

INTERCONTINENTAL HOTELS GROUP PLC /NEW/  
Form 20-F/A  
February 25, 2015  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 20-F/A**

**Amendment No. 1**

(Mark One)

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**or**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

**or**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**or**

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Commission file number: 1-10409

**InterContinental Hotels Group PLC**

*(Exact name of registrant as specified in its charter)*

**England and Wales**

*(Jurisdiction of incorporation or organization)*

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**Broadwater Park,**

**Denham, Buckinghamshire UB9 5HR**

*(Address of principal executive offices)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
American Depositary Shares	New York Stock Exchange
Ordinary Shares of 14 <sup>194</sup> / <sub>329</sub> pence each	New York Stock Exchange*

\*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:**

<b>Ordinary Shares of 14 <sup>194</sup>/<sub>329</sub> pence each</b>	<b>259,155,305</b>
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

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If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP  International Reporting Standards as issued by  Other   
the International Standards Accounting Board

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**Explanatory Note**

This Amendment No. 1 to the Annual Report on Form 20-F (this Form 20-F/A ) is being filed solely to correct a typographical error contained in Exhibit 13(a) (certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) to the Annual Report on Form 20-F for the fiscal year ended December 31, 2013 of InterContinental Hotels Group PLC (the Registrant ), which was originally filed on February 26, 2014 (the Original Form 20-F ).

This Form 20-F/A is filed in its entirety and includes corrected and currently dated Exhibit 13(a) certifications. In addition, this Form 20-F/A includes currently dated Exhibit 12(a) and Exhibit 12(b) certifications (certification pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

This Form 20-F/A makes no changes to the financial statements of the Registrant included in the Original Form 20-F. Except as described above, this Form 20-F/A does not amend, update or restate the information in any other item of the Original Form 20-F or reflect any events that have occurred after the filing of the Original Form 20-F.

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*Annual Report*

*and Form 20-F 2013*

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It all began in 1777 when William Bass opened a brewery in Burton-on-Trent in the UK. Bass made its move into the hotel industry in 1988, buying Holiday Inn International. By 2003 the business had changed from domestic brewer to international hospitality retailer: InterContinental Hotels Group PLC.

**InterContinental® Hotels & Resorts**

In April 1946 Juan Trippe, the founder of Pan American Airways, had a vision to bring high-quality hotel accommodation to the end of every Pan Am flight route. This led to the first InterContinental being opened in 1949, the Hotel Grande in Belém, Brazil. From here InterContinental Hotels & Resorts expanded steadily to become the world's first truly international luxury hospitality brand. The brand's ethos is to provide insightful, meaningful experiences that enhance our guests' feeling that they are in a global club. Bass acquired the InterContinental brand in 1998, adding it to our brand portfolio.

**Front cover**

Crowne Plaza Resort,  
Xishuangbanna, People's  
Republic of China

***178 hotels; 60,103 rooms open***

***51 hotels in the pipeline***

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Overview 1



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*The IHG story*

2013 marked 10 years since InterContinental Hotels Group PLC (IHG) became a standalone company. Today, we are one of the world's leading hotel companies with almost 4,700 hotels in nearly 100 countries and territories, and a portfolio of nine preferred brands that have a deep history and heritage. Highlighted below are just some of the milestones, achievements and innovations that have come to define IHG and our family of brands.

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*Chairman's statement*

2013 was another strong year for IHG. Despite what continued to be challenging macroeconomic conditions around the world, we delivered on our strategy and reported good growth in our operating profit and earnings per share.

***We are delighted to have delivered another year of strong performance in 2013, my first year as Chairman of IHG.***

**+9%: 70.0¢**

*Total full-year dividend*

*(sterling equivalent of 43.2p)*

**+3.8%**

*Revenue per available room\**

*686,873 rooms (4,697 hotels)*

*operating in the IHG System*

**+4%**

*Fee revenue*

*Driven by 3.8% of RevPAR growth*

*and 1.6% net IHG System size growth*

\* Total IHG System rooms revenue divided by the number of room nights available.

Group revenue excluding owned and leased hotels, managed leases and significant liquidated damages. Growth stated at constant currency.

In last year's Annual Report, I shared my perspective and initial impressions of IHG. I have not been disappointed. I have continued to be deeply impressed by the skills, dedication and energy of our people, our award-winning brand portfolio and our relentless focus on delivering our strategy. On behalf of the Board, I would therefore like to extend my sincere thanks to our 350,000 colleagues around the world who have strived to put our guests at the heart of everything they do with pride and dedication.

## **Responsible Business**

Being a responsible business is an integral part of delivering on our strategy. It is not only reflected in our culture, but also in our approach to governance and doing the right thing. Our commitment to serve the local communities in which we operate is stronger than ever and we recently launched stretching Corporate Responsibility (CR) targets to reflect this. You can find more information on our CR programmes and targets on page 32.

A robust and effective system of internal controls and risk management processes is an essential part of IHG's governance structure and a key part of being a responsible business. More detail on our approach to risk management can be found on pages 34 to 37.

## **Shareholder returns and financial position**

IHG has an excellent track record of delivering sustainable and attractive returns for shareholders. Last year we announced a \$350 million special dividend, which was paid alongside the ordinary interim dividend on 4 October 2013. We also bought back \$283 million of shares in the year, in addition to the \$107 million bought back in 2012, leaving \$110 million of our existing \$500 million share buyback programme to complete. Once complete, total funds returned to shareholders since our 2003 demerger, excluding ordinary dividends, will amount to \$8.0 billion.

I am also pleased to announce that the Board is recommending a 9 per cent increase to the final dividend for 2013 resulting in a full-year dividend of 70 cents (43.2 pence) per share, up 9 per cent on 2012.

We continue to honour our commitment to maintaining an efficient balance sheet whilst retaining an investment grade credit rating through the cycle. This approach has delivered significant value for investors. Over the three-year period to 31 December 2013, IHG's annualised total shareholder return (TSR) was 22 per cent, compared with 9 per cent for the FTSE 100 as a whole.

## **Board**

I have been impressed by the strength and diversity of the IHG Board. We have a very strong balance of skills, knowledge, experience and diversity among our Directors. Critical to the success of the business is ensuring we maintain this breadth and balance of skills to suit both the existing shape of the business and to support our future growth. We have, for example, recognised that consumer facing technology will continue to be an important part of our business and that we need to strengthen ourselves accordingly. We have therefore taken the decision to look to further enhance the Board by appointing an additional Non-Executive Director with strong experience in this area. Equally important, is ensuring the Board has absolutely the right processes in place to ensure it is operating as efficiently and effectively as possible, and is helping to set the agenda for the business to succeed both in the short and long term. This will continue to be a priority in 2014 and beyond.

Reflecting these commitments, this year, we announced a number changes to the Board.

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We welcomed two new independent Non-Executive Directors to the Board. Jill McDonald joined IHG on 1 June 2013 and Ian Dyson joined on 1 September 2013. Jill has a wealth of experience in franchising and marketing and Ian has a range of experience in senior executive and finance roles. Both Jill and Ian are members of the Audit and Nomination Committees and Ian is also a member of the Remuneration Committee.

David Kappler will be stepping down from the Board and his roles as Chairman of the Audit Committee and Senior Independent Non-Executive Director in 2014. David joined IHG's Board in June 2004 and has been a great asset to the business and an invaluable support to me in my first year as Chairman. Ian Dyson will take over as Chairman of the Audit Committee with effect from 1 April 2014. David will retire from the Board on 31 May 2014 and Dale Morrison, who has been an independent Non-Executive Director of IHG since June 2011, will become the Senior Independent Non-Executive Director, ensuring a smooth transition of David's duties.

We said goodbye to Tom Singer, who stepped down from his position as Chief Financial Officer and the Board on 1 January 2014. Tom played a key role in the success of the Group since he joined IHG's Board and Executive Committee in September 2011. We thank him for his contribution and wish him the best for the future.

I am pleased to welcome Paul Edgecliffe-Johnson to the Board. Paul was appointed Chief Financial Officer on 1 January 2014, becoming a member of IHG's Board and Executive Committee at that time. Paul joined IHG in August 2004 and has worked in a number of senior roles across the Group, most recently as Chief Financial Officer of IHG's Europe and Asia, Middle East and Africa regions.

## **Governance**

High standards of corporate governance are fundamental to the way IHG operates. The Board is committed to ensuring that we not only operate effectively, but that each Director is committed to the role and continues to make a valuable contribution to the business.

This year we commissioned a formal evaluation of the Board from an independent consultant. The findings from the evaluation are outlined on page 65.

Our Annual Report this year includes, for the first time, our US Annual Report on Form 20-F reporting requirements, as well as taking into consideration the new requirements of the UK Corporate Governance Code and changes to UK legislation, providing all reporting information in a single report.

## **Remuneration**

Recruiting and retaining an outstanding executive leadership team is critical to ensuring that IHG succeeds over both the short and long term. Our Directors' Remuneration Policy is designed to help achieve this objective. The policy requires a significant proportion of remuneration to be linked to the delivery of both strong financial and operational results and market-beating performance. Details of the policy are set out in the Directors' Remuneration Report on pages 74 to 97. We believe that our policy, which is largely unchanged from last year, is aligned with best practice and remains fit for purpose.

We have historically tried to make the Directors Remuneration Report as transparent and easy to read as possible, and were pleased to receive the PwC Building Public Trust Award for Executive Remuneration Reporting in the FTSE 100 for our 2012 Directors Remuneration Report. In preparation for the first binding shareholder vote on our Directors Remuneration Policy in the 2013 Directors Remuneration Report,

we have worked hard to present both the policy and the reward paid to our Board in an open and accessible way, as well as complying with the regulatory requirements.

## **Outlook**

We remain confident in the long-term growth prospects of the hotel industry. This reflects our belief that we will continue to see an increase in demand for hotels over the next few decades. This belief is supported by the positive socio-economic, demographic and technological changes that we see across the globe which will ultimately mean record numbers of people join the travel market each year.

As a result, we start 2014 with confidence that the business will continue to deliver high-quality growth and generate long-term value to all stakeholders. Our significant scale, broad geographical exposure as well as our strong understanding of the industry and how it is evolving, particularly in terms of consumer trends and technological innovation, means we are well-positioned for future growth. This will allow us to continue to deliver attractive shareholder returns whilst further enhancing our guest propositions to create brands which are truly preferred.

## **Patrick Cescau**

### **Chairman**

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*Chief Executive Officer's review*

2013 marked our tenth year as a standalone company. During this period, we have delivered market-leading shareholder returns, more than doubled our fee revenues and significantly increased returns on capital employed. Our focus on high-quality growth delivered by our Winning Model, underpinned by Disciplined Execution, has enabled us to drive a good revenue and profit performance again in 2013, despite the ongoing challenging economic conditions in some of our markets.

***2013 marked IHG's tenth anniversary as a standalone company, and was another year of strong performance.***

+10%: \$668m\*

*Operating profit before exceptional items*

+2%: \$21.6bn

*Total gross revenue in IHG's System Revenue up 4% to \$1,903m\**

6.4m

*New IHG Rewards Club members added*

*(total members 77.4m)*

\*Includes three liquidated damages receipts in 2013; \$31m in The Americas, \$9m in Europe and \$6m in AMEA.

Total room revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels (not all attributable to IHG).

**IHG's Winning Model**

IHG's Winning Model is our framework for delivering superior value creation through our brands, our people and our systems. We deliver preferred experiences for guests through our targeted brand propositions, consistently delivered by over 350,000 talented colleagues across the world. Our brands are brought to life by our people and last year we launched two new training programmes for hotel General Managers to ensure the strongest possible connection between what each brand stands for and the delivery of the brand experience at the front line, encouraging General



Managers to behave like Brand Managers.

Our brands already deliver superior and consistent experiences, which we measure by continuous guest satisfaction surveys, and which, in 2013, told us that we drove increased guest satisfaction globally across each of our brands. This drives revenue per available room (RevPAR) premiums and, in turn, better returns for our owners. We are very proud of the large number of industry awards our brands win and are focused on ensuring that they stay relevant to the changing needs of our guests.

To help do this, we conduct extensive, industry-leading research to ensure we have the best possible understanding of our guests' needs. This unique insight is allowing us to better differentiate our hotel experiences and is a key driver of our ability to continue to grow ahead of the market.

Furthermore, our annual Trends Report demonstrates the insight and consumer understanding that helps us adapt to, and stay ahead of, the latest trends both within the hospitality industry and more widely. This year's report, *Creating Moments of Trust – the key to building successful brand relationships in the Kinship Economy*, suggests that the rise of technology-aided personalisation means that to continue to win and maintain guest loyalty in the future, hotels need to deliver global, local and personalised appeal for their guests.

Hotel brands that are able to become truly 3D – by delivering local, global and personal experiences through trusted global brands – will build the trust that is needed to sustain lasting relationships with guests and outperform in the future. This marks a step-change in the thinking that has dominated the travel and hospitality industry over the last two decades, a period during which hotel brands have traditionally concentrated on being 2D – solely global and local.

An important part of building trust is offering a strong loyalty programme that is tailored to guests' needs. To enable us to better meet the different needs and occasions of our guests and to strengthen our proposition to owners, on 1 July 2013, we relaunched our loyalty programme with a new name: IHG Rewards Club. This name clearly communicates to consumers that all of our brands are part of the same IHG brand family. No other hotel loyalty programme gives its members more places to use their points than IHG, and from July 2013, we also added new benefits, including being the first hotel company to offer free internet to members in all our hotels globally.

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Our strong brand portfolio and loyalty programme are underpinned by our channel management strategy which is aimed at delivering the highest quality revenues to IHG hotels at the lowest possible cost. Only the largest companies who understand these trends, and are able to deliver consistent, locally relevant and differentiated guest experiences, will win in this environment.

IHG is focused on delivering guest needs across the entirety of their journey, which we break down into five distinct steps: Dream, Plan, Book, Travel and Share. Our strategy is led by our multi-lingual websites and mobile apps, call centres, global sales force, strong brand portfolio and 77.4 million member loyalty programme. These provide compelling experiences that allow guests to use the most appropriate channel for their needs. In 2013, IHG's direct and indirect systems and channels delivered 69 per cent of total room revenues to our hotels.

### **Targeted Portfolio**

IHG has hotels in nearly 100 countries and territories around the world. Our growth strategy is focused primarily on the largest and/or fastest growing markets in which IHG has a strong existing brand presence, where our scale and revenue delivery systems confer the greatest benefits, and where the growth opportunities available are aligned to our asset-light business model. With a five per cent share of global hotel industry rooms supply and a 12 per cent share of the active industry hotel pipeline, we are well-positioned to continue to take share into the future.

During 2013, we opened 237 hotels and signed a further 444 hotels into our pipeline, the highest number for five years, reinforcing our already strong brand distribution platform and with it the promise of further high-quality growth.

Our commitment to an asset-light model continues to be core to our strategy and is key to the resilience of our income stream. During 2013, we completed the disposal of the InterContinental London Park Lane and agreed to dispose of an 80 per cent interest in InterContinental New York Barclay, both with long-term, valuable management contracts. This has driven up IHG's return on capital employed, reduced the capital intensity of the business whilst forming a relationship with a great new owner.

In February 2014, we signed an agreement to sell the InterContinental Mark Hopkins San Francisco.

### **Disciplined Execution**

Successful delivery of our strategy for high-quality growth requires Disciplined Execution. IHG is focused on leveraging our scale to drive efficiencies whilst investing behind the growth of the business. Talent is key to our success and our investment in strengthening our employer brand has been recognised externally through a number of accolades, including being awarded 3rd place in The Sunday Times 25 Best Big Companies To Work For in the UK.

Being a responsible business is part of IHG's DNA and it underpins our business practices, enabling us to make a positive contribution to the communities in which we operate, as well as building trust and preference for our brands. Having already met our previous Corporate Responsibility targets in 2012, in September 2013, we announced new ones for the five years from 2013 to 2017. These revolve around three core programmes; IHG Green Engage, IHG Academy and IHG Shelter in a Storm Programme. These are all tightly tied to our Winning Model, which ensures they are sustainable with full support from our owners.

Looking forward, IHG's strategy for high-quality growth gives us the confidence that we will outperform an industry which is set for good growth for many years to come, and as such we will continue to drive superior returns for our shareholders.

**Richard Solomons**

**Chief Executive Officer**

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**Holiday Inn®**

In 1951, Kemmons Wilson recognised a need for clean, comfortable and affordable places for families to stay; he opened the first Holiday Inn hotel in Memphis, Tennessee in 1952. Today, the brand offers the perfect mix of business and pleasure for today's comfort-seeking traveller by providing an inviting, familiar atmosphere where guests can relax and enjoy themselves.

