

IHG Checks In On... the Responsible Business Report 2023

A video accompanying the launch of the IHG Responsible Business Report 2023, hosted by Stuart Ford, VP Head of Investor Relations, and Catherine Dolton, Chief Sustainability Officer.

- Hello, I'm Stuart Ford, Vice President and Head of Investor Relations at IHG Hotels & Resorts. Welcome to IHG Checks In On... a series of videos, webinars and fireside chats aimed at investors, analysts and other stakeholders looking to learn more about how IHG operates and drives shareholder value.
- In our last episode, I was joined by Michael Glover, IHG's Group Chief Financial Officer, and Hailey Laverty, Vice President and Group Treasurer. We discussed capital allocation, and we delved into how IHG uses the cash that the business generates, and how this links to the dividends we pay to shareholders and the potential to return additional capital to shareholders if that capital is surplus. We also took a closer look at IHG's funding arrangements and the financing costs that the business bears.
- In the episode before that, we looked at IHG's Luxury & Lifestyle portfolio of 6 brands which are growing particularly strongly and drive leading positions. That higher fee per key segment represents 14% of IHG's system size and 22% of our pipeline, doubling as a share of the portfolio mix from five years earlier.
- And in the episode before that, we looked at IHG's System Fund: what it is, how it works, and why it is so effective, as well as how it forms a core part of the hotel owner value proposition and the enterprise platform that we provide.
- But today's episode is all about IHG's Responsible Business Report, and how IHG is making a difference every day. I will be handing over to Catherine Dolton, IHG's Chief Sustainability Officer in just a moment, and she will lead you through the key messages and content that can be found in the Report.
- Before passing over, I wanted to set the report in context of our commitment to providing leading dialogue and engagement with investors, analysts, and other stakeholders who are looking at IHG's approach, commitments and reporting on responsible business.
- In 2021, we launched IHG's 'Journey to Tomorrow' programme, which ensures our commitment to operate and grow responsibly across the environmental, social and governance or 'ESG' agenda. IHG and our hotels have a central role to play in connecting people and helping communities thrive, united by our purpose of providing 'True Hospitality for Good' for the benefit of all stakeholders. This is woven into the very fabric of the business, demonstrated by one of our four strategic priorities being 'Care for our people, Communities and Planet'.
- This led to the creation of the Journey to Tomorrow Programme three years ago, and in our recent update on strategic priorities, hosted by IHG's Chief Executive Officer Elie Maalouf and members of our leadership team, our commitment to this unchanged strategic priority was reiterated, and remains in step with our 2030 Journey to Tomorrow targets which Catherine will discuss as she reviews the Responsible Business report for you.
- If you would like to go back and recap on the 2021 launch materials for Journey to Tomorrow, these can be found on our corporate website within the Investors and the Responsible Business sections.
- A further piece of context to the Responsible Business Report is how this sits alongside our Annual Report and Form 20-F disclosures.
- This document provides our extensive governance reporting, including what IHG's governance structure is, and the Board's activities and key areas of focus. Within the Committee reports, you will also find the report of the Responsible Business Committee.

- Within the Strategic Report, I would also draw your attention to how we assess who our stakeholders are and how we engage with them, and how we drive a culture to operate responsibly. We also provide on pages 52 to 59 further information on how IHG is delivering on the recommendations for the Task Force on Climate-related Financial Disclosures (TCFD).
- And in the earlier section reviewing IHG's strategy, on pages 28 through to 35, the Annual Report provides a review on the strategic priority to care for our people, communities and planet.
- Our Responsible Business report therefore accompanies the Annual Report, and it provides you with much more detail on priorities, progress and data.
- To cover off the key messages and content of the Responsible Business Report, let me now hand over to Catherine Dolton...

