Governance

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At IHG, we recognise the importance of maintaining the highest standards of corporate governance which supports our culture, our values and our commitment to conducting business responsibly. Good corporate governance underpins a successful business and recognises the importance of all stakeholders.

The Board oversees the long-term strategic aims of the Group and is responsible for the leadership of the Group, ensuring our actions are in keeping with the strong ethics and values that shape our culture and deliver long-term, sustainable value for our stakeholders.

**Focus areas and activities**

During 2018, the Board and Executive leadership team worked together in a constructive and effective collaboration to develop our shared commitment to our strategy, with growth as the central focus. Our two-day Annual Strategy Meeting concentrated on the competitive landscape and dynamics, our performance and progress against our growth plans, and the potential challenges ahead.

During the year, the Board regularly reviewed progress against strategic and operational goals, ensured that risk management controls (in line with the Group’s risk appetite) were incorporated within key decisions and that the impact on key stakeholders was considered.

Culture featured prominently on the Board agenda, as the Board believes that continuing to evolve our culture (and continuing to focus on diversity and the talent pipeline) is critical for the long-term.

The increasing challenge posed by cybersecurity meant that the Board strengthened governance and oversight of cyber risk. The conclusions of an independent external assessment of vulnerabilities and cybersecurity maturity and a forward-looking action plan were presented to the Board, and regular Board updates provided.

Other key focus areas in 2018 included (i) a review of changes in corporate governance regulations; (ii) compliance with the hosting and processing of personal data requirements under GDPR; and (iii) reporting and disclosure requirements to support greater transparency, including those relating to the UK Gender Pay Gap.

**Governance framework**

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

We have reviewed the new 2018 UK Corporate Governance Code (the 2018 Code) and The Companies (Miscellaneous Reporting) Regulations 2018, to determine how we can further enhance our governance processes. Our Principal Committees’ Terms of Reference have been amended and we are assessing processes to ensure effective Board engagement with our workforce. This work will continue into 2019 and we will report on our compliance with the 2018 Code next year.

The Audit Committee has this year been focused on risk and assurance, given changes to the organisational structure and the programme of strategic initiatives, and overseeing the external audit tender process; the Corporate Responsibility Committee has been focused on the delivery of targets for 2018-2020 and the continuing development of our responsible business approach; the Nomination Committee has been focused on the composition and diversity of the Board and the continuing development of our diversity and inclusion framework; and the Remuneration Committee has been focused on ensuring that the delivery against our strategic objectives are appropriately incentivised.

**Board culture and composition**

We have a disciplined approach to Board composition to ensure that the Board collectively has the appropriate skills, competencies, diversity of style, gender and perspective, as well as geographical representation to effectively contribute and add value.

Last year we identified the need to increase our US representation and appointed Elie Maalouf to the Board as a result. As Chief Executive Officer of the Americas, Elie is responsible for IHG’s largest operating region and details of the induction process for Elie can be found on page 62.

**Training, development and Board performance review**

The training and development needs of each Director are regularly reviewed. During 2018, Directors received training on a variety of topics, further details of which can be found on page 62.

We continue to run our three-year Board evaluation cycle and in 2018, as part of our internal Board effectiveness review, we confirmed that the Board processes were operating effectively. We also conducted another peer-to-peer Chair and Non-Executive Director assessment. Further details can be found on page 63.

**Compliance and our dual listing**

As a dual-listed company with a premium listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange, we are required to file an Annual Report in the UK and a Form 20-F in the US. To ensure consistency of information provided to both UK and US investors, we have again produced a combined Annual Report and Form 20-F. Our statement of compliance with the 2016 UK Corporate Governance Code (the Code) is located on pages 70 and 71. I am pleased to report that, during 2018, we complied fully with all principles and provisions of the Code. A statement outlining the differences between the Group’s UK corporate governance practices and those followed by US companies can be found on page 196.

**Looking forward**

We recognise the importance of good corporate governance in facilitating effective management that can deliver the long-term success of our organisation for our stakeholders. In 2019 we will continue to monitor and support our strategic initiatives, continue our focus on culture and diversity, risk appetite and cybersecurity, and ensure that our ways of working, structures of reporting, systems of control and commitment to conducting business responsibly, continue to underpin our strategic and operational goals, and align with the revised governance regime.

Patrick Cescau
Chair of the Board
18 February 2019
We are committed to maintaining the highest standards of corporate governance. Our governance framework is led and directed by the Board, which in turn delegates certain responsibilities to its Committees to support IHG’s culture, values and commitment to conducting business responsibly.

The Board and its Committees

The Board leads the strategic direction and long-term objectives, and is responsible for the success of the Group, setting strategic aims and monitoring the performance of the Group and its risk management controls. A number of key decisions and matters are reserved for the Board and are not delegated to management. The schedule of matters reserved was reviewed at the December 2018 Board meeting and is available on our website. The Board will now be responsible for reviewing the means for the workforce to raise concerns in confidence and the reports arising from its operation, which to date had been reviewed by the Audit Committee.

The Board is supported by its Principal Committees, namely the Audit Committee, Corporate Responsibility Committee, Nomination Committee and Remuneration Committee, to assist it in carrying out its functions, overseeing the delivery of strategic objectives and driving sustainable value for shareholders and considering the impacts on, and interests of, key stakeholders. Details of how the Board spent its time during 2018 can be found on pages 60 to 62.

Board and Committee membership and attendance in 2018

<table>
<thead>
<tr>
<th>Meetings</th>
<th>Appointment date</th>
<th>Committee appointments</th>
<th>Board</th>
<th>Audit Committee</th>
<th>Corporate Responsibility Committee</th>
<th>Nomination Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total meetings held</td>
<td></td>
<td></td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>4</td>
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<tr>
<td>Chair</td>
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<tr>
<td>Patrick Cescau</td>
<td>01/01/13</td>
<td></td>
<td>8/8</td>
<td>–</td>
<td>–</td>
<td>2/2</td>
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<tr>
<td>Chief Executive Officer</td>
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<tr>
<td>Keith Barr</td>
<td>01/07/17</td>
<td></td>
<td>8/8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Executive Directors</td>
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<tr>
<td>Paul Edgecliffe-Johnson</td>
<td>01/01/14</td>
<td></td>
<td>8/8</td>
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<td>–</td>
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<td>–</td>
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<tr>
<td>Elie Maalouf</td>
<td>01/01/18</td>
<td></td>
<td>8/8</td>
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<tr>
<td>Senior Independent Non-Executive Director</td>
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<tr>
<td>Dale Morrison</td>
<td>01/06/11</td>
<td>A N P</td>
<td>8/8</td>
<td>5/5</td>
<td>–</td>
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<td>4/4</td>
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<tr>
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<tr>
<td>Anne Busquet</td>
<td>01/03/15</td>
<td>A C N</td>
<td>8/8</td>
<td>5/5</td>
<td>3/3</td>
<td>2/2</td>
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<td>Ian Dyson</td>
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<td>A N P</td>
<td>8/8</td>
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<td>2/2</td>
<td>3/4a</td>
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<td>Jo Harlow</td>
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<td>4/4</td>
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<td>3/3</td>
<td>2/2</td>
<td>–</td>
</tr>
<tr>
<td>Jill McDonald</td>
<td>01/06/13</td>
<td>A C N</td>
<td>8/8</td>
<td>5/5</td>
<td>3/3</td>
<td>2/2</td>
<td>–</td>
</tr>
<tr>
<td>Malina Ngai</td>
<td>01/03/17</td>
<td>C N</td>
<td>7/8</td>
<td>–</td>
<td>2/3b</td>
<td>2/2</td>
<td>3/4b</td>
</tr>
</tbody>
</table>

a Ian Dyson was unable to attend one Remuneration Committee meeting due to a prior commitment.

b Malina Ngai was unable to attend one Corporate Responsibility Committee meeting and one Remuneration Committee meeting due to a prior commitment.

c In principle the Chair attends all Committee meetings, and the full Board attends the relevant sections of the Audit Committee meetings when results and risk management processes and controls are discussed and considered.

Board Committee membership key

- Audit Committee member
- Corporate Responsibility Committee member
- Nomination Committee member
- Remuneration Committee member
- Chair of a Board Committee

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

Our Board of Directors

Skills and experience: From 2005 to 2008, Patrick was Group Chief Executive of Unilever Group, having previously been Chair of Unilever PLC. Vice-Chair of Unilever NV and Foods Director, following a progressive career with the company, which began in France in 1973. Prior to being appointed to the board of Unilever PLC and Unilever NV in 1999, as Finance Director, he was Chair of a number of the company’s major operating companies and divisions, including in the US, Indonesia and Portugal. He was formerly a Senior Independent Director and Non-Executive Director of Pearson plc and Tesco PLC, and a Director at INSEAD.

Board contribution: Patrick has held board positions for nearly 16 years in leading global businesses and brings extensive international experience in strategy, brands, consumer products, and finance. As Chair, Patrick is responsible for leading the Board and ensuring it operates in an effective manner, and promoting constructive relations with shareholders and wider stakeholders. As Chair of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group’s leadership needs.

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

Patrick Cescau
Non-Executive Chair
Appointed to the Board: 1 January 2013

Skills and experience: Keith has spent more than 25 years working in the hospitality industry across a wide range of roles. He started his career in hotel operations and joined IHG in 2000. Since April 2011 he has been a member of IHG’s Executive Committee. Directly before being appointed Chief Executive Officer, Keith served as Chief Commercial Officer for four years. In this role, he led IHG’s global brand, loyalty, sales and marketing functions, and oversaw IHG’s loyalty programme, IHG® Rewards Club. Prior to this, Keith was CEO of IHG’s Greater China business for four years, setting the foundations for growth in a key market and overseeing the launch of the HUALUXE® Hotels and Resorts brand.

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

Other appointments: Keith is a graduate of Cornell University’s School of Hotel Administration and is currently a member of its Cornell SC Johnson College of Business Dean’s Advisory Board.

Keith Barr
Chief Executive Officer (CEO)
Appointed to the Board: 1 July 2017

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

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

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

Paul Edgecliffe-Johnson
Chief Financial Officer (CFO)
Appointed to the Board: 1 January 2014

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

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

Other appointments: Currently a member of the American Hotel & Lodging Association Executive Committee of the Board and the US Travel Association CEO Roundtable. Elie also sits on the Investment Advisory Council of the U.S. Department of Commerce. In addition, Elie serves as a member of the Global Advisory Council at the University of Virginia Darden School of Business and is a board member of the Atlanta Committee for Progress.

Elie Maalouf
Chief Executive Officer, Americas
Appointed to the Board: 1 January 2018

Skills and experience: Dale is a founding partner of TriPointe Capital Partners, a private equity firm. Dale was previously President and Chief Executive Officer of McCain Foods Limited and President and Chief Executive Officer of Campbell Soup Company.

Board contribution: Dale has over ‘10 years’ experience in sales and marketing positions, and over 25 years’ experience in general management, having held senior positions in the branded foods sector. Dale’s role as Senior Independent Non-Executive Director is fundamental to the successful operation of the Board.

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

Dale Morrison
Senior Independent Non-Executive Director (SID)
Appointed to the Board: 1 June 2011

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

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

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

Anne Busquet
Independent Non-Executive Director
Appointed to the Board: 1 March 2015
Skills and experience: Ian has held a number of senior executive and finance roles, including Group Finance and Operations Director for Marks and Spencer Group plc for five years from 2005 to 2010, where he oversaw significant changes in the business. In addition, Ian was Chief Executive Officer of Punch Taverns plc, Finance Director for the Rank Group Plc, a leading European gaming business, and Group Financial Controller and Finance Director for the hotels division of Hilton Group plc.

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

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

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

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

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

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

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

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

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

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

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

Skills and experience: Malina is Group Chief Operating Officer of A.S. Watson Group, which is part of Hong Kong-based conglomerate CK Hutchison Holdings Limited. A.S. Watson Group is the largest international health and beauty retailer in Asia and Europe with 13 brands including Watsons, Superdrug, Savers, The Perfume Shop, Kruidvat, ICI Paris XL and ParknShop. In addition, Malina is Vice Chair of the Hong Kong Retail Management Association and was previously a member of the Board of Directors of the Hong Kong Sports Institute Limited.

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

Other appointments: Currently Group Chief Operating Officer of A.S. Watson Group and Vice Chair of the Hong Kong Retail Management Association.
Corporate Governance continued
Our Executive Committee

In addition to Keith Barr, Paul Edgecliffe-Johnson and Elie Maalouf, the Executive Committee from 1 January 2019 comprises:

**Skills and experience:** Claire joined IHG with an in-depth knowledge of the travel and tourism industry having spent 11 years at American Express in a range of senior leadership roles across marketing, consumer travel and loyalty. Most recently, Claire was General Manager (GM), Global Travel and Lifestyle, where she led a team responsible for delivering luxury lifestyle services. Prior to this, Claire held roles as GM for Consumer Loyalty, GM for US Consumer Travel, and Senior Vice President, Global Marketing and Brand Management, where she led worldwide advertising, media, sponsorship and marketing research teams.

**Key responsibilities:** Claire has also held senior marketing positions at Dell, as well as finance and general management roles at The Quaker Oats Company, building significant expertise across technology, consumer packaged goods, financial services, and travel and hospitality sectors. Claire has been an Executive Board Member of the World Travel and Tourism Council (WTTC), served as a Board Member of Turn Inc. and participated on multiple industry advisory boards. Claire is a Certified Public Accountant and holds an MBA from the J.L. Kellogg Graduate School of Management at Northwestern University.

**Claire Bennett**
Chief Marketing Officer
Appointed to the Executive Committee: October 2017 (joined the Group: 2012)

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

**Key responsibilities:** These include all aspects of our brands, loyalty strategy and programmes, sponsorships, strategic partnerships, insights and analytics and marketing execution.

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

**Skills and experience:** Before joining IHG in April 2012, Yasmin was Director of Communications at the Home Office, where she advised the Home Secretary, Ministers and senior officials on the strategic development and daily management of all the Home Office’s external and internal communications. She was previously Director of Communications at the Department for Environment, Food and Rural Affairs; Head of Communications for Welfare to Work and New Deal; and Head of Marketing at the Department for Education and Skills. Before joining government communications, Yasmin was Publicity Commissioner for the BBC, where she led communications activity around the launch of a new digital learning channel and around the BBC’s educational output for both adults and children.

