

## **ARCOS DORADOS HOLDINGS INC.**

A British Virgin Islands company  
(the “**Company**”)

### **Audit Committee Charter**

Adopted February 22, 2011

#### **Purpose**

The Audit Committee is created by the Board of Directors of the Company (the “**Board**”) to assist the Board in its oversight of:

- the integrity of the financial statements of the Company;
- the annual independent audit of the Company’s financial statements, the engagement of the independent auditor and the evaluation of the qualifications, independence and performance of the Company’s independent auditor;
- the performance of the Company’s internal audit function; and
- the compliance by the Company with legal and regulatory requirements.

#### **Membership**

The Audit Committee shall, within one year following the Company’s initial public offering, consist of at least three members, one of whom shall be appointed on the date of the Company’s listing of common stock on the NYSE, another shall be appointed within 90 days thereafter and a third shall be appointed within one year after such date. Each member of the Audit Committee shall meet the independence and experience requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and the rules of the New York Stock Exchange applicable to foreign private issuers. The Board shall appoint members to the Audit Committee annually and as vacancies or newly created positions occur. Audit Committee members may be removed by the Board at any time. The Board shall designate the Chairman of the Audit Committee. The Audit Committee shall designate the Secretary of the Audit Committee, who may or may not be a member of the Audit Committee.

#### **Responsibilities**

In addition to any other responsibilities which may be assigned from time to time by the Board, the Audit Committee is responsible for the following matters.

##### *Independent Auditor*

- The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for

the Company (subject, if applicable, to shareholder ratification). Each such accounting firm shall report directly to the Audit Committee.

- The Audit Committee shall pre-approve the audit services and non-audit services to be provided by the Company's independent auditor before the auditor is engaged to render such services. The Audit Committee may delegate its authority to pre-approve services to the Chair of the Committee, provided that such designees present any such approvals to the full Audit Committee at the next Audit Committee meeting.
- The Audit Committee shall discuss with the independent auditor its responsibilities under generally accepted auditing standards, review and approve the planned scope and timing of the independent auditor's annual audit plan(s) and discuss significant findings from the audit, including any problems or difficulties encountered.
- The Audit Committee shall evaluate the independent auditor's qualifications, performance and independence, and shall present its conclusions with respect to the independent auditor to the full Board on at least an annual basis. As part of such evaluation, at least annually, the Audit Committee shall:
  - obtain and review a report or reports from the Company's independent auditor:
    - describing the independent auditor's internal quality-control procedures;
    - describing any material issues raised by (i) the most recent internal quality-control review, or peer review, of the auditing firm, or (ii) any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the auditing firm; and any steps taken to deal with any such issues; and
    - describing all relationships between the independent auditor and the Company consistent with applicable requirements of the PCAOB regarding the independent auditor's communications with the audit committee concerning independence.
    - assuring that Section 10A of the Securities Exchange Act of 1934 has not been implicated;
  - confirm and evaluate the rotation of the audit partners on the audit engagement team partners as required by law;
  - consider whether the independent auditor should be rotated, so as to assure continuing auditor independence; and
  - obtain the opinion of management and the internal auditors of the independent auditor's performance.

- The Audit Committee shall establish policies for the Company's hiring of current or former employees of the independent auditor.

#### *Internal Auditors*

- Once a year, the Audit Committee shall evaluate the performance, responsibilities, budget and staffing of the Company's internal audit function and review and approve the internal audit plan.
- Once a year, the Audit Committee shall evaluate the performance of the senior officer or officers responsible for the internal audit function of the Company, and make recommendations to the Board and management regarding the responsibilities, retention or termination of such officer or officers.

#### *Disclosure Committee*

- The Audit Committee shall receive and review semi-annual reports from the Disclosure Committee, which shall be composed of the Chief Financial Officer, Internal Audit Director, Chief Legal Officer, Securities Counsel, Head of Investor Relations, Comptroller and certain business unit officers.
- The Audit Committee shall approve the charter of the Disclosure Committee.

#### *Ethics Committee*

- The Audit Committee shall receive and review semi-annual reports from the Ethics Committee, which shall be composed of the Chief Executive Officer, Chief Legal Officer, Internal Audit Director and the Vice President of Human Resources.
- The Audit Committee shall receive and review reports from the Ethics Committee regarding requests for a waiver of the Standards of Business Conduct and shall make a recommendation thereon to the Board.
- The Audit Committee shall approve the charter of the Ethics Committee.

