

Chair's statement

Patrick Cescau Chair

The Covid-19 pandemic gripped the world in 2020, changing lives and challenging economies, societal norms and the existence of many businesses. Without doubt, hospitality was one of the sectors hardest hit, and our success this year has been defined as much by our financial health and strategic progress as it has by our ability to offer clarity and care during an unprecedented crisis.

Border closures and restrictions designed to slow the spread of the virus have presented the travel sector with its greatest ever challenge. The World Travel & Tourism Council estimates as many as 174 million jobs have been lost, as businesses have closed or been forced to reduce staff and costs, with entire supply chains feeling the knock-on effect.

No pre-prepared response could have matched the magnitude of the situation. Instead, organisations will have learnt if they were equipped to manage such a crisis or not, and I am proud of IHG's principled response, which has been guided by our purpose of True Hospitality.

Indeed, the experience has outlined the importance of purpose, giving new meaning to our potential to effect positive change, and highlighted the growing expectation that we must deliver that change in a challenging world. We have therefore evolved our purpose from True Hospitality for everyone, to True Hospitality for Good – still committed to looking after all those we interact with, but now more focused on the difference we can make to our people, guests, communities and planet.

We have strived to do the right thing for every stakeholder. As a global company, our asset-light, fee-based, predominantly franchised model, and industry-leading position in upper midscale, means that while Covid-19's impact on our business has been severe, there is also a level of resilience. Nevertheless, working back from the initial peak in April, when one in six of our hotels were closed and global occupancy was at historic lows of -20%, we have had to focus on costs and target pockets of leisure and business demand to help maintain cash flow in difficult circumstances.

Ensuring our business remains robust has, of course, been important, but there are many other dimensions to consider, not least the anxiety this crisis has caused colleagues, or the help that our owners – many of whom are small or medium enterprises – have



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needed to keep their businesses alive. Our guests have also turned to us for enhanced safety and flexibility, and the communities our thousands of hotels are a part of have needed our compassion and support during an extremely challenging time.

Leading through adversity

Working intensely on so many fronts has placed huge demands on our leadership and teams. Testing IHG's strategy, business model and management, this period has illustrated the importance of strong governance and the benefits of our recent business transformation, designed to inject pace, clarity and empowerment into our daily work. These elements have helped us respond to many unique challenges, including temporarily closing and reopening hotels, implementing new cleanliness and safety procedures, reviewing brand standards, reimagining services and operations, pausing priority programmes and accelerating others.

The role of the Board has been to support and constructively challenge – recognising a need for quick decisions but avoiding short-term reactions and maintaining a longer-term perspective that protects the assets and talent needed for future value creation. The importance of this approach increases immeasurably when decisions affect people, and every effort was made to minimise the impact on jobs as a result of preserving cash and adapting to a vastly changed operating environment.

Equally, our decision to suspend dividend payments was not made lightly. The Board will consider future dividends once visibility of the pace and scale of market recovery has improved. In keeping with our trusted reputation, we have updated shareholders regularly on all actions taken to protect liquidity, focusing on resilience and long-term growth prospects.

Acknowledgment must go to Chief Executive Officer Keith Barr and his leadership team for showing the required mix of control, flexibility, transparency and humanity that has characterised IHG's response and given the business clarity over how it should function, execute and communicate.

Learning and adapting

There is an old adage that says what doesn't break you makes you stronger, and while everybody wishes this pandemic to be over,

it has offered us some important lessons. We've demonstrated the agility needed to succeed in a fast-changing industry, while our teams have been more customer-centric than ever before, thinking like our guests and owners and delivering faster, more effective services and solutions as a result. Working remotely so efficiently at a corporate level has also invigorated discussions on where and how we work in the future.

Reflecting what we've learnt and what's needed to succeed in an evolving environment, we entered 2021 with a refreshed strategy that preserves our business model and growth aspiration but refines the priorities that guide our actions. Our priorities include an increased focus on customer centricity, as well as our commitment to our environmental, social and governance responsibilities through a priority to care for our people, communities and planet. Linked to this, is our new 10-year responsible business plan, Journey to Tomorrow, and, having engaged as a Board and through its Committees on both elements, I am confident our strategies provide the direction needed to grow successfully and sustainably in a competitive market.

Board refreshment

To support that growth, I place great importance on ensuring our Board represents a rich mix of backgrounds and experiences, and we saw several changes during the year, as part of an ongoing commitment to assess capabilities and succession plans.

Both Malina Ngai and Luke Mayhew stepped down after valuable contributions in their three and nine years respectively, and we welcomed four new Independent Non-Executive Directors in 2020. Arthur de Haast joined in January, bringing more than 30 years of capital markets, hospitality and sustainability experience; Sharon Rothstein joined in June, bringing more than 25 years of senior experience at global companies; Graham Allan joined in September, bringing 40 years of strategic, commercial and brand experience; and Duriya Farooqui joined in December, bringing more than two decades of expertise in strategy, transformation and innovation, and a passion for responsible operations and diversity. Additionally in February 2021, the Board approved the appointments of Richard Anderson and Daniela Barone Soares as Independent Non-Executive Directors with effect from 1 March 2021, and accepted the resignation of Anne Busquet, who will step down from the Board at the AGM.

In 2020, we saw diversity, and in particular, ethnic diversity, brought into sharper focus, as part of important conversations internationally around social equality. Diversity and inclusion is a cornerstone of IHG's culture, and while we're proud of our achievements, we accept we must do more to instil equality at every level of the business and better represent our communities. We have introduced additional commitments, including driving gender balance and doubling under-represented groups across our leadership, alongside delivering projects that prioritise employee wellbeing and advance our work on human rights.

Thank you

While we know recovery will take time, we have shown our ability to operate adeptly through uncertainty and to evolve. The events of 2020 have underlined the growing importance to our industry of tailored, responsive experiences and operations, driven not only by strong brands and hotels, but also sophisticated technology and data, and a truly customer-centric mindset. As we navigate the intricacies of a global recovery, continuing to improve in these areas at pace will be crucial to performance and growth.

Looking to the future, our industry's long-term prospects remain attractive, driven by factors including population growth, rising wealth in emerging markets, and consumer appetite to travel and stay in branded hotels. The ability to maintain and develop scale positions in key markets and segments is crucial to capitalising on this – however, quality growth must always come before quantity.

This has truly been a year like no other. I want to thank Keith and his leadership team for their tremendous hard work and the way they continue to navigate uncertain times with such strategic clarity and operational agility. I would also like to offer my respect and admiration to every hotel and corporate colleague for tackling 2020 with such care and commitment, and thank our owners for their confidence in IHG, as we look to a brighter future together.



Patrick Cescau
Chair