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

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

**Skills and experience:** Kenneth Macpherson became Chief Executive Officer, EMEAA in January 2018. Kenneth was previously IHG’s CEO for Greater China, a role he held from 2013 to 2017. Kenneth has extensive experience across sales, marketing strategy, business development and operations. In addition to 12 years living and working in China, Kenneth’s career includes experience in Asia, the UK, France and South Africa. Before IHG, Kenneth worked for 20 years at Diageo, one of the UK’s leading branded companies. His senior management positions included serving as Managing Director of Diageo Greater China, where he helped to build the company’s presence and led the landmark deal to acquire ShuiJingFang, a leading manufacturer of China’s national drink, and one of the first foreign acquisitions of a Chinese listed company.

**Key responsibilities:** Kenneth is responsible for the management, growth and profitability of the EMEAA region. He also manages a portfolio of hotels in some of the world’s most exciting destinations, in both mature and emerging markets.

**Kenneth Macpherson**
Chief Executive Officer, EMEAA
Appointed to the Executive Committee: April 2013 (joined the Group: 2013)
Ranjay Radhakrishnan
Chief Human Resources Officer
Appointed to the Executive Committee: December 2016 (joined the Group: 2016)

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

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

George Turner
Executive Vice President, Chief Commercial and Technology Officer
Appointed to the Executive Committee: January 2009 (joined the Group: 2008)

Skills and experience: George joined IHG in 2008 and spent a decade as IHG’s EVP, General Counsel and Company Secretary, with responsibility for corporate governance, risk and assurance, corporate responsibility and information security. He is a solicitor and qualified to private practice in 1995. Prior to joining the Group, George spent over 10 years with Imperial Chemical Industries PLC, where he held various key positions including Deputy Company Secretary and Senior Legal Counsel. In February 2019 George was appointed as Chief Commercial and Technology Officer, continuing as Company Secretary until 1 March 2019.

Key responsibilities: As EVP, General Counsel and Company Secretary, these included corporate governance, risk management, information security, insurance, regulatory compliance, internal audit, legal and hotel standards. As EVP, Chief Commercial and Technology Officer, these include global sales, distribution, revenue management, property systems, digital and voice, information security and technology.

Nicolette Henfrey
Executive Vice President, General Counsel and Company Secretary
Appointed to the Executive Committee: February 2019 (joined the Group: 2001)

Skills and experience: Nicolette joined IHG in 2001, and was appointed Deputy Company Secretary in August 2011, during which time she worked very closely with the Board, Executive Committee and wider organisation to ensure best-in-class delivery and compliance across our legal and regulatory areas. Nicolette is a solicitor and prior to joining IHG worked for Linklaters in London and Findlay & Tait (now Bowman Gilfillan) in South Africa. She will be appointed as Company Secretary from 1 March 2019.

Key responsibilities: These include overseeing our approach to corporate governance, risk management, insurance, regulatory compliance, internal audit, legal and hotel standards.

Eric Pearson

It is with deep sadness that we report that Eric Pearson, our Chief Commercial and Technology Officer, passed away on 26 December 2018. Eric was an incredibly unique, talented and well respected individual, both within IHG and across industries. In over 20 years with IHG, he played an integral part in our success, and his expertise, passion, leadership and friendship will be sorely missed. During his tenure, he led many key parts of our business and helped shape and deliver our strong digital offer, launching several industry firsts and building an excellent leadership team with great strength and depth. He touched many people’s lives, and a fitting tribute to him will be the scholarships in his name with Junior Achievement of Georgia, where he was a Board member, which will ensure his legacy goes on to inspire future generations.
The Chair and Company Secretary continue to operate a thorough two-tiered collaborative process for setting the Board agenda to ensure that the focus and discussion strikes the appropriate balance between short-term needs of the business and the longer-term. The Chair, CEO and Company Secretary also meet in advance of each Board and Committee meeting to finalise the agendas and ensure that sufficient time is allocated and in which order each matter is considered. The Company Secretary maintains an annual agenda schedule for Board meetings that sets out strategic and operational matters to be considered. Board papers are circulated to all Board members at least one week in advance of each meeting, to ensure that Directors have sufficient time to fully prepare for the meetings and ensure that effective, focused and relevant discussions take place. Each Board meeting begins with an update from the Chair and CEO, and the CFO then provides a review of the Group’s financial performance. Executive Committee members and other members of senior management present updates and ‘deep dives’ on key initiatives and developments throughout the year, including functional, market and brand reviews, enabling all Directors to engage with senior management, have a strong understanding of Group operations, challenges and successes and contribute to strategic discussions.

The Board continues to receive presentations in the less formal context of pre-dinner meetings, scheduled the day before Board meetings, and invites external experts to provide ‘outside-in’ perspectives. This year the Board discussed technological agility and innovation, and the trends and competitive dynamics shaping the digital environment with external experts.

The Board held eight scheduled meetings during the year, and individual attendance is set out on page 55. All Directors are expected to attend all Board meetings and relevant Committee meetings unless they are prevented from doing so by prior commitments, illness or a conflict of interest. If Directors are unable to attend Board or Committee meetings, they are sent the relevant papers and asked to provide comments to the Chair of the Board or Committee in advance of the meeting so that their comments can be duly considered.

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

During 2018, the Board focused on strategic and operational matters, corporate governance, investor relations and risk management. The interests of key stakeholders were considered throughout all discussions. The key focus areas for the Board during 2018 are outlined below:

<table>
<thead>
<tr>
<th>Area of discussion</th>
<th>Discussion topic</th>
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<tbody>
<tr>
<td><strong>Strategic and operational matters</strong></td>
<td></td>
</tr>
<tr>
<td>Accelerating our growth</td>
<td>Regular updates were received on key milestones including organisational structures and workforce transition, progress against key strategic initiatives and risk management and culture change.</td>
</tr>
<tr>
<td>Strategic initiatives</td>
<td>Regular consideration of merger and acquisition activity, including the acquisition of the Regent brand and entry into a managed lease transaction in the UK.</td>
</tr>
<tr>
<td>Operating regions</td>
<td>Operating performance, competitive positioning, outlook and strategy, including progress against KPIs, were considered at each Board meeting and deep-dive sessions on each region were also presented during the year, considering our guest and owner proposition throughout.</td>
</tr>
<tr>
<td>Commercial delivery</td>
<td>Updates on progress against our channels and sales strategy and updates on the roll out of IHG Concerto, including the approach to risk mitigation and future initiatives.</td>
</tr>
<tr>
<td>Brands</td>
<td>Brand performance and initiatives for all brands, including approving the launch of voco, and monitoring progress following the launch of avid hotels.</td>
</tr>
<tr>
<td>Our people and culture</td>
<td>Presentations from the Chief Human Resources Officer on people, and culture change, including updates on engagement scores, feedback sessions, and key learnings. The Board discussed the conclusions reached and next steps, including how the interests of the workforce had been considered and the importance of ensuring key learnings were implemented.</td>
</tr>
<tr>
<td>Finance</td>
<td>In addition to approving the budget, review of the Group’s funding and liquidity position and approving a €500 million bond.</td>
</tr>
<tr>
<td>Updates from each of the Board Committees</td>
<td>Details of Committee activities during 2018 can be found on pages 64 to 69 and 72 to 85.</td>
</tr>
<tr>
<td>Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations</td>
<td>Presentations were received on corporate governance developments, including statutory duties, stakeholder engagement, workforce voice, Board composition, diversity, remuneration, culture and stewardship.</td>
</tr>
<tr>
<td>Quarterly corporate governance and regulatory updates, including reviews of regulatory developments and any upcoming legislative changes affecting the business, the Board and/or its Committees</td>
<td>Internal quarterly updates are provided to the Board covering key regulatory and corporate governance developments and how the Group is responding. Further information can be obtained from the Company Secretary.</td>
</tr>
<tr>
<td>Year-end matters, including the Annual Report and Form 20-F</td>
<td>Details of the review process of the Annual Report and Form 20-F can be found on page 64.</td>
</tr>
<tr>
<td>Board effectiveness evaluation</td>
<td>Details of the process and outcome of the internal Board effectiveness review can be found on page 63.</td>
</tr>
</tbody>
</table>
Engagement with stakeholders

We remain committed to maintaining an active and effective dialogue with our shareholders and all of our key stakeholders. We encourage engagement with investors and other stakeholders through our planned programme of investor relations activities, as well as responding to queries from shareholders, analysts and other stakeholders. Our Registrar, Equiniti, and J.P. Morgan, as custodians of our American Depositary Receipts (ADR) programme, have teams equipped to deal with shareholder and ADR holder queries. A formal external review of investor perceptions is presented to the Board on an annual basis and both the Executive Committee and the Board receive regular updates on shareholder relations to ensure that they are made aware and understand the issues and concerns of major shareholders in order to develop a balanced understanding of any such concerns.

Shareholder engagement during the year
The Board’s engagement with shareholders included:

- Meeting shareholders and responding to any queries raised at the 2018 AGM and the General Meeting in January 2019.
- Presentations by Keith Barr and Paul Edgecliffe-Johnson to institutional investors, analysts and the media following half-year and full-year results announcements.
- Investor roadshow events in the US, Canada, Europe and Edinburgh.
- Telephone conferences after the release of the first and third-quarter trading updates, including Q&A sessions with sell-side analysts.
- IFRS 15 event, with Paul Edgecliffe-Johnson outlining and presenting the reporting changes to investors and analysts.
- Seeking feedback via an annual investor perception survey, facilitated by our capital markets advisers.
- Attendance at key institutional investor conferences.
- A programme of one-to-one meetings with major institutional shareholders, including Non-Executive Director meetings hosted by the Chair.

The SID remains available to shareholders if they have concerns they wish to discuss.

In addition to the Board’s formal engagement with shareholders, Elie Maalouf attended an investor conference in the US and Kenneth Macpherson attended an investor conference in London. In addition, investor hotel tours took place in both China and London.

To enable as many shareholders as possible to access conferences and presentations, telephone dial-in facilities were made available.
in advance and live audio webcasts were made available after results presentations in 2018, together with associated data and documentation. These can be found at www.ihgplc.com/investors under Results and presentations. Details of the sell-side research analysts who publish research on the Group are available at www.ihgplc.com/investors under Analyst details and consensus.

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

The 2019 AGM will be held at 11:00 on Friday 3 May 2019. The notice convening this meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under Shareholder centre in the AGMs and meetings section.

General Meeting
A General Meeting was held on 11 January 2019 to consider the consolidation of IHG’s share capital and seek authority to purchase our own shares. Shareholders were encouraged to attend and participate in this meeting and all resolutions were passed. Further details can be found at www.ihgplc.com/investors under Shareholder centre in the AGMs and meetings section.

Director induction, training and development

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

Elie Maalouf was appointed an Executive Director on 1 January 2018. Having been Chief Executive Officer of the Americas since February 2015, Elie already had a thorough understanding of the Group’s business model and strategies and had already participated in a number of Investor Relations events. As such, his induction was tailored to provide a thorough outline of his responsibilities and duties as a Director of a public limited company. This included:

- The provision of a detailed briefing pack outlining the roles, responsibilities and duties of an Executive Director;
- Board induction meetings with the Company Secretary, Deputy Company Secretary and external Corporate Legal Adviser focusing on Director’s duties under the Companies Act, key corporate governance and corporate transaction issues, compliance with Listing Rules and relevant regulations;
- Induction meetings with the Group Financial Controller and Auditor to review key financial considerations and responsibilities of an Executive Director;
- Meeting with Dr Tracy Long, an independent external Board evaluator, to discuss the Board review process and outcomes from past evaluations; and
- One-to-one meetings with the Committee Chairs and SID to ensure a thorough understanding of the focus areas of each Committee and the SID.

Shareholder services
As a result of the special dividend and share consolidation, the annual share-dealing programme was postponed.

Stakeholder engagement
During the year, the Board also engaged with a number of our key stakeholders, including:

- Attendance at the 2018 World Economic Forum in Davos, engaging with a wide variety of clients, owners, suppliers and various country tourism organisations and officials;
- Meetings with a number of hotel owners in our Greater China region during the UK China CIIE Business Reception and Dinner;
- Joining our Senior Leaders for the annual meeting in Miami; and
- Meetings with the workforce and guests during various hotel visits, including in Atlanta and London.

In addition, members of the Board engaged with key credit investors as part of the Group’s bond roadshow.
Board effectiveness evaluation

**Board performance evaluation**

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

In accordance with the Code, we rotate a three-year Board evaluation cycle with an external Board evaluation taking place every three years. Dr Tracy Long of Boardroom Review Limited, an external facilitator with no connection to IHG, completed our external evaluation in 2016. The intention is to complete the next external evaluation in 2019 and therefore during 2018, the Board completed an internal evaluation.

The evaluation this year was conducted by the Chair and the SID through a confidential, structured interview process. The key topics covered in the evaluation included:

- Board composition and alignment with the needs of the business;
- Board work processes including agenda setting, information flow, areas of engagement and use of time;
- Board engagement with strategy;
- Board dynamics and effectiveness of meetings, including relations with executives; and
- The structure and effectiveness of our Principal Committees.

The feedback from Executive Directors about the Board’s performance was incorporated into the assessment process.

Following the analysis of the results, it was concluded that the Board operates effectively, with high levels of engagement and participation as a Board, good interaction with all members of the Executive Committee and an open and transparent relationship with management below the Executive Committee level.

The Board concluded that the topics covered in the agenda items over the year were well balanced, giving the Board an appropriate overview of the key items facing the business, supporting regular and engaged discussion and enabling the Board to monitor the progress against delivery of the Group’s strategic objectives. This is also bolstered by the two-tiered approach to the agenda focussing on operational and strategic objectives both for the short and longer term.

Cybersecurity, talent, diversity, consumer-facing digital trends and maintaining pace with the changing competitive landscape were identified as areas for continued focus.

The Board also concluded that the Principal Committees continued to be well-led, highly engaged and effective.

**Directors’ performance evaluation**

In addition to the Board evaluation process outlined above, internal performance evaluations of Directors were undertaken during 2018 in order to enhance the accountability and effectiveness of each Director. Feedback was collected for each Director’s peer review by the Chair and SID through an interview format, with a mix of structured interview questions and a more open-ended discussion. Board members were asked to provide comments on their fellow Directors’ preparedness, contribution, strengths and weaknesses, industry and company understanding and opportunity for development.

