings with a number of shareholders during the development of the remuneration policy;
- Induction meetings with PricewaterhouseCoopers, independent advisers to the Remuneration Committee, to provide commentary and advice on the executive remuneration landscape, investor sentiment and key pay trends;
- Private meetings with other Remuneration Committee members, the Chairman and the CEO; and
- Ongoing meetings with Remuneration Committee chairs of other UK-based multinational companies and attendance at various Remuneration Committee forums.

Elie Maalouf will receive a full induction programme during 2018.

### Ongoing Director training and development

We believe that an ongoing and progressive training programme facilitates a better understanding of the Group's business and operations for all Board members. The Chairman reviews the training and development needs with each Director on a regular basis and the Board is made aware of training opportunities.

Board and Committee meetings are regularly used to update Directors on developments in the environment in which the business operates and in-depth presentations are provided on key topical areas. The Company Secretary provides regular updates on regulatory, corporate governance and legal matters and individual meetings with senior management are arranged if necessary. Training focus areas in 2017 included technology and information security, General Data Protection Regulation, anti-bribery, IFRS 15 and financial reporting controls and regulatory developments.

Board meetings continue to be held at IHG hotels around the world to provide first-hand experience of the different brands we operate. We believe that this opportunity to meet an array of stakeholders across the business broadens the Board's understanding of the markets in which we operate. In 2017, Board members attended Board and Committee meetings at InterContinental London Park Lane in the UK, Kimpton Palomar Hotel in Los Angeles and Ravinia Offices in Atlanta, in addition to meetings held at the Group's head offices in Denham, UK. While in Atlanta, the Board also had dinner with a broad group of senior management as part of their continuing engagement with employees across the Group. Directors are also encouraged to visit hotels across our brands informally.

In addition, Directors are encouraged to attend external training events to update their skills and knowledge.

updating their knowledge and familiarity with the Group's brands. This included visits to our then soon to be opened InterContinental Los Angeles Downtown and our recently opened Hotel Indigo Los Angeles Downtown. In addition the Board took the opportunity to spend time at BCG Digital to gain an understanding of the latest developments in the digital arena and consumer-facing technology.

Each Board member received a full briefing in advance of the visit to Los Angeles to ensure a deeper understanding of the cities and hotels they were visiting and were provided details of recent developments in the American market.

## Corporate Governance continued

### Board effectiveness evaluation

IHG recognises the benefits of the Board undertaking a rigorous evaluation of its own performance and that of its main Committees and individual Directors on an annual basis, in line with the UK Corporate Governance Code recommendations.

#### External Evaluation

As we reported last year, and in accordance with our three-year cycle, Dr Tracy Long of Boardroom Review Limited, an external facilitator with no connection to IHG, was engaged to lead our external evaluation in 2016. This process continued into 2017, resulting in a detailed report being presented to the Board in May 2017.

The evaluation consisted of a mix of confidential individual interviews, Board meeting observation and individual feedback sessions with all Directors. A detailed report was then presented and the Board discussed the outcome of the evaluation process, its proposed actions and progress with the actions of previous years.

#### Challenges

The transition to a new CEO and the implications for the Board and Company culture

A rapidly changing competitive landscape demanding even more agility and speed

Continue to develop Board dynamics

#### Directors' peer-to-peer reviews

Following the external evaluation the focus of the Board in 2017 was to address the challenges highlighted. As part of this the Chairman and Senior Independent Non-Executive Director facilitated a peer-to-peer review which comprised:

- Interviews with each of the Directors to allow them to provide feedback regarding (i) the performance of fellow Board members, including their relative strengths and development areas (ii) progress following the recommendations made as part of the external evaluation (iii) Board engagement (iv) Director induction processes (v) diversity (vi) culture and (vii) the overall performance of the Board and its Committees;
- Individual feedback sessions conducted by the Chairman as part of each Board member's annual performance evaluation; and
- Agreement on areas of focus for 2018.

The Chairman highlighted some of the general themes emerging from the peer-to-peer review during the February 2018 Board meeting, such as company culture, ethics and compliance, and risk appetite and agreed to continue to consider these, particularly in light of recent Corporate Governance developments.

The external evaluation concluded that good progress had been made on the 2014 external review and the Board is diverse, well-functioning and effective. Dr Long noted that the Board is value-adding and there is a high level of engagement and participation with good alignment between the Executive Directors and the Non-Executive Directors.

The review also noted a good level of interaction with shareholders and a strong understanding of the industry landscape and the Group's wider stakeholders.

The review identified three interconnected challenges and areas of focus for the future, details of which can be found below.

#### Actions taken

Company culture is a key area of focus. The Group's purpose, ambition, values and behaviours have been refined reflecting the growth vision of the new Executive Committee, led by the CEO and with full engagement and support from the Board. Regular updates are planned during the year, led by the Chief Human Resources Officer.

The Board agenda for 2018 will reflect a new strategic approach with a shorter strategy day and several strategic updates and external contributors during the year. Deep dive areas have been identified and will be presented to the Board.

Peer-to-peer evaluation of the Directors performance has taken place during the year to ensure a process of continuous improvement and that Board dynamics continue to develop. A collaborative process has been agreed for Chairman and CEO evaluations and there is a continuous dialogue between the Chairman and CEO. In addition, customised induction plans for new Directors have been devised and implemented.

#### Directors' performance evaluation

During 2017, internal performance evaluations of Directors were undertaken with the Chairman appraising the Directors, the CEO appraising the Executive Directors, the Chairman and Non-Executive Directors appraising the CEO and the Non-Executive Directors, facilitated by the Senior Independent Non-Executive Director, appraising the Chairman.

The length of tenure of Non-Executive Directors forms part of the performance evaluation process. As a result of Luke Mayhew and Dale Morrison having served on the Board for more than six years, they had a particularly rigorous review of their continued Board membership. It was concluded that both Luke and Dale continue to constructively challenge management and help develop proposals on strategy and as such, contribute effectively to the Board.

Directors' additional appointments and time commitments also form part of the internal performance evaluation process. Any additional appointments are thoroughly discussed with the Chairman before being accepted, with any time commitment required for each role carefully assessed. This year, particular attention was paid to Ian Dyson, Anne Busquet and Jo Harlow's commitments, as well as Paul Edgecliffe-Johnson's time commitment to his Non-Executive Director duties at Thomas Cook Group plc. Following a thorough review process, we determined that their additional appointments do not adversely impact their performance and that all Directors continue to perform their duties effectively.



## Engagement with shareholders

We are committed to maintaining an active dialogue with our shareholders and the Board takes its responsibility to promote the success of the Company for the benefit of our members seriously. We encourage strong engagement with investors and other stakeholders through our planned programme of investor relations activities, as well as responding to queries from shareholders and analysts. Our Registrar, Equiniti, and JP Morgan, as custodians of our American Depositary Receipts (ADR) programme, have teams equipped to deal with shareholder and ADR holder queries. A formal external review of investor perceptions is presented to the Board on an annual basis and both the Executive Committee and the Board receive regular updates on shareholder relations to ensure that the issues and concerns of major shareholders are understood.

### Engagement during the year

The Board's engagement with shareholders in 2017 included:

- Meeting shareholders and responding to queries at the AGM.
- Presentations by Richard Solomons, Keith Barr and Paul Edgecliffe-Johnson to institutional investors, analysts and the media following half-year and full-year results announcements.
- Telephone conferences after the release of the first and third-quarter trading updates, including Q&A sessions with sell-side analysts.
- Seeking feedback via an annual investor perception survey, facilitated by our capital markets advisers.
- Attendance at key institutional investor conferences.
- A programme of one-to-one meetings with major institutional shareholders, including Non-Executive Director meetings hosted by the Chairman.

The Senior Independent Non-Executive Director remains available to shareholders if they have concerns they wish to discuss.

In addition to the Board's formal engagement with shareholders, Elie Maalouf attended an investor conference in the US and hosted an investor roundtable in London to discuss our business in the Americas region. Kenneth Macpherson hosted an investor roundtable meeting in Shanghai to discuss our Greater China business.

To enable as many shareholders as possible to access conferences and presentations, telephone dial-in facilities were made available in advance and live audio webcasts were made available after results presentations in 2017, together with associated data and documentation. These can be found at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Results and presentations. Around 24 sell-side research analysts publish research on the Group; their details are available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Analyst details and consensus.

### AGM

The AGM is an opportunity for shareholders to vote on certain aspects of Group business and to discuss matters with the Board. A summary presentation of the Group's performance and financial results is given before the Chairman deals with the formal business of the meeting. All shareholders present can ask questions of the Board, during the meeting and more informally over lunch. The Board values the AGM as it provides an invaluable forum for communication with investors and we encourage participation at this meeting.

The 2018 AGM will be held at 11:00am on Friday 4 May 2018. The notice convening this meeting will be sent to shareholders and will be available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Shareholder centre in the AGMs and meetings section.

### Shareholder services

During the fourth quarter of 2017, IHG ran its annual share-dealing programme for shareholders with shareholdings of up to 225 shares, giving them the option to sell or increase their shareholdings at a preferable set fee. Shareholders who sold their shares had the further option to donate their proceeds to the IHG Foundation, resulting in over £9,700 being donated.



**InterContinental Los Angeles Downtown, California, US. The Board visited the hotel shortly before its opening in 2017.**

## Corporate Governance continued

### Audit Committee Report



We continue to play a vital role in maintaining IHG's robust corporate governance framework, by supporting the Board in matters relating to internal control, risk management and financial reporting.

#### Key duties and role of the Committee

##### Key objectives and summary of responsibilities

The Audit Committee is responsible for ensuring that IHG maintains a strong control environment. It provides effective governance over the Group's financial reporting, including oversight and review of our systems of internal control and risk management, the performance of internal and external audit functions, as well as the behaviours expected of IHG's employees through the Code of Conduct and related policies.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. The Committee's key responsibilities and focus over the year have been:

- Regular reviews of the Group's information technology controls and information security risks.
- Ongoing implementation of our Guest Reservation System (GRS) (part of IHG Concerto).
- Reviewing, challenging and ensuring accurate financial and narrative reporting, including the Annual Report and Form 20-F.
- Preparing for the implementation of new accounting standards, including IFRS 15 concerning revenue recognition.
- Reviewing the Group's approach to tax, including the implications of the US Tax Reform.
- In-depth reviews of specific principal risk areas.
- Ensuring the robustness of the Group's internal control and risk management systems.
- Overseeing the relationship with and appraisal of the Group's external Auditor.
- Monitoring and reviewing the role of Internal Audit.
- Overseeing and ensuring the effectiveness of the Group's regulatory compliance policies, procedures and controls.



The ToR are available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance in the Committees section.

##### Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 47. The Chairman, Chief Executive Officer, Chief Financial Officer, Chairman of the Remuneration Committee, Head of Global Internal Audit (GIA), Group Financial Controller, Head of Global Risk Management and our external Auditor, Ernst & Young LLP (EY), attended all meetings in 2017. Other attendees are invited to meetings as appropriate and all Directors are expected to attend the Committee meetings that discuss principal risks and risk management systems and the approval of financial reporting. The Committee continues to hold private sessions with the Auditor and Head of GIA without the presence of management to ensure that a culture of transparency is maintained. The Committee Chairman continues to have recent and relevant financial experience and all members of the Committee are Independent Non-Executive Directors. In accordance with the Code, the Board also considers that the Committee as a whole possesses competence relevant to the Company's sector, having a range of financial and commercial experience in the hospitality industry and the broader commercial environment in which we operate.

#### Reporting to the Board

Following each Committee meeting, the Board receives an update from the Committee Chairman on the key issues discussed. The papers and minutes for each meeting are circulated to all Board members, who are invited to request further information if required and to provide any challenge where necessary.

#### Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chairman of the Committee and the Chairman. The Committee was also reviewed as part of the in-depth external evaluation process conducted by Boardroom Review Limited (see page 54). The external evaluation noted that the Audit Committee is professional and well run with a clearly defined role and it has completed detailed work on risk and control. The Committee also undertook a thorough and robust internal evaluation during the year and concluded that it remains effective.

#### Focus areas and activities

##### Internal controls and risk management

In accordance with the Code, the Board is responsible for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives and ensuring that an appropriate culture has been embedded throughout the organisation. The Committee supports the Board by regularly reviewing the effectiveness of the Group's internal control and risk management systems, the wider risk environment, and overseeing the risk and control activities in operation.

In order to effectively review the internal control and risk management systems, the Committee:

- Reviews the process by which risks are identified and assessed, including regular reports and presentations from management on the Company's overall risk management system and principal risks, mitigating actions and internal controls.
- Receives regular reports from GIA and the external Auditor on the effectiveness of the systems for risk management and internal control.
- Receives additional reports throughout the year relevant to internal control and risk management to ensure that current and emerging risks, both financial and non-financial, are identified, assessed and appropriately managed in day-to-day decision making (see pages 20 to 22 for more detail on our principal risks and our approach to managing them).

As part of the review of the internal control and risk management systems, key financial, operational and compliance controls across the business are monitored and tested throughout the year. The Committee assesses the approach to Sarbanes-Oxley Act 2002 (SOX) compliance in accordance with our US obligations and reviews reports on the progress of the SOX programme at each meeting. The Committee considers the Group's treasury and tax strategy and policies annually and, during 2017 approved changes to the Group Treasury Policy and the Group's "Approach to Tax".



Our Approach to Tax document is available at [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business) under Policies.

Having reviewed the internal control and risk management systems throughout the year, the Committee continues to conclude that the Group has an effective system of risk management and internal controls in place, and has concluded that there are no material weaknesses in the control environment and that there are no significant failings or weaknesses.

#### Principal risk areas

In addition to the regular risk management framework review and assessment of the principal risks, the Committee has a schedule for in-depth reviews into specific principal risk areas over the year. During 2017, the Committee met with senior risk and finance management, the Chief Commercial and Technology Officer and the Head of Information Security, considering, in particular:

- Cybersecurity and information governance. During the year, the Committee considered the Group's response to potential cybersecurity incidents.
- Risk management controls and assurances in relation to the Group's channels and technology platforms, and in particular the development of GRS (part of IHG Concerto).
- Financial Management and Controls, including cyber fraud and fraud risk awareness, the Group's Approach to Tax and the Treasury Policy, the key performance measures and methodology for determining breakage levels of the Loyalty Programme and the risk management controls and approach to determining IHG Rewards Club points liability.
- Safety and security in hotels including the Group's approach to incident handling in light of geopolitical factors and natural catastrophes experienced during 2017.
- Risk appetite assessment and risk management measures in relation to the Group's changes to accelerate growth.
- Developments in data privacy regulation and the Group's compliance programme.

Further details of our principal risks, uncertainties and review process can be found on pages 20 to 22.

#### Financial and narrative reporting

During the year, the Committee reviewed and recommended approval of the interim and annual Financial Statements (considering the relevant accounting and reporting matters such as impairment reviews, the going concern and viability statements) and the Group's quarterly trading updates. All members of the Board are asked to attend these meetings.

As part of its review, the Committee interrogated the key judgements and accounting policies applied and considered the basis of the estimates and assumptions underlying the Financial Statements.

The Committee recognises the importance of understanding changes in accounting policies and practice, and receives an annual update from EY on key changes in this area. In 2017, the Committee continued their in-depth review of the impact on the Group of the implementation of IFRS 15 concerning revenue recognition, IFRS 9 concerning financial instruments and IFRS 16 concerning leases – see pages 101 to 103 for further details.

A letter from the Financial Reporting Council's Corporate Reporting Review team (FRCCRRT) was received during the year, requesting further information regarding an investment disclosed in our 2016 Annual Report and Form 20-F. This was a limited review, based on our Annual Report and Form 20-F and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. A thorough response was provided, which enabled the FRCCRRT to close their enquiries. We acknowledge and welcome the observations made on our 2016 Annual Report and Form 20-F and these have been duly considered in the preparation of this year's Annual Report and Form 20-F.

The Committee continued to seek input and guidance from EY where appropriate to gain further assurance over the process of preparation of the Financial Statements. In addition, the Committee received regular reports from the Chairman of the Disclosure Committee and copies of all minutes of that Committee were duly circulated.

The Committee received early drafts of the Annual Report and Form 20-F 2017 (Annual Report), and when providing comments considered: (i) the process for preparing and verifying the Annual Report, which included review by members of the Executive Committee and input from senior colleagues in Operations, Strategy, HR, Finance, GIA, Risk and Legal; (ii) a report from the Chairman of the Disclosure Committee; and (iii) the checklist prepared by the Annual Report team confirming compliance with the relevant regulatory requirements.

The Committee (and a sub-committee specifically convened for this purpose) also considered management's analysis of how the content benchmarked against the 'fair, balanced and understandable' communication principles, and whether it contained the necessary information for shareholders to assess the Group's position and performance, business model and strategy. In order to reach this conclusion, a dedicated project team worked on the contents of the Annual Report and a detailed verification process to confirm the accuracy of the information contained within the Annual Report was undertaken by the Financial, Planning & Analysis department. The Committee then considered both the structure and content of the Annual Report to ensure that the key messages were effectively and consistently communicated and that meaningful links between the business model, strategy, KPIs, principal risks and remuneration were clearly identified throughout the Annual Report.

Following a review of the contents of the Annual Report alongside the aforementioned criteria, the Committee reported its recommendation to approve the Annual Report to the Board.

## Corporate Governance continued

### Audit Committee Report continued

#### Significant matters in the 2017 Financial Statements

The Committee discussed with management and the Auditor the key judgements applied in the Financial Statements, the exceptional

items arising in the year and the impact of any accounting developments or legislative changes. The main items discussed are outlined below.

Area of focus	Issue/Role of the Committee	Conclusions/Action taken
Accounting for the System Fund	Given the unique nature of the system fund, the Committee reviews the controls and judgements related to System Fund accounting.	In forming a conclusion on the appropriateness of the System Fund accounting, the Committee met with senior finance management to review and evaluate the progress made on strengthening the financial controls related to the IHG Rewards Programme. The Committee further reviewed the progress made on the Sarbanes-Oxley continuous improvement project and the results of control testing. The Committee concluded that good progress has been made in strengthening the financial oversight of the System Fund and that judgements in respect of the accounting treatment for the System Fund and related disclosures were appropriate.
IHG Rewards Club points liability	The IHG Rewards Club points liability represents a material liability for the Group and in determining the liability the Committee challenges judgements and estimations used to determine the liability.	The Committee reviewed the approach to the valuation of the liability and, in particular, the financial management of the overall programme. Senior finance management presented progress made in strengthening the financial management of the programme and was questioned on the valuation approach, the results of the external actuarial review and the increased judgement due to the expiration policy. The results of EY's audit procedures were also considered in reaching the conclusion that the liability is appropriately stated.
Impairment testing	Impairment reviews require significant judgement and the Committee therefore scrutinises the methodologies applied and the inherent sensitivities in determining any potential asset impairment.	The Committee reviewed a management report outlining the approach taken on impairment testing and the key assumptions and sensitivities supporting the conclusion on the various asset categories. The Committee examined the assumptions related to assets previously impaired, management contract valuations resulting from asset sales, and the assets acquired as part of the Kimpton transaction. The impairment recorded in the year for the Barclay associate (note 14 on page 120) was discussed in detail. The Committee agreed with the conclusions reached on impairment.
Litigation	From time to time, the Group is subject to legal proceedings with the ultimate outcome of each being subject to many uncertainties. The Committee reviews and evaluates the need for any provisioning on a case by case basis.	At each meeting during the year, the Committee considered a report detailing all material litigation matters. The Committee discussed and agreed any provisioning requirements for these matters.
Exceptional items	The Group exercises judgement in presenting exceptional items. The Committee reviews and challenges the classification of items as exceptional based on their materiality or nature.	The Committee considered the consistency of the treatment and nature of items classified as exceptional over the last five years and discussed the items disclosed as exceptional. The Committee reviewed and challenged the significance, timing and nature of the exceptional items disclosed in note 5 on page 110, including Kimpton integration costs, reorganisation costs, and the tax credit arising from the US tax reform. EY's audit procedures were also taken into consideration in reaching the conclusion that the disclosures and the treatment of the items shown as exceptional were appropriate.
Capitalisation of software projects	The Group is making a significant investment developing a strong technology platform. The Committee reviews the appropriateness of capitalising the investment and the strength of the control environment.	In forming a conclusion on the appropriateness of software capitalisation, the Committee considered the following: Global Internal Audit reporting on the project and programme management of GRS; a review of software assets from an impairment perspective; the conclusions from the SOX control testing in this area; and conclusions from EY's audit procedures. The Committee concluded that capitalisation is adequately controlled and that the controls on impairment are appropriate.

#### Relationship with external auditor

A detailed audit plan was received from EY at the beginning of the audit cycle for the 2017 financial year, which gave an overview of the audit risk assessment, the approach to materiality and scoping of the audit, and the significant risk areas.

The Committee reviewed the significant audit risks and regularly assessed the progress of the audit throughout the year.

#### Non-audit services

The independence and objectivity of the non-audit services provided by EY to the Group are safeguarded by IHG's Audit and Non-Audit Services Pre-Approval Policy. The policy is reviewed by the Audit Committee annually, and, for the 2017 financial year, the policy was updated and changes to reflect a de minimus threshold for certain prescribed services were approved.

Other than as reflected above, the policy requires that pre-approval is obtained from the Audit Committee for all services provided by the external Auditor before any work can commence, in line with US SEC requirements. During the year, the Committee analysed

the audit and non-audit fees incurred with EY on a quarterly basis and noted there had been no prohibited services (as defined by the Sarbanes-Oxley Act of 2002) provided to the Group in each period. The Committee is prohibited from delegating non-audit services approval to management and compliance with the policy is actively managed.

IHG is committed to maintaining non-audit fees at a low level and the Committee is sensitive to investor advisory bodies' guidelines on non-audit fees. During 2017, 23% of services provided to the Group were non-audit services (2016: 31%); these included tax advisory work and corporate tax compliance. For fees paid to EY for non-audit work during 2017, and for statutory audit work during 2017, see page 109. The Committee is satisfied that the Company was compliant during the year with the FRC's Ethical and Auditing Standards in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by EY. Where non-audit work is performed by EY, both the Company and EY ensure adherence to robust processes to prevent the objectivity and independence of the external auditor from being compromised.

### Global Internal Audit (GIA)

The Committee discusses the GIA plan in December each year. The 2017 plan presented to the Committee considered the Group's principal risks and key controls and included reviews over the following areas: cybersecurity, programme and project delivery (including assurance over the development of GRS), disaster recovery and business continuity, and technology-related processes and controls. Following discussion and consideration, the Committee confirmed its agreement to the key control themes identified by GIA. The Committee then actively monitors progress against the GIA plan, which is reported to the Committee on a quarterly basis. This includes reviewing the results of completed audits and the findings raised through these audits, as well as management action plans to address any issues raised.

An effectiveness review of GIA is undertaken each year and reported to the Committee. In 2017, GIA undertook an internal assessment following the external review conducted in 2016. The effectiveness of GIA was assessed according to five categories: Purpose and Remit; Position and Organisation; Process and Technology; People and Knowledge; and Performance and Communication. The review was conducted by assessing the functional activities of GIA, progress made against the recommendations of last year's external review, the quality assurance process and obtaining feedback from a cross sector of business stakeholders. As a result of the internal review, it was concluded that GIA continues to be effective in providing independent assurance activities.

### Governance and compliance

The Committee is responsible for reviewing the Group's Code of Conduct (which is reviewed and approved annually) and related policies. In 2017, the Code of Conduct was updated to reflect management changes as well as updating the following areas in line with regulatory changes and best practice: bribery and corruption,

antitrust, competition law, and human rights. The e-learning module associated with the Code of Conduct was also updated and was launched on the new IHG learning platform, improving tracking and reporting capability. In addition, the Committee reviewed and considered the planning and implementation work related to the upcoming EU General Data Protection Regulation and China's new cybersecurity legislation, as well as the launch of an updated Anti-Bribery e-learning module.

In 2017, IHG became a member of Transparency International UK's Business Integrity Forum. Transparency International is the world's leading anti-corruption NGO and the Business Integrity Forum is a network of major international companies, committed to high anti-corruption and ethical standards in business practices.

### Whistleblowing and fraud

The Committee reviews the Group's whistleblowing arrangements and its reporting and investigation process to ensure that arrangements are in place for proportionate and independent investigation of such matters. The Committee also reviews the number and potential impact of both substantiated and unsubstantiated cases and ensures that appropriate follow-up action is taken. Any significant claims are brought to the immediate attention of the Committee by the Head of GIA.

As well as monitoring incidents of fraud, the Group's approach to cyber fraud and fraud risk awareness was reviewed in 2017.

As we head into 2018, the Committee will continue to focus on the integrity of the control and risk management environment and progress with the audit tender process.

### Ian Dyson

Chairman of the Audit Committee  
19 February 2018

### External auditor – Appointment of Ernst & Young LLP (EY) and audit tender

The Committee considered the appointment of its Auditor and, after assessing EY's performance (including its independence, effectiveness and objectivity) and the requirements for putting the audit out to tender as set out in EU and Competition and Markets Authority legislation, the Committee recommended the re-appointment of EY as the Auditor of the Group. EY has been our Auditor since IHG's listing in April 2003 and of the Group's predecessor businesses dating back to 1988.

In determining EY's independence we consider, among other things, its challenge to management and level of professional scepticism, the amount of time passed since a rotation of audit partner and the level of non-audit work that it undertakes, details of which can be found on page 58.

To ensure the external Auditor's independence is safeguarded, lead audit partners are required to rotate every five years. Sarah Kokot, who was appointed lead audit partner in 2016, has continued her role during 2017. The US audit partner rotated during 2017.

As part of its review, the Committee considered the effectiveness of the relationship between EY and management. This included the completion of feedback questionnaires by 44 senior IHG employees and members of the Committee. Feedback was requested on a number of topics including independence, assignment management, quality and communication. The Committee also received reports from EY on its independence.

No significant issues were raised in the review of the auditor performance and effectiveness and as a result, the Committee concluded that EY

continues to provide an effective audit and maintain independence and objectivity. The Committee is satisfied with the external audit process as a whole and therefore recommended the reappointment of EY to the Board.

Pursuant to regulations mandating a tender for the 2021 financial year, the Group will complete the audit contract tender and transition any strictly prohibited services by 2020. The Committee has established a sub-committee to oversee the audit tender process and an overview of the proposed approach and timings for the audit tender process has been agreed by the Committee. The sub-committee will convene in 2018 to review and recommend a detailed plan, including the applicable supplier-selection criteria, for approval by the Committee. It will be the responsibility of the Committee to make overall decisions in relation to the selection process. The Committee considers this timeframe to be appropriate to ensure that a robust process is undertaken and all required criteria are duly considered. The Committee is committed to ensuring that the selection procedure is conducted in a fair manner and that auditor independence requirements are effectively managed throughout the process.

The Group confirms that it has complied with the requirements of The Competition and Markets Authority Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

## Corporate Governance continued

### Corporate Responsibility Committee Report



We understand the vital role corporate responsibility plays in building meaningful relationships with our stakeholders, and in delivering our purpose of providing True Hospitality for everyone.

#### Key duties and role of the Committee

##### Key objectives and summary of responsibilities

The Committee reviews and advises the Board on the Group's corporate responsibility objectives and strategy, including its approach to sustainable development, environmental sustainability, community impact, human rights issues, and stakeholder engagement. It ensures that IHG's corporate responsibility priorities align with our core purpose – to provide True Hospitality for everyone.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

 The ToR are available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance in the Committees section.

The Committee's key responsibilities and focus areas over the year have been:

- Monitoring delivery of the Group's Responsible Business targets for 2013-2017, and establishing new targets for 2018-2020.
- Reviewing Environmental, Social, Community and Human Rights issues including the Group's Modern Slavery Statement and the Group's approach to responsible procurement; and
- Overseeing responsible business stakeholder engagement.

##### Membership and attendance at meetings

The Committee's membership and attendance at meetings are set out on page 47. The Heads of Corporate Responsibility attended all meetings and the Chairman of the Board also attended two out of the three meetings held during the year.

##### Reporting to the Board

The Committee Chairman updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members, who are invited to request further information where necessary.

##### Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chairman of the Committee and the Chairman. The effectiveness of the Committee was also reviewed as part of the external evaluation process conducted by Boardroom Review Limited during 2016 and 2017 (see page 54 for further details). The external review concluded that the Committee has a clearly defined role and remit allowing it to add value. The Committee also undertook an assessment against its own ToR and the external environment and concluded that no changes were necessary.

##### Focus areas and activities

##### Responsible Business targets for 2018-2020

During 2017, the Committee assessed the progress made towards the achievement of IHG's five-year external Responsible Business targets. The Committee also assessed the Group's strategic approach to new targets for 2018-2020.

An in-depth competitor analysis was completed as part of this process, together with a review of the UN Sustainable Development Goals and IHG's initiatives which support these.

The Committee also welcomed insight offered by the Chief Operating Officer of the Americas who shared how the region is delivering the Responsible Business targets and engaging with colleagues, guests and owners.

##### Environmental, social, community and human rights issues

Detailed progress updates on key achievements across the Group's environmental, social and community programmes continued to be received during 2017 and community outreach activities were reviewed.

Recognising the continued importance of responsible procurement, the Committee undertook a deep dive into supply chain responsibility and the Group's Modern Slavery Statement, evaluating the Group's approach to these matters. The Committee also considered a number of the Group's human rights initiatives during the year, including the approach to targeted training in high risk areas and embedding our suite of Human Rights and Modern Slavery awareness raising material.

Further information on our responsible business programmes and our approach to human rights can be found on pages 18 and 19.

##### Stakeholder engagement

The Committee assessed the effectiveness of the 2016 corporate responsibility communications and stakeholder engagement activity, and reviewed the 2017 communication plan, considering in particular, the engagement plan for key stakeholder groups, including guests, colleagues, owners and suppliers.

 Information on our responsible business commitments can be found at [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business)

##### Other key issues reviewed by the Committee

The Committee continued to receive updates from the IHG Foundation, an independent charity providing vital support to communities, with a focus on hospitality skills and disaster relief. In support of IHG Foundation Week, our annual awareness and fundraising initiative, the Committee attended an event which illustrated the positive impact of the IHG Foundation on vulnerable communities worldwide. The Committee heard first hand about the collaboration between the IHG Foundation and The Passage, which runs London's largest voluntary resource for the homeless – helping them regain confidence and transform their lives.

Recognising the importance of corporate responsibility, we were pleased to be listed on the S&P Dow Jones Sustainability Indices in September 2017, having achieved first place in RobecoSAM's Consumer Services industry group (see page 19).

We have completed the 2013-2017 target cycle, achieving four out of our five external targets, and have gathered learnings and feedback to help inform our new targets for 2018-2020. In 2018 we start this new cycle and will work on further engaging with our hotel owners worldwide to embed our Corporate Responsibility programmes into day-to-day operations within our hotels. We recognise the continued and growing importance of environmental, social and governance considerations to all our stakeholders.

##### Jill McDonald

Chairman of the Corporate Responsibility Committee  
19 February 2018

# Nomination Committee Report



We review the Board's structure, size and composition; overseeing appointments to ensure diversity of experience, knowledge and background in our Board and senior management.

## Key duties and role of the Committee

### Key objectives and summary of responsibilities

The Committee reviews the composition of the Board and Principal Committees, considering skills, knowledge, experience and diversity requirements before making appropriate recommendations to the Board as to any changes. It also manages succession planning for Directors and other Senior Executives and is responsible for reviewing the Group's senior leadership needs.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

 The ToR are available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance in the Committees section.

The Committee's key focus areas during the year have been the CEO succession, leadership development, executive succession planning and Board and Committee composition.

### Membership and attendance at meetings

Details of the Committee's membership and attendance at meetings are set out on page 47. All members are Non-Executive Directors (myself excluded). When the Committee considers matters relating to my position, Dale Morrison, the Senior Independent Non-Executive Director, acts as Committee Chairman.

### Reporting to the Board

The Committee makes recommendations to the Board for all Board appointments, and minutes are circulated to all Board members. As Chairman, I report back to the Board on the activities of the Committee at each Board meeting following a Committee meeting.

### Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself, as Chairman of the Committee and Chairman of the Board. During 2017, the Committee was also reviewed as part of Boardroom Review Limited's external evaluation (see page 54). Per the review's recommendation, the Board met with high-potential leaders during their visit to Atlanta, as outlined on page 53.

## Focus areas and activities

### CEO succession

The Committee led the thorough process of finding Richard Solomons' successor, supported by an independent external consultant, Korn Ferry. Building on our approach of developing talent, we assessed internal candidates against a success and readiness profile and opportunities were identified for further development. Having also benchmarked external talent, the Board was unanimous in its decision to appoint Keith Barr. To enable a smooth transition and provide relevant onboarding, a comprehensive induction plan was implemented, details of which can be found on page 53.

### Leadership development and executive succession planning

Building on the 2016 assessment of senior leadership, the Committee continued to review the development plans for the Executive Committee. In addition, the Committee reviewed the executive pipeline and oversaw talent succession at senior levels within the organisation.

## Board and Committee composition

During the year, the Committee discussed the current and future composition of the Board in light of the Company's strategy and it was proposed that a new Executive Director should be appointed. Elie Maalouf was identified at the beginning of the search as a talented leader with substantial and highly relevant industry experience and his appointment was recommended to the Board.

In addition to reviewing the Board composition, the Committee also looks to ensure appropriate appointments are made to the Board's Principal Committees, based on overall suitability.

To ensure that Committee membership is refreshed, Luke Mayhew stepped down as Remuneration Committee Chairman during the year. Jo Harlow was appointed his successor; her experience and prior involvement making her the ideal candidate to replace him. Details of Jo's onboarding process can be found on page 53.

## Diversity

With a presence in almost 100 countries globally, we recognise the value of diversity both in our Board composition and throughout all levels of our business. All appointments are based on merit, experience and performance and the Board actively seeks diversity of skills, culture, gender, race, age, nationality and background. The manner in which diversity is considered is non-exhaustive and subject to regular review to reflect the diversity of our employees, guests and communities in which we operate.

Our Global Diversity and Inclusion Policy (D&I Policy) applies to all people directly employed by an IHG group company and we encourage our franchised operations and those managed hotels where we do not directly employ people to follow the same principles. The objective of our D&I Policy is to celebrate difference, recognising that this underpins external, as well as internal, relationships. Operating around the globe, with a wide range of stakeholders, it is vital that we remain flexible in accommodating different cultures, lifestyles and preferences.

During the year, we have implemented the D&I Policy through the development of our diversity and inclusion strategy and have agreed to establish a Diversity and Inclusion Board. This Board will be responsible for continuously developing our diversity and inclusion strategy, including setting any targets and measures and reviewing initiatives to enhance the development of our inclusive culture.

We continue to deliver against our D&I Policy and maintain a minimum of at least 25% female Directors on the Board, per Lord Davies' guidance. As of 31 December 2017, 40% of the Board were female. The appointment of Elie Maalouf brings this figure to 36%, still well above the specified minimum. In addition, two of our Board Committees are chaired by women. Further details on our diversity and inclusion strategy can be found on pages 18 and 66.

The Committee is satisfied that we have appropriate plans in place for orderly succession of appointments to the Board and to senior management, so that an appropriate balance of skills, experience, knowledge and diversity is maintained.

### Patrick Cescau

Chairman of the Nomination Committee  
19 February 2018

## Corporate Governance continued

### Statement of compliance with the UK Corporate Governance Code

Our statement of compliance summarises how the Group has implemented the principles and provisions of the 2016 UK Corporate Governance Code (available at [www.frc.org.uk/directors](http://www.frc.org.uk/directors) under UK Corporate Governance Code) as published in April 2016 (the Code).

#### A. Leadership

##### A.1 The role of the Board

The Board leads IHG's strategic direction, long-term objectives and success of the Group. Further responsibilities of the Board are set out on page 47.

The Board met eight times this year and all directors continue to act in what they consider to be in the best interests of the Company, consistent with their statutory duties. Further details of 2017 Board meetings are set out on page 52, attendance information on page 47 and biographical information on pages 48 and 49.

All Directors are covered by the Group's directors' and officers' liability insurance policy (see page 160).

##### A.2 Divisions of responsibility

The separate roles of the Chairman and Chief Executive Officer are clearly established, set out in writing and are agreed by the Board.

###### Chief Executive Officer

Keith Barr leads the development of the Group's strategic direction and implementation of the agreed strategy. As well as building and leading an effective Executive Committee, he oversees IHG's business operations and manages its risks. See page 48 for more details.

##### A.3 The Chairman

As well as building and maintaining an effective Board, Patrick Cescau leads the operation and governance of the Board and its Committees. The Chairman was independent on appointment. See page 48 for more details.

##### A.4 Non-Executive Directors

###### Senior Independent Non-Executive Director

Dale Morrison was appointed as Senior Independent Non-Executive Director on 31 May 2014. He is available to liaise with shareholders who have concerns that they feel have not been addressed through the normal channels of the Chairman, Chief Executive Officer and other Executive Directors. He also leads the annual performance review of the Chairman with the other Non-Executive Directors (see page 54), and as necessary, provides advice and judgement to the Chairman, and serves as an intermediary for other Directors when necessary.

After each Board meeting, Non-Executive Directors and the Chairman meet without Executive Directors being present (see page 52). During the year, if any Director has unresolved concerns about the running of IHG or a proposed action, these would be recorded in the minutes of the meeting.

Further information on each of these roles can be found on our website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance.

This should be read in conjunction with the Corporate Governance statement on pages 47 to 61 and the Directors' Remuneration Report as a whole.

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2017.

#### B. Effectiveness

##### B.1 The composition of the Board

The size and composition of the Board and its Committees is kept under review by the Nomination Committee to ensure the appropriate balance of skills, experience, independence and knowledge.

Potential conflicts of interest are reviewed annually and powers of authorisation are exercised in accordance with the 2006 Act and the Company's Articles of Association. At least half of the Board, excluding the Chairman, are Independent Non-Executive Directors (see page 47). Further details of the composition of the Board and Committees are available on pages 47 to 49.

##### B.2 Appointments

The Nomination Committee leads the appointment of new Directors to the Board and senior executives in accordance with its Terms of Reference (available on our website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance in the Committees section or from the Company Secretary's office on request) and supports the Board in succession planning. Further details of the role of the Nomination Committee and what it did in 2017 are in the Nomination Committee Report on page 61. The overall process of appointment and removal of Directors is overseen by the Board as a whole. Two Non-Executive Directors have served for six years and were subject to a rigorous review during the year. All other Non-Executive Directors have served for less than six years – see pages 48 and 49.

##### B.3 Commitment

Non-Executive Director terms of appointment outline IHG's time commitment expectations required to fulfil their role. Executive Directors are not permitted to take on more than one external non-executive directorship or chairmanship in addition to their role. The commitments of each Director are included in the Directors' biographical details on pages 48 and 49. Details of Directors' service contracts and appointment terms are set out on pages 73, 76 and 168.

The Chairman annually reviews the time each Non-Executive Director dedicates to IHG as part of the internal performance evaluation of each Director (see page 54) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

##### B.4 Development

The Chairman and Company Secretary ensure that new Directors are fully inducted and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role (see page 53).

##### B.5 Information and support

The Chairman and Company Secretary ensure that the Board and its Committees receive timely and appropriate information, and a flow of information between the Executive Committee and Non-Executive Directors. The Board and Committees also have access to the Company Secretary, independent advice and necessary resources, at the Company's expense. They receive administrative and logistical support of a full-time executive assistant. See page 52 for more details.



---

## B.6 Evaluation

In 2016, we engaged Dr Tracy Long of Boardroom Review Limited, an external facilitator with no connection to IHG, to lead the Board effectiveness evaluation. This evaluation concluded during 2017. More information on the evaluation is on page 54.

---

## B.7 Re-election

All of the Directors retire and seek election or re-election at each AGM. Director's biographies are set out on pages 48 and 49 and details of their performance evaluations are on page 54.

---

## C. Accountability

---

### C.1 Financial and business reporting

The Statement of Directors' Responsibilities (including the Board's statement confirming that it considers that the Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy) is set out on page 80.

The status of IHG as a going concern is set out in the Directors' Report on page 163. An explanation of the Group's performance, business model, strategy and the risks and uncertainties relating to IHG's prospects, including the viability of the Group, is set out in the Strategic Report on pages 2 to 43.

The statement from our Auditor, Ernst & Young LLP, about its reporting responsibilities is set out on pages 81 to 86.

---

### C.2 Risk management and internal control

The Board determines the nature and extent of the risk the organisation is willing to take in achieving its strategic objectives.

A robust assessment of the principal risks facing the Group was carried out, including those risks that would threaten the Group's business model, financial performance, solvency or liquidity (see pages 20 to 22 for further details of the principal risks). The Board and Audit Committee monitor the Group's risk management and internal controls systems and conduct an annual review of their effectiveness. Throughout the year, the Board has directly, and through delegated authority to the Executive Committee and the Audit Committee, overseen and reviewed all material controls, including financial, operational and compliance controls. See pages 47, 52, and 56 to 59.

The Board confirms that, in respect of the Group's risk management and internal control systems: (i) there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group; (ii) the systems have been in place for 2017 and up to 19 February 2018; (iii) they are regularly reviewed by the Board and Audit Committee; and (iv) the systems accord with FRC guidance on risk management, internal control and related financial and business reporting. Further details are set out in the Strategic Report on pages 2 to 43 and also in the Audit Committee Report on pages 56 to 59.

Details of the Directors' assessment of the prospects of the Group are set out on page 22.

---

### C.3 Audit Committee and Auditor

The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 47 for membership details). Ian Dyson, the Chairman of the Committee has recent and relevant financial experience and the Committee has a whole has competence relevant to the sector in which we operate. Details of the Committee's role, responsibilities and activities are set out on pages 56 to 59.

The Committee reviewed the effectiveness and independence of Ernst & Young LLP during 2017 and also concluded that it would complete the audit contract tender and transition any strictly prohibited services by 2020. A sub-committee of the Audit Committee to oversee the audit tender process has been established and further details can be found on page 59.

---

## D. Remuneration

---

### D.1 The level and components of remuneration

The Remuneration Committee's activities during 2017 are set out on page 64 and its membership details are on page 47. The Directors' Remuneration Report is set out on pages 64 to 77. The annual report on remuneration for 2017 (pages 70 to 77) is subject to the annual advisory vote at the AGM in 2018.

---

### D.2 Procedure

The Remuneration Committee is responsible for developing policy on executive remuneration and fixing remuneration packages of Directors. Further details are set out on pages 64 to 77.

During 2017, no individual Director was present when his or her own remuneration was discussed.

---

## E. Relations with shareholders

---

### E.1 Dialogue with shareholders

The Board engage actively with both institutional and retail shareholders to promote mutual understanding of objectives and ensure that their views are communicated to the Board as a whole. See page 55 for details of meetings with major institutional investors and other shareholders.

---

### E.2 Constructive use of the AGM

The AGM is a key opportunity for the Board to engage with Shareholders. The Notice of Meeting will be sent to shareholders and will be available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Shareholder centre in the AGMs and meetings section. The Board will be available to answer questions during the AGM and after the formal business has concluded. See page 55 for more details.

## Directors' Remuneration Report

### Remuneration Committee Chairman's statement



Our new Directors' Remuneration Policy has played a key role in supporting both the change and transition that we have seen this year, as well as our continued focus on the delivery of strong, sustainable returns for our shareholders.

#### Table of Contents

<b>64</b>	<b>Directors' Remuneration Report</b>		
64	Remuneration Committee Chairman's statement	68	How we implemented our Directors' Remuneration Policy in 2017
65	At a glance	70	Annual Report on Directors' Remuneration (subject to an advisory vote at the 2018 AGM)
66	Remuneration at IHG – the wider context		

#### 2017 results

2017 saw another good year of performance for IHG, as well as being a year of transition at the Board level with the retirement of Richard Solomons and appointment of Keith Barr as CEO. The business performed well, resulting in above target outcomes for Earnings Before Interest and Tax (EBIT) and the continued delivery of strong shareholder returns.

Our Guest Love result was just above threshold. The Committee recognised that progress against IHG's long-term Guest Love targets has been faster than expected over recent years and that it would be challenging to keep up this rate of improvement, particularly given the pace of hotel renovations. Further detail on the approach taken for Guest Love targets and awards is shown on page 68.

As a result, awards for the Executive Directors under the 2017 Annual Performance Plan (APP) were 69.7% for both Keith Barr and Paul Edgecliffe-Johnson and 66.8% for Richard Solomons of their respective maximum potential payout. The 2015/17 Long Term Incentive Plan (LTIP), granted in 2015, vested at a level of 46.1% of the maximum potential award due to achievements in relative Total Shareholder Return and rooms growth. However, we narrowly missed the three-year threshold target for relative RevPAR. As noted last year, the 2017/19 LTIP cash flow target is disclosed in this report on page 75.

#### Changes to the Board

As detailed on pages 46, 49 and 53, there have been a number of changes to IHG's Board during the year, including my own appointment as Chair of the Remuneration Committee after three years on both the Board and the Committee. I would like to thank the outgoing Chairman, Luke Mayhew, who has successfully overseen the Committee through periods of significant change and increasing focus on the Executive Remuneration landscape.

The remuneration arrangements for all Board changes are in line with our approved Directors' Remuneration Policy (DR Policy) and full details of how the DR Policy was applied during the year are shown in a separate section of the report on pages 68 and 69.

#### Other areas of focus for the Remuneration Committee

During the year, the Committee reviewed the short-term incentive measures for 2018. Whilst there has been no need to change DR Policy in this area, the non-financial measures of Guest Love and Overall Performance Rating, which together make up 30% of the APP target, will be replaced by an annual System size growth target and a range of other key strategic initiatives. Full details of the 2018 APP measures for Executive Directors are shown on page 75. In addition, the Committee reviewed the structure and alignment of arrangements below Executive Director level.

The Committee has reviewed the Group's global diversity and inclusion strategy and the related initiatives to build and foster a culture of inclusion. In respect of gender diversity, our UK Gender Pay Gap analysis will be published on the Government's website in accordance with the regulations, as well as on the IHG PLC website.

We have contributed to the dialogue on executive remuneration and wider corporate governance. These issues continued to be a focus for the Government, shareholders and other stakeholders. In response to the Government's consultation on corporate governance reform, the Financial Reporting Council launched a consultation on an updated UK Corporate Governance Code (the Code).

We recognise the importance given to factors such as CEO pay ratios and have included commentary on CEO pay in this and last year's report. As a large multinational organisation with different operating models under which employees may be either employed directly by a Group company or by the hotel owner, there are a number of different approaches that could be taken to the calculation of a pay ratio. We will therefore adopt new reporting requirements on the pay ratio once a clear and consistent approach has been set out in legislation and guidance.

On the remuneration aspects of the proposed new Code, we strengthened the position of the Committee to adjust outcomes which do not truly reflect the performance of the Company; we explain in this report on page 67 how executive remuneration aligns with wider Company pay policy; and the Committee takes on a broader oversight than simply for Executive Directors. We continue to consider our approach in relation to all areas of new guidance and practice and our alignment with shareholder expectations, bearing in mind the unique nature of our organisation and the competitive environment in which we operate.

#### About this report

We strive to make this report as easy to read as possible, given regulation. This year, we have simplified the 'At a glance' section on page 65; updated the 'Wider context' section on pages 66 and 67; and included a separate section on pages 68 and 69 to highlight aspects of DR Policy applied during the year. The full DR Policy is available at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance and was approved at the Annual General Meeting (AGM) on 5 May 2017. The section of this report which is subject to a formal advisory shareholder vote at May 2018 AGM is the Annual Report on Directors' Remuneration starting on page 70.

#### Jo Harlow

Chairman of the Remuneration Committee  
19 February 2018

# At a glance

## How to use this report

Within the Directors' Remuneration Report we have used colour coding to denote different elements of remuneration. The colours used and the corresponding remuneration elements are:

- Salary
- Benefits
- Pension benefit
- Annual Performance Plan (APP)  
50% cash and 50% deferred shares
- Long Term Incentive Plan (LTIP)
- Shareholding

AUDITED

## Audited information

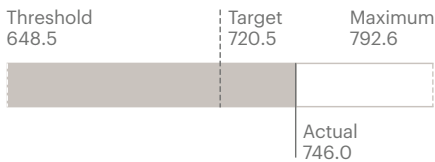
Content contained within a tinted panel highlighted with an 'Audited' tab indicates that all the information within the panel is audited.

## How we performed in 2017

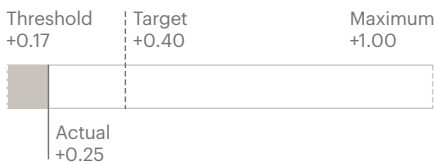
The 2017 outcomes reflect the progress made as a result of our focus on high-quality growth and superior value-creation through our brands, our people and our systems. We exceeded our target for EBIT and achieved threshold performance for Guest Love (see page 71). We continued to deliver strong shareholder returns and met our threshold performance level for rooms but fell short of our three-year threshold target for RevPAR growth (see page 72). These financial and business measures make up 90% of our APP (with individual performance making up the final 10%) and 100% of our LTIP.

### Measures used for APP

#### EBIT before exceptional items (\$m) (70% weighting)

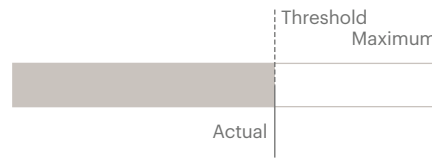


#### Guest Love (ppt) (20% weighting)

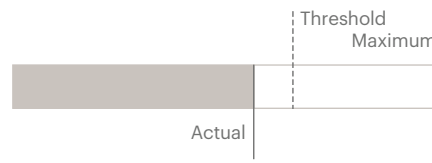


### Measures used for LTIP

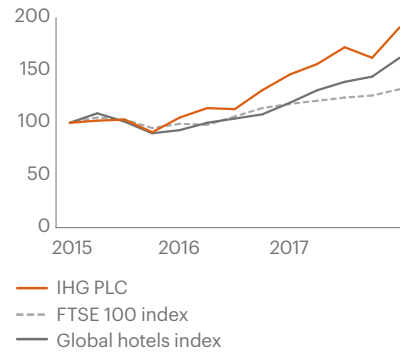
#### Rooms (25% weighting)



#### RevPAR (25% weighting)



#### Total Shareholder Return (TSR) (50% weighting) (rebased 2015 = 100)



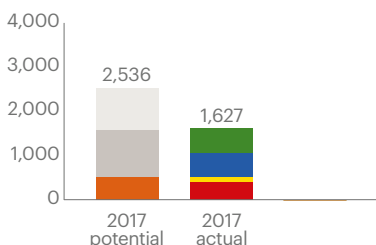
The TSR element of 2015/17 LTIP cycle depended on the three-year TSR performance to 31 December 2017.

## Executive Director remuneration

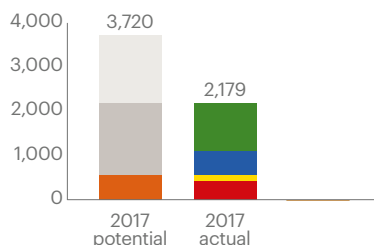
### 2017 remuneration

The chart below shows the 2017 potential opportunity and actual achievement for Keith Barr and Richard Solomons, and the 2017 potential opportunity and actual achievement compared to 2016 actual achievement for Paul Edgecliffe-Johnson. The relevant figures for each of the elements shown are included in the single total figure of remuneration which can be found in the table on page 70.

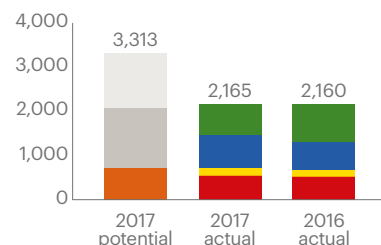
#### Keith Barr, Chief Executive Officer Value (£000)



#### Richard Solomons, Chief Executive Officer Value (£000)



#### Paul Edgecliffe-Johnson, Chief Financial Officer Value (£000)



The potential and actual LTIP values for Richard Solomons are pro-rated for the 32 months of the 2015/17 cycle in which he was employed. The remaining potential and actual amounts for both Richard Solomons and Keith Barr are shown only for the respective six-month period in which each served as CEO during 2017; and hence no prior year comparison is shown for either. The 2017 amounts for Keith Barr exclude the localisation payment detailed on page 69.

### Key for potential

- Maximum = Fixed pay and maximum award under APP and LTIP
- Target = Fixed pay and on-target award for APP (112%) and 50% of maximum LTIP vesting
- Minimum = Fixed pay

## Directors' Remuneration Report continued

### Remuneration at IHG – the wider context






We recognise that there is continued regulatory and shareholder focus on executive remuneration and particularly in relation to the justification of CEO pay in the context of business performance and the wider employee population. Our reward philosophy is to ensure reward arrangements are competitive, drive the creation of value for our stakeholders and make us think and act as one team. When considering remuneration matters, the Committee takes account a range of factors, for example:


#### The link to business strategy and performance

Our employees are rewarded in line with our strategic business objectives and principles:

Strategy	Reward
Our Strategic Model (see pages 14 and 15) has been established to maintain focus on the key areas of our strategy for high-quality growth.	<ul style="list-style-type: none"> <li>Performance conditions for annual and long-term incentive awards are aligned to the strategic priorities over the performance period.</li> <li>A range of strategic metrics is set each year for our senior management and hotel teams, which can reduce annual incentive payouts if minimum conditions are not met.</li> <li>Additional financial performance underpins, and Remuneration Committee discretions are in place, to ensure poor performance is not rewarded.</li> </ul>
Our Winning Ways (see page 18) are designed to drive the right values and behaviours to deliver our strategy.	<ul style="list-style-type: none"> <li>Stretching and measurable targets for all performance conditions only reward employees for the successful delivery of the objectives set by the Committee, including the delivery of superior shareholder returns and value.</li> <li>Individual performance is measured by reference to the day-to-day application of the values and behaviours expected at each employee's position in the organisation.</li> <li>Malus and clawback terms apply in respect of the annual and long-term incentive plans for Executive Directors.</li> </ul>

Remuneration outcomes are linked to our strategic business objectives, which are focused on the delivery of further high-quality, sustainable growth and value-creation through preferred brands, delivering a superior owner proposition, leveraging scale and generating revenue through the lowest-cost direct channels:

Strategic Model components	Measures used for APP			Measures used for LTIP			
	EBIT (70%)	Guest Love (20%)	Overall Performance Rating (OPR) (10%)	TSR (40%)	Net System size growth (20%)	Total gross revenue (20%)	Cash flow (20%)
 Build and leverage scale	■		■	■	■	■	
 Strengthen loyalty programme		■	■	■			
 Enhance revenue delivery	■	■	■			■	■
 Evolve owner proposition	■		■		■		■
 Optimise our preferred portfolio of brands for owners and guests			■		■		

 See pages 14 and 15 for further information on our Strategic Model.