*1,168 hotels; 212,058 rooms open*

*249 hotels in the pipeline*

**Holiday Inn Express®**

Launched in 1991, Holiday Inn Express hotels are geared towards the smart business or leisure traveller who appreciate value but don't want to compromise on efficiency and style.

*2,258 hotels; 214,597 rooms open*

*473 hotels in the pipeline*

**Holiday Inn Resort®**

In 2007, the Holiday Inn brand began a \$1 billion relaunch and as part of this, Holiday Inn Resort brand was launched offering the perfect destination for family fun and relaxation.

*38 properties; 8,818 rooms open*

*14 properties in the pipeline*

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**Holiday Inn Club Vacations®**

Holiday Inn Club Vacations properties offer villas for families in holiday destinations in the US. The sub-brand of the Holiday Inn brand was launched in 2008 by IHG as part of a strategic alliance with the family of Orange Lake Resorts, the Kemmons Wilson family, who continue to own and operate the resorts today.

*10 properties; 3,701 rooms open*

*1 property in the pipeline*

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The Strategic Report (pages 10 to 53) was approved by the Board on 17 February 2014.

**George Turner, Company Secretary**



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### ***Industry overview***

#### ***Where the industry is now***

#### **The global hotel industry**

The global hotel industry comprises approximately 14.6 million rooms, according to Smith Travel Research, and these are broadly segmented into branded (multiple hotels under the same brand name) and independent (non-branded) hotels. Growth in demand is driven by economic growth and an increasing trend for domestic and global travel resulting in part from favourable demographics and globalisation of travel.

There are a number of key industry metrics which are widely recognised and used to track performance. These include revenue per available room (RevPAR), average daily rate and rooms supply growth. These are amongst the key performance measures actively monitored by IHG. IHG also monitors macroeconomic indicators such as gross domestic product (GDP) trends, which is a leading indicator in hotel industry trends.

*IHG's KPIs are set out on pages 38 and 39.*

#### **The branded hotel market**

Smith Travel Research estimates that the branded hotel market accounts for 51.5% of the total hotel market. However, this market is fragmented in terms of key brand players with the top five branded hotel companies (of which IHG is one) accounting for only 41% of the total branded hotel market in terms of open rooms and 72% of the development pipeline (hotels in planning and under construction but not yet open). However, as can be seen in the graph on the right, globally, the branded hotel market is increasing its share of the total hotel market, due to the advantages a brand can bring to hotel performance over that of independent hotels. Branded hotels have shown an increased resilience through the economic cycles, with the big branded players showing clear revenue outperformance, as well as benefiting from advantages in terms of economies of scale across a broad portfolio of hotels.

In the US, around 70% of the industry supply is branded. In fast developing markets, such as China and India, branded penetration is lower, at around 20 to 30%. However, this is expected to increase significantly over the coming decades as branded hotels gain traction due to the advantages of reliability, guest safety and security and consistency of standards that large global brands bring.

IHG's 2014 Trends Report (see page 20 and [www.ihgplc.com/trends\\_report](http://www.ihgplc.com/trends_report)) identified that consumers trust brands with a heritage and they value the comfort and security established global brands provide. However the collision of

globalisation, localisation and personalisation means that brands need to stay relevant by becoming 3D managing their global, local and personal assets simultaneously.

### **The different business models within the hotel industry**

The global hotel industry operates under a number of different business models, depending on whether a hotel is branded or independent. The four models typically seen are owned, leased, managed or franchised:

Owned hotels are owned and operated by an owner who bears all the costs associated with the hotel but also benefits from all of the income;

a leased model is similar, except that the owner-operator of a hotel does not have outright ownership of the hotel but pays rental fees to the ultimate owner of the property;

under a managed model, the owner of a hotel will use a third-party manager to operate the hotel on its behalf and will pay the manager management fees and, if the hotel is operated under a third-party brand name, brand licensing fees; and

a franchised hotel is owned and operated by an owner under a third-party brand name and the owner will pay a brand licensing fee to the brand owner.

Whilst an owner-operated hotel enables the owner to have full control over hotel operation, it requires high capital investment. In contrast, for hotel brand owners, a managed or franchised model enables quicker rooms growth due to the lower capital investment, but this requires strong relationships with third-party hotel owners.

*IHG's business model is set out on page 16.*



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### *Where the industry is heading*

#### **Short-term drivers and global trends**

Short-term industry trends are shaped by differing economic, political or physical factors impacting local geographical markets. Since the economic crisis of 2008/09, GDP growth has returned to key economies, leading to an increase in disposable income and an increase in demand for hotel rooms. Typically, the industry would meet this demand through an increase in the supply of rooms.

In developed markets, recent industry revenue growth has been driven largely by an increase in the room rate as occupancy levels have returned to previous peak levels, but the growth in supply of rooms has been below the long-term average. In emerging markets, growth has been as a result of both an increase in room rate and the supply of rooms. The industry is also impacted in the short-term by local market economic or political factors.

#### **Long-term drivers and global trends**

In the long term, growth in the hotel industry is driven by a number of trends:

##### **Economic**

The travel and hotel industries have benefited substantially from long-term macroeconomic trends. Global GDP growth in the last 10 years of circa 4% per annum has contributed to increasing disposable income and a greater number of middle-class households, particularly in emerging markets such as Greater China, with a greater propensity to travel.

Over the long term, global economic growth and more sophisticated financial markets in emerging countries has led to a 1.8% increase in global total hotel rooms supply over the last eight years.

Improvements in physical infrastructure, particularly in emerging markets, have allowed hotels to more effectively meet the needs of guests and to open up new destinations for travel.

##### **Demographic**

During the last 10 years the typical traveller demographic has changed. Travellers travel for a variety of reasons and no longer travel for a singular purpose, such as only business or leisure. Across the globe, the type of traveller can range from single people to multi-generation families. The younger workforce is driving more diverse and informal

working patterns, with an expectation that hotels will cater for flexible working arrangements. A growing ageing population with the desire, and means to travel, is expected to significantly increase travel flows and lead to an overall increase in demand for travel services.

### **Technology**

Technology has played an important role in shaping the travel industry. A decade ago, internet access and the role of digital technology in planning, booking and experiencing travel was very limited. Today, the reach and role of digital technology is very different. The internet, increasingly accessed through mobile devices, has established itself in developed markets as the preferred method to research, plan and book travel. In emerging markets, online purchasing and international travel are relatively new to travellers, and therefore personal interactions remain key, making the role of the traditional travel agent important. Industry experts estimate that about 12 to 15% of tickets and rooms are booked online in China and of that online market, approximately 70 to 80% are booked through third-party intermediaries.

The development of social networking and photo sharing has changed the way in which people think about travel, with the sharing of travel experiences, reviews and recommendations having a greater impact on travel decision-making. These recommendations, combined with the ability to compare prices and review the richer information that is available online, allow travellers to make informed decisions and book their travel options with greater control and immediacy, leading to an increase in travel to a variety of destinations.

IHG's 2014 Trends Report (see page 20) found that the rapid rise of technology-enabled personalisation is helping to shape the experience guests want when they travel. It also found that personalised brand experiences which resonate with the local culture are particularly important for the fast-growing number of international travellers from emerging markets.

Changing technological trends and changes in consumer behaviour will continue to shape the industry.

### **Social**

Other trends also present new opportunities to travel. Increased competition and capacity amongst airlines, lower air fares and more relaxed travel and immigration restrictions in many regions have made international travel a viable option for an increasing number of people.

### **Competitors**

These long-term drivers and global trends are changing the competitive landscape within the travel industry. Competitors are no longer simply branded or independent hotels, but now include travel intermediaries and companies offering alternative lodging solutions and search options, providing inspiration for travel ideas and aggregating a range of travel solutions. Many of these businesses are also not subject to regulations such as fire and life safety, food safety and local industry regulations, which apply to traditional hotel operators.

*Source: Smith Travel Research for industry facts.*

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### ***Industry performance in 2013***

Overall, global industry RevPAR increased by 4.4% in 2013 and IHG's global RevPAR grew 3.8%. As would be anticipated, performance varied across regions and across segments (see page 29), with each facing different economic, social and physical conditions.

*RevPAR is a KPI see page 38.*

*IHG's performance globally and in each of our regions during 2013 is detailed on pages 40 to 50.*

*Source: Smith Travel Research for industry facts.*

### **The Americas**

#### **Industry**

The hotel industry performed strongly in the region. RevPAR grew by 6.6% with average daily rate increasing by 5%. On the supply side, the number of rooms only increased by 0.8%. Although RevPAR growth was strong, it was not consistent across all segments, with the luxury, upper upscale and upscale segments performing best.

The overall dynamic remains favourable in the US, with industry demand achieving record highs and supply growth still below the 2% per annum historic average. Reflecting this, US RevPAR increased 5.4% during 2013 with average daily rate growing 3.9% and occupancy also continued to grow. On a negative note, the US government's reduced travel over 2012 and 2013 and complete shutdown in the fourth quarter of 2013, meant that some cities, such as Washington D.C., were impacted. However, this did not outweigh the positive economic trends that contributed to greater demand in the industry.

#### **IHG's Americas region**

IHG's comparable RevPAR increased 4.3% with 2.6% rate growth. The region is predominantly represented by the US, where comparable RevPAR was up 4.2%. Our upscale and luxury brands (InterContinental, Crowne Plaza and

Hotel Indigo) outperformed the industry. In the midscale segment, Holiday Inn and Holiday Inn Express maintained a rate premium to the segment. However, RevPAR grew at a lower rate than the market, reflecting the superior RevPAR performance versus the market in recent years and higher absolute RevPAR. Quality remained a focus, and 17,968 rooms left the IHG System. Overall the number of rooms open in the region increased by 1,807 rooms.

## Europe

### Industry

Despite continuing challenging economic conditions in the eurozone, overall the industry performed well with RevPAR increasing 3.2% and average daily rate 1.5%. The number of rooms across the industry increased by only 0.9%. Europe is a diverse region and the industry figures were driven by the larger markets, in particular the UK and Germany.

In the UK, RevPAR grew 3.9%, predominantly led by occupancy growth, although average daily rate grew marginally (0.2%). The UK provinces, after a relatively protracted period of weakness, performed particularly well. London's RevPAR growth was positive in 2013, despite an unprecedented level of new rooms and 2012 figures elevated by the London 2012 Olympic and Paralympic Games.

Economic growth in Germany has tended to be more stable in the recent past. Although RevPAR for Germany did increase by 1.7%, the industry is highly dependent upon trade fairs, which are not consistent in number or size year-on-year. Overall, there were fewer trade fairs in 2013 compared to 2012 and RevPAR growth was positive but not as high as the growth seen in 2012.

### IHG's Europe region

IHG's comparable RevPAR increased 1.7% led by a 1.5 percentage point increase in occupancy. RevPAR growth was resilient in our priority markets, despite tough comparatives. In London, we outperformed the market, although across the UK we were marginally below market. Overall, comparable UK RevPAR increased by 3%. In Germany, RevPAR grew 0.8% reflecting a weaker trade fair calendar in key cities, particularly Berlin and Dusseldorf. In France, RevPAR grew 2.6%, with 5.3% growth at our owned InterContinental Paris Le Grand.

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

#### **Industry**

AMEA is a diverse geographical region comprising many individual country markets. Overall RevPAR increased 6.1%, led by a 5% growth in average daily rate. The number of rooms available across the industry increased by 2.6%.

Strong growth was seen in Southeast Asia, where RevPAR grew 7.9% driven by continued strength in Indonesia and Thailand; Japan, where RevPAR grew by 11.4%; and in the Middle East, where RevPAR growth of 5.5% was achieved despite continuing geopolitical unrest.

In India, 2013 was a challenging year with pricing challenges as a result of rooms supply growth of 4.6% leading to a RevPAR decline of 3.3%.

In Australasia, RevPAR was up 3.9% driven by average daily rate up 2.7%, reflecting strong economic conditions in Australia.

#### **IHG's AMEA region**

IHG is represented widely across the region, both geographically and by brand, and comparisons across the industry are hard to make. In addition, almost all of our net room growth is located in developing markets, where initial RevPAR expectations are on average about 30% of the level achieved by a mature hotel in that region. Even after three to five years, hotels in these markets are expected to achieve around 70% of the absolute RevPAR of primary city hotels. Comparable RevPAR increased 6.1% in the year but, reflecting new hotels in the developing markets, total RevPAR growth was 2.8%. Overall strong trading in Southeast Asia and Japan led the performance with RevPAR up 9.9% and 9.6% respectively. In Australasia, RevPAR increased by 4.5%. In the Middle East, RevPAR was up 3.2%, driven by good performance in Saudi Arabia and the UAE, offset by geopolitical unrest impacting our business in Egypt and Lebanon.

### **Greater China**

#### **Industry**

Hotel industry RevPAR in Greater China was lower than industry expectations with full-year RevPAR declining by 4.2%. The RevPAR decline was predominantly led by a reduced average daily rate (an annual reduction of 3.1%), combined with a reduction in occupancy levels. Overall demand for rooms increased over the year, but occupancy rates were impacted by supply growth of 4.6%.

The industry was impacted by a number of factors in 2013 including natural disasters, slower macroeconomic conditions as reflected in GDP growth of only 7.7% (the softest pace of expansion since 1999) and the impact of the China-Japan territorial island dispute. Despite the challenges, travel and tourism continue to be a strategic pillar of the Chinese government's five-year plan and the continuing growth of the middle-classes and a shift in emphasis to a consumption led economy are all positive factors for the medium to long-term prospects.

### **IHG's Greater China region**

IHG's comparable RevPAR increased 1% as the scale and strength of our business drove a significant outperformance compared to the industry throughout 2013. IHG has brands across multiple price points and hotels in 70 cities which positions us well across the region. Conditions were difficult, but we opened 7,669 rooms and added 15,000 rooms to our pipeline, including seven HUALUXE hotels taking our pipeline of this key new brand to 21 hotels. From a growth perspective, almost 70% of the hotels in the pipeline are under construction. As with AMEA, much of the room growth is located in developing tier 2 and tier 3 cities with lower initial RevPAR expectation when compared to primary city hotels.

### **IHG System**

We continued to grow the IHG System size in 2013 (hotels franchised, managed, owned or leased under IHG's brands see Our business model on page 16).

As at 31 December 2013, we had 686,873 open IHG hotel rooms (4,697 hotels) in nearly 100 countries and territories around the world.

As part of our ongoing commitment to maintaining only high-quality hotels in our brands, we removed 24,576 rooms (144 hotels) during the year, an increase from 2012, actively strengthening the quality of our estate across our brand portfolio, particularly Holiday Inn.

*Information on our preferred brands is set out on pages 17 and 20.*

### **IHG pipeline**

As at 31 December 2013, we had 180,461 rooms (1,120 hotels) in the development pipeline (hotels in planning and under construction but not yet opened; a contract for these has been signed and the appropriate fees paid); the largest pipeline in the industry.

*Net rooms supply is a KPI*

*see page 38.*





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***IHG at a glance\****

***Where we operate***

We operate in nearly 100 countries and territories globally.

*Details of our Targeted Portfolio are set out on pages 28 and 29.*

***Our business model***

***3,977***

***Franchised hotels***

***711***

***Managed hotels***

***9***

***Owned and leased hotels***

*Our business model is detailed on page 16.*

***Our strategy for high-quality growth***

We focus on delivering high-quality growth, which for us means delivering consistent, sustained growth in cash flows and profits over the longer term. We do this by staying focused on our Targeted Portfolio and building preferred brands, driven by a deep understanding of guests' needs. IHG's Winning Model, combined with a Targeted Portfolio underpinned by Disciplined Execution, will drive superior returns for IHG's shareholders.

*Details on our performance globally and in each of our regions is set out on pages 40 to 50.*

\* All facts and figures as at 31 December 2013.

Includes three liquidated damages receipts in 2013; \$31m in The Americas, \$9m in Europe and \$6m in AMEA.

àIncludes one significant liquidated damages receipt in 2012; \$3m in The Americas.

*Our brand*

*portfolio*

Hotels	178	391	55	1,168	2,258
Rooms	60,103	108,891	6,199	212,058	214,597
Rooms (hotels) in the pipeline	16,860 (51)	28,369 (94)	6,807 (51)	46,958 (249)	54,744 (473)

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						Total
38	10	196	312			4,697 <sup>¥</sup>
8,818	3,701	21,518	29,778			686,873 <sup>¥</sup>
3,163 (14)	120 (1)	8,728 (80)	6,914 (80)	880 (5)	6,804 (21)	180,461 (1,120)

<sup>¥</sup> Includes 21,210 rooms (91 hotels) which are unbranded.