The summary of the feedback was reviewed by the Chair and the SID before being communicated to each Director.

The assessment of the performance of the Chair was led by the SID. The Chair’s evaluation consisted of interviews with the Non-Executive Directors, discussing:

- The relationship between the CEO and Chair;
- Board succession;
- Board culture and the Chair’s ability to promote and maintain an open, transparent and constructive atmosphere, encouraging co-operation and communication;
- Managing the Board in accordance with high standards of corporate governance; and
- The effectiveness of the analysis and action taken from the results of last year’s evaluation.

The CEO evaluation was led by the Chair in a process involving all Directors by means of a structured interview process. Key areas of focus included:

- IHG’s performance;
- Effectiveness in developing and implementing strategy, talent and culture;
- Effectiveness in shaping IHG’s reputation and relationships with key stakeholders;
- Value stewardship;
- Leadership of the Executive Committee; and
- Areas for further development.

The length of tenure of Non-Executive Directors continues to be reviewed as part of the Directors’ performance evaluation process. Both Luke Mayhew and Dale Morrison have served on the Board for more than six years and, as such, were subject to particular review. It was concluded that both Luke and Dale continue to contribute effectively and to demonstrate commitment to the role including devoting the necessary time.

Directors’ additional appointments and time commitments also form part of the internal performance evaluation process. Any potential additional appointments are thoroughly discussed with the Chair before being accepted, with the time commitment required for each role being carefully assessed. During 2018, particular attention was paid to Ian Dyson, Anne Busquet and Jo Harlow’s commitments, as well as Paul Edgecliffe-Johnson’s time commitment to his Non-Executive Director duties at Thomas Cook Group plc. Following a thorough review process, we determined that their additional appointments do not adversely impact their performance, but add value to their perspective and ability to constructively challenge management.

As a result, it was concluded that all Directors continue to perform their duties effectively, dedicating sufficient time to the Company to discharge their responsibilities effectively.
Corporate Governance continued

Audit Committee Report

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Audit Committee is responsible for ensuring that IHG maintains a strong control environment. It monitors the integrity of IHG’s financial reporting, including significant financial reporting judgements, maintains oversight and reviews our systems of internal control and risk management, monitors and reviews the effectiveness and performance of internal and external audit functions, as well as reviewing the behaviours expected of IHG’s employees through the Code of Conduct and related policies.

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

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

- Reviewing the approach to Risk and Assurance in light of the new organisational structure;
- Regular reviews of the Group’s information security controls and the information security risk landscape, including reviewing a cybersecurity risk assessment and a detailed roadmap for 2018 and beyond;
- Reviewing, challenging and ensuring accurate financial and narrative reporting, including reviewing the Annual Report and Form 20-F and assessing the implementation of new accounting standards, including IFRS 15 concerning revenue recognition and IFRS 16 concerning leases;
- Reviewing and assessing the robustness of the Group’s internal control and risk management systems and in-depth reviews of specific principal risk areas including the approach to outsourcing and the risk and control environment in relation to the implementation of GRS and the Group’s strategic initiatives;
- Overseeing the relationship with and appraisal of the Group’s external Auditor, including regular analysis of audit and non-audit services;
- Overseeing the external audit tender process;
- Monitoring and reviewing the role of Internal Audit; and
- Overseeing and ensuring the effectiveness of the Group’s regulatory compliance policies, procedures and controls, including assessing the Group’s approach to the EU General Data Protection Regulation (GDPR).

The ToR are available at www.ihgplc.com/investors under Corporate governance in the Committees section.

Membership and attendance at meetings

Details of the Committee’s membership and attendance at meetings are set out on page 55. The CFO, Group Financial Controller, Head of Risk and Assurance and our external Auditor, Ernst & Young LLP (EY), attended all meetings in 2018. Other attendees are invited to meetings as appropriate; and the CEO and all other Directors attended Committee meetings where the principal risks and risk management systems and the approval of financial reporting were considered and discussed. The Committee continues to hold private sessions with the internal and external Auditors without the presence of management to ensure that a culture of transparency is maintained. The Committee Chair continues to have recent and relevant financial experience and all members of the Committee are Independent Non-Executive Directors. In accordance with the Code, the Board also considers that the Committee as a whole possesses competence relevant to the Company’s sector, having a range of financial and commercial experience in the hospitality industry and the broader commercial environment in which we operate. Further details of the skills and experience of the Board can be found on pages 56 and 57.

Reporting to the Board

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

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board. During 2018, the Committee was also reviewed as part of the internal Board evaluation process (see page 63). The Committee undertook an assessment against its own ToR and I, as Chair, assessed the effectiveness of the Committee across a number of areas, including membership, skills and experience and the work of the Committee across its key responsibility areas. The Committee concluded that it remains effective. Minor changes were also made to the ToR to reflect the 2018 UK Corporate Governance Code, including that whistleblowing procedures and reports would now be matters reserved for the Board.

Focus areas and activities

Financial and narrative reporting

During the year, the Committee reviewed and recommended approval of the interim and annual Financial Statements (considering the relevant accounting and reporting matters such as impairment reviews, key judgement areas, acquisition accounting, the going concern and viability statements) and the Group’s quarterly trading updates. All members of the Board are asked to attend these meetings. The Committee also reviewed and recommended approval of the restatement of the prior year’s accounts, prepared to reflect financial reporting changes.

The Committee recognises the importance of understanding changes in accounting policies and practice, and continues to receive an annual update from EY on key changes in this area. In 2018, the Committee continued its review of the implementation of IFRS 16 concerning leases and IFRS 15 concerning revenue recognition, particularly in relation to the System Fund revenues and the treatment of loyalty programme accounting.

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

The Committee received early drafts of the Annual Report and Form 20-F 2018 (Annual Report), and when providing comments considered: (i) the process for preparing and verifying the Annual Report, which included review by members of the Executive Committee and input from senior colleagues in Operations, Strategy, Human Resources, Finance, Risk and Assurance and Legal; (ii) a report from the Chair of the Disclosure Committee; and (iii) the
The Committee also considered management’s analysis of how the content taken as a whole, was ‘fair, balanced and understandable’, and whether it contained the necessary information for shareholders to assess the Group’s position and performance, business model and strategy. In order to reach this conclusion, a dedicated project team worked on the contents of the Annual Report and a detailed verification process to confirm the accuracy of the information contained within the Annual Report was undertaken by the Financial, Planning and Analysis department. The Committee then considered both the structure and content of the Annual Report to ensure that the key messages were effectively and consistently communicated and that meaningful links between the business model, strategy, KPIs, principal risks and remuneration were clearly identified throughout the Annual Report.

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

**Significant matters in the 2018 Financial Statements**

The Committee discussed with management and the Auditor the key judgements applied in the Financial Statements, the exceptional items arising in the year and the impact of any accounting developments or legislative changes. The main items discussed are outlined below.

<table>
<thead>
<tr>
<th>Area of focus</th>
<th>Issue/Role of the Committee</th>
<th>Conclusions/Actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting for the System Fund</td>
<td>Given significant changes to the way IHG accounts for the System Fund due to the adoption of IFRS 15 in 2018, the Committee reviewed the controls, judgements and decisions related to System Fund accounting.</td>
<td>In forming a conclusion on the appropriateness of the System Fund accounting the Committee met with senior finance management to review and evaluate the judgements made in determining that revenue and expenses of the System Fund should be accounted for in the income statement, and derecognising the historic balance sheet surplus, as determined by management’s interpretation of IFRS 15. The Committee concluded this change was appropriate and their decision was supported by the conclusions reached by the AICPA Hospitality Entities Revenue Recognition Task Force (‘the Task Force’) focused on IFRS 15, where management participated alongside other hotel companies and audit firms. At each Committee meeting the Committee reviewed the status and results of System Fund testing for controls required by the Sarbanes-Oxley Act. The Committee also considered EY’s procedures and conclusions in this area, and concluded that the controls were appropriate and effective.</td>
</tr>
<tr>
<td>Accounting for IHG Rewards Club</td>
<td>With the adoption of IFRS 15 the accounting for the IHG Rewards Club programme changed significantly in 2018. Accounting for the programme still requires significant judgement and represents a material deferred revenue balance. Accordingly, the Committee reviewed the controls, judgements and decisions related to accounting for the IHG Rewards Club programme.</td>
<td>In forming a conclusion on the appropriateness of the accounting for the IHG Rewards Club programme, the Committee met with senior finance management to review and evaluate the judgements made to change the accounting for the IHG Rewards Club Points from a liability based on the future cost of redemptions to a deferred revenue balance. The Committee determined the treatment was appropriate and their decision was supported by conclusions reached by the Task Force. The Committee further reviewed the deferred revenue balance and questioned the valuation approach, the results of the external actuarial review and judgement exercised on the breakage of outstanding IHG Reward Club Points. The Committee also considered EY’s procedures and conclusions in this area, and concluded that the deferred revenue balance is appropriately stated.</td>
</tr>
<tr>
<td>Impairment testing</td>
<td>Impairment reviews require significant judgement and the Committee therefore scrutinises the methodologies applied and the inherent sensitivities in determining any potential asset impairment.</td>
<td>The Committee reviewed a management report outlining the approach taken on impairment testing and key assumptions and sensitivities supporting the conclusion on the various asset categories. The Committee examined the assumptions related to non-current assets, assets previously impaired and the assets acquired as part of the Kimpton acquisition. The Committee also considered EY’s procedures and conclusions in this area, and concluded that it agreed with the determinations reached on impairment.</td>
</tr>
<tr>
<td>Litigation</td>
<td>From time to time, the Group is subject to legal proceedings with the ultimate outcome of each being subject to many uncertainties. The Committee reviews and evaluates the need for any provisioning on a case by case basis.</td>
<td>At each meeting during the year, the Committee considered a report detailing all material litigation matters. The Committee discussed and agreed any provisioning requirements for these matters.</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>The Group exercises judgement in presenting exceptional items. The Committee reviews and challenges the classification of items as exceptional based on their materiality or nature.</td>
<td>The Committee considered the consistency of the treatment and nature of items classified as exceptional over the last five years and discussed the items disclosed as exceptional. The Committee reviewed and challenged the significance, timing and nature of the exceptional items disclosed in note 6, comprising reorganisation costs, acquisition and integration costs, US pension settlement and litigation. The Committee also considered EY’s procedures and conclusions in this area, and concluded that the disclosures and the treatment of the items shown as exceptional were appropriate.</td>
</tr>
<tr>
<td>Acquisitions of Regent and UK portfolio</td>
<td>Acquisition accounting involves judgement in establishing the fair values of the assets and liabilities acquired. The Committee reviews the accounting and challenges the appropriateness of the inputs and judgements to these valuations.</td>
<td>The Committee considered the work done to establish the fair value of the assets acquired and future consideration payable. The Committee questioned the assumptions underlying the valuations and considered reports provided by third-party valuation experts. The Committee also considered EY’s procedures and conclusions in this area, and concluded that the fair values recognised were appropriate.</td>
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Internal control and risk management

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and ensuring that sound risk management and internal control systems are maintained, with an appropriate culture embedded throughout the organisation. The Committee supports the Board by reviewing the effectiveness of the Group’s internal control and risk management systems, the wider risk environment, and overseeing the risk and control activities in operation.

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

- Receives regular reports from management, Risk and Assurance and the external Auditor on the effectiveness of the systems for risk management and internal control, including financial, operational and compliance controls.
- Reviews the process by which risks are identified and assessed and the timeliness and effectiveness of corrective action taken by management, including regular reports and presentations on the Company’s overall risk management system and principal risks, mitigating actions and internal controls.
- Receives additional reports throughout the year relevant to internal control and risk management, both financial and non-financial, to ensure that current and emerging risks are identified, assessed and appropriately managed (see pages 26 to 30 for further detail on our principal risks and risk management).

As part of the Committee’s review of the internal control and risk management systems, key financial, operational and compliance controls across the business continue to be monitored and tested throughout the year. The Committee assesses the approach to Sarbanes-Oxley Act 2002 (SOX) compliance in accordance with our US obligations and reviews reports on the progress of the SOX programme at each meeting. The Committee considers the Group’s treasury and tax strategy policies annually and, during 2018 approved changes to the Group Treasury Policy and the Group’s published ‘Approach to Tax’.

Our Approach to Tax document is available at www.ihgplc.com/responsible-business

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

Principal risk areas

The Committee has a schedule for in-depth reviews into specific principal risk areas over the year, in addition to the regular risk management review. During 2018, the Committee considered in particular:

- The Group’s approach to risk and assurance, in the context of the a dynamic risk environment.
- Information security, cybersecurity and privacy. A key focus for the Committee during the year was information security and, in particular, cybersecurity. A cybersecurity risk assessment was undertaken, highlighting the specific risks facing the hospitality industry and an assessment of the Group’s current cybersecurity capability. The Committee discussed the findings and recommendations with the Chief Information Security Officer, and agreed on strategies and risk mitigating actions.
- The Committee also reviewed and assessed the Group’s approach to privacy regulations, in particular GDPR and China Cybersecurity Laws and recently received a report on the Group’s privacy programme from the Group’s Data Protection Officer.
- Financial Management and Controls, including fraud risk awareness, and the Group’s approach to tax and treasury management.

- Risk management and assurance measures, including the governance and control framework in the new organisational structure and across key strategic initiatives, focusing in particular on risks in relation to outsourcing and the implementation of IHG’s Guest Reservation System.
- Safety and security in hotels including review of significant incidents reported and the Group’s process and approach for managing allegations relating to ethical issues.

Further details of our principal risks, uncertainties and review process can be found on pages 26 to 30.

Relationship with external auditor

A detailed audit plan was received from EY at the beginning of the audit cycle for the 2018 financial year, which gave an overview of their approach to the audit, outlining the significant risk areas and in particular the approach to materiality and scoring of the audit.

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

Non-audit services

The independence and objectivity of the non-audit services provided by EY to the Group are safeguarded by IHG’s Audit and Non-Audit Services Pre-Approval Policy. The policy is reviewed by the Audit Committee annually, and minor changes were approved in 2018.