#### The business and its competitive landscape

IHG is a global business with much of its senior management based outside its UK base. We need to ensure that there is a globally coherent remuneration approach and a clear and attractive progression path to the senior roles in the business. We also need to ensure that we do not undermine our ability to recruit great talent globally. We take our lead from the UK market and shareholder expectations in setting Executive Director remuneration levels while being mindful, for instance, that our major competitors for talent are mainly based in the US, where regulation and market practice can be different, particularly in areas such as executive share plan structure and related vesting and holding periods.

#### Diversity and inclusion

We have a global diversity and inclusion strategy, to be led by a Global Diversity and Inclusion Board, with specific and targeted actions to address any inequalities in the workplace, including:

- Addressing hotspots of under-representation in operational and senior leadership roles;
- Targeted leadership programmes aimed at accelerating the development of diverse leadership and talent;
- Maintaining a culture of inclusion through support networks, resource groups, awareness campaigns and training for our people; and
- Active senior leader engagement as part of the Global Diversity and Inclusion Board.

## Remuneration for all employees

The quantum and composition of remuneration and annual incentives differs between employees throughout the Group in a number of ways, most notably based on their role and position in the organisation. An internal leadership framework outlines what is expected of employees at all levels, from leading yourself to leading the business. There is a strong alignment at all levels within this framework between remuneration and the delivery of outcomes that are key to the continued success of the business. As responsibility increases, so too does an employee's potential total remuneration, with the most significant aspects of the remuneration in more senior roles being dependant on the successful delivery of these outcomes.

### Internal leadership framework



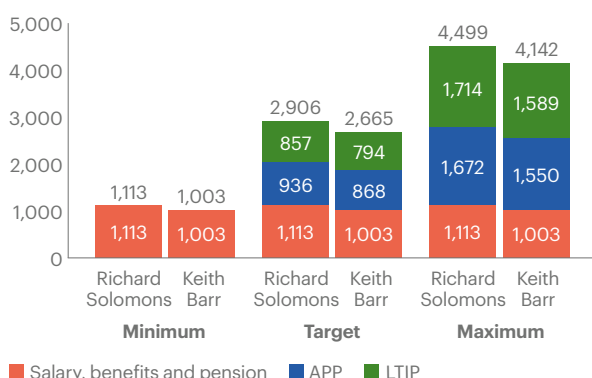
### How remuneration plans evolve as responsibility increases

- A greater proportion of performance-related variable pay and share-based incentives applies for more senior executives, including Executive Directors, who will have a greater degree of influence over performance outcomes.
- Additional and enhanced benefit provision, such as company car, pension and healthcare benefits apply as roles and responsibilities increase throughout the organisation.
- Role-specific specialist plans apply in certain areas such as corporate reservations, sales, and hotel development. Incentive plans for General Managers of IHG owned, leased and managed hotels commonly include targets based on gross operating profit, guest satisfaction and employee engagement.
- Incentive plans for other corporate employees are typically based on a combination of individual performance and the Group's EBIT.

## The Chief Executive Officer's pay

In last year's report, we showed that the relative increases in the Company's share price over the period from the first full year in which the then CEO was in office were significantly higher than those in respect of the CEO's remuneration. 2017 saw Richard Solomons' retirement and a transition to a new, internally-appointed CEO, Keith Barr. Keith's salary and benefits from appointment are in line with the approved DR Policy and, as is common practice for a new appointment, have been set at an overall level below those of the outgoing CEO.

### Minimum, target and maximum remuneration opportunity for the outgoing and new CEO as at the date of transition Value (£000)



## Pension provision

Our global retirement benefit policy is to provide access to an appropriate defined contribution retirement savings plan where such a vehicle is typically offered, and with benefit levels in line with the local market.

The UK pension plan applies for UK-based Executive Directors and current contribution rates are shown below. In a similar way to other employee benefits, the pension plan provides for increased employer contribution rates at higher seniority levels. This structure is also prevalent in the wider market.

Following his appointment as CEO, Keith Barr became eligible for a maximum Company pension contribution of 25% of salary, lower than that in place for previous Executive Director appointments.

Employee grade	Employee contribution (%)	Matching contribution multiple	Maximum matching contribution (up to %)
Corporate band 1 (Executive Directors)	3-7.5	4	30 (25 for new CEO)
Corporate bands 2 and 3	3-5	4	20
Corporate band 4	3-5	2.5	12.5
Corporate band 5	3-5	2	10
Corporate bands 6-8 and hotel employees	3-5	1.5	7.5

Where employees would otherwise exceed relevant tax limits on pension contribution or accrual, a cash equivalent may be offered in lieu of pension at an equivalent value to the maximum Company matching contribution.

## The use of discretion

The use of discretion enables the Committee to ensure that outcomes are consistent with business performance and the interests of shareholders. It also enables the Committee to treat Executive Directors who leave IHG in a fair and equitable manner. The areas of the DR Policy applied in 2017, and any associated use of discretion, are set out on pages 68 to 69.

## Directors' Remuneration Report continued

### How we implemented our Directors' Remuneration Policy in 2017

The table below summarises the key areas of the Directors' Remuneration Policy (DR Policy) which were applied in 2017.



The full DR Policy, which was approved by shareholders at the 2017 Annual General Meeting is available on the Company's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance.

#### Annual Performance Plan

##### DR Policy area

Targets may be set relative to budget and/or by reference to prior results and may contain a performance range to incentivise out-performance and minimum performance levels to ensure that poor performance is not rewarded. The 2017 targets are set by the Committee, taking into account IHG's growth ambitions, market expectations and the competitive environment at the time. The aim is to set stretching achievement targets for senior executives which will reflect successful outcomes for the business based on its strategic objectives for the year.

Remuneration component	How this was implemented in 2017
Annual Performance Plan (APP) ■	Progress against IHG's long-term Guest Love targets has been faster than expected over recent years. The Committee recognised that it would be challenging to keep up the current improvement trajectory and that it was appropriate to reduce the incremental improvements target compared to those set under the APP last year. The Committee decided in this transition year to reduce the level of award for achieving threshold and target Guest Love performance from 11.5% to 10%, and from 23% to 20% of salary respectively for Executive Directors. The remaining APP measures and their respective level of award remains as per 2016. This reduced the overall APP target payout from 115% to 112% of salary. A proportionate reduction also applied for the remainder of the Executive Committee.



#### Policy on payment for loss of office

##### DR Policy area

Good leaver status will be applied in accordance with the rules of incentive plans, where applicable, and may include retirement, ill-health, transfer of undertaking or redundancy. In the case of the LTIP rules, the Committee has discretion to apply good leaver status and, in doing so, will consider factors such as personal performance and conduct, overall Group performance and the specific circumstances of the Executive Director's departure including, but not restricted to, whether the Executive Director is leaving by mutual agreement.





Remuneration component	How this was implemented in 2017
Salary, benefits and pension ■ ■ ■	Richard Solomons left the Board and his role as Chief Executive Officer effective as of 30 June 2017 and retired from the Company on 30 August 2017. All payments made to Richard are consistent with the approved Directors' Remuneration Policy on retirement.
Annual Performance Plan (APP) Cash ■	Richard was eligible to participate in the 2017 Annual Performance Plan and payment was pro-rated to 30 August 2017. There will be no accelerated payment of the 2017 APP. The award was subject to the normal performance conditions and payment will be made 50% in cash and 50% in shares deferred for three years from grant.  Clawback provisions apply for a period of three years after the date of payment of the APP cash award.
Annual Performance Plan (APP) Shares ■	Richard's unvested APP deferred shares will vest on the usual vesting dates. Based on the share price on 29 December 2017 of 4,719p and the number of deferred shares as at 30 June 2017, the value of these shares is £2,315,472 (49,067 shares as detailed on page 73). These awards have previously been disclosed in the single figure table in the relevant year. Malus provisions will continue to apply for a period of three years after the grant of the APP share awards.
Long Term Incentive Plan (LTIP) ■	Richard was not eligible for an LTIP grant in 2017. All outstanding LTIP awards will vest in line with the terms of the plan rules on the normal vesting date and only to the extent the performance conditions are fulfilled, and will be pro-rated for the time up to 30 August 2017. This is for 32 months under the 2015/17 LTIP cycle and 20 months for the 2016/18 LTIP cycle. LTIP awards will remain subject to malus provisions under the terms of the plan until the end of the performance period. Clawback provisions will continue to apply for a period of three years after vesting of the awards.



## Approach to recruitment remuneration

### DR Policy area

The remuneration of any new Executive Director will be determined in accordance with the Directors' Remuneration Policy and the maximum annual level of variable remuneration that may be granted to a newly-recruited Executive Director will be in line with that of the existing Executive Directors, excluding any pro-rated awards in relation to LTIP cycles outstanding at the time of recruitment (up to a further 205% of salary) and any remuneration that constitutes compensation for incentives foregone and relocation, expatriate or international assignment costs.

Remuneration component	How this was implemented in 2017
Salary, benefits and pension 	<p>Keith Barr was appointed to the Board as Chief Executive Officer of InterContinental Hotels Group PLC on 1 July 2017. His remuneration is in line with the DR Policy.</p> <p>Upon appointment, Keith's salary was £775,000 per annum and benefits were provided in line with the DR Policy. Company pension provision comprised a cash allowance in lieu of employer pension contributions of 25% of salary.</p> <p>Prior to his appointment to the Board, Keith was on international assignment from the US to the UK and therefore in receipt of certain expatriate allowances and benefits under the terms of IHG's international assignment programme, including items such as housing costs, school fees and tax equalisation between the UK and US whilst on assignment. From the date of appointment to the Board, Keith was localised to a UK remuneration package and so will no longer be entitled to future assignment benefits or tax equalisation. In order to cover the transitional and transactional costs of him and his family localising to the UK, Keith will receive two lump sum localisation payments of £500,000 paid on appointment and £150,000 in 2018. Any outstanding APP and LTIP share awards granted to him whilst he was on assignment from the US and prior to his appointment to the Board will be subject to tax equalisation at the time of vesting in line with his legacy expatriate status at the time of grant. With the exception of these legacy awards, no further tax equalised payments or awards will be made to Keith.</p>
Annual Performance Plan (APP) 	<p>Keith participates in the APP on the same terms as existing Executive Directors and in line with the DR Policy. His maximum incentive opportunity as a percentage of salary is therefore 200% under the APP. His 2017 award was pro-rated in respect of his terms before and after appointment as an Executive Director.</p>
Long Term Incentive Plan (LTIP) 	<p>Keith participates in the LTIP on the same terms as existing Executive Directors and in line with the DR Policy. His maximum incentive opportunity as a percentage of salary is therefore 205% under the LTIP. In line with the recruitment policy, Keith has been pro-rated into the 2017/19 LTIP based on his salary on appointment.</p>
Shareholding requirements 	<p>In line with the DR Policy, Keith's shareholding requirement is 300% of salary and he is required to meet this within five years of appointment. He is expected to hold all shares earned (net of any share sales required to meet tax liabilities), until the shareholding requirement is achieved.</p>

## Non-Executive Directors

Remuneration component	How this was implemented in 2017
Fees and benefits (cash)	<p>Malina Ngai was appointed as Non-Executive Director from 1 March 2017 and serves on the Corporate Responsibility, Nomination and Remuneration Committees. Jo Harlow was appointed as Chairman of the Remuneration Committee and Luke Mayhew was appointed as a member of the Audit Committee, both with effect from 1 October 2017. All of their terms are in line with the policy for Non-Executive Directors.</p>
Pension	<p>Malina, Luke and Jo are not eligible to participate in the IHG pension plan.</p>
APP and LTIP	<p>Malina, Luke and Jo are not eligible to participate in the IHG Annual Performance Plan or Long Term Incentive Plan.</p>
Letter of appointment and notice period	<p>Malina, Luke and Jo's respective letters of appointment are available from the Company Secretary's office and their reappointment is subject to election and annual re-election by shareholders at the AGM.</p>

## Directors' Remuneration Report continued

### Annual Report on Directors' Remuneration

This Annual Report on Directors' remuneration explains how the Directors' Remuneration Policy (DR Policy) was implemented in 2017 and the resulting payments each of the Executive Directors received.

This report is subject to an advisory vote by shareholders at the 2018 AGM. The notes to the single-figure table provide further detail, where relevant, for each of the elements that make up the total single figure of remuneration in respect of each of the Executive Directors.

AUDITED

#### Single total figure of remuneration – Executive Directors

Executive Directors	Fixed pay						Variable pay				Other		Total	
	■ Salary		■ Benefits		■ Pension benefit		■ APP		■ LTIP		2017	2016		
	2017	2016	2017	2016	2017	2016	2017	2016	2015/17 cycle (value of shares) £000	2014/16 cycle (value of shares) £000 <sup>c</sup>				£000
Keith Barr <sup>a</sup>	388	–	17	–	97	–	545	–	580	–	500	–	2,127	–
Richard Solomons <sup>b</sup>	413	810	13	26	124	243	554	1,042	1,075	1,541	–	–	2,179	3,662
Paul Edgecliffe-Johnson	530	500	27	24	159	150	747	640	702	846	–	–	2,165	2,160

<sup>a</sup> 2017 figures (excluding LTIP) for Keith Barr relate to the period 1 July to 31 December 2017.

<sup>b</sup> 2017 figures (excluding LTIP) for Richard Solomons relate to the period 1 January to 30 June 2017. Further information can be found on page 68.

<sup>c</sup> Figures for 2014/16 LTIP cycle have been restated using actual share price on date of vesting.

#### Notes to single figure table

##### Fixed pay

■ **Salary:** salary paid for the year. Keith Barr succeeded Richard Solomons as Chief Executive Officer on 1 July 2017, with an annual base salary of £775,000 effective from this date. The 2017 figure in the table above is for the period 1 July to 31 December 2017. There is no comparative data for 2016 as Keith did not serve as an Executive Director before this date.

Richard Solomons stepped down from the role of Chief Executive Officer and from the Board on 30 June 2017, and retired from the Company on 30 August 2017. Further information can be found on page 68. The 2017 figure in the table above is for the period 1 January to 30 June 2017.

■ **Benefits:** for Executive Directors, this includes, but is not limited to, taxable benefits such as company car, healthcare and life cover. Provision during 2017 was in line with previous years and the approved DR Policy.

■ **Pension benefit:** for current Executive Directors, in line with DR Policy, the value of IHG contributions to pension plans and any cash allowances, paid in lieu of pension contributions.

The Executive Directors did not participate in any IHG pension plan in 2017 and instead all received cash allowances and life assurance cover.

Executive Director	Cash allowance		Life cover (multiple of base salary)
	% of salary	Amount £000	
Keith Barr	25	97 <sup>a</sup>	Four times
Richard Solomons	30	124 <sup>b</sup>	Six times
Paul Edgecliffe-Johnson	30	159	Four times

<sup>a</sup> In respect of the period 1 July to 31 December 2017.

<sup>b</sup> In respect of the period 1 January to 30 June 2017.

**Other:** Keith received a lump sum of £500,000 in July 2017 to cover the transitional and transactional costs of localising to the UK. Further information can be found on page 69.

##### Variable pay

■ **APP** (cash and deferred shares)

##### Operation

Award levels are determined based on salary as at 31 December 2017 on a straight-line basis between threshold and target, and target and maximum, and are based on achievement vs target under each measure:

- **Threshold** is the minimum level that must be achieved for there to be an award in relation to that measure; no award is made for achievement below threshold. For 2017, the Remuneration Committee set a threshold award level of 56% of salary.
- **Target** is the target level of achievement and results in a target award for that measure. For 2017, the Remuneration Committee set a target award of 112% of salary. Further details can be found on page 68.
- **Maximum** is the level of achievement at which a maximum award for that measure is received (capped at 200% of salary).

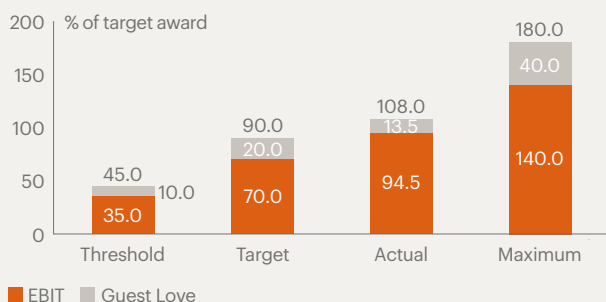
The threshold award was subject to a global EBIT affordability gate and Overall Performance Rating (OPR) such that:

- If global EBIT was below 85% of target, no awards relating to the Guest Love and OPR would be made;
- If global EBIT was between 85% and 90% of target, half of any award relating to the Guest Love and OPR would be made;
- If OPR was 2, EBIT and Guest Love awards were reduced by 50%; and
- If OPR was 2.5, EBIT and Guest Love awards were reduced by 25%.



### Outcome for 2017

The performance measures for the 2017 APP were EBIT (70%), Guest Love (20%) and OPR (10%) and were determined in accordance with the DR Policy. The table below shows threshold, target and maximum opportunity, as well as weighting and actual 2017 achievement for the EBIT and Guest Love performance measures:



### APP

Performance	Achievement	Weighting	Weighted achievement
<b>EBIT: performance relative to target</b>			
Threshold	\$648.5m	50.0%	
Target	\$720.5m	100.0%	
Actual	\$746.0m	135.0%	70.0%
Maximum	\$792.6m	200.0%	94.5%
<b>Guest Love: improvement in guest survey score from prior year's baseline score of 80.61%</b>			
Threshold	+0.17ppt	50.0%	
Actual	+0.25ppt	67.4%	
Target	+0.40ppt	100.0%	20.0%
Maximum	+1.0ppt	200.0%	13.5%

EBIT is operating profit before exceptional items. However, in determining EBIT for APP purposes, budgeted exchange rates for the year are used and certain adjustments to reported 2017 operating profit were agreed by the Committee in order to ensure a like-for-like comparison with the APP EBIT target set at the start of the year:

Operating profit before exceptional items (at actual exchange rates)	\$758.7m
Net benefit of unbudgeted items	(\$9.1m)
Difference due to exchange rates	(\$3.6m)
Operating profit before exceptional items, after adjustments (at 2017 budget exchange rates)	\$746.0m

The remaining 10% weighting of the APP is based on a personal overall performance rating (OPR). OPR results are determined by reference to individual employee performance relating to the delivery of a range of measurable annual objectives aligned to our Strategic Model. The 2017 objectives for the Executive Directors included a range of financial and efficiency measures; key strategic growth initiatives; and targets for our Responsible Business agenda.

When combined with the EBIT and Guest Love results, the total weighted achievement was 123.0% for Keith Barr, 118.0% for Richard Solomons and 123.0% for Paul Edgecliffe-Johnson, of target bonus. The APP award for 2017, pro-rated for the six-month period each served as CEO, was therefore 70.3% of salary for Keith Barr and 66.3% for Richard Solomons. The 2017 award for Paul Edgecliffe-Johnson was 139.4% of salary.

Awards for 2017 are payable 50% in cash and 50% in deferred shares, vesting three years after the date of grant, in February 2021. The deferred share awards are made in the form of forfeitable shares that receive dividends during the three-year vesting period and include the right to vote at shareholder meetings. They are not subject to any further performance conditions.

Executive Director	Salary as at 31 December 2017	Award as % of salary	Total value of award £000
Keith Barr	775	70.3 <sup>a</sup>	545
Richard Solomons	836 <sup>b</sup>	66.3 <sup>c</sup>	554
Paul Edgecliffe-Johnson	536	139.4	747

<sup>a</sup> In respect of period 1 July to 31 December 2017.

<sup>b</sup> Salary as at 30 June 2017.

<sup>c</sup> In respect of period 1 January to 30 June 2017.

### 2015/17 LTIP (shares)

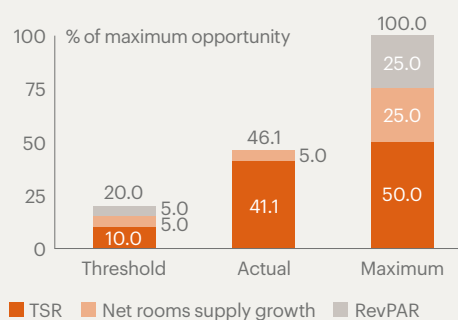
Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance measures. Growth in net room openings and RevPAR is measured on a relative basis against the comparator group. This group comprises the following major, globally branded competitors: Accor Hotels; Choice Hotels International Inc.; Hilton Worldwide; Hyatt Hotels Corporation; Marriott International Inc.; Starwood Hotels and Resorts; and Wyndham Worldwide Corp. In respect of Marriott's acquisition of Starwood in September 2016, Starwood was retained as a separate entity for the period up to its last independently published results. TSR measures the return to shareholders by investing in IHG relative to a broader set of appropriate hotel and lodging competitors, as per data provided by our corporate bankers sourced from Thomson Reuters Datastream.

The share price of 4,317p used to calculate the 2015/17 LTIP cycle value shown in the single-figure table is the average over the final quarter of 2017.

The share price in respect of the 2014/16 LTIP cycle has been restated using the volume weighted average price of 3,796p on the date of actual vesting on 22 February 2017. The corresponding values shown in the 2016 report (prior to the actual vesting) were an estimate calculated using an average share price over the final quarter of 2016 of 3,273p.

### Outcome for 2015/17 cycle

The performance measures for the 2015/17 three-year LTIP cycle were in line with the 2014 DR Policy. The table below shows threshold and maximum opportunity, as well as weighting and actual achievement, for each performance measure.



## Directors' Remuneration Report continued

### Annual Report on Directors' Remuneration continued

AUDITED

#### LTIP

Performance	Vesting achievement	Weighting	Weighted achievement
<b>Total Shareholder Return: three-year growth relative to average of competitors</b>			
Threshold	20%		
Actual	82.1%	50%	41.1%
Maximum	100%		
<b>Net rooms supply: three-year growth relative to average of competitors</b>			
Threshold	20%		
Actual	20%	25%	5%
Maximum	100%		
<b>RevPAR: three-year growth relative to average of competitors</b>			
Actual	0%		
Threshold	20%	25%	0%
Maximum	100%		
<b>Total achievement (% of maximum opportunity vested)</b>			46.1%

Net rooms supply and RevPAR growth were measured by reference to the three years ending 30 September 2017; TSR was measured by reference to the three years ending 31 December 2017. This cycle will vest on 21 February 2018 and the individual outcomes for this cycle are shown below:

Executive Director	Maximum opportunity at grant (number of shares)	% of maximum opportunity vested	Outcome (number of shares awarded at vest)	Total value of award £000
Keith Barr <sup>a</sup>	29,157	46.1	13,441	580
Richard Solomons	54,051 <sup>b</sup>	46.1	24,917	1,075
Paul Edgecliffe-Johnson	35,318	46.1	16,281	702

<sup>a</sup> Granted prior to appointment as CEO.

<sup>b</sup> Originally awarded 60,808 shares, pro-rated to 32 months. Further information can be found on page 68.

#### Other outstanding awards

During 2016, awards were granted under the 2016/18 LTIP cycle on the same basis as the 2015/17 LTIP cycle. Awards were made to each Executive Director over shares with a maximum value of 205% of salary using the closing mid-market share price of 2,854p on 4 April 2016. These are in the form of conditional awards over Company shares and do not carry the right to dividends or dividend equivalents during the vesting period.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant £	Face value of award at grant £000	Number of shares received if minimum performance achieved
2016/18 cycle					
Keith Barr <sup>a</sup>	5 April 2016	29,367	28.54	838	5,873
Richard Solomons	5 April 2016	32,552 <sup>b</sup>	28.54	929	6,510
Paul Edgecliffe-Johnson	5 April 2016	36,841	28.54	1,051	7,368

<sup>a</sup> Granted prior to appointment as CEO.

<sup>b</sup> Originally awarded 58,595 shares, pro-rated to 20 months. Further information can be found on page 68.

The vesting date for these awards is the day after the announcement of our Annual 2018 Preliminary Results in February 2019. These awards will vest and shares will be transferred to the award-holder in February 2019, to the extent performance targets are met.

The performance measures are the same as for the 2015/17 cycle. Relative growth in net rooms supply and RevPAR will be measured by reference to the three years ending 30 September 2018; TSR will be measured by reference to the three years ending 31 December 2018. Minimum performance is equal to 20% of the maximum award.

AUDITED

#### Scheme interests awarded during 2017

During 2017, awards were granted under the 2017/19 LTIP cycle. Awards were made to each Executive Director over shares with a maximum value of 205% of salary using an average of the closing mid-market share price for the five days prior to grant. At the date of grant on 22 May 2017, this was 4,257p. These are in the form of conditional awards over Company shares and do not carry the right to dividends or dividend equivalents during the vesting period. No award was made to Richard Solomons.

Executive Director	Award date	Maximum shares awarded	Market price per share at grant £	Face value of award at grant £000	Number of shares received if minimum performance achieved
2017/19 cycle					
Keith Barr <sup>a</sup>	9 August 2017	12,481	43.14	538	2,496
Paul Edgecliffe-Johnson	22 May 2017	25,811	42.57	1,099	5,162

<sup>a</sup> Keith Barr received an increased award, pro-rated from 1 July 2017, for the 2017/19 LTIP in accordance with the DR Policy as a result of his appointment to the Board. Prior to this, he was granted 17,822 shares and 2,160 restricted stock units on 22 May 2017 with a market price of £42.57 per share.

The vesting date for these awards is the day after the announcement of our Annual 2019 Preliminary Results in February 2020. These awards will vest and shares will be transferred to the award-holder in February 2020, to the extent performance targets are met.

The performance measures are as agreed in the 2017 Remuneration Policy. Total gross revenue, net System size growth, cash flow and Total Shareholder Return are measured by reference to the three years ending 31 December 2019. Minimum performance is equal to 20% of the maximum award.

AUDITED

### Statement of Directors' shareholdings and share interests

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between the individual's personal interests and those of shareholders.

### Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 300% of salary for the Chief Executive Officer and 200% for any other Executive Directors within five years of their appointment. The number of shares held outright includes all Directors' beneficial interests and those held by their spouses and other connected persons.

From 2018, the full guideline shareholding requirements will continue for six months, and 50% of the requirements for a further six months, post-cessation of employment.

Percentages are calculated using the number of shares held outright and the 29 December 2017 share price of 4,719p.

### Current Directors' shareholdings

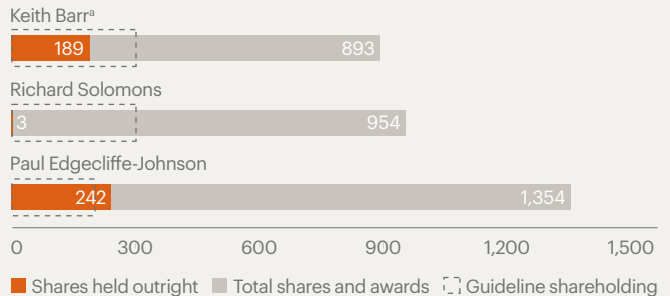
The APP deferred share awards are not subject to performance conditions. Details on the performance conditions to which the unvested LTIP awards are still subject can be found on page 75.

### Shares and awards held by Executive Directors as at 31 December 2017: number of shares

	Number of shares held outright		APP deferred share awards		LTIP share awards (unvested)		Total number of shares and awards held	
	2017	2016	2017	2016	2017	2016	2017	2016
Keith Barr	31,116	-	24,586	-	90,987	-	146,689	-
Richard Solomons <sup>a</sup>	614	211,594	49,067	59,032	119,403	201,596	169,084	472,222
Paul Edgecliffe-Johnson	27,443	26,034	28,384	24,621	97,970	117,284	153,797	167,939

<sup>a</sup> As at 30 June 2017.

### Shares and awards held by Executive Directors as at 31 December 2017: % of salary



<sup>a</sup> In line with Policy, Keith Barr's shareholding requirement will be 300% of salary, and he is required to meet this within five years of appointment. Keith is expected to hold all shares earned (net of any share sales required to meet tax liabilities), until the shareholding requirement is achieved.

AUDITED

### Payments for loss of office

The information on page 68 sets out the treatment in relation to Richard Solomons who stepped down from the role of Chief Executive Officer and from the Board on 30 June 2017 and retired from the Company on 30 August 2017. All payments made to Richard are consistent with the approved Directors' Remuneration Policy on retirement.

### Pension entitlements

No Executive Director is entitled to any Defined Benefit pension or related benefit from IHG.

### Payments to past Directors – benefits

#### Sir Ian Prosser

Sir Ian Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £2,011 during the year.

#### Richard Solomons

Richard had an ongoing healthcare benefit of £1,735 in respect of the period 1 July to 31 December 2017.

### Other information relating to Directors' remuneration

#### Non-executive directorships of other companies

Paul Edgecliffe-Johnson has served as a Non-Executive Director of Thomas Cook plc since 26 July 2017. Paul received fees of £25,952 during 2017 in respect of this appointment.

Richard Solomons, Chief Executive Officer continued to serve as a Non-Executive Director of Marks and Spencer plc and in 2017 received fees of £70,000 per annum.

These appointments are permitted under the DR Policy and the amounts are not included in the single figure table of remuneration table on page 70. No other current Executive Director holds any Non-Executive Director appointments at any other company.

#### Service contracts and notice periods for Executive Directors

In accordance with the UK Corporate Governance Code, all Executive Directors have rolling service contracts with a notice period of 12 months and are subject to election and annual re-election by shareholders at the AGM.

### Dividends paid to Executive Directors

A final dividend for 2016 of 49.4p per ordinary share (64.0¢ per ADR) was paid on 22 May 2017 to shareholders on the Register of members at the close of business on 5 May 2017. A special dividend of 156.4p per ordinary share (202.5¢ per ADR) was paid on 22 May 2017 to shareholders on the Register of members at the close of business on 5 May 2017.

The 2017 special dividend was accompanied by a share consolidation to maintain comparability (as far as possible) of the share price before and after the payment of the special dividend. LTIP award-holders were not entitled to receive the special dividend. Executive Directors holding forfeitable shares under annual incentive awards received the special dividend, and their share awards were subject to the share consolidation.

An interim dividend of 24.4p per ordinary share (33.0¢ per ADR) was paid on 6 October 2017 to shareholders on the Register of members at the close of business on 1 September 2017.

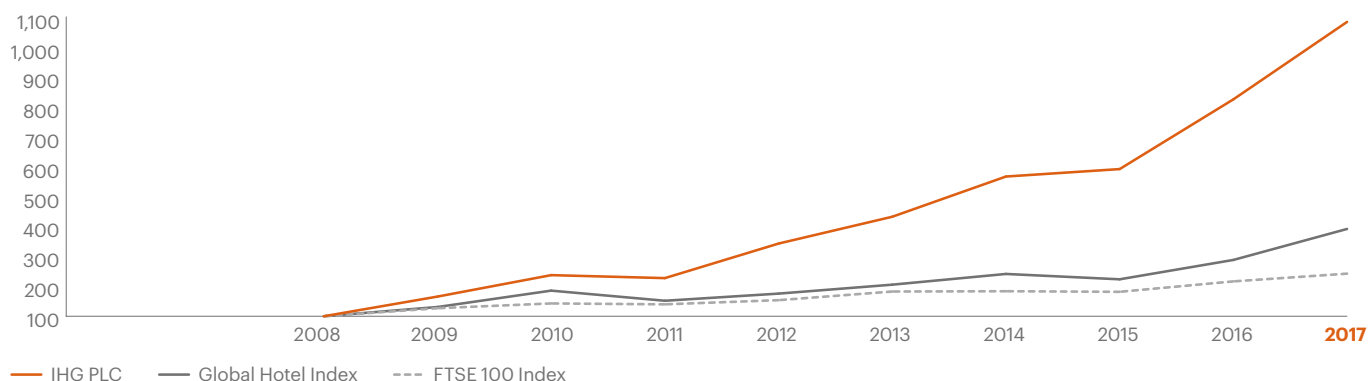
## Directors' Remuneration Report continued

### Annual Report on Directors' Remuneration continued

#### Relative performance graph

For LTIP purposes, a TSR comparator group of a global hotels index was used. InterContinental Hotels Group PLC is a member of the FTSE 100 share index, and the graph below shows the Company's TSR performance from 31 December 2008 to 31 December 2017, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100 and global hotels indices.

All indices are shown in sterling. This data is sourced directly from Thomson Reuters Datastream by Bank of America Merrill Lynch for IHG.



#### Chief Executive Officer's remuneration

The table below shows the Chief Executive Officer's single figure of total remuneration for the nine years to 31 December 2017.

Single figure	CEO	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single figure of remuneration £000	Keith Barr									<b>2,127<sup>a</sup></b>
	Richard Solomons			4,724	4,881	3,131	6,611 <sup>b</sup>	3,197	3,662	<b>2,179<sup>c</sup></b>
	Andrew Cosslett	1,953	5,430	3,770						
Annual incentive received (% of maximum)	Keith Barr									<b>69.7</b>
	Richard Solomons			83.0	68.0	74.0	74.0	75.0	63.9	<b>66.8</b>
	Andrew Cosslett	0.0	100.0	43.3						
Shares received under the LTIP (% of maximum)	Keith Barr									
	Richard Solomons			73.9	100.0	59.0	56.1	50.0	49.4	<b>46.1</b>
	Andrew Cosslett	46.0	73.8	61.6						

<sup>a</sup> For Keith Barr, the 2017 figure, in respect of the period 1 July to 31 December 2017, includes a one-off cash payment for relocation costs in lieu of benefits received whilst on international assignment prior to CEO position, as detailed on page 69.

<sup>b</sup> For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in the 2014 report.

<sup>c</sup> In respect of period 1 January to 30 June 2017.

#### Percentage change in remuneration of Chief Executive Officer

We believe that a group comprised of UK-based employees is an appropriate comparator for salary and taxable benefits because the structure and composition of remuneration for that group most closely reflects that of the UK-based Chief Executive Officer.

The table below shows the percentage change in the remuneration of the Chief Executive Officer compared with UK employees between 2016 and 2017 and therefore relates to Richard Solomons. The salary figure for the UK employee population has been calculated using the 2017 budget for the annual pay review, taking into account any promotions/market adjustments made during the year. The taxable benefits figure is based on P11D taxable benefits for year ending 5 April 2017. For Richard, the only taxable benefit was healthcare.

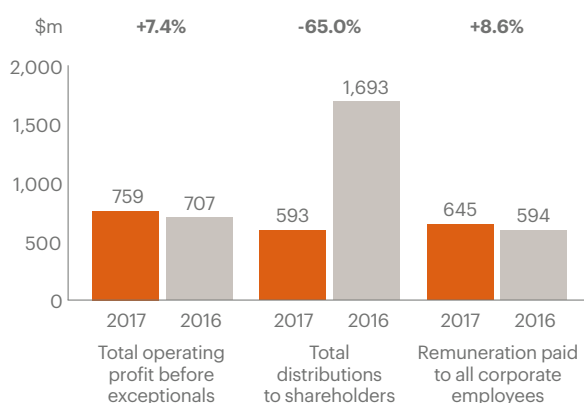
For the annual incentive, a group of executives, who sit directly below Executive Committee level, is used as a comparator group as they are subject to the same performance measures as the Chief Executive Officer. To ensure consistency of the comparison, an annual incentive percentage change is also calculated for Richard.

	Chief Executive Officer (% change)	UK employees (% change)
Salary	+2.5	+2.7
Taxable benefits	+11.0	+7.2
Annual incentive	+7.3	+16.7

#### Relative importance of spend on pay

The table below sets out the actual expenditure of the Group in 2017 and 2016 on corporate employee remuneration and distributions to shareholders, and shows the difference in spend between those years.

For 2016, the total distributions to shareholders included a special dividend of 438.2p following the completion of the asset-light strategy in 2015.



## Implementation of Directors' Remuneration Policy in 2018

This section explains how the DR Policy will be applied in 2018.

### Salary: Executive Directors

Directors' salaries are agreed annually in line with the DR Policy. The following salaries will apply from 1 April 2018.

Executive Director	Increase %	2018 £	2017 £
Keith Barr	3.0	798,250	775,000 <sup>a</sup>
Paul Edgecliffe-Johnson	4.5	560,200	536,000

<sup>a</sup> Per annum salary on appointment to CEO on 1 July 2017.

In line with policy, increases for the Executive Directors are consistent with the range of increases applying to the UK and US employee population, including for Paul Edgecliffe-Johnson where the increase reflects very strong individual performance during 2017.

Elie Maalouf was appointed to the Board with effect from 1 January 2018 as detailed on page 46. Elie's remuneration on appointment is in line with the DR Policy and a salary of \$752,000 will apply from 1 April 2018. Elie has share awards granted in respect of his role prior to becoming a Board director which are due to vest over the coming years.

## LTIP and APP performance measures and targets

### LTIP

The measures for the 2018/20 LTIP cycle are as per the 2017/19 cycle and the Directors' Remuneration Policy available on the Company website, [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance. The performance measures and weightings, together with the full cash flow target disclosures for the 2017/19 cycle as referenced in last year's report, are shown below.

Performance measure	Definition	Threshold (%) / maximum vesting (%)	Weighting (%)	Maximum award (% of salary)	2017/19 cycle		2018/20 cycle	
					Threshold performance	Maximum performance	Threshold performance	Maximum performance
Relative TSR	IHG's performance against a comparator group of global hotel companies. TSR is the aggregate of share price growth and dividends paid, assuming reinvestment of dividends in the Company's shares during the three-year performance period.	20/100	40	82	Median of comparator group	Upper quartile of comparator group	Median of comparator group	Upper quartile of comparator group
Cash flow	Cumulative annual cash generation over three-year performance period.	20/100	20	41	USD 1.29 bn	USD 1.72 bn	As a result of work to accelerate the Group's growth, cash flow targets for the three years from 2018 are not available at the time of writing. These will be disclosed in next year's report.	
Total gross revenue	Cumulative increase over three-year performance period.	20/100	20	41	The targets for these measures are, in the opinion of the Directors, commercially sensitive, and will therefore be disclosed in full retrospectively at the end of the LTIP cycle. Disclosure in advance would give IHG's major competitors an unfair commercial advantage, providing them with access to key financial and growth targets from IHG's three-year plan. These competitors would not be subject to the same obligation to make such information available, as they are either unlisted or listed on a stock exchange other than the London Stock Exchange. Full disclosure of targets and performance will be provided retrospectively after the end of the performance period.			
Net System size growth	Increase in number of IHG rooms over three-year performance period.	20/100	20	41				

### APP

The 2018 APP measures are in line with the approved DR Policy and will be 70% based on EBIT achievement vs target, 15% based on net System size growth and 15% based on other key strategic measures that are reviewed annually and set in line with business priorities. EBIT is a focal measure of business performance for our shareholders and is a function of other critical measures, such as RevPAR, profit margin and fee revenues. The Committee has determined that it is particularly important to incentivise and reward management for achieving a stretching target for net System size growth over the next year, so this will make up 15% of the 2018 APP. The remaining 15% will be made up of other key objectives for the year, based on strategic initiatives being implemented to support IHG's future growth. Further detail and rationale in respect of the key strategic objectives will be disclosed in the 2018 remuneration report.

The Committee has determined that the targets under the EBIT, net System size growth and other strategic measures are commercially sensitive at this time. However, the targets set and the outcomes against those targets will be disclosed in full in the 2018 remuneration report and are in line with the DR Policy.

Measure	Definition	Weighting (%)	Performance objective
EBIT	Earnings Before Interest and Tax – a measure of IHG's operating profit before exceptional items for the year	70	Achievement against target
Net System size growth	Increase in absolute number of rooms	15	Achievement against target
Strategic measures	Key strategic measures which are reviewed annually and set in line with strategic priorities	15	Achievement against target

## Directors' Remuneration Report continued

### Annual Report on Directors' Remuneration continued

AUDITED

#### Single total figure of remuneration: Non-Executive Directors

Non- Executive Director	Committee appointments	Date of original appointment	Fees £000		Taxable benefits £000		Total £000	
			2017	2016	2017	2016	2017	2016
Patrick Cescau	N	01/01/13	422	412	21	19	443	431
Anne Busquet	A C N	01/03/15	74	73	6	4	80	77
Ian Dyson	A N R	01/09/13	99	97	3	3	102	100
Jo Harlow	A N R	01/09/14	81	73	3	3	84	76
Luke Mayhew	A C N R	01/07/11	93	97	2	3	95	100
Jill McDonald	A C N	01/06/13	87	81	5	3	92	84
Dale Morrison	A N R	01/06/11	107	97	55	31	162	128
Malina Ngai	C N R	01/03/17	62	-	7	-	69	-



See page 47 for Board and Committee membership key and attendance.

**Fees:** Luke Mayhew stepped down as Chairman of the Remuneration Committee on 30 September 2017 and was replaced by Jo Harlow. The fee for Malina Ngai reflects her appointment from 1 March 2017.

**Benefits:** For Non-Executive Directors, benefits include taxable travel and accommodation expenses to attend Board meetings away from the designated home location. Under concessionary HM Revenue and Customs rules, non-UK based Non-Executive Directors are not subject to tax on travel expenses for the first five years; this is reflected in the taxable benefits for Anne Busquet and Malina Ngai, and for the period up to 31 May 2016 for Dale Morrison.

**Incentive awards:** Non-Executive Directors are not eligible for any incentive awards.

**Pension benefit:** Non-Executive Directors are not eligible for any pension contributions or benefit.



Further details on changes to the Board can be found on page 49.

#### Shares held by Non-Executive Directors as at 31 December 2017: number of shares

The Non-Executive Directors who held shares are listed in the table below:

Non-Executive Director	2017	2016
Luke Mayhew	1,373 <sup>b</sup>	1,435
Dale Morrison <sup>a</sup>	3,116 <sup>b</sup>	3,255
Jo Harlow <sup>a</sup>	1,000	-

<sup>a</sup> Shares held in the form of American Depository Receipts.

<sup>b</sup> The shares held in 2017 are lower due to the share consolidation on 8 May 2017.

#### Fees: Non-Executive Directors

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy. All of the Non-Executive Directors waived any fee increase for 2018. The fee levels for 2018 will therefore remain unchanged from 2017 as follows:

Non-Executive Director	Role	2018 £000	2017 £000
Patrick Cescau	Chairman of the Board	422	422
Anne Busquet	Non-Executive Director	74	74
Ian Dyson	Chairman of Audit Committee	99	99
Jo Harlow	Chairman of Remuneration Committee	99	74 <sup>a</sup>
Luke Mayhew	Non-Executive Director	74	99 <sup>b</sup>
Jill McDonald	Chairman of Corporate Responsibility Committee	87	87
Dale Morrison	Senior Independent Non-Executive Director	107	107
Malina Ngai	Non-Executive Director	74	62 <sup>c</sup>

<sup>a</sup> Jo Harlow's 2017 fee relates to Non-Executive Director position prior to new role of Chairman of Remuneration Committee.

<sup>b</sup> Luke Mayhew's 2017 fee relates to his position as Chairman of Remuneration Committee.

<sup>c</sup> Malina Ngai's annual fee for 2017 is pro-rated to her start date of 1 March 2017.

#### Non-Executive Directors' letters of appointment and notice periods

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary's office.

Patrick Cescau, Non-Executive Chairman, is subject to 12 months' notice. No other Non-Executive Directors are subject to notice periods. All Non-Executive Directors are subject to election and annual re-election by shareholders at the AGM.

## Remuneration Committee details

### Key objectives and summary of responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of the remuneration of the Executive Directors and the Executive Committee, and agrees the strategy, direction and policy for the remuneration of the senior executives who have a significant influence over the Group's ability to meet its strategic objectives. The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.


 The ToR are available on IHG's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance.

The Committee's key focus area during the year was the implementation of the revised Remuneration Policy as the Group initiates plans to accelerate its growth.

### Membership and attendance at meetings

The Committee met six times during 2017 and details of the Committee's membership and attendance at the meetings are set out on page 47. During 2017 there were some changes to the Committee membership and this is detailed on pages 49 and 69.

During 2017 the Committee was supported internally by the Chairman, the Group's CEO and CFO, and the heads of HR and Reward as necessary. All attend by invitation to provide further background information and context to assist the Committee in its duties. They are not present for any discussions that relate directly to their own remuneration or where their attendance would not be appropriate.

 Details of Committee attendance can be found on page 47.

### Reporting to the Board

The Committee Chairman updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members for review and comment.

### Shareholder engagement

The top 20 shareholders, as per the Share Register on 7 November 2017, were contacted regarding the change in Chairman of the Remuneration Committee and invited to discuss any matters pertaining to the Remuneration Policy.

## Voting at the Company's AGMs

There is no binding vote in respect of the DR Policy at the 2018 AGM as it remains unchanged from 2017.

The outcome of the votes in respect of the DR Policy and Report for 2014 to 2017 are shown below:

AGM	Directors' Remuneration Policy (binding vote)			Directors' Remuneration Report (advisory vote)		
	Votes for	Votes against	Abstentions	Votes for	Votes against	Abstentions
2017	120,328,350 (95.76%)	5,332,320 (4.24%)	261,819	119,155,451 (96.42%)	4,426,549 (3.58%)	2,340,489
2016	-	-	-	167,998,487 (98.58%)	2,427,740 (1.42%)	5,056,017
2015	-	-	-	149,415,662 (96.99%)	4,633,208 (3.01%)	3,642,496
2014	155,440,907 (90.94%)	15,483,775 (9.06%)	906,025	158,131,479 (94.01%)	10,076,027 (5.99%)	3,623,200

### Jo Harlow

Chairman of the Remuneration Committee  
19 February 2018

## Effectiveness of the Committee

All members are independent Non-Executive Directors, as required under the ToR. All members have the necessary experience and expertise to meet the Committee's responsibilities. The effectiveness of the Committee is monitored and assessed annually through the Board's evaluation questionnaires and interviews, and informally by the Committee's advisers. The annual review included assessment of the effectiveness of the Committee using a guide prepared by PwC. This guide covers both the Committee's behaviours and its processes.

## Other focus areas and activities

The focus areas and activities discussed by the Committee during 2017 were: Review and approval of performance outcomes and set targets for 2017; Executive Committee changes and remuneration; diversity and inclusion including the UK gender pay disclosure; and consideration of external remuneration developments and best practice.

## Remuneration advisers

The Committee continued to retain PricewaterhouseCoopers LLP (PwC) throughout 2017 as independent advisers. Fees of £85,835 were paid to PwC in respect of advice provided to the Committee on executive remuneration matters during the year. This was in the form of an agreed fee for support in preparation of papers and attendance at meetings, with work on additional items charged at hourly rates. The terms of engagement for PwC are available from Company Secretary's office on request.

PwC also provided other consulting services to the Group during 2017. In respect of the services for the CEO succession, fees of £127,500 were paid to PwC in 2017. Much work had to be done confidentially which, in other roles and circumstances, would have been done in-house. The period of work commenced before the appointment of the Chief Human Resources Officer.

PwC is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK and the professional standards to which they have committed to adhere when advising remuneration committees. PwC was appointed following a competitive tender process and the Committee is satisfied that the advice received from PwC is objective and independent.

# Group Financial Statements

<b>80</b>	<b>Statement of Directors' Responsibilities</b>
<b>81</b>	<b>Independent Auditor's UK Report</b>
<b>87</b>	<b>Independent Auditor's US Report</b>
<b>88</b>	<b>Group Financial Statements</b>
88	Group income statement
89	Group statement of comprehensive income
90	Group statement of changes in equity
93	Group statement of financial position
94	Group statement of cash flows
<b>95</b>	<b>Accounting policies</b>
<b>104</b>	<b>Notes to the Group Financial Statements</b>





True Hospitality is what sets IHG apart, and it's why our brands have something for everyone and are loved the world over.

## Statement of Directors' Responsibilities

### Financial Statements and accounting records

The Directors are required to prepare financial statements for the Company and the Group at the end of each financial year in accordance with all applicable laws and regulations. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable;
- State whether the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), for use in the EU and Article 4 of the EU IAS Regulation;
- State for the Company Financial Statements whether applicable UK accounting standards have been followed; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company to enable them to ensure that the Financial Statements comply with the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the EU IAS Regulation. The Directors are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group, and taking reasonable steps to prevent and detect fraud and other irregularities.

### Disclosure Guidance and Transparency Rules

The Board confirms that to the best of its knowledge:

- The Financial Statements have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group taken as a whole; and
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

### UK Corporate Governance Code

Having taken advice from the Audit Committee, the Board considers that this Annual Report and Form 20-F, taken as a whole is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### Disclosure of information to Auditor

The Directors who held office as at the date of approval of this report confirm that they have taken steps to make themselves aware of relevant audit information (as defined by Section 418(3) of the Companies Act 2006). None of the Directors are aware of any relevant audit information which has not been disclosed to the Company's Auditor.

### Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Group's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Group's transactions and dispositions of assets;
- Are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the Financial Statements in accordance with IFRS as issued by the IASB and IFRS as adopted by the EU, and that receipts and expenditure are being made only in accordance with authorisation of management and the Directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Financial Statements.

Any internal control framework has inherent limitations and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the Group's internal control over financial reporting at 31 December 2017 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria).

Based on this assessment, management has concluded that as at 31 December 2017 the Group's internal control over financial reporting was effective.

During the period covered by this document there were no changes in the Group's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the effectiveness of the internal controls over financial reporting.

The Group's internal control over financial reporting at 31 December 2017, together with the Group's Consolidated Financial Statements, were audited by Ernst & Young LLP, an independent registered public accounting firm. Their report on internal control over financial reporting can be found on page 87.

