

Millennium & Copthorne Hotels plc
(the “Company”)

Audit Committee (the “Committee”) – Terms of Reference

Chairman	An independent Non-Executive Director
Members	At least three independent Non-Executive Directors, one of whom is the Chairman of the Committee
Attendees	Group Chief Executive Officer Chief Financial Officer SVP Group Internal Audit & Risk Management (“Head of IA”) External auditors (as required)
Secretary	Company Secretary, or his/her nominee with the agreement of the Committee
Quorum	Two members of the Committee
Meeting frequency	A minimum of four meetings per year
Terms of Reference approved	31 March 2016

1 Overall Purpose / Objectives

- 1.1 The Committee has been established by the Board of Directors of the Company (the “Board”) and will assist the Board in fulfilling its responsibilities as described below. The Committee is authorised to
- investigate any activity within these Terms of Reference;
 - seek any information that it requires from any employee (all employees are required to cooperate with any request made by the Committee); and
 - obtain independent legal or other professional advice, or resource as needed, at the Company’s expense. Such advisors and any other persons may attend meetings as is considered necessary.
- 1.2 Outside of the formal meeting programme, the Chairman of the Committee (the “Chairman”) will maintain a dialogue with key individuals involved in the Company’s governance, including the chairman of the Board, the Group Chief Executive Officer, the Chief Financial Officer and Nominated Head of Risk.

2. Membership

- 2.1 The Committee shall comprise not less than three independent Non-Executive Directors of the Company, to be appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Chairman of the Committee. The chairman of the Board shall not be a member of the Committee. A quorum for any meeting shall be two members of the Committee.
- 2.2 The Chairman of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. In the absence of the Chairman of the Committee, the remaining members present may elect one of the independent Non-Executive Directors to chair the meeting.
- 2.3 At least one member of the Committee should have significant, recent and relevant financial experience. Where possible, this individual should also have a professional qualification from one of the international professional accountancy bodies and auditing experience. An explanation will be given in the Company's annual report and accounts if this is not the case.
- 2.4 The Company Secretary, or his/her nominee with the agreement of the Committee, shall be the Secretary of the Committee. The Secretary shall ensure that the Committee receives papers in a timely manner to enable full and proper consideration to be given to the issues.
- 2.5 Appointments to the Committee shall be for an initial period of up to three years, which may be extended for further periods of up to three years, provided the Non-Executive Director continues to be independent.

3. Attendance and Frequency

- 3.1 Only the members of the Committee have the right to attend Committee meetings.
- 3.2 The Group Chief Executive Officer, Chief Financial Officer, the Head of IA, Nominated Head of Risk and a representative of the external auditors shall attend meetings at the invitation of the Committee. The Committee may also invite other persons, such as the Chairman, other Directors, and members of management to their meetings as and when appropriate and necessary.
- 3.3 Meetings shall be held not less than four times a year, and where appropriate should coincide with key dates in the Company's financial reporting and audit cycle.
- 3.4 Additional meetings may be convened as required. The Company's global Internal Audit function ("Internal Audit") or the external auditors may convene a meeting if they consider that one is necessary.
- 3.5 There should be at least one meeting a year, or part thereof, each of the external auditors and internal auditors attend without management present.
- 3.6 Committee meetings may be conducted by means of telephone conferencing or other

methods of simultaneous communication by electronic or telegraphic systems.

- 3.7 The proceedings of all meetings of the Committee will be minuted. The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Board unless in the opinion of the Chairman of the Committee it would be inappropriate to do so.

4. Roles and Responsibilities

4.1 Internal Control and Risk Management

The Committee will:

- 4.1.1 prior to the endorsement of the Board and where appropriate in conjunction with the Risk Committee:

- carry out a robust assessment of the principal financial and non-financial risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- assess the prospects of the Company over a period to be longer than one year and confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment; and
- review the internal financial control, internal control and risk management systems and its annual statements on internal control and risk management and its compliance with the relevant provisions of the UK Corporate Governance Code (the "Code"), including such updates and amendments to the Code as may be issued from time-to-time.

- 4.1.2 receive regular reports from management, the Internal Audit function and the external auditors on the effectiveness of systems for internal financial control, financial reporting and risk management;

- 4.1.3 consider (in the absence of management at the discretion of the Committee) the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct, and the relevant management response to this.

4.2 Financial Reporting

- 4.2.1 The Committee will review, prior to submission to the Board, the half-year, quarterly, other periodic financial statements, annual accounts, reports to shareholders and any other public announcement concerning the Company's financial position, which has not previously been reviewed by the Board or a committee of the Board, focusing particularly on:

- the acceptability and quality of the accounting policies and practices and any changes therein;
- any important areas where judgment must be exercised and the extent to which the financial statements are affected by any unusual transactions in the year and

how they are disclosed;

- any significant adjustments and other differences arising or identified from the external audit and the clarity of any disclosures;
- compliance with accounting standards; and
- the provisions of the code and the requirements of the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency rules and any other applicable laws and rules as appropriate.