**Table of Contents*****Our business model******Our business model***

As at 31 December 2013:	Brand ownership	Marketing and distribution	Employees	Hotel ownership	IHG capital intensity	IHG income
<b>Franchised</b> We operate 3,977 hotels under franchise agreements (84.67%)	IHG	IHG	Third-party	Third-party	Low	Fee % of rooms revenue
<b>Managed</b> We manage 711 hotels (15.14%)	IHG	IHG	IHG & Third-party*	Third-party	Low	Fee % of total revenue plus % of profit
<b>Owned and leased</b> We own and lease 9 hotels (less than 1%)	IHG	IHG	IHG	IHG	High	All revenues and profits

\*IHG often employs the General Manager only.

**Managed and franchised model**

Our business model is focused on franchising and managing hotels, rather than owning them, enabling us to grow at an accelerated pace with limited capital investment. Currently, 88 per cent of our Group operating profit (before regional and central overheads and exceptional items) is derived from franchised and managed operations. This business model allows us to focus on building preferred brands based on guests' needs, and on strong delivery systems, such as our branded hotel websites and call centres. Our model allows us to create greater returns for owners whilst leaving asset management and real estate to our local third-party owners with the necessary expertise.

We adapt this business model by market as necessary, for example, in some markets we have in place managed leases to allow our business to grow. Managed leases are properties structured for legal reasons as operating leases but with the same characteristics as management contracts. In other markets we choose partnerships and joint ventures where appropriate.

A key characteristic of the franchised and managed business model is that it is highly cash generative, with a high return on capital employed. The asset-light approach means IHG benefits from the reduced volatility of fee-based income streams, as compared with the ownership of assets, resulting in a high-quality income stream. It enables us to focus on growing our fee revenues (Group revenue excluding owned and leased hotels, managed leases and significant liquidated damages) and fee margins (operating profit as a percentage of revenue, excluding revenue and operating profit from owned and leased hotels, managed leases and significant liquidated damages).

Dependent upon the market maturity, owner preference and, in certain cases, on the particular brand, hotels can be franchised or managed. For example, in the US, a mature market, IHG operates a largely franchised business, working together with our owners to deliver preferred brands. In contrast, in Greater China, IHG operates a predominantly managed business where IHG is responsible for operating the hotel on behalf of its owners.

*Fee revenues and Fee margins are KPIs see pages 38 and 39.*

### **Capital expenditure**

In some situations, IHG supports its brands by using its capital to build or support the funding of flagship assets in high-demand locations in order to drive growth. We plan to recycle capital by selling these assets when the time is right and to reinvest elsewhere in the business and across our portfolio.

We have committed up to \$150 million to assist with the launch of our EVEN Hotels brand to demonstrate the success and economics of the brand. In 2013, IHG acquired three existing hotels which are being converted to EVEN Hotels, the first of which are due to open in 2014. In the future, we would look to recycle this capital, just as we previously did for both the Staybridge Suites and Hotel Indigo brands.

### **Asset disposals**

As part of our asset-light approach, in May 2013, we disposed of our leasehold interest in InterContinental London Park Lane for gross cash proceeds of £301.5 million (\$469 million). IHG secured a 30-year management contract on the hotel, with three 10-year extension options at IHG's discretion, giving an expected contract length of 60 years.

In December 2013, we announced our agreement to dispose of 80 per cent of our interest in the InterContinental New York Barclay for \$240 million and retain the remaining 20 per cent in a joint venture with a total circa \$175 million refurbishment. Under the agreement, IHG will secure a 30-year management contract on the hotel, with two 10-year extension options at IHG's discretion, giving an expected contract length of 50 years.

In February 2014, the Group signed an agreement to sell the InterContinental Mark Hopkins San Francisco for \$120 million in cash and enter into a long-term management contract on the hotel.

*Our breakdown by managed, franchised, owned and leased hotels for each region is set out on pages 40 to 50.*

### **The System Fund**

In addition to management or franchise fees, hotels within the IHG System pay assessments and contributions 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 (see page 50 for further information).

The System Fund is managed by IHG for the benefit of hotels in the IHG System with the objective of driving revenues for the hotels. Total income for the System Fund in 2013 was \$1.35 billion (2012: \$1.25 billion) and these funds are used to pay for marketing, the IHG Rewards Club loyalty programme and the global reservation system. The System Fund is planned to operate at break even and does not result in a profit or loss for IHG.

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### ***Our preferred brands***

Our portfolio of complementary and differentiated brands consistently deliver on guests' needs.

*Information on how we deliver our preferred*

*brands is set out on page 20.*

### **Holiday Inn® Hotels & Resorts**

Offers the perfect mix of business and pleasure for today's comfort-seeking traveller by providing an inviting, familiar atmosphere where guests can relax and enjoy themselves.

### **InterContinental® Hotels & Resorts**

Our international luxury brand is located in most of the world's key cities and many resort destinations across more than 60 countries worldwide. The brand's ethos is to provide insightful, meaningful experiences that enhance our guests' feeling that they are in a global club.

### **Holiday Inn Resort®**

Offers leisure guests fun and relaxation in some of the world's best holiday destinations, with the peace of mind of a trusted brand name.

### **HUALUXE® Hotels & Resorts**

Launched in March 2012 as the first luxury international hotel brand where every element has been designed specifically to suit the tastes and sensibilities of the Chinese guest. It focuses on the unique aspects of Chinese

### **Holiday Inn Club Vacations®**

Formed as IHG's timeshare brand as part of a strategic alliance with the family of Orange Lake Resorts under an exclusive licensing and marketing agreement. The portfolio is a collection of resorts in the US, offering spacious villa accommodation for families in great



etiquette, the importance of rejuvenation, status recognition, local customs and heritage.

vacation destinations.

### **Crowne Plaza® Hotels & Resorts**

The brand supports career-focused travellers, putting them in control of their travel experience so they can be on top of their work and at the top of their game.

### **Holiday Inn Express®**

Aimed at smart business or leisure travellers who appreciate value without compromising on efficiency and style.

### **Hotel Indigo®**

IHG's boutique brand, artfully combines the modern design and intimate service associated with a boutique hotel with the peace of mind and ease of staying with one of the world's largest branded hotel companies. Each Hotel Indigo hotel reflects the local culture, character and history of the surrounding area.

### **Staybridge Suites®**

IHG's extended-stay brand for business and leisure travellers who are spending an extended time away from home and prefer a warm, home-like and community environment.

### **EVEN Hotels & Resorts**

Launched in February 2012, the brand was created to meet the large and growing demand for a hotel brand to help wellness-minded travellers maintain their balance on the road.

### **Candlewood Suites®**

IHG's extended-stay brand in North America aimed at providing guests with a relaxed, casual and home-like environment at a great value.

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*Our strategy for high-quality growth*

We focus on delivering high-quality growth, which for us means delivering consistent, sustained growth in cash flows and profits over the longer term. We do this by staying focused on our Targeted Portfolio and building preferred brands, driven by a deep understanding of guests' needs.

IHG's Winning Model, combined with a Targeted Portfolio underpinned by Disciplined Execution, will drive superior returns for IHG's shareholders.

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*Our purpose is to  
create Great Hotels  
Guests Love®*

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*Winning Model*

WINNING MODEL

TARGETED PORTFOLIO

DISCIPLINED EXECUTION

IHG's Winning Model is our framework for delivering superior value creation through our brands, our people and our systems.

*Preferred brands delivered through our people*

Our portfolio of nine preferred brands (set out on page 17) are brought to life by our people who deliver on each of our brand promises.

**Preferred brands**

Our portfolio of brands comprises complementary, differentiated brands that clearly and consistently deliver on guests needs.

Building a portfolio of preferred brands that resonate with our guests, and therefore our owners, is crucial. The value is seen through our guests wanting to stay with us and pay more to do so thereby driving RevPAR and delivering better returns on investment for our owners.

For IHG, a hotel brand is a promise of a consistent, relevant and differentiated hospitality experience:

our guests focus on this from a location, product and service perspective, all for the right value; and

our owners focus on this in terms of revenue delivery, relevant and purposeful brand standards and the broader support they receive from being part of a global brand.

Our research into guest needs and the guest occasions (described on page 29) and our consumer insight research helps us gain a deeper understanding of what travellers around the world want from their relationships with hotel brands (as set out on the right), and together assist us in defining our brands.

We use our guest satisfaction measurement tool, Guest HeartBeat, to measure brand preference and guest satisfaction. We are always looking to find ways to improve Guest HeartBeat scores and meet guest expectations.

*RevPAR and Guest HeartBeat are KPIs see pages 38 and 39 and are performance measures for our incentive plans see pages 74 to 97.*

*The principal risks associated with Preferred brands, Owner proposition and Reputation and brand protection are set out on pages 36 and 37.*

### **IHG's 2014 Trends Report**

IHG's 2014 Trends Report, *Creating Moments of Trust* the key to building successful brand relationships in the Kinship Economy, highlights the need for hotel brands to be 3D (3 dimensional), managing their global, local and personal assets simultaneously, in order to win future guests.

This primary research is based on a study of 7,000 international travellers worldwide and uncovers critical success criteria for global brands delivering localised and personalised guest experiences, enabled by technology.

[www.ihgplc.com/trends\\_report](http://www.ihgplc.com/trends_report)

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### **Our people**

In order to deliver our preferred brands, IHG recognises the importance of the people who work across its hotels to deliver differentiated brand experiences and the brand promise for our guests.

### **Our people strategy**

Our expanding business requires us to continually look for additional colleagues to work in IHG hotels and deliver our preferred brands. To meet the challenges that are associated with recruitment, our people strategy is designed around attracting, retaining and developing the very best talent in the industry to service the needs of our guests, to engage and energise the talented and passionate people who work in our hotels and corporate offices, and to bring our brands to life every single day, creating Great Hotels Guests Love.

The four pillars of our people strategy are:

#### **1. Developing a BrandHearted culture**

Each of our brands offers a distinct promise to our guests and being BrandHearted means putting our brands at the heart of everything we do.

#### **2. Making IHG a great place to work**

We are dedicated to building a strong employer brand in order to attract the best possible talent to meet our strategic objectives:

we ask our people to live our Winning Ways (set out above), a set of behaviours that define how we interact with our guests and colleagues; and

we offer our people our Room to be yourself commitment, which is brought to life by four promises.

#### **Room to be yourself:**

**Room to have a great start:** This assists us in recruiting the right people for each brand and role. We offer new recruits a structured orientation programme to provide them with an understanding of IHG's strategy and values.

**Room to be involved:** We use various channels, including conferences, team meetings and our intranet site (refreshed in 2013), to communicate with employees on matters relating to the Group's business and performance

and share information on people, policies and news across IHG. We also provide our employees opportunities to give regular feedback to ensure IHG meets expectations and delivers on its commitments. Twice a year, we ask our employees and those working in our managed hotels (excluding our joint venture hotels) to participate in an Employee Engagement survey.

**Room to grow:** We promise our people all the support, experience and training they need to perform at their best and provide various development opportunities.

**Room for you:** We understand it is important to recognise achievements and communicate these throughout our business.

*Our Employee Engagement survey score is a KPI see page 38 and a performance measure for our annual incentive plan see pages 74 to 97.*

## Our people

Given our franchised and managed business model, IHG does not employ all those who work in IHG hotels.

### Who are our employees?

We employ all those working at our corporate offices and at our owned and leased hotels (including managed lease hotels) and the costs of these are borne by IHG. We typically employ the General Manager and in some cases, other hotel workers at our managed hotels, but the costs of these employees are not borne by IHG. We do not employ any persons working at our franchised hotels.

IHG employed 8,179 people worldwide during the year ended 31 December 2013, whose costs were borne by the Group. Of these, 94 per cent were employed on a full-time basis and 6 per cent were employed on a part-time basis.

The geographic distribution of the average number of these employees over the last three years is shown in the table to the right.

	<b>2013</b>	<b>2012</b>	2011
Americas	<b>2,548</b>	<b>2,552</b>	2,895
Europe	<b>1,602</b>	<b>1,866</b>	1,574
AMEA	<b>1,545</b>	<b>1,195</b>	1,195
Greater China	<b>1,083</b>	<b>1,051</b>	1,000
Central	<b>1,401</b>	<b>1,317</b>	1,292
Total	<b>8,179</b>	<b>7,981</b>	7,956

In addition, as at 31 December 2013, the Group's employees included 4,615 (2012: 4,431, 2011: 3,885) employees who worked directly on behalf of the System Fund and whose costs are borne by the System Fund (explained on page 16). In line with IHG's business model, IHG also employs 578 (2012: 587, 2011: 577) General Managers who work in our managed hotels and whose costs of \$135m (2012: \$132m, 2011: \$125m) are borne by those hotels, and, in the US predominantly, there are 12,588 (2012: 12,494, 2011: 14,596) other hotel workers in our managed hotels who have



contracts or letters of service with IHG whose costs of \$376m (2012: \$430m, 2011: \$448m) are borne by those hotels.

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 all IHG's brands as at 31 December 2013.

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WINNING MODEL      TARGETED PORTFOLIO      DISCIPLINED EXECUTION

**3. Delivering world-class People Tools to our owners and hotels**

To deliver our preferred brands throughout all of our hotels, we developed a set of People Tools, industry-leading best practices tailored specifically for our brands, to assist hotel management and human resources teams hire, train, involve and recognise colleagues. They work to help increase employee retention, performance, guest satisfaction, drive efficiencies and increase revenue for our owners. In 2013, we launched an e-learning module for our People Tools, available in three languages.

**4. Building a strong leadership and performance culture**

We build strong leadership from the top and our Board and Executive Committee leadership and governance processes are set out on pages 56 to 76.

The Group performance culture in our corporate offices is aligned with our strategic priorities for our senior executives, as shown in our incentive plan measures, explained in the Directors' Remuneration Report on pages 74 to 97.

*The principal risks associated with People, talent and culture are set out on pages 36 and 37.*

**2013 initiatives and events**

These included:

the launch of a bespoke Facebook page in India, a new IHG careers page on Russia's number one social media site and a country specific careers website in Greater China;

a Winning in IHG workshop was held in Singapore, which shared best practice learnings from our AMEA region to assist other colleagues from other regions;

our annual Celebrate Service week was held to say thank you to all those working at our hotels and corporate offices; and

development of our online peer-to-peer recognition tool, Bravo!, as an app to download on a mobile phone or tablet.

## Case Study Talent in Greater China

With over 200 open hotels and 170 hotels in the pipeline, IHG leads the market in terms of system size and hotel signings in Greater China. People are our single biggest asset and we have over 50,000 people working across our hotels and in the next three years, we will create circa 30,000 jobs. To assist with this, we leverage our scale in Greater China to provide our people with opportunities to grow their careers within IHG and offer them a variety of locations, roles and different experiences to assist in retaining talent.

As an example, 70 per cent of our General Manager vacancies are filled internally and they are developed through our training programmes (for example see page 26). We also support the career development of the management team in hotels providing a structured way to help them map their career paths across hotel functions accompanied with learning guides. To assist with our recruitment at the entry level, at the end of 2013, we had 30 IHG Academy programmes with local schools and over 2,300 participants undertook placements with IHG. We also started the IHG Management Trainee programme and I-Grad Future Leaders programme, for new graduates from across our hotels in Greater China.

Leveraging our scale, we will continue to invest heavily in developing our people across all levels of the organisation and attract new talent across the region.

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### **Celebrating diversity and inclusion**

As a global organisation operating in nearly 100 countries and territories 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.

In 2013, we introduced a new Global Diversity and Inclusion Policy to further our commitment in this area. We also made progress in our Talent Review processes, enabling us to increase local representation in emerging markets, gender balance in our leadership teams and international representation in our global functions.

In 2014, we will continue to focus on these areas by strengthening the support available internally and also by working with suppliers who comply with our Global Diversity and Inclusion Policy and principles set out therein.

We reviewed the composition of our global management teams and have set out the following objectives:

to maintain at least 25 per cent female representation on our Board;

to strengthen female representation in our global senior leadership population, with a target of reaching 25 per cent in three years; and

to sustain a healthy balance of gender in the whole employee organisation.

We are committed to providing equality of opportunity to all employees without discrimination and providing an inclusive environment. 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 in training and promotion.