For and on behalf of the Board



**Keith Barr**  
Chief Executive Officer  
19 February 2018



**Paul Edgecliffe-Johnson**  
Chief Financial Officer  
19 February 2018

# Independent Auditor's UK Report

## Independent Auditor's Report to the members of InterContinental Hotels Group PLC

### Our opinion on the Financial Statements

In our opinion:

- InterContinental Hotels Group PLC's Group Financial Statements and Parent Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended.
- The Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.
- The Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'.
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

### What we have audited

InterContinental Hotels Group PLC's (IHG's, the Group's) Financial Statements for the year ended 31 December 2017 comprise:

Group	Company
Group income statement	Parent Company statement of financial position
Group statement of comprehensive income	Parent Company statement of changes in equity
Group statement of changes in equity	Related notes 1 to 10 to the Financial Statements
Group statement of financial position	
Group statement of cash flows	
Related notes 1 to 33 to the Financial Statements	

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Group and Parent

Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- The disclosures in the annual report set out on page 21 that describe the principal risks and explain how they are being managed or mitigated.
- The directors' confirmation set out on page 80 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity.
- The directors' statement set out on page 80 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements.
- Whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- The directors' explanation set out on page 163 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Accounting for the hotel assessments collected as part of the revenue cycle and the allocation of expenditures related to the marketing, advertising and loyalty programmes (the System Fund).</li> <li>• The valuation of the future redemption of IHG Rewards Club points liability.</li> <li>• Capitalisation of software assets and carrying value.</li> <li>• The carrying value of Property, Plant and Equipment, Intangible assets and Investment in associates and joint ventures.</li> </ul>
<b>Audit scope</b>	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of 22 components and audit procedures on specific balances for a further 22 components.</li> <li>• The components where we performed full or specific audit procedures accounted for 92% of profit before tax adjusted for pre-tax exceptional items and 77% of revenue.</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall Group materiality of \$32m was applied, which represents 5% of profit before tax adjusted for pre-tax exceptional items. We considered it appropriate to maintain our planning materiality rather than increasing it to \$34m based on the final reported results.</li> </ul>

## Independent Auditor’s UK Report continued

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which

had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Risk direction	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Accounting for the hotel assessments collected as part of the revenue cycle and the allocation of expenditures related to the marketing, advertising and loyalty programmes (the System Fund)</b></p> <p><i>Refer to the Strategic Report (page 41); the Audit Committee Report (page 58); Critical accounting policies and use of judgements, estimates and assumptions (page 100); and note 32 of the Group Financial Statements (page 140).</i></p> <p>As outlined in the Strategic Report on page 12, the System Fund (the Fund) is a key part of the Group’s business model.</p> <p>For the year ended 31 December 2017, and as detailed in note 32, the Fund has assessment fees and contributions of \$1,562m, and a surplus as of year-end of \$158m. The Fund income and expenditure are not included in IHG’s income statement.</p> <p>We focus on this area because there is a risk that the hotel assessments could be included in IHG’s reported revenue, which would overstate IHG’s revenues; or that Group costs are incorrectly charged to the Fund, improperly reducing IHG’s expenses and leading to a misstatement of IHG’s income statement.</p>		<p><b>Our response to the risk</b></p> <p>We understood the principal streams of income and expenditure in the Fund.</p> <p>For a sample of hotel assessments and expenses recorded in the Fund, we agreed that they are in accordance with the principles as agreed with the IHG Owners Association; supported by appropriate documentation and, based on our inspection of that supporting documentation, have made an independent assessment of whether the hotel assessments and contributions and expenses relate to the Fund.</p> <p>We have tested the controls over the calculation of hotel assessments, allocation of expenses, related IT systems and eliminations from IHG’s ledgers.</p> <p>Given the accounting treatment adopted for the Fund is a key judgement; we verified the appropriateness of the related disclosures provided in critical accounting policies and the use of judgements, estimates and assumptions (page 101) and note 32 of the Group Financial Statements.</p> <p>In addressing this area of focus, audit procedures were performed by the component team in the United States under our supervision.</p>	<p>We are satisfied that System Fund hotel related assessment fees, contributions and expenses have been appropriately identified in accordance with the principles agreed with the IHG Owners Association and excluded from IHG’s Group income statement.</p>
<p><b>The valuation of the future redemption of IHG Rewards Club points liability</b></p> <p><i>Refer to the Audit Committee Report (page 58); Critical accounting policies and the use of judgements, estimates and assumptions (page 101); and note 32 of the Group Financial Statements (page 140).</i></p> <p>We focused on this area due to the size of the liability (\$760m at 31 December 2017), and its sensitivity, in particular, to the breakage estimate (as defined on page 101). Changes in the valuation of the liability are charged to the System Fund surplus/deficit and not to IHG’s income statement.</p>		<p>We tested internal financial controls, including IT controls, over the liability valuation process, including controls over validation of the completeness and accuracy of data provided to IHG’s external actuarial adviser and management’s internal review process of the inputs and the overall estimate of the points liability.</p> <p>For the three key inputs into the liability valuation we undertook the following audit procedures:</p> <p>(1) Outstanding loyalty points at 31 December 2017</p> <p>We tested controls over the complete and accurate recording of point data and tested the roll forward of the points balance from the prior year to 31 December 2017, and verified to underlying records.</p> <p>We tested the controls over the awards/redemption process and we performed detailed tests of transactions on earned, redeemed and expired points throughout the year.</p> <p>(2) The outstanding points redemption ratio (breakage)</p> <p>We engaged our own actuarial specialists to assist us in challenging and evaluating the appropriateness of the methodology, data and assumptions applied by management in determining the redemption ratio/breakage for members’ outstanding loyalty points at the balance sheet date, in particular regarding the impact from the expiration policy.</p> <p>In addition to testing the integrity of the company’s model, we developed our own model to form an independent view on an acceptable range for the redemption ratios to assess the reasonableness of key assumptions applied by management in valuing the liability.</p> <p>(3) Redeemed point cost (RPC)</p> <p>We have assessed the assumptions made in the determination of the RPC, by corroborating with historical data and contractual commitments with hotels and other third party providers. In addition, we have assessed the reasonableness of the split of the expected redemption of points between hotel and other awards.</p> <p>In addressing this area of focus, audit procedures were performed by the component team in the United States under our supervision.</p>	<p>We concluded that the valuation of the future redemption of the IHG Rewards Club points liability at 31 December 2017 is within an acceptable range.</p>

Risk	Risk direction	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Capitalisation of software assets and carrying value</b></p> <p>Refer to the Strategic Report (page 17); the Audit Committee Report (page 58); Critical accounting policies and the use of judgements, estimates and assumptions (page 101); and note 13 of the Group Financial Statements (page 118).</p> <p>Given the Group's continued development of its technology environment and the size of the capitalised software balance (\$464m as at 31 December 2017), of which \$168m has been capitalised in the year, we continue to focus on this area.</p> <p>Software projects can have complex development cycles, often over many phases, spanning two to three years, or more. New technology also brings a risk of impairment of legacy systems.</p>	↔	<p><b>Our response to the risk</b></p> <p>We tested internal financial controls, including IT controls, over the approval, acquisition, development of new software and management's assessment of impairment.</p> <p>We obtained a listing of new projects initiated in the year, and agreed a sample to underlying documentation to test that they had been reviewed and approved in line with the Group's delegation of authority.</p> <p>For both existing and new projects, we assessed the costs capitalised as compared to the requirements of IAS 38 'Intangible Assets'.</p> <p>We performed tests of details by vouching specific expenditures to supporting documentation to validate a sample of software additions in the year.</p> <p>We inspected management's impairment review and considered the appropriateness of the conclusions reached through inspection of the underlying supporting work papers, inquiries of management, independent validation that no carrying value was attributed to systems no longer in use, and the inspection of a full asset listing.</p> <p>In addressing this area of focus, audit procedures were performed by the component team in the United States under our supervision.</p>	<p>We concluded that the carrying value of software assets at 31 December 2017 is appropriate.</p>
<p><b>Carrying value of Property, Plant and Equipment, Intangible assets and Investment in associates and joint ventures</b></p> <p>Refer to the Audit Committee Report (page 58), Critical accounting policies and the use of judgements, estimates and assumptions (page 101); and notes 12, 13 and 14 of the Group Financial Statements (pages 116-120).</p> <p>Impairment of Property, Plant and Equipment, Intangible assets and Investment in associates and joint ventures remains a subjective area. At 31 December 2017 the carrying value of non-current assets, excluding software assets, was \$1,303m.</p> <p>Given the impairment charges recorded by the Group in 2016, we have re assessed the risk of material misstatement with regards to the carrying value of these non-current assets.</p> <p>The risk of impairment of software assets is addressed in the "Capitalisation of software assets and carrying value" section above.</p> <p>The Group recognised impairment charges in respect of the investment in InterContinental New York Barclay during the year of \$18m.</p>	↑	<p><b>Our response to the risk</b></p> <p>We tested internal financial controls over management's assessment and measurement of impairment. These included controls over the underlying projections prepared through the forecasting process, the assumptions applied and the completeness and accuracy of the data provided to IHG's external specialist.</p> <p>We tested the integrity of the impairment models and the appropriateness of the methodology used including comparability to prior periods. We performed our own sensitivities on the key assumptions used by management and determined whether adequate headroom remained.</p> <p>We performed detailed testing to assess the key inputs to the model including:</p> <ul style="list-style-type: none"> <li>Assessing the historical accuracy of management's budgets and forecasts through comparison with actual performance.</li> <li>Corroborating management's assumptions with reference to historical data and, where applicable, external benchmarks to assess if the assumptions used are within an acceptable range. The main assumptions include discount rates, fee margins, average daily room rates, comparable room key sales data and occupancy.</li> </ul> <p>We considered the appropriateness of the disclosures provided in the Group Financial Statements. In particular, we considered the completeness of the disclosures regarding material non-current assets where a reasonably possible change in assumptions could lead to impairment.</p> <p>In addressing this area of focus, audit procedures were performed mainly by the Primary Team, with the exception of certain specific inputs to management's models for which we engaged our business valuation specialists.</p>	<p>We concluded that the carrying value of non-current assets is supported at 31 December 2017, and appropriate disclosures have been provided.</p> <p>The impairment charges recognised at 31 December 2017 have been calculated on a reasonable basis.</p>

In addition to the risks identified as part of our audit planning, the following area affected the allocation of resources and the direction of our audit efforts and for which our audit response was as follows:

Risk	Risk direction	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Impact of the US tax reform</b></p> <p>Refer to the Audit Committee Report (page 56) and note 7 of the Group Financial Statements (pages 111-114).</p> <p>On 22 December 2017, the US government enacted widespread changes to the US tax system. The changes have resulted in a tax benefit of \$108m recognised in exceptional items in the 2017 Group Income Statement.</p> <p>We focused on this area due to the complexity of the changes in the tax law, the proximity of the announcement to the year end and the materiality to the group.</p>	↑	<p><b>Our response to the risk</b></p> <p>We tested internal financial controls over management's assessment and measurement of the Federal and State Tax implications of tax reform, including the accuracy of the underlying information on which the calculation is based.</p> <p>We assessed whether the methodology used to calculate the estimated liability was based on an acceptable interpretation of the legislation, considering both Federal and State tax laws.</p> <p>We verified that the existing deferred tax liabilities have been remeasured through the income statement, other comprehensive income or equity, according to where they gave rise to tax in the first place.</p> <p>We tested the accuracy and completeness of the inputs to the calculation, and the mathematical accuracy of the calculation itself.</p> <p>We have considered the appropriateness of the related disclosures provided in the Group Financial Statements.</p> <p>In addressing this area of focus, audit procedures were principally performed by the component team in the United States under our supervision.</p>	<p>We concluded that the impact of US tax reform is calculated on a reasonable basis and is appropriately recorded in the Group Financial Statements at 31 December 2017. We consider the accounting and related disclosures in the Group Financial Statements to be in line with the relevant reporting requirements.</p>

"Data security incidents" was included as an area of audit focus last year in view of the time spent by senior members of the audit team following the data breaches. This year, in the absence of material breach, our procedures on data security have been more routine in nature.

## Independent Auditor’s UK Report continued

### The scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group Financial Statements. We take into account size, risk profile, the organisation of the Group, including IHG’s global accounting centre in India, and effectiveness of group-wide controls, changes in the business environment and other factors such as Global Internal Audit review findings when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Group Financial Statements,

we selected 44 components within IHG’s global accounting centre in India, the United States, the United Kingdom and China, which represent the principal business units within the Group.

Of the 44 components selected, we performed an audit of the complete financial information of 22 components (‘full scope components’) which were selected based on their size or risk characteristics. For the remaining 22 components (‘specific scope components’), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Group Financial Statements either because of the size of these accounts or their risk profile.

The table below illustrates the coverage obtained from the work performed by our audit teams.

	2017				2016		
	Number	% profit before tax adjusted for pre-tax exceptional items	% revenue	See note	Number	% profit before tax adjusted for pre-tax exceptional items	% revenue
Full scope	22	81	69	1	21	72	67
Specific scope	22	11	8	2	24	17	10
<b>Full and specific scope coverage</b>	<b>44</b>	<b>92</b>	<b>77</b>		45	89	77
<b>Remaining components</b>		<b>8</b>	<b>23</b>	<b>3</b>		11	23
Total		<b>100</b>	<b>100</b>			100	100

#### Notes

<sup>1</sup> The Group audit risks included in the tables on pages 82 to 83 were subject to full audit procedures.

<sup>2</sup> The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

<sup>3</sup> Of the remaining components that together represent 8% of the Group’s profit before tax adjusted for pre-tax exceptional items; none are individually greater than 5% of the Group’s profit before tax adjusted for pre-tax exceptional items. We performed specified procedures over System Fund revenue for two components. For three (2016: three) components, we performed review scope procedures. For the remaining components; none of which are individually greater than 2% of the Group’s profit before tax adjusted for pre-tax exceptional items, we performed other procedures, including analytical review at both regional levels and at owned hotels, inquiry of management, and testing of journals across the Group to respond to any potential risks of material misstatement to the Group Financial Statements.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Primary Team, or by component auditors from other EY global network firms operating under our instruction. Of the 22 full scope components, audit procedures were performed on three of these directly by the Primary Team and 19 by the component audit teams. For the 22 specific scope components, audit procedures were performed on these by component audit teams. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Primary Team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor, or her delegate, visits each of the key locations at both the interim and year-end stages of the audit process. During the current year’s audit cycle, visits were undertaken, at least twice, by the Primary Team to the component teams at key locations in the United States and IHG’s global accounting centre in India and once to the regional head office in China.

These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, and reviewing key audit working papers on the Group risk areas. The Primary Team interacted regularly with the component teams, where appropriate, during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group Financial Statements.

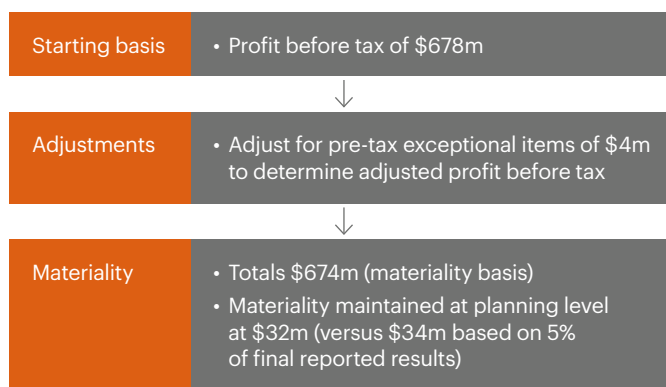
### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Group Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be \$32m (2016: \$31m), which is 5% (2016: 5%) of profit before tax adjusted for pre-tax exceptional items. We believe that profit before tax adjusted for pre-tax exceptional items provides us with a consistent year-on-year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity. Detailed audit procedures are performed on material exceptional items.



During the course of our audit, we reassessed initial materiality and the actual profit before tax adjusted for pre-tax exceptional items was 5% higher than the Group's initial estimates used in planning. However, due to the status of our procedures we did not change our materiality assessment to reflect this.

We determined materiality for the Parent Company to be £11m (2016: £11m), which is 1% (2016: 1%) of equity.

#### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely \$24m (2016: \$23m). We have set performance materiality at this percentage to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$1m to \$24m (2016: \$1m to \$23m).

#### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$1.6m (2016: \$1.6m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

#### Other information

The other information comprises the information included in the annual report and accounts set out on pages 2–80 and pages 154–188, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 80** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 56 to 59** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 62-63** – the parts of the Directors' Statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 80, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

## Independent Auditor's UK Report continued

In preparing the Financial Statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the Financial Statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the Financial Statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and employee matters.
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's Financial Statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the Financial Statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, internal audit, divisional management and all full and specific scope management; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Other matters we are required to address**

- We were appointed by the Company on 31 May 2017 to audit the Financial Statements for the year ending 31 December 2017 and subsequent financial periods.
- We have served as auditors since IHG's listing in April 2003 and the period of total uninterrupted engagement, including previous renewals and reappointments with the Group's predecessor businesses, is at least 30 years since 1988.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Sarah Kokot (Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor, London  
19 February 2018

## Notes

- <sup>1</sup> The maintenance and integrity of the InterContinental Hotels Group Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- <sup>2</sup> Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## Independent Auditor's US Report

### Report of independent registered public accounting firm

To the Board of Directors and Shareholders of InterContinental Hotels Group PLC.

### Opinion on Internal Control over Financial Reporting

We have audited InterContinental Hotels Group PLC's internal control over financial reporting as of 31 December 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, InterContinental Hotels Group PLC (the Company) maintained, in all material respects, effective internal control over financial reporting as of 31 December 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying 2017 Consolidated Financial Statements of InterContinental Hotels Group PLC, and our report dated 19 February 2018 expressed an unqualified opinion thereon.

### Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and Directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ERNST & YOUNG LLP

London, England  
19 February 2018

### Report of independent registered public accounting firm

To the Board of Directors and Shareholders of InterContinental Hotels Group PLC.

### Opinion on the Financial Statements

We have audited the accompanying Group statement of financial position of InterContinental Hotels Group PLC (the Company) as of 31 December 2017 and 2016, and the related Group statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended 31 December 2017, and the related notes (collectively referred to as the "Financial Statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of InterContinental Hotels Group PLC at 31 December 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of 31 December 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated 19 February 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's Financial Statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### ERNST & YOUNG LLP

We have served as auditors since IHG's listing in April 2003 and of the Group's predecessor businesses since 1988.  
London, England  
19 February 2018

### Notes

<sup>1</sup> The maintenance and integrity of the InterContinental Hotels Group Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

<sup>2</sup> Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Group Financial Statements

## Group income statement

For the year ended 31 December 2017	Note	2017			2016			2015		
		Before exceptional items \$m	Exceptional items (note 5) \$m	Total \$m	Before exceptional items \$m	Exceptional items (note 5) \$m	Total \$m	Before exceptional items \$m	Exceptional items (note 5) \$m	Total \$m
<b>Revenue</b>	2	<b>1,784</b>	<b>-</b>	<b>1,784</b>	1,715	-	1,715	1,803	-	1,803
Cost of sales		<b>(608)</b>	<b>-</b>	<b>(608)</b>	(580)	-	(580)	(640)	-	(640)
Administrative expenses		<b>(328)</b>	<b>(51)</b>	<b>(379)</b>	(339)	(13)	(352)	(395)	(25)	(420)
Share of gains/(losses) of associates and joint ventures	2	<b>3</b>	<b>-</b>	<b>3</b>	(2)	-	(2)	(3)	-	(3)
Other operating income and expenses		<b>11</b>	<b>73</b>	<b>84</b>	9	-	9	11	880	891
		<b>862</b>	<b>22</b>	<b>884</b>	803	(13)	790	776	855	1,631
Depreciation and amortisation	2	<b>(103)</b>	<b>-</b>	<b>(103)</b>	(96)	-	(96)	(96)	-	(96)
Impairment charges	2	<b>-</b>	<b>(18)</b>	<b>(18)</b>	-	(16)	(16)	-	(36)	(36)
<b>Operating profit</b>	2	<b>759</b>	<b>4</b>	<b>763</b>	707	(29)	678	680	819	1,499
Financial income	6	<b>4</b>	<b>-</b>	<b>4</b>	6	-	6	5	-	5
Financial expenses	6	<b>(89)</b>	<b>-</b>	<b>(89)</b>	(93)	-	(93)	(92)	-	(92)
<b>Profit before tax</b>		<b>674</b>	<b>4</b>	<b>678</b>	620	(29)	591	593	819	1,412
Tax	7	<b>(201)</b>	<b>116</b>	<b>(85)</b>	(186)	12	(174)	(180)	(8)	(188)
<b>Profit for the year from continuing operations</b>		<b>473</b>	<b>120</b>	<b>593</b>	434	(17)	417	413	811	1,224
Attributable to:										
Equity holders of the parent		<b>472</b>	<b>120</b>	<b>592</b>	431	(17)	414	411	811	1,222
Non-controlling interest		<b>1</b>	<b>-</b>	<b>1</b>	3	-	3	2	-	2
		<b>473</b>	<b>120</b>	<b>593</b>	434	(17)	417	413	811	1,224
<b>Earnings per ordinary share</b>	9									
Continuing and total operations:										
Basic				<b>306.7¢</b>			195.3¢			520.0¢
Diluted				<b>305.2¢</b>			193.5¢			513.4¢



Notes on pages 95 to 143 form an integral part of these Financial Statements.

## Group statement of comprehensive income

For the year ended 31 December 2017	2017 \$m	2016 \$m	2015 \$m
<b>Profit for the year</b>	<b>593</b>	417	1,224
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss:			
Gains on valuation of available-for-sale financial assets, net of related tax charge of \$3m (2016: \$nil, 2015: \$nil)	<b>41</b>	5	2
Fair value gains reclassified to profit on disposal of available-for-sale financial assets	<b>(73)</b>	(7)	-
Exchange (losses)/gains on retranslation of foreign operations, net of related tax credit of \$1m (2016: charge of \$3m, 2015: charge of \$1m)	<b>(77)</b>	182	(2)
Exchange losses reclassified to profit on hotel disposal	<b>-</b>	-	2
	<b>(109)</b>	180	2
Items that will not be reclassified to profit or loss:			
Re-measurement (losses)/gains on defined benefit plans, including related tax credit of \$nil (2016: credit of \$4m, 2015: charge of \$4m)	<b>(4)</b>	-	9
Deferred tax charge on defined benefit plans arising from significant US tax reform	<b>(11)</b>	-	-
Tax related to pension contributions	<b>-</b>	-	7
	<b>(15)</b>	-	16
<b>Total other comprehensive (loss)/income for the year</b>	<b>(124)</b>	180	18
<b>Total comprehensive income for the year</b>	<b>469</b>	597	1,242
Attributable to:			
Equity holders of the parent	<b>467</b>	594	1,240
Non-controlling interest	<b>2</b>	3	2
	<b>469</b>	597	1,242



Notes on pages 95 to 143 form an integral part of these Financial Statements.

## Group Financial Statements continued

### Group statement of changes in equity

	Equity share capital \$m	Capital redemption reserve \$m	Shares held by employee share trusts \$m	Other reserves \$m	Unrealised gains and losses reserve \$m	Currency translation reserve \$m	Retained earnings \$m	IHG shareholders' equity \$m	Non-controlling interest \$m	Total equity \$m
<b>At 1 January 2017</b>	<b>141</b>	<b>9</b>	<b>(11)</b>	<b>(2,860)</b>	<b>111</b>	<b>451</b>	<b>1,392</b>	<b>(767)</b>	<b>8</b>	<b>(759)</b>
<b>Profit for the year</b>	-	-	-	-	-	-	<b>592</b>	<b>592</b>	<b>1</b>	<b>593</b>
<b>Other comprehensive income</b>										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets	-	-	-	-	<b>41</b>	-	-	<b>41</b>	-	<b>41</b>
Fair value gain reclassified to profit on disposal of available-for-sale financial asset	-	-	-	-	<b>(73)</b>	-	-	<b>(73)</b>	-	<b>(73)</b>
Exchange losses on retranslation of foreign operations	-	-	-	-	-	<b>(78)</b>	-	<b>(78)</b>	<b>1</b>	<b>(77)</b>
	-	-	-	-	<b>(32)</b>	<b>(78)</b>	-	<b>(110)</b>	<b>1</b>	<b>(109)</b>
Items that will not be reclassified to profit or loss:										
Re-measurement losses on defined benefit plans	-	-	-	-	-	-	<b>(4)</b>	<b>(4)</b>	-	<b>(4)</b>
Deferred tax charge on defined benefit plans arising from significant US tax reform	-	-	-	-	-	-	<b>(11)</b>	<b>(11)</b>	-	<b>(11)</b>
	-	-	-	-	-	-	<b>(15)</b>	<b>(15)</b>	-	<b>(15)</b>
<b>Total other comprehensive (loss)/ income for the year</b>	-	-	-	-	<b>(32)</b>	<b>(78)</b>	<b>(15)</b>	<b>(125)</b>	<b>1</b>	<b>(124)</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(32)</b>	<b>(78)</b>	<b>577</b>	<b>467</b>	<b>2</b>	<b>469</b>
Transfer of treasury shares to employee share trusts	-	-	<b>(20)</b>	-	-	-	<b>20</b>	-	-	-
Purchase of own shares by employee share trusts	-	-	<b>(3)</b>	-	-	-	-	<b>(3)</b>	-	<b>(3)</b>
Release of own shares by employee share trusts	-	-	<b>29</b>	-	-	-	<b>(29)</b>	-	-	-
Equity-settled share-based cost	-	-	-	-	-	-	<b>29</b>	<b>29</b>	-	<b>29</b>
Tax related to share schemes	-	-	-	-	-	-	<b>9</b>	<b>9</b>	-	<b>9</b>
Equity dividends paid	-	-	-	-	-	-	<b>(593)</b>	<b>(593)</b>	<b>(3)</b>	<b>(596)</b>
Exchange adjustments	<b>13</b>	<b>1</b>	-	<b>(14)</b>	-	-	-	-	-	-
<b>At 31 December 2017</b>	<b>154</b>	<b>10</b>	<b>(5)</b>	<b>(2,874)</b>	<b>79</b>	<b>373</b>	<b>1,405</b>	<b>(858)</b>	<b>7</b>	<b>(851)</b>

All items above are shown net of tax.



Notes on pages 95 to 143 form an integral part of these Financial Statements.

	Equity share capital \$m	Capital redemption reserve \$m	Shares held by employee share trusts \$m	Other reserves \$m	Unrealised gains and losses reserve \$m	Currency translation reserve \$m	Retained earnings \$m	IHG share-holders' equity \$m	Non-controlling interest \$m	Total equity \$m
<b>At 1 January 2016</b>	169	11	(18)	(2,888)	113	269	2,653	309	10	319
<b>Profit for the year</b>	-	-	-	-	-	-	414	414	3	417
<b>Other comprehensive income</b>										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets	-	-	-	-	5	-	-	5	-	5
Exchange gains on retranslation of foreign operations	-	-	-	-	-	182	-	182	-	182
Fair value gain reclassified to profit on disposal of available-for-sale financial asset	-	-	-	-	(7)	-	-	(7)	-	(7)
<b>Total other comprehensive income for the year</b>	-	-	-	-	(2)	182	-	180	-	180
<b>Total comprehensive income for the year</b>	-	-	-	-	(2)	182	414	594	3	597
Transfer of treasury shares to employee share trusts	-	-	(24)	-	-	-	24	-	-	-
Purchase of own shares by employee share trusts	-	-	(10)	-	-	-	-	(10)	-	(10)
Release of own shares by employee share trusts	-	-	39	-	-	-	(39)	-	-	-
Equity-settled share-based cost	-	-	-	-	-	-	23	23	-	23
Tax related to share schemes	-	-	-	-	-	-	11	11	-	11
Equity dividends paid	-	-	-	-	-	-	(1,693)	(1,693)	(5)	(1,698)
Transaction costs relating to shareholder returns	-	-	-	-	-	-	(1)	(1)	-	(1)
Exchange adjustments	(28)	(2)	2	28	-	-	-	-	-	-
<b>At 31 December 2016</b>	141	9	(11)	(2,860)	111	451	1,392	(767)	8	(759)

All items above are shown net of tax.



Notes on pages 95 to 143 form an integral part of these Financial Statements.

## Group Financial Statements continued

## Group statement of changes in equity continued

	Equity share capital \$m	Capital redemption reserve \$m	Shares held by employee share trusts \$m	Other reserves \$m	Unrealised gains and losses reserve \$m	Currency translation reserve \$m	Retained earnings \$m	IHG share-holders' equity \$m	Non-controlling interest \$m	Total equity \$m
<b>At 1 January 2015</b>	178	12	(35)	(2,896)	111	269	1,636	(725)	8	(717)
<b>Profit for the year</b>	-	-	-	-	-	-	1,222	1,222	2	1,224
<b>Other comprehensive income</b>										
Items that may be subsequently reclassified to profit or loss:										
Gains on valuation of available-for-sale financial assets	-	-	-	-	2	-	-	2	-	2
Exchange losses on retranslation of foreign operations	-	-	-	-	-	(2)	-	(2)	-	(2)
Exchange losses reclassified to profit on hotel disposal	-	-	-	-	-	2	-	2	-	2
	-	-	-	-	2	-	-	2	-	2
Items that will not be reclassified to profit or loss:										
Re-measurement gains on defined benefit plans	-	-	-	-	-	-	9	9	-	9
Tax related to pension contributions	-	-	-	-	-	-	7	7	-	7
	-	-	-	-	-	-	16	16	-	16
<b>Total other comprehensive income for the year</b>	-	-	-	-	2	-	16	18	-	18
<b>Total comprehensive income for the year</b>	-	-	-	-	2	-	1,238	1,240	2	1,242
Purchase of own shares by employee share trusts	-	-	(47)	-	-	-	-	(47)	-	(47)
Release of own shares by employee share trusts	-	-	62	-	-	-	(62)	-	-	-
Equity-settled share-based cost	-	-	-	-	-	-	24	24	-	24
Tax related to share schemes	-	-	-	-	-	-	5	5	-	5
Equity dividends paid	-	-	-	-	-	-	(188)	(188)	-	(188)
Exchange adjustments	(9)	(1)	2	8	-	-	-	-	-	-
<b>At 31 December 2015</b>	169	11	(18)	(2,888)	113	269	2,653	309	10	319

All items above are shown net of tax.



Notes on pages 95 to 143 form an integral part of these Financial Statements.

## Group statement of financial position

31 December 2017	Note	2017 \$m	2016 \$m
<b>ASSETS</b>			
Property, plant and equipment	12	425	419
Goodwill and other intangible assets	13	1,467	1,292
Investment in associates and joint ventures	14	141	111
Trade and other receivables	16	-	8
Retirement benefit assets	25	3	-
Other financial assets	15	228	248
Non-current tax receivable		16	23
Deferred tax assets	7	56	48
<b>Total non-current assets</b>		<b>2,336</b>	2,149
Inventories		3	3
Trade and other receivables	16	551	472
Current tax receivable		101	77
Other financial assets	15	16	20
Cash and cash equivalents	17	168	206
<b>Total current assets</b>		<b>839</b>	778
<b>Total assets</b>	2	<b>3,175</b>	2,927
<b>LIABILITIES</b>			
Loans and other borrowings	20	(126)	(106)
Derivative financial instruments		-	(3)
Loyalty programme liability	32	(343)	(291)
Trade and other payables	18	(768)	(681)
Provisions	19	(3)	(3)
Current tax payable		(64)	(50)
<b>Total current liabilities</b>		<b>(1,304)</b>	(1,134)
Loans and other borrowings	20	(1,893)	(1,606)
Retirement benefit obligations	25	(104)	(96)
Loyalty programme liability	32	(417)	(394)
Trade and other payables	18	(121)	(200)
Provisions	19	(5)	(5)
Non-current tax payable		(25)	-
Deferred tax liabilities	7	(157)	(251)
<b>Total non-current liabilities</b>		<b>(2,722)</b>	(2,552)
<b>Total liabilities</b>	2	<b>(4,026)</b>	(3,686)
<b>Net liabilities</b>		<b>(851)</b>	(759)
<b>EQUITY</b>			
Equity share capital	27	154	141
Capital redemption reserve	27	10	9
Shares held by employee share trusts	27	(5)	(11)
Other reserves	27	(2,874)	(2,860)
Unrealised gains and losses reserve	27	79	111
Currency translation reserve	27	373	451
Retained earnings		1,405	1,392
<b>IHG shareholders' equity</b>		<b>(858)</b>	(767)
Non-controlling interest	27	7	8
<b>Total equity</b>		<b>(851)</b>	(759)

Signed on behalf of the Board

**Paul Edgecliffe-Johnson**

19 February 2018



Notes on pages 95 to 143 form an integral part of these Financial Statements.

## Group Financial Statements continued

### Group statement of cash flows

For the year ended 31 December 2017	Note	2017 \$m	2016 \$m	2015 \$m
<b>Profit for the year</b>		<b>593</b>	417	1,224
Adjustments reconciling profit for the year to cash flow from operations	24	<b>263</b>	536	(414)
<b>Cash flow from operations</b>	24	<b>856</b>	953	810
Interest paid		<b>(76)</b>	(75)	(75)
Interest received		<b>1</b>	4	2
Tax paid on operating activities	7	<b>(147)</b>	(130)	(109)
<b>Net cash from operating activities</b>		<b>634</b>	752	628
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment		<b>(44)</b>	(32)	(42)
Purchase of intangible assets		<b>(229)</b>	(175)	(157)
Investment in associates and joint ventures		<b>(47)</b>	(14)	(30)
Loan advances to associates and joint ventures		-	(2)	(25)
Investment in other financial assets		<b>(30)</b>	(13)	(28)
Acquisition of business, net of cash acquired	10	-	-	(438)
Capitalised interest paid		<b>(6)</b>	(5)	(4)
Landlord contributions to property, plant and equipment		<b>14</b>	-	-
Disposal of hotel assets, net of costs and cash disposed		-	(5)	1,277
Repayments related to intangible assets		-	3	-
Loan repayments by associates and joint ventures		<b>9</b>	-	22
Proceeds from associates and joint ventures		-	2	9
Repayments of other financial assets		<b>20</b>	25	6
Disposal of equity securities available-for-sale	15	<b>75</b>	-	-
Tax paid on disposals	7	<b>(25)</b>	-	(1)
<b>Net cash from investing activities</b>		<b>(263)</b>	(216)	589
<b>Cash flow from financing activities</b>				
Purchase of own shares by employee share trusts		<b>(3)</b>	(10)	(47)
Dividends paid to shareholders	8	<b>(593)</b>	(1,693)	(188)
Dividend paid to non-controlling interest		<b>(3)</b>	(5)	-
Transaction costs relating to shareholder returns		-	(1)	-
Issue of long-term bonds		-	459	458
Other new borrowings		-	-	400
Long-term bonds repaid		-	(315)	-
New borrowings repaid		-	-	(400)
Increase/(decrease) in other borrowings	20	<b>153</b>	109	(355)
Proceeds from foreign exchange swaps		-	-	22
<b>Net cash from financing activities</b>		<b>(446)</b>	(1,456)	(110)
<b>Net movement in cash and cash equivalents in the year</b>		<b>(75)</b>	(920)	1,107
Cash and cash equivalents at beginning of the year	17	<b>117</b>	1,098	55
Exchange rate effects		<b>16</b>	(61)	(64)
<b>Cash and cash equivalents at end of the year</b>	17	<b>58</b>	117	1,098



Notes on pages 95 to 143 form an integral part of these Financial Statements.



## Accounting policies

### General information

This document constitutes the Annual Report and Financial Statements in accordance with UK Listing Rules requirements and the Annual Report on Form 20-F in accordance with the US Securities Exchange Act of 1934.

The Consolidated Financial Statements of InterContinental Hotels Group PLC (the Group or IHG) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 19 February 2018. InterContinental Hotels Group PLC (the Company) is incorporated and domiciled in Great Britain and registered in England and Wales.

### Significant accounting policies

#### Basis of preparation

The Consolidated Financial Statements of IHG have been prepared on a going concern basis and under the historical cost convention, except for available-for-sale equity securities and derivatives which are measured at fair value. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and in accordance with IFRS as adopted by the European Union (EU) and as applied in accordance with the provisions of the Companies Act 2006. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Consolidated Financial Statements for the years presented.

With effect from 1 January 2017, the Group has adopted:

- 'Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative', which requires disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as foreign exchange adjustments. This new disclosure is provided in note 20 to the Group Financial Statements.
- 'Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses'. Application of these amendments has had no impact on the Group Financial Statements.
- Amendments to existing standards arising from the Annual Improvements to IFRSs 2014-2016 cycle. These amendments have not impacted the Group Financial Statements.

#### Presentational currency

The Consolidated Financial Statements are presented in millions of US dollars reflecting the profile of the Group's revenue and operating profit which are primarily generated in US dollars or US dollar-linked currencies.

In the Consolidated Financial Statements, equity share capital, the capital redemption reserve and shares held by employee share trusts are translated into US dollars at the rates of exchange on the last day of the period; the resultant exchange differences are recorded in other reserves.

The functional currency of the Parent Company is sterling since this is a non-trading holding company located in the United Kingdom that has sterling denominated share capital and whose primary activity is the payment and receipt of sterling dividends and of interest on sterling denominated external borrowings and inter-company balances.

### Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Parent Company and entities controlled by the Group. Control exists when the Group has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

All intra-group balances and transactions are eliminated on consolidation.

The assets, liabilities and results of those businesses acquired or disposed of are consolidated for the period during which they were under the Group's control.

The Group operates a deferred compensation plan in the US which allows certain employees to make additional provision for retirement, through the deferral of salary with matching company contributions. Employees can draw down on the plan in certain limited circumstances during employment. The assets of the plan are held in a company-owned trust which is not consolidated as the relevant activity of the trust, being the investment of the funds in the trust, is directed by the participating employees of the plan and the company has no exposure to the gains and losses resulting from those investment decisions. The assets of the trust are held solely for the benefit of the participating employees and to pay plan expenses, other than in the case of a company insolvency in which case they can be claimed by the general creditors of the company. At 31 December 2017, the trust had assets with a fair value of \$197m (2016: \$161m).

#### Foreign currencies

Transactions in foreign currencies are translated to functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the income statement except on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to the currency translation reserve until the disposal of the net investment, at which time they are recycled against the gain or loss on disposal.

The assets and liabilities of foreign operations, including goodwill, are translated into US dollars at the relevant rates of exchange ruling on the last day of the period. The revenues and expenses of foreign operations are translated into US dollars at average rates of exchange for the period. The exchange differences arising on retranslation are taken directly to the currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in the currency translation reserve relating to that particular foreign operation is recycled against the gain or loss on disposal.

## Accounting policies continued

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any impairment.

Repairs and maintenance costs are expensed as incurred.

Land is not depreciated. All other property, plant and equipment are depreciated to a residual value over their estimated useful lives, namely:

- Buildings – lesser of 50 years and unexpired term of lease; and
- Fixtures, fittings and equipment – three to 25 years.

All depreciation is charged on a straight-line basis. Residual value is re-assessed annually.

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that do not generate independent cash flows are combined into cash-generating units. If carrying values exceed their estimated recoverable amount, the assets or cash-generating units are written down to the recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, and any subsequent reversals, are recognised in the income statement.

On adoption of IFRS, the Group retained previous revaluations of property, plant and equipment which are included at deemed cost as permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

### Business combinations and goodwill

On the acquisition of a business, identifiable assets and liabilities acquired are measured at their fair value. Contingent liabilities assumed are measured at fair value unless this cannot be measured reliably, in which case they are not recognised but are disclosed in the same manner as other contingent liabilities. The measurement of deferred tax assets and liabilities arising on acquisition is as described in the general principles detailed within the 'Taxes' accounting policy note on page 98 with the exception that no deferred tax is provided on taxable temporary differences in connection with the initial recognition of goodwill.

Goodwill is recorded at cost, being the difference between the fair value of the consideration and the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill is tested for impairment at least annually by comparing carrying values of cash-generating units with their recoverable amounts. Impairment losses relating to goodwill cannot be subsequently reversed.

Transaction costs are expensed and are not included in the cost of acquisition.

### Intangible assets

#### Brands

Externally acquired brands are initially recorded at cost if separately acquired or fair value if acquired as part of a business combination, provided the brands are controlled through contractual or other legal rights, or are separable from the rest of the business, and the fair value can be reliably measured. Brands are amortised over their estimated useful lives (and tested for impairment if there are indicators of impairment) or tested for impairment at least annually if determined to have indefinite lives.

The costs of developing internally generated brands are expensed as incurred.

#### Management contracts

Management contracts acquired as part of a business combination are initially recorded at the fair value attributed to those contracts on acquisition.

When hotel assets are sold and a purchaser enters into a franchise or management contract with the Group, the Group capitalises as part of the gain or loss on disposal an estimate of the fair value of the contract entered into.

The value of management contracts is amortised on a straight-line basis over the life of the contract including any extension periods at IHG's option up to a maximum of 50 years.

#### Software

Acquired and internally developed software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs are generally amortised over estimated useful lives of three to five years on a straight-line basis.

Internally generated development costs are expensed unless forecast revenues exceed attributable forecast development costs, in which case they are capitalised and amortised over the estimated useful life of the asset.

#### Other intangible assets

Amounts paid to hotel owners to secure management contracts and franchise agreements are capitalised and amortised on a straight-line basis over their estimated useful lives, being the full contractual term, up to a maximum of 50 years.

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### **Associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies.

A joint venture exists when two or more parties have joint control over, and rights to the net assets of, the venture. Joint control is the contractually agreed sharing of control which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates and joint ventures are accounted for using the equity method unless the associate or joint venture is classified as held for sale. Under the equity method, the Group's investment is recorded at cost adjusted by the Group's share of post-acquisition profits and losses and other movements in the investee's reserves. When the Group's share of losses exceeds its interest in an associate or joint venture, the Group's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate or joint venture.

If there is objective evidence that an associate or joint venture is impaired, an impairment charge is recognised if the carrying amount of the investment exceeds its recoverable amount.

Upon loss of significant influence over an associate or joint control of a joint venture, any retained investment is measured at fair value with any difference to carrying value recognised in the income statement.

### **Financial assets**

The Group classifies its financial assets into one of the two following categories: loans and receivables or available-for-sale financial assets. Management determines the classification of financial assets on initial recognition and they are subsequently held at amortised cost (loans and receivables) or fair value (available-for-sale financial assets). Interest on loans and receivables is calculated using the effective interest rate method and is recognised in the income statement as interest income. Changes in fair values of available-for-sale financial assets are recorded directly in equity within the unrealised gains and losses reserve. On disposal, the accumulated fair value adjustments recognised in equity are recycled to the income statement. Dividends from available-for-sale financial assets are recognised in the income statement as other operating income and expenses.

Financial assets are assessed for impairment at each period-end date. In the case of an equity investment classified as available-for-sale, a significant or prolonged decline in fair value below cost is evidence that the asset is impaired. If an available-for-sale financial asset is impaired, the difference between original cost and fair value is transferred from equity to the income statement to the extent of any cumulative loss recorded in equity, with any excess charged directly to the income statement. Subsequent impairment reversals relating to previously impaired equity instruments are recorded in equity.

### **Trade receivables**

Trade receivables are recorded at their original amount less provision for impairment. It is the Group's policy to provide for 100% of the previous month's aged receivables balances which are more than 180 days past due. Adjustments to the policy may be made due to specific or exceptional circumstances. The carrying amount of the receivable is reduced through the use of a provision account and movements in the provision are recognised in the income statement within cost of sales. When a previously provided trade receivable is uncollectable, it is written off against the provision.

### **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

In the statement of cash flows, cash and cash equivalents are shown net of short-term overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### **Assets held for sale**

Assets and liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable and expected to complete within one year. For a sale to be highly probable, management need to be committed to a plan to sell the asset and the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property, plant and equipment classified as held for sale.

### **Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Group statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. To meet these criteria, the right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: the normal course of business, the event of default and the event of insolvency or bankruptcy of the Group and all of the counterparties.

### **Bank and other borrowings**

Bank and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including the transaction costs and any discount or premium on issue, are recognised in the income statement using the effective interest rate method.

Borrowings are classified as non-current when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

## Accounting policies continued

**Derivative financial instruments and hedging**

Derivatives are initially recognised and subsequently re-measured at fair value. The method of recognising the re-measurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income and the unrealised gains and losses reserve to the extent that the hedges are effective. When the hedged item is recognised, the cumulative gains and losses on the related hedging instrument are reclassified to the income statement.

Changes in the fair value of derivatives designated as net investment hedges are recorded in other comprehensive income and the currency translation reserve to the extent that the hedges are effective. The cumulative gains and losses remain in equity until a foreign operation is sold, at which point they are reclassified to the income statement.

Changes in the fair value of derivatives which have either not been designated as hedging instruments or relate to the ineffective portion of hedges are recognised immediately in the income statement.

Documentation outlining the measurement and effectiveness of any hedging arrangement is maintained throughout the life of the hedge relationship.

Interest arising from currency derivatives and interest rate swaps is recorded in either financial income or expenses over the term of the agreement, unless the accounting treatment for the hedging relationship requires the interest to be taken to reserves.

**Self insurance**

Liabilities in respect of self insured risks include projected settlements for known and incurred but not reported claims. Projected settlements are estimated based on historical trends and actuarial data.

**Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a payment will be made and a reliable estimate of the amount payable can be made. If the effect of the time value of money is material, the provision is discounted using a current pre-tax discount rate that reflects the risks specific to the liability.

An onerous contract provision is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

In respect of litigation, provision is made when management consider it probable that payment may occur even though the defence of the related claim may still be ongoing through the court process.

**Taxes****Current tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities, including interest. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

**Deferred tax**

Deferred tax assets and liabilities are recognised in respect of temporary differences between the tax base and carrying value of assets and liabilities including accelerated capital allowances, unrelieved tax losses, unremitted profits from subsidiaries, gains rolled over into replacement assets, gains on previously revalued properties and other short-term temporary differences.

Judgement is used when assessing the extent to which deferred tax assets, particularly in respect of tax losses, should be recognised. Deferred tax assets are therefore recognised to the extent that it is regarded as probable that there will be sufficient and suitable taxable profits (including the future release of deferred tax liabilities) in the relevant legal entity or tax group against which such assets can be utilised in the future. For this purpose, forecasts of future taxable profits are considered by assessing the Group's forecast revenue and profit models, taking into account future growth predictions and operating cost assumptions. Accordingly, changes in assumptions to the Group's forecasts may have an impact on the amount of future taxable profits and therefore the period over which any deferred tax assets might be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset or liability will be settled, based on rates enacted or substantively enacted at the end of the reporting period.

Where deferred tax assets and liabilities arise in the same entity or group of entities and there would be a legal right to offset the assets and liabilities were they to reverse, the assets and liabilities are also offset on the Group statement of financial position. Similarly, if there is no legal right to offset assets against liabilities, the assets and liabilities are not offset.

**Retirement benefits****Defined contribution plans**

Payments to defined contribution schemes are charged to the income statement as they fall due.

**Defined benefit plans**

Plan assets are measured at fair value and plan liabilities are measured on an actuarial basis, using the projected unit credit method and discounting at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The difference between the value of plan assets and liabilities at the period-end date is the amount of surplus or deficit recorded in the statement of financial position as an asset or liability. An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the plan or on its wind-up.

The service cost of providing pension benefits to employees, together with the net interest expense or income for the year, is charged to the income statement within 'administrative expenses'. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability, after any asset restriction. Past service costs and gains, which are the change in the present value of the defined benefit obligation for employee service in prior periods resulting from plan amendments, are recognised immediately the plan amendment occurs. Settlement gains and losses, being the difference between the settlement cost and the present value of the defined benefit obligations being settled, are recognised when the settlement occurs.

Re-measurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest) and changes in the amount of any asset restrictions. Actuarial gains and losses may result from: differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year or changes in the actuarial assumptions used in the valuation of the plan liabilities. Re-measurement gains and losses, and taxation thereon, are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are carried out on a regular basis and are updated for material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the end of the reporting period.

#### **Revenue recognition**

Revenue arises from the sale of goods and provision of services where these activities give rise to economic benefits received and receivable by the Group on its own account and result in increases in equity.

Revenue is derived from the following sources: franchise fees; management fees; owned and leased properties and other revenues which are ancillary to the Group's operations, including technology fee income.

Revenue is recorded (excluding VAT and similar taxes) net of discounts.

The following is a description of the composition of revenues of the Group.

#### **Franchise fees**

Received in connection with the licence of the Group's brand names, usually under long-term contracts with the hotel owner. The Group charges franchise royalty fees as a percentage of hotel rooms revenue and recognises the fees as the hotel revenues occur.

#### **Management fees**

Earned from hotels managed by the Group, usually under long-term contracts with the hotel owner. Management fees include a base fee, generally a percentage of hotel revenue, which is recognised as the hotel revenues occur and an incentive fee, generally based on the hotel's annual profitability or cash flows, which is recognised over time when it is considered probable that the related performance criteria will be met.

#### **Owned and leased**

Primarily derived from hotel operations, including the rental of rooms and food and beverage sales from owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied and food and beverages are sold.

Franchise fees and management fees include liquidated damages received from the early termination of contracts.

Other revenues are recognised when earned in accordance with the terms of the contract.

#### **Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The income statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

#### **Leases**

Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### **Disposal of non-current assets**

The Group recognises sales proceeds and any related gain or loss on disposal on completion of the sales process. In determining whether the gain or loss should be recorded, the Group considers whether it:

- Has a continuing managerial involvement to the degree associated with asset ownership;
- Has transferred the significant risks and rewards associated with asset ownership; and
- Can reliably measure and will actually receive the proceeds.

## Accounting policies continued

**Fair value measurement**

The Group measures available-for-sale equity securities and derivatives at fair value on a recurring basis and other assets when impaired by reference to fair value less costs of disposal. Additionally, the fair value of other financial assets and liabilities require disclosure.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured by reference to the principal market for the asset or liability assuming that market participants act in their economic best interests.

The fair value of a non-financial asset assumes the asset is used in its highest and best use, either through continuing ownership or by selling it.

The Group uses valuation techniques that maximise the use of relevant observable inputs using the following valuation hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Further disclosures on the particular valuation techniques used by the Group are provided in note 23.

For impairment testing purposes and where significant assets (such as property) are valued by reference to fair value less costs of disposal, an external valuation will normally be obtained using professional valuers who have appropriate market knowledge, reputation and independence.

**Exceptional items**

The Group discloses certain financial information both including and excluding exceptional items. The presentation of information excluding exceptional items allows a better understanding of the underlying trading performance of the Group and provides consistency with the Group's internal management reporting. Exceptional items are identified by virtue of either their size or nature so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance of the Group and its regional operating segments. Exceptional items can include, but are not restricted to, gains and losses on the disposal of assets, impairment charges and reversals and restructuring costs.

**Critical accounting policies and the use of judgements, estimates and assumptions**

In determining and applying the Group's accounting policies, management are required to make judgements, estimates and assumptions. An accounting policy is considered to be critical if its selection or application could materially affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Management consider accounting for the System Fund to be a critical judgement and that critical estimates and assumptions are used in impairment testing and for measuring the loyalty programme liability, as discussed in further detail below. Estimates and assumptions are evaluated by management using historical experience and other factors believed to be reasonable based on current circumstances. Actual results could differ under different policies, judgements, estimates and assumptions or due to unforeseen circumstances.

**System Fund** – in addition to management or franchise fees, hotels within the IHG System (other than for Kimpton and InterContinental hotels) pay cash assessments and contributions which are collected by IHG for specific use within the System Fund (the Fund). The Fund also receives proceeds from the sale of IHG Rewards Club points. IHG exerts significant influence over the operation of the Fund, however the Fund is managed for the benefit of hotels in the System with the objective of driving revenues for the hotels. The Fund is used to pay for marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The Fund is planned to operate at breakeven with any short-term timing surplus or deficit carried in the Group statement of financial position within working capital.

As all Fund income is designated for specific purposes and does not result in a profit or loss for the Group, the revenue recognition criteria as outlined in the accounting policy above are not met and therefore the income and expenses of the Fund are not included in the Group income statement.

The assets and liabilities relating to the Fund are included in the appropriate headings in the Group statement of financial position as the related legal, but not beneficial, rights and obligations rest with the Group. These assets and liabilities include the IHG Rewards Club liability, short-term timing surpluses and deficits and any receivables and payables related to the Fund.

The cash flows relating to the Fund are reported within 'cash flow from operations' in the Group statement of cash flows due to the close interrelationship between the Fund and the trading operations of the Group.



Further information on the Fund is included in note 32.

**Loyalty programme** – the hotel loyalty programme, IHG Rewards Club, enables members to earn points, funded through hotel assessments, during each qualifying stay at an IHG branded hotel and redeem points at a later date for free accommodation or other benefits. The future redemption liability is calculated by multiplying the number of points expected to be redeemed before they expire by the redemption cost per point. On an annual basis the Group engages an external actuary who uses statistical formulae to assist in the estimate of the number of points that will never be redeemed ('breakage').

Following the introduction of a points expiration policy in 2015, breakage has become more judgemental due to there being limited historical data on the impact of such a change. Actuarial gains and losses on the future redemption liability are borne by the System Fund and any resulting changes in the liability would correspondingly adjust the amount of short-term timing surpluses and deficits held in the Group statement of financial position.

At 31 December 2017, the future redemption liability was \$760m (2016: \$685m). Based on the conditions existing at the balance sheet date, a one percentage point decrease in the breakage estimate would increase this liability by approximately \$10m.

**Impairment testing** – intangible assets with definite useful lives, and property, plant and equipment are tested for impairment when events or circumstances indicate that their carrying value may not be recoverable. Goodwill and intangible assets with indefinite useful lives are subject to an impairment test on an annual basis or more frequently if there are indicators of impairment. Assets that do not generate independent cash flows are combined into cash-generating units. Associates and joint ventures are tested for impairment when there is objective evidence that they might be impaired.

The impairment testing of individual assets or cash-generating units requires an assessment of the recoverable amount of the asset or cash-generating unit. If the carrying value of the asset or cash-generating unit exceeds its estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that is based on the Group's weighted average cost of capital adjusted to reflect the risks specific to the business model and territory of the cash-generating unit or asset being tested. The outcome of such an assessment is subjective, and the result sensitive to the assumed future cash flows to be generated by the cash-generating units or assets and discount rates applied in calculating the value in use.

At 31 December 2017, the Group had goodwill of \$237m (2016: \$232m) and brands of \$193m (2016: \$193m), both of which are subject to annual impairment testing. Information on the impairment tests performed is included in note 13.

At 31 December 2017, the Group also had property, plant and equipment, other intangible assets and investments in associates and joint ventures with a net book value of \$425m, \$1,037m and \$141m (2016: \$419m, \$867m and \$111m) respectively. In 2017, an impairment charge of \$18m (2016: \$16m) was recognised in relation to an associate investment as described in detail in note 14. In respect of those other assets requiring an impairment test and depending on how recoverable amount was assessed, a 10% reduction in fair value or estimated future cash flows would have resulted in a further impairment charge of \$13m.

### **New standards issued but not effective**

The new and amended accounting standards discussed below are those which are expected to be relevant to the Group Financial Statements.

#### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 introduces a new five-step approach to measuring and recognising revenue from contracts with customers and will be adopted by the Group with effect from 1 January 2018. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Management's assessment of the impact of IFRS 15 is substantially complete and a summary of the main changes and impacts on IHG are as follows:

##### **1. Employee cost reimbursements**

Under IFRS 15, the provision of employees to managed hotels is not considered to be a service that is distinct from the general hotel management service. Reimbursements for the costs of IHG employees working in managed hotels will therefore be shown as revenue with an equal matching cost, with no profit impact. Under current accounting, no revenue or matching cost is recognised.

##### **2. Initial franchise and re-licensing fees**

Under current accounting, application and re-licensing fees are recognised as revenue when billed as the monies received are not refundable and IHG has no further obligations to satisfy. Under IFRS 15, there is a requirement to consider whether the payment of these fees transfers a good or service to the customer that is distinct from the promise to provide franchise services. As this is not the case, IFRS 15 requires initial franchise and re-licensing fees to be recognised as franchise services are provided, over the life of the related contract. The spreading of these fees will result in an initial reduction to revenue and operating profit, and the recognition of deferred revenue on the balance sheet, reflecting the profile of increased amounts received in recent years.

##### **3. Contract acquisition costs**

Contract acquisition costs related to securing management and franchise contracts are currently charged to the income statement as incurred. Under IFRS 15, certain costs qualify to be capitalised as the cost of obtaining a contract and are amortised over the initial term of the related contract. This change results in an increase to operating profit and the capitalisation of contract costs on the balance sheet.

##### **4. Amounts paid to hotel owners to secure management contracts and franchise agreements ('Key money')**

Under current accounting, key money payments are capitalised as intangible assets and amortised over the life of the related contracts. Under IFRS 15, these payments are treated as consideration payable to a customer and therefore recognised as a deduction to revenue over the contract term. This change will result in a reduction to revenue, no change to operating profit, and the reclassification of key money on the balance sheet from intangible assets to contract assets.

## Accounting policies continued

**5. Owned hotel disposals subject to a management contract**

Under current accounting, when hotels are sold and the Group retains management of the hotel, the consideration recognised includes both the cash received and the fair value of the management contract which is capitalised as an intangible asset and subsequently amortised to the income statement. This accounting is governed by the 'exchange of assets' criteria included in IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. IFRS 15 specifically includes property sales in its scope and results in the sales consideration being recorded at the fair value of the encumbered hotel, which generally will be equivalent to the cash received. This change will result in the derecognition of historic intangible asset balances and a lower amortisation charge in the income statement.

**6. System Fund revenues and expenses**

The Group operates a System Fund (the Fund) to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the guest reservation systems and hotel loyalty programme. The Fund also receives proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is planned to break even and is managed for the benefit of hotels in the System with the objective of driving revenues for the hotels. Under current accounting, these receipts and expenses are not recorded in the Group income statement as set out on page 100.

Under IFRS 15, an entity is regarded as a principal if it controls a service prior to transfer to the customer. As marketing and reservations expenses primarily comprise payroll and marketing costs incurred under contracts entered into by the Group, management have determined that the Group controls these services. Fund revenues and expenses will therefore be recognised on a gross basis in the Group income statement. Assessment fees from hotel owners are generally levied as a percentage of hotel revenues and will be recognised as those hotel revenues occur.

In respect of the loyalty programme, the Group has determined that the related performance obligation is not satisfied in full until the member has redeemed the points at a participating hotel. Accordingly, revenue related to loyalty points earned by members or sold under co-branding arrangements will be deferred in an amount that reflects the stand-alone selling price of the future benefit to the member. As materially all of the points will be redeemed at IHG managed or franchised hotels owned by third parties, IHG is deemed to be acting as agent on redemption and will therefore recognise the related revenue net of the cost of reimbursing the hotel that is providing the hotel stay. The deferred revenue balance under IFRS 15 will be significantly higher than the points redemption cost liability that is recognised under current accounting resulting in an increase in the Group's net liabilities.

Management has also determined that in addition to the performance obligation for the redemption of points, co-branding arrangements contain other performance obligations including marketing services and the right to access the loyalty programme. Revenue attributable to the stand-alone selling price of these additional services is recognised over the term of the co-branding arrangement.

Certain travel agency commission revenues within the Fund will continue to be recognised on a net basis, where it has been determined that IHG acts as agent under IFRS 15.

