

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 2018 UK Corporate Governance Code (available at www.frc.org.uk/directors under UK Corporate Governance Code) as published in July 2018 (the Code).

This should be read in conjunction with the Strategic Report on pages 2 to 75, Corporate Governance on pages 76 to 93, the Directors' Remuneration Report on pages 96 to 109, and Directors' Remuneration Policy on pages 110 to 117, as a whole.

The Board considers that the Group has complied in all material respects with the Code for the year ended 31 December 2019.

1. Board Leadership and Company Purpose

A. 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 79.

The Board met seven times during 2019 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 2019 Board meetings, including information on the Board's assessment of strategic and operational matters, are set out on pages 84 and 85, attendance information on page 79, skills and experience and biographical information on pages 80 and 81.

A description of IHG's business model is set out on pages 10 to 13. An assessment of the principal risks facing the Group is included on pages 47 to 53.

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.

During the year, if any Director has unresolved concerns about the operation of the Board or the management of the Company, these would be recorded in the minutes of the meeting.

B. The Company's purpose, values and strategy

Our purpose is to provide True Hospitality for everyone. A description of IHG's culture is included on pages 24 to 27 and an overview of our values is on page 26. Culture features prominently on the Board agenda and a summary of the Board's activities in relation to the 'Voice of the Employee' is included on pages 32 to 33. An outline of the Group's approach to rewarding its workforce is contained on page 28.

C. Resources

The Board delegates oversight of the allocation of day-to-day resources to management (principally through the Executive Committee).

Information on the Group's Key performance indicators, including the measures used to monitor them, are included on pages 42 to 45.

A summary of the framework of controls which enable risk to be assessed and managed is set out on page 46.

D. Shareholders and Stakeholders

The Board engaged actively throughout 2019 with shareholders and other stakeholders. The Chair hosted a number of one-to-one meetings with major institutional shareholders to promote mutual understanding of objectives, following which the Chair ensured that their views were communicated to the Board as a whole. The Chair of the Remuneration Committee also held a series of investor consultation meetings to seek investors' input on the proposed Directors' Remuneration Policy.

Further details of the Board's engagement with shareholders can be found on pages 36 and 37. Information on the Board's engagement with other stakeholders, including suppliers, hotel owners and guests is included on pages 38 to 40.

E. Workforce Policies and Practices

The Board has overarching responsibility for the Group's workforce policies and practices and delegates day-to-day responsibility to the CEO and Chief Human Resources Officer to ensure that they are consistent with the Company's values and support its long-term success.

Employees are able to report matters of concern confidentially through our Confidential Disclosure Channel. The Board routinely reviews reports generated from the disclosures and ensures that arrangements are in place for investigation and follow-up action as appropriate.

2. Division of Responsibilities

F. The Chair

Patrick Cescau leads the operation and governance of the Board and its Committees. The Chair has been in post for seven years and was independent on appointment. See page 80 for more details.

G. Board Composition

The size and composition of the Board and its Committees is kept under review by the Nomination Committee to ensure the appropriate combination of Executive and Non-Executive Directors. Details of the responsibilities, skills and experience on the Board can be found on pages 80 and 81.

At least half of the Board, excluding the Chair, are Independent Non-Executive Directors. Further details of the composition of the Board and Committees are available on pages 79 to 81.

H. Non-executives

Non-Executive Director terms of appointment outline IHG's time commitment expectations required to fulfil their role. The commitments of each Director are included in the Directors' biographical details on pages 80 and 81. Details of Non-Executive Director appointment terms are set out on page 117.

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 87) and is satisfied that their other duties and time commitments do not conflict with those as Directors.

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 87), 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 84).

I. Policies, Processes, Information and Resources

The Chair and Company Secretary ensure that the Board and its Committees have the necessary policies and processes in place and that they receive timely, accurate and clear information. The Board and its Committees also have access to the Company Secretary, independent advice and other necessary resources, at the Company's expense. They receive administrative and logistical support of a full-time executive assistant. See page 84 for more details.

3. Composition, Success and Evaluation

J. Appointments

Appointments to the Board are led by the Nomination Committee in accordance with its Terms of Reference (available on our website at www.ihgplc.com/investors under Corporate governance or from the Company Secretary's office on request). The Nomination Committee also supports the Board in succession planning for the Board and senior management. Further details of the role of the Nomination Committee and what it did in 2019 are in the Nomination Committee Report on page 93. The overall process of appointment and removal of Directors is overseen by the Board as a whole.

All of the Directors retire and seek election or re-election at each AGM.

K. Skills

Details of the skills, experience and biographical information of the Board are set out on pages 80 and 81.

The Chair and Company Secretary ensure that new Directors receive a full induction and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role (see page 86).

The length of service of Directors is reviewed regularly, details of the review in 2019 are included on page 87.

L. Annual evaluation

The Board undertakes either an internal or external annual Board effectiveness evaluation. In 2019, an external Board evaluation was carried out. A summary of the evaluation is set out on page 86.

Performance evaluations of all Directors, including the Chair, are also carried out on an annual basis. Directors' biographies are set out on pages 80 to 81 and details of their performance evaluations are on page 87.

4. Audit, Risk and Internal Control

M. Audit functions

The Audit Committee is comprised entirely of Independent Non-Executive Directors (see page 79 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 88 to 91.

The Audit Committee reviewed the effectiveness and independence of the Group's internal audit function and Ernst & Young LLP during 2019. Details of these reviews are set out in the Audit Committee report on pages 88 to 91.

N. Assessment of the company's position and prospects

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 120.

The status of IHG as a going concern is set out in the Directors' Report on page 224. 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 75.

O. Risk management

The Board determines the nature and extent of the principal risks the organisation is willing to take to achieve its strategic objectives. A robust assessment of the principal and emerging risks facing the Group was carried out during the year, including those risks that would threaten the Group's business model, future performance, solvency or liquidity and reputation (see pages 47 to 53 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 79, 85, and 88 to 91.

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee is responsible for developing policy on executive remuneration and determining remuneration packages of Directors and senior management. The Directors' Remuneration Report is set out on pages 96 to 117. Details of the Remuneration Committee's activities during 2019 are set out on pages 96 and 97 and its membership details are on page 79.

The Remuneration Committee undertook a detailed review of the Director's Remuneration Policy (the DR Policy) in 2018, which continued in 2019. The revised DR Policy (which is subject to approval by shareholders at the Company's 2020 AGM), including a description of how each element of the DR Policy links to the Company's strategy, is set out on pages 110 to 117.

A description of how the Remuneration Committee addressed factors of the Code when determining the DR Policy is set out on page 114.

Q. Procedure for developing policy on executive remuneration

In connection with the review of the DR Policy referred to above, the Chair of the Remuneration Committee held a series of consultation meetings with major shareholders to seek their views on the proposed DR Policy. The Remuneration Committee will consider the DR Policy annually.

During 2019, no individual Director was present when his or her own remuneration was discussed.

R. Independent judgement and discretion

The Remuneration Committee has formal discretions in place in relation to outcomes under the APP and LTIP, and these are disclosed as part of the Directors' Remuneration Policy. When determining outcomes under these plans, the Committee considers whether it is appropriate to adjust outcomes under these discretions, taking account of the Group's performance, relative performance against competitors, and other relevant factors. Any use of discretion would be fully disclosed and explained in the relevant Director's Remuneration Report.
