

# CABLE & WIRELESS COMMUNICATIONS PUBLIC LIMITED

## COMPANY

### TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

#### **(A) OBJECTIVE**

A sub-committee of the Board to:

- (i) Assist the Company in meeting its responsibilities in ensuring an effective system of internal control and compliance and accurate external financial reporting, including the Board's obligations prescribed by law and under the UK Corporate Governance Code, the Listing Rules, Prospectus and Disclosure and Transparency Rules.
- (ii) Oversee, review and monitor the way in which management conduct and report on the effective risk management of the Group's activities.

#### **(B) MEMBERSHIP, ATTENDANCE AT MEETINGS AND PROCEDURES**

The Committee shall be appointed by the Board and, for the time being, the members are Simon Ball (Chairman), Mary Francis, Kate Nealon and Ian Tyler. The quorum shall be two members of the Committee.

The Committee shall consist of at least three independent Non-executive Directors. At least one member of the Committee shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.

The Chairman of the Committee shall be appointed by the Board. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.

The Chief Financial Officer, Corporate Services Director, Head of Internal Audit, representatives of the Company's auditors, KPMG Audit Plc, and other members of management may attend meetings by invitation. All members of the Board shall be invited to attend those items at the Audit Committee dealing with the consideration and approval of full and half-year results and otherwise where appropriate.

The Committee shall meet with the external auditors without executive management of the Company present at least once a year and otherwise where appropriate.

The Company Secretary shall be the Secretary of the Committee.

Meetings shall be held not less than four times a year. In any event, meetings will be held prior to the announcement of any results. The Chairman of the Committee may call additional meetings if necessary, either at his own discretion or upon the request of other members of the Committee. The external auditors or the internal auditors may request a meeting if they consider one is necessary.

The agenda for meetings shall be determined by the Chairman of the Committee in consultation with other members of the Committee, as appropriate. The agenda and supporting papers shall be circulated at least 4 working days in advance of meetings to all members and attendees.

Minutes of meetings shall be prepared by the Secretary and shall be circulated to all the members of the Committee as well as the other members of the Board, as long as there is no conflict of interest, within 14 days of the date of the meeting.

The Chairman of the Committee or another member of the Committee shall attend the Board Meeting at which the accounts are approved.

The Chairman of the Committee shall attend the AGM and answer any questions, through the Chairman of the Board on the Committee's activities and their responsibilities.

The Committee's membership, duties and activities during the year should be disclosed in the annual financial statements. Such a report should specifically include:

- A summary of the role of the Audit Committee;
- The names and qualifications of all members of the Audit Committee during the period;
- The number of Audit Committee meetings and attendance by each member;
- The way the Audit Committee has discharged its responsibilities; and
- Information on the external auditor, their tenure, fees and their appointment process.

- Information to shareholders as to how auditor objectivity is maintained where the auditor has provided non-audit services.
- Any issues that cannot be resolved between the Committee and the Board.

The Committee shall make available these terms of reference on the Company's website.

**(C) AUTHORITY**

The Committee is authorised by the Board to investigate any activity in its Terms of Reference. It is authorised to seek any information it requires from any employee of the Group. All employees will be directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this necessary.

The Committee shall report to the Board concerning its activities, either orally or in writing, at or immediately after each Board meeting.

The Committee will keep professional fees from principal advisors and consultants to the Group under review.

The Committee shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.

**(D) DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall be: -

**Financial reporting**

To monitor the integrity of the financial statements of the company, and to review and challenge, where necessary, the actions and judgements of management in relation to the full year and half-year financial statements before submission to the Board, paying particular attention to:

- a) Critical accounting policies and practices and any change in them;
- b) Decisions requiring a major element of judgement;
- c) The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- d) The overall quality of earnings;
- e) The clarity of disclosures;
- f) Significant adjustments resulting from the audit;
- g) The Group's adoption of the going concern basis;
- h) Compliance with accounting standards;
- i) Compliance with stock exchange and other legal and regulatory requirements and the reason for any deviation therefrom;
- j) To consider other topics, as defined by the Board.

**Internal control and risk management**

- a) To review the policies and process for identifying and assessing business risks and the management of these risks by the Company;
- b) To review the framework and effectiveness of the Group's system of internal control including financial, operational and compliance controls and risk management;
- c) To review the Company's statement on internal control for inclusion in the Annual Report prior to endorsement by the Board of the Company;
- d) To review the Company's procedures for receiving and handling information about inappropriate practices to ensure arrangements are in place for proportionate and independent investigation of such matters and follow up action.;
- e) To monitor and review that the right amount and quality of financial management resources are within the company;
- f) To appoint and review the composition and work of the Disclosure Committee, which committee shall (i) make regular reports on its activities to the Audit Committee and (ii) advise the Chief Financial Officer and other Executive Directors with regard to the process for compiling the Annual Report and Accounts;
- g) To monitor the insurance position of the Group (including general insurance arrangements and Directors and Officers liability insurance cover).

**Internal audit**

- a) To approve the appointment and dismissal of the head of Internal Audit;
- b) To review and approve the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- c) To ensure that the internal auditor has direct access to the Chairman of the Audit Committee and is accountable to the Audit Committee;
- d) To receive a report on the result of the internal auditor's work on a periodic basis;
- e) To consider the major findings or recommendations of internal audit investigations and management's response;
- f) To monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

**External audit**

- a) To consider and recommend to the Board the appointment, re-appointment and removal of external auditors;
- b) To assess the independence of the external auditors and any question of their resignation, replacement or dismissal;
- c) To consider and recommend to the Board the level of audit fees as well as any other fees which are payable to auditors in respect of non audit activities;
- d) To develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external auditor and to ensure that the provision of non audit services does not impair the external auditor's independence or objectivity;
- e) To oversee the rotation of audit partners at appropriate intervals and in this respect monitor the audit firm's compliance with APB Ethical Standards for Auditors;
- f) To monitor the process for appointing, re-appointing and removal of the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
- g) To discuss with the external auditors before the audit commences the nature and scope of the audit;
- h) To periodically review with the external auditors the findings of their work including, any major issues that arose during the course of the audit which have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of error identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted;
- i) To discuss problems and reservations arising from the interim review and year end audit and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- j) To review the external auditors' engagement letter and management's response;
- k) To review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- l) To assess, at the end of the audit cycle, the effectiveness of the audit process;
- m) To review the auditors' quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements, and
- n) To develop and recommend to the Board the Company's policy for the employment of former employees of the external auditor.