**7. System Fund surplus or deficit**

Under current accounting, the Fund surplus or deficit is carried forward on the Group statement of financial position as set out on page 100. Under IFRS 15, the Fund surplus or deficit will be recognised in the Group income statement. Both the current accounting treatment and the change on applying IFRS 15, and the equivalent US GAAP standard, are consistent with current and expected future practice across the hotel industry. The Fund surplus of \$158m at 31 December 2017 will be derecognised resulting in a reduction in the Group's net liabilities.

The changes detailed in 6 and 7 above will result in an increase in recorded revenue and reduction in operating profit in 2017.

**8. Presentation and disclosure**

The presentation and disclosure requirements of IFRS 15 represent a significant change from current practice and will increase the volume of disclosures required in the notes to the financial statements.

**9. Quantification of impacts**

The Group will apply the full retrospective approach when transitioning to the new standard which will result in restated comparatives on the basis that IFRS 15 had always applied.

The estimated impacts of adjustments 1. to 5. on the 2017 results are as follows:

Impact	Group revenue \$m	Group operating profit \$m	Group net liabilities \$m
1. Employee cost reimbursements	1,103	-	-
2. Initial franchise and re-licensing fees	(14)	(14)	(111)
3. Contract acquisition costs	-	5	43
4. Key money	(17)	-	-
5. Derecognition of management contracts	-	8	(192)
Other	2	-	1
	<b>1,074</b>	<b>(1)</b>	<b>(259)</b>

The impact of deferring revenue in relation to the loyalty programme and recognising System Fund revenues and expenses in the Group income statement (items 6. and 7.) is expected to increase Group revenue by an additional \$1.2bn. The impact on Group operating profit and Group net liabilities is still being assessed. The Group has an agreement with the IHG Owners Association to spend Fund income for the benefit of hotels in the IHG System such that the Group does not make a profit or loss from operating the Fund over the medium term.



### IFRS 9 'Financial Instruments'

IFRS 9, which will be adopted by the Group with effect from 1 January 2018, introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting. Management's assessment of the impact of IFRS 9 is substantially complete and a summary of the changes and impacts on IHG are as follows:

#### 1. Financial assets at fair value through other comprehensive income

The Group holds equity investments which it currently classifies as available-for-sale financial assets. Changes in fair value are accumulated in equity and on disposal are recycled through the income statement. Under IFRS 9, these assets will be recorded at fair value through other comprehensive income with no recycling to the income statement.

IFRS 9 will not be applied to assets derecognised prior to 1 January 2018 and therefore there will be no change to the gain of \$73m recognised on disposal of an available-for-sale equity investment in 2017 (see note 5).

#### 2. Trade receivables and loans issued to hotel owners to secure management contracts and franchise agreements

Trade receivables, trade deposits and loans issued to hotel owners to secure management contracts and franchise agreements are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management have therefore concluded that they continue to meet the criteria for amortised cost measurement under IFRS 9.

#### 3. Impairment

The Group will apply the three-stage expected credit loss model introduced by IFRS 9 in respect of trade deposits and loans issued to hotel owners to secure management contracts and franchise agreements. The expected credit loss model is based on the concepts of '12-month expected credit losses' or 'lifetime expected credit losses' depending on the performance of the underlying asset. Management's current assessments do not indicate any material change in impairment provisions as a result of IFRS 9.

The Group will apply the simplified version of the expected credit loss model permitted by IFRS 9 in respect of trade receivables, which involves assessing lifetime expected credit losses on all balances. To estimate the required impairment provision, management has assessed historical collection rates by geographical region, incorporating adjustments for future expectations. No material impact on the financial statements is expected from application of the expected credit loss model to trade receivables.

#### 4. Hedge accounting

Management have determined that all existing hedge relationships that are currently designated effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not impact the Group Financial Statements.

### 5. Financial liabilities

Management's initial assessments indicate no impact on the Group's accounting for financial liabilities as the rules on classification and measurement of financial liabilities remain largely unchanged compared with IAS 39.

Except for hedge accounting, retrospective application of IFRS 9 is required. The new rules for hedge accounting will be applied prospectively in line with the requirements of the new standard. The Group does not plan to restate prior periods as allowed by the transition provisions of IFRS 9.

### IFRS 16 'Leases'

The Group will adopt IFRS 16 with effect from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model which is similar to the current accounting model for finance leases under IAS 17.

Lessees will be required to recognise on the balance sheet 'right-of-use' assets which represent the right to use underlying assets during the lease term and a lease liability representing the minimum lease payment for all leases. Depreciation of 'right-of-use' assets and interest on lease liabilities will be charged to the income statement, replacing the corresponding operating lease rentals.

The Group will take the elections available under IFRS 16 not to apply the lease accounting model to leases which are considered low value or which have a term of less than 12 months.

The Group currently plans to apply the full retrospective method of application. Management are currently quantifying the impact of adopting IFRS 16 which is expected to result in an increase in lease liabilities of \$350m-\$400m at 31 December 2017, and an immaterial impact on profit after tax.

### Other

From 1 January 2018, the Group will apply Amendments to IFRS 2 'Classification and Measurement of Share-Based Payment Transactions'. The amendments address the effects of vesting conditions on the measurement of cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Adoption of this amendment is not expected to have a material impact on the financial statements.

From 1 January 2019, the Group will apply the amendments to:

- IAS 28 'Investments in Associates and Joint Ventures' relating to long-term interests to which the equity method is not applied;
- IFRS 9 'Financial Instruments' relating to prepayment features with negative compensation;
- IFRIC 23 'Uncertainty over Income Tax Treatments'; and
- Other existing standards arising from the Annual Improvements to IFRSs 2015-2017 cycle.

The amendments are not expected to have a material impact on the Group's reported financial performance or position.

## Notes to the Group Financial Statements

**1. Exchange rates**

The results of operations have been translated into US dollars at the average rates of exchange for the year. In the case of sterling, the translation rate is \$1=£0.78 (2016: \$1=£0.74, 2015: \$1=£0.65). In the case of the euro, the translation rate is \$1=€0.89 (2016: \$1=€0.90, 2015: \$1=€0.90).

Assets and liabilities have been translated into US dollars at the rates of exchange on the last day of the year. In the case of sterling, the translation rate is \$1=£0.74 (2016: \$1=£0.81, 2015: \$1=£0.68). In the case of the euro, the translation rate is \$1=€0.83 (2016: \$1=€0.95, 2015: \$1=€0.92).

**2. Segmental information**

The management of the Group's operations, excluding Central functions, is organised within four geographical regions:

- Americas;
- Europe;
- Asia, Middle East and Africa (AMEA); and
- Greater China.

These, together with Central functions, comprise the Group's five reportable segments. No operating segments have been aggregated to form these reportable segments.

Central functions include costs of global functions including technology, sales and marketing, finance, human resources and corporate services; central revenue arises principally from technology fee income. Central liabilities include the loyalty programme liability and the cumulative System Fund surplus.

Each of the geographical regions is led by its own Chief Executive Officer and derives its revenues from either franchising, managing or owning hotels and additional segmental disclosures are provided accordingly.

Management monitors the operating results of the geographical regions and Central functions separately for the purpose of making decisions about resource allocation and performance assessment. Segmental performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements, excluding exceptional items. Group financing activities and income taxes are managed on a group basis and are not allocated to reportable segments.

Year ended 31 December 2017	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Revenue</b>						
Franchised	703	109	17	4	-	833
Managed	172	132	193	122	-	619
Owned and leased	150	-	34	-	-	184
Central	-	-	-	-	148	148
	1,025	241	244	126	148	1,784
	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Segmental result</b>						
Franchised	606	85	14	2	-	707
Managed	65	26	91	73	-	255
Owned and leased	29	-	2	-	-	31
Regional and central	(56)	(25)	(20)	(23)	(110)	(234)
Reportable segments' operating profit	644	86	87	52	(110)	759
Exceptional items (note 5)	37	(2)	(2)	-	(29)	4
<b>Operating profit</b>	681	84	85	52	(139)	763
						Group \$m
Reportable segments' operating profit						759
Exceptional items (note 5)						4
<b>Operating profit</b>						763
Net finance costs						(85)
Profit before tax						678
Tax						(85)
<b>Profit for the year</b>						593

All items above relate to continuing operations.

## 2. Segmental information continued

31 December 2017	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Assets and liabilities</b>						
Segment assets	1,525	350	264	154	541	2,834
Unallocated assets:						
Non-current tax receivable						16
Deferred tax assets						56
Current tax receivable						101
Cash and cash equivalents						168
<b>Total assets</b>						<b>3,175</b>
Segment liabilities	(470)	(146)	(86)	(60)	(999)	(1,761)
Unallocated liabilities:						
Current tax payable						(64)
Non-current tax payable						(25)
Deferred tax liabilities						(157)
Loans and other borrowings						(2,019)
<b>Total liabilities</b>						<b>(4,026)</b>

Year ended 31 December 2017	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Other segmental information</b>						
Capital expenditure (see below)	120	18	8	2	188	336
Non-cash items:						
Depreciation and amortisation <sup>a</sup>	31	10	6	3	53	103
Share-based payments cost	-	-	-	-	21	21
Share of losses/(gains) of associates and joint ventures	1	-	(4)	-	-	(3)
Impairment charges	18	-	-	-	-	18

<sup>a</sup> Included in the \$103m of depreciation and amortisation is \$53m relating to administrative expenses and \$50m relating to cost of sales.

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Reconciliation of capital expenditure</b>						
Capital expenditure per management reporting	120	18	8	2	188	336
Landlord contributions to property, plant and equipment	-	-	-	-	14	14
Timing differences and other adjustments	-	-	-	-	(1)	(1)
<b>Additions per the Financial Statements</b>	<b>120</b>	<b>18</b>	<b>8</b>	<b>2</b>	<b>201</b>	<b>349</b>
Comprising additions to:						
Property, plant and equipment	10	-	-	2	32	44
Intangible assets	51	15	6	-	169	241
Investment in associates and joint ventures	47	-	-	-	-	47
Other financial assets	12	3	2	-	-	17
	<b>120</b>	<b>18</b>	<b>8</b>	<b>2</b>	<b>201</b>	<b>349</b>

## Notes to the Group Financial Statements continued

### 2. Segmental information continued

Year ended 31 December 2016	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Revenue</b>						
Franchised	685	102	16	3	–	806
Managed	172	125	184	114	–	595
Owned and leased	136	–	37	–	–	173
Central	–	–	–	–	141	141
	993	227	237	117	141	1,715
	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Segmental result</b>						
Franchised	600	78	12	3	–	693
Managed	64	22	89	64	–	239
Owned and leased	24	–	2	–	–	26
Regional and central	(55)	(25)	(21)	(22)	(128)	(251)
Reportable segments' operating profit	633	75	82	45	(128)	707
Exceptional items (note 5)	(29)	–	–	–	–	(29)
<b>Operating profit</b>	604	75	82	45	(128)	678
						Group \$m
Reportable segments' operating profit						707
Exceptional items (note 5)						(29)
<b>Operating profit</b>						678
Net finance costs						(87)
Profit before tax						591
Tax						(174)
<b>Profit for the year</b>						417

All items above relate to continuing operations.

31 December 2016	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Assets and liabilities</b>						
Segment assets	1,417	321	249	147	439	2,573
Unallocated assets:						
Non-current tax receivable						23
Deferred tax assets						48
Current tax receivable						77
Cash and cash equivalents						206
<b>Total assets</b>						2,927
Segment liabilities	(438)	(128)	(68)	(39)	(997)	(1,670)
Unallocated liabilities:						
Current tax payable						(50)
Deferred tax liabilities						(251)
Derivative financial instruments						(3)
Loans and other borrowings						(1,712)
<b>Total liabilities</b>						(3,686)

## 2. Segmental information continued

31 December 2016	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Other segmental information</b>						
Capital expenditure (see below)	67	15	7	1	148	238
Non-cash items:						
Depreciation and amortisation <sup>a</sup>	25	10	5	3	53	96
Share-based payments cost	-	-	-	-	17	17
Share of losses/(gains) of associates and joint ventures	7	-	(5)	-	-	2
Impairment charges	16	-	-	-	-	16

<sup>a</sup> Included in the \$96m of depreciation and amortisation is \$54m relating to administrative expenses and \$42m relating to cost of sales.

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Reconciliation of capital expenditure</b>						
Capital expenditure per management reporting	67	15	7	1	148	238
Timing differences and other adjustments	1	-	(1)	(1)	(7)	(8)
<b>Additions per the Financial Statements</b>	68	15	6	-	141	230
Comprising additions to:						
Property, plant and equipment	13	-	2	-	14	29
Intangible assets	36	15	2	-	127	180
Investment in associates and joint ventures	14	-	-	-	-	14
Other financial assets	5	-	2	-	-	7
	68	15	6	-	141	230

Year ended 31 December 2015	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Revenue</b>						
Franchised	661	104	16	4	-	785
Managed	166	131	189	105	-	591
Owned and leased	128	30	36	98	-	292
Central	-	-	-	-	135	135
	955	265	241	207	135	1,803

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Segmental result</b>						
Franchised	575	77	12	5	-	669
Managed	64	28	90	59	-	241
Owned and leased	24	1	3	29	-	57
Regional and central	(66)	(28)	(19)	(23)	(151)	(287)
Reportable segments' operating profit	597	78	86	70	(151)	680
Exceptional items (note 5)	(41)	175	(2)	698	(11)	819
<b>Operating profit</b>	556	253	84	768	(162)	1,499

	Group \$m
Reportable segments' operating profit	680
Exceptional items (note 5)	819
<b>Operating profit</b>	1,499
Net finance costs	(87)
Profit before tax	1,412
Tax	(188)
<b>Profit for the year</b>	1,224

All items above relate to continuing operations.

## Notes to the Group Financial Statements continued

## 2. Segmental information continued

Year ended 31 December 2015	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Group \$m
<b>Other segmental information</b>						
Capital expenditure	87	45	8	4	118	262
Non-cash items:						
Depreciation and amortisation <sup>a</sup>	23	10	6	8	49	96
Share-based payments cost	-	-	-	-	19	19
Share of losses/(gains) of associates and joint ventures	5	-	(2)	-	-	3
Impairment charges	27	-	9	-	-	36

<sup>a</sup> Included in the \$96m of depreciation and amortisation is \$50m relating to administrative expenses and \$46m relating to cost of sales.

Geographical information	Year ended 31 December 2017 \$m	Year ended 31 December 2016 \$m	Year ended 31 December 2015 \$m
<b>Revenue</b>			
United Kingdom	68	66	67
United States	948	923	876
China	141	133	223
Rest of World	627	593	637
	<b>1,784</b>	<b>1,715</b>	<b>1,803</b>

For the purposes of the above table, hotel revenue is determined according to the location of the hotel and other revenue is attributed to the country of origin. In addition to the United Kingdom, revenue relating to an individual country is separately disclosed when it represents 10% or more of total revenue.

Non-current assets	31 December 2017 \$m	31 December 2016 \$m
United Kingdom	108	105
United States	1,511	1,343
Rest of World	414	382
	<b>2,033</b>	<b>1,830</b>

For the purposes of the above table, non-current assets comprise property, plant and equipment, goodwill and other intangible assets, investments in associates and joint ventures and non-current trade and other receivables. In addition to the United Kingdom, non-current assets relating to an individual country are separately disclosed when they represent 10% or more of total non-current assets, as defined above.

### 3. Staff costs and Directors' emoluments

	2017 \$m	2016 \$m	2015 \$m
<b>Staff<sup>a</sup></b>			
Costs:			
Wages and salaries	583	537	562
Social security costs	33	29	33
Pension and other post-retirement benefits:			
Defined benefit plans (note 25)	5	5	5
Defined contribution plans	24	23	28
	<b>645</b>	594	628
	<b>2017</b>	2016	2015
Average number of employees, including part-time employees:			
Americas	2,149	2,121	2,082
Europe	813	782	1,041
AMEA	1,454	1,598	1,658
Greater China	294	299	865
Central	1,948	1,787	1,665
	<b>6,658</b>	6,587	7,311

<sup>a</sup> Includes \$13m (2016: \$1m, 2015: \$3m) classified as exceptional.

The costs of the above employees are borne by IHG. Of these, 91% were employed on a full-time basis and 9% were employed on a part-time basis.

In addition to the above, the Group has employees who work directly on behalf of the System Fund and whose costs are borne by the Fund as disclosed in note 32. In line with IHG's business model, IHG also employs General Managers and, in the US predominantly, other hotel workers who work in the managed hotels and who have contracts or letters of service with IHG. The total number of these employees is 22,577 (2016: 22,002, 2015: 20,452) and their costs of \$1,056m (2016: \$1,002m, 2015: \$936m) are borne by those hotels.

	2017 \$m	2016 \$m	2015 \$m
<b>Directors' emoluments</b>			
Base salaries, fees, performance payments and benefits	4.9	6.1	7.9



More detailed information on the emoluments, pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 64 to 77.

### 4. Auditor's remuneration paid to Ernst & Young LLP

	2017 \$m	2016 \$m	2015 \$m
Audit of the Financial Statements <sup>a</sup>	3.0	2.4	2.5
Audit of subsidiaries	2.2	2.2	2.1
Audit-related assurance services	0.2	0.2	0.2
Other assurance services	1.0	1.2	0.9
Tax compliance	0.1	0.4	0.2
Tax advisory	-	0.1	0.1
Other non-audit services not covered by the above	0.2	0.1	0.4
	<b>6.7</b>	6.6	6.4

<sup>a</sup> Includes \$0.5m of additional fees for specific procedures performed in relation to the implementation of new accounting standards.

Audit fees in respect of the pension scheme were not material.

## Notes to the Group Financial Statements continued

## 5. Exceptional items

	2017 \$m	2016 \$m	2015 \$m
<b>Exceptional items before tax</b>			
Administrative expenses:			
Kimpton integration costs <sup>a</sup>	(15)	(13)	(10)
Reorganisation costs <sup>b</sup>	(36)	-	(6)
Venezuelan currency losses <sup>c</sup>	-	-	(4)
Corporate development costs <sup>d</sup>	-	-	(5)
	<b>(51)</b>	<b>(13)</b>	<b>(25)</b>
Other operating income and expenses:			
Gain on disposal of equity securities available-for-sale (note 15)	73	-	-
Gain on disposal of hotels (note 11)	-	-	871
Gain on disposal of investment in associate (note 14)	-	-	9
	<b>73</b>	<b>-</b>	<b>880</b>
Impairment charges:			
Associates (note 14)	(18)	(16)	(9)
Property, plant and equipment (note 12)	-	-	(27)
	<b>(18)</b>	<b>(16)</b>	<b>(36)</b>
	<b>4</b>	<b>(29)</b>	<b>819</b>
<b>Tax</b>			
Tax on exceptional items <sup>e</sup>	(2)	12	(8)
Exceptional tax <sup>f</sup>	118	-	-
	<b>116</b>	<b>12</b>	<b>(8)</b>

<sup>a</sup> Relates to the cost of integrating Kimpton into the operations of the Group, which has now been completed.

<sup>b</sup> In September 2017, the Group launched a comprehensive efficiency programme which will fund a series of new strategic initiatives to drive an acceleration in IHG's future growth. The programme is centred around strengthening the Group's organisational structure to redeploy resources to leverage scale in the highest opportunity markets and segments. The programme is expected to be completed in 2019. Included in the \$36m cost are consultancy fees of \$24m and severance costs of \$8m. An additional \$9m has been charged to the System Fund.

<sup>c</sup> Arose from changes to the Venezuelan exchange rate mechanisms and the adoption of the SIMADI exchange rate in 2015, this being the most accessible exchange rate open to the Group for converting its bolivar earnings into US dollars. The exceptional loss arose from the re-measurement of the Group's bolivar assets and liabilities to the relevant exchange rate, being approximately \$1=190VEF on adoption of SIMADI. Subsequent changes to the exchange rate mechanism have not resulted in material losses.

<sup>d</sup> Primarily legal costs related to development opportunities.

<sup>e</sup> In 2017, comprises a \$7m (2016: \$6m) deferred tax credit in respect of an associate investment impairment, a \$6m (2016: \$5m) deferred tax credit representing future tax relief on Kimpton integration costs, a \$13m current tax credit in respect of reorganisation costs and a \$28m current tax charge relating to the gain on disposal of Avendra (see note 15). In 2016, there was also a \$1m credit in respect of other items. In 2015, comprised a charge of \$56m relating to disposal of hotels, a credit of \$21m in respect of the 2014 disposal of an 80.1% interest in InterContinental New York Barclay reflecting the judgement that state tax law changes would now apply to the deferred gain, and credits of \$27m for current and deferred tax relief on other operating exceptional items of current and prior periods.

<sup>f</sup> Includes \$108m relating to the impact of significant US tax reform that was enacted on 22 December 2017. This includes a current tax charge of \$32m, relating predominantly to the Group's estimated 'transition tax' liability on previously undistributed earnings of foreign subsidiaries of US entities, and a deferred tax credit of \$140m, being principally the impact of the US federal tax rate reduction from 35% to 21% (effective 1 January 2018) on the Group's US deferred tax liabilities, as well as the release of liabilities related to the Group's undistributed post-acquisition earnings of subsidiaries that are no longer required as a result of the US transition tax. In addition, a deferred tax credit of \$10m arises on the release of a contingency, previously charged as an exceptional item, which is no longer required due to statute of limitations expiry.

All items above relate to continuing operations.



The above items are treated as exceptional by reason of their size or nature, as further described on page 100.



## 6. Finance costs

	2017 \$m	2016 \$m	2015 \$m
<b>Financial income</b>			
Interest income on deposits	1	3	2
Interest income on loans and receivables	3	3	3
	<b>4</b>	6	5
<b>Financial expenses</b>			
Interest expense on borrowings	69	74	74
Finance charge payable under finance leases	20	20	20
Capitalised interest	-	(1)	(2)
	<b>89</b>	93	92

Interest income and expense relate to financial assets and liabilities held at amortised cost, calculated using the effective interest rate method.

Included within interest expense is \$7m (2016: \$3m, 2015: \$2m) payable to the IHG Rewards Club loyalty programme relating to interest on the accumulated balance of cash received in advance of the redemption of points awarded.

The rate used for capitalisation of interest was 3.0% (2016: 3.8%, 2015: 3.4%).

## 7. Tax

### Tax on profit

	2017 \$m	2016 \$m	2015 \$m
<b>Income tax</b>			
UK corporation tax at 19.25% (2016: 20.00%, 2015: 20.25%):			
Current period	10	10	7
Benefit of tax reliefs on which no deferred tax previously recognised	-	(7)	-
Adjustments in respect of prior periods	(2)	(1)	(17)
	<b>8</b>	2	(10)
Foreign tax:			
Current period	210	151	196
Benefit of tax reliefs on which no deferred tax previously recognised	(13)	-	(1)
Adjustments in respect of prior periods <sup>a</sup>	2	(97)	(27)
	<b>199</b>	54	168
<b>Total current tax</b>	<b>207</b>	56	158
Deferred tax:			
Origination and reversal of temporary differences	(10)	55	60
Changes in tax rates and tax laws <sup>b</sup>	(87)	(2)	(21)
Adjustments to estimated recoverable deferred tax assets <sup>c</sup>	(9)	(25)	(13)
Adjustments in respect of prior periods <sup>a</sup>	(16)	90	4
<b>Total deferred tax</b>	<b>(122)</b>	118	30
<b>Total income tax charge for the year</b>	<b>85</b>	174	188
Further analysed as tax relating to:			
Profit before exceptional items <sup>d</sup>	201	186	180
Exceptional items:			
Tax on exceptional items (note 5)	2	(12)	8
Exceptional tax (note 5)	(118)	-	-
	<b>85</b>	174	188

<sup>a</sup> In 2016, included \$83m in respect of a change in tax treatment being approved by the US tax authority.

<sup>b</sup> In 2017, predominantly reflects a change in US tax rates following significant US tax reforms. In 2015, predominantly reflected the judgement that state tax law changes applied to the deferred gain from the 2014 disposal of a controlling interest in InterContinental New York Barclay.

<sup>c</sup> Represents a re-assessment of the recovery of recognised and off-balance sheet deferred tax assets in line with the Group's profit forecasts.

<sup>d</sup> Includes \$156m (2016: \$162m, 2015: \$123m) in respect of US taxes.

All items above relate to continuing operations.

## Notes to the Group Financial Statements continued

## 7. Tax continued

	Total <sup>a</sup>			Before exceptional items <sup>b</sup>		
	2017 %	2016 %	2015 %	2017 %	2016 %	2015 %
<b>Reconciliation of tax charge</b>						
UK corporation tax at standard rate	19.3	20.0	20.3	19.3	20.0	20.3
Tax credits	(0.5)	(2.4)	(0.2)	(0.5)	(2.2)	(0.4)
Differences in tax gains and accounting gains on asset disposals	-	-	(9.8)	-	-	-
Other permanent differences	0.8	3.8	1.1	0.6	3.6	2.0
Non-recoverable withholding taxes	0.3	0.7	0.1	0.3	0.7	0.3
Net effect of different rates of tax in overseas businesses <sup>c</sup>	14.1	13.7	7.1	14.1	13.9	15.3
Effects of changes in tax rates resulting from significant US tax reform	(13.2)	-	-	-	-	-
Release of provision for taxation on unremitted earnings following significant US tax reform	(7.6)	-	-	-	-	-
Transition tax liability arising from significant US tax reform	4.7	-	-	-	-	-
Effect of other changes in tax rates and tax laws <sup>d</sup>	0.3	0.4	(1.5)	0.3	0.3	0.1
Benefit of tax reliefs on which no deferred tax previously recognised	(1.9)	(1.2)	(0.1)	(1.9)	(1.1)	(0.1)
Effect of adjustments to estimated recoverable deferred tax assets	(1.3)	(4.3)	(0.9)	(1.3)	(4.1)	(1.7)
Adjustment to tax charge in respect of prior periods	(2.5)	(1.3)	(2.8)	(1.1)	(1.1)	(5.4)
Other	-	-	0.1	-	-	-
	12.5	29.4	13.4	29.8	30.0	30.4

<sup>a</sup> Calculated in relation to total profits including exceptional items.

<sup>b</sup> Calculated in relation to profits excluding exceptional items.

<sup>c</sup> Before exceptional items includes 13.8%pt (2016: 12.6%pt, 2015: 13.5%pt) driven by the relatively high US federal tax rate.

<sup>d</sup> In 2015, total of (1.5)% predominantly reflected the judgement that state tax law changes applied to the deferred gain from the 2014 disposal of a controlling interest in InterContinental New York Barclay.

## Tax paid

Total net tax paid during the year of \$172m (2016: \$130m, 2015: \$110m) comprises \$147m (2016: \$130m, 2015: \$109m) paid in respect of operating activities and \$25m (2016: \$nil, 2015: \$1m) paid in respect of investing activities. A reconciliation of tax paid to the total tax charge in the income statement follows:

	2017 \$m	2016 \$m	2015 \$m
Current tax charge in the income statement	207	56	158
Current tax credit in the statement of comprehensive income	-	(12)	(2)
Current tax credit taken directly to equity	(12)	(8)	(8)
Total current tax charge	195	36	148
Movements to tax contingencies within the income statement <sup>a</sup>	3	11	(7)
Timing differences of cash tax paid and foreign exchange differences <sup>b</sup>	(26)	83	(31)
Tax paid per cash flow	172	130	110
Cash tax rate on total profits <sup>c</sup>	25%	22%	8%

<sup>a</sup> Tax contingency movements are included within the current tax charge but do not impact cash tax paid in the year.

<sup>b</sup> The timing difference in 2016 was predominantly in respect of the US where the payment regulations resulted in a large overpayment in the year.

<sup>c</sup> Calculated as total cash paid divided by total accounting profit before tax.

The cash tax rate of 8% for 2015 is low owing to the impact of exceptional accounting gains taxable on a deferred basis, without which the rate would have been 20% and thus broadly consistent with the cash tax rates for 2016 and 2017.

## Current tax

Within current tax payable is \$42m (2016: \$39m) in respect of uncertain tax positions and offset against current tax receivable is \$nil (2016: \$5m) in respect of uncertain tax positions.

The calculation of the Group's total tax charge involves consideration of applicable tax laws and regulations in many jurisdictions throughout the world. From time to time, the Group is subject to tax audits and uncertainties in these jurisdictions. The issues involved can be complex and disputes may take a number of years to resolve.

Where the interpretation of local tax law is not clear, management relies on judgement and accounting estimates to ensure all uncertain tax positions are adequately provided for in the Group Financial Statements. This may involve consideration of some or all of the following factors:

- Strength of technical argument, impact of case law and clarity of legislation;
- Professional advice;
- Experience of interactions, and precedents set, with the particular taxing authority; and
- Agreements previously reached in other jurisdictions on comparable issues.

The largest single contingency item within the current tax payable balance does not exceed \$8m (2016: \$8m).

## 7. Tax continued

### Deferred tax

	Property, plant and equipment \$m	Deferred gains on loan notes \$m	Deferred gains on investments \$m	Losses \$m	Employee benefits \$m	Intangible assets \$m	Undistributed earnings of subsidiaries \$m	Other short-term temporary differences <sup>a</sup> \$m	Total \$m
At 1 January 2016	99	55	87	(67)	(32)	70	70	(196)	86
Income statement	22	(3)	(9)	19	(3)	(7)	-	99	118
Statement of comprehensive income	-	-	-	-	12	-	-	(1)	11
Statement of changes in equity	-	-	-	-	-	-	-	(3)	(3)
Exchange and other adjustments	(1)	-	-	4	(4)	(3)	(11)	6	(9)
At 31 December 2016	120	52	78	(44)	(27)	60	59	(95)	203
Income statement <sup>b</sup>	<b>(22)</b>	<b>(18)</b>	<b>(24)</b>	<b>1</b>	<b>(4)</b>	<b>(4)</b>	<b>(61)</b>	<b>10</b>	<b>(122)</b>
Statement of comprehensive income	-	-	-	-	10	-	(1)	4	13
Statement of changes in equity	-	-	-	-	-	-	-	3	3
Exchange and other adjustments	-	-	-	3	1	2	3	(5)	4
<b>At 31 December 2017</b>	<b>98</b>	<b>34</b>	<b>54</b>	<b>(40)</b>	<b>(20)</b>	<b>58</b>	<b>-</b>	<b>(83)</b>	<b>101</b>

<sup>a</sup> Primarily relates to provisions, accruals, amortisation and share-based payments.

<sup>b</sup> Movements largely reflect the impact of significant US tax reform enacted on 22 December 2017.

Deferred gains on investments represent tax which would crystallise upon a sale of a related joint venture, associate or other equity investment. The Group released its deferred tax provision (2016: \$59m) in relation to temporary differences associated with post-acquisition undistributed earnings of subsidiaries largely as a result of the impact of the new US transition tax charge. Deferred gains on loan notes represent tax which is expected to fall due for payment in 2025 (2016: 2025). The deferred tax asset recognised in respect of losses of \$40m (2016: \$44m) is wholly in respect of revenue losses. A deferred tax asset of \$2m (2016: \$nil) is recognised in a legal entity which suffered a tax loss in the current or preceding period; this asset is recognised based on the profit forecast of the entity in question. Within deferred tax liabilities is \$nil (2016: \$10m) in respect of uncertain tax positions and offset against deferred tax assets is \$5m (2016: \$2m) in respect of uncertain tax positions.

The closing balance is further analysed by key territory as follows:

	Property, plant and equipment \$m	Deferred gains on loan notes \$m	Deferred gains on investments \$m	Losses \$m	Employee benefits \$m	Intangible assets \$m	Undistributed earnings of subsidiaries \$m	Other short-term temporary differences \$m	Total \$m
UK	(5)	-	-	(17)	(5)	(3)	-	(19)	(49)
US	103	34	54	(15)	(15)	29	-	(60)	130
Other	-	-	-	(8)	-	32	-	(4)	20
	<b>98</b>	<b>34</b>	<b>54</b>	<b>(40)</b>	<b>(20)</b>	<b>58</b>	<b>-</b>	<b>(83)</b>	<b>101</b>

The analysis of the deferred tax balance after considering the offset of assets and liabilities within entities where there is a legal right to do so is as follows:

	2017 \$m	2016 \$m
Analysed as:		
Deferred tax assets	(56)	(48)
Deferred tax liabilities	157	251
	<b>101</b>	<b>203</b>

The Group does not recognise deferred tax assets if it cannot anticipate being able to offset them against future profits or gains.

The total unrecognised deferred tax position is as follows:

	Gross		Unrecognised deferred tax	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Revenue losses	452	518	76	94
Capital losses	515	475	99	83
Total losses	967	993	175	177
Other <sup>a</sup>	35	27	9	5
Total	<b>1,002</b>	<b>1,020</b>	<b>184</b>	<b>182</b>

<sup>a</sup> Primarily relates to provisions, accruals and amortisation.

## Notes to the Group Financial Statements continued

## 7. Tax continued

There is no expiry date to any of the above unrecognised assets other than for the losses as shown in the table below:

	Gross		Unrecognised deferred tax	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Expiry date:				
2020	-	3	-	1
2021	21	27	5	7
2022	11	11	3	3
2023	1	3	-	1
2024	20	20	1	1
After 2024	118	125	26	25

No deferred tax liability has been recognised in respect of \$0.5bn (2016: \$0.9bn) of taxable temporary differences relating to subsidiaries (comprising undistributed earnings and net inherent gains) because the Group is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## Tax risks, policies and governance



Information concerning the Group's tax governance can be found in the Taxation section of the Strategic Report on page 42.

## Factors that may affect the future tax charge

Many factors will affect the Group's future tax rate, the key ones being future legislative developments, future profitability of underlying subsidiaries and tax uncertainties.

There are many potential future changes to worldwide taxation systems as a result of the potential adoption by individual territories of recommendations of the OECD's Base Erosion and Profit Shifting project, and other similar initiatives being driven by governments and tax authorities. The Group continues to monitor activity in this area.

Significant US tax reform was enacted on 22 December 2017, which notably included a reduction in the US federal tax rate from 35% to 21%, with effect from 1 January 2018 for IHG. Although most of the new provisions only take effect from 2018, some aspects have a direct impact on the Group's 2017 position and are detailed in note 5. The Group continues to evaluate the impact of the provisions that will take effect during 2018, noting that new regulations and guidance on US state and federal tax are anticipated to be released during the year. At this stage, we are anticipating an overall Group tax rate reduction of mid to high single digit percentage points for 2018 onwards.

Rules restricting UK loss usage and interest deductibility were enacted in 2017. These rules will increase the amount of UK cash tax paid in the near future, although this is not expected to be significant in the context of the Group's overall cash tax payable. The forthcoming reduction to the UK corporation tax rate (to 17%, effective 1 April 2020) is not expected to have a material effect on the Group.

## 8. Dividends

	2017 cents per share	2016 cents per share	2015 cents per share	2017 \$m	2016 \$m	2015 \$m
Paid during the year:						
Final (declared for previous year)	64.0	57.5	52.0	127	137	125
Interim	33.0	30.0	27.5	62	56	63
Special (note 27)	202.5	632.9	-	404	1,500	-
	299.5	720.4	79.5	593	1,693	188
Proposed (not recognised as a liability at 31 December):						
Final	71.0	64.0	57.5	135	126	135

The final dividend of 71.0¢ per ordinary share is proposed for approval at the Annual General Meeting (AGM) on 4 May 2018 and is payable on the shares in issue at 3 April 2018.

## 9. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the year available for IHG equity holders by the weighted average number of ordinary shares, excluding investment in own shares, in issue during the year.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Adjusted earnings per ordinary share is disclosed in order to show performance undistorted by exceptional items, to give a more meaningful comparison of the Group's performance.



Information concerning non-GAAP measures can be found in the Strategic Report on page 26.

Continuing and total operations	2017	2016	2015
<b>Basic earnings per ordinary share</b>			
Profit available for equity holders (\$m)	592	414	1,222
Basic weighted average number of ordinary shares (millions)	193	212	235
Basic earnings per ordinary share (cents)	306.7	195.3	520.0
<b>Diluted earnings per ordinary share</b>			
Profit available for equity holders (\$m)	592	414	1,222
Diluted weighted average number of ordinary shares (millions)	194	214	238
Diluted earnings per ordinary share (cents)	305.2	193.5	513.4
<b>Adjusted earnings per ordinary share</b>			
Profit available for equity holders (\$m)	592	414	1,222
Adjusting items (note 5):			
Exceptional items before tax (\$m)	(4)	29	(819)
Tax on exceptional items (\$m)	2	(12)	8
Exceptional tax (\$m)	(118)	-	-
Adjusted earnings (\$m)	472	431	411
Basic weighted average number of ordinary shares (millions)	193	212	235
Adjusted earnings per ordinary share (cents)	244.6	203.3	174.9
<b>Adjusted diluted earnings per ordinary share</b>			
Adjusted earnings (\$m)	472	431	411
Diluted weighted average number of ordinary shares (millions)	194	214	238
Adjusted diluted earnings per ordinary share (cents)	243.3	201.4	172.7
	<b>2017</b>	2016	2015
	<b>millions</b>	millions	millions
Diluted weighted average number of ordinary shares is calculated as:			
Basic weighted average number of ordinary shares	193	212	235
Dilutive potential ordinary shares	1	2	3
	<b>194</b>	214	238

## 10. Acquisition of business

On 16 January 2015, the Group acquired a 100% interest in Kimpton Hotel & Restaurant Group, LLC (Kimpton), an unlisted company based in the US, for cash consideration of \$438m, net of \$3m cash acquired. The fair value of the net assets acquired was \$441m, including goodwill of \$167m, brands of \$193m and management contracts of \$71m. No subsequent adjustments were made to the initial acquisition date fair values of the net assets acquired.

## 11. Assets sold

The Group did not dispose of any hotels during either 2017 or 2016 but incurred \$5m of costs relating to prior year disposals in 2016.

During the year ended 31 December 2015, the Group sold one hotel in the Europe region, InterContinental Paris – Le Grand on 20 May 2015 and one hotel in the Greater China region, InterContinental Hong Kong on 30 September 2015. On 30 November 2015, the Group disposed of its share of assets and liabilities in a joint operation in the AMEA region. Total consideration received in respect of these disposals amounted to \$1,276m, net of costs paid and cash and cash equivalents disposed, and total gains of \$871m were recognised during the year ended 31 December 2015.

## Notes to the Group Financial Statements continued

## 12. Property, plant and equipment

	Land and buildings \$m	Fixtures, fittings and equipment \$m	Total \$m
<b>Cost</b>			
At 1 January 2016	377	576	953
Additions	2	27	29
Capitalised interest	1	-	1
Fully depreciated assets written off	-	(162)	(162)
Disposals	-	(3)	(3)
Exchange and other adjustments	(2)	(9)	(11)
At 31 December 2016	378	429	807
Additions	9	35	44
Fully depreciated assets written off	-	(19)	(19)
Disposals	-	(4)	(4)
Exchange and other adjustments	1	8	9
<b>At 31 December 2017</b>	<b>388</b>	<b>449</b>	<b>837</b>
<b>Depreciation and impairment</b>			
At 1 January 2016	(74)	(451)	(525)
Provided	(5)	(25)	(30)
System Fund expense	-	(5)	(5)
Fully depreciated assets written off	-	162	162
Disposals	-	2	2
Exchange and other adjustments	1	7	8
At 31 December 2016	(78)	(310)	(388)
Provided	(7)	(28)	(35)
System Fund expense	-	(6)	(6)
Fully depreciated assets written off	-	19	19
Disposals	-	3	3
Exchange and other adjustments	(1)	(4)	(5)
<b>At 31 December 2017</b>	<b>(86)</b>	<b>(326)</b>	<b>(412)</b>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>302</b>	<b>123</b>	<b>425</b>
At 31 December 2016	300	119	419
At 1 January 2016	303	125	428

The Group's property, plant and equipment mainly comprises hotels, but also offices and computer hardware, throughout the world. 43% (2016: 44%) of the net book value relates to the largest owned and leased hotel, of a total of eight open hotels (2016: eight open hotels). At 31 December 2017 and 31 December 2016, there were no hotels under construction.

The carrying value of property, plant and equipment held under finance leases at 31 December 2017 was \$181m (2016: \$182m).

26% (2016: 25%) of hotel properties by net book value were directly owned, with 57% (2016: 58%) held under leases having a term of 50 years or longer.

Due to localised adverse market conditions, an impairment charge of \$27m was recognised during 2015 relating to two hotels in North America following a re-assessment of their recoverable amounts to \$37m, based on value in use calculations. Estimated future cash flows were discounted at a pre-tax rate of 11.75%. All impairment charges are included within 'impairment charges' on the face of the Group income statement.

The table below analyses the net book value of the Group's property, plant and equipment by operating segment at 31 December 2017:

	Americas \$m	Europe \$m	AMEA \$m	Greater China \$m	Central \$m	Total \$m
Land and buildings	289	-	-	-	13	302
Fixtures, fittings and equipment	43	1	10	-	69	123
	332	1	10	-	82	425

### 13. Goodwill and other intangible assets

	Goodwill \$m	Brands \$m	Software \$m	Management contracts \$m	Other intangibles \$m	Total \$m
<b>Cost</b>						
At 1 January 2016	371	193	498	465	263	1,790
Additions	-	-	127	-	53	180
Capitalised interest	-	-	4	-	-	4
Disposals	-	-	(45)	-	(7)	(52)
Exchange and other adjustments	(1)	-	(1)	(21)	(13)	(36)
At 31 December 2016	370	193	583	444	296	1,886
Additions	-	-	168	-	73	241
Capitalised interest	-	-	6	-	-	6
Disposals	-	-	(14)	-	(3)	(17)
Exchange and other adjustments	7	-	2	22	10	41
<b>At 31 December 2017</b>	<b>377</b>	<b>193</b>	<b>745</b>	<b>466</b>	<b>376</b>	<b>2,157</b>
<b>Amortisation and impairment</b>						
At 1 January 2016	(138)	-	(202)	(139)	(85)	(564)
Provided	-	-	(41)	(11)	(14)	(66)
System Fund expense	-	-	(26)	-	-	(26)
Disposals	-	-	45	-	3	48
Exchange and other adjustments	-	-	1	9	4	14
At 31 December 2016	(138)	-	(223)	(141)	(92)	(594)
Provided	-	-	(40)	(10)	(18)	(68)
System Fund expense	-	-	(30)	-	-	(30)
Disposals	-	-	14	-	2	16
Exchange and other adjustments	(2)	-	(2)	(8)	(2)	(14)
<b>At 31 December 2017</b>	<b>(140)</b>	<b>-</b>	<b>(281)</b>	<b>(159)</b>	<b>(110)</b>	<b>(690)</b>
<b>Net book value</b>						
<b>At 31 December 2017</b>	<b>237</b>	<b>193</b>	<b>464</b>	<b>307</b>	<b>266</b>	<b>1,467</b>
At 31 December 2016	232	193	360	303	204	1,292
At 1 January 2016	233	193	296	326	178	1,226

#### Goodwill and brands

During 2015, the Group acquired Kimpton (see note 10) resulting in the recognition of goodwill of \$167m and brands of \$193m, together with management contracts of \$71m.

The Kimpton brands are considered to have an indefinite life given their strong brand awareness and reputation in the upscale boutique hotel sector, and management's commitment to continued investment in their growth. The brands are protected by trademarks and there are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of the brands. In the hotel industry there are a number of brands that have existed for many years and IHG has brands that are over 60 years old.

The Group tests goodwill and indefinite life intangible assets for impairment annually, or more frequently if there are any indicators that an impairment may have arisen. The year-end carrying value of goodwill and indefinite life brands have been allocated to cash-generating units (CGUs) for impairment testing purposes as follows:

	2017		2016	
	Goodwill \$m	Brands \$m	Goodwill \$m	Brands \$m
<b>CGU</b>				
Americas Managed	63	193	63	193
Americas Franchised	37	-	37	-
Europe Managed	21	-	21	-
Europe Franchised	10	-	10	-
AMEA Managed and Franchised	106	-	101	-
	<b>237</b>	<b>193</b>	232	193

## Notes to the Group Financial Statements continued

**13. Goodwill and other intangible assets** continued

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations include a three-year period using pre-tax cash flow forecasts derived from the most recent financial budgets approved by management, incorporating growth rates based on management's past experience and industry growth forecasts. The key assumptions that underpin the financial budgets are RevPAR growth and net System size growth. Cash flows beyond the three-year period are extrapolated using terminal growth rates that do not exceed the average long-term growth rates for the relevant markets. A 10% contingency factor is applied to reduce all cash flow projections before being discounted using pre-tax rates that are based on the Group's weighted average cost of capital adjusted to reflect the risks specific to the business model and territory of the CGU being tested.

The terminal growth rates and discount rates used, which are considered to be key assumptions, are as follows:

	Terminal growth rate		Discount rate	
	2017 %	2016 %	2017 %	2016 %
Americas Managed	2.0	2.0	10.4	9.8
Americas Franchised	2.0	2.0	9.4	8.8
Europe Managed	2.0	2.0	10.8	9.3
Europe Franchised	2.0	2.0	9.8	8.4
AMEA Managed and Franchised	3.5	3.5	14.1	13.0

Impairment was not required at either 31 December 2017 or 31 December 2016.

Given the contingency factor applied to the cash flow projections and the significant amounts by which the recoverable amounts of the CGUs exceed their carrying amounts, management have determined that impairment charges would not arise from reasonably possible changes in the key assumptions.

**Software**

Software includes \$234m relating to the development of the next-generation Guest Reservation System with Amadeus. The asset was not amortised during the year as the roll-out to hotels is expected to commence in 2018.

Substantially all software additions are internally developed.

**Management contracts**

In addition to the management contracts acquired with the Kimpton acquisition in 2015 (see note 10), management contracts relate to contract values recognised as part of the proceeds for hotels sold.

At 31 December 2017, the net book value and remaining amortisation period of the principal management contracts were as follows:

	2017		2016	
	Net book value \$m	Remaining amortisation period Years	Net book value \$m	Remaining amortisation period Years
<b>Hotel</b>				
InterContinental Hong Kong	61	35	62	36
InterContinental New York Barclay	37	46	38	47
InterContinental London Park Lane	31	45	29	46
InterContinental Paris – Le Grand	34	47	31	48

The weighted average remaining amortisation period for all management contracts is 30 years (2016: 31 years).



## 14. Investment in associates and joint ventures

	Associates \$m	Joint ventures \$m	Total \$m
<b>Cost</b>			
At 1 January 2016	121	27	148
Additions	14	-	14
Share of (losses)/profits	(3)	1	(2)
Capital return	-	(2)	(2)
Transfer of financial assets	(14)	-	(14)
Dividends	(5)	-	(5)
At 31 December 2016	113	26	139
Additions	47	-	47
Share of profits/(losses)	2	1	3
Disposals	(9)	-	(9)
Dividends	(4)	-	(4)
Exchange and other adjustments	2	-	2
<b>At 31 December 2017</b>	<b>151</b>	<b>27</b>	<b>178</b>
<b>Impairment</b>			
At 1 January 2016	(12)	-	(12)
Charge for the year	(16)	-	(16)
At 31 December 2016	(28)	-	(28)
Charge for the year	(18)	-	(18)
Disposals	9	-	9
<b>At 31 December 2017</b>	<b>(37)</b>	<b>-</b>	<b>(37)</b>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>114</b>	<b>27</b>	<b>141</b>
At 31 December 2016	85	26	111
At 1 January 2016	109	27	136

All associates and joint ventures are accounted for using the equity method.

During 2016, an investment for which the Group has a 30% interest was transferred to other financial assets following loss of significant influence over the operating and financial policy decisions of the entity.

The impairment charges of \$18m and \$16m in 2017 and 2016 respectively, relate to the Barclay associate (see following page) and result from the currently depressed trading outlook for the New York hotel market and the high costs of renovating the hotel. The recoverable amount of the investment has been measured at its fair value less costs of disposal, based on the Group's share of the market value of the hotel less debt in the associate. The hotel was appraised by a professional external valuer using an income capitalisation approach which is a discounted cash flow technique that measures the present value of projected income flows (over a 10-year period) and the reversion of the property sale. Within the fair value hierarchy, this is categorised as a Level 3 fair value measurement. In addition to the projected income flows, the key assumptions used were a discount rate of 7.3% (2016: 7.3%) and a terminal capitalisation rate of 6.3% (2016: 6.0%).

Due to localised adverse market conditions, an impairment charge of \$9m was recognised during 2015 relating to an associate investment in the AMEA region following a re-assessment of its recoverable amount to \$nil, based on value in use calculations. Estimated future cash flows were discounted at a pre-tax rate of 13.2%. During 2017, the investment was disposed of for \$nil proceeds.

On 20 November 2015, the Group disposed of an associate investment in the AMEA region realising a gain on disposal of \$9m. At the time of disposal, the investment had a \$nil net book value.

## Notes to the Group Financial Statements continued

**14. Investment in associates and joint ventures** continued**Barclay associate**

The Group held one material associate investment at 31 December 2017, a 19.9% interest in 111 East 48th Street Holdings, LLC (the Barclay associate) which owns InterContinental New York Barclay (the hotel), a hotel managed by the Group. The hotel reopened for trading in April 2016 following a major renovation. The investment is classified as an associate and equity accounted. Whilst the Group has the ability to exercise significant influence through certain decision rights, approval rights relating to the hotel's operating and capital budgets rest solely with the 80.1% majority member. The Group's ability to receive cash dividends is dependent on the hotel generating sufficient income to satisfy specified owner returns.

In March 2017, the Group invested \$43m in the Barclay associate in conjunction with a refinancing of the hotel. The cash was used to repay a \$43m supplemental bank loan for which the Group had previously provided an indemnity for 100% of the related obligations. As a consequence, the indemnity has been extinguished.

Summarised financial information in respect of the Barclay associate is set out below:

	<b>31 December 2017</b> \$m	31 December 2016 \$m
Non-current assets	<b>540</b>	552
Current assets	<b>41</b>	19
Current liabilities	<b>(19)</b>	(283)
Non-current liabilities	<b>(287)</b>	(39)
<b>Net assets</b>	<b>275</b>	249
Group share of reported net assets at 19.9%	<b>55</b>	50
Adjustments to reflect capitalised costs, and additional rights and obligations under the shareholder agreement	<b>10</b>	(7)
<b>Carrying amount</b>	<b>65</b>	43
	<b>12 months to</b> <b>31 December 2017</b> \$m	12 months to 31 December 2016 \$m
Revenue	<b>90</b>	45
Loss for the period	<b>(16)</b>	(34)
Group's share of loss for the period	<b>(4)</b>	(8)

**Other associates and joint ventures**

The summarised aggregated financial information for individually immaterial associates and joint ventures is set out below. These are mainly investments in entities that own hotels which the Group manages.

	Associates			Joint ventures			Total		
	<b>2017</b> \$m	2016 \$m	2015 \$m	<b>2017</b> \$m	2016 \$m	2015 \$m	<b>2017</b> \$m	2016 \$m	2015 \$m
<b>Share of profits/(losses)</b>									
Operating profits/(losses) before exceptional items	<b>6</b>	5	3	<b>1</b>	1	(1)	<b>7</b>	6	2

## 15. Other financial assets

	2017 \$m	2016 \$m
<b>Equity securities available-for-sale</b>		
Quoted equity shares	10	14
Unquoted equity shares	117	142
	<b>127</b>	156
<b>Loans and receivables</b>		
Trade deposits and loans	43	43
Restricted funds	32	31
Bank accounts pledged as security	42	38
	<b>117</b>	112
<b>Total other financial assets</b>	<b>244</b>	268
Analysed as:		
Current	16	20
Non-current	228	248
	<b>244</b>	268

Equity securities available-for-sale are measured at fair value (see note 23) and loans and receivables are held at amortised cost.

Equity securities available-for-sale were denominated in the following currencies: US dollars \$93m (2016: \$121m), Hong Kong dollars \$25m (2016: \$24m) and other currencies \$9m (2016: \$11m). Unlisted equity shares are mainly investments in entities that own hotels which the Group manages. Dividend income from available-for-sale equity securities of \$10m (2016: \$7m) is reported as 'other operating income and expenses' in the Group income statement.

On 13 December 2017, the sale of Avendra, LLC (Avendra) to Aramark Services, Inc., resulted in the Group receiving cash proceeds of \$75m from its 6.29% interest in Avendra and the recording of a \$73m exceptional gain in the Group income statement (see note 5). Prior to the sale, the Group's investment in Avendra was included in unquoted equity securities available-for-sale. Avendra is a North American hospitality procurement services provider.

Trade deposits and loans include deposits of \$66m made to a hotel owner in connection with a portfolio of management contracts. The deposits are non-interest-bearing and repayable at the end of the management contract terms, and are therefore held at a discounted value of \$28m (2016: \$19m); the discount unwinds to the income statement within 'financial income' over the period to repayment.

Restricted funds comprise cash ring-fenced to satisfy insurance claims.

The bank accounts pledged as security (£31m) are subject to a charge in favour of the members of the UK unfunded pension arrangement (see note 25).

The movement in the provision for impairment of other financial assets during the year is as follows:

	2017 \$m	2016 \$m
At 1 January	(22)	(28)
Disposals	4	6
At 31 December	(18)	(22)

The provision is used to record impairment losses unless the Group is satisfied that no recovery of the amount is possible; at that point the amount considered irrecoverable is either written off directly to the income statement or, if previously provided, against the financial asset with no impact on the income statement.

## Notes to the Group Financial Statements continued

## 16. Trade and other receivables

	2017 \$m	2016 \$m
<b>Current</b>		
Trade receivables	452	368
Other receivables	23	25
Prepayments	74	77
Loans to and receivables from associates	2	2
	<b>551</b>	472
<b>Non-current</b>		
Loans to associates	-	8

Trade and other receivables are designated as loans and receivables and are held at amortised cost.

Trade receivables are non-interest-bearing and are generally on payment terms of up to 30 days. The fair value of trade and other receivables approximates their carrying value.

The maximum exposure to credit risk for trade and other receivables, excluding prepayments, at the end of the reporting period by geographic region is:

	2017 \$m	2016 \$m
Americas	305	256
Europe	51	43
AMEA	71	61
Greater China	50	43
	<b>477</b>	403

The ageing of trade and other receivables, excluding prepayments, at the end of the reporting period is:

	2017			2016		
	Gross \$m	Provision \$m	Net \$m	Gross \$m	Provision \$m	Net \$m
Not past due	333	(1)	332	289	(1)	288
Past due 1 to 30 days	68	(2)	66	58	(3)	55
Past due 31 to 180 days	82	(7)	75	64	(7)	57
Past due more than 180 days	71	(67)	4	61	(58)	3
	<b>554</b>	<b>(77)</b>	<b>477</b>	472	(69)	403

The credit risk relating to balances not past due is not deemed to be significant.