4.2.2 The Committee should consider whether it is appropriate to adopt the going concern basis of accounting and identify any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

4.2.3 The Chairman or, at least one other member of the Committee, shall attend the board meeting at which accounts are approved.

4.2.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

4.3 Internal Audit

The Committee will:

4.3.1 consider and make recommendations to the Board regarding the appointment and removal of the Head of IA;

4.3.2 ensure the Head of IA has direct access to both members of the Committee and the Board;

4.3.3 review the annual internal audit work plan and other plans of the Internal Audit function;

4.3.4 review and monitor management's responsiveness to the issues identified and recommendations made as a result of the work of Internal Audit;

4.3.5 receive a report on the results of Internal Audit function's work on periodic basis;

4.3.6 meet with the Head of the IA in the absence of management at least once a year

4.3.7 ensure that the function is adequately resourced, has access to information to enable it to fulfil its mandate, is equipped to perform in accordance with appropriate professional standards for internal auditors and has appropriate authority and standing within the Company;

4.3.8 consider co-ordination between Internal Audit and the external auditors; and

4.3.9 monitor and assess the role and effectiveness of Internal Audit function in the overall context of the Company's risk management system.

4.4 External Audit

The Committee will:

- 4.4.1 consider the appointment of the external auditor and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to their appointment, re-appointment and removal;
- 4.4.2 in line with EU guidance, ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 4.4.3 if an auditor resigns, investigate the issues leading up to this and decide whether any action is required;
- 4.4.4 oversee the relationship with the external auditor including (but not limited to):
 - negotiate and agree of the remuneration, including both fees and expenses for audit and non-audit services, of the external auditor and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - negotiate and agree the terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit. The Committee must also discuss with the external auditor, before the audit commences, the nature and scope of the audit and review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
 - assessing annually the independence and objectivity of the external auditor, including with regard to:
 - (i) relevant professional and regulatory requirements, and
 - (ii) the relationship with the external auditor as a whole, including the nature and scope of any non-audit services provided;
 - satisfying itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - agreeing with the Board a policy on the employment of former employees of the Company's external auditor, and monitoring the implementation of this policy;
 - monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and

partner and other related requirements;

- assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own quality-control procedures; and
- evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the external auditor from the market in that evaluation.

4.4.5 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;

4.4.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

4.4.7 review and consider the results of the external audit with the auditor. This shall include but not be limited to the following:

- a discussion of any major issues which arose during the audit;
- key accounting and audit judgments;
- levels of errors identified during the audit; and
- the effectiveness of the audit process;

4.4.8 review, prior to its consideration by the Board, the external auditor's management letter, and review management's response to the auditor's findings and recommendations; and

4.4.9 develop and implement a policy on the supply of non-audit services by the external auditor and to keep under review the nature and extent of such non-audit services supplied by the external auditors, seeking to balance the maintenance of objectivity and value for money, whilst having due regard for the EU directive on non-audit services to be implemented formally in mid 2016,

5 Compliance, Whistleblowing and Fraud

The Committee will:

5.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

5.2 ensure the adequacy of the Company's:

- 5.2.1 policies and procedures for preventing or detecting fraud.; and
- 5.2.2 systems and controls for the prevention of bribery and receive reports on non-compliance.

6 Reporting Responsibilities

- 6.1 The Chairman will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and will also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - 6.1.1 the significant issues that it considered in relation to the financial statements and how these issues were addressed;
 - 6.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - 6.1.3 any other issues on which the Board has requested the Committee's opinion.
- 6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.3 Narrative reporting
 - 6.3.1 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.
 - 6.3.2 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
 - 6.3.3 In compiling the reports referred to in 6.1 and 6.3, the Committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.
- 6.4 The Chairman shall attend the annual general meeting and respond to questions on the Committee's activities and responsibilities.

7 Other Responsibilities

The Committee will:

- 7.1 consider other topics, as determined by the Board, which may include but are not limited to:
 - its Code of Conduct, related policies and procedures, and
 - the policies for ensuring that the Company complies with relevant regulatory and legal requirements; and
- 7.2 have procedures in place for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters, including procedures for the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
- 7.3 These Terms of Reference for the Committee are defined by the Board and may be amended by the Board at any time. The Committee should conduct an annual review of its responsibilities and these Terms of Reference and make such recommendation to the Board, as shall be considered appropriate.

These Terms of Reference for the Committee were approved on 31 March 2016 and supersede all previous versions.