

## Audit Committee Terms of Reference

The Board of Taylor Wimpey plc will monitor the effectiveness of this Policy and the Audit Committee will review and approve the Policy on a regular basis.

<b>Approved by:</b>	Audit Committee	<b>Last reviewed:</b>	25 February 2019

<b>Introduction</b>	<p>The Taylor Wimpey plc Audit Committee is a Committee of the Taylor Wimpey plc Board of Directors (“the Board”) with the following Terms of Reference, which outline its underlying objective and responsibilities.</p>
<b>Review and Approval</b>	<p>These Terms of Reference shall be regularly reviewed and any amendment shall require the approval of the Board.</p>
<b>Objective</b>	<p>The objective of the Taylor Wimpey plc Audit Committee (“the Committee”) is to assist the Board in fulfilling its corporate governance responsibilities relating to the Group’s financial reporting, risk, and internal control framework and any other matters referred to it by the Board.</p> <p>In doing so the Committee will:</p> <ol style="list-style-type: none"><li>1. Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company’s financial performance, reviewing significant reporting judgements contained in them.</li><li>2. Review the Company’s internal controls and risk management systems.</li><li>3. Monitor and review the effectiveness of the Company’s Internal Audit function (‘IA’).</li><li>4. Make recommendations to the Board in relation to the appointment, re-appointment, removal, remuneration and terms of engagement of the external auditor.</li><li>5. Monitor and review the external auditor’s independence and objectivity and the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.</li><li>6. Develop, implement, and monitor policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance, and 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.</li><li>7. Undertake the process by which the Committee advises the Board on how it has ensured that the Annual Report to shareholders each year is fair, balanced, understandable, and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.</li><li>8. Report to the Board on how it has discharged its responsibilities.</li><li>9. Prepare and approve an annual Audit Committee Report to shareholders in the Company’s Annual Report.</li></ol> <p>The Committee’s specific operational duties and responsibilities, underlying each of 1-9 above, and other relevant areas, are detailed in Appendix 1.</p>
<b>Membership of the Committee</b>	<p>The Committee, whose members shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee, is to comprise no fewer than three Independent Non-Executive Directors. At least one member of the Committee shall have recent and relevant financial experience and competence in accounting and/or auditing. The Chair of the Board shall not be a member of the Committee.</p>

The Board shall appoint the Committee Chair who shall be an Independent Non-Executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Appointment to the Committee shall be for a period of up to three years, plus up to two further three year periods at the discretion of the Committee and / or the Board.

#### **Meetings**

The Committee shall hold at least three meetings per year during the reporting and audit cycle and otherwise as required by the agenda framework as the Committee Chair shall deem necessary, in order for the Committee to fulfill its duties. The Chair is required to call a meeting if requested to do so by any Committee member, any other Board Director, the Head of IA or the external auditor.

Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chair of the Committee or if requested to do so by any Committee member.

A quorum of the Committee is two members both of whom must be independent Non-Executive Directors and one of whom shall meet the financial experience and competence requirement. 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.

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, no later than four working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

#### **Attendance at Meetings**

Only members of the Committee shall have the right to attend Committee meetings, to form part of the quorum and to vote. However in order to foster inclusiveness, other members of the Board shall be free to attend meetings of the Committee as guests. Directors or Officers of Group companies may be invited to be in attendance at all or part of any meeting as and when the Committee considers it appropriate. Representatives of the external auditor and the Head of IA will be invited to attend all meetings. The Committee may request that non-members withdraw from any part of a meeting.

The Committee shall meet with the external auditor at least annually.

The Chair of the Committee shall meet with the Head of IA at least annually and otherwise as appropriate throughout the year.

#### **Annual General Meeting**

The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **Secretary**

The Company Secretary of the Company or his/her nominee shall be Secretary of the Committee and attend each meeting.

In accordance with the Committee's agenda framework the Secretary shall be responsible for drawing up the agenda and circulating it with supporting documentation to Committee members, the Head of IA and the external auditors prior to each meeting. Relevant extracts will be circulated to any other attendees.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any of any conflicts of interest and minute them accordingly.