The movement in the provision for impairment of trade and other receivables during the year is as follows:

	2017 \$m	2016 \$m	2015 \$m
At 1 January	(69)	(56)	(47)
Provided	(15)	(25)	(28)
Amounts written back	2	5	12
Amounts written off	6	5	7
Exchange adjustments	(1)	2	-
<b>At 31 December</b>	<b>(77)</b>	<b>(69)</b>	<b>(56)</b>

## 17. Cash and cash equivalents

	2017 \$m	2016 \$m
Cash at bank and in hand	164	131
Short-term deposits	4	75
	<b>168</b>	206

Cash at bank and in hand includes bank balances of \$116m (2016: \$91m) which are matched by bank overdrafts of \$110m (2016: \$89m) under the Group's cash pooling arrangements. Under these arrangements, each pool contains a number of bank accounts with the same financial institution and the Group pays interest on net overdraft balances within each pool. The cash pools are used for day-to-day cash management purposes and are managed as closely as possible to a zero balance on a net basis for each pool. Overseas subsidiaries are typically in a cash-positive position with the matching overdrafts held by the Group's central treasury company in the UK.

For the purposes of the Group statement of cash flows, cash and cash equivalents comprise the following:

	2017 \$m	2016 \$m
Cash at bank and in hand	164	131
Short-term deposits	4	75
	<b>168</b>	206
Bank overdrafts (note 20)	<b>(110)</b>	(89)
	<b>58</b>	117

Short-term deposits are highly liquid investments with an original maturity of three months or less.

## 18. Trade and other payables

	2017 \$m	2016 \$m
<b>Current</b>		
Trade payables	81	94
Other tax and social security payable	48	38
Deferred revenue	49	37
Other payables	230	206
Accruals	360	306
	<b>768</b>	681
<b>Non-current</b>		
Deferred revenue	85	78
Other payables	36	122
	<b>121</b>	200

## Notes to the Group Financial Statements continued

## 19. Provisions

	Security Incidents \$m	Litigation \$m	Total \$m
At 1 January 2016	-	15	15
Provided	5	-	5
Utilised	-	(12)	(12)
<b>At 31 December 2016 and 31 December 2017</b>	<b>5</b>	<b>3</b>	<b>8</b>
		<b>2017 \$m</b>	2016 \$m
Analysed as:			
Current		<b>3</b>	3
Non-current		<b>5</b>	5
		<b>8</b>	8



See note 30 for a description of and further information on the Security Incidents provision.

The amount provided in 2016 in respect of the Security Incidents was recognised within Central costs in the Group income statement.

Litigation largely relates to actions brought against the Group in the Americas region. In relation to the \$12m settled during 2016, an insurance recovery of \$8m was also recorded by the System Fund.

## 20. Loans and other borrowings

	2017			2016		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Unsecured bank loans	-	262	262	-	107	107
Finance lease obligations	16	215	231	17	210	227
£400m 3.875% bonds 2022	-	538	538	-	489	489
£300m 3.75% bonds 2025	-	406	406	-	370	370
£350m 2.125% bonds 2026	-	472	472	-	430	430
	16	1,893	1,909	17	1,606	1,623
Bank overdrafts	110	-	110	89	-	89
Total loans and other borrowings	126	1,893	2,019	106	1,606	1,712
Denominated in the following currencies:						
Sterling	-	1,416	1,416	-	1,289	1,289
US dollars	124	477	601	101	317	418
Euros	2	-	2	2	-	2
Other	-	-	-	3	-	3
	126	1,893	2,019	106	1,606	1,712

Loans and other borrowings, excluding bank overdrafts, comprise the liabilities included in the financing activities section of the Group statement of cash flows and their movements are analysed as follows:

	At 1 January 2017 \$m	Cash flows \$m	Exchange adjustments \$m	Other \$m	At 31 December 2017 \$m
Unsecured bank loans	107	153	1	1	262
Finance lease obligations	227	-	-	4	231
£400m 3.875% bonds 2022	489	-	48	1	538
£300m 3.75% bonds 2025	370	-	36	-	406
£350m 2.125% bonds 2026	430	-	42	-	472
	1,623	153	127	6	1,909

## 20. Loans and other borrowings continued

### Unsecured bank loans

Unsecured bank loans are borrowings under the Group's Syndicated and Bilateral Facilities. Amounts are classified as non-current when the facilities have more than 12 months to expiry.

The Syndicated Facility comprises a \$1,275m five-year revolving credit facility maturing in March 2022.

The Bilateral Facility comprises a \$75m revolving credit facility maturing in March 2022. The Bilateral Facility contains the same terms and covenants as the Syndicated Facility.

A variable rate of interest is payable on amounts drawn under both facilities, which was 2.15% at 31 December 2017.

### Finance lease obligations

Finance lease obligations, which relate primarily to the 99-year lease (of which 88 years remain) on the InterContinental Boston hotel, are payable as follows:

	2017		2016	
	Minimum lease payments \$m	Present value of payments \$m	Minimum lease payments \$m	Present value of payments \$m
Less than one year	16	16	17	17
Between one and five years	67	49	64	48
More than five years	3,234	166	3,252	162
	3,317	231	3,333	227
Less: amount representing finance charges	(3,086)	-	(3,106)	-
	231	231	227	227

The Group has the option to extend the term of the InterContinental Boston lease for two additional 20-year terms. Payments under the lease step up at regular intervals over the lease term. Interest is payable on the obligation at a fixed rate of 9.7%.

### £400m 3.875% bonds 2022

The 3.875% fixed interest sterling bonds were issued on 28 November 2012 and are repayable in full on 28 November 2022. Interest is payable annually on 28 November. The bonds were initially priced at 98.787% of face value and are unsecured.

### £300m 3.75% bonds 2025

The 3.75% fixed interest sterling bonds were issued on 14 August 2015 and are repayable in full on 14 August 2025. Interest is payable annually on 14 August. The bonds were initially priced at 99.014% of face value and are unsecured.

### £350m 2.125% bonds 2026

The 2.125% fixed interest sterling bonds were issued on 24 August 2016 and are repayable in full on 24 August 2026. Interest is payable annually on 24 August. The bonds were initially priced at 99.45% of face value and are unsecured.

### Bank overdrafts

Bank overdrafts are matched by equivalent amounts of cash and cash equivalents under the Group's cash pooling arrangements (see note 17).

### Facilities provided by banks

	2017			2016		
	Utilised \$m	Unutilised \$m	Total \$m	Utilised \$m	Unutilised \$m	Total \$m
Committed	264	1,086	1,350	110	1,240	1,350
Uncommitted	1	69	70	-	70	70
	265	1,155	1,420	110	1,310	1,420
					2017 \$m	2016 \$m
Unutilised facilities expire:						
Within one year					69	70
After two but before five years					1,086	1,240
					1,155	1,310

Utilised facilities are calculated based on actual drawings and may not agree to the carrying value of loans held at amortised cost.

## Notes to the Group Financial Statements continued

## 21. Net debt

	2017 \$m	2016 \$m
Cash and cash equivalents	168	206
Loans and other borrowings – current	(126)	(106)
– non-current	(1,893)	(1,606)
<b>Net debt</b>	<b>(1,851)</b>	<b>(1,506)</b>
<b>Movement in net debt</b>		
Net decrease in cash and cash equivalents, net of overdrafts	(75)	(920)
Add back cash flows in respect of other components of net debt:		
Issue of long-term bonds	–	(459)
Long-term bonds repaid	–	315
Increase in other borrowings	(153)	(109)
Increase in net debt arising from cash flows	(228)	(1,173)
Non-cash movements:		
Finance lease obligations	(4)	(4)
Decrease/(increase) in accrued interest	1	(6)
Exchange and other adjustments	(114)	206
Increase in net debt	(345)	(977)
Net debt at beginning of the year	(1,506)	(529)
<b>Net debt at end of the year</b>	<b>(1,851)</b>	<b>(1,506)</b>



Information concerning non-GAAP measures can be found in the Strategic Report on page 26.

## 22. Financial risk management

## Overview

The Group is exposed to financial risks that arise in relation to underlying business activities. These risks include: foreign exchange risk, liquidity risk, interest rate risk, credit risk and capital risk. There are Board approved policies in place to manage these risks. Treasury activities to manage these risks may include money market investments, repurchase agreements, spot and forward foreign exchange instruments, currency swaps, interest rate swaps and forward rate agreements.

## Foreign exchange risk

The US dollar is the predominant currency of the Group's revenue and cash flows. Movements in foreign exchange rates can affect the Group's reported profit, net liabilities and interest cover. The most significant exposures of the Group are in currencies that are freely convertible. The Group's reported debt has an exposure to borrowings held in pounds sterling.

## Foreign exchange hedging

From time to time, the Group hedges a portion of forecast foreign currency income by taking out forward exchange contracts. The designated risk is the spot foreign exchange risk. There were no such contracts in place at either 31 December 2017 or 31 December 2016.

The Group also uses short-dated foreign exchange swaps to manage sterling surplus cash and reduce US dollar borrowings whilst maintaining operational flexibility. At 31 December 2017, the Group held short-dated foreign exchange swaps with principals of \$30m (2016: \$120m).

The fair value of these derivative financial instruments at 31 December 2017 was \$nil (2016: \$3m liability).

## Hedge of net investment in foreign operations

Wherever possible, the Group matches the currency of its debt (either directly or via derivatives) to the currency of its net assets, whilst maximising the amount of US dollars borrowed to reflect the predominant trading currency. However US dollars are only borrowed to the extent that hedge accounting can be achieved.

The Group designates certain foreign currency bank borrowings and currency derivatives as net investment hedges of foreign operations. The designated risk is the spot foreign exchange risk for loans and short-dated derivatives. The interest on these financial instruments is taken through financial income or expense.

The maximum amount of foreign exchange derivatives held during the year as net investment hedges and measured at calendar quarter ends were short-dated foreign exchange swaps with principals of \$160m (2016: \$325m).

Hedge effectiveness is measured at calendar quarter ends. No ineffectiveness arose in respect of the Group's net investment hedges during the current or prior year.



## 22. Financial risk management continued

### Interest rate risk

The Group is exposed to interest rate risk in relation to its fixed and floating rate borrowings. The Group's policy requires a minimum of 50% fixed rate debt over the next 12 months. With the exception of overdrafts, 86% of borrowings were fixed rate debt at 31 December 2017 (2016: 93%).

### Interest rate hedging

If required, the Group uses interest rate swaps to manage the exposure. The Group designates interest rate swaps as cash flow hedges. No interest rate swaps were used during 2017, 2016 or 2015.

### Interest and foreign exchange risk sensitivities

The following table shows the impact of a general strengthening in the US dollar against sterling and euro on the Group's profit before tax and net liabilities, and the impact of a rise in US dollar, euro and sterling interest rates on the Group's profit before tax.

		2017 \$m	2016 \$m	2015 \$m
<b>Increase/(decrease) in profit before tax</b>				
Sterling: US dollar exchange rate	5¢ fall	4.0	5.2	4.8
Euro: US dollar exchange rate	5¢ fall	(2.1)	(2.2)	(1.9)
US dollar interest rates	1% increase	(2.9)	(1.8)	(0.9)
Sterling interest rates	1% increase	0.3	1.3	7.9
<b>Decrease/(increase) in net liabilities</b>				
Sterling: US dollar exchange rate	5¢ fall	44.1	47.2	23.7
Euro: US dollar exchange rate	5¢ fall	(4.1)	(5.5)	(7.6)

The impact of a weakening in the US dollar or a fall in interest rates would be the reverse of the above values.

Interest rate sensitivities are calculated based on the year-end net debt position.

### Liquidity risk

The Group policy ensures sufficient liquidity is maintained to meet all foreseeable medium-term cash requirements and provide headroom against unforeseen obligations.

Cash and cash equivalents is held in short-term deposits and cash funds which allow daily withdrawals of cash. Most of the Group's funds are held in the UK or US, although \$3m (2016: \$3m) is held in countries where repatriation is restricted as a result of foreign exchange regulations.

Medium and long-term borrowing requirements are met through committed bank facilities and bonds as detailed in note 20. Short-term borrowing requirements may be met from drawings under uncommitted overdrafts and facilities.

The Syndicated and Bilateral Facilities contain two financial covenants: interest cover and net debt divided by earnings before interest, tax, depreciation and amortisation (EBITDA). The Group has been in compliance with all of the financial covenants in its loan documents throughout the year and expects to continue to have significant headroom for the foreseeable future.

## Notes to the Group Financial Statements continued

**22. Financial risk management** continued

The following are the undiscounted contractual cash flows of financial liabilities, including interest payments:

	Less than 1 year \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	More than 5 years \$m	Total \$m
<b>31 December 2017</b>					
Non-derivative financial liabilities:					
Bank overdrafts	110	-	-	-	110
Unsecured bank loans	264	-	-	-	264
£400m 3.875% bonds 2022	21	21	601	-	643
£300m 3.75% bonds 2025	15	15	46	445	521
£350m 2.125% bonds 2026	10	10	30	510	560
Finance lease obligations	16	16	51	3,234	3,317
Trade and other payables, excluding deferred revenue	719	138	189	176	1,222
Provisions	3	5	-	-	8
<b>31 December 2016</b>					
Non-derivative financial liabilities:					
Bank overdrafts	89	-	-	-	89
Unsecured bank loans	110	-	-	-	110
£400m 3.875% bonds 2022	19	19	57	510	605
£300m 3.75% bonds 2025	14	14	42	419	489
£350m 2.125% bonds 2026	9	9	28	473	519
Finance lease obligations	17	16	48	3,252	3,333
Trade and other payables, excluding deferred revenue	644	173	210	192	1,219
Provisions	3	5	-	-	8
Derivative financial liabilities:					
Forward foreign exchange contracts	3	-	-	-	3

Trade and other payables above includes the cash flows relating to the future redemption liability of the Group's loyalty programme. The repayment profile has been determined by actuaries based on expected redemption profiles and could in reality be different from expectations.

**Credit risk**

Credit risk on treasury transactions is minimised by operating a policy on the investment of surplus cash that generally restricts counterparties to those with a BBB credit rating or better or those providing adequate security. The Group uses long-term credit ratings from Standard and Poor's, Moody's and Fitch Ratings as a basis for setting its counterparty limits.

In order to manage the Group's credit risk exposure, the treasury function sets counterparty exposure limits using metrics including credit ratings, the relative placing of credit default swap pricings, tier 1 capital and share price volatility of the relevant counterparty.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In respect of credit risk arising from financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The carrying amount of financial assets represents the maximum exposure to credit risk.

	Note	2017 \$m	2016 \$m
Cash and cash equivalents	17	168	206
Equity securities available-for-sale	15	127	156
Loans and receivables:			
Other financial assets	15	117	112
Trade and other receivables, excluding prepayments	16	477	403
		889	877

## 22. Financial risk management continued

### Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure consists of net debt, issued share capital and reserves totalling \$993m at 31 December 2017 (2016: \$739m). The structure is managed to maintain an investment grade credit rating, to provide ongoing returns to shareholders and to service debt obligations, whilst maintaining maximum operational flexibility. A key characteristic of IHG's managed and franchised business model is that it is highly cash generative, with a high return on capital employed. Surplus cash is either reinvested in the business, used to repay debt or returned to shareholders. The Group's debt is monitored on the basis of a cash flow leverage ratio, being net debt divided by EBITDA, with the objective of maintaining an investment grade credit rating.

## 23. Fair value measurement

### Fair values

The following table compares carrying amounts and fair values of the Group's financial assets and liabilities:

	Note	2017		2016	
		Carrying value \$m	Fair value \$m	Carrying value \$m	Fair value \$m
<b>Financial assets</b>					
Cash and cash equivalents	17	168	168	206	206
Equity securities available-for-sale <sup>a</sup>	15	127	127	156	156
Loans and receivables:					
Other financial assets	15	117	117	112	112
Trade and other receivables, excluding prepayments	16	477	477	403	403
		889	889	877	877
<b>Financial liabilities</b>					
£400m 3.875% bonds 2022	20	(538)	(593)	(489)	(541)
£300m 3.75% bonds 2025	20	(406)	(441)	(370)	(408)
£350m 2.125% bonds 2026	20	(472)	(454)	(430)	(411)
Finance lease obligations	20	(231)	(318)	(227)	(297)
Unsecured bank loans	20	(262)	(262)	(107)	(107)
Bank overdrafts	20	(110)	(110)	(89)	(89)
Loyalty programme liability	32	(760)	(760)	(685)	(685)
Trade and other payables	18	(889)	(889)	(881)	(881)
Derivatives <sup>a</sup>		-	-	(3)	(3)
Provisions	19	(8)	(8)	(8)	(8)
		(3,676)	(3,835)	(3,289)	(3,430)

<sup>a</sup> Financial assets and liabilities which are measured at fair value.

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis, or for which fair value is disclosed, other than as described in note 14.

The fair value of cash and cash equivalents and bank overdrafts approximates book value due to the short maturity of the investments and deposits, and the fair value of other financial assets approximates book value based on prevailing market rates. The fair value of the unsecured bank loans approximates book value as interest rates reset to market rates on a frequent basis. The fair value of trade and other receivables, trade and other payables, the future redemption liability of the Group's loyalty programme and current provisions approximates to their carrying value.

## Notes to the Group Financial Statements continued

**23. Fair value measurement** continued**Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the above assets and liabilities, other than those with carrying amounts which are reasonable approximations of their fair values:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2017				2016			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets</b>								
Equity securities available-for-sale:								
Quoted equity shares	10	-	-	10	14	-	-	14
Unquoted equity shares	-	-	117	117	-	-	142	142
<b>Liabilities</b>								
£400m 3.875% bonds 2022	(593)	-	-	(593)	(541)	-	-	(541)
£300m 3.75% bonds 2025	(441)	-	-	(441)	(408)	-	-	(408)
£350m 2.125% bonds 2026	(454)	-	-	(454)	(411)	-	-	(411)
Finance lease obligations	-	(318)	-	(318)	-	(297)	-	(297)
Derivatives	-	-	-	-	-	(3)	-	(3)

There were no transfers between Level 1 and Level 2 fair value measurements during the year and no transfers into and out of Level 3.

The fair value of quoted equity shares and the bonds is based on their quoted market price.

Derivatives are fair valued using discounted future cash flows, taking into consideration exchange rates prevailing on the last day of the reporting period and interest rates from observable swap curves.

Finance lease obligations relate primarily to the lease of InterContinental Boston, which is fair valued by discounting the future cash flows payable under the loan, which are fixed, at a risk adjusted long-term interest rate. The interest rate used to discount the cash flows at 31 December 2017 was 6.9% (2016: 7.2%).

Unquoted equity shares are fair valued using the International Private Equity and Venture Capital Valuation Guidelines either by applying an average price-earnings (P/E) ratio for a competitor group to the earnings generated by the investment or by reference to share of net assets if the investment is currently loss-making or a recent property valuation is available. The average P/E ratio for the year was 30.7 (2016: 24.5) and a non-marketability factor of 30% (2016: 30%) is applied. A 10% increase in the average P/E ratio would result in a \$2m increase (2016: \$2m) in the fair value of the investments and a 10% decrease in the average P/E ratio would result in a \$2m decrease (2016: \$2m) in the fair value of the investments. A 10% increase in net assets would result in a \$7m increase (2016: \$7m) in the fair value of the investments and a 10% decrease in net assets would result in a \$7m decrease (2016: \$7m) in the fair value of the investments.

The following table reconciles the movements in the fair values of investments classified as Level 3 during the year:

	2017 \$m	2016 \$m
At 1 January	142	136
Additions	2	2
Disposals	(3)	(15)
Reclassification of associate (note 14)	-	14
Valuation gains recognised in other comprehensive income	48	5
Valuation gains reclassified to the income statement on disposal	(73)	-
Exchange and other adjustments	1	-
<b>At 31 December</b>	<b>117</b>	<b>142</b>

## 24. Reconciliation of profit for the year to cash flow from operations

For the year ended 31 December 2017	Note	2017 \$m	2016 \$m	2015 \$m
Profit for the year		593	417	1,224
Adjustments for:				
Net financial expenses		85	87	87
Income tax charge	7	85	174	188
Depreciation and amortisation		103	96	96
Impairment	5	18	16	36
Other exceptional items	5	(22)	13	(855)
Equity-settled share-based cost	26	21	17	19
Dividends from associates and joint ventures	14	4	5	5
(Increase)/decrease in trade and other receivables		(71)	(24)	3
Net change in loyalty programme liability and System Fund surplus		8	65	42
System Fund depreciation and amortisation		36	31	21
Increase/(decrease) in other trade and other payables		44	102	(13)
Utilisation of provisions, net of insurance recovery	19	-	(4)	-
Retirement benefit contributions, net of costs		(1)	(32)	(4)
Cash flows relating to exceptional items		(44)	(19)	(45)
Other items		(3)	9	6
Total adjustments		263	536	(414)
Cash flow from operations		856	953	810

## 25. Retirement benefits

### UK

Since 6 August 2014, UK retirement and death in service benefits are provided for eligible employees by the IHG UK Defined Contribution Pension Plan. Members, including those who have been auto-enrolled since 1 September 2013, are provided with defined contribution arrangements under this plan; benefits are based on each individual member's personal account. The plan is HM Revenue and Customs registered and governed by an independent trustee, assisted by professional advisers as and when required. The overall operation of the plan is subject to the oversight of The Pensions Regulator.

The former defined benefit plan, the InterContinental Hotels UK Pension Plan, was wound up on 21 July 2015 following the completion of the buy-out and transfer of the defined benefit obligations to Rothesay Life on 31 October 2014.

Residual defined benefit obligations remain in respect of additional benefits provided to members of an unfunded pension arrangement who were affected by lifetime or annual allowances under the former defined benefit arrangements. Accrual under this arrangement ceased with effect from 1 July 2013 and a cash-out offer in 2014 resulted in the extinguishment of approximately 70% of the unfunded pension obligations. The Company meets the benefit payment obligations of the remaining members as they fall due. A charge over certain ring-fenced bank accounts totalling £31m at 31 December 2017 (see note 15) is currently held as security on behalf of the remaining members.

### US

The Group also maintains the following US-based defined benefit plans: the funded Inter-Continental Hotels Pension Plan (the Plan), unfunded Inter-Continental Hotels Non-qualified Pension Plans and unfunded Inter-Continental Hotels Corporation Postretirement Medical, Dental, Vision and Death Benefit Plan. All plans are closed to new members. In respect of the Plan, an Investment Committee has responsibility for the oversight and management of the Plan's assets, which are held in a separate trust. The Committee comprises senior Company employees and is assisted by professional advisers as and when required.

During 2016, the Group made a funding contribution of \$32m to the Plan which enabled it to achieve full funding. The assets of the Plan were subsequently invested in liability-matching assets. In November 2017, the Company received approval from the Internal Revenue Service to proceed with a plan termination and distribution of the assets from the Plan in 2018. This will involve certain members being offered lump-sum payments with remaining plan interests subject to the expected purchase of annuity contracts.

During 2015, the Group made a lump sum cash-out offer to the terminated vested members of the Inter-Continental Hotels Pension Plan. Members accepting the offer received lump sum cash payments totalling \$11m on 1 November 2015.

### Other

The Group also operates a number of smaller pension schemes outside the UK, the most significant of which is a defined contribution scheme in the US; there is no material difference between the pension costs of, and contributions to, these schemes.

## Notes to the Group Financial Statements continued

**25. Retirement benefits** continued

In respect of the defined benefit plans, the amounts recognised in the Group income statement, in 'administrative expenses', are:

	Pension plans									2017 \$m	2016 \$m	2015 \$m	Total 2015 \$m
	UK			US			US Post-employment benefits						
	2017 \$m	2016 \$m	2015 \$m	2017 \$m	2016 \$m	2015 \$m	2017 \$m	2016 \$m	2015 \$m				
Net interest expense	1	1	1	2	2	3	1	1	1	4	4	5	5
Administration costs	-	-	1	1	1	1	-	-	-	1	1	2	2
Settlement gain	-	-	-	-	-	(2)	-	-	-	-	-	(2)	(2)
<b>Operating profit</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

The settlement gain in 2015 resulted from the partial cash-out of the US Inter-Continental Hotels Pension Plan and comprised the difference between the accounting value of the liabilities extinguished and the amount of the lump sum payments.

Re-measurement gains and losses recognised in the Group statement of comprehensive income are:

	2017			2016			2015		
	Plan assets \$m	Plan obligations \$m	Total \$m	Plan assets \$m	Plan obligations \$m	Total \$m	Plan assets \$m	Plan obligations \$m	Total \$m
Return on plan assets (excluding amounts included in interest)	9	-	9	-	-	-	(7)	-	(7)
Actuarial gains and losses arising from changes in:									
Demographic assumptions	-	1	1	-	6	6	-	5	5
Financial assumptions	-	(9)	(9)	-	(11)	(11)	-	10	10
Experience adjustments	-	(2)	(2)	-	1	1	-	2	2
Change in asset restriction (excluding amounts included in interest)	(3)	-	(3)	-	-	-	3	-	3
<b>Other comprehensive income</b>	<b>6</b>	<b>(10)</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>	<b>(4)</b>	<b>(4)</b>	<b>17</b>	<b>13</b>

The assets and liabilities of the schemes and the amounts recognised in the Group statement of financial position are:

	Pension plans									2017 \$m	2016 \$m	Total 2016 \$m
	UK			US			US Post-employment benefits					
	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m	2017 \$m	2016 \$m				
<b>Retirement benefit assets</b>												
Fair value of plan assets	-	-	152	-	-	-	-	-	152	-	-	-
Present value of benefit obligations	-	-	(146)	-	-	-	-	-	(146)	-	-	-
Surplus in schemes	-	-	6	-	-	-	-	-	6	-	-	-
Asset restriction	-	-	(3)	-	-	-	-	-	(3)	-	-	-
Total retirement benefit assets	-	-	3	-	-	-	-	-	3	-	-	-
<b>Retirement benefit obligations</b>												
Fair value of plan assets	-	-	-	148	-	-	-	-	-	-	148	148
Present value of benefit obligations	(29)	(27)	(51)	(195)	(24)	(22)	(104)	(244)	(244)	(96)	(96)	(244)
Total retirement benefit obligations	(29)	(27)	(51)	(47)	(24)	(22)	(104)	(244)	(244)	(96)	(96)	(244)
Total fair value of plan assets	-	-	152	148	-	-	152	148	152	148	148	148
Total present value of benefit obligations	(29)	(27)	(197)	(195)	(24)	(22)	(250)	(244)	(250)	(244)	(244)	(244)

## 25. Retirement benefits continued

### Assumptions

The principal financial assumptions used by the actuaries to determine the benefit obligations are:

	Pension plans								
	UK			US			US Post-employment benefits		
	2017 %	2016 %	2015 %	2017 %	2016 %	2015 %	2017 %	2016 %	2015 %
Pensions increases	3.2	3.3	3.2	-	-	-	-	-	-
Discount rate	2.6	2.7	4.0	3.3	3.7	3.9	3.3	3.8	3.9
Inflation rate	3.2	3.3	3.2	-	-	-	-	-	-
Healthcare cost trend rate assumed for next year:									
Pre-65 (ultimate rate reached in 2025)							7.7	7.0	7.5
Post-65 (ultimate rate reached in 2024)							8.7	8.3	9.0
Ultimate rate that the cost trend rate trends to							4.5	4.5	4.5

Mortality is the most significant demographic assumption. The current assumptions for the UK are based on the S2PA 'light' year of birth tables with projected mortality improvements using the CMI\_2016 model and a 1.25% per annum long-term trend with age rated down by 0.7 and 2.3 years for pensioners and 0.5 and 2.6 years for non-pensioners, male and female respectively. In the US, the current assumptions are based on the RP-2014 Employee/Healthy Annuitant Generationally Projected with Scale MP-2017 mortality tables.

In both the UK and US, the assumptions have been revised during the year to reflect life expectancy at retirement age as follows:

	Pension plans					
	UK			US		
	2017 Years	2016 Years	2015 Years	2017 Years	2016 Years	2015 Years
Current pensioners at 65 <sup>a</sup> – male	24	24	26	21	21	21
– female	26	26	29	23	23	23
Future pensioners at 65 <sup>b</sup> – male	25	25	28	22	22	23
– female	28	28	31	24	24	25

<sup>a</sup> Relates to assumptions based on longevity (in years) following retirement at the end of the reporting period.

<sup>b</sup> Relates to assumptions based on longevity (in years) relating to an employee retiring in 2037.

The assumptions allow for expected increases in longevity.

### Sensitivities

Changes in assumptions used for determining retirement benefit costs and obligations may have a material impact on the income statement and the statement of financial position. The key assumptions are the pension increases, discount rate, the rate of inflation and the assumed mortality rate. The sensitivity analysis below is based on extrapolating reasonable changes in these assumptions, using year-end conditions and assuming no interdependency between the assumptions.

		UK		US	
		Higher/ (lower) pension cost \$m	Increase/ (decrease) in liabilities \$m	Higher/ (lower) pension cost \$m	Increase/ (decrease) in liabilities \$m
Pensions increases	- 0.25% decrease	(0.1)	(1.1)	-	-
	- 0.25% increase	-	1.4	-	-
Discount rate	- 0.25% decrease	(0.1)	1.5	(0.1)	2.9
	- 0.25% increase	-	(1.4)	-	(2.7)
Inflation rate	- 0.25% increase	-	1.4	-	-
	- 0.25% decrease	(0.1)	(1.1)	-	-
Mortality rate	- One year increase	-	0.8	0.2	9.7

A one percentage point increase in assumed healthcare costs trend rate would increase the accumulated post-employment benefit obligations as at 31 December 2017 by \$1.9m (2016: \$1.9m, 2015: \$2.0m) and a one percentage point decrease would decrease the obligations by \$1.8m (2016: \$1.7m, 2015: \$1.8m).

## Notes to the Group Financial Statements continued

## 25. Retirement benefits continued

## Movement in benefit obligation

	Pension plans				US Post-employment benefits		Total	
	UK		US		2017 \$m	2016 \$m	2017 \$m	2016 \$m
	2017 \$m	2016 \$m	2017 \$m	2016 \$m				
Benefit obligation at 1 January	27	27	195	202	22	21	244	250
Interest expense	1	1	7	7	1	1	9	9
Benefits paid	(1)	-	(13)	(13)	(1)	(1)	(15)	(14)
Re-measurement losses	-	4	8	(1)	2	1	10	4
Exchange adjustments	2	(5)	-	-	-	-	2	(5)
<b>Benefit obligation at 31 December</b>	<b>29</b>	<b>27</b>	<b>197</b>	<b>195</b>	<b>24</b>	<b>22</b>	<b>250</b>	<b>244</b>
Comprising:								
Funded plans	-	-	146	145	-	-	146	145
Unfunded plans	29	27	51	50	24	22	104	99
	29	27	197	195	24	22	250	244

## Movement in plan assets

	Pension plans				US Post-employment benefits		Total	
	UK		US		2017 \$m	2016 \$m	2017 \$m	2016 \$m
	2017 \$m	2016 \$m	2017 \$m	2016 \$m				
Fair value of plan assets at 1 January	-	-	148	121	-	-	148	121
Company contributions	1	-	4	36	1	1	6	37
Benefits paid	(1)	-	(13)	(13)	(1)	(1)	(15)	(14)
Interest income	-	-	5	5	-	-	5	5
Re-measurement gains	-	-	9	-	-	-	9	-
Administration costs	-	-	(1)	(1)	-	-	(1)	(1)
<b>Fair value of plan assets at 31 December</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>148</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>148</b>

Company payments are expected to be \$9m in 2018.

The plan assets are measured at fair value and comprise the following:

	US	
	2017 \$m	2016 \$m
<b>Investments quoted in active markets</b>		
Investment funds: fixed income securities	150	146
<b>Unquoted investments</b>		
Cash	2	2
	152	148

	Pension plans				US Post-employment benefits		Total	
	UK		US		2017 \$m	2016 \$m	2017 \$m	2016 \$m
	2017 \$m	2016 \$m	2017 \$m	2016 \$m				
<b>Movement in asset restriction</b>								
Balance at 1 January	-	-	-	-	-	-	-	-
Re-measurement losses	-	-	3	-	-	-	3	-
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>



## 25. Retirement benefits *continued*

### Estimated future benefit payments

	Pension plans				US Post-employment benefits		Total	
	UK		US		2017 \$m	2016 \$m	2017 \$m	2016 \$m
	2017 \$m	2016 \$m	2017 \$m	2016 \$m				
Within one year	-	-	14	14	1	1	15	15
Between one and five years	3	2	53	54	6	5	61	61
After five years	17	13	62	63	7	7	82	83
	20	15	129	131	14	13	158	159
Average duration of obligation (years)	20.5	21.0	10.3	10.3	10.4	10.2		

The above table assumes a continuation of the US Inter-Continental Hotels Pension Plan.

## 26. Share-based payments

### Annual Performance Plan

Under the IHG Annual Performance Plan (APP), eligible employees (including Executive Directors) can receive all or part of their bonus in the form of deferred shares and/or receive one-off awards of shares. Deferred shares are released on the third anniversary of the award date. Under the terms of awards that are referred to in this note, a fixed percentage of the award is made in the form of shares. Awards under the APP are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. The award of deferred shares under the APP is at the discretion of the Remuneration Committee.

The number of shares is calculated by dividing a specific percentage of the participant's annual performance-related award by the middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant. A number of executives participated in the APP during the year and conditional rights over 234,918 (2016: 335,775, 2015: 265,285) shares were awarded to participants. In 2017 this number included 79,471 (2016: 103,071, 2015: 58,338) shares awarded as part of recruitment terms or for one-off individual awards.

New plan rules for the APP were approved by shareholders at the AGM on 2 May 2014, and apply to awards made in respect of the 2015 and subsequent financial years. The new plan rules contain substantially the same terms as the superseded plan rules.

### Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) allows Executive Directors and eligible employees to receive conditional share awards, which normally have a vesting period of three years.

**Performance-related awards:** Awards to the Executive Directors, and some awards to other eligible employees, are granted subject to the achievement of performance conditions set by the Remuneration Committee, which are normally measured over the vesting period.

**Restricted stock units:** Awards to eligible employees are granted subject to continued employment.

Awards are normally made annually and, except in exceptional circumstances, will not exceed three times salary for eligible employees. The plan provides for the grant of 'nil cost options' to participants as an alternative to conditional share awards. During the year, conditional rights over 805,045 (2016: 1,355,721, 2015: 1,803,308) shares were awarded to employees under the plan, comprising 280,458 (2016: 888,518, 2015: 1,803,308) performance-related awards and 524,587 (2016: 467,203, 2015: nil) restricted stock units.

New plan rules for the LTIP were approved by shareholders at the AGM on 2 May 2014, and apply to awards made in respect of the 2015-17 and subsequent LTIP cycles. The new plan rules contain substantially the same terms as the superseded plan rules.



More detailed information on the performance measures for awards to Executive Directors is shown in the Directors' Remuneration Report on pages 64 to 77.

## Notes to the Group Financial Statements continued

**26. Share-based payments** continued

The Group recognised a cost of \$21m (2016: \$17m, 2015: \$19m) in operating profit and \$2m (2016: \$nil, 2015: \$nil) within exceptional administrative expenses related to equity-settled share-based payment transactions during the year, net of amounts borne by the System Fund.

No aggregate consideration was received in respect of ordinary shares issued under option schemes during 2017, 2016 or 2015.

The Group uses separate option pricing models and assumptions depending on the plan. The following table sets out information about awards granted in 2017, 2016 and 2015:

	APP			LTIP		
	Binomial valuation model			Monte Carlo Simulation and Binomial valuation model		
	2017	2016	2015	2017	2016	2015
Weighted average share price	<b>3,781.0p</b>	2,725.0p	2,565.0p	<b>4,300.0p</b>	2,846.0p	2,634.0p
Expected dividend yield	<b>n/a</b>	n/a	n/a	<b>2.05%</b>	2.55%	2.34%
Risk-free interest rate				<b>0.10%</b>	0.36%	0.59%
Volatility <sup>a</sup>				<b>24%</b>	24%	22%
Term (years)	<b>3.0</b>	3.0	3.0	<b>3.0</b>	3.0	3.0

<sup>a</sup> The expected volatility was determined by calculating the historical volatility of the Company's share price corresponding to the expected life of the share award.

Movements in the awards outstanding under the schemes are as follows:

	APP	LTIP	
	Number of shares thousands	Performance-related awards Number of shares thousands	Restricted stock units Number of shares thousands
Outstanding at 1 January 2015	768	6,120	-
Granted	265	1,803	-
Vested	(307)	(1,278)	-
Lapsed or cancelled	(37)	(1,370)	-
Outstanding at 31 December 2015	689	5,275	-
Granted	336	889	467
Vested	(229)	(915)	-
Share capital consolidation	(104)	-	-
Lapsed or cancelled	(7)	(1,048)	(18)
Outstanding at 31 December 2016	685	4,201	449
Granted	<b>235</b>	<b>280</b>	<b>525</b>
Vested	<b>(263)</b>	<b>(928)</b>	-
Share capital consolidation	<b>(21)</b>	-	-
Lapsed or cancelled	<b>(20)</b>	<b>(1,160)</b>	<b>(58)</b>
<b>Outstanding at 31 December 2017</b>	<b>616</b>	<b>2,393</b>	<b>916</b>

**Fair value of awards granted during the year (cents)**

<b>2017</b>	<b>4,959.3</b>	<b>4,133.2</b>	<b>5,251.0</b>
2016	3,671.9	1,768.0	3,624.5
2015	3,874.5	1,734.5	-

**Weighted average remaining contract life (years)**

<b>At 31 December 2017</b>	<b>1.2</b>	<b>0.6</b>	<b>1.7</b>
At 31 December 2016	1.2	0.9	2.2
At 31 December 2015	1.2	1.1	-

The above awards do not vest until the performance and service conditions have been met.

The weighted average share price at the date of exercise for share awards vested during the year was 3,804.7p (2016: 2,511.1p). The closing share price on 31 December 2017 was 4,719.0p and the range during the year was 3,655.4p to 4,719.0p per share.

## 27. Equity

### Equity share capital

	Number of shares millions	Nominal value \$m	Share premium \$m	Equity share capital \$m
<b>Allotted, called up and fully paid</b>				
At 1 January 2015 (ordinary shares of 15 <sup>265</sup> / <sub>329</sub> p each)	248	61	117	178
Exchange adjustments	-	(3)	(6)	(9)
At 31 December 2015 (ordinary shares of 15 <sup>265</sup> / <sub>329</sub> p each)	248	58	111	169
Share capital consolidation	(42)	-	-	-
Exchange adjustments	-	(10)	(18)	(28)
At 31 December 2016 (ordinary shares of 18 <sup>318</sup> / <sub>329</sub> p each)	206	48	93	141
Share capital consolidation	(9)	-	-	-
Exchange adjustments	-	5	8	13
<b>At 31 December 2017 (ordinary shares of 19<sup>17</sup>/<sub>21</sub>p each)</b>	<b>197</b>	<b>53</b>	<b>101</b>	<b>154</b>

The authority given to the Company at the AGM held on 5 May 2017 to purchase its own shares was still valid at 31 December 2017. A resolution to renew the authority will be put to shareholders at the AGM on 4 May 2018.

The Company no longer has an authorised share capital.

On 23 February 2016, the Group announced a \$1.5bn return of funds to shareholders by way of a special dividend and share consolidation. On 6 May 2016, shareholders approved the share consolidation on the basis of 5 new ordinary shares of 18<sup>318</sup>/<sub>329</sub>p per share for every 6 existing ordinary shares of 15<sup>265</sup>/<sub>329</sub>p, which became effective on 9 May 2016. The special dividend was paid to shareholders on 23 May 2016. The dividend and share consolidation had the same economic effect as a share repurchase at fair value, therefore previously reported earnings per share has not been restated.

On 21 February 2017, the Group announced a \$400m return of funds to shareholders by way of a special dividend and share consolidation. On 5 May 2017, shareholders approved the share consolidation on the basis of 45 new ordinary shares of 19<sup>17</sup>/<sub>21</sub>p per share for every 47 existing ordinary shares of 18<sup>318</sup>/<sub>329</sub>p, which became effective on 8 May 2017. The special dividend was paid to shareholders on 22 May 2017. The dividend and share consolidation had the same economic effect as a share repurchase at fair value, therefore previously reported earnings per share has not been restated.

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising 19<sup>17</sup>/<sub>21</sub>p shares. The share premium reserve represents the amount of proceeds received for shares in excess of their nominal value.

The nature and purpose of the other reserves shown in the Group statement of changes in equity on pages 90 to 92 of the Financial Statements is as follows:

#### Capital redemption reserve

This reserve maintains the nominal value of the equity share capital of the Company when shares are repurchased or cancelled.

#### Shares held by employee share trusts

Comprises \$5.4m (2016: \$10.5m, 2015: \$18.3m) in respect of 0.2m (2016: 0.3m, 2015: 0.5m) InterContinental Hotels Group PLC ordinary shares held by employee share trusts, with a market value at 31 December 2017 of \$12.1m (2016: \$15.0m, 2015: \$19.8m).

#### Other reserves

Comprises the merger and revaluation reserves previously recognised under UK GAAP, together with the reserve arising as a consequence of the Group's capital reorganisation in June 2005. Following the change in presentational currency to the US dollar in 2008, this reserve also includes exchange differences arising on retranslation to period-end exchange rates of equity share capital, the capital redemption reserve and shares held by employee share trusts.

#### Unrealised gains and losses reserve

This reserve records movements in the fair value of available-for-sale financial assets and the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments related to hedged transactions that have not yet occurred.

#### Currency translation reserve

This reserve records the movement in exchange differences arising from the translation of foreign operations and exchange differences on foreign currency borrowings and derivative instruments that provide a hedge against net investments in foreign operations. On adoption of IFRS, cumulative exchange differences were deemed to be \$nil as permitted by IFRS 1.

The fair value of derivative instruments designated as hedges of net investments in foreign operations outstanding at 31 December 2017 was \$nil (2016: \$3m net liability, 2015: \$3m net liability).

#### Treasury shares

During 2017, 0.9m (2016: 0.9m) treasury shares were transferred to the employee share trusts. As a result of the 2017 share consolidation, the number of shares held in treasury reduced by 0.4m (2016: reduced by 1.7m as a result of the 2016 share consolidation). At 31 December 2017, 7.6m shares (2016: 8.9m, 2015: 11.5m) with a nominal value of \$2.0m (2016: \$2.1m, 2015: \$2.7m) were held as treasury shares at cost and deducted from retained earnings.

#### Non-controlling interest

A non-controlling interest is equity in a subsidiary of the Group not attributable, directly or indirectly, to the Group. Non-controlling interests are not material to the Group.

## Notes to the Group Financial Statements continued

**28. Operating leases**

During the year ended 31 December 2017, \$86m (2016: \$84m, 2015: \$77m) was recognised as an expense in the Group income statement in respect of operating leases, net of amounts borne directly by the System Fund. The expense includes contingent rents of \$32m (2016: \$32m, 2015: \$29m). \$2m (2016: \$2m, 2015: \$3m) was recognised as income from sub-leases.

Future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2017</b>	2016
	<b>\$m</b>	\$m
Due within one year	<b>56</b>	53
One to two years	<b>46</b>	49
Two to three years	<b>45</b>	43
Three to four years	<b>60</b>	41
Four to five years	<b>30</b>	58
More than five years	<b>297</b>	346
	<b>534</b>	590

In addition, in certain circumstances the Group is committed to making additional lease payments that are contingent on the performance of the hotels that are being leased.

The average remaining term of these leases, which generally contain renewal options, is approximately 15 years (2016: 17 years). No material restrictions or guarantees exist in the Group's lease obligations.

Total future minimum rentals expected to be received under non-cancellable sub-leases are \$4m (2016: \$4m).

**29. Capital and other commitments**

	<b>2017</b>	2016
	<b>\$m</b>	\$m
Contracts placed for expenditure not provided for in the Financial Statements:		
Property, plant and equipment	<b>18</b>	11
Intangible assets	<b>86</b>	86
	<b>104</b>	97

The Group has also committed to invest in a number of its associates, with an estimated outstanding commitment of \$33m at 31 December 2017 (2016: \$36m) based on current forecasts. A loan facility of \$5m (2016: \$nil) has also been made available to a hotel owner which was undrawn at 31 December 2017.

### 30. Contingencies and guarantees

#### Security incidents

In 2016, the Group was notified of (a) a security incident at a number of Kimpton hotels that resulted in unauthorised access to guest payment card data (the Kimpton Security Incident), and (b) a security incident that involved malware being installed on servers that processed payment cards used at restaurants and bars of 12 IHG managed properties (the Americas Security Incident), together the Security Incidents. A provision of \$5m was made at 31 December 2016, and remains in place at 31 December 2017 (see note 19), to cover the estimated cost of reimbursing the impacted card networks for counterfeit fraud losses and related expenses. At 31 December 2017, this estimate relates to both the Kimpton and Americas Security Incidents whereas at 31 December 2016 it was Kimpton related only. The estimates continue to involve significant judgement based on currently available information and remain subject to change as actual claims are made and new information comes to light.

The Group may be exposed to investigations regarding compliance with applicable State and Federal data security standards, and legal action from individuals and organisations impacted by the Security Incidents. Due to the general nature of the regulatory enquiries received and class action filings to date, it is not practicable to make a reliable estimate of the possible financial effects of any such claims on the Group at this time. To date, four lawsuits have been filed against IHG entities relating to the Security Incidents, all of which are in the early stages of litigation.

In respect of the \$5m provision, it is expected that a proportion will be recoverable under the Group's insurance programmes although this, together with any potential recoveries in respect of the contingent liabilities detailed above, will be subject to specific agreement with the relevant insurance providers.

#### Tax

In November 2017, the European Commission (EC) gave formal notice of a preliminary view it had reached that the Group Financing Exemption, included in the UK's Controlled Foreign Company rules, is in breach of the EU's State Aid rules. The EC will conduct its detailed investigation during 2018, with a final decision expected later in the year, or even in 2019. Should the EC conclude that the State Aid rules are breached, the UK can appeal before the General Court (and possibly the Court of Justice thereafter). The Group and its advisors consider that it is unlikely that a finding of State Aid will ultimately be upheld.

#### Other

In limited cases, the Group may provide performance guarantees to third-party hotel owners to secure management contracts.

At 31 December 2017, the amount provided in the Financial Statements was \$6m (2016: \$5m) and the maximum unprovided exposure under such guarantees was \$31m (2016: \$14m).

At 31 December 2017, the Group had outstanding letters of credit of \$35m (2016: \$37m) mainly relating to self insurance programmes.

The Group may guarantee bank loans made to facilitate third-party ownership of hotels under IHG management or franchise contracts. At 31 December 2017, there were guarantees of \$54m in place (2016: \$33m).

From time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. In particular, the Group is currently subject to the claims listed under 'Legal proceedings' on page 172. The Group has also given warranties in respect of the disposal of certain of its former subsidiaries. It is the view of the Directors that, other than to the extent that liabilities have been provided for in these Financial Statements, it is not possible to quantify any loss to which these proceedings or claims under these warranties may give rise, however, as at the date of reporting, the Group does not believe that the outcome of these matters will have a material effect on the Group's financial position.

At 31 December 2017, the Group had no other contingent liabilities (2016: \$nil).

## Notes to the Group Financial Statements continued

## 31. Related party disclosures

	2017 \$m	2016 \$m	2015 \$m
<b>Total compensation of key management personnel</b>			
Short-term employment benefits	21.3	19.2	19.5
Contributions to defined contribution pension plans	0.6	0.8	0.7
Equity compensation benefits	10.2	7.4	6.2
Termination benefits	1.9	-	-
	<b>34.0</b>	27.4	26.4

There were no other transactions with key management personnel during the years ended 31 December 2017, 2016 or 2015.

Key management personnel comprises the Board and Executive Committee.

Related party disclosures for associates and joint ventures are as follows:

	Associates			Joint ventures			Total		
	2017 \$m	2016 \$m	2015 \$m	2017 \$m	2016 \$m	2015 \$m	2017 \$m	2016 \$m	2015 \$m
Revenue from associates and joint ventures	8	5	3	1	1	-	9	6	3
Loans to associates	-	9	7	-	-	-	-	9	7
Other amounts owed by associates and joint ventures	2	1	2	-	-	-	2	1	2

In addition, loans both to and from the Barclay associate of \$237m (2016: \$237m) are offset in accordance with the provisions of IAS 32 and presented net in the Group statement of financial position. Interest payable and receivable under the loans is equivalent (average interest rate of 2.0% in 2017 (2016: 1.4%)) and presented net in the Group income statement.

During 2015, short-term advances of \$22m were made to the Barclay associate which were repaid on 31 December 2015.

## 32. System Fund

The Group operates a System Fund (the Fund) to collect and administer assessments and contributions from hotel owners (other than for Kimpton and InterContinental hotels) for specific use in marketing, the IHG Rewards Club loyalty programme and the Guest Reservation System. The Fund and loyalty programme are accounted for in accordance with the accounting policies set out on page 100 of the Financial Statements.

Following the announcement on 14 April 2015 of the introduction of an expiration policy for points earned under the loyalty programme, the Group released \$156m from the programme's future redemption liability in 2015. The amount released was based on the advice of an external actuary using statistical models to estimate the impact of the programme change on members' behaviour. The liability release resulted in a corresponding increase in the System Fund surplus which was also recorded in the Group statement of financial position.

The following information is relevant to the operation of the Fund:

	2017 \$m	2016 \$m	2015 \$m
Income <sup>a</sup> :			
Assessment fees and contributions received from hotels	1,562	1,439	1,351
Proceeds from sale of IHG Rewards Club points	324	283	222
Key elements of expenditure <sup>a</sup> :			
Marketing	321	335	308
IHG Rewards Club	452	360	345
Payroll costs	339	311	295
Net (deficit)/surplus for the year <sup>a</sup>	(69)	41	118
Interest payable to the Fund	7	3	2

<sup>a</sup> Not included in the Group income statement in accordance with the Group's accounting policies.

The payroll costs above relate to 5,555 (2016: 5,434, 2015: 5,416) employees whose costs are borne by the Fund.

The following liabilities relating to the Fund are included in the Group statement of financial position:

	2017 \$m	2016 \$m	2015 \$m
System Fund surplus <sup>a</sup>	158	227	186
Loyalty programme liability <sup>b</sup>	760	685	649
	<b>918</b>	912	835

<sup>a</sup> The System Fund surplus is included in Trade and other payables.

<sup>b</sup> Comprising current liabilities of \$343m and non-current liabilities of \$417m.

The net change in the loyalty programme liability and Fund surplus contributed an inflow of \$8m (2016: \$65m, 2015: \$42m) to the Group's cash flow from operations.

### 33. Group companies

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2017 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by InterContinental Hotels Group PLC.