*Our Board's commitment to supporting diversity is set out on page 62.*

### **External recognition**

Our brands and our employer brand have won many awards in 2013, including:

the Holiday Inn brand won the Best Mid-Market Hotel Brand in the World and Asia Pacific by the readers of Business Traveller for the 13th successive year in 2013;

the Holiday Inn brand was ranked Highest in Guest Satisfaction Among Mid-Scale Full Service Hotel Chains in the US, for the third year in a row by J.D. Powers and Associates (see page 188);

Market Metrix Hospitality Index named Staybridge Suites brand as one of the Top 10 Brands in Customer Satisfaction globally in quarter 3 and quarter 4;

Market Metrix Hospitality Index named Candlewood Suites brand as Best Midscale Hotel Brand in the Americas region for three consecutive quarters (quarters 2, 3 and 4);

InterContinental Hotels & Resorts was awarded a total of 22 accolades at the 2013 World Travel Awards, including the World's Leading Hotel Brand for the seventh time and the fifth consecutive year;

InterContinental Hotels & Resorts won Best Business Hotel Chain Worldwide at the 2013 Business Traveller Awards;

Hotel Indigo Shanghai on the Bund was named Best Boutique Hotel at the TTG China Travel Awards 2013;

IHG was ranked third in 2013 The Sunday Times 25 Best Big Companies To Work For in the UK;

IHG was listed in TheJobCrowd's The Top Companies For Graduates To Work For in 2013/14;

IHG was named in the 2013 World's Learning Elite for the third consecutive year; and

IHG was named in the China Best Employer Awards.

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**WINNING MODEL** TARGETED PORTFOLIO DISCIPLINED EXECUTION

*Build and leverage scale*

For each of our brands, we aim to deliver high-quality growth through building scale positions in the most attractive geographic markets. In key cities, we build scale through increasing our market share of rooms in that location. As our brands focus on a range of occasion segments meeting guest needs in different ways (see page 29), we use our consumer research to target the right brands for each location.

Increased scale enables us to drive more revenue and create cost synergies for both IHG and our owners. More hotels in an area encourages guests to use our direct reservation channels to search and book our hotels and provides corporate customers with good coverage of key locations. We can also centralise and co-ordinate operational support, national or city-level marketing campaigns and deliver efficient procurement practices, including negotiating reduced commission rates with online travel agencies.

*Net rooms supply, Total gross revenue, Fee revenues, RevPAR, System contribution to revenue and Fee margins are KPIs see pages 38 and 39.*

*The principal risks associated with Owner proposition are set out on page 37.*

**Case study IHG Voice**

IHG Voice is a premium pay-for-performance solution available to all of our hotels for managing local telephone reservations. The solution transfers reservation enquires made to a specific hotel to experienced sales operatives with expert local and regional knowledge, located in a number of core locations in each region.

The specially trained sales agents use the proven reservation booking methods of our award-winning central reservations offices, ensuring that guests are able to make the right booking for their needs and for any given occasion. It also maximises cross-sell opportunities. If a particular hotel is unable to meet a guest's needs then the guest is provided with alternate suitable IHG hotel suggestions. The service therefore maximises guest bookings to the IHG System, delivering incremental revenue to the hotel with improved average daily rate and RevPAR, whilst providing a

superior booking experience for the guest.

The IHG Voice reservations solution means that hotels can concentrate on focusing their attention on providing a great guest service and experience for those staying at their hotel. By driving operational efficiencies and using technology in this way, the service also allows IHG to drive a low cost of sale without compromising the quality of the channel.

*Strong brand portfolio*

*& loyalty programme*

By building a strong brand portfolio and loyalty programme, IHG is able to offer an unparalleled choice for guests and owners. Our nine complementary brands are connected through a leading loyalty programme. IHG's loyalty programme was relaunched on 1 July 2013 with a new name: IHG Rewards Club (previously Priority Club Rewards), reflecting the history of innovation, reliability and integrity that is at the heart of IHG. The name, IHG Rewards Club, clearly identifies all our brands together under the IHG family and has driven a 10 percentage point increase in the awareness of IHG as a brand family.

Through our strong brands and loyalty programme we are able to:

cross-sell each of our brands, recognising that guests stay across our brand portfolio, depending on their needs and the occasion (see page 29);

strengthen our owner proposition by increasing the number and winning the loyalty of our guests, thereby driving higher RevPAR premiums and increasing total gross revenue (see page 26); and

encourage more direct bookings, increasing revenue for IHG's owners (see page 25).

In 2013, IHG Rewards Club delivered around 38.2 per cent of total rooms revenue to our hotels; part of our system contribution to revenue (explained on page 25).

*The principal risks associated with Preferred brands and Reputation and brand protection are set out on pages 36 and 37.*

IHG® Rewards Club is the world's first and largest hotel loyalty programme, with 77.4 million members globally. It offers industry-leading benefits and increased opportunity for points redemption across our portfolio. As part of the relaunch, IHG Rewards Club offered enhanced benefits for members including free internet access across all hotels globally.

IHG Rewards Club has been named Best Hotel Rewards Program in the World for eight years running by Global Traveler magazine and Program of the Year by the Freddie Awards for the Middle East and Asia/Oceania for 2013



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### *Effective channel management*

Our channel management strategy aims to deliver the highest quality revenues to IHG hotels at the lowest possible cost, recognising that the guest experience changes along the entirety of their travel journey. Guests use multiple devices and new technology to personalise their travel experience – from choosing where they want to go, to what they want to do and, of course, where they want to stay. Our focus is therefore to deliver against a guest’s needs across the entirety of this journey, which we break down into five distinct steps: Dream, Plan, Book, Travel, and Share.

We use our systems and technology to drive demand for our hotels, manage revenue per booking and encourage guest loyalty, thereby delivering the highest quality revenues to IHG hotels at the lowest possible cost and maximising owner returns. However, we recognise that guest trends, technology and the competitive environment are continually evolving. It is therefore important that we keep abreast of new technologies and systems to keep pace with these to continue to deliver a consistent, locally relevant and differentiated guest experience.

In 2013, IHG’s direct and indirect systems and channels delivered 69 per cent of total rooms revenue to our hotels (system contribution to revenue).

### **Our booking systems and channels**

Our multi-lingual web and mobile sites, call centres and global sales force allow guests to use the channel most appropriate for their needs, to plan and book our hotels. We also recognise that social media has an important role to play as part of the booking process as a method of advocacy and influence. As a result, we have changed the way we communicate with our guests, using social marketing innovations to make connections between hotels and guests and, through our Guests Rating and Review tool, providing our guests a forum to share their thoughts.

### **Web and mobile**

Web-based bookings now account for over \$3.5 billion of IHG’s total rooms revenue to our hotels. As hotels and other booking competitors continue to invest in the online experience, we expect direct web sales to continue growing at the expense of traditional reservation services.

Mobile technology is also a growing booking and guest channel. We were the first major hotel chain to offer branded mobile apps across all our brands. Mobile visits accounted for over 30 per cent of our website visits, while over 50 per cent of our emails are opened via a mobile device. We continue to innovate in this area in line with advancing technology.

### **Reservations centres**

We operate 12 central reservations offices globally, with 13 different language capabilities to help potential guests and IHG Rewards Club members with queries they may have in their travel planning and to make bookings. In 2013, our global call centres answered more than 21 million calls, and accounted for almost \$2 billion total rooms revenue to our hotels.

### Travel agents

IHG works with a number of third-party distribution partners to support revenue delivery to our hotels, including online travel agencies (OTAs). OTAs represent a role within IHG's distribution strategy, most specifically around infrequent, comparison-shopping leisure travellers. Therefore, IHG, on behalf of its owners, has leveraged its global footprint to secure deals with the lowest aggregate cost of sale for our owners, increasing their revenue.

### Sales force

Our global sales teams are dedicated to securing profitable deals with corporate clients and travel agents and leveraging our technology platform to connect hotels to global distributions systems, in ways that independent hotels and small chains cannot do cost-effectively. In 2013, they helped our circa 2,130 corporate accounts understand and plan for their future corporate travel.

*Total gross revenue, System contribution to revenue and RevPAR are KPIs – see pages 38 and 39.*

*The principal risks associated with Channel management and technology platforms are set out on page 36.*

### IHG Rewards Club

We leverage our relaunched loyalty programme, IHG Rewards Club, (further explained on page 24) with 77.4 million members around the world, to encourage more direct bookings. In 2013, this delivered around 38.2 per cent of total rooms revenue to our hotels.

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**WINNING MODEL**    TARGETED PORTFOLIO    DISCIPLINED EXECUTION

*Superior owner proposition*

IHG is committed to delivering a compelling and preferred offer to our hotel owners through a combination of strong owner relationship management and effective operational support.

We recognise the importance of owners in a managed and franchised business model and we therefore focus on building excellent relationships with our owners, through the IHG Owners Association.

We compete with other hotel brands when an owner chooses a brand for their hotel and we have therefore developed a strong owner proposition and a range of tools and services to drive revenues and make us the first choice for owners.

**Our owner offer**

Our owners are provided with a range of tools and services to assist them in all areas of their operations, for example, providing them with access to our revenue systems which work to drive higher revenue streams to hotels, and our booking and reservation channels, to increase guest bookings (thereby increasing system contribution to revenue and total gross revenue, explained on page 25). This is one part of our broader online Hotel Solutions site enabling owners to search for, identify and get assistance with a large range of hotel-based issues, such as human resources and reservations. This network of knowledge is accessible by all IHG hotels worldwide and ensures that IHG continues to deliver solutions for our owners' needs.

We also manage brand consistency risk for our owners by focusing on driving brand standards – an important set of guidelines for each brand that support the delivery of a consistent branded hotel and guest experience and thereby assist in increasing guest satisfaction (measured through Guest HeartBeat) and driving brand preference and growth in RevPAR (both KPIs).

At our 2013 annual Owners Conference in Las Vegas, we had over 5,500 owners and General Managers attending and we took the opportunity to inform these key stakeholders about our future strategy and receive their feedback.

IHG continues to focus on delivering value to owners by pricing our fees in a way that reflects the services, tools and brand value that we deliver and we therefore drive a competitive branded fee structure to support owners in achieving premium returns. As explained on page 16, a franchised and managed business model requires us to focus on fee revenues and fee margins (both KPIs).

Guests, employees and owners are increasingly looking for confirmation that the business they interact with share their values and act responsibly. We are therefore committed to responsible business practices, and our corporate responsibility programmes are integrated with our business and our owner proposition. As set out on page 27, this is also a key priority area for the IHG Owners Association and are therefore KPIs for IHG.

*For our KPIs see pages 38 and 39.*

*The principal risks associated with Owner proposition are set out on pages 36 and 37.*

### **IHG Owners Association**

The IHG Owners Association represents the interests of nearly 2,000 of our owners who together own 3,000 IHG hotels globally. We work together to improve total revenue for our hotels and RevPAR, further strengthen IHG's brands and enhance the guest experience.

As set out in the Chairman of the IHG Owners Association's message on page 27, we have worked together with the IHG Owners Association in 2013 to make further progress on our agreed priorities.

### **Progress against IHG Owners Association Priority 4: To develop the strongest General Manager talent in the industry**

We have invested heavily in our approach to hiring, training and developing General Managers. To assist with this, we launched:

**General Manager Programme:** This helps new General Managers become great brand ambassadors, deliver preferred brands, inspire their teams and achieve great results. The programme offers branded selection tools to assist owners and recruiters hire the right General Managers for the right brand and hotel and thereafter provides a General Manager with a tailored learning experience.

**Journey to Brand Manager – General Manager Professional Development Programme:** This helps experienced General Managers to focus on how a General Manager can consistently deliver the brand experience to drive results and maximise the profitability of our hotels.

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*IHG Owners Association*

*Chairman's message*

The IHG Owners Association works together with IHG to create long-term value for owners.

Last year in the Annual Report 2012, the 2013 IHG Owners Association Chairman, Mike Hembree, noted that the IHG Owners Association was changing its ways of working with IHG to better focus on how we work together. In autumn 2012, the following five key priorities around which we would strive to organise our work were agreed between IHG's Executive Committee (see page 65) and the IHG Owners Association:

1. deliver the strongest brand portfolio in the industry;
2. deliver the strongest set of tools in the industry;
3. develop the strongest approach to standards in the industry;
4. develop the strongest General Manager talent in the industry; and
5. maintain the strongest reputation for doing business the right way.

As the 2014 IHG Owners Association Chairman, I am proud to note that our new ways of working have reaped solid results.

Together, we launched a new professional development programme for existing and new Holiday Inn brand family General Managers. Our officers and volunteer leaders played an instrumental part in developing the programme, giving an owner perspective on what a General Manager needs to become a successful Brand Manager. This new programme is now rolling out through all IHG brands, and I am confident that they will all see the same success that we have seen in the Holiday Inn brand family.

We have worked with IHG to drive brand preference and have encouraged owners to use IHG's guest satisfaction measurement tool, Guest HeartBeat, as a measure of how well we are delivering against guests' expectations. Hotels with higher Guest HeartBeat scores for overall experience tend to see higher RevPAR and we are therefore continuing to find ways to improve Guest HeartBeat scores and meet guest expectations.

Finally, and my personal focus, was the refresh of the approach to brand standards. Strong standards, consistently applied, deliver the brand promise and we have worked with IHG to simplify and clarify the brand standards. IHG

started with the Holiday Inn Express brand, and took each and every standard through a rigorous review. At the end, more than 40,000 words were removed from the Holiday Inn Express Standards manual for The Americas region and an industry-leading online resource has been created, enabling owners and General Managers to quickly find and implement the standards. IHG will adopt a similar approach for all the other brands.

Looking ahead, the IHG Owners Association will continue its mission to help each owner find success with IHG hotel brands. We will continue to focus on increasing profitable revenue, decreasing operating expenses, and maximising our relationship with IHG.

**Buggsi Patel**

**2014 Chairman**

**IHG Owners Association**

*For information on the IHG Owners Association go to [www.owners.org](http://www.owners.org).*

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*Targeted Portfolio*                      WINNING MODEL    **TARGETED PORTFOLIO**    DISCIPLINED EXECUTION

We are focused on a Targeted Portfolio operating:

in the most attractive markets for IHG;

in the highest opportunity segments based on guests occasion needs; and

an asset-light business model, which means we focus on franchising and managing hotels rather than owning them.

Hotel Indigo Tianjin Haihe, People's Republic of China

*Attractive markets*

Our growth strategy is focused on the largest and/or fastest growing markets in which IHG has strong existing brand presence or an opportunity to build a brand presence, where our scale and revenue delivery systems confer the greatest benefits and markets which are aligned to our asset-light business model. In these markets, we seek to take market share through our portfolio of brands, in the right locations, according to guest demand.

**US**

According to Smith Travel Research, the US is the largest market for branded hotels, with 3.4 million rooms, accounting for 70 per cent of all US rooms available. The segment in the US with the greatest share is midscale, with 1.34 million branded hotel rooms, and IHG's Holiday Inn brand family (comprising Holiday Inn Hotels & Resorts, Holiday Inn Club Vacations, Holiday Inn Resort and Holiday Inn Express) is the largest in this segment. As at 31 December 2013, we had a total of 391,580 rooms (3,244 hotels) open and 63,860 rooms (604 hotels) in the pipeline across the region. Of the open ones, the Holiday Inn brand family comprised 271,936 rooms (2,483 hotels).

**Greater China**

In Greater China, IHG continues to build on a position of strength. Having entered the market early (2014 will mark our 30th anniversary in the region), we continue to develop our relationships with key local owners and grow our presence rapidly. In a country with 790,670 branded hotel rooms (Smith Travel Research), IHG has over 68,545

rooms (208 hotels) open and 54,590 rooms (174 hotels) in our development pipeline. Our pipeline reflects our strategy to deepen our penetration in key cities such as Beijing and Guangzhou, ensuring we have more hotels in key resort locations such as Sanya, and targeting tier 2 and tier 3 cities with a growing middle-class demographic.

### **India**

During 2013, we continued to increase our presence in India particularly through Holiday Inn and Holiday Inn Express, opening a total of 818 rooms (5 hotels) and signing 1,404 rooms (9 hotels) into our pipeline. Accordingly, as at 31 December 2013, we had a total of 3,152 open rooms (18 hotels) and 9,088 rooms (45 hotels) in the pipeline.

### **Russia and the Commonwealth of Independent States**

These countries present opportunities for new construction and conversions as well as strong demand for branded hotels, and in 2013, we signed 1,737 rooms (10 hotels) into our development pipeline. As at 31 December 2013, the total number of open rooms was 5,283 (19 hotels) with 3,883 rooms (17 hotels) in the pipeline.

### **Our priority markets**

In November 2013, we stated our 10 priority markets, which include a number of key emerging markets and more developed markets – US, Middle East, Germany, UK, Canada, Greater China, India, Russia and the Commonwealth of Independent States, Mexico and Indonesia. Information on our priority markets can be found at [www.ihgplc.com/investors](http://www.ihgplc.com/investors).

### **Outside our priority markets**

Outside our priority markets, we focus on building presence in key gateway cities and resorts where our brands can generate revenue premiums from high business and leisure demand. For example, in 2013, we opened an InterContinental hotel in Osaka, our first InterContinental to open in Japan for over 15 years, and an InterContinental in Lagos, Nigeria. We also announced a 15-hotel multiple development agreement in Australia for the Holiday Inn Express brand.

