

## 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.