#### Fully owned subsidiaries

"IHG Management" d.o.o. Beograd (j)	Holiday Inns Investment (Nepal) Ltd. (ac)	InterContinental Berlin Service Company GmbH (au)
24th Street Operator Sub, LLC (g) (k)	Holiday Inns of America (UK) Ltd. (n)	InterContinental (Branston) 1 Limited (c) (n)
36th Street IHG Sub, LLC (g) (k)	Holiday Inns of Belgium N.V. (ad)	InterContinental (PB) 1 (n)
426 Main Ave LLC (g) (k)	Holiday Pacific Equity Corporation (k)	InterContinental (PB) 2 (ay)
46 Nevins Street Associates, LLC (g) (k)	Holiday Pacific LLC (g) (k)	InterContinental (PB) 3 Limited (n)
2250 Blake Street Hotel, LLC (g) (k)	Holiday Pacific Partners, LP (k)	InterContinental Brasil Administracao de Hoteis Ltda (ak)
Allegro Management LLC (g) (k)	Hotel InterContinental London (Holdings) Limited (n)	Inter-Continental D.C. Operating Corp. (k)
Alpha Kimball Hotel LLC (g) (k)	Hotel Inter-Continental London Limited (n)	Inter-Continental Florida Investment Corp. (k)
American Commonwealth Assurance Co. Ltd. (m)	Hoteles Y Turismo HIH SRL (n)	Inter-Continental Florida Partner Corp. (k)
Asia Pacific Holdings Limited (n)	IC Hotelbetriebsführungs GmbH (ae)	InterContinental Gestion Hotelera S.L. (by)
Barclay Operating Corp. (k)	IC Hotels Management (Portugal) Unipessoal, Lda (af)	Inter-Continental Hospitality Corporation (k)
BHMC Canada Inc. (o)	IC International Hotels Limited Liability Company (ag)	InterContinental Hotel Berlin GmbH (au)
BHR Holdings B.V. (p)	IHC (Thailand) Limited (ah)	InterContinental Hotel Düsseldorf GmbH (Germany) (av)
BHR Luxembourg SARL (q)	IHC Buckhead, LLC (g) (ci)	Inter-Continental Hoteleira Limitada (aw)
BHR Pacific Holdings, Inc. (k)	IHC Edinburgh (Holdings) (n)	Inter-Continental Hotels (Montreal) Operating Corp. (ax)
BHTC Canada Inc. (o)	IHC Hopkins (Holdings) Corp. (k)	Inter-Continental Hotels (Montreal) Owning Corp. (ax)
BOC Barclay Sub LLC (g) (cj)	IHC Hotel Limited (n)	InterContinental Hotels (Puerto Rico) Inc. (az)
Bristol Oakbrook Tenant Company (k)	IHC Inter-Continental (Holdings) Corp. (k)	Inter-Continental Hotels (Singapore) Pte. Ltd. (ai)
Café Biarritz (n)	IHC London (Holdings) (n)	Inter-Continental Hotels Corporation (k)
Cambridge Lodging LLC (g) (k)	IHC May Fair (Holdings) Limited (n)	Inter-Continental Hotels Corporation de Venezuela C.A. (ba)
Capital Lodging LLC (g) (k)	IHC May Fair Hotel Limited (n)	Intercontinental Hotels Corporation Limited (d) (m)
Compañía Inter-Continental De Hoteles El Salvador SA (n)	IHC M-H (Holdings) Corp.(k)	InterContinental Hotels Group (Asia Pacific) Pte Ltd (ai)
Crowne Plaza Amsterdam (Management) B.V. (r)	IHC Overseas (U.K.) Limited (n)	InterContinental Hotels Group (Australia) Pty Limited (aa)
Crowne Plaza LLC (g) (k)	IHC UK (Holdings) Limited (n)	InterContinental Hotels Group (Canada) Inc. (o)
Cumberland Akers Hotel LLC (g) (k)	IHC United States (Holdings) Corp. (b) (k)	InterContinental Hotels Group (España) SA (by)
Dunwoody Operations, Inc. (k)	IHC Willard (Holdings) Corp. (k)	InterContinental Hotels Group (Greater China) Limited (ac)
Edinburgh IC Limited (s)	IHG (Australasia) Limited (d) (ai)	InterContinental Hotels Group (India) Pvt. Ltd (aq)
EVEN Real Estate Holding LLC (g) (k)	IHG (Marseille) SAS (x)	InterContinental Hotels Group (Japan) Inc. (l)
General Innkeeping Acceptance Corporation (b) (l)	IHG (Thailand) Limited (aj)	InterContinental Hotels Group (New Zealand) Limited (an)
Guangzhou SC Hotels Services Ltd. (t)	IHG Bangkok Ltd (v)	InterContinental Hotels Group (Shanghai) Ltd. (bb)
H.I. (Ireland) Limited (u)	IHG Brasil Administracao de Hoteis e Servicos Ltda (ak)	InterContinental Hotels Group Customer Services Ltd. (n)
HI Sugarloaf, LLC (g) (ci)	IHG Commission Services SRL (co)	InterContinental Hotels Group do Brasil Limitada (bc)
Hale International Ltd. (v)	IHG Community Development, LLC (g) (ci)	InterContinental Hotels Group Healthcare Trustee Limited (n)
HC International Holdings, Inc. (w)	IHG Cyprus Limited (bw)	InterContinental Hotels Group Operating Corp. (e) (k)
HH France Holdings SAS (x)	IHG de Argentina SA (al)	InterContinental Hotels Group Resources Inc. (b) (k)
HH Hotels (EMEA) B.V. (p)	IHG ECS (Barbados) SRL (co)	InterContinental Hotels Group Services Company (n)
HH Hotels (Romania) SRL (y)	IHG Franchising Brasil Ltda (bd)	InterContinental Hotels Italia, S.r.L. (be)
HIM (Aruba) NV (z)	IHG Franchising DR Corporation (k)	InterContinental Hotels Limited (a) (n)
Hoft Properties LLC (g) (k)	IHG Franchising, LLC (g) (k)	InterContinental Hotels Management GmbH (bf)
Holiday Hospitality Franchising, LLC (g) (k)	IHG Hotels (New Zealand) Limited (an)	InterContinental Hotels Nevada Corporation (ck)
Holiday Inn Mexicana S.A. de C.V. (ab)	IHG Hotels Limited (n)	Inter-Continental Hotels of San Francisco Inc. (k)
Holiday Inns (China) Ltd (ac)	IHG Hotels Management (Australia) Pty Limited (d) (aa)	Inter-Continental IOHC (Mauritius) Limited (bg)
Holiday Inns (Chongqing), Inc. (l)	IHG Hotels Nigeria Limited (ao)	Inter-Continental Management (Australia) Pty Limited (aa)
Holiday Inns (Courtalin) Holdings SAS (x)	IHG Hotels South Africa (Pty) Ltd (ap)	InterContinental Management AM LLC (cm)
Holiday Inns (Courtalin) SAS (b) (x)	IHG International Partnership (n)	InterContinental Management Bulgaria EOOD (bp)
Holiday Inns (England) Ltd. (n)	IHG Istanbul Otel Yönetim Limited Sirketi (bx)	InterContinental Management France SAS (x)
Holiday Inns (Germany), LLC (g) (l)	IHG Japan (Management) LLC (ar)	Inter-Continental Management (Australia) Pty Limited (aa)
Holiday Inns (Guangzhou), Inc. (l)	IHG Japan (Osaka) LLC (ar)	InterContinental Management AM LLC (cm)
Holiday Inns (Jamaica) Inc. (l)	IHG Management (Maryland) LLC (g) (as)	InterContinental Management Bulgaria EOOD (bp)
Holiday Inns (Malaysia) Ltd. (ac)	IHG Management (Netherlands) B.V. (p)	InterContinental Management France SAS (x)
Holiday Inns (Middle East) Ltd. (ac)	IHG Management MD Barclay Sub LLC (g) (cj)	Inter-Continental Management (Australia) Pty Limited (aa)
Holiday Inns (Philippines), Inc. (l)	IHG Management SL d.o.o (bo)	InterContinental Management AM LLC (cm)
Holiday Inns (Saudi Arabia), Inc. (l)	IHG Orchard Street Member, LLC (g) (k)	InterContinental Management Bulgaria EOOD (bp)
Holiday Inns (South East Asia) Inc. (l)	IHG PS Nominees Limited (n)	InterContinental Management France SAS (x)
Holiday Inns (Thailand) Ltd. (ac)	IHG Systems Pty Ltd (d) (aa)	InterContinental Management Poland sp. z.o.o (cn)
Holiday Inns (UK), Inc. (l)	IHG Szaloda Budapest Szolgaltato Kft. (at)	InterContinental Overseas Holding Corporation (k)
Holiday Inns Crowne Plaza (Hong Kong), Inc. (l)	IND East Village SD Holdings, LLC (g) (k)	
Holiday Inns Holdings (Australia) Pty Ltd (aa)		
Holiday Inns Inc. (k)		

## Notes to the Group Financial Statements continued

## 33. Group companies continued

## Fully owned subsidiaries continued

KG Benefits LLC (g) (k)  
 KG Gift Card Inc. (bz)  
 KG Liability LLC (g) (k)  
 KG Technology, LLC (g) (k)  
 KHP Washington Operator LLC (g) (k)  
 KHRG 11th Avenue Hotel LLC (g) (k)  
 KHRG 851 LLC (g) (k)  
 KHRG Aertson LLC (g) (k)  
 KHRG Alexandria LLC (g) (k)  
 KHRG Alexis, LLC (g) (k)  
 KHRG Allegro, LLC (g) (k)  
 KHRG Argyle, LLC (g) (k)  
 KHRG Austin Beverage Company, LLC (g) (k)  
 KHRG Baltimore, LLC (g) (k)  
 KHRG Born LLC (g) (k)  
 KHRG Boston Hotel, LLC (g) (k)  
 KHRG Canary LLC (g) (k)  
 KHRG Cayman LLC (g) (k)  
 KHRG Cayman Employer Ltd. (k)  
 KHRG DC 1731 LLC (g) (k)  
 KHRG DC 2505 LLC (g) (k)  
 KHRG Donovan LLC (g) (k)  
 KHRG Employer, LLC (g) (k)  
 KHRG Goleta LLC (g) (k)  
 KHRG Gray LLC (g) (k)  
 KHRG Gray U2 LLC (g) (k)  
 KHRG Hillcrest, LLC (g) (k)  
 KHRG Huntington Beach LLC (g) (k)  
 KHRG King Street, LLC (g) (k)  
 KHRG La Peer LLC (g) (k)  
 KHRG Miami Beach LLC (g) (k)  
 KHRG Muse LLC (g) (k)  
 KHRG NPC LLC (g) (k)  
 KHRG Onyx LLC (g) (k)  
 KHRG Palladian LLC (g) (k)  
 KHRG Palomar Phoenix LLC (g) (k)  
 KHRG Philly Monaco LLC (g) (k)  
 KHRG Pittsburgh LLC (g) (k)  
 KHRG Reynolds LLC (g) (k)  
 KHRG Riverplace LLC (g) (k)  
 KHRG Sacramento LLC (g) (k)  
 KHRG Savannah LLC (g) (k)  
 KHRG Schofield LLC (g) (k)  
 KHRG Sedona LLC (g) (k)  
 KHRG SFD LLC (g) (k)  
 KHRG State Street LLC (g) (k)  
 KHRG Sutter LLC (g) (k)  
 KHRG Sutter Union LLC (g) (k)  
 KHRG Taconic LLC (g) (k)  
 KHRG Tariff LLC (g) (k)  
 KHRG Texas Hospitality, LLC (g) (k)  
 KHRG Texas Operations, LLC (g) (k)

KHRG Tryon LLC (g) (k)  
 KHRG Vero Beach, LLC (g) (k)  
 KHRG Vintage Park LLC (g) (k)  
 KHRG VZ Austin LLC (g) (k)  
 KHRG Wabash LLC (g) (k)  
 KHRG Westwood, LLC (g) (k)  
 KHRG Wilshire LLC (g) (k)  
 KHRG WPB LLC (g) (k)  
 KHRG Zamora LLC (g) (k)  
 Kimpton Hollywood Licenses LLC (g) (k)  
 Kimpton Hotel & Restaurant Group, LLC (g) (k)  
 Kimpton Phoenix Licenses Holdings LLC (g) (k)  
 Kimpton Sedona Licenses LLC (g) (k)  
 Louisiana Acquisitions Corp. (k)  
 Mercer Fairview Holdings LLC (g) (k)  
 MH Lodging LLC (g) (k)  
 PML Services LLC (g) (k)  
 Pollstrong Limited (n)  
 Powell Pine, Inc. (k)  
 Priscilla Holiday of Texas, Inc. (cl)  
 PT SC Hotels & Resorts Indonesia (bh)  
 Resort Services International (Cayo Largo) L.P. (ci)  
 RM Lodging LLC (g) (k)  
 SBS Maryland Beverage Company LLC (g) (as)  
 SC Cellars Limited (ay)  
 SC Hotels International Services, Inc. (k)  
 SC Leisure Group Limited (n)  
 SC NAS 2 Limited (n)  
 SC Quest Limited (n)  
 SC Reservations (Philippines) Inc. (l)  
 SCH Insurance Company (bi)  
 SCIH Branston 3 (n)  
 Semiramis for training of Hotel Personnel and Hotel Management SAE (ch)  
 SF MH Acquisition LLC (g) (k)  
 Six Continents Corporate Services (ay)  
 Six Continents Holdings Limited (n)  
 Six Continents Hotels de Colombia SA (bj)  
 Six Continents Hotels International Limited (n)  
 Six Continents Hotels, Inc. (k)  
 Six Continents International Holdings B.V. (p)  
 Six Continents Investments Limited (f) (n)  
 Six Continents Limited (n)  
 Six Continents Overseas Holdings Limited (n)  
 Six Continents Restaurants Limited (n)  
 SixCo North America, Inc. (w)  
 Solamar Lodging LLC (g) (k)  
 Southern Pacific Hotel Corporation (BVI) Ltd. (v)  
 Southern Pacific Hotels Properties Limited (v)  
 SPHC Group Pty Ltd. (aa)  
 SPHC Management Ltd. (bq)  
 Universal de Hoteles SA (bj)  
 White Shield Insurance Company Limited (bk)

## Subsidiaries where the effective interest is less than 100%

H.I. Soaltee Management Company Ltd (76.5%) (ac)  
 IHG ANA Hotels Group Japan LLC (74.66%) (ar)  
 IHG ANA Hotels Holdings Co., Ltd. (66%) (ar)  
 World Trade Centre Montreal Hotel Corporation (74.11%) (bl)

## Associates and joint ventures

111 East 48th Street Holdings LLC (19.9%) (g) (h) (k)  
 Alkoer, S. de R.L. de C.V. (50%) (h) (cg)  
 BCRE IHG 180 Orchard Holdings LLC (49%) (g) (cf)  
 Beijing Orient Express Hotel Co., Ltd. (16.24%) (bm)  
 Blue Blood (Tianjin) Equity Investment Management Co., Limited (30.05%) (bn)  
 Carr Clark SWW Subventure, LLC (26.67%) (g) (ca)  
 Carr Waterfront Hotel, LLC (11.46%) (g) (h) (ca)  
 China Hotel Investment Limited (30.05%) (i) (am)  
 Desarrollo Alkoer Irapuato S. de R.L. de C.V. (50%) (cg)  
 Desarrollo Alkoer Silao S. de R.L. de C.V. (50%) (cg)  
 Gestion Hotelera Gestel, C.A. (50%) (c) (h) (ba)  
 H.I. Soaltee Hotel Company Private Ltd (33.4%) (br)  
 Hotel JV Services LLC (16.67%) (c) (g) (cb)  
 Inter-Continental Hotels Saudi Arabia Limited (40%) (bs)  
 NF III Seattle, LLC (25%) (g) (cc)  
 Nuevas Fronteras S.A. (23.66%) (cd)  
 Panacon (33.33%) (ce)  
 President Hotel & Tower Co Ltd. (30%) (bu)  
 Tianjin ICBCI IHG Equity Investment Fund Management Co., Limited (21.04%) (bv)



### 33. Group companies continued

#### Key

- (a) Directly owned by InterContinental Hotels Group PLC
- (b) Ordinary shares and preference shares
- (c) Ordinary A and ordinary B shares
- (d) Ordinary shares and redeemable preference shares
- (e) 1/4 vote ordinary shares and ordinary shares
- (f) Ordinary shares, 5% cumulative preference shares and 7% cumulative preference shares
- (g) The entities do not have share capital and are governed by an operating agreement
- (h) Accounted for as associates and joint ventures due to IHG's decision-making rights contained in the partnership agreement
- (i) Accounted for as an other financial asset due to IHG being unable to exercise significant influence over the financial and operating policy decisions of the entity

#### Registered addresses

- (j) Beograd, Cincar, Jankova 3, Serbia
- (k) 1209 Orange Street, Wilmington, DE 19801, USA
- (l) 800 S. Gay Street, Suite 201, Knoxville, TN 37929, USA
- (m) Clarendon House, Church Street West, Bermuda
- (n) Broadwater Park, Denham, Buckinghamshire, UB9 5HR, UK
- (o) 199 Bay Street, Suite 2800, Commerce Court West, Toronto, ON M5L 1A9, Canada
- (p) Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands
- (q) 26 Blvd. Royal, L-2449, Luxembourg
- (r) Nieuwezijds Voorburgwal 5, 1012 RC Amsterdam, The Netherlands
- (s) Caledonian Exchange, 19a Canning Street, Edinburgh, EH3 8HE, UK
- (t) Building 4, No. 13 Xiao Gang Zhong Ma Road, Zhuhai District, Guangzhou, Guangdong, P.R. China
- (u) 29 Earlsfort Terrace, Dublin 2, D02 AY28, Ireland
- (v) Craigmuir Chambers, Road Town, Tortola VG1110, British Virgin Islands
- (w) Wilmington Trust SP Services, Inc. 1105 North Market Street, Suite 1300, Wilmington, DE 19801, USA
- (x) 31-33 rue Mogador - 75009 Paris, France
- (y) Bucharest, 1st District, 50-52 Buzesti St, 83 module, 11 floor, Romania
- (z) 230 J E Irawsquinn Boulevard, Palm Beach, Aruba
- (aa) Level 11, 20 Bond Street, Sydney NSW 2000, Australia
- (ab) Ontario # 1050, Col. Providencia. Guadalajara, Jalisco CP 44630, Mexico
- (ac) Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong
- (ad) Rond Punt Schumanplein 11, 1040 Brussels, Belgium
- (ae) Johannesgasse 28, 1030 Wien, Am Heumarkt 4, 1030 Wien, Austria
- (af) Avenida da Republica, no 52 - 9, 1069 - 211, Lisbon, Portugal
- (ag) 24, Rusakovskaya Str., Moscow 107014, Russian Federation
- (ah) 967 Rama I Road, Patumwan, Bangkok, Thailand
- (ai) 230 Victoria Street, #13-00 Bugis Junction Towers, 188024, Singapore
- (aj) 973 President Tower, 7th Floor, Units 7A, 7B, 7C, 7D, 7I, 7F, 7G and 7H, Ploenchit Road, Khwaeng Lumpini, Khet Pathumwan, Bangkok Metropolis, 10330, Thailand
- (ak) Alameda Jau 536 #3S-B, Sao Paulo, Brazil
- (al) Avenida Cordoba 1547, piso 8, oficina A, Buenos Aires, Argentina
- (am) The Phoenix Centre, George Street, Belleville St. Michael, Barbados
- (an) Floor 9, 36 Kitchener Street, Auckland Central, Auckland 1010, New Zealand
- (ao) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
- (ap) Central Office Park Unit 4, 257 Jean Avenue, Centurion 0157, South Africa
- (aq) 11th Floor, Building No. 10, Tower C, DLF Phase-II, DLF Cyber City, Gurgaon, Haryana-122002, India
- (ar) 20th Floor, Toranomon Kotohira Tower, 2-8, Toranomon 1-chome, Minato-ku, Tokyo, Japan
- (as) HIQ Corporate Services Inc., 715 St. Paul Street, Baltimore, MD 21202, USA
- (at) 1052 Budapest, Apáczai Csere János u. 12-14, Hungary
- (au) Budapest Str. 2, D-10787, Berlin, Germany
- (av) Koenigsallee 59, D-40215, Dusseldorf, Germany
- (aw) Av Das Americas 500, Bloco 3, Sala 316, Barra da Tijuca CEP 22640-100, Rio de Janeiro, Brazil
- (ax) InterContinental Montreal, 360 St. Antoine Street West, Montreal, Quebec H2Y 3X4, Canada
- (ay) BDO LLP, Two Snowhill, Birmingham, B4 6GA, UK
- (az) 361 San Francisco Street Penthouse, San Juan, PR 00901, Puerto Rico
- (ba) Hotel Tamanaco Inter-Continental, Final Av. Ppal, Mercedes, Caracas, Venezuela
- (bb) 2nd Floor, Citigroup Tower, No. 33 Huayuanshiqiao Road, Pudong, Shanghai, P.R. China
- (bc) Alameda Jau 536, Suite 3S-C, Sao Paulo, Brazil
- (bd) Alameda Jau 536, Suite 3S-D, Sao Paulo, Brazil
- (be) Bastioni di Porta Nuova 21, 20121 Milano, Italy
- (bf) Am Hauptbahnhof, D-60329, Frankfurt, Germany
- (bg) JurisTax Services Ltd, Level 12, NeXTeracom Tower II, Ebene, Mauritius
- (bh) Menara Impreium 22nd Floor, Suite D, Jl. HR. Rasuna Said Kav.1, Guntur Sub-district, Setiabudi District, South Jakarta 12980, Indonesia
- (bi) 150 South Champlain Street, Burlington, VT 05401, USA
- (bj) Calle 16, No 28-51, Variante las Palmas, Colombia
- (bk) Suite B, Ground Floor, Regal House, Queensway, Gibraltar
- (bl) Suite 2500, 1000 De La Gauchetiere St. West, Montreal QC H3B 0A2, Canada
- (bm) Room 311, Building 1, No 16 East Wen Hua Yuan Road, Beijing Economy and Technology Development Zone, Beijing, P.R. China
- (bn) Room N306, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R. China
- (bo) Cesta v Mestni log 1, 1000 Ljubljana, Slovenia
- (bp) 4fl. 51B Bulgaria Blvd., Triaditsa, Sofia, Bulgaria
- (bq) C/o Holiday Inn & Suites, Cnr Waigani Drive & Wards Road, Port Moresby, National Capital District, Papua New Guinea
- (br) Tahachal, Kathmandu, Nepal
- (bs) Madinah Road, Jeddah, P.O Box 9456, Post Code 21413, Jeddah, Saudi Arabia
- (bt) 20th Floor Menara Haw Par, Jalan Sultan Ismail, Kuala Lumpur, Wilayah Persekutuan, 50250, Malaysia
- (bu) 971, 973 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
- (bv) Room R316, 3rd Floor, Building 6, Binhai Financial Street, No. 52 West Xincheng Road, Tianjin Economy and Technology Development Zone, Tianjin, P.R. China
- (bw) 195 Arch. Markarios III Ave., Neocleous House, 3030 Limassol, Cyprus
- (bx) Eski Büyükdere Cd. Park Plaza No:14 K:4 Maslak - Sariyer, Istanbul, Turkey
- (by) Paseo de la Castellana 49, 28046 Madrid, Spain
- (bz) 818 West 7th Street, Los Angeles, CA 90017, USA
- (ca) Carr Hospitality, LLC, 1455 Pennsylvania Avenue, NW, Suite 100, Washington, DC 20004, USA
- (cb) 2711 Centerville Road, Suite 400, Wilmington, DE 19805, USA
- (cc) 2000 Monarch Tower, 3424 Peachtree Road, N.E., Atlanta, GA 30326, USA
- (cd) Moreno 809 2 Piso, Buenos Aires, Argentina
- (ce) Pan-American Life Insurance Company, 601 Poydras Street, New Orleans, LA 70130, USA
- (cf) Brack Capital Real Estate Ltd., 885 Third Avenue, 24th Floor, New York, NY 10022, USA
- (cg) Campos Eliseos 223, piso 7, Colonia Polanco, 11560, Mexico City, Mexico
- (ch) Ground Floor, Al Kamel Law Building, Plot 52-b, Banks Area, Six of October City, Egypt
- (ci) 289 S. Culver Street, Lawrenceville, GA 30046, USA
- (cj) 111 Eighth Avenue, New York, NY 10011, USA
- (ck) 701 S. Carson Street, Suite 200, Carson City, NV 89701, USA
- (cl) 11003 Onion Creek Court, Austin, TX 78747, USA
- (cm) 10, V. Sargsyan Str, office 114, Yerevan 0010, Armenia
- (cn) Al. Jerozolimskie 56C, 00-803 Warsaw, Poland
- (co) Suite 1, Ground Floor, The Financial Services Centre, Bishops Court Hill, St. Michael, Barbados, BB14004

# Parent Company Financial Statements

<b>146</b>	<b>Parent Company Financial Statements</b>
146	Parent Company statement of financial position
146	Parent Company statement of changes in equity
<b>147</b>	<b>Notes to the Parent Company Financial Statements</b>



## Parent Company Financial Statements

### Parent Company statement of financial position

31 December 2017	Note	2017 £m	2016 £m
<b>Fixed assets</b>			
Investments	3	3,042	3,019
<b>Current assets</b>			
Debtors	4	13	24
Creditors: amounts falling due within one year	5	(898)	(917)
<b>Net current liabilities</b>		<b>(885)</b>	<b>(893)</b>
<b>Total assets less current liabilities</b>		<b>2,157</b>	<b>2,126</b>
Creditors: amounts falling due after one year	6	(1,049)	(1,047)
<b>Net assets</b>		<b>1,108</b>	<b>1,079</b>
<b>Capital and reserves</b>			
Called up share capital	8	39	39
Share premium account		75	75
Capital redemption reserve		7	7
Share-based payment reserve		275	252
Profit and loss account		712	706
<b>Total equity</b>		<b>1,108</b>	<b>1,079</b>

Signed on behalf of the Board

**Paul Edgecliffe-Johnson**

19 February 2018

The profit on ordinary activities after taxation amounts to £460m (2016: £455m).

### Parent Company statement of changes in equity

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Share- based payment reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2016	39	75	7	234	1,428	1,783
Profit for the year	-	-	-	-	455	455
Total comprehensive income for the year	-	-	-	-	455	455
Transaction costs relating to shareholder returns	-	-	-	-	(1)	(1)
Share-based payments capital contribution	-	-	-	18	-	18
Equity dividends paid	-	-	-	-	(1,176)	(1,176)
At 31 December 2016	39	75	7	252	706	1,079
Profit for the year	-	-	-	-	460	460
Total comprehensive income for the year	-	-	-	-	460	460
Share-based payments capital contribution	-	-	-	23	-	23
Equity dividends paid	-	-	-	-	(454)	(454)
<b>At 31 December 2017</b>	<b>39</b>	<b>75</b>	<b>7</b>	<b>275</b>	<b>712</b>	<b>1,108</b>



Notes on pages 147 to 151 form an integral part of these Financial Statements.

# Notes to the Parent Company Financial Statements

## 1. Accounting policies

### Authorisation of Financial Statements and statement of compliance with FRS 101

The Parent Company Financial Statements of InterContinental Hotels Group PLC (the Company) for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 19 February 2018 and the statement of financial position was signed on the Board's behalf by Paul Edgecliffe-Johnson. The Company is a public limited company incorporated and domiciled in the UK. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly, they continue to adopt the going concern basis in preparing the Parent Company Financial Statements.



For further consideration of the going concern position of the Group see page 163 of the Directors' Report.

The Parent Company Financial Statements are presented in sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

No income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006. There were no gains or losses either in the current or preceding years recognised in other comprehensive income.

The audit fee of £0.02m (2016: £0.02m) was borne by a subsidiary undertaking in both years.

### Basis of preparation

The Parent Company Financial Statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IFRS as adopted by the EU.

FRS 101 sets out amendments to IFRS as adopted by the EU that are necessary to achieve compliance with the Companies Act and related Regulations.

The following disclosures have not been provided as permitted by FRS 101:

- A cash flow statement and related notes as required by IAS 7 'Statement of Cash Flows';
- A comparative period reconciliation for share capital as required by IAS 1 'Presentation of Financial Statements';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- Disclosures in respect of the compensation of key management personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

As the Consolidated Financial Statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group settled share-based payments; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out herein have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

## Notes to the Parent Company Financial Statements continued

**1. Accounting policies** continued**Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the relevant rates of exchange ruling on the last day of the period. Foreign exchange differences arising on translation are recognised in the income statement. Where dividends have been proposed in US dollars, the supplementary information included in note 9 to the Financial Statements details the exchange rates which will be used to calculate the sterling dividend payable.

**Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity securities, amounts due from and amounts due to Group undertakings and loans and borrowings.

**Investments in equity securities**

Investments in subsidiaries are carried at cost plus deemed capital contributions arising from share-based payment transactions less any provision for impairment. The carrying amount is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

**Amounts due from and amounts due to Group undertakings**

Amounts due from and amounts due to Group undertakings are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

**Interest-bearing borrowings**

Interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including the transaction costs and any discount or premium on issue, are recognised in the income statement using the effective interest rate method.

Borrowings are classified as due after more than one year when the repayment date is more than 12 months from the period-end date or where they are drawn on a facility with more than 12 months to expiry.

**Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to fair value at the date at which the right to the shares is granted. Fair value is determined by an external valuer using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The income statement charge for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in the Parent Company Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its Consolidated Financial Statements with the corresponding credit being recognised directly in equity.

## 2. Directors' remuneration

The average number of Directors employed by the Company during the year, analysed by category, was as follows:

	2017	2016
Non-Executive Directors	8	8
Executive Directors	2	2
	10	10

	2017 £m	2016 £m
<b>Directors' emoluments</b>		
Base salaries, fees, performance payments and benefits	3.8	4.5



More detailed information on the emoluments, pensions, share awards and shareholdings for each Director is shown in the Directors' Remuneration Report on pages 64 to 77.

	Number of Directors	
	2017	2016
The number of Directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes was	3	4

## 3. Investments

	£m
<b>Cost and net book value</b>	
At 1 January 2017	3,019
Share-based payments capital contribution	23
<b>At 31 December 2017</b>	<b>3,042</b>

The Company is the beneficial owner of all the equity share capital of InterContinental Hotels Limited, a company registered in England and Wales.



A full list of subsidiary and other related undertakings is given in note 33 of the Group Financial Statements on pages 141 to 143.

## 4. Debtors

	2017 £m	2016 £m
Amounts owed by Group undertakings	1	10
Corporate taxation	12	14
	13	24

## 5. Creditors: amounts falling due within one year

	2017 £m	2016 £m
Amounts due to Group undertakings	898	917

## Notes to the Parent Company Financial Statements continued

## 6. Creditors: amounts falling due after more than one year

	2017 £m	2016 £m
<b>Loans and other borrowings</b>		
£400m 3.875% bonds 2022	398	397
£300m 3.75% bonds 2025	301	301
£350m 2.125% bonds 2026	350	349
	<b>1,049</b>	1,047

The 3.875% fixed interest sterling bonds were issued on 28 November 2012 and are repayable in full on 28 November 2022. Interest is payable annually on 28 November. The bonds were initially priced at 98.787% of face value and are unsecured.

The 3.75% fixed interest sterling bonds were issued on 14 August 2015 and are repayable in full on 14 August 2025. Interest is payable annually on 14 August. The bonds were initially priced at 99.014% of face value and are unsecured.

The 2.125% fixed interest sterling bonds were issued on 24 August 2016 and are repayable in full on 24 August 2026. Interest is payable annually on 24 August. The bonds were initially priced at 99.45% of face value and are unsecured.

## 7. Employee benefits

## Share-based payments

The Company operates the Annual Performance Plan and Long Term Incentive Plan (performance-related awards and restricted stock units).



More detailed information on the plans is shown in note 26 of the Group Financial Statements on pages 135 to 136.

The weighted average share price at the date of exercise for share awards vested during the year was 3,804.7p (2016: 2,511.1p).

The share awards outstanding at the year end have a weighted average contractual life of 1.2 years (2016: 1.2 years) for the Annual Performance Plan, 0.6 years (2016: 0.9 years) for performance-related awards and 1.7 years (2016: 2.2 years) for restricted stock units.

## 8. Capital and reserves

	Number of shares millions	Equity share capital £m
<b>Allotted, called up and fully paid</b>		
At 1 January 2016 (ordinary shares of 15 <sup>265</sup> / <sub>329</sub> p each)	248	39
Share capital consolidation	(42)	–
At 31 December 2016 (ordinary shares of 18 <sup>318</sup> / <sub>329</sub> p each)	206	39
Share capital consolidation	(9)	–
<b>At 31 December 2017 (ordinary shares of 19<sup>17</sup>/<sub>21</sub>p each)</b>	<b>197</b>	<b>39</b>

The authority given to the Company at the Annual General Meeting (AGM) held on 5 May 2017 to purchase its own shares was still valid at 31 December 2017. A resolution to renew the authority will be put to shareholders at the AGM on 4 May 2018.

The Company no longer has an authorised share capital.

At 31 December 2017, 7,607,430 (2016: 8,862,380) shares with a nominal value of £1,506,996 (2016: £1,680,889) were held as treasury shares at cost.

The share premium reserve represents the amount of proceeds received for shares in excess of their nominal value.



## 9. Dividends and shareholder returns

	2017 pence per share	2016 pence per share	2017 £m	2016 £m
<b>Paid during the year:</b>				
Final (declared for previous year)	49.4	40.3	98	95
Interim	24.4	22.6	46	45
Special	156.4	438.2	310	1,036
	<b>230.2</b>	501.1	<b>454</b>	1,176

On 23 February 2016, the Group announced a \$1.5bn return of funds to shareholders by way of a special dividend and share consolidation. On 6 May 2016, shareholders approved the share consolidation on the basis of 5 new ordinary shares of 18<sup>318</sup>/<sub>329</sub>p per share for every 6 existing ordinary shares of 15<sup>265</sup>/<sub>329</sub>p, which became effective on 9 May 2016. The special dividend was paid to shareholders on 23 May 2016.

On 21 February 2017, the Group announced a \$400m return of funds to shareholders by way of a special dividend and share consolidation. On 5 May 2017, shareholders approved the share consolidation on the basis of 45 new ordinary shares of 19<sup>17</sup>/<sub>21</sub>p per share for every 47 existing ordinary shares of 18<sup>318</sup>/<sub>329</sub>p, which became effective on 8 May 2017. The special dividend was paid to shareholders on 22 May 2017.

The final dividend of 71.0¢ per ordinary share (amounting to \$135m) is proposed for approval at the AGM on 4 May 2018 and is payable on shares in issue at 3 April 2018. The final dividend will be paid at a rate per share calculated using the average of the daily exchange rates from 18 April 2018 to 20 April 2018 inclusive, and will be announced on 23 April 2018.

## 10. Contingencies

Contingent liabilities of £196m (2016: £89m) in respect of the guarantees of the liabilities of subsidiaries have not been provided for in these Financial Statements.

# Additional Information

- 154 Other financial information**
- 160 Directors' Report**
- 164 Group information**
- 164 History and developments
- 164 Risk factors
- 167 Directors' and Executive Committee members' shareholdings
- 168 Executive Directors' benefits upon termination of office
- 168 Description of securities other than equity securities
- 169 Articles of Association
- 170 Working Time Regulations 1998
- 171 Material contracts
- 172 Legal proceedings
- 172 Exchange controls and restrictions on payment of dividends
- 173 Shareholder information**
- 173 Taxation
- 175 Disclosure controls and procedures
- 176 Summary of significant corporate governance differences from NYSE listing standards
- 177 Selected five-year consolidated financial information
- 178 Return of funds
- 178 Purchases of equity securities by the Company and affiliated purchasers
- 179 Share price information
- 179 Dividend history
- 180 Shareholder profiles
- 181 Exhibits**
- 182 Form 20-F cross-reference guide**
- 184 Glossary**
- 186 Useful information**
- 186 Investor information
- 187 Financial calendars
- 187 Contacts
- 188 Forward-looking statements**





## Other financial information

## Use of Non-GAAP measures

In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional measures (described as Non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures.

Further explanation in relation to these measures can be found on page 26.

## Underlying revenue and underlying operating profit Non-GAAP reconciliations

The tables on pages 154 and 155:

- Show underlying revenue and underlying operating profit on both an actual and constant currency basis<sup>a</sup>;
- Reconcile segmental underlying revenue and underlying operating profit to Group underlying revenue and operating profit;
- Show underlying Group fee revenue and Group fee margin on both an actual and constant currency basis<sup>a</sup>; and
- Reconcile Group underlying revenue and underlying operating profit to the GAAP measures included in the Group Financial Statements.

## Highlights for the year ended 31 December 2017

	Revenue				Operating profit			
	2017 \$m	2016 \$m	Change \$m	Change %	2017 \$m	2016 \$m	Change \$m	Change %
<b>At actual exchange rates</b>								
Per Group income statement	1,784	1,715	69	4.0	763	678	85	12.5
Managed leases	(163)	(162)	(1)	(0.6)	(4)	(7)	3	42.9
Exceptional items	-	-	-	-	(4)	29	(33)	(113.8)
Underlying at actual exchange rates	1,621	1,553	68	4.4	755	700	55	7.9
	At actual exchange rates				At constant currency			
	2017 \$m	2016 \$m	Change \$m	Change %	2017 \$m	2016 \$m	Change \$m	Change %
<b>Underlying revenue</b>								
Americas	991	959	32	3.3	996	959	37	3.9
Europe	164	150	14	9.3	165	150	15	10.0
AMEA	192	186	6	3.2	195	186	9	4.8
Greater China	126	117	9	7.7	128	117	11	9.4
Central	148	141	7	5.0	149	141	8	5.7
Underlying Group revenue	1,621	1,553	68	4.4	1,633	1,553	80	5.2
Owned and leased revenue included above	(184)	(173)	(11)	(6.4)	(184)	(173)	(11)	(6.4)
Underlying Group fee revenue	1,437	1,380	57	4.1	1,449	1,380	69	5.0
<b>Underlying operating profit</b>								
Americas	644	633	11	1.7	649	633	16	2.5
Europe	86	73	13	17.8	85	73	12	16.4
AMEA	83	77	6	7.8	86	77	9	11.7
Greater China	52	45	7	15.6	52	45	7	15.6
Central	(110)	(128)	18	14.1	(113)	(128)	15	11.7
Underlying Group operating profit	755	700	55	7.9	759	700	59	8.4
Owned and leased profit included above	(31)	(26)	(5)	(19.2)	(31)	(26)	(5)	(19.2)
Underlying Group fee profit	724	674	50	7.4	728	674	54	8.0
<b>Group fee margin</b>	50.4%	48.8%	-	1.6ppts	50.2%	48.8%	-	1.4ppts

<sup>a</sup> IHG's method for calculating the constant currency amounts of entities reporting in currencies other than US dollars is to translate the current period results into US dollars using the prior period's exchange rate. For example, if a UK entity generated revenue of £100m in 2017 and 2016, the Group Financial Statements would report revenue of \$128m in 2017 and \$135m in 2016, using the respective average exchange rates for the year of \$1=£0.78 and \$1=£0.74. For constant currency reporting, 2017 revenue would be translated at \$1=£0.74 giving a US dollar value of \$135m, thereby showing that underlying revenue was flat year-on-year.

## Highlights for the year ended 31 December 2016

At actual exchange rates	Revenue				Operating profit			
	2016 \$m	2015 \$m	Change \$m	Change %	2016 \$m	2015 \$m	Change \$m	Change %
Per Group income statement	1,715	1,803	(88)	(4.9)	678	1,499	(821)	(54.8)
Owned asset disposals	-	(128)	128	100.0	-	(30)	30	100.0
Managed leases	(162)	(159)	(3)	(1.9)	(7)	(6)	(1)	(16.7)
Liquidated damages	-	(3)	3	100.0	-	(3)	3	100.0
Exceptional items	-	-	-	-	29	(819)	848	103.5
Underlying at actual exchange rates	1,553	1,513	40	2.6	700	641	59	9.2

	At actual exchange rates				At constant currency			
	2016 \$m	2015 \$m	Change \$m	Change %	2016 \$m	2015 \$m	Change \$m	Change %
<b>Underlying revenue</b>								
Americas	959	914	45	4.9	967	914	53	5.8
Europe	150	160	(10)	(6.3)	161	160	1	0.6
AMEA	186	195	(9)	(4.6)	187	195	(8)	(4.1)
Greater China	117	109	8	7.3	123	109	14	12.8
Central	141	135	6	4.4	144	135	9	6.7
Underlying Group revenue	1,553	1,513	40	2.6	1,582	1,513	69	4.6
Owned and leased revenue included above	(173)	(164)	(9)	(5.5)	(173)	(164)	(9)	(5.5)
Underlying Group fee revenue (inc Kimpton)	1,380	1,349	31	2.3	1,409	1,349	60	4.4
<b>Underlying operating profit</b>								
Americas	633	594	39	6.6	640	594	46	7.7
Europe	73	76	(3)	(3.9)	76	76	-	-
AMEA	77	81	(4)	(4.9)	78	81	(3)	(3.7)
Greater China	45	41	4	9.8	47	41	6	14.6
Central	(128)	(151)	23	15.2	(139)	(151)	12	7.9
Underlying Group operating profit	700	641	59	9.2	702	641	61	9.5
Owned and leased profit included above	(26)	(27)	1	3.7	(26)	(27)	1	3.7
Underlying Group fee profit (inc Kimpton)	674	614	60	9.8	676	614	62	10.1

## Other financial information continued

**Underlying earnings per ordinary share reconciliation**

The following table reconciles basic earnings per ordinary share to underlying earnings per ordinary share.

	12 months ended 31 December	
	2017 \$m	2016 \$m
<b>Basic earnings per ordinary share</b>		
Profit available for equity holders	592	414
Basic weighted average number of ordinary shares (millions)	193	212
Basic earnings per ordinary share (cents)	306.7	195.3
Underlying earnings per ordinary share		
Profit available for equity holders	592	414
Adjusted for:		
Exceptional items before tax	(4)	29
Tax on exceptional items	2	(12)
Exceptional tax credit	(118)	-
Managed leases	(4)	(7)
Tax on managed leases	1	2
Currency effect	4	-
Underlying profit available for equity holders	473	426
Underlying earnings per ordinary share (cents)	245.1	200.9

**Net capital expenditure reconciliation**

The following table reconciles net cash from investing activities to net capital expenditure as included in the Group Financial Statements.

	12 months ended 31 December	
	2017 \$m	2016 \$m
<b>Net cash from investing activities</b>	(263)	(216)
Adjusted for:		
Tax paid on disposals	25	-
System Fund depreciation and amortisation	36	31
Net capital expenditure	(202)	(185)
Add back:		
Disposal receipts	(104)	(25)
System Fund depreciation and amortisation	(36)	(31)
Gross capital expenditure	(342)	(241)
Analysed as:		
Capital expenditure: maintenance and key money	(115)	(96)
Capital expenditure: recyclable investments	(85)	(40)
Capital expenditure: System Fund investments	(142)	(105)
Gross capital expenditure	(342)	(241)

**Free cash flow reconciliation**

The following table reconciles net cash from operating activities to free cash flow.

	12 months ended 31 December		
	2017 \$m	2016 \$m	2015 \$m
<b>Net cash from operating activities</b>	634	752	628
Less:			
Purchase of shares by employee share trusts	(3)	(10)	(47)
Capital expenditure: maintenance and key money	(115)	(96)	(115)
Cash receipt from renegotiation of long-term partnership agreements	-	(95)	-
Free cash flow	516	551	466

### RevPAR, average daily rate and occupancy

RevPAR, a key performance measure used by management (see page 26 for further information) comprises IHG System rooms revenue divided by the number of room nights available and can be mathematically derived from occupancy multiplied by average daily rate. Occupancy is rooms occupied by hotel guests expressed as a percentage of rooms that are available. Average daily rate is rooms revenue divided by the number of room nights sold. RevPAR is a key indicator of performance as it measures period-over-period change in rooms revenue for comparable hotels.

The following tables present RevPAR statistics for the year ended 31 December 2017 and a comparison to 2016. Franchised, managed, owned and leased statistics are for comparable hotels, and include only those hotels in the Group's system at 31 December 2017 and franchised, managed, owned or leased by the Group since 1 January 2016.

The comparison with 2016 is at constant US\$ exchange rates.

	Franchised		Managed		Owned and leased	
	2017	Change vs 2016	2017	Change vs 2016	2017	Change vs 2016
<b>Americas</b>						
<b>InterContinental</b>						
Occupancy	68.8%	1.6ppt	78.6%	0.4ppt	83.0%	1.4ppt
Average daily rate	\$138.68	(0.7)%	\$233.31	(1.3)%	\$324.33	1.7%
RevPAR	\$95.41	1.6%	\$183.35	(0.9)%	\$269.05	3.5%
<b>Kimpton</b>						
Occupancy	-	-	81.9%	0.2ppt	-	-
Average daily rate	-	-	\$231.43	0.2%	-	-
RevPAR	-	-	\$189.46	0.4%	-	-
<b>Crowne Plaza</b>						
Occupancy	67.8%	(0.2)ppt	79.0%	0.3ppt	-	-
Average daily rate	\$121.65	2.2%	\$138.22	0.9%	-	-
RevPAR	\$82.42	1.9%	\$109.20	1.2%	-	-
<b>Hotel Indigo</b>						
Occupancy	70.5%	1.5ppt	83.7%	7.7ppt	-	-
Average daily rate	\$144.37	(0.8)%	\$235.89	1.4%	-	-
RevPAR	\$101.75	1.3%	\$197.33	11.6%	-	-
<b>EVEN Hotels</b>						
Occupancy	-	-	91.0%	4.8ppt	66.4%	(3.1)ppt
Average daily rate	-	-	\$236.20	(5.0)%	\$132.10	1.6%
RevPAR	-	-	\$215.03	0.4%	\$87.74	(2.9)%
<b>Holiday Inn</b>						
Occupancy	66.6%	0.2ppt	71.3%	0.3ppt	80.1%	6.9ppt
Average daily rate	\$111.58	1.5%	\$129.74	(0.4)%	\$160.26	2.7%
RevPAR	\$74.29	1.9%	\$92.54	(0.0)%	\$128.39	12.4%
<b>Holiday Inn Express</b>						
Occupancy	68.7%	0.3ppt	-	-	-	-
Average daily rate	\$112.64	1.3%	-	-	-	-
RevPAR	\$77.43	1.7%	-	-	-	-
<b>Staybridge Suites</b>						
Occupancy	75.7%	0.1ppt	81.6%	(0.7)ppt	-	-
Average daily rate	\$114.40	1.5%	\$138.75	0.1%	-	-
RevPAR	\$86.60	1.7%	\$113.28	(0.7)%	-	-
<b>Candlewood Suites</b>						
Occupancy	72.6%	1.0ppt	79.8%	(0.5)ppt	-	-
Average daily rate	\$84.31	2.2%	\$82.63	1.1%	-	-
RevPAR	\$61.25	3.6%	\$65.98	0.4%	-	-

## Other financial information continued

## RevPAR, average daily rate and occupancy continued

	Franchised		Managed		Owned and leased	
	2017	Change vs 2016	2017	Change vs 2016	2017	Change vs 2016
<b>Europe</b>						
<b>InterContinental</b>						
Occupancy	73.3%	1.5ppt	70.6%	1.9ppt	-	-
Average daily rate	\$163.80	10.6%	\$220.38	3.3%	-	-
RevPAR	\$120.00	12.9%	\$155.60	6.2%	-	-
<b>Crowne Plaza</b>						
Occupancy	73.5%	3.1ppt	74.1%	3.0ppt	-	-
Average daily rate	\$113.16	2.0%	\$135.86	4.1%	-	-
RevPAR	\$83.20	6.6%	\$100.72	8.5%	-	-
<b>Hotel Indigo</b>						
Occupancy	79.0%	1.8ppt	78.2%	2.5ppt	-	-
Average daily rate	\$136.97	1.2%	\$170.82	9.8%	-	-
RevPAR	\$108.26	3.6%	\$133.52	13.4%	-	-
<b>Holiday Inn</b>						
Occupancy	73.1%	2.0ppt	74.7%	4.7ppt	-	-
Average daily rate	\$95.04	2.8%	\$82.81	4.7%	-	-
RevPAR	\$69.52	5.6%	\$61.89	11.7%	-	-
<b>Holiday Inn Express</b>						
Occupancy	78.1%	1.3ppt	68.0%	6.2ppt	-	-
Average daily rate	\$88.49	4.5%	\$57.71	5.7%	-	-
RevPAR	\$69.09	6.3%	\$39.26	16.2%	-	-
<b>Staybridge Suites</b>						
Occupancy	81.1%	(1.6)ppt	-	-	-	-
Average daily rate	\$120.21	4.4%	-	-	-	-
RevPAR	\$97.53	2.3%	-	-	-	-
<b>Asia, Middle East and Africa (AMEA)</b>						
<b>InterContinental</b>						
Occupancy	78.4%	1.6ppt	72.2%	2.0ppt	47.4%	(5.9)ppt
Average daily rate	\$180.20	(1.9)%	\$198.85	(0.1)%	\$114.41	(3.7)%
RevPAR	\$141.31	0.1%	\$143.57	2.8%	\$54.26	(14.4)%
<b>Crowne Plaza</b>						
Occupancy	75.4%	(0.1)ppt	72.7%	1.1ppt	-	-
Average daily rate	\$100.87	1.5%	\$119.24	(1.5)%	-	-
RevPAR	\$76.00	1.4%	\$86.68	0.1%	-	-
<b>Hotel Indigo</b>						
Occupancy	-	-	73.8%	(2.9)ppt	-	-
Average daily rate	-	-	\$101.26	13.0%	-	-
RevPAR	-	-	\$74.78	8.7%	-	-
<b>Holiday Inn</b>						
Occupancy	67.2%	0.9ppt	75.7%	2.1ppt	97.1%	1.6ppt
Average daily rate	\$107.44	(5.9)%	\$94.03	(0.6)%	\$125.25	8.2%
RevPAR	\$72.18	(4.7)%	\$71.18	2.3%	\$121.58	10.0%
<b>Holiday Inn Express</b>						
Occupancy	71.1%	2.3ppt	72.3%	4.4ppt	-	-
Average daily rate	\$62.38	(6.2)%	\$67.36	0.6%	-	-
RevPAR	\$44.36	(3.0)%	\$48.66	7.1%	-	-
<b>Staybridge Suites</b>						
Occupancy	-	-	73.8%	2.0ppt	-	-
Average daily rate	-	-	\$133.08	4.8%	-	-
RevPAR	-	-	\$98.18	7.7%	-	-
<b>Other</b>						
Occupancy	83.6%	4.7ppt	88.6%	(0.3)ppt	-	-
Average daily rate	\$77.71	3.9%	\$104.80	6.6%	-	-
RevPAR	\$64.98	10.1%	\$92.87	6.2%	-	-



	Franchised		Managed		Owned and leased	
	2017	Change vs 2016	2017	Change vs 2016	2017	Change vs 2016
<b>Greater China</b>						
<b>InterContinental</b>						
Occupancy	86.8%	3.3ppt	65.7%	3.2ppt	-	-
Average daily rate	\$212.78	3.0%	\$125.25	(1.2)%	-	-
RevPAR	\$184.79	7.0%	\$82.29	3.9%	-	-
<b>HUALUXE</b>						
Occupancy	-	-	49.2%	8.3ppt	-	-
Average daily rate	-	-	\$51.61	0.8%	-	-
RevPAR	-	-	\$25.41	21.2%	-	-
<b>Crowne Plaza</b>						
Occupancy	-	-	63.2%	4.7ppt	-	-
Average daily rate	-	-	\$79.03	0.4%	-	-
RevPAR	-	-	\$49.98	8.5%	-	-
<b>Hotel Indigo</b>						
Occupancy	-	-	74.7%	3.2ppt	-	-
Average daily rate	-	-	\$175.48	(2.5)%	-	-
RevPAR	-	-	\$131.02	1.8%	-	-
<b>Holiday Inn</b>						
Occupancy	83.4%	8.2ppt	68.2%	3.2ppt	-	-
Average daily rate	\$107.95	(3.3)%	\$69.27	0.7%	-	-
RevPAR	\$90.01	7.3%	\$47.21	5.7%	-	-
<b>Holiday Inn Express</b>						
Occupancy	56.8%	(13.0)ppt	70.3%	2.0ppt	-	-
Average daily rate	\$29.46	8.0%	\$49.53	2.7%	-	-
RevPAR	\$16.74	(12.1)%	\$34.82	5.7%	-	-

## Directors' Report

This Directors' Report includes the information required to be given in line with the Companies Act or, where provided elsewhere, an appropriate cross reference is given. The Corporate Governance Statement approved by the Board is provided on pages 47 to 63 and incorporated by reference herein.

### Subsidiaries, joint ventures and associated undertakings

The Group has over 300 subsidiaries, joint ventures and associated undertakings. A complete list of these entities is provided at note 33 of the Group Financial Statements on pages 141 to 143.

### Directors

For biographies of the current Directors see pages 48 and 49.

### Directors' and officers' (D&O) liability insurance and existence of qualifying indemnity provisions

The Company maintains the Group's D&O liability insurance policy, which covers Directors and officers of the Company defending civil proceedings brought against them in their capacity as Directors or officers of the Company (including those who served as Directors or officers during the year). There were no indemnity provisions relating to the UK pension plan for the benefit of the Directors during 2017.

### Articles of Association

The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance. A summary is provided on pages 169 and 170.

### Dividends

In 2017, the Company announced a \$400 million return of funds to shareholders via special dividend and share consolidation on the basis of 45 ordinary shares of 19<sup>17</sup>/<sub>21</sub> pence per share for every 47 existing ordinary shares of 18<sup>318</sup>/<sub>329</sub> pence each (effective as of 8 May 2017).

Dividend	Ordinary shares	ADRs
<b>Special dividend</b> A special dividend was paid on 22 May 2017 to shareholders on the register at the close of business on 5 May 2017	156.4p	202.5¢
<b>Interim dividend</b> An interim dividend was paid on 6 October 2017 to shareholders on the register at the close of business on 1 September 2017	24.4p	33.0¢
<b>Final dividend</b> Subject to shareholder approval, payable on 11 May 2018 to shareholders on the register at the close of business on 3 April 2018	71.0¢ <sup>a</sup>	71.0¢

<sup>a</sup> The sterling amount of the final dividend will be announced on 23 April 2018 using the average of the daily exchange rates from 18 April 2018 to 20 April 2018 inclusive.

### Major institutional shareholders

As at 19 February 2018, the Company had been notified of the following significant holdings in its ordinary shares under the UK Disclosure Guidance and Transparency Rules (DTRs):

Shareholder	As at 19 February 2018		As at 20 February 2017		As at 22 February 2016	
	Ordinary shares/ADSs <sup>a</sup>	% <sup>a</sup>	Ordinary shares/ADSs <sup>a</sup>	% <sup>a</sup>	Ordinary shares/ADSs <sup>a</sup>	% <sup>a</sup>
BlackRock, Inc.	11,280,241 <sup>b</sup>	5.92	10,930,440	5.53	12,916,001	5.47
Boron Investments BV	11,850,000	5.02	11,850,000	5.02	11,850,000	5.02
Cedar Rock Capital Limited	14,923,417	5.07	14,923,417	5.07	14,923,417	5.07
Fiera Capital Corporation	7,707,008	4.06	n/a	n/a	n/a	n/a
Fundsmith LLP	10,222,246	5.18	10,222,246	5.18	n/a	n/a
The Capital Group Companies, Inc.	9,670,450	5.09	9,864,894	4.99	n/a	n/a

<sup>a</sup> The number of shares and percentage of voting rights was determined at the time of the relevant disclosures made in accordance with Rule 5 of the DTRs and doesn't reflect the impact of any share consolidation or any changes in shareholding subsequent to the date of notification that are not required to be notified to us under the DTRs.

<sup>b</sup> Total shown includes 508,807 contracts for difference and 1,171,293 qualifying financial instruments to which voting rights are attached.

The Company's major shareholders have the same voting rights as other shareholders. The Company does not know of any arrangements the operation of which may result in a change in its control.

For further details on shareholder profiles, see page 180.

### Shares

#### Share capital

The Company's issued share capital at 31 December 2017 consisted of 197,597,610 ordinary shares of 19<sup>17</sup>/<sub>21</sub> pence each, including 7,607,430 shares held in treasury, which constitute 3.8% of the total issued share capital (including treasury shares). There are no special control rights or restrictions on share transfers or limitations on the holding of any class of shares.

During 2017:

- 916,835 shares were transferred from treasury to the employee share ownership trust; and
- The Company's issued share capital was subject to a 45 for 47 share consolidation effective as of 8 May 2017 (see page 151), seven treasury shares were cancelled and 338,108 treasury shares were consolidated.

As far as is known to management, IHG is not directly or indirectly owned or controlled by another company or by any government. The Board focuses on shareholder value-creation. When it decides to return capital to shareholders, it considers all of its options, including share buybacks and special dividends.

#### Share issues and buybacks

At the AGM held on 5 May 2017, shareholders authorised the Directors to issue new shares and the Company to buy back existing shares. During 2017 these routine authorities were not exercised.

### 2017 share awards and grants to employees

Our current policy is to settle the majority of awards or grants under the Company's share plans with shares purchased in the market or from shares held in treasury; however, the Board continues to review this policy. The Company's share plans incorporate the current Investment Associations' guidelines on dilution which provide that commitments to new shares or re-issue treasury shares under executive plans should not exceed 5% of the issued ordinary share capital of the Company (adjusted for share issuance and cancellation) in any 10-year period. During the financial year ended 31 December 2017, the Company transferred 916,835 treasury shares (0.4% of issued share capital) to satisfy obligations under its share plans.

The estimated maximum dilution from awards made under the Company's shareplans over the last 10 years is 2.2%.

As at 31 December 2017, no options were outstanding. The Company has not utilised the authority given by shareholders at any of its AGMs to allot shares for cash without first offering such shares to existing shareholders.