The policy requires that pre-approval is obtained from the Audit Committee for all services provided by the external Auditor before any work can commence, in line with US SEC requirements without any de minimis. The Committee reviewed the audit and non-audit fees incurred with EY on a quarterly basis during 2018, noting that there had been no prohibited services (as defined by the Sarbanes-Oxley Act of 2002) provided to the Group in each period. The Committee is prohibited from delegating non-audit services approval to management and compliance with the policy is actively managed.

IHG is committed to maintaining non-audit fees at a low level and the Committee is sensitive to investor advisory bodies’ guidelines on non-audit fees. During 2018, 21% of services provided to the Group were non-audit services (2017: 23%), primarily related to SOC1 reports and agreed upon procedures. Details of the fees paid to EY for non-audit work during 2018, and for statutory audit work during 2018 can be found on page 123. The Committee is satisfied that the Company was compliant during the year with the FRC’s Ethical and Auditing Standards in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by EY. Where non-audit work is performed by EY, both the Company and EY ensure adherence to robust processes to prevent the objectivity and independence of the external auditor being compromised.

Audit Quality Review

During 2018, an Audit Quality Review Team from the FRC undertook an inspection of EY’s audit of the Group’s 2017 Financial Statements. As part of that process, the Committee Chair shared his and the Board’s view of the quality of the EY audit. The Committee considered the final inspection report, which did not raise any significant findings, and discussed the results and agreed actions with the lead audit partner. The Committee agreed with the overall assessment which was consistent with its own view of the quality and effectiveness of the external audit.

Risk and Assurance – Internal Audit

The Committee discusses the Internal Audit annual plan in December each year, which aims to provide objective and insightful assurance over the control environment. The 2019 plan presented to the Committee included the Group’s principal risks and key controls and included reviews over the following areas: (i) risks relating to the Group’s strategic initiatives, culture, processes and controls; (ii) assurance reviews and assessments of risk areas, including information security; and (iii) ongoing assurance across areas.
such as the hotel control environment and approach to regulatory compliance. Following consideration, the Committee confirmed its agreement to the 2019 Internal Audit plan, including the key control themes identified. Progress against the Internal Audit plan was reported to the Committee on a quarterly basis and is actively monitored by the Committee. This includes reviewing the results of completed audits and the findings raised through these audits, as well as management action plans to address any issues raised.

A functional effectiveness review of Internal Audit is undertaken each year and reported to the Committee. Internal Audit has again undertaken an internal assessment, noting that the actions raised by the external review two years ago were mostly implemented. Senior stakeholder feedback was gathered and the functional activities of Internal Audit were reviewed according to five categories: Purpose and Remit; Position and Organisation; Process and Technology; People and Knowledge; and Performance and Communication. As a result of the internal review, it was concluded that Internal Audit continues to be effective in providing independent assurance activities.

**Governance and compliance**

The Committee is responsible for reviewing the Group’s Code of Conduct (which is reviewed and approved annually) and related policies. In 2018, the Group’s policies and processes in relation to gifts and entertainment and handling data were reviewed and the Committee approved revised policies.

**Whistleblowing**

The Committee regularly reviewed the Group’s whistleblowing arrangements and its reporting and investigation process to ensure that arrangements were in place for proportionate and independent investigation of such matters. The Committee also reviewed the number and potential impact of both substantiated and unsubstantiated cases and ensured that appropriate follow-up action was taken. Any significant claims would be brought to the immediate attention of the Committee and in 2018 no such claims were raised.

In preparation for the Company becoming subject to the 2018 UK Corporate Governance Code next year, the review of the whistleblowing arrangements has been removed from the Audit Committee Terms of Reference and has become a matter reserved for the Board. The Board will routinely review the means for the workforce to raise concerns in confidence and the reports arising from its operation. It will also ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.

**Looking forward**

During 2019, the Committee will focus on information security controls, including cybersecurity, the audit tender process and IHG’s control and risk management systems.

**Ian Dyson**

Chair of the Audit Committee

18 February 2019

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

The Committee assessed EY’s performance during the year, including its independence, effectiveness and objectivity, and considered the appointment of its external Auditor, including the requirements for putting the audit out to tender as set out in EU and Competition and Markets Authority legislation. After due consideration, the Committee recommended the re-appointment of EY as the Auditor of the Group. EY has been our Auditor since IHG’s listing in April 2003 and of the Group’s predecessor businesses dating back to 1988.

As part of its annual review, the Committee determines the independence of the external auditor, considering, among other things, its challenge to management and level of professional scepticism, the amount of time passed since a rotation of audit partner and the level of non-audit work that it undertakes, details of which can be found on page 66.

To ensure the external Auditor’s independence is safeguarded, lead audit partners are required to rotate every five years. Sarah Kokot, who was appointed lead audit partner in 2016, has continued her role during 2018. There was a new UK audit manager during the year.

Another part of the Committee’s annual review, completed by the Committee, is to consider the effectiveness of the relationship between EY and management. This included the completion of feedback questionnaires by the Committee members and 54 senior IHG employees. Feedback was requested on a number of topics including independence, assignment management and communication. The Committee also received reports from EY on its independence.

No significant issues were raised in the annual review of the auditor performance and effectiveness and, as a result, the Committee concluded that EY continues to provide an effective audit and maintain independence and objectivity. The Committee is satisfied with the external audit process as a whole and therefore recommended the reappointment of EY to the Board. Pursuant to regulations mandating a tender for the 2021 financial year, the Group plans to run the audit contract tender in 2019. A sub-committee has been established to manage and govern the audit tender process and is accountable to the Audit Committee, who will maintain overall ownership of the tender process and ensure that it is run in a fair and balanced manner. The sub-committee is supported by a project team, led by the Group Financial Controller.

During 2018, tender participants have been selected, and the design of the selection criteria has been established. In addition, a pre-approval process for non-audit services provided by the participant firms has been agreed and the identification process of current non-audit services has been completed.

Lead partners from the participating firms have been selected and the publicly available audit quality inspection reports, in both the UK and the US, have been reviewed and the implications for the audit tender considered. The ‘Statutory audit services market study’, published by the Competition & Markets Authority, and the report issued by Sir John Kingman, have both been reviewed with adjustments made to the tender plan where appropriate.

The audit tender will launch in the second quarter of 2019. To ensure each firm has the right level of information, a data room will be established and work is already underway to determine which items are being included in the data room. Each firm will participate in a series of management meetings, with the objective that they will build their best proposition.

The tender process for strictly prohibited services will be run after the external audit tender, to allow sufficient time to select new providers and transition services to another firm. The sub-committee will oversee the plan to manage the transition of these services.

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

Corporate Responsibility Committee Report

We understand how vital corporate responsibility is in delivering our purpose of providing True Hospitality for everyone and supporting our shared commitment to long-term value creation.

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews and advises the Board on the Group’s corporate responsibility objectives and strategy, including its impact on the environment, social, community and human rights issues, its approach to sustainable development, and stakeholder engagement in relation to the Group’s approach to responsible business.

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

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

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

- Reviewing the Group’s approach to corporate responsibility, given changes in organisational structure;
- Monitoring the delivery of the new Responsible Business targets for 2018-2020, with a focus on the Group’s environmental, community and diversity targets;
- Reviewing the Group’s approach to responsible procurement targets and responsible business in the supply chain;
- Reviewing the approach to human rights issues, including the Group’s Modern Slavery Statement; and
- Overseeing responsible business stakeholder engagement.

Membership and attendance at meetings

The Committee’s membership and attendance at meetings are set out on page 55. The Head of Corporate Responsibility attended all meetings and the Chair of the Board also attended two out of the three meetings held during the year.

Reporting to the Board

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

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Chair of the Committee and the Chair of the Board. During 2018, the Committee was also reviewed as part of the internal Board evaluation process. Further details can be found on page 63. The Committee also undertook an assessment against its own ToR and across a number of areas, including the skills and experience of the Committee and the work of the Committee across its key responsibilities, highlighting additional agenda items and focus areas for 2019. The Committee concluded that it remains effective.

Focus areas and activities

Approach to corporate responsibility

The Committee discussed the Group’s approach to corporate responsibility, given organisational changes and the Group’s strategic initiatives, endorsing the internal engagement plans and approach to accountability for delivery of the key targets across the Executive Committee. The Committee also supported the initiation of a broader strategic review, the results of which would be considered in 2019.

Responsible Business targets for 2018-2020

During 2018 the Committee reviewed and discussed the learnings from the last five years’ activities and the approach to delivering the environmental targets, in particular. The Responsible Business targets for 2018-2020 were reviewed and the Committee received regular progress updates across the focus areas: environmental sustainability, community impact, our people, and responsible procurement. The Committee discussed the Group’s diversity and inclusion initiatives with the Chief Human Resources Officer, and the Chief Procurement Officer provided insight into the Group’s approach to responsible procurement and the longer-term supply chain strategy.

Community and human rights issues

The Committee reviewed the Group’s approach to community giving and endorsed the True Hospitality for Good programme which seeks to deliver True Hospitality to local communities around IHG’s hotels and corporate offices, by supporting colleague fundraising and helping lives for the better through building skills and education in hospitality. The Group continues to support communities when disasters strike and in 2018 provided support to communities and colleagues impacted by natural disasters in six countries. The Board (along with 80,000 colleagues) participated in Giving for Good month by packing care kits for victims of human trafficking in the Atlanta area. The Committee also supported the Group’s human rights impact assessment, the results of which will be reviewed in 2019, and endorsed the commitment to the ITP Forced Labour Principles. The Group’s Modern Slavery Statement was reviewed and recommended for approval to the Board.

Further information on our responsible business programmes and our approach to human rights can be found on pages 22 to 25.

Stakeholder engagement

The Committee assessed the Group’s stakeholder engagement activity, focusing this year on the approach to charity partnerships and engagement with local community organisations, and also supported the recommendation to transition the on-going support of the IHG Foundation (see page 24), in favour of the True Hospitality for Good programme.

Recognising the importance of corporate responsibility, we were pleased to be listed again on the S&P Dow Jones Sustainability Indices, having been listed as the industry leader in RobecoSAM’s Hotels, Resorts & Cruise Lines industry group for the second year in a row.

Looking forward

We continue to recognise the importance of environmental, social and governance considerations to all our stakeholders and we are committed to delivering against our Responsible Business targets through our programmes and initiatives.

Jill McDonald
Chair of the Corporate Responsibility Committee
18 February 2019
Nomination Committee Report

We focus on the Board’s structure, size and composition; overseeing appointments and ensuring diversity of experience, knowledge and background in our Board and senior management.

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Committee reviews the composition of the Board and its Principal Committees, evaluating the balance of skills, experience, independence, knowledge and diversity requirements before making appropriate recommendations to the Board as to any changes. It also ensures plans are in place for orderly succession for both Directors and other Senior Executives and is responsible for reviewing the Group’s senior leadership needs.

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

The ToR are available at www.ihgplc.com/investors under Corporate governance in the Committees section.

The Committee’s key responsibilities and focus areas during the year have been:

• Board and Committee composition;
• Leadership development and succession planning including evaluating gender balance; and
• Changes to the UK Corporate Governance Code.

Membership and attendance at meetings

The Committee’s membership and attendance at meetings are available on page 55. All members of the Committee are Non-Executive Directors. When the Committee considers matters relating to my position, Dale Morrison, the Senior Independent Non-Executive Director, acts as Committee Chair.

Reporting to the Board

The Committee makes recommendations to the Board for all Board appointments. Minutes are circulated to Board members and I report back to the Board on the activities of the Committee following each meeting.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself, as Chair of the Committee and the Board. During 2018, the Committee was also reviewed as part of the internal Board evaluation process and as Chair, together with the Company Secretary, I undertook an assessment of the work of the Committee. The Committee continues to conclude it remains effective (further details of this process can be found on page 63).

Focus areas and activities

Board and Committee composition

The Committee continued to review the current and future composition of the Board and Committees, particularly in light of the Group’s focus on accelerated growth. Having reviewed the skills, experience and knowledge currently on the Board, considering progressive refreshing of the Board, the Committee was satisfied that an appropriate balance is maintained and therefore no new Director appointments were recommended to the Board during the year.

Elie Maalouf was appointed to the Board on 1 January 2018 and details of his induction process can be found on page 62.

Leadership development and executive succession planning

During the year, the Committee continued to review the development plans for the Executive Committee and senior management positions in order to ensure the development of a diverse pipeline for succession.

An assessment of our senior leaders was completed in 2018 and presented to the Committee for discussion and consideration as part of a regular review of succession planning.

UK Corporate Governance Code changes and workforce engagement

The Committee reviewed the 2018 UK Corporate Governance Code (the 2018 Code), considering the implications of changes introduced. The Committee discussed proposals for workforce engagement and concluded that a Non-Executive Director, with support from the Company Secretary and the Chief Human Resources Officer, should assess the most appropriate long-term approach for Board engagement, for consideration by the Committee and the Board in 2019. This would include attending relevant employee meetings in the UK and the US, reviewing engagement surveys and other appropriate workforce related reports and considering existing methods of employee engagement channels.

Diversity

With a presence in more than 100 countries, we recognise that diversity and inclusion is essential, from the Board and throughout all levels of our business. All appointments are based on merit, experience and performance and the Board actively seeks diversity of skills, gender, social and ethnic backgrounds, cognitive and personal strengths. We regularly review how we look at diversity to ensure we represent the communities in which we operate and the guests who stay in our hotels.

Our Global Diversity and Inclusion Policy (D&I Policy) applies to all people employed by IHG and we encourage our franchised operations and those managed hotels where we do not directly employ people to follow the same principles. The objective of our D&I Policy is to celebrate difference, recognising that this underpins external, as well as internal, relationships.

Following the establishment of the Diversity and Inclusion Board (D&I Board) last year, we continue to implement our D&I framework through the D&I Board and locally driven initiatives. The Committee reviewed and discussed our commitments, the progress made and the work of the D&I Board.

We continue to deliver against our D&I Policy and are committed to our 2018-2020 Responsible Business Diversity target, as noted on page 23. As of 31 December 2018, 36% of the Board were female and two of our Principal Committees are chaired by women. In addition, 41% of senior operational leaders are now women, indicating our continued commitment to diversity at all levels of our business.

