Our strategy for high-quality growth

We focus on strengthening our portfolio of preferred and differentiated brands, building scale in key markets, creating a long-lasting relationship with our guests and delivering revenue to hotels through the lowest cost, direct channels. Our proposition to owners is highly competitive and drives superior returns.

We execute our asset-light strategy in the most attractive, high-growth markets and industry segments. We take a disciplined approach to capital allocation, investing for the future growth of our brands. This enables us to drive sustainable growth in our profitability and deliver superior shareholder returns over the long term.

Value creation:

Winning Model
Our Winning Model is our framework for delivering value for our shareholders and owners through our portfolio of preferred brands, talented people and leading revenue delivery systems. See pages 16 and 17.

Disciplined Execution
We recognise that successful delivery of our strategy for high-quality growth requires Disciplined Execution. We prioritise investment in our technology platforms and our people as well as delivering operational efficiencies. See pages 22 and 23.

Doing Business Responsibly
A commitment to responsible business practices underpins our entire strategy and the way we work. We recognise the importance it has for all of our stakeholders in making IHG and its brands their preferred choice. See pages 24 and 25.

Whilst doing business responsibly

Winning Model

Preferred brands delivered through our people

Superior owner proposition

Effective channel management

Strong brand portfolio and loyalty programme

Build and leverage scale

Disciplined Execution

Scale and efficiency of operations

Investment in developing strong technology platforms
Our purpose is to create Great Hotels Guests Love®

**Targeted Portfolio**

Our Targeted Portfolio means that we operate in the most attractive markets for IHG and in the highest opportunity segments based on guests’ occasion needs, with an asset-light business model, i.e. franchising and managing hotels rather than owning them.

*See pages 12, 13, 18 and 19.*

**Superior shareholder returns**

**Targeted Portfolio**

- Attractive markets
- Highest opportunity segments
- Managed and franchised model

**Management of our principal risks**

See pages 28 and 29 for how IHG manages its principal risks and uncertainties.

**Key performance indicators (KPIs)**

We measure our performance against these strategic imperatives through a set of selected KPIs which monitor our success in achieving our strategy and measure the progress of the Group in delivering high-quality growth.

*See pages 30 to 33.*
Winning Model

Our Winning Model is our framework for delivering value for our shareholders and owners through our portfolio of preferred brands, talented people and leading revenue delivery systems.

Preferred brands delivered through our people

Why we think this is important
Having a strong portfolio of preferred brands is fundamental to our success. In a highly competitive industry, powerful well-defined, consistent and well-known brands assist both guests and owners in choosing an IHG brand over a competitor’s, as well as deciding which IHG brand meets their specific needs. Our people are critical in providing the guest experience, and our ‘winning culture’ encourages and empowers them to bring each of our differentiated brand experiences to life and provide high standards of guest service.

The value of building strong preferred brands results in increased RevPAR, as occupancy will be higher and guests will pay a higher rate to stay at their preferred brand, which, in turn, delivers better returns for our owners through an increase in total gross revenue.

What we are doing
We build brand preference by defining each of our brands so that they can provide a differentiated experience to meet both the targeted guest need and occasion and be consistent in the experience they deliver. We have sharpened each of our brand strategies looking at a number of areas, from the brand ambition and position to the brand platform and strategic brand pillars, to ensure our portfolio meets the needs of the evolving guest and owner. We are also refreshing the brand standards for each of our brands to ensure they are up to date and relevant to drive consistency.

We invest in our talented people who are the face of our brands and help us build brand preference [see page 23].

How we measure it
KPIs – Guest HeartBeat, RevPAR, Employee engagement, Total gross revenue

Build and leverage scale

Why we think this is important
Scale provides significant advantages in the hotel industry at the global, national and city level. The size of the IHG System, and our concentration on priority markets and key gateway cities, allows us to benefit from economies of scale, which lead to higher margins and operating leverage. With scale, we can invest in our brands and the technology required to support their continued growth, and deliver efficient sales and marketing and procurement practices, thereby increasing the advantages an IHG brand brings to owners. Scale also enables us to invest in, and grow, new brands and take them global, for example Hotel Indigo.

