

Internal Audit Charter

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.

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| Approved by | | Last reviewed | 19 December 2019 |
| Chief Executive | | | |

Introduction

The Taylor Wimpey plc Board of Directors has established an Internal Audit function ('IA') to review and assess the activities of the Taylor Wimpey Group ('the Group'). The following Charter outlines IA's underlying objective, responsibilities, authority and approach.

Purpose and Mission

The purpose of TW's IA function is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations. The mission of IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. IA helps TW accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Internal Control Framework

Internal control is a system or process that is designed to provide reasonable assurance that business objectives can be achieved in a clearly defined and structured manner. Internal control is effected by the Board, management and other personnel. Internal control reduces the risk of asset loss and helps ensure the reliability of management information and financial reporting, compliance with laws and regulations and promotes efficiency.

Responsibilities

IA owes a responsibility to both management and the Board, through the Committee. By providing to each, at the appropriate level, an independent appraisal of the Group's activities, IA's reporting enables all parties to assess:

- The effectiveness and efficiency of the systems of management and internal controls in place to safeguard the assets, address the significant risks and monitor the activities of the Group;
- The effectiveness and efficiency of activities undertaken by the Group in accomplishing established objectives;
- The reliability and integrity of the financial and management reporting processes and information and other information of the Group;
- The compliance with Board policies and directives;
- The efficient and economic management of resources.

Authority

IA is under the authority of the Head of IA who is responsible for the effective discharge of IA's functions and the quality of its activities.

The Head of IA will have unrestricted access to, and communicate and interact directly with, the Board/Audit Committee, including in private meetings without management present.

The Audit Committee authorises the IA activity to:

- Have full, free, and unrestricted access to all areas, functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel as well as other specialised services from within or outside TW in order to complete the engagement.

Independence, Objectivity and Relationship with Management

The Head of IA seeks input and guidance on organisational issues, risks and procedures from members of the Group Management Team. The Head of IA also has direct access to the CEO and other executives and senior managers. This operational structure gives the organisational authority required to allow IA to perform in an independent and objective manner.

The Audit Committee is responsible to the Board, through its Terms of Reference, to review the Function's process. To assist the Committee to discharge its responsibility the Head of IA also has a reporting line to the Committee and has the right of access, at all times, to the Committee Chairman.

IA will maintain an unbiased attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

IA will have no direct operational responsibility or authority over any of the activities audited. Accordingly, IA will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

IA is an independent function and has no direct authority over the activities it reviews. This independence from operating management is essential for the audit team to maintain objectivity and integrity in the performance of audit assignments.

IA's independent evaluation of the internal control framework does not relieve management of its primary responsibility for implementing and maintaining effective systems to both control and monitor organisational activities and practices.

Standards for the Professional Practice of Internal Auditing

All audit activities are conducted in accordance with Group policies and values. IA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of IA will report periodically to the Audit Committee regarding the internal audit conformance to the Code of Ethics and the Standards.

Scope of IA Activities

In planning its activities, IA applies a risk based audit methodology that directs and concentrates its resources to those areas of greatest significance, strategic concern and risk to the Group. Effective application involves knowledge of the Group's business, which is derived from a close relationship between the audit team and management. In planning its activities, IA will also carry out such audits and review work as may be requested by the Committee.

Reporting and Follow Up

At the conclusion of each review, reports will be issued to the appropriate level of management setting out recommendations and responses to matters raised. Follow up by IA of the implementation of agreed actions by their action owners will be performed on a regular basis.

A report summarising activities, issues and findings of Group significance is presented by the Head of IA to the Committee.

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| Other Activities | On occasion, IA may provide consulting advice or undertake specific projects within the Group. In such cases the Head of IA will ensure that the independence and objectivity of IA is maintained. |
| Relationship with External Audit | IA is independent of the external auditors. However a close relationship is maintained to ensure complementary audit coverage and to avoid duplication of effort where appropriate. IA Reports will be made available to the external auditors. |
| Staffing and Performance | <p>The performance of the Head of IA is reviewed by the Group Finance Director with input, as appropriate, from other executives and senior managers and the Chairman of the Audit Committee.</p> <p>Selection, performance, professional development and promotion assessment of IA's members is the responsibility of the Head of IA.</p> <p>The Committee will subject IA to an external evaluation at least once every five years.</p> |