*Our performance across the Group and in each of our regions is set out on pages 40 to 50.*

### **Future developments**

As the industry continues to grow, IHG faces increased competition from other global branded hotel companies and other providers of accommodation (discussed in the Industry overview section on pages 10 and 11). We recognise this and have developed our Winning Model, which underpinned by Disciplined Execution, enables us to continue to deliver high-quality growth.

*For details on our Winning Model see pages 18 and 20 to 27 and Disciplined Execution see pages 18, 19 and 30 to 33.*



*Our KPIs, including Net rooms supply, are set out on pages 38 and 39.*

*See pages 36 and 37 for how IHG manages its principal risks.*

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*Highest opportunity segments*

Typically, the traditional hotel industry segment definitions are focused on the price point and the offer (luxury, upscale, midscale and economy). However, we recognise that guests choose hotels on the basis of a range of needs and the same guest may stay across more than one hotel segment, dependent upon the occasion and their needs. We are therefore refining our approach, so that we position and tailor our hotels to meet those guest needs, as defined by the occasion they are travelling for and their need for travelling.

**Guest occasion**

We have segmented the market into nine globally relevant and differentiating categories of guest occasion (set out below), which have differing strengths dependent upon the geographical location. By understanding these guest occasions, we are able to deliver a number of core basic guest needs that are brand agnostic and serve to deliver a baseline level of consistency across all our brands, whilst also focusing on the nine identified guest occasions, so that each of our brands delivers the relevant guest experience for the occasion.

Our portfolio of brands is targeted around these differing occasion segments, focusing on those which we believe have the greatest growth opportunity and strongest resilience to the industry/economic cycle. We also concentrate on those areas where our scale and revenue delivery systems confer greatest benefits.

As shown below, each of IHG's brands is focused on some of these guest occasions and each brand seeks to address the needs of these in a unique way, through the eyes of its target guests, to bring the guest experience to life.

We have also identified that to be successful in the future, a brand needs to provide a global, local and personal experience to build trust – see page 20 and the 2014 IHG Trends Report available at [www.ihgplc.com/trends\\_report](http://www.ihgplc.com/trends_report).

*RevPAR and Guest HeartBeat are KPIs – see pages 38 and 39.*

Brand

Guest occasion

Mixing business with pleasure; Short break experience; Social identity.

Building business interactions.

Business productivity; Building business interactions.

Business productivity; Romantic getaway; Short break experience.

Wellbeing.

Family time; Mixing business with pleasure; Social identity.

Rest and go.

Business productivity.

Business productivity.

*Information on each of our preferred brands can be found on page 17.*

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*Disciplined Execution*

WINNING MODEL

TARGETED PORTFOLIO

**DISCIPLINED EXECUTION**

Successful delivery of our strategy for high-quality growth requires Disciplined Execution comprising:

scale and efficiency of operations;

investment in developing great talent and technology platforms; and

commitment to responsible business practices.

Crowne Plaza Beijing Lido, People's Republic of China

*Scale and efficiency of operations*

With almost 687,000 rooms in nearly 100 countries and territories around the world, we leverage our global and regional scale to maximise the efficiency of our operations. We focus on driving efficient operational processes and tightly managing our costs proportionate with our revenues to:

drive fee margin growth whilst investing in a strong platform for the future;

offer our owners access to market-leading capabilities and practices that significantly contribute to hotel performance;

maximise the investments we make in building preferred brands (assisting us to increase guest satisfaction which we monitor through Guest HeartBeat); and

strengthen our revenue delivery system (to increase system contribution to revenue).  
We continue to drive process improvements and cost-saving initiatives:

our strong multi-lingual guest support team in the Philippines supports global reservations, sales and guest relations and loyalty marketing;

over 500 business support roles have been moved to our Business Service Centre in Gurgaon, India, providing centralised accounting services for IHG corporate offices and owned and managed hotels; and

the hardware for our central reservations system is managed by IBM, one of our largest corporate clients.

*Information on how we build and leverage scale can be found on page 24.*

### *Investment in developing great talent and technology platforms*

We support the delivery of the Winning Model by investing in the development of talent and technology platforms that provide the foundation for future growth.

#### **Development of great talent**

We know that our brands are brought to life by the people working in our hotels who support the consistent delivery of the brand promise in each hotel. Talent is key to our success, both at a corporate level and in our hotels. We continue to invest in systems and tools to develop our people in the corporate environment and at our hotels and our People Tools (explained on page 22) are available for our owners and hotels.

*Our people strategy is detailed on pages 21 to 23.*

#### **Development of great technology platforms**

Keeping up with new technologies and systems is also key to our success. IHG invests across a range of technology platforms to ensure that our revenue delivery and guest experience systems are at the forefront of innovation in the industry. This includes investment in reservation technology platforms, guest-facing booking channels and new mobile services, as well as investment to support the guest experience in hotels such as the development of digital check-in services and the provision of wifi internet access.

### **Locally tailored systems**

We also invest in technology to ensure our revenue delivery systems and guest experiences are tailored to local markets based on knowledge of local market conditions and travellers.

For example, in Greater China we have made various technology investments to drive and convert demand and enhance the guest experience, including being the first international hotel company to launch a standalone Chinese website and being the only international hotel company in Greater China working with Alipay, the leading local payment system, to integrate their system into our website. This is of critical importance in a market where credit cards are not the primary means for paying online and enables us to offer more prepaid products for our guests.

*Information on our Effective channel management strategy can be found on page 25.*

### **Case study Revenue Management**

Our innovation in revenue management tools and techniques is one particular example of our investment in technology platforms. IHG Revenue Management is a core strategic tool that brings together available rooms, rates and marketing at the hotel level, co-ordinating with our channels to drive reservations to our hotels at the right price.

This expertise is available to hotels through the IHG PERFORM service, a pricing system designed to increase RevPAR and deliver profitable rate recommendations to a hotel. The IHG PERFORM system integrates local demand forecasting, competitive data analysis and price sensitivity modelling to recommend optimum pricing for each day based on the market dynamics and guest type for each hotel. This enables IHG hotels to effectively price their rooms within the context of a highly dynamic competitive market environment.

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*Commitment to responsible business practices*

Responsible business is part of IHG's DNA and is at the heart of everything we do. Doing the right thing in the right way enables us to make a positive contribution to the communities where we operate and gives us a competitive edge by enhancing and protecting the reputation of our brands. It also ensures that we act in a manner which is mutually beneficial for our business, and all of our stakeholders, employees, guests, corporate customers and owners, who are also increasingly considering whether the businesses they interact with, share their values and act responsibly. It also helps us deliver profitable growth and create shared value, thereby ensuring that we are preferred by guests, employees and owners in the long term.

This is why, for us, our commitment to responsible business practices is an essential part of our Disciplined Execution and underpins our strategy.

For IHG, responsible business comprises five key elements (explained below), all of which assist us in seizing the opportunities behaving responsibly gives us to innovate, protect the environment, creating job opportunities and help foster community resilience. We therefore not only have specific responsible business KPIs, but our responsible business practices are also an important driver to both the Employee Engagement and Guest HeartBeat KPIs.

*Our KPIs are set out on pages 38 and 39.*

*The principal risks associated with Reputation and brand protection are set out on pages 36 and 37.*

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WINNING MODEL      TARGETED PORTFOLIO      **DISCIPLINED EXECUTION**

**Corporate responsibility 2013 to 2017 five-year targets:**

Reduce our carbon footprint per occupied room by 12% across our entire estate (against a 2012 baseline)

Contribute a total of \$10 million to communities through monetary donations and in-kind support, including funds deployed through the IHG Shelter in a Storm Programme

*For our 2013 performance against these targets, which are KPIs, see page 39.*

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

Track and report supply chain diversity

*To view our Corporate Responsibility Report:  
[www.ihgplc.com/responsibility](http://www.ihgplc.com/responsibility)  
IHG Planet CR Facebook page:  
[www.facebook.com/](http://www.facebook.com/)*

*IHGCorporateResponsibility*

Provide skills and improved employability to 20,000 people through the IHG Academy

Integrate Corporate Responsibility criteria into the selection and evaluation process for all preferred suppliers

**Internal programmes, policies and training**

We have in place 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 in order to raise understanding of key legal and regulatory areas. These include our Code of Conduct, environment, supporting our community, human rights, competition, anti-bribery, data privacy and crisis management policies and brand safety standards.

**Code of Conduct**

In 2013, we refreshed our Code of Conduct, which is applicable to all Directors, officers and employees and available on the Company's website at [www.ihgplc.com/investors](http://www.ihgplc.com/investors) under corporate governance. It consolidates and clarifies expected standards of behaviour, and communicates the ethical values of the Group.

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



## **Human rights**

As part of putting the human rights policy into practice, in 2013 we set up a cross-functional working group to ensure we are focused on the key areas of human rights relevant to our business, such as making sure we provide decent working conditions for all of our employees, and 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 around the world and will continue to add to our suite of training materials over the next year to support these efforts. During the year, we continued to work with the International Tourism Partnership's Human Trafficking Working Group to address the issue of human trafficking with other hotel companies. We are also a signatory of 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 currently working with our internal Procurement team to further embed our human rights policy and vendor code of conduct in our contracts.

## **Corporate Responsibility (CR)**

During 2013, we focused our efforts on driving the best use of the tools we provide. In September, we released our external targets (set out above) to measure our impact on a global and local level over a five-year period from 2013 to 2017. We aim to create more sustainable communities and better lives through our hotel operations and to achieve this we focus our activities in areas integrated with the way we operate our business.

### **1. Environmental sustainability**

We have committed our hotel estate to designing, building and operating more environmentally sustainable hotels through IHG Green Engage, our online system to measure, monitor, manage and report on energy, carbon, water and waste.

### **2. Sustainable communities**

To reinforce our mission to create shared value in our communities, we:

provide local people with skills development and employment opportunities through the IHG Academy, a pioneering collaboration between IHG hotels and offices and education providers and for community organisations; and

provide donations for shelter and vital assistance and guidance on the actions our hotels can take to support their communities when disaster strikes through the IHG Shelter in a Storm Programme. As part of this programme, we have established IHG Shelter Fund for our fundraising activities.

*For information on IHG Academy visit [www.ihgacademy.com](http://www.ihgacademy.com).*

*For information on IHG Shelter in a Storm Programme visit [www.ihgshelterinastorm.com](http://www.ihgshelterinastorm.com).*

*Our activities are supported by the Board through the Corporate Responsibility Committee, whose Report can be found on page 68.*

<p>IHG Green Engage can help hotels become 10 to 25% more energy efficient</p> <p>2,646 hotels enrolled in IHG Green Engage over half of our global hotels</p>	<p>301 IHG Academy programmes in 50 countries</p> <p>6,391 participants benefited from the IHG Academy in 2013</p>	<p>During 2013, \$1.2 million was raised for the IHG Shelter Fund</p> <p>As part of IHG's fundraising event, Race around the World, IHG colleagues raised \$442,116 for the IHG Shelter Fund</p>
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**Table of Contents****IHG's global greenhouse gas (GHG) emissions**

<b>Reporting boundary</b>	<b>Measure</b>	<b>2013<sup>1</sup></b>	<b>2012<sup>1</sup></b>
Global corporate offices and managed, owned and leased hotels	Scope 1 Direct emissions	<b>424,329</b>	516,586
	Scope 2 Indirect emissions	<b>1,561,135</b>	1,638,160
	Total GHG emissions (tCO <sub>2</sub> e)	<b>1,985,464</b>	2,154,746
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO <sub>2</sub> e per occupied room)	<b>56</b>	64.5
Global corporate offices and franchised, managed, owned and leased hotels	Scope 1 Direct emissions	<b>1,327,416</b>	1,342,670
	Scope 2 Indirect emissions	<b>3,358,380</b>	3,241,159
	Total GHG emissions (tCO <sub>2</sub> e)	<b>4,685,796</b>	4,583,829
	IHG's chosen intensity measurement GHG emissions per occupied room (kgCO <sub>2</sub> e per occupied room)	<b>31.2</b>	32

<sup>1</sup> Reporting period commencing on 1 October and ending on 30 September.

**Global greenhouse gas (GHG) emissions****Scope**

We are required to report on the GHG emissions from our corporate offices and managed, owned and leased hotels where we have operational control under the Companies Act 2006. We have also chosen to report on our GHG emissions from corporate offices and all of our hotels as our GHG emissions reduction target is based upon this.

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 Best Foot Forward to give us an up-to-date picture of IHG’s carbon footprint and assess the performance over the past few years. Best Foot Forward used a sampling and extrapolation methodology to estimate our GHG emissions.

For 2013, in line with the methodology set out in the GHG Protocol Corporate Standard, the sample covered 1,372 hotels out of our total global estate of 4,697 hotels.

We are continuing to improve the quantity and quality of the data reported by hotels using IHG Green Engage to improve the accuracy of our GHG reporting.

The results in the table above include all of our branded hotels but do not include emissions from 87 hotels. We do not have sufficient data to estimate their emissions and we believe them to be immaterial.

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 and therefore we have defined our GHG emissions reporting year as the period commencing on 1 October and ending on 30 September.

**External recognition**

The InterContinental Hotels & Resorts brand became the first hotel brand to have all of its IHG corporate-managed restaurants in the US and Canada become Certified Green Restaurants® by the Green Restaurant Association.

The IHG Shelter in a Storm Programme was awarded the Best Initiative in Sustainable Development and Social Responsibility at the 2013 Worldwide Hospitality Awards.

Member of the FTSE4Good Index.

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### ***Risk management***

IHG believes that an essential part of being a responsible business is having in place robust and effective risk management and internal controls. This supports our business to be resilient, successful and trusted.

### **Risk management system**

IHG has an effective risk management system and internal controls which provide assurance to its shareholders. These are well established and help IHG to protect against known and emerging risks and to cope with the unexpected. The Group develops the risk management system, strategies and controls as a result of continuous learning by management, which in turn drives the focus of the Major Risk Review and Global Internal Audit programme. Our internal controls and risk management system aims to support the achievement of business objectives and protect our business, in particular:

our brands, business model and reputation across key stakeholders;

the delivery of our strategy, commercial targets and plans for change; and

the safeguarding of physical assets, people, systems and processes.

The risk environment that we operate in can be difficult to predict and is rapidly changing. There are many risks that could impact the Group's brands and reputation and, therefore, IHG is giving particular emphasis to developing its reputation risk management capability and strengthening its culture of doing business responsibly.

The key features of IHG's risk management system are:

embedded risk management processes to consistently identify and manage key risks to the business;

a holistic approach to risk assessment applied through Strategic, Tactical and Operational risk perspectives;

risk strategies, controls and outcomes that support the business and reduce unnecessary risk exposure; and

a proactive risk and crisis management culture, through leadership and training.

### **Embedded risk management processes**

IHG has a Major Risk Review process in place to identify, manage, monitor and report the principal risks and uncertainties affecting the Group (the Major Risks). The Board has ultimate responsibility for the Group's strategy and risk management as explained on page 70 and the Audit Committee annually reviews the effectiveness of the Group's systems of internal control and risk management. In addition, the Executive Committee as a whole is accountable for managing risks and as such all Major Risks have named Executive Committee members who ensure that effective risk mitigation and control strategies are in place.

Underpinning the Group's Major Risk Review process, each of the regions and functions have their own risk profiles which are updated biannually in line with the activities of the strategic planning cycle. During the interim periods, continuous dialogue

takes place between risk owners and the Global Risk Management team to develop, execute and monitor detailed risk plans and strategies for key risk exposures.

The Risk Working Group (RWG) provides a long-term, global and strategic perspective to the risks faced by IHG. Its mandate is to improve cross-functional working and effective risk management of the highest priority and emerging risks affecting IHG. The RWG is chaired by the General Counsel and Company Secretary and comprises the Heads of Global Risk Management, Global Strategy, Programme Office and Global Internal Audit. Major Risks are regularly discussed as part of Board, Executive Committee and senior leadership meetings. In addition, the Major Risks are collectively discussed at least twice annually at the meetings of the Executive Committee, Audit Committee and the Board.

### **Holistic approach to risk assessment**

IHG conducts risk assessments to identify, prioritise and distinguish risks it wishes to take from those it must mitigate. IHG thinks broadly about potential threats – whether they are strategic, tactical or operational in nature.

**Strategic risks:** these are risks arising from IHG's relationship with the external environment and can impact on IHG's ambition and strategy over the long term. Strategic risks are a key feature of the Board and Executive Committee agendas, regional and functional strategy setting and are considered during decision-making on strategic issues such as the selection of future growth markets, the selection of strategic business partners and decisions pertaining to potential new initiatives.

**Tactical risks:** these are risks that could impact the delivery of IHG's one to three-year targets including implementation of projects. These include factors influencing IHG's ability to sign and open new hotels, the performance of existing hotels and delivery of projects. These are managed by senior operators and overseen by the Regional Operating Committees. In addition, project risks are managed by project management teams and business sponsors with oversight provided by the Programme Office.

