

InterContinental Hotels Group PLC
Audit Committee – Terms of Reference

1. Overall Purpose / Objectives

The Audit Committee (the “Committee”) will assist the Board in fulfilling its responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, the Company’s Disclosure Committee, management, Global Risk and Assurance (including internal audit) and the external auditors. Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chair, the Chief Executive Officer, and the Chief Financial Officer.

2. Authority

The Committee is authorised by the Board, within the scope of its roles and responsibilities, to:

- 2.1. Investigate any activity within these Terms of Reference.
- 2.2. Seek any information that it requires from any employee (all employees are required to cooperate with any request made by the Committee).
- 2.3. Obtain independent legal or other professional advice, or resource as needed, with the Company bearing the cost. Such advisors may attend meetings as necessary.
- 2.4. Have the right to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board.

3. Membership

- 3.1. The Committee will be appointed by the Board and will consist of independent non-executive directors of the Company (which will be no less than three members including, where possible, one member of the Remuneration Committee) on the recommendation of the Nomination Committee, in consultation with the Chair of the Audit Committee. The Chair of the Board shall not be a member of the Committee. A quorum for any meeting shall be two members of the Committee.
- 3.2. The Chair of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chair of the Committee, other members of the Committee present may appoint a Chair from amongst their number for the purpose of the meeting of the Committee.
- 3.4. At least one member of the Committee will have recent and relevant financial experience ideally, and if possible, with a professional qualification from one of the professional accountancy bodies, or an explanation given in the annual reports and accounts as to why not.

4. Secretary

The Company Secretary, or his/her nominee with the agreement of the Committee, shall be the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

5. Quorum

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. Attendance and Frequency of Meetings

- 6.1. Only the members of the Committee have the right to attend Committee meetings.
- 6.2. The Chief Financial Officer, Head of Global Risk and Assurance 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 Chair, Chief Executive Officer, other Directors, and members of management to their meetings as and when appropriate and necessary.
- 6.3. Meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the Company's financial reporting and audit cycle.
- 6.4. Additional meetings may be convened as required. The Head of Global Risk and Assurance or the external auditors may convene a meeting if they consider that one is necessary.
- 6.5. There should be at least one meeting a year, or part thereof, where the external auditors and internal auditors attend without management present.

7. Minutes of Meetings

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 Committee Chair it would be inappropriate to do so, and the Chair of the Committee or, as a minimum, another member of the Committee, shall attend the board meeting at which the accounts are approved.

8. Roles and Responsibilities

8.1. Internal Control and Risk Management

The Committee will:

8.1.1 Review, prior to the endorsement of the Board, the Company's internal financial controls, internal control and risk management systems, its annual statements on internal control, risk management and viability and its compliance with the relevant provisions of the UK Corporate Governance Code (the "Code") and the Sarbanes-Oxley Act 2002 (the "Act"), including such updates and amendments to the Code and the Act as may be issued from time to time, and in particular;

- At least annually, review the effectiveness of systems for risk management and internal control, covering all material controls, including financial, operational and compliance controls
- Review regular reports from management, the internal audit function, and the external auditors and review the timeliness and effectiveness of corrective action taken by management, and
- Assess the material financial and non-financial emerging and principal risks, including the procedures in place to identify emerging risks and how these are being managed or mitigated. .

8.1.2. 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.

8.2. Financial Reporting

The Committee will:

8.2.1. Review, discuss, monitor the integrity of and challenge where necessary, with the Disclosure Committee, management and the external auditors, the preliminary results, interim information and annual and half-yearly reports and financial statements, and any other formal announcement relating to the financial performance of the Company before submission to the Board, and report to the Board on significant financial reporting issues and judgements contained in such documents, having regard to the matters communicated to it by the auditor.

In particular the Committee will consider:

- the application of significant accounting policies and practices, and any changes from year to year,
- the accuracy, clarity and completeness of financial disclosures and the context in which statements are made, and any changes from prior year,
- areas involving significant judgement, estimation or uncertainty, taking into account the views of the external auditor and whether the Company has followed appropriate accounting standards,

- the extent to which areas involving complex arrangements or significant or unusual transactions impact the financial statements and how such areas are disclosed,
- significant adjustments resulting from the external audit,
- the basis for adopting the going concern basis of accounting (including any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements),
- how, taking into account the Company's current position and principal risks, the Company's prospects have been assessed, over what period and why the period is considered to be appropriate, whether there is 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, drawing attention to the Board any qualifications or assumptions as necessary.
- all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management, and
- compliance with financial reporting, relevant governance, stock exchange and legal requirements.

8.2.2. 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.