Catherine Dolton, IHG Chief Sustainability Officer

- Thanks Stuart, I'm Catherine Dolton, IHG's Chief Sustainability Officer, and I'm delighted to be talking about what you'll find in the 2023 Responsible Business Report and how you can use it.
- I'm here in IHG's global headquarters in Windsor in the UK, and I encourage you to download the Responsible Business Report which you will find within the 'IHG Checks In On...' tab of the investors section of our corporate website, but you will also find it within the Responsible Business section where you will see it alongside all our other reporting. These include our 2023 DE&I Progress Report, our assurance statements for data covering Carbon & Energy, Water and Communities, our Modern Slavery Statement and our responses to the CDP Carbon and Water questionnaires.
- As I talk you through the key messages and content of the Responsible Business Report, on screen we will show you extracts from the full report that you can download.
- The introduction to the report includes a message from our Chair. Deanna notes how at IHG we recognise and value the opportunity to positively impact the lives of millions of people every day, and that we understand the heightened expectations stakeholders have on the ESG agenda. She also sets out that our commitment to responsible business starts at the top, with the Board focused on upholding the highest ethical standards of governance to reinforce IHG's culture and values.
- In Elie's introductory message to the report, he opens with a note explaining his pride that our continued growth is being achieved responsibly and sustainably, and the importance of this to our stakeholders. He summarises that our Journey to Tomorrow commitments to 2030 are designed to make a positive, lasting impact for our people and in the communities in which we operate, and that in 2023 we made significant progress.
- Section 2 of the report sets out our approach to responsible business and how this shapes our operations and strategy
- Here you can see that caring for our people, communities and planet is one of the four priorities that our strategy is built upon. Key to delivering this is our Journey to Tomorrow plan, and this is underpinned by our purpose, values, behaviours, workplace culture, risk appetite, and strong governance and accountability.
- Journey to Tomorrow puts IHG on a longer-term path to positive change across five areas: our people; communities; carbon & energy; waste; and water. You can also see here how we have aligned our plan to the UN Sustainable Development Goals where we can have the most impact, and I shall return to this point of alignment with the UN SDGs later.

- The rest of section 2 of the report covers the governance framework and structures that are at the core of our responsible business commitment, how we approach evaluating and mitigating ESG risks, and how we build strong relationships as part of stakeholder engagement to work towards common goals and create shared value for all. As Stuart mentioned, IHG's Annual Report also covers these matters in additional detail.
- Section 3 of the report details the progress made in 2023 against each of the five areas of commitment that form our Journey to Tomorrow plan. In each section, we also remind you of our stretching commitments to 2030.
- Let me set out some highlights from each of these areas for you.
- For **Our People**, as we look to drive gender balance and a doubling of under-represented groups across our global leadership, working at VP level and above, 35% of our corporate leaders are female, and 22% of leaders are ethnically diverse and represent 16 nationalities.
- IHG was ranked second out of 850 companies in the Financial Times review of Europe's Diversity Leaders, recognising the sheer scale of our action taken to promote change and create an inclusive environment.
- Our employee engagement rating rose 1%point to 87%, maintaining IHG's status as a Kincentric Global Best Employer. Within the engagement survey, our Wellbeing Index scores increased 2%points to 89% for our hotel colleagues.
- To drive respect for and advance human rights throughout our value chain, IHG is committed to ongoing human rights due diligence to ensure that we focus on where our business has the greatest potential to impact the human rights of our guests, our colleagues, workers in our supply chain, and the communities in which we operate. In 2023, we refreshed our global human rights risk assessment, strengthened our Human Rights Policy and Supplier Code of Conduct, and continued to embed our Responsible Labour Requirements across our owned, leased, and managed hotels.
- For **Communities**, colleagues dedicated more than 89,000 hours to making a positive difference during Giving for Good month as we strive to improve the lives of 30 million people in our communities around the world.
- More than 30,000 participants received free access to skills training through our IHG Academy offerings.
- And we supported charities providing aid following 15 natural disasters, as well as supporting The Global FoodBanking Network that operates in nearly 50 countries.
- In terms of **Carbon & Energy**, We are working towards our stretching 2030 science-based target to deliver a 46% absolute reduction in greenhouse gas emissions from our 2019 baseline.
- Given IHG has a predominantly asset-light business model, with almost all IHG-branded hotels being owned by third parties, we're working closely with our owners and teams across our entire estate in relation to our climate targets.
- Unlike company-owned properties, franchised and managed hotels have independent ownership, including decisions related to infrastructure, utilities and carbon reduction programmes. While we can provide guidelines and support, the decentralised nature of the franchise system requires a collaborative approach, incentivisation and effective communication to drive sustainability initiatives across the entire network. In 2023 there was an increase in absolute emissions year-on-year due to the recovery in occupancy post the pandemic and the growth in our estate, but we continue to drive energy efficiency with a 3.8% reduction per occupied room and a 1.9% absolute reduction against the 2019 baseline.