**Operational risks:** these include a wide spectrum of day-to-day risks that front-line hotel colleagues and corporate teams face when dealing with guests or ensuring corporate systems and processes are running smoothly. A critical aspect of this is managing the safety and security of our people and assets and the continuity of the business. For some parts of the business, operational risks also include managing third-party service providers and the wider supply chain. Due to the nature of operational risks, IHG typically mitigates these through internal controls, operational and business processes, systems and tools. Oversight roles exist through the management line, the Regional Operating Committees and functional leadership teams.

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**External recognition**

IHG's Risk Management team working in conjunction with Oxford Brookes University was awarded the 2013 Best Partnership of the Year at the Institute of Risk Management Global Risk Awards. Our risk management training programmes were awarded Gold Award for the Best e-Learning Widespread Adoption at the 2013 LearnX Impact Awards.

**Risk actions and outcomes**

Fundamental to IHG's approach to risk management is that it is action-oriented and yields tangible outcomes in the business, thereby reducing risk exposures. There are numerous risk management programmes and activities that achieve this, including our hotel safety and security action plans, business continuity plans and crisis management programmes.

In developing our plans and programmes, we considered both our first-hand experience in managing events at our hotels, such as natural catastrophes and civil unrest and other possibilities which may impact IHG's central operations, brands and reputation. We have also linked our crisis management programme with the IHG Shelter in a Storm Programme (explained on page 32).

**Proactive risk and crisis management culture**

IHG believes the value of risk management is realised through a proactive risk management culture and capability. To this end, IHG has developed numerous support and guidance materials, implementation toolkits, training and control systems and made these available to all hotel and corporate colleagues in various languages in order to build our risk management maturity and culture.

**Ensuring health, safety and security**

Providing and supporting a safe and secure environment for our guests, employees and those working at or otherwise visiting our hotels and corporate offices is paramount, and therefore IHG applies high standards of health and safety across the Group. We ensure the protection and wellbeing of those working for IHG through suitable work-based strategies; minimise the risk of injury from work activity; ensure that sufficient information 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. We have established a set of policies, procedures and measures and require all to comply with relevant legislation.

### **Hotel health, safety and security**

Recognising the importance of operating safe hotels, our commitment to safety, security and crisis management in hotels is a fundamental part of being a responsible business. We therefore require hotels to comply with a set of global Brand Safety Standards. We also support hotel owners, General Managers and hotel employees to manage risk effectively by giving them a systematic approach and framework to follow and providing them with user-friendly tools and training. Where appropriate, IHG's risk management training is accredited by relevant recognised bodies such as the Chartered Institute of Environmental Health.

We have developed a Safe Hotel/Manage Risk framework (depicted on the right), which enables a consistent approach to managing safety and security risk in IHG hotels. It comprises two mechanical cogs meshed together, showing different types of safety and security risks in the Safe Hotel cog meshed against the actions described in the Manage Risk cog. This framework is actively promoted by IHG's risk managers around the world, working with hotels and their management teams in order to keep IHG hotels safe and secure.

Hotels are assessed by various methods, including self-assessment, guest satisfaction surveys, design and engineering plans, incidents, intelligence gathering, quality audits and risk management reviews. Hotel management teams discuss issues at monthly safety meetings and develop action plans. Risks are prioritised, responsibilities assigned and improvement actions identified, progressed and monitored. Action plans are reviewed as necessary by appropriate people to escalate and drive action or develop common solutions.

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*Risk management continued*

**Managing risks in a changing environment**

We continue to experience a dynamic external risk environment with changes in political, economic, social, technological, legal and environmental risks. However, we do see the global macroeconomic conditions improving. We see the Group’s business model, diversity of brand portfolio and wide geographical spread contributing to our resilience to events that could affect specific hotels, local areas or all but the most significant countries.

The table below sets out the principal risks and uncertainties (the Major Risks) in the context of delivering against our strategy for high-quality growth (as described on pages 18 to 33). These are perceived as the most dynamic risks and are therefore proactively managed and monitored by senior management. These complement the wider comprehensive risk factors set out on pages 164 to 167.

**Risk description**

**Control and mitigation activities**

**Preferred brands**

Having a portfolio of preferred brands with a clear, distinct brand proposition (delivering a consistent guest experience, regardless of our predominantly managed and franchised business model) and a global presence aimed at meeting the changing needs of our guests, is crucial to creating brand preference, loyalty and advocacy. Failure to achieve this could impact on IHG’s competitive position and its reputation with owners, investors and guests.

IHG has a complementary and differentiated portfolio of nine brands (see page 17), each of which is designed to meet a wide demographic of guests and differing guest occasions and needs through distinct brand propositions (see page 29).

IHG continues to review and refresh both its brands and brand standards, giving particular consideration to the optimisation of global requirements while retaining local distinctiveness.

IHG has built awareness and loyalty, particularly across our priority markets, through a blend of global and local marketing promotions, sponsorships and brand initiatives.

In 2013, IHG relaunched its loyalty programme to IHG Rewards Club to clearly communicate to consumers that all of our brands are part of the same IHG brand family and to therefore encourage guest loyalty and cross-sell opportunities.

IHG manages brand consistency through the entire hotel life cycle commencing with development through to due diligence and deal approval processes, which help us select appropriate sites and owners. This is supported by clear contractual terms, new hotel opening processes, brand standard requirements and quality compliance processes. We also provide central support tools, training and guidance to assist those working at our hotels and owners to enable them to deliver brand consistency and thereby support the success of the hotel. However, to maintain high-quality growth in the IHG System, IHG may be required to exit non-compliant hotels.

### **People, talent and culture**

IHG must recruit and retain the right people, give them the tools, guidance and support to be successful and to influence behaviour and culture in order to deliver a preferred brand promise. High growth and emerging markets are a particular challenge, and ensuring we have the right leadership is crucial. Failure to manage our people, talent and culture could impact on our service delivery, financial performance and longer-term growth.

IHG has in place a comprehensive global people strategy to ensure we are able to find and retain the right people to deliver our preferred brands at our hotels and corporate offices and we continually review the tools, systems and guidance we offer them.

We are constantly evolving our recruitment strategies. We have in place different strategies for different markets to ensure we have the most appropriate and effective methods and channels for talent attraction and recruitment. The IHG Academy also assists us with recruiting for our talent pipeline.

IHG proactively manages succession planning and has formal programmes in place to help its people grow their careers. Incentive plans for senior leaders are aligned to IHG's strategy to ensure longer-term growth.

IHG recognises that technological advances and changing guest expectations mean that we must continually invest in and improve our systems and reservations channels. We have in place a multi-channel management strategy that focuses across the entire guest journey and encourages guests to book directly through IHG's channels and reservation systems.

### **Channel management and technology platforms**

Travellers now have access to far more information through comparison websites, search engines and online travel agents. Booking channels and technological systems are a key part of the guest journey and an important value driver for our owners. This is also an area where there is rapid change in terms of technology, guest expectations and relationships with online travel agents and other intermediaries.

Recognising the growing trend amongst some travellers to book through online travel agencies and intermediaries in search of better value, IHG proactively manages and seeks to improve terms and conditions of our relationships with these partners and continues to support roomkey.com, a meta-search website launched in 2012 in partnership with other hotel companies. These activities compliment our wide programmes and activities to encourage guests to book direct.

Threats to information security, from payment card information to other information held in IT systems or, in paper format and other media, remain of concern.

Failure to effectively manage and keep under review our channels, information technology infrastructure and technological systems to optimise performance and resilience could impact on the Group's revenue and delivery channels, guest experience, return for our owners and investors and the Group's future performance.

IHG's Global Technology function works collaboratively with specialist third-party technology partners to continuously monitor, manage and optimise our systems and channels, including their resilience through backup systems and business continuity practices, to enhance all aspects of the guest journey.

Operating in nearly 100 countries and territories, IHG takes information security very seriously and has applied risk-based methods to build capability and resilience into our systems and processes. The Group manages data security to contain the risk and reduce the Group's exposure, tightly controlling sensitive data through limited and monitored access.

IHG continues to aim to be fully compliant with Payment Card Industry Data Security Standards (PCI-DSS) using tools and services from a leading specialist third-party provider with respect to payment card processing.

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**Risk description**

**Control and mitigation activities**

**Owner proposition**

As a result of IHG's predominantly franchised and managed business model, managing relationships with our existing, new and potential owners is important. General trading conditions and the economic outlook also affect the availability of capital to current and potential owners. Failure to manage relationships and the macroeconomic outlook may have an impact on the existing IHG System, our operations and our development pipeline.

To ensure that IHG is continually considering its owners, the IHG Owners Association is the primary channel through which IHG engages with them. In addition, regional teams build relationships with owners through a variety of methods, including formal and informal communications and owner conferences. By agreeing a set of priorities together, and continually reviewing and updating our central support tools and systems, including revenue management tools, we aim to offer a compelling owner proposition.

The use of the System Fund (described on page 16) is also managed by IHG for the benefit of all our hotels with the objective of driving revenue for them. The use of this fund is reviewed annually in collaboration with the IHG Owners Association.

IHG's scale, diverse portfolio of brands, segments, countries of operation and mix in business model positions it well from short-term macroeconomic impacts and we continue to monitor macroeconomic conditions and make necessary adjustments, including cost optimisation programmes where appropriate. However, we recognise that macroeconomic issues can impact upon potential and existing owners and we therefore continue to review our business model and the owner proposition in light of these.

**Reputation and brand protection**

IHG recognises the importance of its brands and reputation as important assets for the business. Protecting them requires IHG, all those working in our hotels and corporate offices, owners and business partners to behave responsibly.

Responsible business underpins our strategy, by being an essential part of Disciplined Execution. Our Business Reputation and Responsibility function comprises a team of lawyers, brand standard compliance managers, chartered secretaries, corporate responsibility specialists, risk managers and internal auditors who work together to champion and protect the trusted reputation of IHG and its brands, including brand and intellectual property protection.

Failure to safeguard the reputation of IHG and its brands could have severe impacts on the Group's future performance.

There is also a constant need to protect the safety and security of our guests, employees and visitors.

IHG aims to embed a responsible business culture throughout the organisation, leveraging our Winning Ways (see page 21) to encourage those working at IHG to promote and protect our trusted reputation. To assist with this, we have in place various internal programmes, policies and training, including our Code of Conduct.

IHG's proactive risk-based approach to hotel safety and security (summarised on page 35) aims to ensure guest and employee safety and the security of hotels and office buildings. IHG has also put in place a crisis management programme to ensure our hotels and corporate offices are prepared for unexpected or unknown events.



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***Key performance indicators (KPIs)***

We measure our performance through a holistic set of carefully selected KPIs to monitor our success in achieving our strategy and the progress of our Group to deliver high-quality growth. The KPIs are organised around the elements of our strategy – our Winning Model and Targeted Portfolio, and Disciplined Execution.

***Winning Model and Targeted Portfolio***

<b>KPIs</b>	<b>2013 progress</b>	<b>2014 priorities</b>
<b>Net rooms supply<sup>2</sup></b>	<p>IHG System size of 686,873 rooms (4,697 hotels) reflecting 1.6% net IHG System size growth. The slower growth rate reflects a higher level of removals to maintain the quality of our estate, including 17 hotels for which significant liquidated damages totalling \$46m were received.</p>	<p>Accelerate growth strategies in priority markets and key locations in agreed scale markets and continue to leverage scale.</p>
<b>Growth in fee revenues<sup>2</sup></b>	<p>Completed disposal of our leasehold interest in the InterContinental London Park Lane and agreed to dispose of 80% of our interest in the InterContinental New York Barclay, retaining 20% in a joint venture, and entered into long-term management contracts on both hotels.</p>	<p>Support growth of our new brands EVEN Hotels and HUALUXE Hotels &amp; Resorts, opening our first hotels.</p>
At constant currency	<p>Pipeline of 180,461 rooms (1,120 hotels), including 21 hotels in the pipeline for the HUALUXE brand and five hotels in the pipeline for the EVEN brand (three of which are owned).</p> <p>Lower growth in fee revenues compared to 2012 reflects a combination of lower RevPAR growth and lower net IHG System size growth in 2013.</p>	

An increasing number of open hotels in developing markets, which drive incremental fees at a lower rate, also contributed to lower growth in fee revenues.

**Total gross revenue**

Total gross revenue from hotels in IHG System \$21.6bn, up 2%.

Continue to strengthen IHG revenue delivery systems to deliver profitable demand to hotels.

Actual \$bn

Loyalty programme relaunched to IHG Rewards Club offering enhanced benefits for members, including free internet access across our hotels globally driving a 10 percentage point increase in awareness of IHG as a brand family.

Continue to drive loyalty to our portfolio of brands, driving awareness of IHG Rewards Club and leveraging this across our brands and regions.

**System contribution to revenue<sup>1</sup>**

Enrolled 6m new members (up 8% on 2012) to IHG Rewards Club, taking the total to 77.4m members.

Continue to drive adoption and impact of our performance tools, systems and processes amongst our owners.

Continue with investment in technology systems and platforms.

**Employee Engagement survey scores**

Continued to deliver against our people strategy, increasing our employee engagement by 3.1% and recognised externally as an employer of choice (see page 23).

Strengthen our approach to developing leaders and invest in tools and training that build leadership capabilities.

Launched bespoke, country-specific careers web pages and/or websites in India, Russia and Greater China to continue our aim to be employer of choice.

Continue to build a winning culture through strong leadership and performance management.

Continue to strengthen our talent pipeline to meet our growth ambitions.

<p><b>Global RevPAR growth<sup>1,2</sup></b></p> <p>Comparable hotels, constant \$</p>	<p>Growth in global RevPAR has slowed in 2013, reflecting slower growth in The Americas and IHG's predominantly midscale focus, and more significant slow down in Greater China due to industry-wide challenges (see pages 12 and 13).</p>	<p>Continue to strengthen the quality and consistency of the brand experience, delivering guest journeys that are differentiated by brand.</p>
<p><b>Guest HeartBeat<sup>1</sup></b></p>	<p>Recorded improvements in guest satisfaction scores in every region, for all of our brands and received external recognition through awards (see page 23).</p>	<p>Continue to invest in building long-term brand preference in light of our guest occasion segmentation and the 2014 IHG Trends Report (see page 20).</p>
<p><b>2011</b> Not applicable</p>	<p>Continued with the repositioning of the Crowne Plaza brand and refreshed marketing messaging for Holiday Inn and Holiday Inn Express to better reflect the differentiated brand propositions and drive brand consideration.</p>	<p>Continue to empower our frontline teams with the tools and training to consistently deliver great guest experiences that build brand preference.</p>
	<p>As part of simplifying and clarifying our standards for all of the brands, in 2013, we refreshed the Holiday Inn Express Standards manual ready for launch in January 2014.</p>	<p>Continue to progress with our standards refresh across the brands.</p>
	<p>Launched two General Manager training programmes to assist with General Manager development to deliver on the brand promise (see page 26).</p>	<p>Support the first openings of our new hotels for the EVEN Hotels and HUALUXE Hotels &amp; Resorts brands.</p>

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KPIs used to assess performance measures for remuneration plans:	<i>For more information see Directors Remuneration Report pages 74 to 97.</i>
<sup>1</sup> Annual incentive plan (Annual Performance Plan)	
<sup>2</sup> Long-term incentive plan (Long Term Incentive Plan)	

*Disciplined Execution*

KPIs	2013 progress	2014 priorities
<b>Fee margins<sup>1</sup></b>	Group fee margins of 43.2%, up 1.3 percentage points on 2012, with scale benefits and cost efficiencies more than offsetting increased investment for future growth.	Continue to focus on sustainable fee margin progression over the medium-term.
* Restated for IAS19R		
Employee Benefits		
<b>Number of people participating in IHG Academy programmes</b>	Opened a further 144 IHG Academy programmes, taking the total to 301, with 6,391 participants in 2013 helping us to build a strong pipeline of talent for the future.	Continue to expand the IHG Academy throughout our hotel estate making sure the programmes deliver positive and transformational results for participants and IHG.
<b>2012</b> Not applicable		Provide skills and improved employability to a total of 20,000 people via IHG Academy over the five-year period (2013-2017).
<b>2011</b> Not applicable		

