

Corporate Governance continued

Board effectiveness 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.

External Evaluation

As we reported last year, and in accordance with our three-year cycle, Dr Tracy Long of Boardroom Review Limited, an external facilitator with no connection to IHG, was engaged to lead our external evaluation in 2016. This process continued into 2017, resulting in a detailed report being presented to the Board in May 2017.

The evaluation consisted of a mix of confidential individual interviews, Board meeting observation and individual feedback sessions with all Directors. A detailed report was then presented and the Board discussed the outcome of the evaluation process, its proposed actions and progress with the actions of previous years.

Challenges

The transition to a new CEO and the implications for the Board and Company culture

A rapidly changing competitive landscape demanding even more agility and speed

Continue to develop Board dynamics

Directors' peer-to-peer reviews

Following the external evaluation the focus of the Board in 2017 was to address the challenges highlighted. As part of this the Chairman and Senior Independent Non-Executive Director facilitated a peer-to-peer review which comprised:

- Interviews with each of the Directors to allow them to provide feedback regarding (i) the performance of fellow Board members, including their relative strengths and development areas (ii) progress following the recommendations made as part of the external evaluation (iii) Board engagement (iv) Director induction processes (v) diversity (vi) culture and (vii) the overall performance of the Board and its Committees;
- Individual feedback sessions conducted by the Chairman as part of each Board member's annual performance evaluation; and
- Agreement on areas of focus for 2018.

The Chairman highlighted some of the general themes emerging from the peer-to-peer review during the February 2018 Board meeting, such as company culture, ethics and compliance, and risk appetite and agreed to continue to consider these, particularly in light of recent Corporate Governance developments.

The external evaluation concluded that good progress had been made on the 2014 external review and the Board is diverse, well-functioning and effective. Dr Long noted that the Board is value-adding and there is a high level of engagement and participation with good alignment between the Executive Directors and the Non-Executive Directors.

The review also noted a good level of interaction with shareholders and a strong understanding of the industry landscape and the Group's wider stakeholders.

The review identified three interconnected challenges and areas of focus for the future, details of which can be found below.

Actions taken

Company culture is a key area of focus. The Group's purpose, ambition, values and behaviours have been refined reflecting the growth vision of the new Executive Committee, led by the CEO and with full engagement and support from the Board. Regular updates are planned during the year, led by the Chief Human Resources Officer.

The Board agenda for 2018 will reflect a new strategic approach with a shorter strategy day and several strategic updates and external contributors during the year. Deep dive areas have been identified and will be presented to the Board.

Peer-to-peer evaluation of the Directors performance has taken place during the year to ensure a process of continuous improvement and that Board dynamics continue to develop. A collaborative process has been agreed for Chairman and CEO evaluations and there is a continuous dialogue between the Chairman and CEO. In addition, customised induction plans for new Directors have been devised and implemented.

Directors' performance evaluation

During 2017, internal performance evaluations of Directors were undertaken with the Chairman appraising the Directors, the CEO appraising the Executive Directors, the Chairman and Non-Executive Directors appraising the CEO and the Non-Executive Directors, facilitated by the Senior Independent Non-Executive Director, appraising the Chairman.

The length of tenure of Non-Executive Directors forms part of the performance evaluation process. As a result of Luke Mayhew and Dale Morrison having served on the Board for more than six years, they had a particularly rigorous review of their continued Board membership. It was concluded that both Luke and Dale continue to constructively challenge management and help develop proposals on strategy and as such, contribute effectively to the Board.

Directors' additional appointments and time commitments also form part of the internal performance evaluation process. Any additional appointments are thoroughly discussed with the Chairman before being accepted, with any time commitment required for each role carefully assessed. This year, 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 and that all Directors continue to perform their duties effectively.