8.3. Narrative reporting

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 and whether it informs the Board's statement on these matters in the annual report that is required under the Code.

8.4. Internal Audit

The Committee will:

- 8.4.1. Consider the appointment, resignation or dismissal of the Head of Global Risk and Assurance.
- 8.4.2. Ensure the Head of Global Risk and Assurance has direct access to the Board Chair and the Committee Chair, and is accountable to the Committee.
- 8.4.3. Review and approve the scope of work of the internal audit function (having regard to the other internal functions and the external auditors).

- 8.4.4. Review and assess the annual internal audit work plan and other plans of the internal audit function.
- 8.4.5. Review and monitor management's responsiveness to the issues identified and recommendations made as a result of the work of the internal audit function.
- 8.4.6. Receive a report on the results of the internal audit function's work on a periodic basis.
- 8.4.7. Meet with the Head of Global Risk and Assurance in the absence of management at least once a year.
- 8.4.8. Ensure that the internal audit 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.
- 8.4.9. Consider co-ordination between the internal audit function and the external auditors.
- 8.4.10. Monitor and review the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

8.5. External Audit

The Committee will:

- 8.5.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor including initiating and supervising any related tender process.
- 8.5.2 Develop and oversee the selection procedure for the appointment of the external auditor, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 8.5.3 If an auditor resigns, investigate the issues leading up to this and decide whether any action is required.
- 8.5.4 Oversee the relationship with the external auditor including (but not limited to):
 - Approval of the remuneration, including both fees 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.
 - Approval of 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.

- Reviewing and monitoring the independence and objectivity of the external auditor, including with regard to:
 - relevant professional and regulatory requirements, and
 - 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 (such as family, employment, investment, financial or business) 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.
 - 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.
- 8.5.5 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.
- 8.5.6 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.
- 8.5.7 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,
 - the auditor's explanation of how the risks to audit quality were addressed,
 - the auditor's view of their interaction with senior management,
 - key accounting and audit judgements,
 - levels of errors identified during the audit, and

- the effectiveness of the audit process taking into consideration relevant professional and regulatory requirements.

8.5.8 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.

8.5.9 Develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant regulations and ethical guidance on this matter and ensuring there is prior approval of non-audit services; reporting to the Board on any improvement or action required.

8.6 Tax

The Committee shall review and approve the Group's tax strategy required to be published pursuant to the Finance Act 2016, prior to publication.

9. Code of Conduct, Compliance and Fraud

The Committee will:

- 9.1. Consider and review the Group's Code of Conduct, related policies and procedures, and the policies for ensuring that the Company complies with relevant regulatory and legal requirements.
- 9.2. Consider and review the Company's policies and procedures and systems and controls for preventing or detecting fraud.
- 9.3. Consider and review the Company's policies and procedures and systems and controls for the prevention of bribery..

10. Reporting Responsibilities

- 10.1. The Committee Chair 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:
 - 10.1.1 the significant issues that it considered in relation to the financial statements and how these issues were addressed;
 - 10.1.2 its assessment of the independence and effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - 10.1.3 any other issues on which the Board has requested the Committee's opinion.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3. The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include 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; an explanation of how the Committee has addressed the independence and effectiveness of the external audit process, the approach taken to the appointment of the external auditor, including the length of tenure of the current audit firm and when a tender was last conducted and where non-audit services are provided, an explanation of how auditor objectivity and independence is safeguarded; and all other information requirements set out in the Code.
- 10.4. In compiling the reports referred to in 10.1 and 10.3, the Committee should exercise judgement 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.

11. Other Responsibilities

The Committee will:

- 11.1. Periodically (and, in any event, not less than annually) review and (if appropriate) update its own Terms of Reference (with any changes to be approved by the Board) and, , evaluate its own performance against its Terms of Reference and best practice.
- 11.2. Periodically (and, in any event, not less than annually) review and (if appropriate) advise upon any changes to the Terms of Reference of the Disclosure Committee (with any changes to be approved by the Board).
- 11.3. Give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency rules and any other applicable rules as appropriate, and ensure the Company complies with the requirements of the US Sarbanes-Oxley Act.
- 11.4. Require that the Chair of the Committee seeks engagement with shareholders, at least once per annum and/or on significant matters related to the responsibilities of the Committee, and attends the AGM to answer shareholders' questions.
- 11.5. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required, and be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 11.6. Be responsible for co-ordination of the internal and external auditors.
- 11.7. Oversee any investigation of activities which are within the Committee's Terms of Reference.
- 11.8. Work and liaise as necessary with all other committees of the Board.

December 2018