

NON-AUDIT SERVICES APPROVAL POLICY

1. Statement of Policy

This policy covers the engagement of the Group's external auditors to supply non-audit services. The objectives of the policy are:

- To comply with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council which applies from the year ended 31 December 2010.
- To meet the requirements of the Ethical Standard 5 (Non-Audit Services Provided to Audited Entities) published by the Auditing Practices Board (Updated December 2011).
- To ensure that neither the nature of the service nor the level of reliance placed on it by the Group could, or could be seen to, impair the objectivity of the external auditors' opinion on the financial statements.
- To establish an unbureaucratic, straightforward and transparent process and reporting to enable the Audit Committee ("AC") to monitor and control the independence of the external auditor and compliance with this policy.
- To avoid unnecessary restrictions on the acquisition of services from the external auditor particularly where the external auditor is expected to provide a higher quality and a more cost effective service than other service providers.

2. Role of the Audit Committee

The AC monitors compliance with the policy.

The AC's objective is to ensure that the provision of non-audit services to the Group does not impair the external auditor's independence or objectivity. In this context, the AC should consider:

- Whether the **skills and expertise** of the auditor make it a suitable supplier of the non-audit service;
- Whether there are **safeguards** in place to eliminate or reduce to an acceptable level any threat to independence and objectivity in the conduct of the audit resulting from services provided by the external auditor;
- The **nature** of the non-audit services; and
- The **fee levels** of the non-audit services and the fee levels individually and in aggregate relative to the audit fee.

The AC should satisfy itself that any safeguards required by legislation or standards are implemented.

3. Definitions

Audit services:

All services, including accounting consultation and tax services necessary to perform an audit of the financial statements of the Group. Audit services include statutory audits and services in connection with statutory and regulatory filings or engagements; comfort letters; attest services; consents and assistance with and review of documents filed with a regulatory body related to a listing on any stock exchange.

Audit-related services:

Review and agreed upon procedures in relation to interim financial statements, etc; due diligence related to mergers, acquisitions, joint ventures and divestures; accounting consultations and audits in connection with mergers, acquisitions, joint ventures and divestures; internal control reviews; attest services that are not required by statute or regulations; consultation concerning financial accounting and reporting standards,

employee benefit plan audits; consents and assistance with and review of documents filed with authorities; work in connection with listing particulars, offering memoranda and prospectuses.

Tax services:

Tax compliance services, i.e. services intended to ensure the Group complies with existing tax regulations of a taxing jurisdiction (original and amended tax returns, claims for refund, tax planning and tax payment-planning services), other tax advice including assistance with tax audits and appeals, tax advice related to mergers and acquisitions, payroll taxes, VAT, duties, toll, employee benefit plans and requests for rulings or technical advice from tax authorities.

Other non-audit services:

Any other work that is not an audit service, an audit-related service or a tax service.

Prohibited non-audit services:

These are services that, if provided by the external auditor to the Group, would create a real or perceived threat to the independence of the external auditor. Generally, the external auditor may not:

- Audit their own work.
- Undertake work that involves making judgments and taking decisions that are the responsibility of Management.
- Undertake work that involves acting as advocate for the Group or the company. This is defined as “promoting or being perceived to promote the audit client’s position or opinion to the point where objectivity may be compromised”.

4. Policy

This policy is applicable to Millennium & Copthorne Hotels plc and its subsidiary companies.

The external auditor may not provide prohibited non-audit services to the Group.

The policy is also applicable to the Group’s joint ventures and associates but limited to the extent that the joint ventures and associates confirm that the Group’s external auditor does not provide any prohibited non-audit services.

Before appointing the external auditor to undertake a non-audit service, consideration will be given to whether this would create a threat to independence.

4.1. Audit-related services

The external auditor shall be considered the preferred service provider of audit-related services if such services are consistent with the attest role of the external auditor and:

- The services can only be provided by the external auditor;
- The services are an extension of the work performed as part of the audit, or rely on work performed as part of the audit such that the quality and timeliness of the services can most effectively be provided by the external auditor; or
- The services enhance the effectiveness of the external auditor’s examination of the Group’s consolidated financial statements.

The provision of the audit-related services must not impair the independence of the external auditor.