What we are doing
IHG already benefits from substantial scale advantages. With over 710,000 rooms open at the end of 2014, we delivered our strongest net IHG System size growth since 2009 of 3.4 per cent, opening over 41,000 rooms. Our brand portfolio also reached some significant milestones in 2014 – opening the 400th Crowne Plaza hotel, the 200th Staybridge Suites hotel and the 60th Hotel Indigo hotel in its 10th anniversary year. Our scale has also enabled us to commit $150 million of investment behind the EVEN Hotels brand, opening the first two properties in 2014. We focus on developing our scale in 10 priority markets, where we currently have 85 per cent of our open rooms [see page 18]. Benefiting from the strong growth in these markets, Group fee margins were up 1.5 percentage points to 44.7 per cent in 2014 and total gross revenue was up 6 per cent to $23 billion.

For details on how we maximise the scale and efficiency of our operations, see page 22.

How we measure it
KPIs – Net rooms supply, Fee revenues, Total gross revenue, Fee margin
Strong brand portfolio and loyalty programme

Why we think this is important
A portfolio of strong, complementary brands allows us to offer solutions for each guest need, which increases cross-selling across different brands. Combined with a strong loyalty programme, it also increases awareness and recognition of the IHG brand, and of each of the individual hotel brands, helping us to drive business. Guests who have an increased loyalty to IHG and its portfolio have also proven to have a higher spend per stay. Both of these result in higher RevPAR premiums, thereby increasing total gross revenue and strengthening our owner proposition.

What we are doing
Our brands are complementary across the segments in which they operate (midscale, upscale and luxury), catering to different guest needs and occasions. One of our newest brands, EVEN Hotels, caters to an identified guest need for maintaining wellness while travelling and the acquisition of the Kimpton brand has a strong strategic fit with our Hotel Indigo and EVEN Hotels brands (see pages 20 and 21). Recognising the importance of a strong loyalty programme, we encourage guests to stay across the portfolio and build lifetime relationships through the IHG Rewards Club programme, which has 84 million members. We continue to evolve our loyalty programme to ensure that it is not just the largest in the market, but also the most preferred – refreshing and reviewing the rewards and benefits available to increase its attractiveness to our guests. We recognise our loyal guests and aim to personalise their experiences.

How we measure it
KPIs – Total gross revenue, RevPAR, System contribution to revenue, Guest HeartBeat

Effective channel management

Why we think this is important
As a franchisor and manager of hotels, we aim to drive demand to our hotel brands and reduce distribution costs for our owners through strong brand awareness and effective yield-management practices, delivering better returns for our owners. Our direct channels (digital and voice) are less costly to owners than third-party intermediaries. Our strong brands are a significant driver of bookings through indirect channels (online travel intermediaries [OTIs] and business and leisure travel agents). We therefore aim to drive demand for our hotels through our direct channels and manage revenue per booking, thereby delivering the highest quality revenues to IHG hotels at the lowest possible cost, increasing RevPAR and owner returns.

What we are doing
Our direct and indirect channels delivered 71 per cent of total rooms revenue to our hotels in 2014. Our digital business has significant scale and is growing fast, accounting for $4 billion in revenue in 2014. We continue to invest in features that enhance the digital experience, with branded and personalised offerings to encourage guests to book via our direct channels.

We recognise the impact of OTIs as an indirect booking channel, mainly used by comparison-site shopping leisure travellers searching for a competitive deal. We have therefore leveraged our global footprint to secure better terms with the OTIs on behalf of our owners, whilst leveraging OTIs as a complementary distribution channel.

For details on our investment in developing strong technology platforms, see page 22.

How we measure it
KPIs – System contribution to revenue, RevPAR

Superior owner proposition

Why we think this is important
We recognise that hotel owners have a choice of brand, if any, to choose for their property. A strong owner proposition, preferred brands and effective operational support, play a vital part in making us the brand choice for owners. Relationships with new and existing owners therefore have a significant impact on our ability to build scale. A strong owner proposition and relationships with our owners also enable us to deliver the brand promise for our guests and continue building preferred brands.