#### *Conflicts of Interest*

- If an actual or potential conflict of interest develops because of a change in the business of the Company, or in a director's circumstances (for example, significant and ongoing competition between the Company and a business with which the director is affiliated), the Audit Committee shall evaluate and resolve such actual or potential conflict of interest as appropriate.

#### *Financial Statements; Disclosure and Other Risk Management and Compliance Matters*

- The Audit Committee shall meet to review and discuss with management and the independent auditor:

- the annual audited financial statements, including reviewing the Company’s specific disclosures under “Operating and Financial Review and Prospects,” prior to the filing of the Company’s Form 20-F;
- the quarterly financial statements, prior to the filing of the Company’s Form 6-K containing the same;
- The Audit Committee shall review with management, the internal auditors and/or the independent auditor, in separate meetings whenever the Audit Committee deems appropriate:
  - any analyses or other written communications prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - the critical accounting policies and practices of the Company;
  - any related party transactions;
  - the effect of off-balance sheet transactions and structures;
  - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company’s selection or application of accounting principles; and
  - the effect of regulatory and accounting initiatives.
- The Audit Committee shall, in conjunction with the Chief Executive Officer and Chief Financial Officer of the Company, review the Company’s disclosure controls and procedures and internal control over financial reporting. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Company’s ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting. The Audit Committee shall also review any special audit steps adopted in light of material control deficiencies.
- The Audit Committee shall review and discuss with the independent auditor any audit problems or difficulties and management’s response thereto, including those matters required to be discussed with the Audit Committee by the auditor pursuant to established auditing standards, as amended, such as:
  - any restrictions on the scope of the independent auditor’s activities or on access to requested information;

- any accounting adjustments that were noted or proposed by the auditor but were “passed” (as immaterial or otherwise);
  - any communications between the audit team and the audit firm’s national office regarding auditing or accounting issues presented by the engagement;
  - any management or internal control letter issued, or proposed to be issued, by the auditor; and
  - any significant disagreements between management and the independent auditor.
- In connection with its oversight responsibilities, the Audit Committee shall be directly responsible for the resolution of disagreements between management and the auditor regarding the Company’s financial reporting.
  - The Audit Committee shall review the Company’s policies and practices with respect to risk assessment and risk management, including discussing with management the Company’s major financial risk exposures and the steps that have been taken to monitor and control such exposures.
  - The Audit Committee shall establish procedures for:
    - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
    - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
  - The Audit Committee shall review the Company’s compliance with laws and regulations, including major legal and regulatory initiatives.
  - The Audit Committee shall, from time to time, meet separately with management, the internal auditors, and the independent auditors to discuss issues warranting attention by the Audit Committee.
  - Take other such actions and do other such things as may be referred to it from time to time by the Board of Directors.

*Reporting to the Board*

- The Audit Committee shall report to the Board periodically. This report shall include a review of any issues that arise with respect to the quality or integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the independence and performance of the Company’s independent auditor, the performance of the internal audit function and any other matters that the Audit Committee deems appropriate or is requested to include by the Board.

- At least annually, the Audit Committee shall evaluate its own performance and report to the Board on such evaluation.
- The Audit Committee shall periodically review and assess the adequacy of this charter and recommend any proposed changes to the Board.

### **Authority and Delegations**

The Audit Committee is authorized (without seeking Board approval) to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Audit Committee.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The Audit Committee shall have available appropriate funding from the Company as determined by the Audit Committee for payment of:

- compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- compensation to any advisers employed by the Audit Committee; and
- ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee may delegate its authority to subcommittees or the Chairman of the Audit Committee when it deems appropriate and in the best interests of the Company.

### **Procedures**

The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.

The Audit Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this charter, but not less frequently than quarterly. The Chairman of the Audit Committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter.

The Audit Committee may meet separately, when the Audit Committee deems it necessary, with management, with internal auditors (or other personnel responsible for the internal audit function) and with the independent auditor. The Chief Executive Officer, Chief Legal Officer and Controller may participate in any Audit Committee meeting, but may not vote on any matters before the Audit Committee.

## **Limitations Inherent in the Audit Committee's Role**

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with GAAP and applicable rules and regulations. This is the responsibility of management and the independent auditor. Furthermore, while the Audit Committee is responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.