The Secretary shall be responsible for keeping the minutes of meetings of the Committee and circulating them to members of the Committee and, once agreed, to all members of the Board and attendees of the meeting.

**Reporting to the Board**

The Committee discharges its responsibilities by making recommendations to the Board. In relation to these recommendations, the Committee does not have any authority to commit the Board to their implementation. In addition, the Committee is not responsible for supervising the performance of management and does not become involved in day-to-day operations or management functions and decision making.

The Committee shall report to the Board on its activities together with any recommendations through the circulation of its minutes and verbally, via the Committee chair, at the Board meeting following each Committee meeting.

The Committee, on an annual basis, shall evaluate its own performance against these Terms of Reference and best practice.

**Annual Report to shareholders**

The Committee shall establish, monitor and report to the Board on a process to ensure that the Company's Annual Report to shareholders is fair, balanced, understandable, and provides information necessary for shareholders to assess the Company's performance, business model and strategy, in order to ensure that Section 4 Principle N of the UK Corporate Governance code is met.

**Authority and access**

The Committee is authorised to:

- Maintain open lines of communication amongst the Board, IA, the external auditors and management and to confirm their respective authority and responsibilities;
- Meet the Head of IA at least once a year, without management being present, to discuss the IA remit and any issues arising from the internal audits carried out. In addition, the Head of IA shall be given the right of direct access to the Chair of the Board and to the Committee;
- Advise the Board of any actual or potential matters of concern, which may require its attention;
- Have the authority to direct at the Company's expense any special investigations deemed necessary by itself or the Board and to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- Have unrestricted access to the Head of Internal Audit, the external auditor and management;
- Meet with the external auditor at two meetings each year (and otherwise as necessary) to discuss any matters which the external auditor may wish to raise without Executive Directors being present;

- Seek any information it requires from any employee of the Company to perform its duties;
- Have the ability to consult independent experts when considered necessary to carry out its duties;
- Advise the Board on actual or potential matters of concern, which may require its attention;
- Call any employee to be questioned at a meeting of the Committee as and when required;
- Have access to sufficient resources to carry out its duties, including access to the Company secretariat for assistance as required;
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- The Committee Chair should engage with shareholders on significant matters relating to their area of responsibility; and
- Give due consideration to laws and regulations, including the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules as appropriate; and Oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

**Audit  
Committee  
Report to  
shareholders**

The Committee shall review and approve an annual Audit Committee Report to shareholders in the Company's Annual Report and Accounts.

## Appendix 1 Duties and Responsibilities of the Taylor Wimpey plc Audit Committee

This Appendix supplements the Taylor Wimpey plc Audit Committee Terms of Reference. It expands upon the Committee's objective by providing details on the Committee's operational duties and responsibilities.

### 1. Monitor and review the financial reporting practices.

Monitor the integrity of the financial statements of the Company, including its annual and interim reports;

Review, prior to submission to the Board, the interim and annual financial statements, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain;

Review any summary financial statements, significant financial returns to regulators and announcements of a price sensitive nature;

Review and, where necessary, challenge:

- The consistency of and approve significant changes in accounting policies and practices both on a year on year basis and across the Group.
- Major judgmental areas, particularly the nature and level of significant provisioning and for significant or unusual transactions where different approaches are possible.
- The going concern assumption.
- Compliance with appropriate accounting standards and the requirements of the UK listing authority.
- The clarity of disclosure in the Company's financial reports and the context in which statements are made.
- All material information presented with the financial statements, including the strategic report and the corporate governance statements (insofar as they relate to the audit and risk management).

With specific regard to the pension funds, the Group Finance Director has the principal governance relationship and reports directly to the Board on this area. The Committee will only be involved at the direction of the Board.

### 2. Review the effectiveness and efficiency of the internal control framework in place to safeguard the assets, address the significant risks and monitor the activities of the Taylor Wimpey Group as a whole.