<p><b>Value of monetary donations and in-kind support to communities by IHG, including funds deployed through IHG Shelter in a Storm Programme</b></p>	<p>Contributed a total of \$1.92m in 2013 to communities through monetary donations and in-kind support, including funds deployed through the IHG Shelter in a Storm Programme.</p> <p>\$1.2m raised for the IHG Shelter Fund.</p>	<p>Continue to increase awareness of, and engagement with, the IHG Shelter in a Storm Programme, ensuring our hotels are prepared for disaster and able to respond quickly and effectively to help the local community and employees when needed.</p>
<p><b>2012</b> Not applicable</p> <p><b>2011</b> Not applicable</p>	<p>Responded to 15 disasters in 8 countries, including super typhoon Haiyan in the Philippines, floods in Jakarta, Buenos Aires, Canada and Mexico, tornadoes in mid-west America and wildfires in Arizona, by allocating funds to help with financial support, vital supplies and accommodation.</p>	<p>Contribute a total of \$10m over a five-year period (2013-2017) to communities through monetary donations and in-kind support, including funds deployed through the IHG Shelter in a Storm Programme.</p>
<p><b>Carbon footprint per occupied room</b></p>	<p>Reduced carbon footprint per occupied room by 31.2kgCO<sub>2</sub>e (reduction of 2.4% on 2012 baseline) across our entire estate</p>	<p>Reduce carbon footprint per occupied room by 12% across our entire estate (over a five-year period (2013-2017) using 2012 baseline).</p>
<p><b>2011</b> Not applicable</p>	<p>Carbon Disclosure Project disclosure rating of 85B (the joint highest-scoring hotel company in the FTSE 350, Standard &amp; Poor's 500 and Global 500).</p>	<p>Continue to drive quality of use of IHG Green Engage to reduce impact on the environment, enable cost savings and drive revenue.</p>
<p><b>Water use per occupied room in water stressed areas</b></p>	<p>Reduced water use per occupied room by 0.56m<sup>3</sup> (reduction of 4.6% on 2012 baseline) in water-stressed areas.</p>	<p>Reduce water use per occupied room by 12% in water-stressed areas across our estate (over a five-year period (2013-2017) using 2012 baseline).</p>
<p><b>2011</b> Not applicable</p>		

*Our regional priorities are set out on pages 42, 44, 46 and 48.*

*For definitions of each of the above KPIs see the Glossary on pages 186 and 187.*

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	12 months ended 31 December				
	2013 vs		2012 vs		
	2013	2012 <sup>1</sup>	2012 %	2011 <sup>1</sup>	2011 %
	\$m	\$m	change	\$m	change
<b>Revenue</b>					
Americas	916	837	9.4	830	0.8
Europe	400	436	(8.3)	405	7.7
AMEA	230	218	5.5	216	0.9
Greater China	236	230	2.6	205	12.2
Central	121	114	6.1	112	1.8
Total	1,903	1,835	3.7	1,768	3.8
<b>Operating profit</b>					
Americas	550	486	13.2	451	7.8
Europe	105	112	(6.3)	100	12.0
AMEA	86	88	(2.3)	84	4.8
Greater China	82	81	1.2	67	20.9
Central	(155)	(162)	4.3	(154)	(5.2)
Operating profit before exceptional items	668	605	10.4	548	10.4
Exceptional operating items	5	(4)	n/a	57	(107.0)
	673	601	12.0	605	(0.7)
Net financial expenses	(73)	(54)	(35.2)	(62)	12.9
Profit before tax	600	547	9.7	543	0.7
<b>Earnings per ordinary share</b>					
Basic	140.9¢	187.1¢	(24.7)	160.9¢	16.3
Adjusted	158.3¢	139.0¢	13.9	127.7¢	8.8
<b>Average US dollar to sterling exchange rate</b>	\$1:	\$1:		\$1:	
			1.6		1.6
	£0.64	£0.63		£0.62	

<sup>1</sup> With effect from 1 January 2013 the Group has adopted IAS19 (Revised) Employee Benefits resulting in an additional charge to operating profit before exceptional items of \$9m for the year ended 31 December 2012 and \$11m for the year ended 31 December 2011.

**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 pages 115 and 116 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 124 of the Group Financial Statements.

### Highlights for the year ended 31 December 2013

The results for the year reflect the varying economic, physical and social factors influencing the markets that the Group operates in. In the US, favourable supply and demand dynamics have resulted in a strong performance albeit this was tempered slightly by the October government shutdown. In Europe, despite continuing economic challenges, the performance in key markets has remained relatively resilient whilst in AMEA there has been strong growth in key markets including Japan and Southeast Asia but weaker fundamentals in India and specific countries in the Middle East. Greater China overall has experienced slower macroeconomic growth and the hotel industry has also been impacted by a number of one-off

events. With this background, overall Group revenue increased by \$68m (3.7%) to \$1,903m and operating profit before exceptional items increased by \$63m (10.4%) to \$668m.

On 1 May 2013, IHG completed the disposal of its leasehold interest in the InterContinental London Park Lane for gross proceeds of \$469m and entered into a 30-year management contract with three 10-year extension rights.

On an underlying basis, defined as reported results, excluding those from the InterContinental London Park Lane whilst under IHG ownership, results from managed leased hotels, together with the benefit of \$46m liquidated damages receipts in 2013 and a \$3m liquidated damages receipt in 2012, revenue and operating profit increased by \$68m (4.2%) and \$44m (7.8%) respectively when translated at constant currency and applying 2012 exchange rates.

Fee revenue\* increased by 4.3%, with Group RevPAR (see Glossary on pages 186 and 187) growth of 3.8% over the period (including an increase in average daily rate of 1.8%) and IHG System size growth of 1.6% to 686,873 rooms.

At constant currency, net central overheads decreased from \$162m to \$157m in 2013 (\$155m at actual currency), helped by continued tight cost control, as well as additional technology fee income.

Operating profit margin was 43.2%, up 1.3 percentage points on 2012, after adjusting for owned and leased hotels, managed leases and significant liquidated damages.

Profit before tax increased by \$53m to \$600m. Adjusted earnings per ordinary share increased by 13.9% to 158.3¢.

### Highlights for the year ended 31 December 2012

Revenue increased by 3.8% to \$1,835m and operating profit before exceptional items increased by 10.4% to \$605m during the 12 months ended 31 December 2012.

Fee revenue\*, increased by 6.8% when translated at constant currency and applying 2011 exchange rates.

The 2012 results reflect continued RevPAR growth in each of the regions, with an overall RevPAR increase of 5.2%, including a 3.2% increase in average daily rate. The results also benefited from IHG System size growth of 2.7% year on year to 675,982 rooms. Group RevPAR growth remained robust for the year, reflecting favourable supply and demand dynamics in the US over 2011, although trading was also affected by the impact of Eurozone uncertainty as well as industry wide challenges in Greater China in the latter part of the year.



Operating profit improved in each of the regions. RevPAR growth of 6.1% in The Americas helped drive an operating profit increase of \$42m (9.5%), after excluding the benefit of a \$3m liquidated damages receipt in 2012 and a \$10m liquidated damages receipt in 2011. Operating profit in Europe increased by \$12m (12.0%), with RevPAR growth of 1.7%. Operating profit in AMEA increased by \$13m (17.3%) after adjusting for a \$6m liquidated damages receipt in 2011 and the disposal of a hotel asset and partnership interest that contributed \$3m in profits in 2011, reflecting RevPAR growth of 4.9%. Strong operating profit growth of \$14m in Greater China reflected an 11.6% increase in IHG System size as well as 5.4% RevPAR growth.

At constant currency, central overheads increased from \$154m in 2011 to \$164m in 2012 (\$162m at actual currency), reflecting investment in infrastructure and capabilities to support the growth of the business.

\*Fee revenue is defined as Group revenue excluding revenue from owned and leased hotels, managed leases and significant liquidated damages at constant currency.

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<b>Global total gross revenue</b>	12 months ended 31 December		
	<b>2013</b>	2012	
	<b>\$bn</b>	\$bn	% change
InterContinental	<b>4.5</b>	4.5	
Crowne Plaza	<b>4.0</b>	4.0	
Holiday Inn	<b>6.2</b>	6.3	(1.6)
Holiday Inn Express	<b>5.2</b>	4.8	8.3
Staybridge Suites	<b>0.6</b>	0.6	
Candlewood Suites	<b>0.6</b>	0.5	20.0
Hotel Indigo	<b>0.2</b>	0.2	
Other	<b>0.3</b>	0.3	
<b>Total</b>	<b>21.6</b>	21.2	1.9

One measure of IHG System performance is the growth in total gross revenue, defined as total room revenue from franchised hotels and total hotel revenue from managed, owned and leased hotels. Total gross revenue is not revenue attributable to IHG, as it is derived mainly from hotels owned by third parties.

Total gross revenue increased by 1.9% (2.8% increase at constant currency) to \$21.6bn. Total gross revenue for Holiday Inn decreased by \$0.1bn (1.6%), primarily because the number of rooms open under the brand fell by 6,911, driven by the removal of 10,933 rooms in the US reflecting the Group's ongoing focus on quality.

<b>Global hotel and room count</b>	Hotels		Rooms	
	<b>2013</b>	Change over 2012	<b>2013</b>	Change over 2012
<b>At 31 December</b>	<b>2013</b>	over 2012	<b>2013</b>	over 2012
<b>Analysed by brand</b>				
InterContinental	<b>178</b>	8	<b>60,103</b>	2,789
Crowne Plaza	<b>391</b>	(1)	<b>108,891</b>	584
Holiday Inn <sup>1</sup>	<b>1,216</b>	(31)	<b>224,577</b>	(6,911)
Holiday Inn Express	<b>2,258</b>	66	<b>214,597</b>	8,966
Staybridge Suites	<b>196</b>	7	<b>21,518</b>	822
Candlewood Suites	<b>312</b>	13	<b>29,778</b>	1,103
Hotel Indigo	<b>55</b>	5	<b>6,199</b>	538
Other	<b>91</b>	28	<b>21,210</b>	3,000
<b>Total</b>	<b>4,697</b>	95	<b>686,873</b>	10,891
<b>Analysed by ownership type</b>				
Franchised	<b>3,977</b>	43	<b>502,187</b>	1,395
Managed	<b>711</b>	53	<b>180,724</b>	9,726
Owned and leased	<b>9</b>	(1)	<b>3,962</b>	(230)
<b>Total</b>	<b>4,697</b>	95	<b>686,873</b>	10,891

<sup>1</sup> Includes 10 Holiday Inn Club Vacations (3,701 rooms) and 38 Holiday Inn Resort properties (8,818 rooms) (2012: 10 Holiday Inn Club Vacations (3,701 rooms) and 37 Holiday Inn Resort properties (8,806 rooms)).

During 2013, the global IHG System (the number of hotels and rooms which are franchised, managed, owned or leased by the Group) increased by 95 hotels (10,891 rooms).

The Group continued to expand its global footprint, opening hotels in 33 different countries and territories. More than a third of 2013 openings were in developing markets, as classified by The World Bank, with 21% of the closing rooms balance located in these markets, representing an increase of two percentage points from 31 December 2012.

Removals of 142 hotels (24,576 rooms) increased from the previous year (104 hotels, 16,288 rooms) reflecting the Group's ongoing focus on improving the quality of the estate.

Openings of 237 hotels (35,467 rooms) were 4.6% higher than in 2012. This included 115 hotels (12,448 rooms) in the Holiday Inn brand family in The Americas and 33 hotels (4,061 rooms) as part of the US government's Privatisation of Army Lodgings (PAL) initiative. 23 hotels (7,669 rooms) were opened in Greater China across five brands in 2013, up 1.1% from last year, with the Europe and AMEA regions contributing openings of 21 hotels (3,528 rooms) and 20 hotels (4,495 rooms) respectively.

In May 2013, the Group completed the disposal of its leasehold interest in the InterContinental London Park Lane and on 19 December 2013, announced the disposal of an 80% interest in the InterContinental New York Barclay for gross proceeds of \$240m, with IHG holding the remaining 20% interest. The transaction is expected to be completed in the first quarter of 2014. The Group has secured a 30-year management contract on the hotel, with two 10-year extension rights at IHG's discretion.

In February 2014, the Group signed an agreement to sell the InterContinental Mark Hopkins San Francisco for \$120m in cash and enter into a long-term management contract on the hotel. The hotel had a net book value of \$90m at 31 December 2013.

## Global pipeline

	2013	Hotels Change over 2012	2013	Rooms Change over 2012
At 31 December				
<b>Analysed by brand</b>				
InterContinental	51	3	16,860	1,147
Crowne Plaza	94	(4)	28,369	(2,814)
Holiday Inn <sup>1</sup>	264	21	50,241	5,253
Holiday Inn Express	473	21	54,744	2,984
Staybridge Suites	80	9	8,728	1,184
Candlewood Suites	80	2	6,914	172
Hotel Indigo	51	4	6,807	938
EVEN Hotels	5	4	880	650
HUALUXE	21	6	6,804	1,900
Other	1	1	114	17
Total	1,120	67	180,461	11,431
<b>Analysed by ownership type</b>				
Franchised	778	34	86,785	3,884
Managed	339	30	93,176	7,047
Owned and leased	3	3	500	500
Total	1,120	67	180,461	11,431
<b>Global pipeline signings</b>	444	88	65,461	11,649

<sup>1</sup> Includes 1 Holiday Inn Club Vacations (120 rooms) and 14 Holiday Inn Resort properties (3,163 rooms) (2012: Includes nil Holiday Inn Club Vacations (nil rooms) and 12 Holiday Inn Resort properties (2,390 rooms)). At the end of 2013, the global pipeline totalled 1,120 hotels (180,461 rooms), an increase of 67 hotels (11,431 rooms) on 31 December 2012. The IHG pipeline represents hotels where a contract has been signed and the appropriate fees paid.

The continued global demand for IHG brands is demonstrated by the Group signing hotels in 38 different countries and territories in 2013, 40% of which were in developing markets. 51% of the closing pipeline at 31 December 2013 was in developing markets, up by one percentage point compared to the previous year, including 30% in Greater China. More than 45% of the pipeline is under construction.

Excluding 35 hotels (4,118 rooms) signed as part of the US government's PAL initiative, signings increased from 356 hotels (53,812 rooms) to 409 hotels (61,343 rooms) in 2013. This included 280 hotels (39,555 rooms) in the Holiday Inn brand family, up by 22.7% compared to 2012. More than half of this growth was contributed by Greater China, with signings increasing by 4,121 rooms to 7,343 rooms. The Greater China region signed a further 27 hotels (8,005 rooms) across other IHG brands, including the 1,002-room Holiday Inn Express Changbaishan, whilst the pipeline for HUALUXE Hotels & Resorts increased to 21 hotels (6,804 rooms). Four EVEN Hotels (644 rooms), of which three are owned and leased, were signed in The Americas, with the pipeline for this brand standing at five hotels (880 rooms) at the end of 2013. Active management out of the pipeline of deals that have become dormant or no longer viable reduced the pipeline by 18,563 rooms, compared to 31,344 rooms in 2012.

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*Performance continued*

*The Americas*

Maximise the performance and growth of our portfolio of preferred brands, focusing on our core upper midscale and upscale segments, mostly through franchise agreements, over the next three years.

**2014 priorities**

Strengthen Holiday Inn brand family leadership position by focusing the mixing business with pleasure and family time guest occasion segments;

continue to grow the Holiday Inn Express brand through innovations which meet the needs of the smart traveller target guest;

continue to execute the multi-year programme to strengthen the Crowne Plaza Hotels & Resorts brand by increasing quality and consistency and enhancing the guest experience in the business productivity guest occasion segment;

build on the pipeline of the EVEN Hotels brand and support the opening of our first hotels for the brand; and

drive high-quality revenues at our hotels by continuing to embed our operational tools, strengthening hotel-level capabilities through certifications, and driving revenue through our direct channels.

12 months

ended

**Americas comparable RevPAR movement**

31 December

**on previous year**

2013

**Franchised**

**Managed**

Crowne Plaza	4.8%	InterContinental	12.6%
Holiday Inn	2.6%	Crowne Plaza	13.9%
Holiday Inn Express	3.4%	Holiday Inn	10.6%

All brands	3.2%	Staybridge Suites	19.8%
		Candlewood Suites	19.3%
		All brands	13.9%
		<b>Owned and leased</b>	
		All brands	6.0%

### Americas results

	12 months ended 31 December 2013 vs				
	2013	2012	2012 %	2011	2012 vs 2011 %
	\$m	\$m	change	\$m	change
<b>Revenue</b>					
Franchised	576	541	6.5	502	7.8
Managed	128	97	32.0	124	(21.8)
Owned and leased	212	199	6.5	204	(2.5)
Total	916	837	9.4	830	0.8
Percentage of Group Revenue	48.1	45.6	2.5	46.9	(1.3)
<b>Operating profit before exceptional items</b>					
Franchised	499	466	7.1	431	8.1
Managed	74	48	54.2	52	(7.7)
Owned and leased	30	24	25.0	17	41.2
	603	538	12.1	500	7.6
Regional overheads	(53)	(52)	(1.9)	(49)	(6.1)
Total	550	486	13.2	451	7.8
Percentage of Group Operating profit before central overheads and exceptional items	66.8	63.4	3.4	64.2	(0.8)

### Highlights for the year ended 31 December 2013

In The Americas, the largest proportion of rooms is operated under the franchise business model (91% of rooms in The Americas operate under this model) primarily in the upper midscale segment (Holiday Inn brand family). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised, whereas the majority of the InterContinental branded hotels are operated under franchise and management agreements. With 3,616 hotels (451,424 rooms), The Americas represented 66% of the Group's room count and 67% of the Group's operating profit before central overheads and exceptional operating items during the year ended 31 December 2013. The key profit producing region is the US, although the Group is also represented in each of Latin America, Canada, Mexico and the Caribbean.

