

PURCHASING POLICY



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APPROVED BY : MIKE CRONE, HEAD OF PURCHASING

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OVERVIEW

Efficient and professional procurement can drive shareholder value and make a significant contribution to the performance and profitability of the company as a whole. The Purchasing Policy details the statement of principles, which guide and drive the purchasing standards and behaviour within Cable&Wireless Worldwide and sets out the standards it expects of its suppliers.

STATEMENT OF COMPLIANCE

On an annual basis Cable&Wireless Worldwide spends in excess of £1bn on goods & services from third parties, relating to OPEX, CAPEX and Cost of Sales. Both from an operational & commercial perspective the optimal management of this expenditure is a critical factor in building and sustaining the company's profitability.

- All business units are required to comply with the Policy and adhere to the content and spirit of the guiding principles.
- The Policy applies to all personnel engaged in procurement and logistics activities throughout Cable&Wireless Worldwide, including (but not restricted to) opex, capex, bids, purchasing equipment for customer end use and supply-chain management
- Failure to comply with this Policy will be considered a serious offence and will be reported through the management structure.

The Cable&Wireless Worldwide Purchasing Policy is owned by Head of Purchasing, Cable&Wireless Worldwide

GUIDING PRINCIPLES

As a large blue-chip company, it is important that we have a documented set of principles upon which Cable&Wireless Worldwide can base its purchasing activity; these principles are:

COMPETITION

Cable&Wireless Worldwide will actively seek to promote competition in respect to all bought in goods & services from third party suppliers.

OBJECTIVITY/TRANSPARENCY

Cable&Wireless Worldwide will conduct its purchasing activities in an objective manner with all decisions being transparent and documented.

HEALTH, SAFETY & ENVIRONMENT

Cable&Wireless Worldwide will always actively promote the appropriate adoption of Health, Safety, and Environmental standards within its supplier base.

ETHICS

Cable&Wireless Worldwide will always conduct its purchasing activities in accordance with the fundamental standards of Human Rights established by international law.

FITNESS FOR PURPOSE

Cable&Wireless Worldwide shall promote the adoption of performance specifications, ensuring that goods and services are fit for purpose.

CUSTOMERS

Cable&Wireless Worldwide strives to ensure that its' purchasing activities support the business's goal to deliver a great service experience to its customers

SOURCING STRATEGY DEVELOPMENT

As part of any Sourcing activity it is of paramount importance that Purchasing is engaged and consulted at project inception. This will ensure the maximum contribution to business performance is made and that the interests of Cable&Wireless Worldwide are protected.

ENGAGING PURCHASING

Purchasing **must** be involved **upfront** (e.g. prior to vendor selection) in all procurement activity. This will ensure the optimal business outcome. Purchasing will work in partnership with the business to support the definition of requirements, evaluating potential sources of supply and developing a Sourcing Strategy.

Purchasing must be engaged as a partner in new product development and involved with major sales bids where external vendors will be engaged. A team of Purchasing professionals are dedicated to supporting customer outsource contracts and related bid support on a customer-by-customer basis, leading commercial negotiations and managing the vendor relationship(s).

Purchasing staff should also be engaged at the due diligence stage of potential acquisitions in order that potential synergy benefits and risks are captured and built into the business case.

Inventory management, including the movement of assets across borders, the purchase of inventory to service end-customers SLA's and the re-use of de-installed equipment will be managed within the Purchasing team.

OPPORTUNITY IDENTIFICATION

Purchasing will proactively identify opportunities to deliver benefits to Cable&Wireless Worldwide. Opportunities to generate revenue or reduce costs will be presented to the business, with an appropriate strategy to ensure implementation.

CATEGORY MANAGEMENT

The Purchasing team assume responsibility for Categories of spend, enabling the team to consolidate (and aggregate) spend and suppliers within each category. This approach provides a single point of contact for suppliers while ensuring there is a clear, defined strategy for the effective management of key supplier partners and the wider supplier base.

SUPPLIER SELECTION / IMPLEMENTATION

Purchasing will drive the procurement process, negotiate commercial arrangements, and govern the means by which Purchasing solutions are delivered.