What we are doing
We are committed to delivering a compelling and preferred owner offer. We continually review and enhance our owner proposition in many ways, including:

- ensuring a profitable return on investment for our owners, assisting them along the lifecycle of their investment, from identifying the right site to operating a profitable business;
- providing a range of revenue-driving tools and services, including booking and distribution channels;
- seeking to price our fees to reflect our services, tools and brand value;
- having strong owner relationship management and working with the IHG Owners Association (which represents the interests of our hotel owners globally) to deliver joint initiatives – www.ihgplc.com/ihgowners;
- recognising the importance of responsible business practices to all stakeholders, and developing tools which support both our commitment to doing business responsibly and delivering superior returns to our owners (see pages 24 and 25).

How we measure it
KPIs – All KPIs measure the strength of our owner proposition
**Targeted Portfolio**

Our Targeted Portfolio means we operate in the most attractive markets for IHG and in the highest opportunity segments based on guests’ occasion needs, with an asset-light business model – franchising and managing hotels rather than owning them.

---

**Attractive markets**

**Why we think this is important**
Achieving scale and driving growth requires us to focus on those markets that are most attractive and where there is the best fit with our strategy and business model. These markets have large inbound and domestic demand for branded hotels or show great potential to have this in the future.

**What we are doing**
Whilst we operate in nearly 100 countries and territories and continue to expand our presence globally, we primarily focus our efforts on 10 priority markets in which we either have a strong existing competitive position or have a compelling opportunity to build one. These include a number of key emerging and more developed markets – US, Middle East, Germany, UK, Canada, Greater China, India, Russia and the Commonwealth of Independent States, Mexico and Indonesia. These currently represent 85 per cent of the IHG System and 89 per cent of the pipeline. We focus our brand building efforts and prioritise the investment in infrastructure in these markets, for instance, by adapting our websites to the local language and deploying dedicated sales teams. Depending on the market, we will adapt our model and proposition to owners to take into account local market characteristics.

The Performance section provides details of how we have performed in each of our regions and priority markets.

---

**Highest opportunity segments**

**Why we think this is important**
Typically, the traditional hotel industry is segmented according to price point, and IHG is focused on the three segments that generate over 66 per cent of branded hotels revenue – namely, midscale, upscale and luxury. We believe these segments have the highest growth opportunity and strongest resilience to the industry/economic cycle. However, we also recognise that guests choose a hotel based on their needs and the occasion, resulting in the possibility of the same guest staying across multiple hotel segments.

**What we are doing**
Our portfolio of brands is targeted around differing occasion segments. We tailor each of our brands to meet guests’ needs, looking at the differing occasion they are travelling for and their need for travelling.

We used this segmentation analysis to develop the brand proposition for both the HUALUXE Hotels and Resorts and EVEN Hotels brands (see page 20). It was also a consideration in the acquisition of Kimpton Hotels & Restaurants (see page 21).

**How we measure it**
KPIs – Guest HeartBeat, RevPAR

---

*Source: Smith Travel Research.*
Our Targeted Portfolio in action: Greater China – a priority market

In 2014, IHG celebrated our 30th anniversary of operating in Greater China, one of our priority markets. We were the first international hotel company to enter the country in 1984, and we have developed a leading business in the region with 78,194 rooms open (241 hotels) and a further 54,338 rooms (189 hotels) in our development pipeline. In 2014, Greater China contributed 11 per cent of our Group operating profit before central overheads and exceptional items.

We originally developed our business in China’s tier 1 cities and along the eastern seaboard, and have more rooms today in tier 1 cities than our major international competitors. However, our more recent growth has focused on tier 2 and 3 cities, which are expected to generate significant long-term demand growth and, by 2022, nearly 80 per cent of the fast growing Chinese middle-class are expected to live in these cities. We achieved several key milestones for our Greater China business in 2014, for example, we:

• opened Crowne Plaza Beijing Lido with the same owner as our first hotel in the region (Holiday Inn Beijing Lido), demonstrating our established track record and the strength of our owner relationships in the region;
• opened 10,648 rooms (34 hotels), our highest number of room openings since we started our business in the region, growing the IHG System size by 14 per cent;
• signed 15,754 rooms (64 hotels), our best year for hotel signings since 2007; and
• opened our 50th Holiday Inn Express hotel and signed our 50th pipeline hotel, making Holiday Inn Express the largest international limited-service brand in China.