Looking forward

The Committee remains satisfied that we have appropriate plans in place for orderly succession of appointments to the Board and to senior management, so that an appropriate balance of skills, experience, knowledge and diversity is maintained and that we are making progress against our D&I commitments.

Patrick Cescau
Chair of the Nomination Committee
18 February 2019
Corporate Governance continued

Statement of compliance with the UK Corporate Governance Code

Our statement of compliance summarises how the Group has implemented the principles and provisions of the 2016 UK Corporate Governance Code (available at www.frc.org.uk/directors under UK Corporate Governance Code) as published in April 2016 (the Code). As discussed on page 54, work is underway to ensure compliance with the 2018 UK Corporate Governance Code (the 2018 Code) and we will include our statement of compliance against the 2018 Code in our 2019 Annual Report and Form 20-F.

This should be read in conjunction with the Corporate Governance statement on pages 55 to 69 and the Directors’ Remuneration Report, on pages 72 to 85, as a whole.

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2018.

A. Leadership

A.1 The role of the Board

The Board continues to lead IHG’s strategic direction, long-term objectives and success of the Group. Further responsibilities of the Board are set out on page 55.

The Board met eight times this year and all Directors continue to act in what they consider to be in the best interests of the Company, consistent with their statutory duties. Further details of 2018 Board meetings are set out on pages 60 and 61, attendance information on page 55, skills and experience and biographical information on pages 56 and 57.

All Directors are covered by the Group’s directors’ and officers’ liability insurance policy (see page 178).

A.2 Divisions of responsibility

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

Chief Executive Officer

Keith Barr leads the development of the Group’s strategic direction and implementation of the agreed strategy. As well as building and leading an effective Executive Committee, he oversees IHG’s business operations and manages its risks. See page 56 for more details.

A.3 The Chair

As well as building and maintaining an effective Board, Patrick Cescau leads the operation and governance of the Board and its Committees. The Chair has been in post for six years and was independent on appointment. See page 56 for more details.

A.4 Non-Executive Directors

Senior Independent Non-Executive Director

Dale Morrison was appointed as Senior Independent Non-Executive Director on 31 May 2014. He is available to liaise with shareholders who have concerns that they feel have not been addressed through the normal channels of the Chair, Chief Executive Officer and other Executive Directors. He also leads the annual performance review of the Chair with the other Non-Executive Directors (see page 63), and as necessary, provides advice and judgement to the Chair, and serves as an intermediary for other Directors when necessary.

After each Board meeting, Non-Executive Directors and the Chair meet without Executive Directors being present (see page 60). During the year, if any Director has unresolved concerns about the running of IHG or a proposed action, these would be recorded in the minutes of the meeting.

Further information on each of these roles can be found on our website at www.ihgplc.com/investors under Corporate governance.

B. Effectiveness

B.1 The composition of the Board

The size and composition of the Board and its Committees is kept under review by the Nomination Committee to ensure the appropriate balance of skills, experience, independence and knowledge. Details of the skills and experience on the Board can be found on page 56 and 57.

Potential conflicts of interest are reviewed annually and powers of authorisation are exercised in accordance with the 2006 Act and the Company’s Articles of Association. At least half of the Board, excluding the Chair, are Independent Non-Executive Directors (see page 55). Further details of the composition of the Board and Committees are available on pages 55 to 57.

B.2 Appointments

The Nomination Committee leads the appointment of new Directors to the Board and senior executives in accordance with its Terms of Reference (available on our website at www.ihgplc.com/investors under Corporate governance in the Committees section or from the Company Secretary’s office on request) and supports the Board in succession planning. Further details of the role of the Nomination Committee and what it did in 2018 are in the Nomination Committee Report on page 69. The overall process of appointment and removal of Directors is overseen by the Board as a whole. Two Non-Executive Directors have served for seven years and were subject to a rigorous review during the year. All other Non-Executive Directors have served for less than six years – see pages 56 and 57.

B.3 Commitment

Non-Executive Director terms of appointment outline IHG’s time commitment expectations required to fulfil their role. Executive Directors are not permitted to take on more than one external non-executive directorship or chair position in addition to their role. The commitments of each Director are included in the Directors’ biographical details on pages 56 and 57. Details of Directors’ service contracts and appointment terms are set out on pages 81, 84 and 187.

The Chair annually reviews the time each Non-Executive Director dedicates to IHG as part of the internal performance evaluation of each Director (see page 63) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

B.4 Development

The Chair and Company Secretary ensure that new Directors are fully inducted and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role (see page 62).

B.5 Information and support

The Chair and Company Secretary ensure that the Board and its Committees receive timely and appropriate information, and a flow of information between the Executive Committee and Non-Executive Directors. The Board and Committees also have access to the Company Secretary, independent advice and necessary resources, at the Company’s expense. They receive administrative and logistical support of a full-time executive assistant. See page 60 for more details.
B.6 Evaluation
The Board undertakes either an internal or external annual Board effectiveness evaluation. In 2016-17 this was carried out externally and in 2018, it was carried out internally. More information on the evaluation is on page 63.

B.7 Re-election
All of the Directors retire and seek election or re-election at each AGM. Performance evaluations of all Directors, including the Chair, are carried out on an annual basis. Directors’ biographies are set out on pages 56 and 57 and details of their performance evaluations are on page 63.

C. Accountability

C.1 Financial and business reporting
The Statement of Directors’ Responsibilities (including the Board’s statement confirming that it considers that the Annual Report and Form 20-F, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy) is set out on page 88.

The status of IHG as a going concern is set out in the Directors’ Report on page 181. An explanation of the Group’s performance, business model, strategy and the risks and uncertainties relating to IHG’s prospects, including the viability of the Group, is set out in the Strategic Report on pages 2 to 51.

The statement from our Auditor, Ernst & Young LLP, about its reporting responsibilities is set out on pages 89 to 94.

C.2 Risk management and internal control
The Board determines the nature and extent of the risk the organisation is willing to take in achieving its strategic objectives. A robust assessment of the principal risks facing the Group was carried out, including those risks that would threaten the Group’s business model, financial performance, solvency or liquidity (see pages 26 to 30 for further details of the principal risks). The Board and Audit Committee monitor the Group’s risk management and internal controls systems and conduct an annual review of their effectiveness. Throughout the year, the Board has directly, and through delegated authority to the Executive Committee and the Audit Committee, overseen and reviewed all material controls, including financial, operational and compliance controls. See pages 55, 60, and 64 to 67.

The Board confirms that, in respect of the Group’s risk management and internal control systems: (i) there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group; (ii) the systems have been in place for 2018 and up to 18 February 2019; (iii) they are regularly reviewed by the Board and Audit Committee; and (iv) the systems accord with FRC guidance on risk management, internal control and related financial and business reporting. Further details are set out in the Strategic Report on pages 2 to 51 and also in the Audit Committee Report on pages 64 to 67.

Details of the Directors’ assessment of the prospects of the Group are set out on page 30.

C.3 Audit Committee and Auditor
The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 55 for membership details). Ian Dyson, the Chair of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which we operate. Details of the Committee’s role, responsibilities and activities are set out on pages 64 to 67.

The Committee reviewed the effectiveness and independence of Ernst & Young LLP during 2018 and reconfirmed that it would complete the audit contract tender and transition any strictly prohibited services by 2020. A sub-committee of the Audit Committee to oversee the audit tender process has been established and further details on the progress made can be found on page 67.

D. Remuneration

D.1 The level and components of remuneration
The Remuneration Committee’s activities during 2018 are set out on page 72 and its membership details are on page 55.

The Directors’ Remuneration Report is set out on pages 72 to 85. The Annual Report on remuneration for 2018 (pages 78 to 85) is subject to the annual advisory vote at the AGM in 2019.

Information on Paul Edgecliffe-Johnson’s appointment as a Non-Executive Director of Thomas Cook Group plc is set out on page 81.

D.2 Procedure
The Remuneration Committee is responsible for developing policy on executive remuneration and fixing remuneration packages of Directors. Further details are set out on pages 72 to 85.

During 2018, no individual Director was present when his or her own remuneration was discussed.

E. Relations with shareholders

E.1 Dialogue with shareholders
The Board engage actively with both institutional and retail shareholders to promote mutual understanding of objectives and ensure that their views are communicated to the Board as a whole. The Board also strives to understand the views of other key stakeholders and these are considered in board discussions and decision-making. See pages 61 and 62 for details of meetings with major institutional investors and other key stakeholders.

E.2 Constructive use of the AGM
The AGM is a key opportunity for the Board to engage with Shareholders. The Notice of Meeting will be sent to shareholders and will be available at www.ihgplc.com/investors under Shareholder centre in the AGMs and meetings section. The Board will be available to answer questions during the AGM and after the formal business has concluded. See page 62 for more details.
Directors’ Remuneration Report
Remuneration Committee Chair’s statement

We will review our Directors’ Remuneration Policy in 2019 in light of our renewed focus and the increased pace with which we are executing our strategy to deliver high-quality, sustainable growth and superior returns for shareholders.

2018 results
2018 saw a year of positive performance for IHG, in which our new regional operating structure was embedded and our programme of savings and reinvestment began to deliver results. Above target performance was delivered in respect of EBIT and net system growth and excellent progress was made on our strategic objective to deliver annual cost savings of $125m by 2020. As a result, awards for the Executive Directors under the 2018 Annual Performance Plan (APP) were 84.1% of their respective maximum potential payouts.

The 2016/18 Long Term Incentive Plan (LTIP), granted in 2016, vested at a level of 45.4% of the maximum potential award as a result of achievements in relative Total Shareholder Return and rooms growth. However, the three-year RevPAR performance fell short of threshold. As noted in last year’s report, the 2018/20 LTIP cash flow target is disclosed in this report on page 83.

Changes to the Board and Executive Director responsibilities
Elie Maalouf was appointed to the Board on 1 January 2018. The remuneration arrangements for Elie were determined in accordance with our approved Directors’ Remuneration Policy (DR Policy).

Looking forward, as we continue to embed structural changes in the business, the roles of two of our Executive Directors are being expanded to generate greater impact. In addition to his duties as Chief Financial Officer, Paul Edgecliffe-Johnson will take ownership of Strategy, including our ongoing programme of savings and reinvestment. Elie Maalouf will take accountability for Global Customer Development, providing oversight of the Global Sales organisation, as well as our owner management and services strategy, in addition to his position in our largest region as Chief Executive Officer, Americas. The additional compensation for these expanded roles is explained on page 83.

Other areas of focus for the Remuneration Committee
Matters discussed by the Remuneration Committee in 2018 included ongoing reviews of existing incentive schemes and measures; an overview of the Company’s international mobility policy; and the introduction of an employee share plan, which will extend the alignment of employee and shareholder experience throughout IHG’s corporate employee population.

Given the continued importance of growth and the reinvestment of achieved savings targets, the strategic measures which make up 30% of the short-term growth incentive plan target for Executive Directors will remain as in 2018. The annual System size growth measure in the APP focuses on key short-term growth targets and supplements the longer-term aims encompassed in the separate rooms growth target under the LTIP. LTIP measures and weightings for the 2019/21 cycle remain as per the 2018/20 cycle and details, including the prospective disclosure of the cash flow target for the 2019/21 cycle, are shown on page 83.

The Committee also commenced a detailed review of the DR Policy during 2018 in light of our renewed focus and the increased pace with which we are executing our strategy to deliver high-quality, sustainable growth and superior returns for shareholders. We must ensure that remuneration drives the right behaviours and actions; is structured to sufficiently reward the achievement of our most important and stretching strategic goals; and incentivises senior executives to stay with IHG and successfully drive our growth ambition. As a UK listed company, we must also consider Government and stakeholder engagement and a newly revised Corporate Governance Code (the new Code). As guidance and practice continue to evolve in this area, we will take all factors together as we continue our review into 2019 and put our DR Policy to shareholders in 2020.

In terms of the remuneration aspects of the 2018 Code, we explain on pages 74 to 77 how some of the new responsibilities have already been undertaken by the Committee as part of our existing approach to remuneration governance and good practice; and how we will extend our remit to embrace other important areas of change, such as the review of wider workforce remuneration policies and practices, and take these into account in setting executive remuneration.

In respect of compliance with specific provisions of the 2018 Code, we have not historically included a mandatory holding period following the three-year performance period and vesting of LTIP shares. This is in line with the practice of our main competitors in the US, where both performance and longer-term vesting conditions are also less common. However, we note that the new Code and related guidance from UK stakeholders set out an expectation of a five-year period between the grant and release of LTIP shares. As such, under the terms of the existing DR Policy, the Committee has determined that a two-year post-vest holding period will apply for Executive Directors in respect of the 2019/21 LTIP cycle. Future policy in this area will be addressed as part of our 2019 review.

Further details of our current position in relation to key aspects of the 2018 Code, including shareholding guidelines and requirements during and after employment and IHG’s UK pension benefit structure, are shown in the ‘Wider context’ section on pages 74 to 77. As mentioned last year, now that the statutory calculation is known, this section also includes the CEO Pay Ratio data for IHG in the United Kingdom.

About this report
We strive to make this report as easy to read as possible, given regulation. This year, we have again included a summary of performance and remuneration outcomes in the ‘At a glance’ section on page 73 and an updated ‘Wider context’ section on pages 74 to 77 to give further insight on aspects of wider remuneration policy and practice at IHG in light of recent guidance.

The full DR Policy is available at www.ihgplc.com/investors under Corporate governance and was approved at the Annual General Meeting (AGM) on 5 May 2017. The section of this report which is subject to a formal advisory shareholder vote at the May 2019 AGM is the Annual Report on Directors’ Remuneration starting on page 78.

Jo Harlow
Chair of the Remuneration Committee
18 February 2019
How we performed in 2018

The 2018 outcomes reflect the progress made as a result of our focus on high-quality growth and superior value-creation through our brands, our people and our systems. We achieved our target for EBIT, delivered strong net system size growth and exceeded our maximum target for savings to reinvest in the business for future growth. In respect of our long-term goals for 2016-18, we again delivered great shareholder returns and met our three-year threshold target for rooms but fell short of our three-year threshold target RevPAR growth.