Purchasing, in partnership with the business, will undertake supplier selection in a manner that is fair, rigorous, transparent, and objective in accordance with the strategy for the category of spend. We maximize the important role that competition plays in supply of goods or services, in delivering value to our business & our customers, and ensure competitive tenders will be sought. This will be administrated in an open manner with contracts awarded on the basis of criteria established prior to tendering. This will not be conditional upon a supplier being a customer of Cable&Wireless Worldwide. Appropriate levels of quality, that represent increasing value for money to customers, will be promoted by ensuring that quality is an integral part of the procurement and logistics processes.

Supplier selection will identify Sustainable Procurement issues as we aim to minimize the adverse impact of our operations on communities and the environment.

ETHICS / CONFLICTS OF INTEREST

Cable&Wireless Worldwide is committed to ethical and responsible dealings, and this principle will be reflected in our relationship with suppliers.

In line with Cable&Wireless Worldwide Ethics Policy, colleagues must avoid personal activities and financial interests that could conflict, or be perceived to conflict, their responsibilities to the Company. Cable&Wireless Worldwide maintains a Conflict of Interest Register for the benefit of all employees. This provides a mechanism through which conflicts of interest and receipt of significant gifts can be formally recorded and acknowledged by line management.

CORPORATE SOCIAL RESPONSIBILITY

Cable&Wireless Worldwide takes seriously issues of corporate responsibility. The “Sustainable Procurement” questionnaire is issued to key partners to provide information on the working practices of suppliers in the areas of supplier management, employment, health, safety, environment, Business Continuity and security. We rate our key global suppliers according to risk as high, medium or low and this is the first step to identify opportunities to work more closely with them on various aspects of CSR, including reducing the carbon footprint of our supply chain. We review these assessments annually, using internationally recognised benchmarks such as the ILO Charter, the Universal Declaration of Human Rights and the UN Global Compact.

Cable&Wireless Worldwide has an Environment Policy, the principles of which should be considered in all key procurement decisions. The policy objectives include a commitment to comply with environmental legislation relevant to procurement of products and services and to minimize environmental harm and pollution from business activities. Where relevant, advice must be sought from the Legal team and Environment Manager to ensure that all obligations under the WEEE and RoHS Regulations and other applicable environmental legislation have been adequately considered within contracts and agreements.

Purchasing decisions should also be taken with the commitments outlined in our Carbon Policy in mind. In addition to seeking value for money in its purchasing decisions, Cable & Wireless will also seek to identify the most energy efficient solution to deliver cost, environmental and social benefit.

The Health and Safety at Work Act 1974 imposes duties upon those procuring and providing goods and services. Health & Safety legislation affecting purchasing decisions includes, but is not limited to such legislation as The Supply of Machinery (Safety) Regulations 1992 (amended in 1994), The Provision and Use of Work Equipment Regulations (PUWER) 1998 and The Control of Substances Hazardous to Health Regulations. Therefore all services and goods provided to Cable&Wireless Worldwide must abide by UK and European legislative requirements

Robust selection and management processes are in place to ensure we minimize environmental and H&S risks through contractors or out-sourced activities. A Cable&Wireless Worldwide interface (sponsor) must be identified to ensure these processes are followed.

ENTERING COMMERCIAL ARRANGEMENTS

All supplier related contracts must be signed by a member of the Legal team and a governance process followed to ensure that any contracts exceeding certain values or including specific clauses are referred to either UK Board or PLC Board for approval.

All supplier contracts must be stored in the contracts database along with a scanned copy of the contract and the Recommendation to Award document.

No employee should negotiate with suppliers and commit to third party expenditure on behalf of Cable&Wireless Worldwide without Purchasing approval. Any deviations from standard Cable&Wireless Worldwide terms and conditions must have sign-off from the Legal team. A commitment can only be made when the appropriate internal approvals (from Purchasing, Finance and the business) have been secured.

Reciprocal trading is strictly prohibited. Whilst contracts may be placed with suppliers who are also customers, the decision to award a contract must be taken on its own merits.

VENDOR DATABASE

Approved vendors are added to Cable&Wireless Worldwide's vendor database within our ERP system in order to facilitate the ordering process and adhere to the principles within this policy. A request for a new vendor is initially approved by the relevant Category Manager, and subsequently by Head of Purchasing. The database is proactively managed through periodic reviews and the removal of redundant supplier records.

