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**CWW ECF Representatives' Opinion on the Recommended Cash Offer for Cable & Wireless PLC (CWW) by Vodafone Europe B.V. ("Vodafone") as announced in the document circulated on 23 April 2012 (the "Announcement")**

**Introduction: The CWW Employee Consultation Forum**

The Employee Consultation Forum (ECF) is a democratically elected body governed by a formal constitution which represents all employees of Cable&Wireless Worldwide PLC (CWW), across all its locations. Its most recent election in May 2012 returned 27 delegates, representing c6,250 employees. In the opinion of the ECF, the credibility of its mandate is further demonstrated by the resoundingly positive scores accorded it by colleagues in the most recent 'My Say' engagement surveys conducted in July 2011 and January 2012. Through flexible and effective engagement, its stated aim is to help make CWW a vibrant, prosperous business and a fantastic place to work.

The ECF representatives welcome the commitment to "appropriate consultation" expressed in the Announcement. This is already envisaged by the CWW ECF constitution and confirmed by its successful practice over many years' productive engagement.

**General Statement on the Announcement**

The ECF representatives welcome Vodafone's stated intention to create a leading enterprise-focused operator in the UK, complemented by an increase in the scope of its international services, and anticipate receiving confirmation and details of the investment required to realise this ambition.

On behalf of CWW employees, the ECF representatives take great pride in the company's distinguished heritage and note the value placed on their "skills, experience and industry knowledge". Consequently, we look forward to seeing the capital investment in infrastructure matched by the corresponding investment in people which will afford employees the opportunity to enhance Cable & Wireless' long tradition of technical innovation and excellence of service in future.

However, the Announcement has given rise to a number of issues of concern. The ECF representatives wish to specify these.

**Issues**

**1. Overlap Headcount Reductions**

The likelihood of a reduction in current headcount, expressed in Paragraph 9 of the Announcement, has caused disquiet amongst employees, not least due to the lack of definition of what "administrative and operational overlap" actually means. The ECF representatives look forward to the early opportunity to determine this and its consequences in terms of the

numbers, locations and business functions of those potentially at risk, through the tried and trusted CWW consultation model.

A further concern is that CWW is currently reducing headcount through a comprehensive restructuring programme already; consequently, some of these exits might prove inadvertently detrimental to Vodafone's strategy for the business.

Wherever possible, the ECF representatives trust that these colleague fears will be allayed as swiftly as is practicable.

## **2. Locations**

CWW has many manned and unmanned locations, so the ECF representatives request identification of the "places of business" referred to in Paragraph 9 of the Announcement as potentially in scope for closure as soon as possible, so that "appropriate" consultation according to the CWW model can then be initiated.

The representatives also note the lack of any time scales for this activity, which is a further cause of apprehension amongst employees.

## **3. Assets – Sell off**

The ECF representatives note the apparent lack of any statement of intent regarding separation of components of the CWW business. Consequently, they wish to know if Vodafone envisages any TUPE transfer of any part of the business, before or after the outright purchase of CWW's shares.

## **4. Harmonisation of Terms & Conditions**

The proposal to align individual terms and conditions made in Paragraph 9 of the Announcement is noted. The ECF representatives anticipate early sight of the corresponding Vodafone terms and conditions to facilitate effective consultation on this far-reaching exercise, encompassing all employees of the CWW group. They will also welcome the confirmation that no colleagues will be adversely affected by this alignment. Guidance on anticipated timelines for this activity will also be appreciated.

The ECF representatives note the assurance that "the existing statutory employment rights of management and employees of CWW will be fully safeguarded". They would countenance nothing less.

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## 5. Pension – Final Salary Schemes

As referred to in Paragraph 9 of the Announcement, the ECF representatives welcome the statement relating to arrangements made by Vodafone (and Vodafone Group) with the Trustee of the CWW Plan and with the Trustees of the THUS Scheme in relation to the funding and security of pension benefits, amongst other things. The representatives look forward to learning full details of these arrangements, and wish, amongst other matters, to obtain clear confirmation that they will guarantee current commitments and maintain active membership of the CWW Plan and the THUS Scheme.

## 6. CWW Share Plans

To the ECF representatives' knowledge, a significant amount of the queries concerning the takeover made by colleagues to the company to date have related to the CWW Share Purchase Plan. Consequently, they welcome Vodafone's agreement, as described at paragraph 10, of the Announcement, in relation to matching shares awarded under the CWW Share Purchase Plan.

Following the direction set by Cable & Wireless plc on the acquisition of THUS, they would further appreciate the confirmation of Vodafone's willingness to mitigate the tax and National Insurance penalties incurred by colleagues due to the CWW Share Purchase Plan's early conclusion by grossing up the resulting settlement payments.

In relation to the performance share awards and restricted share awards granted under the CWW Incentive Plan 2011, referred to at the second bullet point of Paragraph 10 of the Announcement, the ECF representatives would like early and precise details on what the "certain amendments to the rules which will enhance participants' rights" actually means.

Unlike the CWW Share Purchase Plan, the CWW Incentive Plan has a limited (if any) impact on most employees, so the ECF representatives wish to see this enhancement of participants' rights conferred equally to all colleagues.

While noting the statement at the penultimate paragraph of Paragraph 10 of the Announcement that "Vodafone has agreed that employees of the CWW Group will be eligible to participate in the employee incentive plans operated by Vodafone Group on the same basis as comparable employees of the Vodafone Group," the ECF representatives find the statement too vague to understand what this might mean in practice and await early communication of the "further details" promised at the final paragraph of Paragraph 10 of the Announcement.

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## **7. Consultation on Policies**

In addition to the statement proposing, subject to appropriate consultation, the alignment of the terms and conditions of employment of CWW management and employees with those used by Vodafone Group (set out at the second paragraph of Paragraph 9 of the Announcement), the ECF representatives note the further statement in that paragraph of the Announcement proposing to align CWW policies with those of the Vodafone Group. In order to facilitate effective consultation as defined in the CWW ECF constitution, they request full details of the Vodafone policies in scope.

## **8. Employee Participation**

Given the acknowledgement of the contribution of employees expressed by John Barton, Chairman of CWW, in his comment on the Offer set out in the Summary of the Announcement, which also is reiterated in the comment of Vittorio Colao, CEO of Vodafone Group, the ECF representatives note that the Announcement does not specifically address how effective employee participation will be achieved going forward. Consequently, they look forward to receiving the assurance that the current CWW ECF engagement model will be continued and integrated into the proposed new entity so that this opportunity may most effectively be realised.

## **Conclusion**

Subject to the specific issues raised above, overall the Vodafone Group's proposal, which the ECF sees as one to create a stronger business by more effectively harnessing the assets and capabilities of CWW and its employees, has been positively received by ECF representatives and their constituents.

Drawing on colleagues' views and aspirations, including those recorded in CWW's 'My Say' survey, the representatives look forward to progressing the harmonious integration of the two businesses into a stronger whole.