In February 2015, we opened our first hotel for the HUALUXE Hotels and Resorts brand in Yangjiang, slightly later than expected. As at 31 December 2014, we had 24 hotels (7,551 rooms) in the pipeline for the brand, which we will continue to build.

In addition to driving growth in Greater China, we are focused on establishing hotels that cater for Chinese guests in other locations outside China. Our China-Ready programme ensures we will be able to cater for the growing number of Chinese guests around the world through cultural and food and beverage training for hotel teams. We currently have 84 hotels in AMEA, The Americas and Europe that have signed up for the programme.
We announced the launch of a new hotel brand, EVEN Hotels, in February 2012. In June 2014, we opened our first hotels under the brand in Norwalk, Connecticut and in Rockville, Maryland.

**Winning Model**

**Preferred brands delivered through our people**

As part of having a portfolio of preferred brands, we continually review our portfolio of brands in light of the evolving needs and preferences of our guests. As part of this, EVEN Hotels was launched in 2012 as the first wellness lifestyle hotel brand. We developed the brand based on a large and growing traveller need for maintaining wellness routines while travelling. More than two years of research into consumer insights showed that there are 17 million wellness-minded travellers in the US alone who struggle to maintain healthy eating and exercise habits, get proper sleep and be productive when they are travelling away from home. Therefore, the brand was developed to meet a guest’s holistic wellness needs in the areas of exercise, food, work and rest. For example, an EVEN branded hotel offers nutritious menus and amenities, such as guest rooms designed for in-room workouts.

**Effective channel management**

As with our other brands, we have leveraged our existing booking platforms to create a brand-specific webpage targeted via the app. We have specifically customised it to be brand specific to EVEN Hotels, focusing on wellness needs with relevant content and healthy lifestyle features such as fitness videos, ambient sounds, a diary of wellness-focused events organised by the hotel, and ‘wellness travel tips’.

**Strong brand portfolio and loyalty programme**

We have been using our loyalty programme, IHG Rewards Club, to introduce our members to the EVEN Hotels brand, specifically targeting our communications at those guests who travel to, or have expressed an interest in, the locations of our first hotels, wellness or the brand itself.

**Build and leverage scale**

IHG has committed up to $150 million of its own capital to the development of the EVEN brand over the next few years. In the future, we will look to recycle this capital, just as we did for both the Staybridge Suites and Hotel Indigo brands. As part of matching the brand to the right location, we are looking at core urban areas, dense office parks and suburban markets as well as considering the expansion of the brand beyond the US. As at 31 December 2014, we had three hotels (584 rooms) signed into our development pipeline and two hotels (296 rooms) open.

**Targeted Portfolio**

**Attractive markets**

The US is one of our priority markets, and we opened the first EVEN hotels in cities where we have existing brand presence.

**Highest opportunity segments**

The EVEN Hotels brand has a strategic fit in our brand portfolio alongside Hotel Indigo, and now Kimpton, in the boutique and lifestyle segment. The brand is targeted at the unique segment of wellness and lifestyle.

**Managed and franchised**

We have used our own capital to develop the brand and will look to recycle this in the future. We will seek to accelerate growth for the brand through our managed and franchising model.

“The EVEN Hotels brand allows owners to diversify their portfolio in a unique guest occasion segment.”
Our acquisition of Kimpton Hotels & Restaurants, the world’s largest independent boutique hotel operator, completed in January 2015. Kimpton is a highly successful business with a US-based portfolio comprising 62 managed hotels (11,300 rooms) and a further 16 hotels (3,000 rooms) in the pipeline (as at 16 January 2015). A sophisticated food and beverage operator, Kimpton also runs 71 hotel-based destination restaurants and bars.

**Winning Model**

- **Preferred brands delivered through our people**
  The Kimpton brand is renowned for having distinctive and innovative hotels located in attractive urban and resort locations. Each hotel aims to deliver a deeply personal, genuine and authentic service for guests and, whilst each hotel is unique, the brand has a number of common design and service principles and hallmarks. The Kimpton brand caters for a broad and varied range of guest needs.