Executive Director remuneration

2018 remuneration

The table below shows the 2018 potential remuneration opportunity and actual achievement compared to 2017 actual achievement. For Keith Barr, the 2017 actual achievement relates to the period 1 July to 31 December 2017 and no comparative data is shown for Elie Maalouf as this was prior to his appointment to the Board. The relevant figures for each of the elements that make up the single total figure of remuneration, as shown below for the Executive Directors, can be found in the table on page 78.
Directors’ Remuneration Report
Remuneration at IHG – the wider context

Remuneration Committee remit
The Committee has reviewed wider workforce remuneration and related policies on an ad-hoc basis. For example, given our global scale and growth agenda, the Committee reviewed IHG’s updated International Mobility policy during 2018. This is an important aspect of remuneration for our globally mobile population as we develop the skills and experience of our employees working in specialist functions around the world. During 2019, the Committee will commence a formal rolling programme of reviewing all aspects of remuneration and related policies for the wider workforce in terms of alignment with executive remuneration and IHG’s culture, values and strategy.

Remuneration Committee
The Committee has historically taken a wider view of the remuneration matters that it considers necessary to carry out its role in relation to executive pay than has been required under the 2018 Corporate Governance Code (the new Code). The new Code, issued in the summer of 2018, puts more formal obligations on the Board and its Committees in respect of remuneration and wider employee relations and employment practices. The accountability for some of these responsibilities, such as the review of workforce remuneration and related policies and the setting of remuneration for the Executive Committee, will be with the Remuneration Committee. Indeed, the Committee already has the latter responsibility at IHG. We show in this section some of the relevant remuneration governance topics already addressed by the Committee, as well as selected topics that will be addressed as we review the DR Policy this year.

Compliance with Corporate Governance Code
The existing approved DR Policy is already in line with a great majority of the new Code in relation to remuneration. Our policy on long-term incentives does not currently impose a compulsory holding period for shares which vest after the three-year performance period. As explained on page 75, the Committee has determined that a two-year holding period will apply for Executive Directors in respect of the 2019/21 plan cycle.

On pensions, our current Directors’ Remuneration Policy, supported by shareholders in 2017, provides for Executive Director pension contributions of up to 30%. The current CEO has received a company pension contribution of 25% since appointment in 2017. The CFO has volunteered to receive a pension contribution reduced from 30% to 25% of salary, effective April 2019. Following the recent guidance given in the new Code and subsequent input from other external stakeholders, the Committee will review Executive Director pension provision as part of the wider review of the Directors’ Remuneration Policy taking place in 2019.

Pension Provision
Our global retirement benefit policy is to provide access to an appropriate defined contribution retirement savings plan where such a vehicle is typically offered, and with benefit levels in line with the local market.

The UK pension plan applies for UK-based Executive Directors and the current contribution rates for new employees are shown opposite. Where employees would otherwise exceed relevant tax limits on pension contribution or accrual, a cash equivalent may be offered in lieu of pension at an equivalent value to the maximum Company matching contribution.

We operate a tiered pension contribution structure and maximum contributions increase with employee grade, consistent with market practice and reflecting the structure under the previous defined benefit pension. In addition, a tiered contribution structure balances the ‘income replacement ratio’ for all levels of employee, taking into account State pension provision (see example illustration opposite) and the increased levels of non-pensionable variable pay for more senior employees. For example, the pension benefit for Keith Barr in 2018 represented 6.4% of his overall earnings for the year.

Further to recent guidance in relation to the new Code and subsequent input from other external stakeholders including institutional investors, the Committee will review pension provisions for Executive Directors as part of the wider review of the Directors’ Remuneration Policy taking place in 2019.

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Figures based on a Pensions Commission study carried out in 2014. This shows that, although the recommended salary replacement ratio in retirement is lower for high earners (50% of pre-retirement salary vs 80% in the example), the relative percentage of retirement income which is required from a Company pension is significantly higher.
Long term incentives – vesting and holding period

The new Code includes a provision that shares earned under long term incentive plans, such as our LTIP, should be subject to a total vesting and holding period of five years or more. Under our existing DR Policy, LTIP shares are granted subject to performance conditions measured over a period of at least three years, and the Committee has the ability to impose a further holding period in respect of those shares. The Committee has determined that, following the three-year performance period for the 2019/21 LTIP, Executive Directors will be subject to a further two-year holding period in respect of all vested shares from that cycle. This is in addition to a number of other existing aspects of our DR Policy which match or exceed the expectations under the new Code and related guidance in respect of shareholdings and incentive arrangements:

Shareholding requirements

Executive Directors are expected to hold all shares earned, net of any sales required to meet personal tax liabilities, until the guideline shareholding of 300% of salary for the CEO and 200% of salary for other Executive Directors is met. This shareholding can include unvested shares that are not subject to any further performance conditions;

Discretion

The Committee has the discretion under both the short and long-term incentive arrangements to override formulaic outcomes. The use of discretion enables the Committee to ensure that outcomes are consistent with business performance and the interests of shareholders. It also enables the Committee to treat Executive Directors who leave IHG in a fair and equitable manner. It was not considered necessary for the Committee to apply discretion in respect of remuneration outcomes in 2018;

Malus and clawback

Provisions are in place to withhold or recover sums or share awards under specific circumstances in which it would be appropriate to do so, including misconduct likely to result in significant reputational damage to the Company, a material adverse effect on the Company’s financial position or the business opportunities and prospects, or a material misstatement or restatement in the accounts; and

Shareholding post-cessation of employment

Prior to the introduction of post-employment shareholding requirements under the new Code, we introduced a condition under our DR Policy for the full guideline minimum shareholding requirement to continue for six months after cessation of employment and 50% of the requirement to continue for an additional six months.

We will further consider our Executive Director shareholding requirements in light of the new Code and developing practice and guidelines as part of the review of our DR Policy in 2019.

Wider workforce remuneration and policies

Remuneration for all employees

The quantum and composition of remuneration and annual incentives differs between employees throughout the Group in a number of ways, most notably based on their role and position in the organisation. There is a strong alignment at all levels between remuneration and the delivery of outcomes that are key to the continued success of the business. As responsibility increases, so too does an employee’s potential total remuneration, with the most significant aspects of the remuneration in more senior roles being dependant on the successful delivery of these outcomes.

All employees are rewarded for meeting objectives aligned to our strategy, although the mix and weighting of particular objectives may differ depending on an individual’s role or grade. Our Strategic Model (pages 18 to 20) and Key Performance Indicators (pages 31 to 35) have been established to maintain focus on the key areas of our strategy for high-quality growth.

• Performance conditions for annual and long-term incentive awards are aligned to the strategic priorities over the performance period, for example net system size growth is a measure under all corporate employees’ short-term incentive plans;

• Stretching and measurable targets for all performance conditions reward employees for the successful delivery of the objectives set by the Committee. Details of those set in respect of Executive Directors’ 2018 remuneration are shown in the ‘At a glance’ section on page 73 and measures for 2019 incentive plans are covered on page 83;

• A range of strategic metrics is set each year, which can reduce annual incentive payouts if minimum conditions are not met. For 2018, at least 4 out of 10 global metrics had to be achieved before the net system size growth achievement could be counted for short-term incentive plan purposes; and

• Additional measures are in place to ensure poor performance is not rewarded, such as payout restrictions based on financial performance and Remuneration Committee discretions.
CEO Pay Ratio disclosure

As mentioned in last year’s Annual Report, although it is not yet compulsory to include a CEO Pay Ratio in the Annual Report on Directors’ Remuneration, now that the statutory calculation method has been set out in legislation, we include this below. Whilst this information may add value to the Committee over time, ratios will differ significantly between companies, even within the same industry, depending on demographics and business model. For example, our ratio may differ from other leisure and hospitality companies which do not follow the same largely franchised UK business model under which the majority of hotel employees are not directly employed by IHG. The 2018 ratio will also be impacted by the CEO’s LTIP award, as this was originally granted in 2016 in respect of his prior role and salary.

What drives the difference in pay between our CEO and other employees?

Pay ratios reflect how remuneration arrangements differ as responsibility increases for more senior roles within the organisation, for example:

- A greater proportion of performance-related variable pay and share-based incentives applies for more senior executives, including Executive Directors, who will have a greater degree of influence over performance outcomes;
- Additional and enhanced benefit provision, such as company car, pension and healthcare benefits, apply as roles and responsibilities increase throughout the organisation;
- Role-specific specialist plans apply in certain areas such as corporate reservations, sales, and hotel development. Incentive plans for General Managers of IHO owned, leased and managed lease and managed hotels commonly include targets based on gross operating profit, guest satisfaction and employee engagement. The target and maximum amounts that can be earned under these plans are typically a higher percentage of base salary for more senior employees, which in turn affects the pay ratio; and
- Incentive plans for other corporate employees are typically based on a combination of individual performance and the Group’s EBIT.

<table>
<thead>
<tr>
<th>Year</th>
<th>Method</th>
<th>25th percentile pay ratio</th>
<th>Median pay ratio</th>
<th>75th percentile pay ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial year ending 31 December 2018</td>
<td>Option C</td>
<td>71:1</td>
<td>47:1</td>
<td>29:1</td>
</tr>
</tbody>
</table>

Identifying percentile UK employees

Option C has been selected for the identification of the percentile employees as, under this method, we are able to produce the most accurate total remuneration figure for all UK employees on a basis comparable with the statutory reporting for Executive Directors and using the data available at the time of producing the Annual Report. Specifically, this involves:

- Starting with the April 2018 Gender Pay Gap salary, bonus and long term incentive data for all UK employees;
- Adjusting the value of total bonus so that it reflects only the amount earned in respect of FY 2017 and does not include the value of any deferred shares from the 2014 bonus which vested in 2018;
- Adding the employer pension contribution from pension plan data as at April 2018; and
- Adding non-cash benefit data (e.g. company car, healthcare, etc.) from the 2017/18 tax year P11D report.

Calculating the pay ratio

Option C requires three UK employees to be identified as the equivalent of the 25th, 50th and 75th percentile. Having identified these employees, the 2018 total remuneration is calculated on the same basis as the CEO single total figure of remuneration. The only exception being that the Overall Performance element of the APP bonus applicable to the relevant employees is assumed to be the respective target value, as the actual value is not known at the time of producing the Annual Report.

The 2018 salary and benefits figures for the percentile employees included in the above ratios are:

- 25th Percentile: £38,437 salary and £5,242 benefits including pension and bonus (total remuneration of £43,679);
- Median: £53,639 salary and £11,975 benefits including pension and bonus (total remuneration of £65,614); and
- 75th Percentile: £75,151 salary and £32,313 benefits including pension and bonus (total remuneration of £107,464).
Diversity and inclusion

We have a global diversity and inclusion strategy, led by a Global Diversity and Inclusion Board (D&I Board), with specific and targeted actions to address any inequalities in the workplace, including:

• Addressing hotspots of under-representation in operational and senior leadership roles;
• Targeted leadership programmes aimed at accelerating the development of diverse leadership and talent;
• Maintaining a culture of inclusion through support networks, resource groups, awareness campaigns and training for our people; and
• Active senior leader engagement as part of the Global D&I Board.

In addition to these focused efforts to create value for IHG through increased diversity and inclusion, it is the Company’s policy to comply with international, national and local regulatory requirements and, where required, take any affirmative action as stipulated by local laws. In respect of remuneration, this includes undertaking the UK Gender Pay Gap analysis.

Further information on this is available on IHG’s website at www.ihgplc.com/responsible-business
Fed to Executive Directors. Where relevant, for each of the Executive Directors.

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Fixed pay</th>
<th>Variable pay</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Benefits</td>
<td>Pension benefit</td>
</tr>
<tr>
<td>Keith Barr</td>
<td>792</td>
<td>388</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>1,343</td>
<td>545</td>
<td>559</td>
</tr>
<tr>
<td></td>
<td>2,093</td>
<td>2,161</td>
<td></td>
</tr>
<tr>
<td>Paul Edgecliffe-</td>
<td>554</td>
<td>530</td>
<td>24</td>
</tr>
<tr>
<td>Johnson</td>
<td>942</td>
<td>747</td>
<td>701</td>
</tr>
<tr>
<td>Elie Maalouf</td>
<td>559</td>
<td>34</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>2,292</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes to single figure table

Fixed pay

Salary: salary paid for the year. Elie Maalouf joined the Board on 1 January 2018.

Benefits: for Executive Directors, this includes, but is not limited to, taxable benefits such as company car and healthcare. Provision during 2018 was in line with previous years and the approved DR Policy.

Pension benefit: for current Executive Directors, in line with DR Policy, the value of IHG contributions to pension plans and any cash allowances, paid in lieu of pension contributions.

Keith Barr and Paul Edgecliffe-Johnson did not participate in any IHG pension plan in 2018 and instead received cash allowances of 25% and 30% of salary respectively. Life assurance cover is provided for both Keith and Paul at four times base salary.

Elie Maalouf participated in the US 401(k) Plan and the US Deferred Compensation Plan. The US 401(k) Plan is a tax qualified plan providing benefits on a defined contribution basis, with the member and relevant company both contributing. The US Deferred Compensation Plan is a non-tax qualified plan, providing benefits on a defined contribution basis, with the member and the relevant company both contributing. Contributions made by, and in respect of, Elie Maalouf in these plans for the year ended 31 December 2018 were:

- Director’s contributions to US Deferred Compensation Plan: £176,544
- Director’s contributions to US 401(k) Plan: £18,348
- Company contributions to US Deferred Compensation Plan: £100,600
- Company contributions to US 401(k) Plan: £8,200
- Age at 31 December 2018: 54

Other: Keith received a lump sum of £500,000 in July 2017 and a further £150,000 in July 2018 to cover the transitional and transactional costs of localising to the UK. This was fully reported in the 2017 Annual Report, page 69.

Variable pay

APP (cash and deferred shares)

Operation

Award levels are determined based on salary as at 31 December 2018 on a straight-line basis between threshold and target, and target and maximum, and are based on achievement vs target under each measure:

- Threshold is the minimum level that must be achieved for there to be an award in relation to that measure; no award is made for achievement below threshold. For 2018, the Remuneration Committee set a threshold award level of 57.5% of salary.
- Target is the target level of achievement and results in a target award for that measure.
- Maximum is the level of achievement at which a maximum award for that measure is received (capped at 200% of salary).