In 2013, the Group focused on the continued development of its preferred brands and the deployment of IHG operational tools across the estate. 13 Crowne Plaza hotels left the Americas System partly reflecting the impact of the Crowne Plaza repositioning programme, and for our newest brand, EVEN Hotels, four new hotels were added to the pipeline, with the first expected to open in 2014. For Holiday Inn the focus on quality continued and 57 hotels were removed from the Americas System whilst 115 new Holiday Inn brand family hotels were opened.

Revenue and operating profit before exceptional items increased by \$79m (9.4%) to \$916m and by \$64m (13.2%) to \$550m respectively. On an underlying basis, revenue and operating profit increased by \$52m (6.5%) and \$36m (7.5%) respectively. Revenue and operating profit were adversely impacted by \$8m lower fees on the exit of eight Holiday Inn hotels owned by FelCor Lodging Trust but were positively impacted by the benefit of a \$31m liquidated damages receipt in 2013 in the managed business, compared to \$3m in 2012.

The franchise business drove most of the growth in the region (excluding the liquidated damages in the managed estate). Franchised revenue increased by \$35m (6.5%) to \$576m. Royalties growth of 4.7% was driven by RevPAR growth of 3.2%, including 3.4% for Holiday Inn Express, together with a 0.7% increase in available rooms. Operating profit increased by \$33m (7.1%) to \$499m. Fees from initial franchising, relicensing and termination of hotels also increased by \$6m compared to 2012.

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Managed revenue increased by \$31m (32.0%) to \$128m and operating profit increased by \$26m (54.2%) to \$74m. Revenue and operating profit included \$34m (2012 \$34m) and \$nil (2012 \$nil) respectively from one managed lease property. Excluding results from this hotel, as well as the benefit of the \$31m liquidated damages in 2013 and the \$3m in 2012, revenue grew by \$4m (6.7%) and operating profit decreased by \$2m (4.4%) on a constant currency basis.

Owned and leased revenue increased by \$13m (6.5%) to \$212m and operating profit grew by \$6m (25.0%) to \$30m. The increase in revenue was driven by RevPAR growth of 6.0%.

**Highlights for the year ended 31 December 2012**

Revenue and operating profit before exceptional items increased by \$7m (0.8%) to \$837m and by \$35m (7.8%) to \$486m respectively. RevPAR increased 6.1%, with 4.1% growth in average daily rate. US RevPAR was up 6.3% in 2012 despite uncertainty regarding the presidential election and the fiscal cliff in the latter part of the year.

Franchised revenue increased by \$39m (7.8%) to \$541m. Royalties growth of 8.7% was driven by RevPAR growth of 6.0%, including 6.1% for Holiday Inn Express, together with 2.3% Americas System size growth. Operating profit increased by \$35m (8.1%) to \$466m.

Managed revenue decreased by \$27m (21.8%) to \$97m and operating profit decreased by \$4m (7.7%) to \$48m. Revenue and operating profit included \$34m (2011 \$59m) and \$nil (2011 \$1m) respectively from managed leases. Excluding properties operated under this arrangement, as well as the benefit of a \$3m liquidated damages receipt in 2012 and a \$10m liquidated damages receipt in 2011, revenue and operating profit grew by \$5m (9.1%) and \$4m (9.8%) respectively. Growth was driven by a RevPAR increase of 7.3%, including 9.6% for Holiday Inn.

Owned and leased revenue declined by \$5m (2.5%) to \$199m and operating profit grew by \$7m (41.2%) to \$24m. Excluding the impact of disposals, revenue increased by \$4m (2.1%) and operating profit increased by \$8m (50.0%). The increase in revenue was driven by RevPAR growth of 6.3%, offset by the impact of the partial closure of an owned hotel in the Caribbean. The operating profit increase of \$7m included a \$1m year-on-year benefit from lower depreciation recorded for the InterContinental New York Barclay since the hotel was categorised as held for sale in the first quarter of 2011, after which no depreciation was charged, and a \$3m year-on-year benefit relating to one-off reorganisation costs at one hotel in 2011.

**Americas hotel and room count**

	2013	Hotels Change over 2012	2013	Rooms Change over 2012
At 31 December				
<b>Analysed by brand</b>				
InterContinental	51	(2)	17,453	(303)
Crowne Plaza	176	(7)	47,057	(1,673)
Holiday Inn <sup>1</sup>	786	(34)	138,830	(7,831)
Holiday Inn Express	1,985	54	174,431	6,033
Staybridge Suites	188	5	20,309	522
Candlewood Suites	312	13	29,778	1,103
Hotel Indigo	37		4,344	37
Other	81	32	19,222	3,919
Total	3,616	61	451,424	1,807



**Analysed by ownership type**

Franchised	3,394	40	408,875	1,026
Managed	217	21	40,147	564
Owned and leased	5		2,402	217
Total	3,616	61	451,424	1,807
Percentage of Group hotel and room count	77.0	(0.2)	65.7	(0.8)

<sup>1</sup> Includes 10 Holiday Inn Club Vacations (3,701 rooms) and 18 Holiday Inn Resort properties (4,438 rooms) (2012: 10 Holiday Inn Club Vacations (3,701 rooms) and 17 Holiday Inn Resort properties (4,240 rooms)).

The Americas System size increased by 61 hotels (1,807 rooms) to 3,616 hotels (451,424 rooms) during 2013. 173 hotels (19,775 rooms) opened in the year, compared to 148 hotels (16,618 rooms) in 2012 and included 33 hotels (4,061 rooms) as part of the US government's PAL initiative. Openings included 115 hotels (12,448 rooms) in the Holiday Inn brand family, representing more than 60% of the region's openings. 19 hotels (1,705 rooms) opened as Staybridge Suites hotels and Candlewood Suites hotels, IHG's extended-stay brands.

112 hotels (17,968 rooms) were removed from the Americas System in 2013, compared to 66 hotels (9,199 rooms) in 2012. More than 60% of 2013 removals were Holiday Inn hotels in the US (53 hotels, 10,933 rooms). 13 Crowne Plaza hotels (3,326 rooms) were removed in 2013, partly reflecting the impact of the Group's Crowne Plaza repositioning programme. The increase in removals reflects the Group's ongoing focus on improving the quality of the estate, particularly Holiday Inn.

**Americas pipeline**

	2013	Hotels Change over 2012	2013	Rooms Change over 2012
At 31 December				
<b>Analysed by brand</b>				
InterContinental	6	2	1,437	512
Crowne Plaza	16		3,228	(509)
Holiday Inn <sup>1</sup>	139		19,344	517
Holiday Inn Express	358	13	33,488	1,100
Staybridge Suites	71	7	7,495	847
Candlewood Suites	80	2	6,914	172
Hotel Indigo	23		3,118	42
EVEN Hotels	5	4	880	650
Other	1	1	114	114
Total	699	29	76,018	3,445
<b>Analysed by ownership type</b>				
Franchised	678	19	72,019	1,729
Managed	18	7	3,499	1,216
Owned and leased	3	3	500	500
Total	699	29	76,018	3,445

<sup>1</sup> Includes 1 Holiday Inn Club Vacations (120 rooms) and 5 Holiday Inn Resort properties (694 rooms) (2012: nil Holiday Inn Club Vacations (nil rooms) and 5 Holiday Inn Resort properties (640 rooms)).

The Americas pipeline totalled 699 hotels (76,018 rooms) as at 31 December 2013, representing an increase of 29 hotels (3,445 rooms) over 31 December 2012. Strong signings of 305 hotels (33,884 rooms), demonstrating the continued demand for IHG brand hotels, were ahead of last year by 79 hotels (8,348 rooms) and included 35 hotels (4,118 rooms) signed as part of the US government's PAL initiative. The majority of 2013 signings were within the Holiday Inn brand family (193 hotels, 20,544 rooms), up by 8.9% compared to 2012. Four more hotels (644 rooms) were added for the EVEN Hotels brand, taking the total pipeline to five hotels (880 rooms), with the first hotel for the brand expected to open in 2014. Staybridge Suites and Candlewood Suites, IHG's extended stay hotel brands, also contributed signings of 57 hotels (5,406 rooms), up by 50.2% compared to 2012.

103 hotels (10,664 rooms) were terminated from the pipeline in 2013, significantly down from terminations in 2012 (183 hotels, 20,795 rooms).

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*Performance continued*

*Europe*

Continue to grow in priority markets and across key cities, and improve underlying margin through operational excellence over the next three years.

**2014 priorities**

Accelerate growth in our priority markets and in key gateway cities across the region;

continue to expand Hotel Indigo across the region in key gateway cities and launch the Holiday Inn Express brand in the Commonwealth of Independent States (CIS);

continue to improve guest experience and satisfaction by creating a culture focused on quality, accelerating the rollout of innovation and building a suite of tools that enable hotels to deliver operational excellence; and

deliver topline outperformance at our hotels by embedding our revenue and sales tools, and driving our commercial delivery and people platforms.

<b>Europe comparable RevPAR</b>	12 months ended
<b>movement on previous year</b>	31 December 2013
<b>Franchised</b>	
All brands	1.5%
<b>Managed</b>	
All brands	2.0%
<b>Owned and leased</b>	
InterContinental	5.3%

<b>Europe results</b>	12 months ended 31 December				
	2013 vs			2012 vs	
	<b>2013</b>	<b>2012</b>	2012 %	2011	2011 %
	<b>\$m</b>	<b>\$m</b>	change	\$m	change
<b>Revenue</b>					
Franchised	<b>104</b>	<b>91</b>	14.3	86	5.8

Managed	<b>156</b>	<b>147</b>	6.1	118	24.6
Owned and leased	<b>140</b>	198	(29.3)	201	(1.5)
Total	<b>400</b>	<b>436</b>	(8.3)	405	7.7
Percentage of Group Revenue	<b>21.0</b>	<b>23.8</b>	(2.8)	22.9	0.9
<b>Operating profit before exceptional items</b>					
Franchised	<b>79</b>	<b>65</b>	21.5	65	
Managed	<b>30</b>	<b>32</b>	(6.3)	26	23.1
Owned and leased	<b>30</b>	<b>50</b>	(40.0)	49	2.0
	<b>139</b>	<b>147</b>	(5.4)	140	5.0
Regional overheads	<b>(34)</b>	<b>(35)</b>	2.9	(40)	12.5
Total	<b>105</b>	<b>112</b>	(6.3)	100	12.0
Percentage of Group Operating profit before central overheads and exceptional items	<b>12.8</b>	<b>14.6</b>	(1.8)	14.2	0.4

### Highlights for the year ended 31 December 2013

In Europe, the largest proportion of rooms is operated under the franchise business model primarily in the upper midscale segment (Holiday Inn and Holiday Inn Express). Similarly, in the upscale segment, Crowne Plaza is predominantly franchised whereas the majority of the InterContinental branded hotels are operated under management agreements. Comprising 629 hotels (102,066 rooms) at the end of 2013, Europe represented 15% of the Group's room count and 13% of the Group's operating profit before central overheads and exceptional operating items during the year ended 31 December 2013. Profits are primarily generated from hotels in the UK and Continental European gateway cities.

Economic conditions across Europe in 2013 remained challenging but the industry and the Group remained relatively resilient to this, especially in the main markets and in 2013 good progress was made on key priorities for the region. Three new Hotel Indigo hotels were opened and there are now 15 in the pipeline, an increase of two over 2012. In line with a focus on growth in priority markets and key gateway cities, new signings totalled 50 hotels with 18 in the UK, six in Germany and ten in the CIS. Additionally, new openings included the InterContinental Marseille Hotel Dieu and the InterContinental Davos. Hotel openings were down, year on year, but the pipeline grew and new signings increased over 2012 levels. Continued progress was made on the Group's asset-light strategy with the sale of the InterContinental London Park Lane in May.

Revenue and operating profit before exceptional items decreased by \$36m (8.3%) to \$400m and by \$7m (6.3%) to \$105m respectively. On an underlying basis, revenue and operating profit increased by \$9m (3.4%) and \$8m (10.4%) respectively. Overall, RevPAR in Europe increased by 1.7%. The UK achieved RevPAR growth of 3.0%, with particularly strong performance in the final quarter of 2013 with RevPAR increasing 7.3%. RevPAR in Germany increased by 0.8% despite a weaker year-on-year trade fair calendar, whilst IHG hotels in the CIS collectively achieved RevPAR growth of 2.7%.

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Franchised revenue increased by \$13m (14.3%) to \$104m, whilst operating profit increased by \$14m (21.5%) to \$79m. Excluding the benefit of a \$9m liquidated damages receipt in 2013, revenue and operating profit increased by \$4m (4.4%) and \$5m (7.7%) respectively. Growth was mainly driven by an increase in royalties of 7.0% (6.3% at constant currency) reflecting RevPAR growth of 1.5%, partly offset by a 0.2% decline in available rooms.

Managed revenue increased by \$9m (6.1%) to \$156m and operating profit decreased by \$2m (6.3%) to \$30m. Revenue and operating profit included \$89m (2012 \$80m) and \$2m (2012 \$2m) respectively from managed leases. Excluding properties operated under this arrangement and on a constant currency basis, revenue was flat and operating profit decreased by \$1m (3.3%).

In the owned and leased estate, revenue decreased by \$58m (29.3%) to \$140m and operating profit decreased by \$20m (40.0%) to \$30m. At constant currency and excluding the impact of the disposal of the InterContinental London Park Lane, the Group's remaining owned hotel in Europe, the InterContinental Paris Le Grand, delivered a revenue increase of \$5m (4.6%) with RevPAR growth of 5.3%. Operating profit increased by \$4m (23.5%), benefiting from a one-off \$3m property tax recovery in the year.

**Highlights for the year ended 31 December 2012**

Revenue and operating profit before exceptional items increased by \$31m (7.7%) to \$436m and by \$12m (12.0%) to \$112m respectively. RevPAR increased 1.7%, with 1.2% growth in average daily rate despite challenging economic conditions across Europe.

Franchised revenue increased by \$5m (5.8%) to \$91m, whilst operating profit was flat at \$65m. At constant currency, revenue increased by \$8m (9.3%) and operating profit increased by \$3m (4.6%). Growth was mainly driven by an increase in royalties of 2.7% (7.5% at constant currency) reflecting RevPAR growth of 1.8%, together with Europe System size growth of 4.0%.

Managed revenue increased by \$29m to \$147m (24.6%) and operating profit increased by \$6m (23.1%) to \$32m. Revenue and operating profit included \$80m (2011 \$46m) and \$2m (2011 \$nil) respectively from managed leases. Excluding properties operated under this arrangement and on a constant currency basis, revenue decreased by \$1m (1.4%) reflecting a 4.3% decrease in System size partially offset by RevPAR growth of 1.0%. On the same basis, operating profit grew by \$5m (19.2%).

In the owned and leased estate, revenue decreased by \$3m (1.5%) to \$198m and operating profit increased by \$1m (2.0%) to \$50m. At constant currency and excluding the impact of disposals, revenue increased by \$10m (5.1%) and operating profit increased by \$4m (8.3%). The InterContinental London Park Lane and the InterContinental Paris Le Grand delivered year-on-year RevPAR growth of 8.0% and 2.5% respectively.

**Europe hotel and room count**

		Hotels Change		Rooms Change
At 31 December	<b>2013</b>	over 2012	<b>2013</b>	over 2012
<b>Analysed by brand</b>				
InterContinental	<b>31</b>	1	<b>9,525</b>	131
Crowne Plaza	<b>83</b>	(1)	<b>19,522</b>	(44)

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Holiday Inn <sup>1</sup>	282	(6)	45,621	(989)
Holiday Inn Express	215	3	25,371	468
Staybridge Suites	5	1	784	179
Hotel Indigo	13	3	1,243	294
Total	629	1	102,066	39
<b>Analysed by ownership type</b>				
Franchised	528		79,517	(382)
Managed	100	2	22,079	868
Owned and leased	1	(1)	470	(447)
Total	629	1	102,066	39
Percentage of Group	13.4	(0.2)		
hotel and room count				