



**Audit Committee Charter  
Amended December 2004**

Tyco International



**TABLE OF CONTENTS**

Purpose ..... 3  
Authority ..... 3  
Composition ..... 3  
Meetings ..... 3  
Responsibilities ..... 4  
    Financial Statements ..... 4  
    External Audit ..... 4  
    Internal Audit ..... 5  
    Compliance ..... 5  
    Internal Controls ..... 5  
    Reporting ..... 6  
    Other Responsibilities ..... 6



## **Purpose**

The Audit Committee is appointed by the Board to assist the Board in monitoring:

- a. The integrity of the financial statements of the Company,
- b. The outside auditor's independence and qualifications,
- c. The performance of the Company's internal and external auditor,
- d. The compliance by the Company with legal and regulatory requirements, and
- e. The effectiveness of the Company's internal controls.

The Audit Committee also is responsible for:

- a. Preparing the report required by the rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement, and
- b. Overseeing the Company's policies, practices and compliance regarding its Guide to Ethical Conduct.

## **Authority**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. Such authority includes but is not limited to:

- a. Retain outside counsel, accountants, outside advisors, consultants, or others to assist in the conduct of an investigation or as it determines appropriate to advise or assist in the performance of its functions.
- b. Seek any information it requires from employees or external parties. Employees and external parties will be directed to cooperate and comply with the committee's requests.
- c. Meet with the senior internal auditor, company officers, external auditors, or outside counsel, as necessary.

## **Composition**

The Audit Committee shall have at least three members, each of whom shall meet the independence and experience requirements of the New York Stock Exchange, as determined by the Board. The Board, after due consideration of the recommendation of the Corporate Governance and Nominating Committee, shall appoint the members of the Audit Committee and designate its chair. Committee members may not serve on more than two additional Audit Committees of other public companies without the approval of the full Board of Directors.

Each member of the Audit committee will be financially literate, as determined by the board. At least one member of the Audit Committee will qualify as an "audit committee financial expert," as defined by the SEC.

## **Meetings**

The Audit Committee shall meet at least six times a year, and may meet additionally as it deems necessary or appropriate in its judgment, either in person or telephonically. The Audit Committee shall meet at least quarterly with management, the senior internal auditor, and the external auditor in separate executive sessions.



## **Responsibilities**

The Audit Committee will carry out the following responsibilities:

### *Financial Statements*

- 1) Review the annual audited and quarterly financial statements, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations" with management, the internal auditor, and the outside auditor, and recommend to the Board whether the audited financial statements should be included in the annual report on Form 10-K.
- 2) Discuss, including with the internal and outside auditor, corporate policies with respect to earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
- 3) Review the process for the SEC-required CEO and CFO quarterly certification of financial statements.
- 4) Review from time to time (but in no event less often than annually) with the outside auditor and management, as appropriate:
  - Significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements;
  - Major issues regarding the Company's accounting and auditing principles and practices, including critical accounting policies, and major changes in auditing and accounting principles and practices suggested by the outside auditor, internal auditor or management;
  - Matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit;
  - The results of the audit, which should include a review of any audit problems or difficulties encountered by the outside auditor in the course of the audit work, including any restrictions on the scope of activities or access to required personnel or information, and any disagreements with management; and
  - Principles of accounting proposed or promulgated by regulatory accounting authorities.

### *External Audit*

- 1) Annually retain, subject to the approval of the shareholders, evaluate, and, if appropriate, recommend termination of the Company's outside auditor. The Audit Committee shall be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, oversight, and evaluation of performance of the work of the outside auditor. In addition, the Audit Committee will review and evaluate the performance of the auditor's lead audit partner. The Audit Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the outside auditor. The Audit Committee shall establish policies and procedures for the engagement of the outside auditor to provide permissible non-audit services, which shall include pre-approval of such services.
- 2) At least annually, obtain and review a report from the outside auditor describing any relationships between the auditor and the Company and any other relationships that may adversely affect the auditor's independence, consider the independence of the outside auditor, and otherwise take



appropriate action to satisfy itself of the independence of the auditor, including considering whether the provision of non-audit services by the outside auditor is compatible with the auditor's independence.

- 3) Establish policies for the hiring of employees and former employees of the outside auditor.
- 4) At least annually, review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit, to ensure the completeness of coverage and reduction of redundant efforts.
- 5) At least annually, obtain and review a report by the outside auditor describing its own internal quality-control procedures; any material issues raised by its most recent quality-control review or peer review; and any inquiry or investigation by governmental or professional authorities respecting any of its audits within the past five years, together with any steps taken to deal with any such issues.
- 6) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

#### *Internal Audit*

- 1) Select, monitor, evaluate, compensate, and if necessary, replace the internal audit director.
- 2) Review with management and the senior internal auditor the charter, scope, responsibilities, plans, budget, staffing, organizational structure, thefts and defalcations and results of the internal audit function.
- 3) The senior internal auditor will regularly attend all audit committee meetings. At least quarterly, meet separately with the senior internal auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

#### *Compliance*

- 1) Selecting, monitoring, evaluating, compensating, and if necessary replacing the Corporate Ombudsman.
- 2) Advise the Board with respect to the Company's Guide to Ethical Conduct, and annually review and assess the adequacy of the Guide to Ethical Conduct and recommend any proposed changes to the Board. Specifically, the Audit Committee shall discuss with management, the Company's senior internal auditor, and the Senior Vice President – Corporate Governance, their compliance with the Company's Guide to Ethical Conduct, including any insider and affiliated party transactions, and the Company's procedures to monitor compliance throughout the Company with the Guide to Ethical Conduct.
- 3) Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable law and regulations.
- 4) Review the effectiveness of procedures for the receipt, retention, resolution and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for employees to make confidential and anonymous submissions of concern regarding questionable accounting or auditing matters. This should also include a review of management follow-up, including disciplinary action, for any actions of noncompliance.

#### *Internal Controls*

- 1) Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.



- 2) Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and the Company's internal controls, including any significant deficiencies and significant changes in internal controls.
- 3) Consider the effectiveness of the Company's internal control over annual and interim financial reporting, including information technology security and control.
- 4) Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management responses.

#### *Reporting*

- 1) Regularly report to the Board about committee activities, issues and related recommendations.
- 2) Report annually to the shareholders, describing the committee's composition, responsibilities, and how they were discharged, and any other information required by regulators.

#### *Other Responsibilities*

- 1) Assess annually the Audit Committee's and individual members' performance of the duties specified in this Charter and report its findings to the Board.
- 2) Annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board.