- Make enquiries of management, the Head of IA and the external auditor regarding significant risks or exposures and assess the steps management has taken to actively mitigate such risks or exposures to the Group, and in doing so, review the Group Risk Report;
- Evaluate the effectiveness and efficiency of the Group's management, operational and financial internal control framework by reviewing reports from IA, and monitor management response and action to implement process and performance improvement points;
- Determine whether management is taking action to monitor the effectiveness of the Group's internal control framework;
- Review reports received from IA, the external auditor and management.
- Monitor the standard of corporate conduct and through scrutiny of Corporate Responsibility practices, take an active interest in ethical considerations regarding the Group's policies and

practices;

- Review and approve the statements to be included in the Annual Report concerning internal controls and risk management (unless this is done by the Board as a whole);
- Review the Company's systems and controls for the prevention of bribery and receive reports on any non-compliance;

### **3. Monitor and review the effectiveness of Internal Audit process.**

- Review the IA Charter;
- Review and endorse the strategic direction of IA and its process improvement initiatives and targets;
- Ensure an appropriate risk assessment is used in the IA planning process;
- Review, provide input to and approve the IA work plan to ensure key business concerns are appropriately addressed and that it is aligned to the key risks of the business;
- Ensure that IA has the technical expertise, qualifications, experience and adequate resourcing to perform its function;
- Ensure the Head of IA is free from operational responsibilities which might impair independence and objectivity and that there have been no restrictions placed upon IA that have impacted upon the scope and performance of the work undertaken;
- Monitor progress against the IA work plan;
- Review promptly all reports from IA;
- Consider management's responsiveness to the findings and recommendations of IA;
- Review IA compliance with international and local auditing standards promulgated by relevant professional accounting bodies and the Institute of Internal Auditors;
- Review results of IA key performance measures; and
- Endorse the appointment and consider the resignation / dismissal of the Head of IA.
- Subject IA to an external evaluation at least once every five years.

### **4-6. Oversee the external audit process, including, but not limited to:**

Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting ('AGM'), in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for a new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

Oversee the relationship with the external auditor, including, but not limited to:

- Develop and oversee the selection process for the appointment of the external auditor;
- Review the reasonableness of the estimated and actual external audit fees, including fees for audit and non-audit work, ensuring they are appropriate to enable an effective and high quality audit to be conducted, and recommend approval to the Board;
- Approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- Confirm and assess annually the independence and objectivity of the external auditor, including a review of services other than audit services (and related fees)
- Satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
- Ensure the policy outlining competitive tendering for non-audit services has been complied with;

- Agree with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- Monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- Assess annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures and any relevant published independent assessment of the relative and actual performance of external auditors in the UK;
- Review the annual audit plan of the external auditors. Ensure, where appropriate, that there has been adequate communication and effective co-ordination with the Finance and IA functions;
- Ensure there have been no restrictions placed upon the external auditor that have impacted upon the scope and performance of the work undertaken;
- Review external audit status reports, significant audit adjustments, the management letter (including management's responses to it) and any areas of debate or dispute between the external auditor and management;
- Review the external audit report;
- Review the effectiveness of the audit;
- Review any representation letter(s) requested by the external auditor before they are signed by management.

## **7. Annual Report to Shareholders**

The Committee shall establish, monitor and report to the Board on a process to ensure that the Company's Annual Report to shareholders is fair, balanced, understandable, and provides information necessary for shareholders to assess the Company's performance, business model and strategy, to ensure that Section 4 Principle N and Provision 26 of the UK Corporate Governance code is met.

## **8. Report to the Board on how it has discharged its responsibilities**

The Committee will confirm annually to the Board on how it has discharged its responsibilities through undertaking a self-assessment exercise

## **9. Audit Committee Report to Shareholders**

The Committee shall review and approve an annual Audit Committee Report to shareholders in the Company's Annual Report, which is then subject to subsequent approval by the Board.