Net system size growth was also dependent on achieving at least 4 out of 10 of the global metrics for 2018. The threshold award was subject to global EBIT affordability gates:

- If global EBIT achievement was less than 85% of target, no award under net system size growth and savings for reinvestment would be made; and
- If global EBIT was 85% or more, but less than 93% of target, half of any award under net system size growth and savings for reinvestment would be made.
Outcome for 2018

The performance measures for the 2018 APP were EBIT (70%), net system size growth (15%) and savings for reinvestment (15%) and were determined in accordance with the DR Policy. The table below shows threshold, target and maximum opportunity, as well as weighting and actual 2018 achievement.

<table>
<thead>
<tr>
<th></th>
<th>Threshold</th>
<th>Target</th>
<th>Actual</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>35.0%</td>
<td>70.0%</td>
<td>91.7%</td>
<td>140.0%</td>
</tr>
<tr>
<td>Net system size growth</td>
<td>7.5%</td>
<td>15.0%</td>
<td>24.6%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Savings for reinvestment</td>
<td>7.5%</td>
<td>15.0%</td>
<td>24.6%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

EBIT is operating profit from reportable segments\(^a\). However, in determining EBIT for APP purposes, budgeted exchange rates for the year are used and certain adjustments to reported 2018 operating profit were agreed by the Committee in order to ensure a like-for-like comparison with the APP EBIT target set at the start of the year:

- Operating profit from reportable segments\(^a\) (at actual exchange rates) $815.5m
- Net benefit of unbudgeted items $0.0m
- Difference due to exchange rates $1.9m
- Operating profit from reportable segments\(^a\), after adjustments (at 2018 budget exchange rates) $817.4m

\(^a\) See page 36 for Non-GAAP definitions.

The total weighted achievement for Keith Barr, Paul Edgecliffe-Johnson and Elie Maalouf is 146.3% of target bonus. The APP award for 2018 was therefore 168.2% of salary for each.

Awards for 2018 are payable 50% in cash and 50% in deferred shares, vesting three years after the date of grant, in February 2022. The deferred share awards are made in the form of forfeitable shares that receive dividends during the three-year vesting period and include the right to vote at shareholder meetings. They are not subject to any further performance conditions.

\( ^{a} \) Elie Maalouf is paid in US dollars and the sterling equivalent is calculated using an exchange rate of $0.75

**2016/18 LTIP (shares)**

Awards are made annually and eligible executives will receive shares at the end of that cycle, subject to achievement of the performance measures. Growth in net room openings and RevPAR is measured on a relative basis against the comparator group. This group comprises the following major, globally branded competitors: Accor Hotels; Choice Hotels International Inc.; Hilton Worldwide; Hyatt Hotels Corporation; Marriott International Inc.; Starwood Hotels and Resorts; and Wyndham Worldwide Corp. In respect of Marriott’s acquisition of Starwood in September 2016, Starwood was retained as a separate entity for the period up to its last independently published results. In respect of Wyndham Worldwide’s split into two publicly traded companies in May 2018, results post-split relating to Wyndham Destinations and Wyndham Hotels & Resorts were treated as relating to one entity. TSR measures the return to shareholders by investing in IHG relative to a broader set of appropriate hotel and lodging competitors, as per data provided by our corporate bankers sourced from Thomson Reuters Datastream.

The share price in respect of the 2015/17 LTIP cycle has been restated using the volume weighted average price of 4,571p on the date of actual vesting on 20 February 2018. The corresponding values shown in the 2017 report (prior to the actual vesting) were an estimate calculated using an average share price over the final quarter of 2017 of 4,317p.

Outcome for 2016/18 cycle

The performance measures for the 2016/18 three-year LTIP cycle were in line with the 2014 DR Policy. The table below shows threshold and maximum opportunity, as well as weighting and actual achievement, for each performance measure.

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Threshold</th>
<th>Target</th>
<th>Actual</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR</td>
<td>20.0%</td>
<td>45.4%</td>
<td>50.0%</td>
<td></td>
</tr>
<tr>
<td>Net rooms supply growth</td>
<td>10.0%</td>
<td>39.3%</td>
<td>50.0%</td>
<td></td>
</tr>
<tr>
<td>RevPAR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**LTIP**

**Performance Vesting achievement Weighting Weighted achievement**

<table>
<thead>
<tr>
<th>Total Shareholder Return: three-year growth relative to average of competitors</th>
<th>Achievement</th>
<th>20%</th>
<th>50%</th>
<th>39.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold</strong></td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Actual</strong></td>
<td>78.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maximum</strong></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net rooms supply: three-year growth relative to average of competitors</th>
<th>Achievement</th>
<th>20%</th>
<th>25%</th>
<th>6.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold</strong></td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Actual</strong></td>
<td>24.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maximum</strong></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| RevPAR: three-year growth relative to average of competitors | Achievement | 0% |
|---|---|
| **Threshold** | 20% |
| **Maximum** | 100% |

| Total achievement (% of maximum opportunity vested) | 45.4% |

Net rooms supply and RevPAR growth were measured by reference to the three years ending 30 September 2018; TSR was measured by reference to the three years ending 31 December 2018. This cycle will vest on 20 February 2019 and the individual outcomes for this cycle are shown below.

The share price of 4,193p used to calculate the 2016/18 LTIP cycle value shown in the single-figure table is the average over the final quarter of 2018.

### Executive Director Award Details

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Award Date</th>
<th>Maximum Shares Awarded</th>
<th>Market Price per Share at Grant £</th>
<th>Face Value of Award £000</th>
<th>Number of Shares Received if Minimum Performance Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keith Barr</td>
<td>9 August 2017</td>
<td>12,481</td>
<td>43.14</td>
<td>538</td>
<td>2,496</td>
</tr>
<tr>
<td>Paul Edgecliffe-Johnson</td>
<td>22 May 2017</td>
<td>25,811</td>
<td>42.57</td>
<td>1,099</td>
<td>5,162</td>
</tr>
<tr>
<td>Elie Maalouf</td>
<td>22 May 2017</td>
<td>21,822</td>
<td>42.57</td>
<td>929</td>
<td>4,364</td>
</tr>
</tbody>
</table>

* Keith Barr received an increased award, pro-rated from 1 July 2017, for the 2017/19 LTIP in accordance with the DR Policy as a result of his appointment to the Board. Prior to this, he was granted 17,822 shares and 2,160 restricted stock units on 22 May 2017 with a market price of £42.57 per share.

* The award for Elie Maalouf was granted prior to his appointment to the Board. Elie was also granted 2,645 restricted stock units on 22 May 2017 with a market price of £42.57 per share.

The vesting date for these awards is the day after the announcement of our Annual 2019 Preliminary Results in February 2020. These awards will vest and shares will be transferred to the award-holder in February 2020, to the extent performance targets are met.

The performance measures are as agreed in the 2017 Remuneration Policy. Total gross revenue, net system size growth, cash flow and total shareholder return are measured by reference to the three years ending 31 December 2019. Minimum performance is equal to 20% of the maximum award.

### Scheme Interests Awarded during 2018

During 2018, awards were granted under the 2018/20 LTIP cycle. Awards were made to each Executive Director over shares with a maximum value of 205% of salary using an average of the closing mid-market share price for the five days prior to grant. At the date of grant on 8 May 2018, this was 4,625p. These are in the form of conditional awards over Company shares and do not carry the right to dividends or dividend equivalents during the vesting period.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Award Date</th>
<th>Maximum Shares Awarded</th>
<th>Market Price per Share at Grant £</th>
<th>Face Value of Award £000</th>
<th>Number of Shares Received if Minimum Performance Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keith Barr</td>
<td>8 May 2018</td>
<td>35,381</td>
<td>46.25</td>
<td>1,636</td>
<td>7,076</td>
</tr>
<tr>
<td>Paul Edgecliffe-Johnson</td>
<td>8 May 2018</td>
<td>24,830</td>
<td>46.25</td>
<td>1,148</td>
<td>4,966</td>
</tr>
<tr>
<td>Elie Maalouf</td>
<td>8 May 2018</td>
<td>24,426</td>
<td>46.25</td>
<td>1,130</td>
<td>4,885</td>
</tr>
</tbody>
</table>

The vesting date for these awards is the day after the announcement of our Annual 2020 Preliminary Results in February 2021. These awards will vest and shares will be transferred to the award-holder in February 2021, to the extent performance targets are met.

The performance measures are as agreed in the 2017 Remuneration Policy. Total gross revenue, net system size growth, cash flow and total shareholder return are measured by reference to the three years ending 31 December 2020. Minimum performance is equal to 20% of the maximum award.
Statement of Directors’ shareholdings and share interests

The Committee believes that share ownership by Executive Directors and senior executives strengthens the link between the individual’s personal interests and those of shareholders.

Guideline Executive Director shareholding requirement

Executive Directors are required to hold shares equal to 300% of salary for the Chief Executive Officer and 200% for any other Executive Directors within five years of their appointment. The number of shares held outright includes all Directors’ beneficial interests and those held by their spouses and other connected persons.

Percentages are calculated using the number of shares held outright and the 31 December 2018 share price of 4,237p.

From 2018, the full guideline shareholding requirements continued for six months, and 50% of the requirements for a further six months, post-cessation of employment.

Current Directors’ shareholdings

The APP deferred share awards are not subject to performance conditions. Details on the performance conditions to which the unvested LTIP awards are still subject can be found on page 80.

Shares and awards held by Executive Directors as at 31 December 2018: number of shares

<table>
<thead>
<tr>
<th>Number of shares held outright</th>
<th>APP deferred share awards</th>
<th>LTIP share awards (unvested)</th>
<th>Total number of shares and awards held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keith Barr</td>
<td>42,782</td>
<td>31,116</td>
<td>28,262</td>
</tr>
<tr>
<td>Paul Edgecliffe-Johnson</td>
<td>25,669</td>
<td>27,443</td>
<td>26,742</td>
</tr>
<tr>
<td>Elie Maalouf</td>
<td>24,773</td>
<td>28,443</td>
<td>26,742</td>
</tr>
</tbody>
</table>

* Includes 35,961 shares granted prior to appointment to the Board

Payments for loss of office

There were no payments for loss of office in 2018.

Pension entitlements

No Executive Director is entitled to any Defined Benefit pension or related benefit from IHG.

Other information relating to Directors’ remuneration

Non-executive directorships of other companies

Paul Edgecliffe-Johnson has served as a Non-Executive Director of Thomas Cook Group plc since 26 July 2017. Paul received fees of £60,000 during 2018 in respect of this appointment.

This appointment is permitted under the DR Policy and the amount is not included in the single figure table of remuneration table on page 78. No other current Executive Director holds any Non-Executive Director appointments at any other company.

Service contracts and notice periods for Executive Directors

In accordance with the UK Corporate Governance Code, all Executive Directors have rolling service contracts with a notice period of 12 months and are subject to election and annual re-election by shareholders at the AGM.

Dividends paid to Executive Directors

A final dividend for 2017 of 50.2p per ordinary share (71.0¢ per ADR) was paid on 11 May 2018 to shareholders on the Register of members at the close of business on 3 April 2018.

An interim dividend of 27.7p per ordinary share (36.3¢ per ADR) was paid on 5 October 2018 to shareholders on the Register of members at the close of business on 31 August 2018.

Payments to past Directors – benefits

Sir Ian Prosser

Sir Ian Prosser, who retired as a Director on 31 December 2003, had an ongoing healthcare benefit of £2,152 during the year.

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Relative performance graph
For LTIP purposes, a TSR comparator group of a global hotels index was used. InterContinental Hotels Group PLC is a member of the FTSE 100 share index, and the graph below shows the Company’s TSR performance from 31 December 2008 to 31 December 2018, assuming dividends are reinvested, compared with the TSR performance achieved by the FTSE 100 and global hotels indices. All indices are shown in sterling. This data is sourced directly from Thomson Reuters Datastream by Bank of America Merrill Lynch for IHG.

Chief Executive Officer’s remuneration
The table below shows the Chief Executive Officer’s single figure of total remuneration for the 10 years to 31 December 2018.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single figure of remuneration</td>
<td>£000</td>
<td>Keith Barr</td>
<td>2,161</td>
<td>3,093</td>
<td>4,724</td>
<td>4,881</td>
<td>3,131</td>
<td>6,611</td>
<td>3,197</td>
<td>3,662</td>
<td>2,207</td>
</tr>
<tr>
<td>Annual incentive received</td>
<td>% of maximum</td>
<td>Keith Barr</td>
<td>69.7</td>
<td>84.1</td>
<td>83.0</td>
<td>68.0</td>
<td>74.0</td>
<td>74.0</td>
<td>75.0</td>
<td>63.9</td>
<td>66.8</td>
</tr>
<tr>
<td>Shares received under the LTIP</td>
<td>% of maximum</td>
<td>Keith Barr</td>
<td>46.1</td>
<td>45.4</td>
<td>73.9</td>
<td>100.0</td>
<td>59.0</td>
<td>56.1</td>
<td>50.0</td>
<td>49.4</td>
<td>46.1</td>
</tr>
<tr>
<td>Andrew Cosslett</td>
<td>1,953</td>
<td>5,430</td>
<td>3,770</td>
<td>46.0</td>
<td>73.8</td>
<td>61.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Solomons</td>
<td>4,724</td>
<td>4,881</td>
<td>3,131</td>
<td>6,611</td>
<td>3,197</td>
<td>3,662</td>
<td>2,207</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrew Cosslett</td>
<td>1,953</td>
<td>5,430</td>
<td>3,770</td>
<td>46.0</td>
<td>73.8</td>
<td>61.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* For Keith Barr, the 2017 figure, in respect of the period 1 July to 31 December 2017, includes a one-off cash payment for relocation costs in lieu of benefits received whilst on international assignment prior to CEO position, fully explained in the 2017 report.

+ For Richard Solomons, the 2014 figure includes a one-off cash payment in respect of pension entitlements which was fully explained in the 2014 report.

+ In respect of period 1 January to 30 June 2017.

Percentage change in remuneration of Chief Executive Officer
We believe that a group comprised of UK-based employees is an appropriate comparator for salary and taxable benefits because the structure and composition of remuneration for that group most closely reflects that of the UK-based Chief Executive Officer.

