

## 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](http://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.

#### 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 Cescou 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](http://www.ihgplc.com/investors) under Corporate governance.

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.

#### 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](http://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.

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## 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.

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## 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.

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## C. Accountability

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### 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.

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### 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.

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### 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.

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## D. Remuneration

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### 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.

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### 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.

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## E. Relations with shareholders

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### 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.

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### 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](http://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.