- **Build and leverage scale**
  The boutique segment, in which Kimpton operates, is the fastest growing in our industry over the last five years, and there is significant opportunity for future growth based on high levels of demand growth. We also believe the brand has enormous potential for growth outside the US and plan to capitalise on our scale, powerful distribution systems and owner networks to support its growth globally. We did this previously for our Hotel Indigo brand which started with a well-established base in the US and has now been expanded globally to 21 countries (including hotels in the pipeline).

- **Strong brand portfolio and loyalty programme**
  The Kimpton brand has a strong strategic fit within our existing brand portfolio at the upper upscale price point. It is also highly complementary with our Hotel Indigo and EVEN Hotels brands, creating a leading boutique and lifestyle hotel business, with over 200 open and pipeline hotels across 21 countries.

  We plan to leverage Kimpton’s market-leading insight and strong track record in operational excellence, food and beverage, and design, to add value across our brand portfolio. Kimpton’s loyalty programme (Kimpton Karma) members account for 25 per cent of its room bookings.

- **Effective channel management**
  A large proportion of Kimpton’s business already comes through direct channels, driven by its most loyal guests. Each hotel has a dedicated website with engaging content, reflecting the boutique nature of the brand. We will leverage our digital platforms to accelerate Kimpton’s growth, whilst maintaining the uniqueness of Kimpton’s existing channels.

- **Superior owner proposition**
  The addition of Kimpton to IHG’s brand portfolio offers owners another attractive option in the boutique segment and access to a brand with a strong track record at the upper upscale price point. Its presence in the most attractive markets in the US has delivered excellent financial performance for both the business and its hotel owners. It also enables IHG to raise awareness of other IHG brands among owners of Kimpton branded hotels. Kimpton’s strong brand, combined with our scale and booking and distribution channels, will drive superior returns for owners.

**Targeted Portfolio**

- **Attractive markets**
  The US is one of our priority markets and Kimpton hotels currently have presence in the most attractive urban and resort locations, as well as the highest RevPAR markets such as San Francisco and New York.

- **Highest opportunity segments**
  The boutique hotel segment has been the fastest growing in our industry over the last five years, with demand, supply and RevPAR growth in boutique hotels in the US each significantly outperforming the overall industry.

- **Managed and franchised**
  Kimpton is a fully asset-light brand, operating hotels under management contracts.

More information on the acquisition of Kimpton Hotels & Restaurants can be found at www.ihgplc.com/kimpton
Disciplined Execution

We recognise that successful delivery of our strategy for high-quality growth requires Disciplined Execution. We prioritise investment in our technology platforms and our people as well as delivering operational efficiencies.

Scale and efficiency of operations

Why we think it is important
Driving efficient operational processes and managing our costs allows us to contribute to hotel performance through efficient practices, tools and systems. It also helps us strengthen our revenue delivery systems which means an increase in system contribution to hotel revenue, supporting our owner proposition and maximising our investment in building preferred brands. Careful cost management, leveraging our scale and focusing on productivity improvements also allows us to drive continued improvement in our margin.

What we are doing
To maximise the scale and efficiency of our operations, we:

- focus on spending in a way which enables further investment in our strategic priorities. Our procurement team has tools and processes which allow us to monitor and control spend and use our scale to deliver buying advantage. Our focus on cost efficiency and continuous improvement ensures we deploy our resources effectively, concentrating on the key priorities and activities that drive our business;
- introduced a new human resources system to streamline and improve the automation of our human resources processes in 2014 – see page 32; and
- continue to benefit from off-shoring our Business Service Centre in Gurgaon, India. This provides centralised accounting services for IHG corporate offices, and owned and managed hotels.

Investment in developing strong technology platforms

Why we think it is important
As identified on page 11, technology, as used by travellers, is playing an increasingly important role in shaping the travel industry. The internet, which is now more than ever accessed through mobile devices, is used extensively to research, plan and book travel. In emerging markets, consumers are going straight to mobile devices, and there are now twice as many mobile internet users in China than internet users in the US. Guests are also seeking greater levels of personalisation, and are sharing their experiences instantly via social media.