The table below shows the percentage change in the remuneration of the Chief Executive Officer compared with UK employees between 2017 and 2018. The salary figure for the UK employee population has been calculated using the 2018 budget for the annual pay review, taking into account any promotions/market adjustments made during the year. The taxable benefits figure is based on P11D taxable benefits for tax years ending 5 April 2017 and 2018 and therefore relates to Richard Solomons, as no comparative data is available for Keith Barr. For the annual incentive, a group of executives, who report directly to the CEO, is used as a comparator group as they are subject to the same performance measures as the CEO.

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>816</td>
<td>758</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Taxable benefits</td>
<td>758</td>
<td>593</td>
<td>-66.4%</td>
</tr>
<tr>
<td>Annual incentive</td>
<td>2,165</td>
<td>2,040</td>
<td>+6.1%</td>
</tr>
</tbody>
</table>

Relative importance of spend on pay
The chart below sets out the actual expenditure of the Group in 2018 and 2017, showing the differences between those years. Further information, including where 2017 figures have been reinstated, can be found on the Group Financial Statements starting on page 96 and the accompanying notes. For 2017, the total distributions to shareholders included a special dividend of 156.4p per share.

* See page 36 for Non-GAAP definitions.
Implementation of Directors’ Remuneration Policy in 2019

This section explains how the DR Policy will be applied in 2019.

Salary: Executive Directors

Directors’ salaries are agreed annually in line with the DR Policy. The following salaries will apply from 1 April 2019.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>Increase %</th>
<th>2019 £</th>
<th>2018 £</th>
<th>2019 $</th>
<th>2018 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keith Barr</td>
<td>5.0</td>
<td>838,200</td>
<td>798,250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paul Edgecliffe-Johnson*</td>
<td>10.0</td>
<td>616,300</td>
<td>560,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elie Maalouf*</td>
<td>8.0</td>
<td>812,200</td>
<td>752,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Keith Barr was appointed to the Board and the role of Chief Executive Officer effective from 1 July 2017. In line with the DR Policy for newly appointed or promoted Executive Directors, he was appointed on a salary set below benchmark policy level and, following strong performance in his first full year in role, an increase higher than that of the corporate UK and US employee population has been agreed by the Remuneration Committee for 2019.

The changes to Paul Edgecliffe-Johnson and Elie Maalouf’s salaries reflect the expanded responsibilities explained in the Remuneration Committee Chair’s Statement on page 72.

LTIP and APP performance measures and targets

LTIP

The measures for the 2019/21 LTIP cycle are as per the 2018/20 cycle and the Directors’ Remuneration Policy available on the Company website, www.ihgplc.com/investors under Corporate governance. The performance measures and weightings, together with the full cash flow target disclosures for the 2018/20 cycle as referenced in last year’s report, are shown below.

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Definition</th>
<th>Threshold (%)/ maximum vesting (%)</th>
<th>Weighting (%)</th>
<th>Maximum award (% of salary)</th>
<th>2018/20 cycle</th>
<th>2019/21 cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative TSR</td>
<td>IHG’s performance against a comparator group of global hotel companies. TSR is the aggregate of share price growth and dividends paid, assuming reinvestment of dividends in the Company’s shares during the three-year performance period.</td>
<td>20/100</td>
<td>40</td>
<td>82</td>
<td>Median of comparator group</td>
<td>Upper quartile of comparator group</td>
</tr>
<tr>
<td>Cash flow</td>
<td>Cumulative annual cash generation over three-year performance period.</td>
<td>20/100</td>
<td>20</td>
<td>41</td>
<td>USD 1.63 bn</td>
<td>USD 2.18 bn</td>
</tr>
<tr>
<td>Total gross revenue</td>
<td>Cumulative increase over three-year performance period.</td>
<td>20/100</td>
<td>20</td>
<td>41</td>
<td>USD 1.87 bn</td>
<td>USD 2.49 bn</td>
</tr>
<tr>
<td>Net system size growth</td>
<td>Increase in number of IHG rooms over three-year performance period.</td>
<td>20/100</td>
<td>20</td>
<td>41</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The targets for these measures are, in the opinion of the Directors, commercially sensitive, and will therefore be disclosed in full retrospectively at the end of the LTIP cycle. Disclosure in advance would give IHG’s major competitors an unfair commercial advantage, providing them with access to key financial and growth targets from IHG’s three-year plan. These competitors would not be subject to the same obligation to make such information available, as they are either unlisted or listed on a stock exchange other than the London Stock Exchange.

Full disclosure of targets and performance will be provided retrospectively after the end of the performance period.

APP

The 2019 APP measures are in line with the approved DR Policy and will be 70% based on EBIT achievement vs target, 15% based on net system size growth and 15% based on other key strategic measures that are reviewed annually and set in line with business priorities. EBIT is a focal measure of business performance for our shareholders and is a function of other critical measures, such as RevPAR, profit margin and fee revenues. The Committee has determined that it is particularly important to incentivise and reward management for achieving a stretching target for net system size growth over the next year, so this will make up 15% of the 2019 APP. The remaining 15% will be based on a savings target for reinvestment to support IHG’s future growth. Further detail and rationale in respect of the key strategic objectives will be disclosed in the 2019 remuneration report.

The Committee has determined that the targets under the EBIT, net system size growth and other strategic measures are commercially sensitive at this time. However, the targets set and the outcomes against those targets will be disclosed in full in the 2019 remuneration report and are in line with the DR Policy.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Weighting (%)</th>
<th>Performance objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Tax – a measure of IHG’s operating profit from reportable segments* for the year</td>
<td>70</td>
<td>Achievement against target</td>
</tr>
<tr>
<td>Net system size growth</td>
<td>Increase in absolute number of rooms</td>
<td>15</td>
<td>Achievement against target</td>
</tr>
<tr>
<td>Strategic measures</td>
<td>Key strategic measures which are reviewed annually and set in line with strategic priorities</td>
<td>15</td>
<td>Achievement against target</td>
</tr>
</tbody>
</table>

* See page 36 for Non-GAAP definitions.
**Single total figure of remuneration: Non-Executive Directors**

<table>
<thead>
<tr>
<th>Non-Executive Director</th>
<th>Committee appointments</th>
<th>Date of original appointment</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
<th>Total £000</th>
<th>2018 £000</th>
<th>2017 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patrick Cescau</td>
<td>N</td>
<td>01/01/13</td>
<td>422</td>
<td>422</td>
<td>20</td>
<td>21</td>
<td>442</td>
<td>443</td>
<td></td>
</tr>
<tr>
<td>Anne Busquet</td>
<td>ACN</td>
<td>01/03/15</td>
<td>74</td>
<td>74</td>
<td>6</td>
<td>81</td>
<td>88</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Ian Dyson</td>
<td>ANR</td>
<td>01/09/13</td>
<td>99</td>
<td>99</td>
<td>3</td>
<td>3</td>
<td>102</td>
<td>102</td>
<td></td>
</tr>
<tr>
<td>Jo Harlow</td>
<td>N</td>
<td>01/09/14</td>
<td>99</td>
<td>81</td>
<td>2</td>
<td>3</td>
<td>101</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Luke Mayhew</td>
<td>ACN</td>
<td>01/07/11</td>
<td>74</td>
<td>93</td>
<td>2</td>
<td>2</td>
<td>76</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>Jill McDonald</td>
<td>ACN</td>
<td>01/06/13</td>
<td>87</td>
<td>87</td>
<td>4</td>
<td>5</td>
<td>91</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>Dale Morrison</td>
<td>ANR</td>
<td>01/06/11</td>
<td>107</td>
<td>107</td>
<td>66</td>
<td>55</td>
<td>173</td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>Malina Ngai</td>
<td>CNR</td>
<td>01/03/17</td>
<td>74</td>
<td>62</td>
<td>4</td>
<td>7</td>
<td>78</td>
<td>69</td>
<td></td>
</tr>
</tbody>
</table>

See page 55 for Board and Committee membership key and attendance.

**Fees:** Fees paid are in line with the DR Policy.

**Benefits:** For Non-Executive Directors, benefits include taxable travel and accommodation expenses to attend Board meetings away from the designated home location. Under concessionary HM Revenue and Customs rules, non-UK based Non-Executive Directors are not subject to tax on travel expenses for the first five years; this is reflected in the taxable benefits for Anne Busquet and Malina Ngai.

**Incentive awards:** Non-Executive Directors are not eligible for any incentive awards.

**Pension benefit:** Non-Executive Directors are not eligible for any pension contributions or benefit.

**Shares held by Non-Executive Directors as at 31 December 2018: number of shares**

The Non-Executive Directors who held shares are listed in the table below:

<table>
<thead>
<tr>
<th>Non-Executive Director</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patrick Cescau</td>
<td>3,795</td>
<td>–</td>
</tr>
<tr>
<td>Jo Harlow</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Luke Mayhew</td>
<td>1,373</td>
<td>1,373</td>
</tr>
<tr>
<td>Dale Morrison</td>
<td>3,116</td>
<td>3,116</td>
</tr>
</tbody>
</table>

* Shares held in the form of American Depository Receipts.

**Fees: Non-Executive Directors**

The fees for Non-Executive Directors are reviewed and agreed annually in line with the DR Policy. The fee levels for 2019 will be as follows:

<table>
<thead>
<tr>
<th>Non-Executive Director</th>
<th>Role</th>
<th>2019 £000</th>
<th>2018 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patrick Cescau</td>
<td>Chair of the Board</td>
<td>435</td>
<td>422</td>
</tr>
<tr>
<td>Anne Busquet</td>
<td>Non-Executive Director</td>
<td>77</td>
<td>74</td>
</tr>
<tr>
<td>Ian Dyson</td>
<td>Chair of Audit Committee</td>
<td>102</td>
<td>99</td>
</tr>
<tr>
<td>Jo Harlow</td>
<td>Chair of Remuneration Committee</td>
<td>102</td>
<td>99</td>
</tr>
<tr>
<td>Luke Mayhew</td>
<td>Non-Executive Director</td>
<td>77</td>
<td>74</td>
</tr>
<tr>
<td>Jill McDonald</td>
<td>Chair of Corporate Responsibility Committee</td>
<td>90</td>
<td>87</td>
</tr>
<tr>
<td>Dale Morrison</td>
<td>Senior Independent Non-Executive Director</td>
<td>110</td>
<td>107</td>
</tr>
<tr>
<td>Malina Ngai</td>
<td>Non-Executive Director</td>
<td>77</td>
<td>74</td>
</tr>
</tbody>
</table>

Non-Executive Directors’ letters of appointment and notice periods

Non-Executive Directors have letters of appointment, which are available upon request from the Company Secretary’s office.

Patrick Cescau, Non-Executive Chair, is subject to 12 months’ notice. No other Non-Executive Directors are subject to notice periods. All Non-Executive Directors are subject to election and annual re-election by shareholders at the AGM.
Remuneration Committee details

Key objectives and summary of responsibilities

The Remuneration Committee agrees, on behalf of the Board, all aspects of the remuneration of the Executive Directors and the Executive Committee, and agrees the strategy, direction and policy for the remuneration of the senior executives who have a significant influence over the Group’s ability to meet its strategic objectives. The Committee’s role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board.

The ToR are available on IHG’s website at www.ihgplc.com/investors under Corporate governance.

The Committee’s key focus areas during the year have been:

- Reviewing and approving 2017 annual and long-term incentive results for the Executive Directors and other members of the Executive Committee;
- Approving and monitoring 2018 annual and ongoing long-term incentive plans; and
- Changes to the UK Corporate Governance Code.

Membership and attendance at meetings

Details of the Committee’s membership and attendance at the meetings are set out on page 55.

During 2018 the Committee was supported internally by the Chair, the Group’s CEO and CFO, and the heads of Human Resources and Reward as necessary. All attend by invitation to provide further background information and context to assist the Committee in its duties. They are not present for any discussions that relate directly to their own remuneration or where their attendance would not be appropriate.

Reporting to the Board

The Committee Chair updates the Board on all key issues raised at Committee meetings. Papers and minutes for each meeting are also circulated to all Board members for review and comment.

Looking forward

The Committee will complete a comprehensive review of the Directors’ Remuneration Policy in 2019, taking into consideration the changing strategic focus and competitive environment of the Company, as well as the additional requirements and expectations resulting from external regulation and increased shareholder scrutiny of executive remuneration arrangements.

Stakeholder engagement

The Committee participated in active dialogue with the Finance Reporting Council (FRC) prior to the publication of the 2018 Corporate Governance Code and subsequently consulted a number of major shareholders to discuss potential changes to the Company’s executive remuneration practices in the context of the revised principles outlined in the 2018 Code.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself, as Chair of the Committee, and by the Chair of the Board. The composition, qualifications and experience of the members of the Committee are compliant with the provisions of the new Corporate Governance Code and the ToR have been updated to formally document that compliance. The Committee concluded that it remains effective.

Other focus areas and activities

The focus areas and activities discussed by the Committee during 2018 were: review and approval of performance outcomes and set targets for 2018; diversity and inclusion including the UK Gender Pay disclosure; and consideration of external remuneration developments and best practice.

Remuneration advisers

The Committee continued to retain PricewaterhouseCoopers LLP (PwC) throughout 2018 as independent advisers. Fees of £168,743 were paid to PwC in respect of advice provided to the Committee. This was in the form of an agreed fee for support in preparation of papers and attendance at meetings, with work on additional items charged at hourly rates. The terms of engagement for PwC are available from Company Secretary’s office upon request.

PwC is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK and the professional standards to which they have committed to adhere when advising remuneration committees. PwC was appointed following a competitive tender process and the Committee is satisfied that the advice received from PwC is objective and independent.

Voting at the Company’s AGMs

There is no binding vote in respect of the DR Policy at the 2018 AGM as it remained unchanged from 2017.

The outcome of the votes in respect of the DR Policy and Report for 2014 to 2018 are shown below:

<table>
<thead>
<tr>
<th>AGM</th>
<th>Directors’ Remuneration Policy (binding vote)</th>
<th>Directors’ Remuneration Report (advisory vote)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Votes for</td>
<td>Votes against</td>
</tr>
<tr>
<td>2018</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2017</td>
<td>120,328,350 (95.76%)</td>
<td>5,332,320 (4.24%)</td>
</tr>
<tr>
<td>2016</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2015</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2014</td>
<td>155,440,907 (90.94%)</td>
<td>15,483,775 (9.06%)</td>
</tr>
</tbody>
</table>

Jo Harlow
Chair of the Remuneration Committee
18 February 2019