The AC has granted general pre-approval for the following audit-related services:

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| <ul style="list-style-type: none">• Advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters, tax and governance regulations, etc.• Review and agreed upon procedures in relation to interim financial statements, etc. |
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- Audit, review or attestation of information derived from the Group's financial systems as required by third parties.
- Financial audits of employee benefit plans.
- Review of local statutory financial statements (if not already included in the audited consolidated financial statements).

All other audit-related services must be specifically pre-approved by the AC on a case-by-case basis.

4.2. Tax services

The external auditor shall be considered the preferred provider for tax services such as tax planning, tax compliance and tax advice so long as:

- The services are an extension of the work performed or information obtained as part of the audit, or rely on work performed as part of the audit such that the quality and timeliness of the services can most effectively be provided by the external auditor;
- The services enhance the effectiveness of the external auditor's examination of the Group's consolidated financial statements;
- The services are not inconsistent with the attest role of the external auditor;
- The services are provided by partners and staff who have no involvement in the audit of the financial statements; and
- The services are reviewed by an independent tax partner or senior tax staff member.

The AC has granted general pre-approval for the following tax services:

- UK corporate tax planning and compliance.
- Rest of world tax planning and compliance.
- Due diligence services related to mergers, acquisitions, joint ventures and divestures.
- UK and international tax return assistance.
- Certain employee tax services including share-based payments.
- Requests for rulings or technical advice from tax authorities.
- Requests for interpretation or assistance in complying with proposed or existing tax regulations.
- Advice on transfer-pricing policies, documentation, etc.

All other tax services must be specifically pre-approved by the AC on a case-by-case basis.

4.3. Other non-audit services

The external auditor shall be considered a service provider of other non-audit services if such services are consistent with the attest role of the external auditor and either:

- The services are an extension of the work performed as part of the audit, or rely on work performed as part of the audit such that the quality and timeliness of the services can most effectively be provided by the external auditor; or
- The services enhance the effectiveness of the external auditor's examination of the Group's consolidated financial statements.

The following conditions should also be satisfied:

- The services are not inconsistent with the attest role of the auditor;
- The services are not provided on a contingent fee basis; and
- The engagement does not require the external auditor to undertake part of the role of Management.

The AC has granted general pre-approval of the following other non-audit services:

- Risk management advisory services
- Corporate finance advisory services
- Due diligence assistance on acquisitions, mergers, joint ventures and divestitures

Other non-audit services not listed above must be specifically pre-approved by the AC on a case-by-case basis.

4.4. Prohibited non-audit services

The external auditor is prohibited from performing the following non-audit services:

- Bookkeeping or other services related to the accounting records or financial statements of the Group (except for accounting advice that is considered to be a by-product of the audit and classified as audit services).
- Financial information systems design and implementation.
- Appraisal or valuation services, fairness opinions.
- Actuarial services.
- Cash handling on behalf of the Group.
- Internal audit outsourcing services.
- Management functions.

5. Approval of Non-audit Services

The Board has authorised the AC to pre-approve non-audit services provided by the external auditor.

Notwithstanding audit-related services, tax services or other non-audit services being granted general pre-approval in principle under this policy, the AC has established the following authority limits for approval:

	Approval Authority	Remarks
Annual audit services	Pre-approval by the AC	
General pre-approval of audit-related services or tax services or other non-audit services		Where the aggregated annual fees for all non-audit services (i.e. audit-related services/tax services/other non-audit services) incurred during the financial year exceed or are likely to exceed 50% of the external auditor's estimated annual audit fees at the group level for the financial year, subsequent generally pre-approved services can no longer
Up to £50,000* per service	Pre-approval by the Group CFO	
Above £50,000* per service	Pre-approval by the AC Chairman	

		be pre-approved by the CFO or AC Chairman and must be submitted to the AC for pre-approval.
Specific pre-approval of audit-related services or tax services or other non-audit services	Pre-approval by the AC	

6. Monitoring and Reporting

The AC shall provide an annual report to the Board with respect to the non-audit services provided by the external auditor during the year. The report must include:

- the amounts paid or payable to the external auditor for non-audit services provided during the year; and
- a statement as to whether the AC is satisfied that the services provided during the year are compatible with applicable independence rules and standards for auditors and this policy.

The CFO shall report to the AC on a quarterly basis regarding:

- all non-audit services provided by the external auditor during the past reporting quarter and year-to-date.
- the amounts paid or payable to the external auditor for all non-audit services during the past reporting quarter and year-to-date.

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