We believe that keeping abreast of the evolving traveller trends and investing in technology systems will assist us in building brand preference, strengthen our loyalty programme and deliver compelling and engaging digital content across the ‘Guest Journey’ (which comprises five steps – Dream, Plan, Book, Stay and Share), thereby enabling us to build lifetime relationships with our guests.

What we are doing
To deliver the highest quality digital content for our guests, we are ensuring that we have the right technology foundations and infrastructure in place. In 2014, we:

- standardised on property hardware for all IHG hotels in the US, providing a consistent platform that allows us to develop solutions such as Mobile Check-in and Check-out (now available in over 500 hotels);
- piloted enhanced customer relationship management capability that allows us to utilise our IHG Rewards Club members’ profiles to drive personalisation and guest recognition in our hotels;
- implemented new digital marketing capabilities that allow us to target potential guests more effectively through the internet; and
- announced our strategic partnership with Amadeus, the leading provider of advanced technology solutions for the global travel industry, to explore technology solutions.

How we measure it
KPI – System contribution to delivery
See page 30 for the KPI and What we have done in 2014

How we measure it
KPI – Fee margins
See page 32 for the KPI and What we have done in 2014
**Investment in developing great talent**

**Why we think it is important**
Our people bring our brands to life on a daily basis, delivering on each individual brand promise to enhance the guest experience. They are, therefore, a critical part of our success. Accordingly, we recognise the importance of attracting, retaining and developing the very best talent in the industry to service our guests and bring our brands to life.

**What we are doing**
To achieve this, the four pillars of our people strategy have consistently been:

1. **To develop a BrandHearted culture**
   Each of our brands delivers a differentiated guest experience dependent upon the brand’s strategy. This is delivered by our people who place brands at the centre of this helping to drive guest satisfaction and brand preference, which we measure through Guest HeartBeat – a KPI.

2. **To make IHG a great place to work**
   Building a strong employer brand assists us in attracting the best possible talent to meet our strategic objectives:
   - We ask our people to live our Winning Ways (set out above) and act in a responsible way – see pages 24 and 25 for how acting responsibly is part of our culture; and
   - We offer our people our Room to be your self commitment, which is brought to life by four promises:
     - Room to have a great start: This assists us in recruiting the right people for each brand and role.
     - New recruits are offered a structured orientation programme to provide them with an understanding of IHG’s strategy and values.
     - Room to be involved: We communicate with employees on matters relating to the Group’s business and performance and share information on people, policies and news across IHG through various channels, including conferences, team meetings and our intranet site. We encourage employees to give regular feedback to ensure IHG meets expectations and delivers on its commitments – this is formally done twice a year through the Employee Engagement survey, the results of which are a KPI.
     - Room to grow: Our people are given access to the required support, experience and training and provided with development opportunities.
     - Room for you: We recognise achievements and communicate these throughout our business.

3. **To deliver world-class People Tools to our owners and hotels**
   Our People Tools are industry-leading best practices tailored specifically for our brands, and assist hotel management and human resources teams to hire, train, involve and recognise our colleagues. By working to increase employee retention and performance, guest satisfaction and drive efficiencies, they help increase revenue for our owners (helping us with our owner proposition).

4. **Building a strong leadership and performance culture**
   We have established a ‘winning culture’ at IHG, this starts with building a strong leadership from the top – see pages 57 to 69 for our Board and Executive Committee leadership.

   For alignment of our performance culture with our strategic priorities and KPIs in our corporate offices for our senior executives, see the Directors’ Remuneration Report on pages 76 to 91.

**Who are our employees?**
Having a predominantly managed and franchised estate means that not all of those people who work at our hotels are our employees. When the Group’s entire estate is taken into account (including those working in our franchised and managed hotels), over 350,000 people worked globally across IHG’s brands as at 31 December 2014.

IHG employed the following as at 31 December 2014:
- 7,797 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;
- 4,975 people who worked directly on behalf of the System Fund and whose costs were borne by the System Fund;
- 602 General Managers who work in our managed hotels and whose costs were borne by those hotels; and
- 11,848 other hotel workers who work in our managed hotels, who have contracts or letters of service with IHG and whose costs were borne by those hotels.

See pages 120 and 152 for more information.

