

CSR plc
(the “Company” and together
with subsidiaries of the Company
from time to time “the Group”)

Terms of Reference for
the Audit Committee

1. Constitution

The board of directors of the Company (the “**Board**”) resolved to adopt these terms of reference for the Audit Committee (the “**Committee**”) on 9 May 2011.

2. Membership

2.1 The Committee shall consist of a chairman and at least two other members, each of whom shall be an independent non-executive director (as ‘independent’ is defined in paragraph A.3.1 of the Combined Code on Corporate Governance) of the Company.

2.2 The members of the Committee and the chairman of the Committee shall be appointed from time to time by a resolution of the Board. At least one member of the Committee shall have recent relevant financial experience. The chairman of the Board shall not be a member of the Committee, however he may attend meetings by invitation.

2.3 The chairman of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, from amongst the non-executive directors. In the absence of the chairman of the Committee and/or an appointed deputy, the remaining members present may elect one of their number to chair the meeting.

2.4 If a regular member is unable to act due to absence, illness or any other cause, the chairman of the Committee may appoint another non-executive director of the Company to serve as an alternate member.

3. Attendance at meetings

3.1 Only members of the Committee shall have the right to attend meetings. However, the Committee may ask the Chief Financial Officer, the head of internal audit, a representative of the external auditors or any other officer, director or employee of the Group to attend all meetings other than pursuant to paragraph 3.3.

3.2 The Chief Executive Officer, the Chief Financial Officer (if not attending pursuant to paragraph 3.1) and any relevant senior management shall attend if invited by the Committee.

3.3 There should be at least one meeting a year where the external auditors attend without management present.

4. Secretary

The Company Secretary or his nominee shall be secretary of the Committee.

5. Quorum

The quorum necessary for the transaction of business at a meeting of the Committee shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. Frequency of meetings

6.1 Meetings shall be held not less than quarterly, and where appropriate should coincide with key dates in the Company's financial reporting cycle, and be prior to the Board meeting where accounts or financial statements are to be approved.

6.2 The external or internal auditors may request a meeting if they consider that one is necessary.

7. Notice of meetings

7.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any member thereof.

7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors.

8. Authority

The Committee is authorised by the Board to:

- (i) investigate any activity within its terms of reference;
- (ii) seek any information that it requires from any employee of the Company, and all employees are directed to co-operate with any request made by the Committee;

- (iii) obtain, at the Company's expense, outside legal or independent professional advice, and such advisors may attend meetings as necessary; and
- (iv) to call any member of staff to be questioned at a meeting of the Committee as and when required.

9. Responsibilities

9.1 The purpose of the Committee shall be to provide oversight of the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

9.2 The responsibilities of the Committee shall be:

- (i) to consider the appointment and re-appointment of the external auditor and the terms for engagement of the external auditor for the Company;
- (ii) to consider the appointment and re-appointment and the terms of engagement of any third party that may provide audit services to subsidiary companies as may from time to time be determined by the Committee to be appropriate;
- (iii) to recommend the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditor;
- (iv) to meet with the external auditors at least twice each year, once at the planning stage, where the scope of the audit will be considered, and once post audit at the reporting stage;
- (v) to consider any significant findings or recommendations provided and discuss any potential misstatements identified by the external auditors;
- (vi) to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- (vii) to oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting. The chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities;
- (viii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, such as ensuring that key partners are rotated at appropriate intervals. The Committee's review of the external auditor's independence shall

include: (a) obtaining on a periodic basis a written statement from the external auditor regarding relationships with and services provided to the Company that may impact independence, as defined by applicable US standards and the US Securities and Exchange Commission (the "SEC") requirements and discussing with the external auditor its independence; (ii) presenting this statement to the Board; and (iii) to the extent there are relationships, monitoring and investigating their impact, if any, on the external auditor's independence;

- (ix) to review the external auditor's management letter and management's response;
- (x) to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (xi) to consider applications for the post of and approve the appointment of the head of the internal audit function; any dismissal of the post holder should be considered by the Committee. The head of internal audit shall be given the right of direct access to the chairman of the Committee;
- (xii) to review and monitor the internal audit programme and the effectiveness of the internal audit function. Ensure that the internal audit function has appropriate terms of reference, is adequately resourced and has a suitable standing with the Company;
- (xiii) to give due consideration to the requirements of the Code and the UK Listing Authority's Listing Rules and associated guidance, in addition to the requirements of the SEC and relevant US Securities Laws as regards financial reporting, internal controls, disclosure and good governance;
- (xiv) to consider management's response to any major external or internal audit recommendations;
- (xv) to review the Group's internal procedures for complying with applicable laws and regulations designed to prevent and detect bribery and corruption whether within the organisation or in dealings with third parties. To ensure that the executive implement measures to educate employees on good practices to guard against bribery and corruption and to facilitate notification of instances that have the potential to contravene applicable laws and regulations;

- (xvi) to establish procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (xvii) to review the Company's procedures for handling allegations from whistleblowers and to ensure that the procedure provides for proportionate and independent investigation and where appropriate further action;
- (xviii) to review the Company's internal financial controls and the Company's internal control and risk management systems;
- (xix) to review the consistency of accounting policies both on a year to year basis and across the Company;
- (xx) to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them before submission to the Board, paying particular attention to:
 - (a) critical accounting policies and practices, and any changes in them;
 - (b) decisions requiring a major element of judgment;
 - (c) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (d) the clarity of disclosures;
 - (e) significant adjustments resulting from the audit;
 - (f) the going concern assumption;
 - (g) compliance with accounting standards;
 - (h) compliance with stock exchange and other legal requirements (when relevant);
 - (i) reviewing the Company's statement on internal control systems prior to endorsement by the Board;

- (j) to review the policies and process for identifying and assessing business risks and the management of those risks by the Company; and
 - (k) to review the annual financial statements of the pension funds where not reviewed by the Board as a whole; and
- (xxi) to consider other topics, as defined by the Board.

10. Minutes of meetings

- 10.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 10.2 The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 10.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the chairman and all members of the Board.

11. Reporting procedures

- 11.1 The external auditors shall report directly to the Committee.
- 11.2 The Committee chairman shall report formally to the Board on its proceedings after each meeting of the Committee and on relevant matters within its duties and responsibilities.
- 11.3 The Committee or its chairman shall attend the Board meeting at which the accounts are approved and shall meet formally with the Board at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors.
- 11.4 The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.
- 11.5 The Committee shall compile a report to shareholders to be included in the Company's Annual Report and Accounts.
- 11.6 The Committee's duties and activities during the year shall be disclosed in the annual financial statements.