### Employee share ownership trust (ESOT)

IHG operates an ESOT for the benefit of employees and former employees. The ESOT receives treasury shares from the Company and purchases ordinary shares in the market and releases them to current and former employees in satisfaction of share awards. During 2017, the ESOT released 1,249,660 shares and at 31 December 2017 it held 624,683 ordinary shares in the Company. The ESOT adopts a prudent approach to purchasing shares, using funds provided by the Group, based on expectations of future requirements.

Where shares held in the ESOT have been allocated to share plan participants on terms that entitle those participants to request or require the trustee of the ESOT to exercise the voting rights relating to those shares, the trustee shall exercise those votes in accordance with the directions of the participants. In respect of shares in the ESOT that have not been allocated to share plan participants, or have not been allocated on such terms, the trustee may vote or abstain from exercising their voting rights in relation to those shares, or accept or reject any offer relating to the shares, in any way it sees fit.

Unless otherwise requested by the Company, the trustee of the ESOT waives all ordinary dividends on the shares held in the ESOT, other than shares which have been allocated to participants on terms which entitle them to the benefit of dividends, except for such amount per share as shall, when multiplied by the number of shares held by it on the relevant date, equal one pence.

### Future business developments of the Group

Further details on these are set out in the Strategic Report on pages 2 to 43.

### Employees and Code of Conduct

Having a predominantly franchised and managed business model means that not all of those people who work at hotels operated under our brands are our employees. When the Group's entire estate is taken into account (including those working in our franchised and managed hotels), over 375,000 people worked globally across IHG's brands as at 31 December 2017.

IHG employed the following as at 31 December 2017:

- 6,658 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;
- 5,555 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund; and
- 22,577 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.

See notes 3 and 32 of the Group Financial Statements on pages 109 and 140 for more information.

We continue to focus on providing an inclusive environment, in which employees are valued for who they are and what they bring to the Group, and in which talented individuals are retained through all levels of the organisation – see pages 18 and 19.

We also look to appoint the most appropriate person for the job and are committed to providing equality of opportunity to all employees without discrimination. Every effort is made to ensure that applications for employment from disabled employees are fully and fairly considered and that disabled employees have equal opportunities to training, career development and promotion.

The Code of Conduct applies to all Directors, officers and employees and complies with the NYSE rules as set out in Section 406 of the US Sarbanes-Oxley Act 2002. Further details can be found on page 176.

For more information on the Group's employment policies, including equal opportunities, employee communications and development, see pages 18 and 19.

## Directors' Report continued

## Greenhouse gas (GHG) emissions

By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners and meet the expectations of all our stakeholders. We recognise the importance of reducing our global GHG emissions for corporate offices and hotels – our target is to reduce our carbon footprint per occupied room by 15 per cent across our entire estate by 31 December 2017 (against a 2012 baseline). See page 25 for progress.

Reporting boundary	Measure	2017 <sup>a</sup>	2016 <sup>b</sup>
Global – corporate offices and franchised, managed, owned and leased hotels <sup>b</sup> (a KPI and part of our five-year targets)	Scope 1 Direct emissions (tCO <sub>2</sub> e)	1,199,544.40	1,212,547.84
	Scope 2 Indirect emissions (tCO <sub>2</sub> e)	3,770,639.15	3,837,518.39
	Total GHG emissions (tCO <sub>2</sub> e)	4,970,183.55	5,050,066.23
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO <sub>2</sub> e per occupied room)	27.39	29.48
Global – corporate offices and managed, owned and leased hotels <sup>b</sup> (as required under the Companies Act 2006)	Scope 1 Direct emissions (tCO <sub>2</sub> e)	451,247.09	426,869.82
	Scope 2 Indirect emissions (tCO <sub>2</sub> e)	1,898,679.62	1,914,276.33
	Total GHG emissions (tCO <sub>2</sub> e)	2,349,926.71	2,341,146.15
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO <sub>2</sub> e per occupied room)	45.77	49.76

<sup>a</sup> Reporting period commencing on 1 October and ending on 30 September – due to the delay in hotels receiving their energy bills it is not possible to report accurately GHG emissions from 1 January to 31 December.

<sup>b</sup> Includes all of our branded hotels but does not include emissions from 90 hotels. We do not have sufficient data to estimate their emissions and believe them to be immaterial.

## Scope

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

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

## Methodology

We have worked with external consultants to give us an up-to-date picture of IHG's carbon footprint and to assess our performance over the past few years. The external consultants use a sampling and extrapolation methodology to estimate our GHG emissions. For 2017, in line with the methodology set out in the GHG Protocol Corporate Standard, the sample covered 4,011 (78%) of our 5,137 hotels. As IHG's System size is continually changing and the number of hotels reporting data to the IHG Green Engage system increases annually, we are restating the impacts for all years from the baseline year (2012) annually to enable comparisons to be made.

## Finance

## Political donations

The Group made no political donations under the Companies Act during the year and proposes to maintain this policy.

## Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 22 to the Group Financial Statements on pages 126 to 129.

## Significant agreements and change of control provisions

The Group is a party to the following arrangements which could be terminated upon a change of control of the Company and which are considered significant in terms of their potential impact on the business of the Group as a whole:

- The 10-year £400 million bond issued by the Company on 28 November 2012, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued;
- The \$1.275 billion syndicated loan facility agreement dated 30 March 2015 and maturing in March 2021, under which a change of control of the Company would entitle each lender to cancel its commitment and declare all amounts due to it payable;
- The 10-year £300 million bond issued by the Company on 14 August 2015, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued; and

- The 10-year £350 million bond issued by the Company on 24 August 2016, under which, if the bond's credit rating was downgraded in connection with a change of control, the bond holders would have the option to require the Company to redeem or, at the Company's option, repurchase the outstanding notes together with interest accrued.

Further details on material contracts are set out on pages 171 to 172.

## Business relationships

The Group is party to a technology outsourcing agreement with International Business Machines Corporation (IBM), pursuant to which IBM operates and maintains the infrastructure of the Group's Guest Reservation System. Unless extended, this agreement is due to expire on 31 December 2018.

The Group is party to a technology agreement with Amadeus Hospitality Americas, Inc. (Amadeus), for the development and hosting of the Group's next generation Guest Reservation System. The initial term of 10 years will expire in 2028, and the Group has the right to extend this agreement for two additional periods of up to 10 years each on the same terms, conditions and pricing. The financial and performance obligations in this agreement are guaranteed by Amadeus IT Group S.A., the parent company of Amadeus Hospitality Americas, Inc.

Otherwise, there are no specific individual contracts or arrangements considered to be essential to the business of the Group as a whole.

## Disclosure of information to Auditor

For details, see page 80.

## Listing Rules – compliance with LR 9.8.4C

Section	Applicable sub-paragraph within LR 9.8.4C	Location
1	Interest capitalised	Group Financial Statements, note 6, page 111
4	Details of long-term incentive schemes	Directors' Remuneration Report, pages 64 to 77
6	Waiver of future emoluments by a Director	Directors' Remuneration Report, page 76

The above table sets out only those sections of LR 9.8.4C which are relevant. The remaining sections of LR 9.8.4 are not applicable.

### Going concern

An overview of the business activities of IHG, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 2 to 43 and in the Group information on pages 164 to 172. Information on the Group's treasury management policies can be found in note 22 to the Group Financial Statements on pages 126 to 129. In March 2017, the Group extended the maturity of its \$1.275 billion facility to March 2022.

At the end of 2017, the Group was trading significantly within its banking covenants and debt facilities.

The Group's fee-based model and wide geographic spread mean that it is well placed to manage through uncertain times, and our forecasts and sensitivity projections, based on a range of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Please see page 22 for the Directors' assessment of the viability of the Group.

By order of the Board,

### George Turner

Company Secretary  
InterContinental Hotels Group PLC

Registered in England and Wales, Company number 5134420  
19 February 2018

## Group information

### History and developments

The Company was incorporated and registered in England and Wales with registered number 5134420 on 21 May 2004 as a limited company under the Companies Act 1985 with the name Hackremco (No. 2154) Limited. In 2004/05, as part of a scheme of arrangement to facilitate the return of capital to shareholders, the following structural changes were made to the Group: (i) on 24 March 2005, Hackremco (No. 2154) Limited changed its name to New InterContinental Hotels Group Limited; (ii) on 27 April 2005, New InterContinental Hotels Group Limited re-registered as a public limited company and changed its name to New InterContinental Hotels Group PLC; and (iii) on 27 June 2005, New InterContinental Hotels Group PLC changed its name to InterContinental Hotels Group PLC and became the holding company of the Group.

The Group formerly known as Bass, and then Six Continents, was historically a conglomerate operating as, among other things, a brewer, soft drinks manufacturer, hotelier, leisure operator, and restaurant, pub and bar owner. In 1988 Bass acquired Holiday Inn International and the remainder of the Holiday Inn brand in 1990. The InterContinental brand was acquired by Bass in 1998 and the Candlewood Suites brand was acquired by Six Continents in 2003.

On 15 April 2003, following shareholder and regulatory approval, Six Continents PLC separated into two new listed groups, InterContinental Hotels Group PLC, comprising the hotels and soft drinks businesses, and Mitchells & Butler plc, comprising the retail and standard commercial property developments business.

The Group disposed of its interests in the soft drinks business by way of an initial public offering of Britvic (Britannia Soft Drinks Limited for the period up to 18 November 2005, and thereafter, Britannia SD Holdings Limited (renamed Britvic plc on 21 November 2005), which became the holding company of the Britvic Group on 18 November 2005), a manufacturer and distributor of soft drinks in the UK in December 2005. The Group now continues as a standalone hotels business.

## Risk factors

The Group is subject to a variety of inherent risks that may have an adverse impact on its business operations, financial condition, turnover, profits, brands and reputation. This section describes the main risks that could materially affect the Group's business. The risks below are not the only ones that the Group faces. Some risks are not yet known to the Group and some risks that the Group does not currently believe to be material could later turn out to be material.

The risk factors should also be considered in connection with any financial and forward-looking information in this Annual Report and Form 20-F and the cautionary statements regarding forward-looking statements on page 188.

### Recent acquisitions and divestitures

- The Group agreed to sell InterContinental Paris – Le Grand on 7 December 2014 for €330 million, and the transaction was completed on 20 May 2015.
- The Group agreed to acquire Kimpton Hotels & Restaurants on 15 December 2014, and the transaction was completed on 16 January 2015 for \$430 million (before working capital adjustments and cash acquired).
- The Group agreed to sell InterContinental Hong Kong on 10 July 2015 for \$938 million, and the transaction was completed on 30 September 2015.
- The Group also divested a number of investments for total proceeds of \$25 million in 2016 and \$95 million in 2017.

### Capital expenditure

- Capital expenditure in 2017 totalled \$342 million compared with \$241 million in 2016 and \$264 million in 2015.
- At 31 December 2017, capital committed (being contracts placed for expenditure on property, plant and equipment, and intangible assets not provided for in the Group Financial Statements) totalled \$104 million.
- The Group has also committed to invest in a number of its associates, with an estimated outstanding commitment of \$33 million, based on current forecasts.

### The Group is exposed to the risks of political and economic developments

The Group is exposed to political, economic and financial market developments such as recession, inflation and availability of credit and currency fluctuations that could lower revenues and reduce income. The outlook for 2018 may worsen due to continued uncertainty in Greater China and the Eurozone, the impact of fluctuating commodity prices (including oil) on economies dependent on such exports, and continued unrest in parts of the Middle East, Africa and Asia. The interconnected nature of economies suggests any of these, or other events, could trigger a recession that reduces leisure and business travel to and from affected countries and adversely affects room rates and/or occupancy levels and other income-generating activities. The owners or potential owners of hotels franchised or managed by the Group face similar risks that could adversely impact their solvency and the Group's ability to secure and retain franchise or management agreements. Specifically, the Group is most exposed to the US market and, increasingly, to Greater China.

Accordingly, the Group is particularly susceptible to adverse changes in these economies as well as changes in their currencies. In addition to trading conditions, the economic outlook also affects the availability of capital to current and potential owners, which could impact existing operations and the health of the pipeline.

**The Group is exposed to the risk of events that adversely impact domestic or international travel**

The room rates and occupancy levels of the Group could be adversely impacted by events that reduce domestic or international travel, such as actual or threatened acts of terrorism or war, political or civil unrest, epidemics or threats thereof, travel-related accidents or industrial action, natural disasters, or other local factors impacting specific countries, cities or individual hotels, as well as increased transportation and fuel costs. A decrease in the demand for hotel rooms as a result of such events may have an adverse impact on the Group's operations and financial results. In addition, inadequate planning, preparation, response or recovery in relation to a major incident or crisis may cause loss of life, prevent operational continuity, or result in financial loss, and consequently impact the value of our brands and/or the reputation of the Group.

**The Group is exposed to the risks of the hotel industry supply-and-demand cycle**

The future operating results of the Group could be adversely affected by industry overcapacity (by number of rooms) and weak demand due, in part, to the cyclical nature of the hotel industry, or other differences between planning assumptions and actual operating conditions. These conditions could result in reductions in room rates and occupancy levels, which would adversely impact the financial performance of the Group.

**The Group is subject to a competitive and changing industry**

The Group operates in a competitive industry and must compete effectively against traditional competitors such as other global hotel chains, local hotel companies and independent hotels to win the loyalty of guests, employees and owners. The competitive landscape also includes other types of businesses, such as web-based booking channels (which include online travel agents and intermediaries), and alternative sources of accommodation such as short-term lets of private property. Failure to compete effectively in traditional and emerging areas of the business could impact the Group's market share, System size, profitability and relationships with owners and guests.

**The Group is exposed to risks related to executing and realising benefits from strategic transactions, including acquisitions**

The Group may seek to make strategic transactions, including acquisitions, in the future. The Group may not be able to identify opportunities or complete transactions on commercially reasonable terms, or at all, and may not realise the anticipated benefits from such transactions. Strategic transactions come with inherent valuation, financial and commercial risks, and regulatory and insider information risks during the execution of the transactions. In addition, the Group may face unforeseen costs and liabilities, diversion of management attention, as well as longer-term integration and operational risks, which could result in a failure to realise benefits, financial losses, lower employee morale and loss of talent.

**The Group is dependent upon a wide range of external stakeholders and business partners**

The Group relies on the performance, behaviours and reputation of a wide range of business partners and external stakeholders, including, but not limited to, owners, contractors, lenders, suppliers, vendors, joint-venture partners, online travel agents, third-party intermediaries and other business partners which may have different ethical values, interests and priorities. Further, the number and complexity of interdependencies with stakeholders is evolving. Breakdowns in relationships, contractual disputes, poor vendor performance, insolvency, stakeholder behaviours or adverse reputations, which may be outside of the Group's control, could adversely impact on the Group's performance and competitiveness, delivery of projects, guest experiences or the reputation of the Group or its brands.

**The Group is exposed to increasing competition from online travel agents and intermediaries**

A proportion of the Group's bookings originate from large multinational, regional and local online travel agents and intermediaries with which the Group has contractual arrangements and to which it pays commissions. These platforms offer a wide range of products, often across multiple brands, have growing booking and review capabilities, and may create the perception that they offer the lowest prices. Some of these online travel agents and intermediaries have strong marketing budgets and aim to create brand awareness and brand loyalty among consumers and may seek to commoditise hotel brands through price and attribute comparison. Further, if these companies continue to gain market share, they may impact the Group's profitability, undermine the Group's own booking channels and value to its hotel owners, and may be able to increase commission rates and negotiate other favourable contract terms.

**The Group is exposed to a variety of risks related to identifying, securing and retaining franchise and management agreements**

The Group's growth strategy depends on its success in identifying, securing and retaining franchise and management agreements. This is an inherent risk for the hotel industry and the franchise business model. Competition with other hotel companies may generally reduce the number of suitable franchise, management and investment opportunities offered to the Group and increase the bargaining position of property owners seeking to become a franchisee or engage a manager. The terms of new franchise or management agreements may not be as favourable as current arrangements; the Group may not be able to renew existing arrangements on similarly favourable terms, or at all.

There can also be no assurance that the Group will be able to identify, retain or add franchisees to the IHG System or to secure management contracts. For example, the availability of suitable sites, market saturation, planning and other local regulations or the availability and affordability of finance may restrict the supply of suitable hotel development opportunities under franchise or management agreements. In connection with entering into franchise or management agreements, the Group may be required to make investments in, or guarantee the obligations of, third parties or guarantee minimum income to third parties. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with those of the Group, including, for example, the unwillingness of franchisees to support brand improvement initiatives. This could result in franchisees prematurely terminating contracts which would adversely impact the overall IHG System size and the Group's financial performance.

**The Group is exposed to inherent risks in relation to changing technology and systems**

As the use of the internet and mobile technology grows and customer needs evolve at pace, the Group may find that its evolving technology capability is not sufficient and may have to make substantial additional investments in new technologies or systems to remain competitive. Failure to keep pace with developments in technologies or systems may put the Group at a competitive disadvantage. In addition, the technologies or systems that the Group chooses to deploy may not be commercially successful or the technology or system strategy may not be sufficiently aligned with the needs of the business. Any such failure could adversely affect guest experiences, and the Group may lose customers, fail to attract new customers, incur substantial costs or face other losses. This could further impact the Group's reputation in regards to innovation.

## Group information continued

### Risk factors continued

#### **The Group is reliant on the reputation of its brands and is exposed to inherent reputation risks**

Any event that materially damages the reputation of one or more of the Group's brands and/or fails to sustain the appeal of the Group's brands to its customers and owners may have an adverse impact on the value of that brand and subsequent revenues from that brand or business. In particular, if the Group is unable to create consistent, valued, and quality products and guest experiences across the owned, managed and franchised estates, or if the Group, its franchisees or business partners fail to act responsibly, this could result in an adverse impact on its brand reputation. In addition, the value of the Group's brands could be influenced by a number of external factors outside the Group's control, such as, but not limited to, changes in sentiments against global brands, changes in applicable regulations related to the hotel industry or to franchising, successful commoditisation of hotel brands by online travel agents and intermediaries, or changes in owners' perceptions of the value of the Group.

#### **The Group is exposed to risks associated with its intellectual property**

Given the importance of brand recognition to the Group's business, the protection of its intellectual property poses a risk due to the variability and changes in controls, laws and effectiveness of enforcement globally. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Group's brands and its ability to develop the business.

#### **The Group is reliant upon the resilience of its reservation system and other key technology platforms and is exposed to risks that could cause the failure of these systems**

The value of the Group is partly derived from the ability to drive reservations through its reservation system and technology platforms which are highly integrated with internal processes and linked to multiple sales channels, including the Group's own websites, call centres, hotels, third-party intermediaries and travel agents.

Lack of resilience and operational availability of these systems provided by the Group or third-party technology providers could lead to prolonged service disruption and might result in significant business interruption, impact the guest booking experience and subsequently adversely impact Group revenues, reputation and relationships with hotel owners.

#### **The Group is exposed to a variety of risks associated with safety, security and crisis management**

There is a constant need to protect the safety and security of our guests, employees and assets against natural and man-made threats. These include, but are not limited to, exceptional events such as extreme weather, civil or political unrest, violence and terrorism, serious and organised crime, fraud, employee dishonesty, cyber crime, pandemics, fire, and day-to-day accidents, incidents and petty crime which impact the guest or employee experience, could cause loss of life, sickness or injury and result in compensation claims, fines from regulatory bodies, litigation, and impact reputation. Serious incidents or a combination of events could escalate into a crisis which, if managed poorly, could further expose the Group and its brands to significant reputational damage.

#### **The Group requires the right people, skills and capability to manage growth and change**

In order to remain competitive, the Group must employ the right people. This includes hiring and retaining highly skilled employees with particular expertise or leadership capability. The implementation of the Group's strategic business plans could be undermined by failure to build a resilient corporate culture, failure to recruit or retain key personnel, unexpected loss of key senior employees, failures in the Group's succession planning and incentive plans, or failure to invest in the development of key skills.

Some of the markets in which the Group operates are experiencing economic growth, and the Group must compete against other companies inside and outside the hospitality industry for suitably qualified or experienced employees. Some emerging markets may not have the required local expertise to operate a hotel and may not be able to attract the right talent. Failure to attract and retain employees may threaten the success of the Group's operations in these markets. Additionally, unless skills are supported by a sufficient infrastructure to enable knowledge and skills to be passed on, the Group risks losing accumulated knowledge if key employees leave the Group.

#### **The Group is exposed to a variety of risks associated with its financial stability and ability to borrow and satisfy debt covenants**

While the strategy of the Group is to extend the IHG System through activities that do not involve significant amounts of its own capital, the Group does require capital to fund some development opportunities, technological innovations and strategic acquisitions; and to maintain and improve owned hotels. The Group is reliant upon having financial strength and access to borrowing facilities to meet these expected capital requirements. The majority of the Group's borrowing facilities are only available if the financial covenants in the facilities are complied with. Non-compliance with covenants could result in the Group's lenders demanding repayment of the funds advanced. If the Group's financial performance does not meet market expectations, it may not be able to refinance existing facilities on terms considered favourable.

#### **The Group is exposed to the risk of litigation**

Certain companies in the Group are the subject of various claims and proceedings. The ultimate outcome of these matters is subject to many uncertainties, including future events and uncertainties inherent in litigation. In addition, the Group could be at risk of litigation claims made by many parties, including but not limited to: guests, customers, joint-venture partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of the hotels it manages. Claims filed in the US may include requests for punitive damages as well as compensatory damages. Unfavourable outcomes of claims or proceedings could have a material adverse impact on the Group's results of operations, cash flow and/or financial position. Exposure to significant litigation or fines may also affect the reputation of the Group and its brands.

#### **The Group is exposed to the risks related to information security and data privacy**

The Group is increasingly dependent upon the availability, integrity and confidentiality of information, including, but not limited to: guest and employee credit card, financial and personal data, and business performance, financial reporting and commercial development. The information is sometimes held in different formats such as digital, paper, voice recordings and video and could be stored in many places, including facilities managed by third-party service providers. The threats towards the Group's information are dynamic, and include cyber attacks, fraudulent use, loss or misuse by employees and breaches of our vendors' security arrangements, amongst others.

The legal and regulatory environment around data privacy and requirements set out by the payment card industry surrounding information security across the many jurisdictions in which the Group operates are constantly evolving. If the Group fails to appropriately protect information and ensure relevant controls are in place to enable the appropriate use and release of information through the appropriate channels in a timely and accurate manner, IHG System performance, guest experience and the reputation of the Group may be adversely affected. This could lead to revenue losses, fines, penalties, litigation and other additional costs.



For details of incidents relating to information security and data privacy during 2017, see pages 139 and 172.



### The Group is required to comply with existing and changing regulations and societal expectations across numerous countries, territories and jurisdictions

Government regulations affect countless aspects of the Group's business ranging from corporate governance, health and safety, the environment, bribery and corruption, employment law and diversity, disability access, data privacy and information protection, financial, accounting and tax. Regulatory changes may require significant changes in the way the business operates and may inhibit the Group's strategy, including the markets the Group operates in, brand protection, and use or transmittal of personal data. If the Group fails to comply with existing or changing regulations, the Group may be subject to fines, prosecution, loss of licence to operate or reputational damage.

The reputation of the Group and the value of its brands are influenced by a wide variety of factors, including the perception of stakeholder groups such as guests, owners, suppliers and communities in which the Group operates. The social and environmental impacts of its business are under increasing scrutiny, and the Group is exposed to the risk of damage to its reputation if it fails to (or fails to influence its business partners to) undertake responsible practices and engage in ethical behaviour, or fails to comply with relevant regulatory requirements.

### The Group may face difficulties insuring its business

Historically, the Group has maintained insurance at levels determined to be appropriate in light of the cost of cover and the risk profile of the business. However, forces beyond the Group's control, including market forces, may limit the scope of coverage the Group can obtain and the Group's ability to obtain coverage at reasonable rates. Other forces beyond the Group's control, such as terrorist attacks or natural disasters, may be uninsurable or simply too expensive to insure. Inadequate or insufficient insurance could expose the Group to large claims or could result in the loss of capital invested in properties.

## Directors' and Executive Committee members' shareholdings

As at 19 February 2018: (i) Executive Directors had the number of beneficial interests in shares (including Directors' share awards under IHG's share plans) set out in the table on page 73; (ii) Non-Executive Directors had the number of beneficial interests in shares set out in the table on page 76; and (iii) Executive Committee members had the number of beneficial interests in shares (including members' share awards under IHG's share plans) set out in the table below. These shareholdings indicate all Directors' or Executive Committee members' beneficial interests and those held by their spouses and other connected persons. As at 19 February 2018, no Director or Executive Committee member held more than 1.0% of the total issued share capital. None of the Directors have a beneficial interest in the shares of any subsidiary.

Executive Committee member	Number of shares held outright			APP deferred share awards			LTIP share awards (unvested)			Total number of shares held		
	19 Feb 2018	31 Dec 2017	31 Dec 2016	19 Feb 2018	31 Dec 2017	31 Dec 2016	19 Feb 2018	31 Dec 2017	31 Dec 2016	19 Feb 2018	31 Dec 2017	31 Dec 2016
Claire Bennett	-	-	n/a	13,105	13,105	n/a	13,019	13,019	n/a	26,124	26,124	n/a
Angela Brav	n/a <sup>a</sup>	68,669	27,270	n/a <sup>a</sup>	22,303	23,996	n/a <sup>a</sup>	67,364	80,709	n/a <sup>a</sup>	158,336	131,975
Jolyon Bulley	50,275	50,275	n/a	8,180	8,180	n/a	38,413	38,413	n/a	96,868	96,868	n/a
Federico Lalatta Costerbosa	n/a <sup>a</sup>	-	-	n/a <sup>a</sup>	6,977	18,401	n/a <sup>a</sup>	54,570	59,202	n/a <sup>a</sup>	61,547	77,603
Yasmin Diamond	-	-	-	6,561	6,561	6,351	35,209	35,209	38,363	41,770	41,770	44,714
Kenneth Macpherson	-	-	7,600	29,057	29,057	24,569	59,675	59,675	74,344	88,732	88,732	106,513
Eric Pearson	-	-	-	22,979	22,979	24,636	72,633	72,633	86,264	95,612	95,612	110,900
Ranjay Radhakrishnan	-	-	-	31,836	31,836	25,061	41,851	41,851	31,836	73,687	73,687	56,897
Jan Smits	n/a <sup>a</sup>	9,772	-	n/a <sup>a</sup>	18,618	23,724	n/a <sup>a</sup>	55,045	71,755	n/a <sup>a</sup>	81,956	95,479
George Turner	11,507	11,507	18,000	18,683	18,683	21,815	61,511	61,511	76,744	91,701	91,701	116,559

<sup>a</sup> Angela Brav, Federico Lalatta Costerbosa and Jan Smits left the Company on 31 December 2017.

## Group information continued

### Executive Directors' benefits upon termination of office

All current Executive Directors have a rolling service contract with a notice period from the Group of 12 months. As an alternative, the Group may, at its discretion, pay in lieu of that notice. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct.

Payment in lieu of notice could potentially include up to 12 months' salary and the cash equivalent of 12 months' pension contributions, and other contractual benefits. Where possible, the Group will seek to ensure that, where a leaver mitigates their losses by, for example, finding new employment, there will accordingly be a corresponding reduction in compensation payable for loss of office.



Further details on the policy for determination of termination payments are included in the Directors' Remuneration Policy, which is available on IHG's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance in the Directors' Remuneration Policy section.

## Description of securities other than equity securities

### Fees and charges payable to a depositary

Category (as defined by SEC)	Depositary actions	Associated fee
Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of: <ul style="list-style-type: none"> <li>• Share distributions, stock splits, rights, mergers.</li> <li>• Exchange of securities or any other transactions or event or other distribution affecting the ADSs or the deposited securities.</li> </ul>	\$5 for each 100 ADSs (or portion thereof)
Receiving or distributing dividends	Distribution of stock dividends Distribution of cash	\$5 for each 100 ADSs (or portion thereof) \$0.02 or less per ADS (or portion thereof)
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	\$5 for each 100 ADSs (or portion thereof)
Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	\$5 for each 100 ADSs (or portion thereof)
Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	\$1.50 per ADS
General depositary services, particularly those charged on an annual basis	Other services performed by the depositary in administering the ADRs	\$0.02 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting such charge from one or more cash dividends or other cash distributions <sup>a</sup>
Expenses of the depositary	Expenses incurred on behalf of ADR holders in connection with: <ul style="list-style-type: none"> <li>• Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment.</li> <li>• The ADR Depositary's or its custodian's compliance with applicable laws, rules or regulations.</li> <li>• Stock transfer or other taxes and other governmental charges.</li> <li>• Cable, telex, facsimile transmission/delivery.</li> <li>• Transfer or registration fees in connection with the deposit and withdrawal of deposited securities.</li> <li>• Expenses of the ADR Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency).</li> <li>• Any other charge payable by the ADR Depositary or its agents.</li> </ul>	Expenses payable at the sole discretion of the ADR Depositary by billing ADR holders or by deducting charges from one or more cash dividends or other cash distributions are \$20 per transaction

<sup>a</sup> These fees are not currently being charged by the ADR Depositary.

### Fees and charges payable by a depositary

JPMorgan Chase Bank N.A. (JPMorgan or the ADR Depositary) is the depositary for IHG's ADR programme. The ADR Depositary's principal executive office is at: J.P. Morgan Depositary Receipts, 4 New York Plaza, 12th Floor, New York, NY 10004, US. The ADR Depositary has agreed to reimburse certain reasonable Company expenses related to the Company's ADR programme and incurred

by the Company in connection with the ADR programme. During the year ended 31 December 2017, the Company received \$437,724 from the ADR Depositary in respect of legal, accounting and other fees incurred in connection with the preparation of the Annual Report and Form 20-F, ongoing SEC compliance and listing requirements, investor relations programmes, and advertising and public relations expenditure.

## Articles of Association

The Company's Articles of Association (the Articles) were adopted at the AGM held on 28 May 2010 and are available on the Company's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance. The following summarises material rights of holders of the Company's ordinary shares under the material provisions of the Articles and English law. This summary is qualified in its entirety by reference to the Companies Act and the Articles.

The Company's shares may be held in certificated or uncertificated form. No holder of the Company's shares will be required to make additional contributions of capital in respect of the Company's shares in the future.

In the following description, a 'shareholder' is the person registered in the Company's register of members as the holder of the relevant share.

### Principal objects

The Company is incorporated under the name InterContinental Hotels Group PLC and is registered in England and Wales with registered number 5134420. The Articles do not restrict its objects or purposes.

### Directors

Under the Articles, a Director may have an interest in certain matters (Permitted Interest) without the prior approval of the Board, provided they have declared the nature and extent of such Permitted Interest at a meeting of the Directors or in the manner set out in Section 184 or Section 185 of the Companies Act.

Any matter in which a Director has a material interest, and which does not comprise a Permitted Interest, must be authorised by the Board in accordance with the procedure and requirements contained in the Articles. In particular, this includes the requirement that a Director may not vote on a resolution to authorise a matter in which they are interested, nor may they count in the quorum of the meeting at which such business is transacted.

Further, a Director may not vote in respect of any proposal in which they, or any person connected with them, has any material interest other than by virtue of their interests in securities of, or otherwise in or through, the Company, nor may they count in the quorum of the meeting at which such business is transacted. This is subject to certain exceptions, including in relation to proposals: (a) indemnifying them in respect of obligations incurred on behalf of the Company; (b) indemnifying a third party in respect of obligations of the Company for which the Director has assumed responsibility under an indemnity or guarantee; (c) relating to an offer of securities in which they will be interested as an underwriter; (d) concerning another body corporate in which the Director is beneficially interested in less than one per cent of the issued shares of any class of shares of such a body corporate; (e) relating to an employee benefit in which the Director will share equally with other employees; and (f) relating to liability insurance that the Company is empowered to purchase for the benefit of Directors of the Company in respect of actions undertaken as Directors (or officers) of the Company.

The Directors have authority under the Articles to set their own remuneration (provided certain criteria are met). While an agreement to award remuneration to a Director is an arrangement with the Company that comprises a Permitted Interest (and therefore does not require authorisation by the Board in that respect), it is nevertheless a matter that would be expected to give rise to a conflict of interest between the Director concerned and the Company, and such conflict must be authorised by a resolution of the Board. The Director that is interested in such a matter may neither vote on the resolution to authorise such conflict, nor count in the quorum of the meeting at which it was passed. Furthermore, as noted above, the interested Director is not permitted to vote in

respect of any proposal in which they have any material interest (except in respect of the limited exceptions outlined above) nor may they count in the quorum of the meeting at which such business is transacted.

As such, a Director has no power, in the absence of an independent quorum, to vote on compensation to themselves, but may vote on a resolution (and may count in the quorum of the meeting at which it was passed) to award compensation to Directors provided those arrangements do not confer a benefit solely on them.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all monies borrowed by the Company and its subsidiaries shall not exceed an amount equal to three times the Company's share capital and consolidated reserves, unless sanctioned by an ordinary resolution of the Company.

Under the Articles, there are no age-limit requirements relating to a person's qualification to hold office as a Director of the Company.

Directors are not required to hold any shares of the Company by way of qualification.

### Rights attaching to shares

#### Dividend rights and rights to share in the Company's profits

Under English law, dividends are payable on the Company's ordinary shares only out of profits available for distribution, as determined in accordance with accounting principles generally accepted in the UK and by the Companies Act. No dividend will bear interest as against the Company.

Holders of the Company's ordinary shares are entitled to receive such dividends as may be declared by the shareholders in general meeting, rateably according to the amounts paid up on such shares, provided that the dividend cannot exceed the amount recommended by the Directors.

The Company's Board of Directors may declare and pay to shareholders such interim dividends as appear to them to be justified by the Company's financial position. If authorised by an ordinary resolution of the shareholders, the Board of Directors may also direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company).

Any dividend unclaimed by a member (or by a person entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law) after six years from the date the dividend was declared, or became due for payment, will be forfeited and will revert to the Company.

#### Voting rights

The holders of ordinary shares are entitled, in respect of their holdings of such shares, to receive notice of general meetings and to attend, speak and vote at such meetings in accordance with the Articles.

Voting at any general meeting of shareholders is by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every shareholder who is present in person or by proxy at a general meeting has one vote regardless of the number of shares held.

On a poll, every shareholder who is present in person or by proxy has one vote for every share held by that shareholder. A poll may be demanded by any of the following:

- The chairman of the meeting.
- At least five shareholders present in person or by proxy and entitled to vote at the meeting.

## Group information continued

### Articles of Association continued

- Any shareholder or shareholders present in person or by proxy representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to vote at the meeting; or
- Any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting and on which there have been paid up sums in the aggregate at least equal to one-tenth of the total sum paid up on all the shares conferring that right.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a general meeting is three persons carrying a right to vote upon the business to be transacted, whether present in person or by proxy.

Matters are transacted at general meetings of the Company by the proposing and passing of resolutions, of which there are two kinds:

- An ordinary resolution, which includes resolutions for the election of Directors, the approval of financial statements, the cumulative annual payment of dividends, the appointment of the Auditor, the increase of share capital or the grant of authority to allot shares.
- A special resolution, which includes resolutions amending the Articles, disapplying statutory pre-emption rights, modifying the rights of any class of the Company's shares at a meeting of the holders of such class or relating to certain matters concerning the Company's winding up or changing the Company's name.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons present and entitled to vote at a meeting at which there is a quorum.

Special resolutions require the affirmative vote of not less than three quarters of the persons present and entitled to vote at a meeting at which there is a quorum.

AGMs must be convened upon advance written notice of 21 days. Other meetings must be convened upon advance written notice of 14 days. The days of delivery or receipt of the notice are not included. The notice must specify the nature of the business to be transacted. The Board of Directors may, if they choose, make arrangements for shareholders who are unable to attend the place of the meeting to participate at other places.

## Working Time Regulations 1998

Under EU law, many employees of Group companies are now covered by the Working Time Regulations which came into force in the UK on 1 October 1998. These regulations implemented the European Working Time Directive and parts of the Young Workers Directive, and lay down rights and protections for employees in areas such as maximum working hours, minimum rest time, minimum days off and paid leave.

In the UK, there is in place a national minimum wage under the National Minimum Wage Act 1998, as amended. At 31 December 2017, the minimum wage for individuals aged 18 to 20 was £5.60 per hour, aged 21 to 24 was £7.05 per hour and for those aged 25 or over was £7.50 per hour in each case, excluding apprentices aged

The Articles specify that each Director shall retire every three years at the AGM and, unless otherwise decided by the Directors, shall be eligible for re-election. However, the Code recommends that all directors of FTSE 350 companies submit themselves for election or re-election (as appropriate) by shareholders every year. Therefore, all Directors will retire and offer themselves for election or re-election at the 2017 AGM.

### Variation of rights

If, at any time, the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act, with the consent in writing of holders of three-quarters in nominal value of the issued shares of that class or upon the adoption of a special resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles relating to proceedings at a general meeting apply, except that the quorum is to be the number of persons (which must be two or more) who hold or represent by proxy not less than one-third in nominal value of the issued shares of that class.

### Rights in a winding-up

Except as the Company's shareholders have agreed or may otherwise agree, upon the Company's winding up, the balance of assets available for distribution is to be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them:

- After the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors.
- Subject to any special rights attaching to any class of shares.

This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of a special resolution of the shareholders, divide among the shareholders the whole or any part of the Company's assets in kind.

### Limitations on voting and shareholding

There are no limitations imposed by English law or the Articles on the right of non-residents or foreign persons to hold or vote the Company's ordinary shares or ADSs, other than the limitations that would generally apply to all of the Company's shareholders.

under 19 years or, otherwise, in the first year of their apprenticeships. This particularly impacts businesses in the hospitality and retailing sectors. Compliance with the National Minimum Wage Act is being monitored by the Low Pay Commission, an independent statutory body established by the UK Government.

None of the Group's UK employees are covered by collective bargaining agreements with trade unions.

Continual attention is paid to the external market in order to ensure that terms of employment are appropriate. The Group believes the Group companies will be able to conduct their relationships with trade unions and employees in a satisfactory manner.

## Material contracts

The following contracts have been entered into otherwise than in the course of ordinary business by members of the Group: (i) in the two years immediately preceding the date of this document in the case of contracts which are or may be material; or (ii) that contain provisions under which any Group member has any obligation or entitlement that is material to the Group as at the date of this document. To the extent that these agreements include representations, warranties and indemnities, such provisions are considered standard in an agreement of that nature, save to the extent identified below.

### Syndicated Facility

On 30 March 2015, the Company signed a five-year \$1.275 billion bank facility agreement (Syndicated Facility) with Bank of America Merrill Lynch International Limited, Barclays Bank PLC, HSBC Bank PLC, SunTrust Robinson Humphrey, The Bank of Tokyo-Mitsubishi UFJ, Ltd and The Royal Bank of Scotland plc, all acting as joint bookrunners and The Bank of Tokyo-Mitsubishi UFJ, Ltd as facility agent. The Company has exercised its ability to extend the term of the Syndicated Facility by two additional periods of 12 months, taking the term of the Syndicated Facility to 2022. The interest margin payable on borrowings under the Syndicated Facility is linked to IHG's consolidated net debt to consolidated EBITDA ratio. The margin can vary between LIBOR + 0.40% and LIBOR + 1.00% depending on the level of the ratio. The Syndicated Facility was drawn as to \$240 million as at 31 December 2017.

### £2 billion Euro Medium Term Note programme

In 2016, the Group updated its Euro Medium Term Note programme (Programme) and issued a tranche of £350 million 2.125% notes due 24 August 2026 (2016 Issuance).

On 11 August 2016, an amended and restated trust deed (Trust Deed) was executed by InterContinental Hotels Group PLC as issuer (Issuer), Six Continents Limited and InterContinental Hotels Limited as guarantors (Guarantors) and HSBC Corporate Trustee Company (UK) Limited as trustee (Trustee), pursuant to which the trust deed dated 27 November 2009, as supplemented by three supplemental trust deeds dated 7 July 2011, 9 November 2012 and 16 June 2015 between the same parties relating to the Programme, were amended and restated. Under the Trust Deed, the Issuer may issue notes (Notes) unconditionally and irrevocably guaranteed by the Guarantors, up to a maximum nominal amount from time to time outstanding of £2 billion (or its equivalent in other currencies). Notes are to be issued in series (each a Series) in bearer form. Each Series may comprise one or more tranches (each a Tranche) issued on different issue dates. A Tranche of Notes may be issued on the terms and conditions set out in a base prospectus as amended and/or supplemented by a document setting out the final terms (Final Terms) of such Tranche or in a separate prospectus specific to such Tranche.

Under the Trust Deed, each of the Issuer and the Guarantors has given certain customary covenants in favour of the Trustee.

Final Terms were issued (pursuant to a base prospectus dated 9 November 2012) on 26 November 2012, in respect of the issue of a Tranche of £400 million 3.875% Notes due 28 November 2022 (2012 Issuance). Final Terms were issued (pursuant to a base prospectus dated 16 June 2015) on 12 August 2015 in respect of the issue of a Tranche of £300 million 3.75% Notes due 14 August 2025 (2015 Issuance). Final Terms were issued (pursuant to the base prospectus dated 11 August 2016) on 22 August 2016 in respect of the 2016 Issuance.

The Final Terms issued under each of the 2012 Issuance, the 2015 Issuance and 2016 Issuance provide that the holders of the Notes have the right to repayment if the Notes (a) become non-investment grade within the period commencing on the date of announcement of a change of control and ending 90 days after the change of control (Change of Control Period) and are not subsequently, within

the Change of Control Period, reinstated to investment grade; (b) are downgraded from a non-investment grade and are not reinstated to its earlier credit rating or better within the Change of Control Period; or (c) are not credit rated and do not become investment grade credit rated by the end of the Change of Control Period.

Further details of the Programme and the Notes are set out in the base prospectus, a copy of which is available (as is a copy of each of the Final Terms dated 26 November 2012 relating to the 2012 Issuance, the Final Terms dated 12 August 2015 relating to the 2015 Issuance and the Final Terms dated 22 August 2016 relating to the 2016 Issuance) on the Company's website at [www.ihgplc.com](http://www.ihgplc.com). The Notes issued pursuant to the 2012 Issuance, the Notes issued pursuant to the 2015 Issuance and the Notes issued pursuant to the 2016 Issuance are referred to as '£400 million 3.875% bonds', '£300 million 3.750% bonds' and '£350 million 2.125% bonds' respectively in the Group Financial Statements.

On 11 August 2016, the Issuer and the Guarantors entered into an amended and restated agency agreement (Agency Agreement) with HSBC Bank plc as principal paying agent and the Trustee, pursuant to which the Issuer and the Guarantors appointed paying agents and calculation agents in connection with the Programme and the Notes.

Under the Agency Agreement, each of the Issuer and the Guarantors has given a customary indemnity in favour of the paying agents and the calculation agents.

On 11 August 2016, the Issuer and the Guarantors entered into a dealer agreement (Dealer Agreement) with HSBC Bank plc as arranger and Barclays Bank PLC, HSBC Bank plc, SunTrust Robinson Humphrey, Inc., Merrill Lynch International, MUFG Securities EMEA plc and The Royal Bank of Scotland plc as dealers (Dealers), pursuant to which the Dealers were appointed in connection with the Programme and the Notes.

Under the Dealer Agreement, each of the Issuer and the Guarantors has given customary warranties and indemnities in favour of the Dealers.

### Disposal of InterContinental Paris – Le Grand

On 7 December 2014, a share sale and purchase agreement was entered into between BHR Holdings B.V. (part of IHG) and Constellation Hotels France Grand SA. Under the agreement, BHR Holdings B.V. agreed to sell Société Des Hotels InterContinental France, the owner of InterContinental Paris – Le Grand, to Constellation Hotels France Grand SA. The gross sale proceeds agreed were €330 million in cash. The disposal was completed on 20 May 2015.

In connection with the sale, IHG secured a 30-year management contract on the hotel, with three 10-year extension rights at IHG's discretion, giving an expected contract length of 60 years.

Under the agreement, BHR Holdings B.V. gave certain customary warranties and indemnities to Constellation Hotels France Grand SA.

### Acquisition of the Kimpton Hotels & Restaurants business

On 15 December 2014, a share sale and purchase agreement was entered into between Kimpton Group Holding LLC and Dunwoody Operations, Inc., an affiliate of IHG. Under the agreement, Dunwoody Operations, Inc. agreed to buy Kimpton Hotel & Restaurant Group, LLC, the principal trading company of the Kimpton Group, from Kimpton Group Holding LLC. The purchase completed on 16 January 2015.

The purchase price payable by Dunwoody Operations, Inc. in respect of the acquisition was \$430 million paid in cash.

Under the agreement, Dunwoody Operations, Inc. gave certain customary warranties and indemnities to the seller.

## Group information continued

### Material contracts continued

#### Disposal of InterContinental Hong Kong

On 10 July 2015, a share sale and purchase agreement was entered into between Hotel InterContinental London (Holdings) Limited (a Group company) and Supreme Key Limited. Under the agreement, Hotel InterContinental London (Holdings) Limited agreed to sell Trifairth Investments Limited, the owner of InterContinental Hong Kong Limited, which in turn is the owner of InterContinental Hong Kong, to Supreme Key Limited. The gross sale proceeds agreed were \$938 million in cash. The disposal completed on 30 September 2015.

In connection with the sale, IHG secured a 37-year management contract on the hotel, with three 10-year extension rights at IHG's discretion, giving an expected contract length of 67 years.

Under the agreement, Hotel InterContinental London (Holdings) Limited gave certain customary warranties and indemnities to Supreme Key Limited.

## Legal proceedings

Group companies have extensive operations in the UK, as well as internationally, and are involved in a number of legal claims and proceedings incidental to those operations. It is the Company's view that such proceedings, either individually or in the aggregate, have not in the recent past and are not likely to have a significant effect on the Group's financial position or profitability. Notwithstanding the above, the Company notes the matters set out below. Litigation is inherently unpredictable and, as of 19 February 2018, the outcome of these matters cannot be reasonably determined.

A claim was filed on 9 July 2013 by Pan-American Life Insurance Company against Louisiana Acquisitions Corp. and Inter-Continental Hotels Corporation. The claimant originally identified eight causes of action with respect to the management and sale of the InterContinental New Orleans. On 21 August 2017, the Court granted summary judgment to defendants on all of claimant's remaining claims. Claimant appealed the ruling. As of 19 February 2018, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

A claim was filed on 5 July 2016 by CPTS Hotel Lessee, LLC against Holiday Hospitality Franchising, LLC (HHF). The claimant alleges breach of the license agreement and seeks a declaratory judgment from the court that it has the right to terminate its license with HHF. HHF and InterContinental Hotels Group Resources, Inc. filed a claim against CPTS Hotel Lessee, LLC also seeking a declaratory judgment and alleging breach of contract and fraud. As of 19 February 2018, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is probable or to estimate the amount of any loss.

A claim was filed on 20 September 2016 against Kimpton Hotel and Restaurant Group, LLC, seeking class action status and alleging breach of implied contract, negligence, and deceptive business practices related to an alleged data breach. As of 19 February 2018,

the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to make a reliable estimate of the possible financial effect of any claims.

A claim was filed on 5 May 2017 against InterContinental Hotels Group, PLC, Inter-Continental Hotels Corporation, and InterContinental Hotels Group Resources, Inc. seeking class action status and alleging breach of implied contract, negligence, and unjust enrichment regarding an alleged data breach. As of 19 February 2018, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to make a reliable estimate of the possible financial effect of any claims.

A claim was filed on 26 June 2017 against Inter-Continental Hotels Corporation, InterContinental Hotels Group Resources, Inc., and InterContinental Hotels Group (Canada), Inc. seeking class action status and alleging breach of fiduciary duty, negligence, breach of confidence, intrusion upon seclusion, breach of contract, breach of privacy legislation, and unjust enrichment regarding an alleged data breach. As of 19 February 2018, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to make a reliable estimate of the possible financial effect of any claims.

A claim was filed on 26 January 2018 against InterContinental Hotels Group, PLC, Inter-Continental Hotels Corporation, and InterContinental Hotels Group Resources, Inc. alleging negligence and seeking class action status, declaratory judgment, injunctive relief and unspecified damages regarding an alleged data breach. As of 19 February 2018, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to make a reliable estimate of the possible financial effect of any claims.

## Exchange controls and restrictions on payment of dividends

There are no restrictions on dividend payments to US citizens.

Although there are currently no UK foreign exchange control restrictions on the export or import of capital or the payment of dividends on the ordinary shares or the ADSs, economic sanctions which may be in force in the UK from time to time impose restrictions on the payment of dividends to persons resident (or treated as so resident) in or governments of (or persons exercising public functions in) certain countries.

Other than economic sanctions which may be in force in the UK from time to time, there are no restrictions under the Articles or under English law that limit the right of non-resident or foreign owners to hold or vote the ordinary shares or the ADSs. In addition, the Articles contain certain limitations on the voting and other rights of any holder of ordinary shares whose holding may, in the opinion of the Directors, result in the loss or failure to secure the reinstatement of any licence or franchise from any US governmental agency held by Six Continents Hotels, Inc. or any subsidiary thereof.

## Shareholder information

### Taxation

This section provides a summary of material US federal income tax and UK tax consequences to the US holders, described below, of owning and disposing of ordinary shares or ADSs of the Company. This section addresses only the tax position of a US holder who holds ordinary shares or ADSs as capital assets. This section does not, however, discuss all of the tax considerations that may be relevant to any particular US holder, such as the provisions of the Internal Revenue Code of 1986, as amended (IR Code) known as the Medicare Contribution tax or tax consequences to US holders subject to special rules, such as:

- Certain financial institutions.
- Insurance companies.
- Dealers and traders in securities who use a mark-to-market method of tax accounting.
- Persons holding ordinary shares or ADSs as part of a straddle, conversion transaction, integrated transaction or wash sale, or persons entering into a constructive sale with respect to the ordinary shares or ADSs.
- Persons whose functional currency for US federal income tax purposes is not the US dollar.
- Partnerships or other entities classified as partnerships for US federal income tax purposes.
- Persons liable for the alternative minimum tax.
- Tax-exempt organisations.
- Persons who acquired the Company's ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise in connection with employment.
- Persons who, directly or indirectly, own ordinary shares or ADSs representing 10% or more of the Company's voting power or value.

This section does not generally deal with the position of a US holder who is resident in the UK for UK tax purposes or who is subject to UK taxation on capital gains or income by virtue of carrying on a trade, profession or vocation in the UK through a branch, agency or permanent establishment to which such ADSs or ordinary shares are attributable ('trading in the UK').

As used herein, a 'US holder' is a person who, for US federal income tax purposes, is a beneficial owner of ordinary shares or ADSs and is: (i) a citizen or individual resident of the US; (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the US, any state therein or the District of Columbia; (iii) an estate whose income is subject to US federal income tax regardless of its source; or (iv) a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust.

This section is based on the IR Code, its legislative history, existing and proposed regulations, published rulings and court decisions, and on UK tax laws and the published practice of HM Revenue and Customs (HMRC), all as of the date hereof. These laws, and that practice, are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the ADR Depository and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For US federal income tax purposes, an owner of ADRs evidencing ADSs will generally be treated as the owner of the underlying shares represented by those ADSs. For UK tax purposes, in practice, HMRC will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs (although case law has cast some doubt on this). The discussion below assumes that HMRC's position is followed.

Generally, exchanges of ordinary shares for ADSs, and ADSs for ordinary shares, will not be subject to US federal income tax or UK taxation on capital gains, although UK stamp duty reserve tax (SDRT) may arise as described below.

The US Treasury has expressed concerns that parties to whom ADSs are pre-released before shares are delivered to the depository, or intermediaries in the chain of ownership between holders and the issuer of the securities underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by US holders of ADSs. Such actions would also be inconsistent with the claiming of the preferential rates of tax, described below, for qualified dividend income. Accordingly, the availability of the preferential rates of tax for qualified dividend income described below could be affected by actions taken by parties to whom the ADSs are pre-released.

**Investors should consult their own tax advisers regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of ordinary shares or ADSs in their particular circumstances.**

The following disclosures assumes that the Company is not, and will not become, a positive foreign investment company (PFIC), as described below.

#### Taxation of dividends

##### UK taxation

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will generally not be liable for UK taxation on dividends received in respect of the ADSs or ordinary shares.

##### US federal income taxation

A US holder is generally subject to US federal income taxation on the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Distributions in excess of the Company's current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain. Because the Company has not historically maintained, and does not currently maintain, books in accordance with US tax principles, the Company does not expect to be in a position to determine whether any distribution will be in excess of the Company's current and accumulated earnings and profits as computed for US federal income tax purposes. As a result, it is expected that amounts distributed will be reported to the Internal Revenue Service (IRS) as dividends.

Subject to applicable limitations and the discussion above regarding concerns expressed by the US Treasury, dividends paid to certain non-corporate US holders will be taxable at the preferential rates applicable to long-term capital gain if the dividends constitute 'qualified dividend income'. The Company expects that dividends paid by the Company with respect to the ADSs will constitute qualified dividend income. US holders should consult their own tax advisers to determine whether they are subject to any special rules that limit their ability to be taxed at these preferential rates.

Dividends must be included in income when the US holder, in the case of shares, or the ADR Depository, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit limitation purposes, dividends will generally be income from sources outside the US.

## Shareholder information continued

## Taxation continued

The amount of any dividend paid in pounds sterling will be the US dollar value of the sterling payments made, determined at the spot sterling/US dollar rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into US dollars. If the dividend is converted into US dollars on that date, a US holder should not be required to recognise foreign currency gain or loss in respect of the dividend income. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date the payment is converted into US dollars will be treated as ordinary income or loss from sources within the US.

**Taxation of capital gains****UK taxation**

A US holder who is not resident for UK tax purposes in the UK and who is not trading in the UK will not generally be liable for UK taxation on capital gains, or eligible for relief for allowable losses, realised or accrued on the sale or other disposal of ADSs or ordinary shares. A US holder of ADSs or ordinary shares who is an individual and who, broadly, has temporarily ceased to be resident in the UK or has become temporarily treated as non-resident for UK tax purposes for a period of not more than five years and who disposes of ordinary shares or ADSs during that period may, for the year of assessment when that individual becomes resident again in the UK, be liable to UK tax on capital gains (subject to any available exemption or relief), notwithstanding the fact that such US holder was not treated as resident in the UK at the time of the sale or other disposal.