**Diversity and inclusion**
As a global organisation operating in nearly 100 countries around the world, we recognise the importance and benefit of ensuring our workforce fully represents the communities in which we operate and the guests who stay in our hotels. As at 31 December 2014:
- 5 of the 13 Directors on the Board were female (38%);
- 32 out of 127 of the senior managers employed by the Group (including directors of subsidiaries) were female (25%); and
- 7,069 out of the 12,772 employed by the Group and whose costs were borne by the Group or the System Fund were female (55%).

See page 62 for further information on our approach to diversity (including our diversity policies) from the Board level and throughout the organisation.
Doing business responsibly

A commitment to responsible business practices underpins our entire strategy and the way we work. We recognise the importance it has for all of our stakeholders in making IHG and its brands their preferred choice.

Why we think it is important
We believe that by ensuring our business is committed to responsible business practices we will enhance and protect the reputation of IHG and our brands. It provides us with the opportunity to protect the environment, create job opportunities, improve community resilience and make us more innovative. Doing the right thing in the right way enables us to make an even greater contribution to the locations where we operate. It also ensures we act in a manner that benefits all of our stakeholders, including employees, guests, corporate customers, owners and the local community, who are increasingly considering whether the businesses with which they interact share their values. This provides us with a competitive edge, assisting us to deliver profitable growth and create shared value for all stakeholders in the long term.

What we are doing
Our commitment to responsible business is part of our culture. Our responsible business practices include:

Governance and leadership
Our Chairman, the Board and its Committees provide a strong leadership and governance structure. They promote responsible business behaviour by maintaining high standards of corporate governance, internal controls and risk management and compliance with relevant laws and regulations.

For information on our Board and governance processes, see pages 54 to 91.

Commitment to responsible business practices
We have a reputation for delivering a consistent and superior guest experience, we provide a safe and secure environment and we actively engage with our communities. Our brands are valuable assets and doing business responsibly enhances their reputation and builds trust and brand preference.

Responsible procurement
Our Vendor Code of Conduct sets out standards to which we require our supply chain partners to operate. We are committed to promoting diversity across our responsible procurement agenda and have set targets to ensure corporate responsibility criteria are integrated into the selection and evaluation process for preferred suppliers.

Health, safety and security
A safe and secure environment for our guests, employees and those working at or visiting our hotels and corporate offices is important. IHG has therefore established a set of policies, procedures and measures, and complies with relevant legislation. We ensure the protection and well-being of those working for IHG through suitable work-based strategies, minimise the risk of injury from work activity, ensure that sufficient information is provided and systems are in place to address health and safety concerns, and involve employees in the continuous improvement, reporting and review of health and safety matters.

Risk management
We have in place an effective system of internal controls and risk management to identify, assess, prioritise and mitigate risks to our business, guests and employees, which enables us to achieve our shared objectives. This is an essential part of being a responsible business.

For information on our risk management practices and systems of internal controls, see pages 26 to 29.

People
Being a responsible business cannot be achieved without the support and active engagement of our people. They are fundamental to ensuring we operate an ethical business. Our Winning Ways (see page 23) are a set of behaviours that we internally promote to assist with how we interact with our guests and colleagues. As part of acting responsibly and putting in place a responsible business ethos, we have policies and training in place to ensure our people are kept aware of and understand the key legal and regulatory areas affecting them in their roles, such as competition, anti-bribery and data privacy laws and procedures, crisis management and brand safety standards. We do this through a range of programmes, policies and training, which we regularly keep under review and which are communicated via e-learning and face-to-face training modules.

Our Code of Conduct consolidates and clarifies expected standards of behaviour and communicates the ethical values of the Group. It is applicable to all Directors, officers and employees and is available at www.ihgplc.com/investors under corporate governance.

We also have a confidential disclosure channel to provide employees with a means to report any ethical concerns they may have.

Further information, including our Responsible Business Report, can be found at www.ihgplc.com/responsiblebusiness
Human rights
We focus on those areas of human rights most relevant to our business, ensuring the rights of the local people where we operate are protected. We are working to raise further awareness of our human rights approach in our hotels through embedding it as a brand standard, and will continue to develop our training materials. We are a signatory to the UN Global Compact, aligning our operations and strategies with the 10 universal principles that include commitments to human rights and labour standards. We are part of the Business in the Community cross industry working group on human rights as well as the International Tourism Partnership’s Human Trafficking Working Group. We are also working with our internal procurement team to embed further our human rights approach into our contracts.