- There are a number of additional external factors that impact the rate at which IHG hotel owners can decarbonise such as governments implementing policies to decarbonise grids and providing financial incentives (for example, tax relief) to support hotel owners to prioritise investments in energy efficiency improvements.
- We consider the impacts of these key dependencies in how we progress towards our SBT and they are outlined in our Transition Plan on page 57 and 58 of our 2023 Annual Report.
- We also recognise that our role in collaborating with governments, peers and trade bodies will be crucial to supporting owners and the industry in decarbonising successfully.
- Our Transition Plan outlines our three levers which we believe will help us to achieve our SBT. Details of the work being carried out under each of these levers is also provided in our Responsible Business Report on pages 28 to 32.
- Our first lever focuses on improving the energy efficiency of our existing estate and we have introduced a range of new Energy Conservation Measures – or ECMs – in a programme for existing and new-build hotels to drive efficiency and reduce carbon.
- Our second lever looks at how we can maximise and optimise the role of renewable energy. We have expanded our Community Solar initiative to give more US hotels access to this scheme. And more than a quarter of our managed estate in Europe and six of our global offices are now procuring 100% renewable electricity, including our Global Headquarters in Windsor where I am today, and our Americas Headquarters in Atlanta where Stuart is speaking from.
- Lastly, we will look to target 100% new-build hotels to operate at very low or zero carbon emissions by 2030, we have been working on a programme to drive this forward which we expect to launch this year.
- Regarding **Waste**, our global food waste training e-learning module was accessed by more than 1,600 hotels, and over 37,000 courses were completed by hotel colleagues. We continued to make further progress towards our 2030 commitment of eliminating single-use items or moving to reusable or recyclable alternatives across the guest stay.
- And for **Water**, we are progressing with implementing tools to reduce the water footprint of our hotels and mitigate water risk. And we continued to take action and collaborate to support adequate water sanitation and hygiene conditions for vulnerable communities.
- Towards the end of section 3, we also cover our broader impact on preserving nature and the role our procurement teams play in ensuring we operate responsibly with our suppliers.
- Section 4 of the report provides you with our ESG data. Previously, IHG has published an accompanying data book, but for our reporting in 2023 we have brought all the data into the Responsible Business Report itself.
- The introduction to the data section will help you understand our definitions. These reflect IHG's business model and how we operate mainly across Franchised and Managed hotels, which together are asset-light and account for 99% of IHG's system size, with less than 1% being asset-heavy operations via a very small number of hotels that are owned or leased.
- Within our environmental data, we detail our greenhouse gas emissions, analysing these between Scope 1 direct emissions and Scope 2 and 3 indirect emissions. On page 47 of the report, we also set out intensity metrics on both an occupied room night basis and also on a revenue basis. Importantly for IHG, as an asset-light business model, our revenue intensity measure is based on total gross revenue of the hotels, and the report sets out how the disclosures in our Annual Report provide the data for calculating this.
- Finally, I would draw your attention to some important additional disclosures which we include in the appendix to the report.

- For those interested in IHG's external ESG ratings performance, on page 56 we note how we participate in numerous ESG questionnaires and ratings indices, including S&P Global through which IHG is a member of the Dow Jones Sustainability Indices, as well as others including CDP, MSCI, Sustainalytics, FTSE4Good, ISS and WDI.
- As mentioned earlier, IHG has aligned our Journey to Tomorrow commitments to the UN Sustainable Development Goals, and page 57 will help you cross-refer to these.
- And our reporting also integrates the recommendations of the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), and pages 58 to 64 provide our reporting in accordance with these standards and initiatives.
- I do hope you found this introduction to our 2023 Responsible Business Report useful, and that you will download and read through the detail of the full report itself.
- And as noted, within the Responsible Business section of IHGplc.com, under the Reporting tab you will also find all our accompanying downloads for our other reports, assurance statements and ESG rating responses such as those for CDP.
- If you have questions, you will also find contact details on the back of the Responsible Business Report and on our website.
- Many thanks for your interest in IHG and our work to drive growth responsibly and sustainably, as we strive to make a difference every day and deliver our purpose To Provide True Hospitality for Good.
- I will now hand back to Stuart.

Stuart Ford

- Thank you Catherine.
- Well, that wraps up another episode of IHG Checks In On...
- You'll find past editions on IHGplc.com, under the investors section of the corporate website.
- That's also where you can download the full Responsible Business Report for 2023, along with all our other responsible business reporting, as well as the Annual Report and 20-F which contains the full Strategic Report and our extensive governance reporting. Many thanks.

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