ORDERING GOODS & SERVICES

THIRD PARTY PRODUCTS & SERVICES

SAP is the mandatory system for ordering goods or services from third parties in Cable&Wireless Worldwide (with some defined exclusions). Requisitions are to be raised in eProcurement and approved on-line at the level of predetermined delegated authority limits. Approved requisitions will be converted to a Purchase Order (PO) and sent to the vendor resulting in a contractual commitment.

It is strictly prohibited to commit to spend with a supplier before a PO has been raised and approved. The retrospective raising of Purchase Orders will be considered a serious offence and will be reported through the management structure.

CAPACITY BUYING

Due to the nature of Access buying, and particularly the incumbent's position, all orders with BT businesses are made through the BT ECO system. Adherence to framework agreements and specific tariffs is measured on receipt of invoice, supported by the Cable&Wireless Worldwide Mozart system.

For International capacity buying, orders are raised on either Remedy or GSOS, depending on the geography and the supplier but in adherence to pre-negotiated framework agreements. In the absence of an SAP purchase order, the supplier circuit ID is used to reconcile the order to the system and facilitate payment.

SUPPLIER MANAGEMENT

It is clearly recognised that Cable&Wireless Worldwide is unable to deliver its strategy without strong partnerships with its suppliers. The relationships that Cable&Wireless Worldwide builds with its suppliers are valued and the Purchasing department advocates active vendor management. We will work ever more closely with fewer key vendors in order to develop stable, long-term partnerships, which will produce mutual benefits.

THIRD PARTY VENDORS

All key third party vendors of products, services and carrier services are managed in accordance with the Supplier Relationship Management (SRM) Model. This model uses a balanced scorecard to drive improvement to the quality of the service or products that are supplied.

The relationship with our key vendors is measured with our “Partnership Model”. Along with this model, the governance structure that ensures engagement at all levels with our key suppliers helps to drive continued strong relationships.

Cable&Wireless Worldwide keeps its key suppliers updated on our strategy and drivers through annual supplier conferences. These take the form of Supplier Events, aimed at Exec Level engagement, and academies aimed at the field service community within our suppliers.

Potential risks from poor social, environmental or health and safety practices with our suppliers are assessed with the “Sustainable Procurement Questionnaire”. The questionnaire gives a periodic health check on our supplier commitment to delivering ethical and safe services to Cable&Wireless Worldwide.

SAVINGS MANAGEMENT

Rigorous and structured processes are in place to record the cost savings achieved by the Purchasing team, involving approval by the Finance team as well as the relevant internal customer.

For third party purchases, the Closing The Gap process ensures all information on planned commercial activities and associated target savings are documented and reported on a monthly basis.

The capacity buying initiatives and associated cost savings are reported on the Cost Of Sales online tool.

Savings are classified as Run Rate (hard), One-Off (hard) or Cost Avoidance (soft).

AUDIT REVIEW

This Policy will be reviewed and updated periodically to reflect the changing market. Internal Audit will be invited to review adherence to the Purchasing Policy on a regular basis, to assess its effectiveness

AMENDMENT RECORD

Version	Status	Description of Changes	Author	Date
0.1	Draft	Original	RL	24/07/07
0.2	Draft	Formatting	RL	31/07/07
0.3	Draft	Following initial MC review	RL	07/08/07
0.4	Draft	Updated with Capacity Buying info	RL	09/08/07
0.5	Draft	Further review by MC	RL	23/08/07
1.0	Issued	Approved by Mike Crone, Head of Purchasing	RL	03/09/07
1.1	Issued	Updated Ordering section page 8, ref comments from P.Cassidy	RL	03/10/07
1.2	Draft	Updates to reflect introduction of Sustainable Procurement assessment into Purchasing cycle.	RL	22/10/08
1.3	Draft	Updates to Supplier Management section	RL/AT	02/12/08
1.4	Draft	Updates to H&S section	RL	17/12/08
1.5	Draft	Following MC Review	RL	20/01/09
2.0	Issued	Approved by Mike Crone, Head of Purchasing	RL	27/01/09
3.0	Issued	Updated to reflect entity change to C&W Worldwide	RL	16/03/10
3.1	Issued	New brand template applied	RL	30/09/10
4.0	Issued	Annual review, changes approved by Mike Crone	RL	05/10/10