Corporate responsibility
Our global scale provides us with an opportunity to make a positive impact on the environment and communities in which we operate. Our five-year corporate responsibility targets, released in September 2013, focus on measuring this impact.

Each one of our hotels is a central part of its community, from creating jobs and stimulating local economic opportunities, to managing their environmental impact in a responsible way and providing shelter in times of need. We work to develop new and better ways to assist owners to build and operate IHG branded hotels, creating sustainable value for our brands, business and stakeholders, as well as addressing social and environmental challenges. Our three bespoke corporate responsibility programmes are a key part of this and we work very closely with our owners and colleagues to maximise the positive impact of these initiatives:

- **IHG Green Engage™ system**: Helps us minimise our impact on the environment by tracking and managing the use of energy, carbon and water and waste in our hotels. This assists us in delivering both more environmentally sustainable hotels and cost efficiencies for owners.
- **IHG® Academy**: A collaboration between our hotels and local schools, colleges and community organisations to help people develop the skills they need to improve their employability and secure a job in the hotel industry.
- **IHG® Shelter in a Storm**: Empowers our hotels to support guests, colleagues and local communities in times of disaster with financial support, vital supplies and accommodation.

IHG’s global greenhouse gas (GHG) emissions
By delivering more environmentally sustainable hotels, we can drive cost efficiencies for owners as well as meet the expectations of all our stakeholders. We recognise the importance of reducing our global greenhouse gas emissions for corporate offices and hotels – our target is to reduce our carbon footprint per occupied room by 12% across our entire estate by 2017 (against a 2012 baseline). See page 33 for progress.

<table>
<thead>
<tr>
<th>Reporting boundary</th>
<th>Measure</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global – corporate offices and managed, franchised, owned and leased hotels2 (as required under the Companies Act 2006)</td>
<td>Scope 1 Direct emissions</td>
<td>1,365,883</td>
<td>1,280,973</td>
</tr>
<tr>
<td></td>
<td>Scope 2 Indirect emissions</td>
<td>3,792,771</td>
<td>3,683,737</td>
</tr>
<tr>
<td></td>
<td>Total GHG emissions (tCO2e)</td>
<td>5,158,654</td>
<td>4,964,710</td>
</tr>
<tr>
<td></td>
<td>IHG’s chosen intensity measurement GHG emissions per occupied room (kgCO2e per occupied room)</td>
<td>32.3</td>
<td>33.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reporting boundary</th>
<th>Measure</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global – corporate offices and managed, owned and leased hotels2 (as required under the Companies Act 2006)</td>
<td>Scope 1 Direct emissions</td>
<td>496,316</td>
<td>486,086</td>
</tr>
<tr>
<td></td>
<td>Scope 2 Indirect emissions</td>
<td>1,921,077</td>
<td>1,847,304</td>
</tr>
<tr>
<td></td>
<td>Total GHG emissions (tCO2e)</td>
<td>2,417,393</td>
<td>2,333,390</td>
</tr>
<tr>
<td></td>
<td>IHG’s chosen intensity measurement GHG emissions per occupied room (kgCO2e per occupied room)</td>
<td>59.2</td>
<td>62.2</td>
</tr>
</tbody>
</table>

1 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.
2 Includes all of our branded hotels but does not include emissions from 88 hotels. We do not have sufficient data to estimate their emissions and believe them to be immaterial.

Scope
We report Scope 1 and 2 emissions as defined by the GHG protocol as follows:
- **Scope 1 (Direct emissions)**: combustion of fuel and operation of facilities; and
- **Scope 2 (Indirect emissions)**: electricity, heat, steam and cooling purchased for own use.

Methodology
We have worked with external consultants to give us an up-to-date picture of IHG’s carbon footprint and assess the performance over the past few years. The external consultants use a sampling and extrapolation methodology to estimate our GHG emissions.

For 2014, in line with the methodology set out in the GHG Protocol Corporate Standard, the sample covered 1,402 of our 4,840 hotels. As IHG System size is continually changing and the 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.