

Corporate Governance continued

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 a full understanding of all aspects of our business and familiarity with the Group's purpose, culture and values, to ensure they are able to contribute effectively to the Board.

A tailored induction plan was prepared for Arthur de Haast in advance of his appointment to the Board from 1 January 2020. This includes:

- Information on the Group's purpose, culture, values and strategy, including its business model, brands and the markets in which it operates;
- An overview of how the Group generates value for its shareholders, has regard for its stakeholders and the environment and how it contributes to wider society;
- Our approach to internal controls and our risk management strategy;
- Information on the Board, its Committees and IHG's governance processes, with a particular focus on the Remuneration and Corporate Responsibility Committees in light of Arthur's appointment to these Committees;
- A reminder of the rules relating to maintaining the confidentiality of inside information and restrictions in dealing in IHG shares, together with a briefing on the policies and procedures IHG has in place to ensure compliance with such rules;
- Meetings with members of the Board and the Executive Committee, senior management from functions across the Group, the external Auditor and other key external advisors; and
- Visits to IHG hotels across our brands, meeting owners and spending time with our General Managers.

Ongoing Director training and development

We understand the importance of an ongoing training programme for Directors to enable them to fully understand the Group's business and operations in the context of the rapidly developing environment in which it operates. The Chair continues to review the training and development needs with each Director on a regular basis and the Board is made aware of training opportunities.

Board and Committee meetings are regularly used to update Directors on developments in the environment in which the business operates and in-depth presentations are provided on key topical areas. The Company Secretary provides regular updates on regulatory, corporate governance and legal matters and Directors are able to meet individually with senior management if necessary. Focus trends and areas in 2019 included audit reform and environmental, social and governance (ESG) considerations, as well as cybersecurity developments. Directors are also encouraged to attend external training events to update their skills and knowledge.

Board meetings continue to be held at IHG hotels around the world to provide first-hand experience of our different brands. We believe that this opportunity to meet our workforce, suppliers and owners across the business broadens the Board's understanding of the markets in which we operate. In 2019, Board members attended Board and Committee meetings at the InterContinental® London Park Lane and the Kimpton Fitzroy Hotel London in the UK, the Barclay InterContinental Hotel in New York, USA as well as meetings at the Group's head offices in Denham, UK. Directors are also encouraged to continue to visit hotels across our brands on an informal basis.

Board effectiveness evaluation

External evaluation

Following an internal evaluation in 2018, in 2019 the Board undertook a full external evaluation. The Nomination Committee considered proposals for the conduct of the evaluation and recommended to the Board that the evaluation be carried out by Mr. Christopher Saul of Christopher Saul Associates. As Mr. Saul and the Chair both serve as Board members of The Leverhulme Trust, the Chair excluded himself from the decision to appoint Mr. Saul, who has no other connection with the Company or the Directors.

Mr. Saul met with the Chair and the Company Secretary to devise a detailed evaluation process, which comprised:

- Reviewing the Terms of Reference for the Board and each of its Committees, minutes of Board and Committee meetings for the previous two years, various Board papers and notes from the Chair's discussions with large shareholders;
- Individual face-to-face interviews with each Board member, covering Board dynamics and culture; Board focus and discussion; Board processes; Board engagement with management, performance and strategy and areas for improvement;
- Face-to-face interviews with the General Counsel and Company Secretary and other members of the Executive Committee and senior risk, finance and HR management, as well as key external advisers (including the external audit partner); and
- Attendance at, and observation of, Board and Committee meetings held in October 2019.

The review's findings and recommendations were reported to and discussed by the Board and its Committees in December 2019.

Overall, the review concluded that the Board is well-led and operates effectively to high standards of professionalism. It found that the Board Committees are well integrated into the Board decision-making process and that the relationship between the Executive and Non-Executive Directors is constructive. The Nomination Committee is also effectively overseeing Board composition and succession.

The review identified some areas where changes could appropriately be made and the Board agreed to take the actions outlined on the following page, recognising the benefits of continuous improvement:

Area for focus	Actions agreed
<p>Board processes, dynamics and engagement with management:</p> <ul style="list-style-type: none"> revising the cadence of meetings over the year and re-shaping the meeting agendas to allow (i) for extended discussion of key strategic and operational initiatives and (ii) the CEO to engage more with Non-Executive Directors. further enhancing and streamlining the information provided to the Board to include more forward-looking information. 	<p>The number of Board meetings for 2020 will be reduced from seven to six face-to-face meetings (with more time allowed for each meeting), and two CEO Board update calls focusing on operational and performance matters will be added.</p> <p>The balance between time spent on updating the Board and discussion items will be reviewed to ensure that there is continued appropriate distribution between providing the Board with essential information and allowing time for Board in-depth discussion and debate.</p> <p>More time will be allocated for the CEO to meet alone with Non-Executive Directors in an informal environment outside the full Board meeting, in addition to the private sessions with the CEO on the agenda.</p> <p>The information pack provided to the Board in advance of meetings will be reviewed and revised as appropriate to ensure there is sufficient key trend data and balance between performance to date and forward-looking information.</p> <p>The Directors will continue to suggest agenda items for deeper dive consideration and the Chair and Company Secretary will continue to set the agenda to ensure that sufficient time is dedicated to key strategic and operational projects and priorities and the meeting cadence allows for appropriate discussion.</p>
<p>Board Committees:</p> <ul style="list-style-type: none"> revising the Terms of Reference of the Committees to avoid the overlap in remit, particularly around Diversity and Inclusion and Voice of the Employee. refreshing the approach to agenda items for Audit Committee meetings, given the broad scope of its remit. 	<p>The Terms of Reference of the Nomination and Corporate Responsibility Committees have been amended so that from 1 March 2020, the Nomination Committee will continue to lead the process for Board composition, appointments and succession planning, while the Corporate Responsibility Committee (which is to be renamed the Responsible Business Committee) shall assume responsibility for overseeing the Group's Diversity and Inclusion agenda and the Board's engagement with the Group's workforce.</p> <p>The Audit Committee agendas will be evaluated to ensure that the pre-read information pack and agenda items allow for an improved balance between areas for discussion and regular routine updates.</p>

Directors' performance evaluation

In addition to the external Board evaluation process outlined above, internal performance evaluations of Directors were undertaken during 2019 in order to enhance the accountability and effectiveness of each Director. Feedback was collected for each Director's peer review by the Chair and the SID through an interview format, combining 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, together with feedback provided by Mr. Saul as part of the external evaluation detailed above. The evaluation focused on:

- 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. Dale Morrison and Luke Mayhew have served on the Board for more than eight years, and accordingly they were subject to particular review. It was concluded that each Director continues to contribute effectively and to demonstrate commitment to the role including devoting the necessary time. Given the tenure of some Directors, it was noted that succession planning would be a particular focus area for the Board and the Nomination Committee in 2020.

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 2019, particular consideration was given to Jill McDonald and Malina Ngai's commitments in light of their appointments to new roles. It was concluded that their additional appointments should not adversely impact their performance, but should enhance their ability to provide constructive challenge and strategic guidance.