**US federal income taxation**

A US holder who sells or otherwise disposes of ordinary shares or ADSs will recognise a capital gain or loss for US federal income tax purposes equal to the difference between the amount realised and its tax basis in the ordinary shares or ADSs, each determined in US dollars. Such capital gain or loss will be long-term capital gain or loss where the US holder has a holding period greater than one year. Losses may also be treated as long-term capital losses to the extent of certain 'extraordinary dividends' that qualified for the preferential tax rates on qualified dividend income described above. The capital gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

**PFIC rules**

Based on the manner in which the Group operates its business and estimates of the value of its assets (which estimates are based, in part, on the market value of the Company's ADSs) the Company believes that it was not a PFIC for US federal income tax purposes for its 2017 taxable year. However, this conclusion is an annual factual determination and thus may be subject to change. If the Company were a PFIC for any taxable year during which a US holder owned ordinary shares or ADSs, gain realised on the sale or other disposition of ordinary shares or ADSs would, in general, not be treated as capital gain. Instead, gain would be treated as if the US holder had realised such gain ratably over the holding period for the ordinary shares or ADSs and, to the extent allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC, would be taxed as ordinary income. The amount allocated to each other taxable year would be taxed at the highest tax rate in effect (for individuals or corporations, as applicable) for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, similar rules would apply to any 'excess distribution' received on the ordinary shares or ADSs (generally, the excess of any distribution received on the ordinary shares or ADSs during the taxable year over 125% of the average amount of distributions received during a specified prior period). The preferential rates for qualified dividend income described above would not apply if the Company were a PFIC in the taxable year of the distribution or the preceding taxable year.

Certain elections may be available (including a market-to-market election) to US holders that would result in alternative treatments of the ordinary shares or ADSs. If the Company were a PFIC for any taxable year in which a US holder held ordinary shares or ADSs, a US holder would generally be required to file IRS Form 8621 with their annual US federal income tax returns, subject to certain exceptions.

**Additional tax considerations****UK inheritance tax**

An individual who is neither domiciled nor deemed domiciled in the UK (under certain existing UK rules relating to previous domicile or long residence, or under expanded UK rules taking effect from 6 April 2017) is only chargeable to UK inheritance tax to the extent the individual owns assets situated in the UK. As a matter of UK law, it is not clear whether the situs of an ADS for UK inheritance tax purposes is determined by the place where the depository is established and records the entitlements of the deposit holders, or by the situs of the underlying share which the ADS represents, but the UK tax authorities may take the view that the ADSs, as well as the ordinary shares, are or represent UK-situs assets.

However, an individual who is domiciled in the US (for the purposes of the Estate and Gift Tax Convention (the Convention), and is not a UK national as defined in the Convention, will not be subject to UK inheritance tax (to the extent UK inheritance tax applies) in respect of the ordinary shares or ADSs on the individual's death or on a transfer of the ordinary shares or ADSs during their lifetime, provided that any applicable US federal gift or estate tax is paid, unless the ordinary shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base of an individual used for the performance of independent personal services. Where the ordinary shares or ADSs have been placed in trust by a settlor, they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the US and was not a UK national. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other undervalue transfer, broadly within seven years of death, and in certain other circumstances. Where the ordinary shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the Convention generally provides for either a credit against US federal tax liabilities for UK inheritance tax paid or for a credit against UK inheritance tax liabilities for US federal tax paid, as the case may be.

**UK stamp duty and SDRT**

Neither stamp duty nor SDRT will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS and any separate instrument or written agreement of transfer are executed and remain at all times outside the UK. UK legislation does however provide for stamp duty (in the case of transfers) or SDRT to be payable at the rate of 1.5% on the amount or value of the consideration (or, in some cases, the value of the ordinary shares) where ordinary shares are issued or transferred to a person (or a nominee or agent of a person) whose business is or includes issuing depository receipts or the provision of clearance services. In accordance with the terms of the deposit agreement, any tax or duty payable on deposits of ordinary shares by the depository or by the custodian of the depository will typically be charged to the party to whom ADSs are delivered against such deposits.



Following litigation on the subject, HMRC has accepted that it will no longer seek to apply the 1.5% SDRT charge when new shares are issued to a clearance service or depositary receipt system on the basis that the charge is not compatible with EU law. The 2017 Autumn Budget included a statement that the Government will not reintroduce the 1.5% charge on the issue of shares (and transfers integral to the raising of capital) into clearance service or depositary receipt systems following the UK's exit from the EU. In HMRC's view, the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt system unless they are an integral part of an issue of share capital. Specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.

A transfer of the underlying ordinary shares will generally be subject to stamp duty or SDRT, normally at the rate of 0.5% of the amount of value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the depositary to an ADS holder, under which no beneficial interest passes, will not be subject to stamp duty or SDRT.

#### **US backup withholding and information reporting**

Payments of dividends and sales proceeds with respect to ADSs and ordinary shares may be reported to the IRS and to the US holder. Backup withholding may apply to these reportable payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US holders (including, among others, corporations) are not subject to information reporting and backup withholding. The amount of any backup withholding from a payment to a US holder will be allowed as a credit against the holder's US federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. US holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Certain US holders who are individuals (and certain specified entities), may be required to report information relating to their ownership of non-US securities unless the securities are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-US financial institutions). US holders should consult their tax advisers regarding any reporting obligations they may have with respect to the Company's ordinary shares or ADSs.

## Disclosure controls and procedures

As of the end of the period covered by this report, the Group carried out an evaluation under the supervision and with the participation of the Group's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Group's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act 1934).

These are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act 1934 is recorded, processed, summarised and reported within the specified periods. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective.

## Shareholder information continued

### Summary of significant corporate governance differences from NYSE listing standards

The Group's statement of compliance with the principles and provisions specified in the UK Corporate Governance Code issued in April 2016 by the Financial Reporting Council (the Code) is set out on pages 62 and 63.

IHG has also adopted the corporate governance requirements of the US Sarbanes-Oxley Act and related rules and of the NYSE, to the extent that they are applicable to it as a foreign private issuer. As a foreign private issuer, IHG is required to disclose any significant ways in which its corporate governance practices differ from those followed by US companies. These are as follows:

#### Basis of regulation

The Code contains a series of principles and provisions. It is not, however, mandatory for companies to follow these principles. Instead, companies must disclose how they have applied them and disclose, if applicable, any areas of non-compliance along with an explanation for the non-compliance.

In contrast, US companies listed on the NYSE are required to adopt and disclose corporate governance guidelines adopted by the NYSE.

#### Independent Directors

The Code's principles recommend that at least half the Board, excluding the Chairman, should consist of Independent Non-Executive Directors. As at 19 February 2018, the Board consisted of the Chairman, independent at the time of his appointment, three Executive Directors and seven Independent Non-Executive Directors. NYSE listing rules applicable to US companies state that companies must have a majority of independent directors. The NYSE set out five bright line tests for director independence. The Board's judgement is that all of its Non-Executive Directors are independent. However, it did not explicitly take into consideration the NYSE's tests in reaching this determination.

#### Chairman and Chief Executive Officer

The Code recommends that the Chairman and Chief Executive Officer should not be the same individual to ensure that there is a clear division of responsibility for the running of the Company's business. There is no corresponding requirement for US companies. The roles of Chairman and Chief Executive Officer were, as at 19 February 2018 and throughout 2017, fulfilled by separate individuals.

#### Committees

The Company has a number of Board Committees which are similar in purpose and constitution to those required for domestic companies under NYSE rules. The NYSE requires US companies to have audit, remuneration and nominating/corporate governance committees composed entirely of independent directors, as defined under the NYSE rules. The Company's Nomination Committee consists only of Non-Executive Directors and the Company's Audit and Remuneration Committees consists entirely of Non-Executive Directors who are independent under the standards of the Code, which may not necessarily be the same as the NYSE independence standards. The nominating/governance committee is responsible for identifying individuals qualified to become Board members and to recommend

to the Board a set of corporate governance principles. As the Company is subject to the Code, the Company's Nomination Committee is only responsible for nominating, for approval by the Board, candidates for appointment to the Board, although it also assists in developing the role of the Senior Independent Non-Executive Director. The Company's Nomination Committee consists of the Chairman and all the Independent Non-Executive Directors.

The Chairman of the Company is not a member of either the Remuneration or the Audit Committee. As set out on page 56, the Audit Committee is chaired by an Independent Non-Executive Director who, in the Board's view, has the experience and qualifications to satisfy the criterion under US rules for an 'audit committee financial expert'.

#### Non-Executive Director meetings

NYSE rules require that non-management directors of US companies must meet on a regular basis without management present, and independent directors must meet separately at least once per year. The Code requires: (i) the Board Chairman to hold meetings with the Non-Executive Directors without the Executive Directors present; and (ii) the Non-Executive Directors to meet at least annually without the Chairman present to appraise the Chairman's performance. The Company's Non-Executive Directors have met frequently without Executive Directors being present, and intend to continue this practice, after every Board meeting if possible.

#### Shareholder approval of equity compensation plans

The NYSE rules require that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions to those plans. The Company complies with UK requirements which are similar to the NYSE rules. The Board does not, however, explicitly take into consideration the NYSE's detailed definition of 'material revisions'.

#### Code of Conduct

The NYSE requires companies to adopt a code of business conduct and ethics, applicable to directors, officers and employees. Any waivers granted to directors or officers under such a code must be promptly disclosed. As set out on page 161, IHG's Code of Conduct is applicable to all Directors, officers and employees, and further information on the Code of Conduct is available on the Company's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance. No waivers have been granted under the Code of Conduct.

#### Compliance certification

Each chief executive of a US company must certify to the NYSE each year that he or she is not aware of any violation by the Company of any NYSE corporate governance listing standard. As the Company is a foreign private issuer, the Company's Chief Executive Officer is not required to make this certification. However, he is required to notify the NYSE promptly in writing after any of the Company's executive officers become aware of any non-compliance with those NYSE corporate governance rules applicable to the Company.

## Selected five-year consolidated financial information

The selected consolidated financial data set forth in the table below for the years ended 31 December 2013, 2014, 2015, 2016 and 2017 have been prepared in accordance with IFRS as issued by the IASB and in accordance with IFRS as adopted by the EU, and is derived from the audited Group Financial Statements.

IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Group Financial Statements for the years presented. The selected consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Group Financial Statements and notes thereto included elsewhere in this Annual Report and Form 20-F.

### Group income statement data

For the year ended 31 December	\$m, except earnings per ordinary share				
	2017	2016	2015	2014	2013
Revenue	1,784	1,715	1,803	1,858	1,903
Total operating profit before exceptional items	759	707	680	651	668
Exceptional items	4	(29)	819	29	5
Total operating profit	763	678	1,499	680	673
Financial income	4	6	5	3	5
Financial expenses	(89)	(93)	(92)	(83)	(78)
Profit before tax	678	591	1,412	600	600
Tax:					
On profit before exceptional items	(201)	(186)	(180)	(179)	(175)
On exceptional items	116	12	(8)	(29)	(6)
Exceptional tax	-	-	-	-	(45)
	(85)	(174)	(188)	(208)	(226)
Profit for the year from continuing operations:	593	417	1,224	392	374
Attributable to:					
Equity holders of the parent	592	414	1,222	391	372
Non-controlling interest	1	3	2	1	2
Earnings per ordinary share (continuing and total operations):					
Basic	306.7¢	195.3¢	520.0¢	158.3¢	140.9¢
Diluted	305.2¢	193.5¢	513.4¢	156.4¢	139.3¢

### Group statement of financial position data

For the year ended 31 December	\$m, except number of shares				
	2017	2016	2015	2014	2013
Goodwill and other intangible assets	1,467	1,292	1,226	643	518
Property, plant and equipment	425	419	428	741	1,169
Investments and other financial assets	369	359	420	368	321
Non-current trade and other receivables	-	8	3	3	-
Retirement benefit assets	3	-	-	8	7
Non-current tax receivable	16	23	37	34	16
Deferred tax assets	56	48	49	87	108
Current assets	839	778	1,606	624	700
Assets classified as held for sale	-	-	-	310	228
Total assets	3,175	2,927	3,769	2,818	3,067
Current liabilities	1,304	1,134	1,369	943	928
Long-term debt	1,893	1,606	1,239	1,569	1,269
Net (liabilities)/assets	(851)	(759)	319	(717)	(74)
Equity share capital	154	141	169	178	189
IHG shareholders' equity	(858)	(767)	309	(725)	(82)
Number of shares in issue at end of the year (millions)	197	206	248	248	269

## Shareholder information continued

## Return of funds

Since March 2004, the Group has returned over £6.2 billion of funds to shareholders by way of special dividends, capital returns and share repurchase programmes. On 21 February 2017, the Company announced a \$400 million return of funds to shareholders via special dividend with share consolidation. The special dividend was paid on 22 May 2017.

Return of funds programme	Timing	Total return	Returned to date
£501m special dividend <sup>a</sup>	Paid in December 2004	£501m	£501m
£250m share buyback	Completed in 2004	£250m	£250m
£996m capital return <sup>a</sup>	Paid in July 2005	£996m	£996m
£250m share buyback	Completed in 2006	£250m	£250m
£497m special dividend <sup>a</sup>	Paid in June 2006	£497m	£497m
£250m share buyback	Completed in 2007	£250m	£250m
£709m special dividend <sup>a</sup>	Paid in June 2007	£709m	£709m
£150m share buyback	n/a <sup>b</sup>	£150m	£120m
\$500m special dividend <sup>a,c</sup>	Paid in October 2012	£315m <sup>d</sup> (\$500m)	£315m <sup>e</sup> (\$505m)
\$500m share buyback	Completed in 2014	£315m <sup>d</sup> (\$500m)	£315m (\$500m) <sup>f</sup>
\$350m special dividend	Paid in October 2013	£229m <sup>g</sup> (\$350m)	£228m (\$355m) <sup>h</sup>
\$750m special dividend <sup>a</sup>	Paid in July 2014	£447m <sup>i</sup> (\$750m)	£446m (\$763m) <sup>j</sup>
\$1,500m special dividend <sup>a</sup>	Paid in May 2016	£1,038m <sup>k</sup> (\$1,500m)	£1,038m (\$1,500m)
\$400m special dividend <sup>a</sup>	Paid in May 2017	£309m <sup>l</sup> (\$400m)	£309m (\$400m)
<b>Total</b>		<b>£6,256m</b>	<b>£6,224m</b>

<sup>a</sup> Accompanied by a share consolidation.

<sup>b</sup> This programme was superseded by the share buyback programme announced on 7 August 2012.

<sup>c</sup> IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008.

<sup>d</sup> The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.63, as set out in the circular detailing the special dividend and share buyback programme published on 14 September 2012.

<sup>e</sup> Sterling dividend translated at \$1=£0.624.

<sup>f</sup> Translated into US dollars at the average rates of exchange for the relevant years (2014 \$1=£0.61; 2013 \$1=£0.64; 2012 \$1 = £0.63).

<sup>g</sup> The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate of \$1=£0.65, as announced in the Half-Year Results to 30 June 2013.

<sup>h</sup> Sterling dividend translated at \$1=£0.644.

<sup>i</sup> The dividend was first determined in US dollars and converted to sterling immediately before announcement at the rate translated at \$1=£0.597.

<sup>j</sup> Sterling dividend translated at \$1=£0.5845.

<sup>k</sup> The dividend was first determined in US dollars and converted to sterling at the rate of \$1 = £0.6923, as announced on 12 May 2016.

<sup>l</sup> The dividend was first determined in US dollars and converted to sterling at the rate of \$1 = £0.7724, as announced on 11 May 2017.

## Purchases of equity securities by the Company and affiliated purchasers

During the financial year ended 31 December 2017, no ordinary shares were purchased by the Company and the Company's employee share ownership trust.

	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programmes	Maximum number of shares (or units) that may be purchased under the plans or programmes
Month 1 (no purchases this month)	nil	nil	nil	19,751,738 <sup>a</sup>
Month 2 (no purchases this month)	nil	nil	nil	19,751,738 <sup>a</sup>
Month 3 (no purchases this month)	nil	nil	nil	19,751,738 <sup>a</sup>
Month 4 (no purchases this month)	nil	nil	nil	19,751,738 <sup>a</sup>
Month 5 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 6 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 7 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 8 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 9 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 10 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 11 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>
Month 12 (no purchases this month)	nil	nil	nil	18,999,018 <sup>b</sup>

<sup>a</sup> Reflects the resolution passed at the Company's AGM held on 6 May 2016.

<sup>b</sup> Reflects the resolution passed at the Company's AGM held on 5 May 2017.

## Share price information

The principal trading market for the Company's ordinary shares is the London Stock Exchange (LSE). The ordinary shares are also listed on the NYSE, trading in the form of ADSs evidenced by ADRs. Each ADS represents one ordinary share. The Company has a sponsored ADR facility with JPMorgan as ADR Depositary. The following table shows, for the financial periods indicated, the reported high and low middle market quotations (which represent an average of closing bid and ask prices) for the ordinary shares on the LSE, as derived from the Official List of the UK Listing Authority, and the highest and lowest sales prices of the ADSs as reported on the NYSE composite tape.

Year ended 31 December	£ per ordinary share		\$ per ADS <sup>a</sup>	
	high	low	high	low
2013	20.39	17.37	33.54	26.90
2014	27.10	18.66	42.51	30.88
2015	28.80	22.09	43.55	33.52
2016	36.38	21.84	44.67	32.11
<b>2017</b>	<b>47.19</b>	<b>36.66</b>	<b>63.51</b>	<b>44.96</b>
Quarters in the year ended 31 December				
<b>2016</b>				
First quarter	28.71	21.84	41.27	32.11
Second quarter	29.28	25.25	41.86	35.14
Third quarter	33.65	27.59	44.67	36.81
Fourth quarter	36.38	30.21	44.33	38.16
<b>2017</b>				
First quarter	<b>39.37</b>	<b>36.66</b>	<b>49.06</b>	<b>44.96</b>
Second quarter	<b>44.68</b>	<b>38.42</b>	<b>57.66</b>	<b>48.29</b>
Third quarter	<b>44.11</b>	<b>36.68</b>	<b>57.06</b>	<b>49.14</b>
Fourth quarter	<b>47.19</b>	<b>39.87</b>	<b>63.51</b>	<b>52.84</b>
<b>2018</b>				
First quarter (to 19 February)	49.28	44.98	68.90	62.17
<b>Month ended</b>				
August 2017	<b>44.11</b>	<b>38.12</b>	<b>57.04</b>	<b>49.43</b>
September 2017	<b>39.48</b>	<b>36.68</b>	<b>52.95</b>	<b>49.14</b>
October 2017	<b>41.83</b>	<b>39.87</b>	<b>55.59</b>	<b>52.84</b>
November 2017	<b>44.06</b>	<b>42.10</b>	<b>58.76</b>	<b>55.73</b>
December 2017	<b>47.19</b>	<b>43.67</b>	<b>63.51</b>	<b>58.99</b>
January 2018	49.28	46.85	68.90	63.27
February 2018 (to 19 February)	47.20	44.98	67.34	62.17

<sup>a</sup> Fluctuations in the exchange rates between sterling and the US dollar will affect the dollar equivalent of the sterling price of the ordinary shares on the LSE and, as a result, are likely to affect the market price of ADSs.

## Dividend history

The table below sets forth the amounts of ordinary dividends on each ordinary share and special dividends, in respect of each financial year indicated.

	Interim dividend		Final dividend		Total dividend		Special dividend	
	pence	cents	pence	cents	pence	cents	pence	cents
2017	<b>24.4</b>	<b>33.0</b>	<b>N/A<sup>a</sup></b>	<b>71.0</b>	<b>N/A<sup>a</sup></b>	<b>104.0</b>	<b>156.4<sup>b</sup></b>	<b>202.5<sup>b</sup></b>
2016	22.6	30.0	49.4	64.0	72.0	94.0	438.2 <sup>b</sup>	632.9 <sup>b</sup>
2015	17.7	27.5	40.3	57.5	58.0	85.0	-	-
2014	14.8	25.0	33.8	52.0	48.6	77.0	174.9 <sup>b</sup>	293.0 <sup>b</sup>
2013	15.1	23.0	28.1	47.0	43.2	70.0	87.1	133.0
2012	13.5	21.0	27.7	43.0	41.2	64.0	108.4 <sup>b</sup>	172.0 <sup>b</sup>
2011	9.8	16.0	24.7	39.0	34.5	55.0	-	-
2010	8.0	12.8	22.0	35.2	30.0	48.0	-	-
2009	7.3	12.2	18.7	29.2	26.0	41.4	-	-
2008 <sup>c</sup>	6.4	12.2	20.2	29.2	26.6	41.4	-	-
2007	5.7	11.5	14.9	29.2	20.6	40.7	200 <sup>b</sup>	-
2006	5.1	9.6	13.3	25.9	18.4	35.5	118 <sup>b</sup>	-
2005	4.6	8.1	10.7	18.7	15.3	26.8	-	-

<sup>a</sup> The sterling amount of the final dividend will be announced on 23 April 2018 using the average of the daily exchange rates from 18 April 2018 to 20 April 2018 inclusive.

<sup>b</sup> Accompanied by a share consolidation.

<sup>c</sup> IHG changed the reporting currency of its Consolidated Financial Statements from sterling to US dollars effective from the Half-Year Results as at 30 June 2008. Starting with the interim dividend for 2008, all dividends have first been determined in US dollars and converted into sterling prior to payment.

## Shareholder information continued

### Shareholder profiles

#### Shareholder profile by type as at 31 December 2017

Category of shareholder	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
Private individuals	34,948	93.53	9,468,586	4.79
Nominee companies	1,451	3.88	162,026,026	82.00
Limited and public limited companies	812	2.17	15,560,735	7.87
Other corporate bodies	147	0.39	10,431,329	5.28
Pension funds, insurance companies and banks	10	0.03	110,934	0.06
Total	37,368	100	197,597,610	100

#### Shareholder profile by size as at 31 December 2017

Range of shareholdings	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
1-199	25,075	67.10	1,514,320	0.77
200-499	6,775	18.13	2,123,354	1.07
500-999	2,831	7.58	1,968,555	1.00
1,000-4,999	1,883	5.04	3,630,490	1.84
5,000-9,999	221	0.59	1,560,634	0.79
10,000-49,999	323	0.86	6,957,954	3.52
50,000-99,999	93	0.25	6,746,735	3.41
100,000-499,999	119	0.32	27,636,466	13.99
500,000-999,999	22	0.06	15,829,002	8.01
1,000,000 and above	26	0.07	129,630,100	65.60
Total	37,368	100	197,597,610	100

#### Shareholder profile by geographical location as at 31 December 2017

Country/Jurisdiction	Percentage of issued share capital <sup>a</sup>
UK	48.1
Rest of Europe	17.5
US (including ADRs)	32.1
Rest of world	2.3
Total	100

<sup>a</sup> The geographical profile presented is based on an analysis of shareholders (by manager) of 40,000 shares or above where geographical ownership is known. This analysis only captures 90.4% of total issued share capital. Therefore, the known percentage distributions have been multiplied by 100/90.4 (1.106) to achieve the figures shown in the table above.

As of 19 February 2018, 13,494,031 ADSs equivalent to 13,494,031 ordinary shares, or approximately 7.10% of the total issued share capital, were outstanding and were held by 512 holders. Since certain ordinary shares are registered in the names of nominees, the number of shareholders on record may not be representative of the number of beneficial owners.

As of 19 February 2018, there were a total of 37,199 recorded holders of ordinary shares, of whom 269 had registered addresses in the US and held a total of 410,801 ordinary shares (0.21% of the total issued share capital).

## Exhibits

The following exhibits are filed as part of this Annual Report on Form 20-F with the SEC.

Exhibit 1 <sup>a</sup>	Articles of Association of the Company (incorporated by reference to Exhibit 1 of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(a)(i) <sup>a</sup>	Amended and restated trust deed dated 11 August 2016 relating to a £2 billion Euro Medium Term Note Programme, among InterContinental Hotels Group PLC, Six Continents Limited, InterContinental Hotels Limited and HSBC Corporate Trustee Company (UK) Limited (incorporated by reference to Exhibit 4(a)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1 – 10409) date 2 March 2017)
Exhibit 4(a)(ii) <sup>a</sup>	Five-year \$1.275 billion bank facility agreement dated 30 March 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Citibank, N.A. London Branch, Commerzbank Aktiengesellschaft, London Branch, DBS Bank Ltd., London Branch, HSBC Bank plc, SunTrust Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Royal Bank Of Scotland plc, U.S. Bank National Association and Wells Fargo Bank N.A., London Branch (incorporated by reference to Exhibit 4a(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1 – 10409) dated 3 March 2016)
Exhibit 4(a)(iii) <sup>a</sup>	\$400 million bank facility agreement dated 13 January 2015, among InterContinental Hotels Group PLC and certain of its subsidiaries, and Bank of America Merrill Lynch International Limited (incorporated by reference to Exhibit 4(a)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(a)(iv) <sup>a</sup>	Share sale and purchase agreement relating to InterContinental Paris – Le Grand, between BHR Holdings BV and Constellation Hotels France Grand SA dated 7 December 2014 (incorporated by reference to Exhibit 4(a)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(a)(v) <sup>a</sup>	Share sale and purchase agreement between Kimpton Group Holding LLC and Dunwoody Operations, Inc. dated 15 December 2014 (incorporated by reference to Exhibit 4(a)(ii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(a)(vi) <sup>a</sup>	Share sale and purchase agreement relating to InterContinental Hong Kong, between Hotel InterContinental London (Holdings) Limited and Supreme Key Limited dated 10 July 2015 (incorporated by reference to Exhibit 4(a)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 3 March 2016)
Exhibit 4(c)(i) <sup>a</sup>	Paul Edgecliffe-Johnson's service contract dated 6 December 2013, commencing on 1 January 2014 (incorporated by reference to Exhibit 4(c)(i) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2014)
Exhibit 4(c)(ii) <sup>a</sup>	Richard Solomons' service contract dated 16 March 2011, commencing on 1 July 2011 (incorporated by reference to Exhibit 4(c)(iii) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 11 April 2011)
Exhibit 4(c)(iii) <sup>a</sup>	Rules of the InterContinental Hotels Group Long Term Incentive Plan as amended on 2 May 2014 (incorporated by reference to Exhibit 4(c)(ix) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(c)(iv) <sup>a</sup>	Rules of the InterContinental Hotels Group Annual Performance Plan as amended on 2 May 2014 (incorporated by reference to Exhibit 4(c)(x) of the InterContinental Hotels Group PLC Annual Report on Form 20-F (File No. 1-10409) dated 26 February 2015)
Exhibit 4(c)(v)	Keith Barr's service contract dated 5 May 2017, commencing on 1 July 2017
Exhibit 4(c)(vi)	Elie Maalouf's service contract dated 19 October 2017, commencing on 1 January 2018
Exhibit 8	List of subsidiaries as at 31 December 2017 (can be found on pages 141 to 143)
Exhibit 12(a)	Certification of Keith Barr filed pursuant to 17 CFR 240.13a-14(a)
Exhibit 12(b)	Certification of Paul Edgecliffe-Johnson filed pursuant to 17 CFR 240.13a-14(a)
Exhibit 13(a)	Certification of Keith Barr and Paul Edgecliffe-Johnson furnished pursuant to 17 CFR 240.13a-14(b) and 18 U.S.C.1350
Exhibit 15(a)	Consent of independent registered public accounting firm, Ernst & Young LLP
Exhibit 101	XBRL Instance Document and related items

<sup>a</sup> Incorporated by reference.

## Form 20-F cross-reference guide

Item	Form 20-F caption	Location in this document	Page
<b>1</b>	<b>Identity of directors, senior management and advisers</b>	Not applicable	-
<b>2</b>	<b>Offer statistics and expected timetable</b>	Not applicable	-
<b>3</b>	<b>Key information</b>		
	3A – Selected financial data	Shareholder information: Selected five-year consolidated financial information	177
		Shareholder information: Dividend history	179
	3B – Capitalisation and indebtedness	Not applicable	-
	3C – Reason for the offer and use of proceeds	Not applicable	-
	3D – Risk factors	Group information: Risk factors	164-167
<b>4</b>	<b>Information on the Company</b>		
	4A – History and development of the Company	Group information: History and developments	164
		Shareholder information: Return of funds	178
		Useful information: Contacts	187
	4B – Business overview	Strategic Report	2-43
		Group information: Working Time Regulations 1998	170
		Group Information: Risk factors	164-167
	4C – Organisational structure	Group Financial Statements: Note 33 – Group companies	141-143
	4D – Property, plants and equipment	Strategic Report: Key performance indicators	23-25
		Directors' Report: Greenhouse gas (GHG) emissions	162
		Group Financial Statements: Note 12 – Property, plant and equipment	116
<b>4A</b>	<b>Unresolved staff comments</b>	None	-
<b>5</b>	<b>Operating and financial review and prospects</b>		
	5A – Operating results	Strategic Report: Performance	26-43
		Group Financial Statements: Accounting policies	95-103
		Viability statement	22
	5B – Liquidity and capital resources	Strategic Report: Performance – Liquidity and capital resources	43
		Group Financial Statements: Note 17 – Cash and cash equivalents	123
		Group Financial Statements: Note 20 – Loans and other borrowings	124-125
		Group Financial Statements: Note 22 – Financial risk management	126-129
		Group Financial Statements: Note 23 – Fair value measurement	129-130
		Group Financial Statements: Note 24 – Reconciliation of profit for the year to cash flow from operations	131
	5C – Research and development; intellectual property	Not applicable	-
	5D – Trend information	Strategic Report: Performance	26-43
	5E – Off-balance sheet arrangements	Strategic Report: Performance – Liquidity and capital resources – Off-balance sheet arrangements	43
	5F – Tabular disclosure of contractual obligations	Strategic Report: Performance – Liquidity and capital resources	43
	5G – Safe harbour	Additional Information: Forward-looking statements	188
	5H – Non-GAAP financial measures	Strategic Report: Performance	26
		Other financial information	154-156
		Group Financial Statements: Note 9 – Earnings per ordinary share	115
		Group Financial Statements: Note 21 – Net debt	126
<b>6</b>	<b>Directors, senior management and employees</b>		
	6A – Directors and senior management	Corporate Governance: Our Board of Directors and Our Executive Committee	48-51
	6B – Compensation	Directors' Remuneration Report	64-77
		Group Financial Statements: Note 25 – Retirement benefits	131-135
		Group Financial Statements: Note 31 – Related party disclosures	140
		Group Financial Statements: Note 26 – Share-based payments	135-136
	6C – Board practices	Corporate Governance	47-63
	6D – Employees	Group Financial Statements: Note 3 – Staff costs and Directors' emoluments	109
		Group information: Working Time Regulations 1998	170
		Directors' Report: Employees and Code of Conduct	161
	6E – Share ownership	Directors' Remuneration Report: Annual Report on Directors' Remuneration – Scheme interests awarded during 2017	72
		Directors' Remuneration Report: Annual Report on Directors' Remuneration – Statement of Directors' shareholdings and share interests	73,76
		Group Financial Statements: Note 26 – Share-based payments	135-136
		Group information: Directors and Executive Committee members' shareholdings	167
<b>7</b>	<b>Major shareholders and related party transactions</b>		
	7A – Major shareholders	Directors' Report: Major institutional shareholders	160
		Shareholder information: Shareholder profiles	180
	7B – Related party transactions	Group Financial Statements: Note 14 – Investment in associates and joint ventures	119-120
		Group Financial Statements: Note 31 – Related party disclosures	140
	7C – Interests of experts and counsel	Not applicable	-



Item	Form 20-F caption	Location in this document	Page
<b>8</b>	<b>Financial Information</b>		
	8A – Consolidated statements and other financial information	Directors' Report: Dividends Group Financial Statements Group Information: Legal proceedings Strategic Report: Performance – Other financial information	160 78–143 172 42
	8B – Significant changes	None	–
<b>9</b>	<b>The offer and listing</b>		
	9A – Offer and listing details	Shareholder information: Share price information	179
	9B – Plan of distribution	Not applicable	–
	9C – Markets	Shareholder information: Share price information	179
	9D – Selling shareholders	Not applicable	–
	9E – Dilution	Not applicable	–
	9F – Expenses of the issue	Not applicable	–
<b>10</b>	<b>Additional information</b>		
	10A – Share capital	Not applicable	–
	10B – Memorandum and articles of association	Group information: Articles of Association Group information: Rights attaching to shares	169–170 169
	10C – Material contracts	Group information: Material contracts	171–172
	10D – Exchange controls	Shareholder information: Exchange controls and restrictions on payment of dividends	172
	10E – Taxation	Shareholder information: Taxation	173–175
	10F – Dividends and paying agents	Not applicable	–
	10G – Statement by experts	Not applicable	–
	10H – Documents on display	Useful information: Investor information – Documents on display	186
	10I – Subsidiary information	Not applicable	–
<b>11</b>	<b>Quantitative and qualitative disclosures about market risk</b>	Group Financial Statements: Note 22 – Financial risk management	126–129
<b>12</b>	<b>Description of securities other than equity securities</b>		
	12A – Debt securities	Not applicable	–
	12B – Warrants and rights	Not applicable	–
	12C – Other securities	Not applicable	–
	12D – American depository shares	Group information: Description of securities other than equity securities	168
<b>13</b>	<b>Defaults, dividend arrearages and delinquencies</b>	Not applicable	–
<b>14</b>	<b>Material modifications to the rights of security holders and use of proceeds</b>	Not applicable	–
<b>15</b>	<b>Controls and Procedures</b>		
		Shareholder information: Disclosure controls and procedures	175
		Group Financial Statements: Statement of Directors' Responsibilities – Management's report on internal control over financial reporting	80
		Group Financial Statements: Independent Auditor's US Report	87
<b>16</b>	16A – Audit committee financial expert	Corporate Governance: Audit Committee Report Shareholder information: Summary of significant corporate governance differences from NYSE listing standards – Committees	56 176
	16B – Code of ethics	Directors' Report: Employees and Code of Conduct Strategic Report: Doing business responsibly Shareholder information: Summary of significant corporate governance differences from NYSE listing standards	161 18–19 176
	16C – Principal accountant fees and services	Corporate Governance: Audit Committee Report – External auditor Corporate Governance: Audit Committee Report – Non-audit services Group Financial Statements: Note 4 – Auditor's remuneration paid to Ernst & Young LLP	59 58 109
	16D – Exemptions from the listing standards for audit committees	Not applicable	–
	16E – Purchase of equity securities by the issuer and affiliated purchasers	Shareholder information: Purchases of equity securities by the Company and affiliated purchasers	178
	16F – Change in registrant's certifying accountant	Not applicable	–
	16G – Corporate Governance	Shareholder information: Summary of significant corporate governance differences from NYSE listing standards	176
	16H – Mine safety disclosure	Not applicable	–
<b>17</b>	<b>Financial statements</b>	Not applicable	–
<b>18</b>	<b>Financial statements</b>	Group Financial Statements	78–143
<b>19</b>	<b>Exhibits</b>	Additional Information: Exhibits	181

## Glossary

### adjusted

excluding the effect of exceptional items and any relevant tax.

### ADR

an American Depositary Receipt, being a receipt evidencing title to an ADS.

### ADR Depositary (JPMorgan)

JPMorgan Chase Bank N.A.

### ADS

an American Depositary Share as evidenced by an ADR, being a registered negotiable security, listed on the New York Stock Exchange, representing one ordinary share of 18 <sup>318</sup>/<sub>329</sub> pence each of the Company.

### AGM

Annual General Meeting of InterContinental Hotels Group PLC.

### AMEA

Asia, Middle East and Africa.

### Annual Report

The Annual Report and Form 20-F in relation to the years ending 31 December 2016 or 2017 as relevant.

### APP

Annual Performance Plan.

### Articles

the Articles of Association of the Company for the time being in force.

### average daily rate

rooms revenue divided by the number of room nights sold.

### basic earnings per ordinary share

profit available for IHG equity holders divided by the weighted average number of ordinary shares in issue during the year.

### Board

The Board of Directors of InterContinental Hotels Group PLC.

### capital expenditure

purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.

### cash-generating units (CGUs)

the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### Code

UK Corporate Governance Code issued in September 2014 by the Financial Reporting Council in the UK.

### Companies Act

the Companies Act 2006, as amended from time to time.

### Company or Parent Company

InterContinental Hotels Group PLC.

### comparable RevPAR

a comparison for a grouping of hotels that have traded in all months in financial years being compared. Principally excludes new hotels, hotels closed for major refurbishment and hotels sold in either of the two years.

### Compound Annual Growth Rate (CAGR)

the annual growth rate over a period of years, calculated on the basis that each year's growth is compounded, that is, the amount of growth in each year is included in the following year's number, which in turn grows further.

### constant currency

a current-year value translated using the previous year's exchange rates.

### contingencies

liabilities that are contingent upon the occurrence of one or more uncertain future events.

### continuing operations

operations not classified as discontinued.

### currency swap

an exchange of a deposit and a borrowing, each denominated in a different currency, for an agreed period of time.

### Deferred Compensation Plan

the Defined Contribution Deferred Compensation Plan.

### derivatives

financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.

### direct channels

methods of booking hotel rooms (both digital and voice) not involving third-party intermediaries.

### Director

a director of InterContinental Hotels Group PLC.

### DR Policy

Directors' Remuneration Policy. The revised DR Policy is not included in this year's report, but can be found on our website. A summary can be found in the Remuneration Report.

### EBIT

earnings before interest and tax.

### EBITDA

earning before interest, tax, depreciation and amortisation.

### Employee Engagement survey

we ask our employees and those who work in our managed hotels (excluding our joint venture hotels) to participate in a survey to measure employee engagement.

### EU

the European Union.

### euro or €

the currency of the European Economic and Monetary Union.

### exceptional items

items that are disclosed separately because of their size or nature.

### extended-stay

hotels designed for guests staying for periods of time longer than a few nights and tending to have a higher proportion of suites than normal hotels (Staybridge Suites and Candlewood Suites).

### fee business

IHG's franchise and managed businesses combined.

### fee margin or fee-based margin

operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases, Kimpton in 2015 only, and significant liquidated damages.

### franchisee

an owner who uses a brand under licence from IHG.

### goodwill

the difference between the consideration given for a business and the total of the fair values of the separable assets and liabilities comprising that business.

### Group or IHG

the Company and its subsidiaries.

### Guest Love

IHG's guest satisfaction measurement tool used to measure brand preference and guest satisfaction.

### Guest Reservation System or GRS

our global electronic guest reservation system, currently HOLIDEX, IHG's proprietary system.

### hedging

the reduction of risk, normally in relation to foreign currency or interest rate movements, by making offsetting commitments.

### hotel revenue

revenue from all revenue-generating activity undertaken by managed and owned and leased hotels, including room nights, food and beverage sales.

### IASB

International Accounting Standards Board.

### ICETUS

InterContinental Executive Top-Up Scheme.

### IC Plan

InterContinental Hotels UK Pension Plan.

### IFRS

International Financial Reporting Standards as adopted by the EU and issued by the IASB.

**IHG PLC**

InterContinental Hotels Group PLC.

**indirect channels**

online travel intermediaries and business and leisure travel agents.

**interest rate swap**

an agreement to exchange fixed for floating interest rate streams (or vice versa) on a notional principal.

**liquidated damages**

payments received in respect of the early termination of franchise and management contracts.

**LTIP**

Long Term Incentive Plan.

**managed leases**

properties structured as operating leases but with the same characteristics as management contracts.

**management contract**

a contract to operate a hotel on behalf of the hotel owner.

**market capitalisation**

the value attributed to a listed company by multiplying its share price by the number of shares in issue.

**net debt**

borrowings less cash and cash equivalents, including the exchange element of the fair value of currency swaps hedging the borrowings.

**net rooms supply**

net total number of IHG system hotel rooms.

**NYSE**

New York Stock Exchange.

**occupancy rate**

rooms occupied by hotel guests, expressed as a percentage of rooms that are available.

**ordinary share**

from 9 October 2012 until 30 June 2014, the ordinary shares of 14 <sup>194</sup>/<sub>329</sub> pence each in the Company; from 1 July 2014, the ordinary shares of 15 <sup>265</sup>/<sub>329</sub> pence each in the Company; and from 9 May 2016 the ordinary shares of 18 <sup>318</sup>/<sub>329</sub> pence each in the Company; and from 8 May 2017 the ordinary shares of 19 <sup>17</sup>/<sub>21</sub> pence each in the Company.

**owner**

the ultimate owner of a hotel property.

**pipeline**

hotels/rooms that will enter the IHG System at a future date. A new hotel only enters the pipeline once a contract has been signed and the appropriate fees paid. In rare circumstances, a hotel will not open for reasons such as the financing being withdrawn.

**ppt**

a percentage point is the unit for the arithmetic difference of two percentages.

**revenue management**

the employment of pricing and segment strategies to optimise the revenue generated from the sale of room nights.

**revenue per available room or RevPAR**

rooms revenue divided by the number of room nights that are available (can be mathematically derived from occupancy rate multiplied by average daily rate).

**room count**

number of rooms franchised, managed, owned or leased by IHG.

**rooms revenue**

revenue generated from the sale of room nights.

**royalties**

fees, based on rooms revenue, that a franchisee pays to the Group.

**SEC**

US Securities and Exchange Commission.

**sterling or pounds sterling, £, pence or p**

the pound sterling, the currency of the United Kingdom.

**subsidiary**

a company over which the Group exercises control.

**System**

hotels/rooms operating under franchise and management agreements together with IHG owned and leased hotels/rooms, globally (the IHG System) or on a regional basis, as the context requires.

**System contribution to revenue**

percentage of rooms revenue delivered through IHG's direct and indirect systems and channels.

**System Fund or Fund**

assessment fees and contributions collected from hotels within the IHG System which fund activities that drive revenue to our hotels including marketing, the IHG Rewards Club loyalty programme and our distribution channels.

**technology fee income**

income received from hotels under franchise and management agreements for the use of IHG's Guest Reservation System.

**total gross revenue**

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

**Total Shareholder Return or TSR**

the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity.

**UK**

the United Kingdom.

**UK GAAP**

United Kingdom Generally Accepted Accounting Practice.

**underlying fee revenue**

Group revenue excluding revenue from owned and leased hotels, managed leases, and significant liquidated damages.

**US**

the United States of America.

**US 401(k) Plan**

the Defined Contribution 401(k) plan.

**US dollars, US\$, \$ or ¢**

the currency of the United States of America.

**working capital**

the sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

## Useful information

### Investor information

#### Website and electronic communication

As part of IHG's commitment to reduce the cost and environmental impact of producing and distributing printed documents in large quantities, this Annual Report and Form 20-F 2017 has been made available to shareholders through our website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Annual Report.

Shareholders may electronically appoint a proxy to vote on their behalf at the 2018 AGM. Shareholders who hold their shares through CREST may appoint proxies through the CREST electronic proxy appointment service, by using the procedures described in the CREST Manual.

#### Shareholder hotel discount

IHG offers discounted hotel stays (subject to availability) for registered shareholders only, through a controlled-access website. This is not available to shareholders who hold shares through nominee companies, ISAs or ADRs. For further details please contact the Company Secretary's office (see page 187).

#### Responsible Business Report

In line with our commitment to responsible business practices, this year we have produced a Responsible Business Report showcasing our approach to responsible business and progress against our corporate responsibility targets.



Visit [www.ihgplc.com/responsible-business](http://www.ihgplc.com/responsible-business) for details.

#### The IHG® Foundation

Launched in 2016, the IHG Foundation is an independent charity that sets the foundations for stronger, healthier and more prosperous communities around the world.



Visit [www.ihgfoundation.com](http://www.ihgfoundation.com) to learn more.

#### Registrar

For information on a range of shareholder services, including enquiries concerning individual shareholdings, notification of a shareholder's change of address and amalgamation of shareholder accounts (in order to avoid duplicate mailing of shareholder communications), shareholders should contact the Company's Registrar, Equiniti, on 0371 384 2132<sup>a</sup> (calls from within the UK) or +44 (0) 121 415 7034 (calls from outside the UK).

#### Dividend services

##### Dividend Reinvestment Plan (DRIP)

The Company offers a DRIP for shareholders to purchase additional IHG shares with their cash dividends. For further information about the DRIP, please contact our Registrar helpline on 0371 384 2268<sup>a</sup>.



See [www.shareview.co.uk/info/drip](http://www.shareview.co.uk/info/drip) for a DRIP application form and information booklet.

#### Bank mandate

We encourage shareholders to have their dividends paid directly into their UK bank or building society accounts, to ensure efficient payment and clearance of funds on the payment date. For further information, please contact our Registrar (see page 187).

#### Overseas payment service

It is also possible for shareholders to have their dividends paid directly to their bank accounts in a local currency. Charges are payable for this service.



Go to [www.shareview.co.uk/info/ops](http://www.shareview.co.uk/info/ops) for further information.

#### Out-of-date/unclaimed dividends

If you think that you have out-of-date dividend cheques or unclaimed dividend payments, please contact our Registrar (see page 187).

#### Individual Savings Account (ISA)

Equiniti offers a Stocks and Shares ISA that can invest in IHG shares. For further information, please contact Equiniti on 0371 384 2244<sup>a</sup>.

#### Share dealing services

Equiniti offers the following share-dealing facilities.

##### Postal dealing

For more information, call 0371 384 2248<sup>a</sup>.

##### Telephone dealing

For more information, call 0345 603 7037<sup>b</sup>.

##### Internet dealing

Visit [www.shareview.co.uk](http://www.shareview.co.uk) for more information.

#### Changes to the base cost of IHG shares

Details of all the changes to the base cost of IHG shares held from April 2003 to December 2017, for UK Capital Gains Tax purposes, may be found on our website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Shareholder centre in the Tax information section.

#### 'Gone away' shareholders

Working with ProSearch (an asset reunification company), we continue to look for shareholders who have not kept their contact details up to date. We have funds waiting to be claimed and are committed to doing what we can to pay these to their rightful owners. Please contact ProSearch on +44 (0) 800 612 8671 or email [info@prosearchassets.com](mailto:info@prosearchassets.com) for further details.

#### Shareholder security

Many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. More detailed information on this or similar activity can be found at [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers) on the Financial Conduct Authority website.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

#### American Depositary Receipts (ADRs)

The Company's shares are listed on the NYSE in the form of American Depositary Shares, evidenced by ADRs and traded under the symbol 'IHG'. Each ADR represents one ordinary share. All enquiries regarding ADR holder accounts and payment of dividends should be directed to JPMorgan Chase Bank, N.A., our ADR Depositary bank (contact details shown on page 187).

#### Documents on display

Documents referred to in this Annual Report and Form 20-F that are filed with the SEC can be found at the SEC's public reference room located at 100 F Street, NE Washington, DC 20549. For further information and copy charges please call the SEC at 1-800-SEC-0330. The Company's SEC filings since 22 May 2002 are also publicly available through the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of the Company's Articles can be obtained via the website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under Corporate governance or from the Company's registered office on request.

<sup>a</sup> Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

<sup>b</sup> Lines are open from 8.00am to 4.30pm Monday to Friday, excluding UK public holidays.

## Financial calendars

### Dividends

	2017
2017 Special dividend of 156.4p per ordinary share (202.5¢ per ADR)	
Record date	5 May
Ex-dividend date	8 May
Payment date	22 May
2017 Interim dividend of 24.4p per share (33.0¢ per ADR)	
Payment date	6 October
	2018
2017 Final dividend of 71.0¢ per ordinary share <sup>a</sup>	
Ex-dividend date	29 March
Record date	3 April
Payment date	11 May

### Other dates

	2017
Financial year end	31 December
	2018
Announcement of Preliminary Results for 2017	20 February
Announcement of 2018 First Quarter Interim Management Statement	4 May
Annual General Meeting	4 May
Announcement of Half-Year Results for 2018	7 August
Announcement of 2018 Third Quarter Interim Management Statement	19 October
Financial year end	31 December
	2019
Announcement of Preliminary Results for 2018	February

<sup>a</sup> The sterling amount of the final dividend will be announced on 23 April 2018 using the average of the daily exchange rates from 18, 19, 20 April 2018 inclusive.

## Contacts

### Registered office

Broadwater Park, Denham, Buckinghamshire, UB9 5HR, United Kingdom

Telephone:  
+44 (0) 1895 512 000

Fax:  
+44 (0) 1895 512 101

[www.ihgplc.com](http://www.ihgplc.com)

For general information about the Group's business, please contact the Corporate Affairs department at the above address. For all other enquiries, please contact the Company Secretary's office at the above address.

### Registrar

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom

Telephone:  
0371 384 2132 (UK calls)  
+44 (0) 121 415 7034 (non-UK calls)

For those with hearing difficulties a text phone is available on 0371 384 2255 for UK callers with compatible equipment.

[www.shareview.co.uk](http://www.shareview.co.uk)

### ADR Depositary

JPMorgan Chase Bank N.A., PO Box 64504, St. Paul, MN 55164-0504, United States of America

Telephone:  
+1 800 990 1135 (US calls) (toll-free)  
+1 651 453 2128 (non-US calls)

Email: [jpmorgan.adr@wellsfargo.com](mailto:jpmorgan.adr@wellsfargo.com)

[www.adr.com](http://www.adr.com)

### Auditor

Ernst & Young LLP

### Investment bankers

Bank of America Merrill Lynch  
Goldman Sachs

### Solicitors

Freshfields Bruckhaus Deringer LLP

### Stockbrokers

Bank of America Merrill Lynch  
Goldman Sachs

### IHG® Rewards Club

If you wish to enquire about, or join, IHG Rewards Club, visit [www.ihg.com/rewardsclub](http://www.ihg.com/rewardsclub) or telephone:

0871 226 1111<sup>a</sup> (UK)  
+44 20 3349 9033<sup>b</sup> (Europe and Africa)  
+1 888 211 9874<sup>c</sup> (US and Canada)  
+1 800 272 9273<sup>c</sup> (Mexico)  
+1 801 975 3013<sup>d</sup> (Spanish) (Central and South America)  
+971 4 429 0530<sup>d</sup> (Middle East)  
+61 2 9935 8362<sup>d</sup> (Australia)  
+86 21 2033 4848<sup>d</sup> (Mandarin and Cantonese) (China)  
+81 3 5767 9325<sup>d</sup> (Japan)  
+63 2 857 8778<sup>d</sup> (Korea)  
+63 2 857 8788<sup>d</sup> (all other countries in Asia Pacific)

<sup>a</sup> Telephone calls to this number are charged at 13p per minute. Standard network rates apply. Calls from mobiles will be higher.

<sup>b</sup> International calling rates apply.

<sup>c</sup> Toll-free.

<sup>d</sup> Toll charges apply.

## Forward-looking statements

The Annual Report and Form 20-F 2017 contains certain forward-looking statements as defined under US legislation (Section 21E of the Securities Exchange Act of 1934) with respect to the financial condition, results of operations and business of InterContinental Hotels Group and certain plans and objectives of the Board of Directors of InterContinental Hotels Group PLC with respect thereto. Such statements include, but are not limited to, statements made in the Chairman's statement and in the Chief Executive Officer's review. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. These statements are based on assumptions and assessments made by InterContinental Hotels Group's management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements, including, but not limited to: the risks of political and economic developments; the risk of events that adversely impact domestic or international travel; the risks of the hotel industry supply-and-demand cycle; the Group being subject to a competitive

and changing industry; the Group's exposure to risks related to executing and realising benefits from strategic transactions, including acquisitions; the Group's dependence upon a wide range of external stakeholders and business partners; the Group's exposure to increasing competition from online travel agents and intermediaries; the risks related to identifying, securing and retaining franchise and management agreements; the risks in relation to changing technology and systems; the Group's reliance on the reputation of its brands and is exposed to inherent reputation risks; the Group's exposure to risks associated with its intellectual property; the risks involved in the Group's reliance upon its reservation system and other key technology platforms, and the risks that could cause the failure of these systems; the risks associated with safety, security and crisis management; the ability to acquire and retain the right people, skills and capability to manage growth and change; the risks associated with the Group's financial stability and its ability to borrow and satisfy debt covenants; the risk of litigation; the risks related to information security and data privacy; compliance with existing and changing regulations and societal expectations across numerous countries, territories and jurisdictions; and the risks associated with insuring its business.

The main factors that could affect the business and financial results are described in the Strategic Report of the Annual Report and Form 20-F 2017.

Designed and produced by **Superunion**  
(formerly Addison Group), London.

[www.superunion.com](http://www.superunion.com)

Managed by **Donnelley Financial Solutions**

InterContinental Hotels Group PLC's commitment to environmental issues is reflected in this Annual Report.

This report has been printed on Symbol Matt Plus. Environmental friendly ECF (Elemental Chlorine Free Guaranteed) paper, certified by the FSC® (Forest Stewardship Council). Containing a high content of selected recycled materials (minimum 25% guaranteed).

The FSC® (Forest Stewardship Council) is a worldwide label which identifies products obtained from sustainable and responsible forest management.

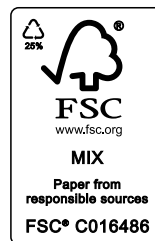
Printed by CPI Colour in the UK, using the latest environmental printing technology and vegetable-based inks.

CPI Colour is a CarbonNeutral® company. Registered with the Environmental Management System ISO14001 and are Forest Stewardship Council (FSC®) chain-of-custody certified.

The unavoidable carbon emissions generated during the manufacturing and delivery of this document have been reduced to net zero through a verified carbon offsetting project.



[CarbonNeutral.com](http://CarbonNeutral.com)



**InterContinental Hotels Group PLC**

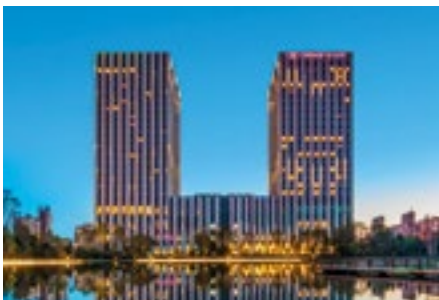
Broadwater Park, Denham  
Buckinghamshire UB9 5HR  
United Kingdom

Tel +44 (0) 1895 512 000

Fax +44 (0) 1895 512 101

Web [www.ihgplc.com](http://www.ihgplc.com)

Make a booking at [www.ihg.com](http://www.ihg.com)



**Crowne Plaza Harbin Songbei, China**

**IHG**<sup>®</sup>

  
INTERCONTINENTAL  
HOTELS & RESORTS

KIMPTON<sup>®</sup>  
HOTELS & RESTAURANTS

  
HUALUXE  
HOTELS AND RESORTS  
華邑酒店及度假村<sup>®</sup>

  
Holiday Inn



avid





  
CROWNE PLAZA  
HOTELS & RESORTS









**IHG**<sup>®</sup> Rewards  
Club