

Group Internal Audit Charter

1. Introduction

The purpose of this charter document is to detail the principles of the governance and organisation of Persimmon's Group Internal Audit function (formerly Group Risk), and to record the Board's agreement to these principles in line with the requirements of the International Standards for the Professional Practice of Internal Auditing.

2. Group Internal Audit Function

The Group Internal Audit Department is an independent and objective assurance function that is guided by a philosophy of adding value and improving the operations of the Persimmon Group, in addition to assisting in the protection of the assets, reputation and sustainability of the Group. It assists the Group in accomplishing its objectives by bringing a disciplined and repeatable approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

The Group Internal Audit Department also contributes to the Board's governance oversight responsibilities through its interaction with the Risk Committee and Audit Committee.

3. Organisation

The Group Internal Audit Department comprises the Group Internal Audit Manager, a Group Internal Audit Officer, and two Group Internal Audit Assistants. The Group Internal Audit Manager reports jointly to the Chair of the Audit Committee, Group Finance Director and, via the Risk Committee, to the Group Chief Executive. The Group Internal Audit Manager will communicate and interact directly with the Board, via the Risk and Audit Committees.

The Audit Committee, as per its terms of reference, will approve all decisions regarding the performance evaluation, recommended remuneration, and the appointment or removal of the Group Internal Audit Manager. The Audit Committee will also be responsible for monitoring and appraising the performance of the Group Internal Audit Department.

4. Professionalism

The Group Internal Audit Department will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance. This includes the Definition of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing (Standards), the Code of Ethics (including the four ethical principles of confidentiality, integrity, objectivity and competence) and, from 2020, the UK Internal Audit Code of Practice. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Group Internal Audit's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Group Internal Audit Department will adhere to all relevant Persimmon Group policies and procedures and its own manual and procedures.

Group Internal Audit will only carry out work for which it has appropriate professional competence; where this is not the case, other providers of assurance will be engaged to support the work required, subject to the authorisation of the Risk or Audit Committee. The Group Internal Audit Manager will ensure all staff within the Department are suitably trained and maintain the relevant professional qualifications required for their roles.

Group Internal Audit will maintain open and professional relationship with other external providers of assurance including the Group's external auditors and, where relevant, other regulatory bodies.

5. Authority

The Group Internal Audit Department is authorised by the Risk and Audit Committees to have full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel (including the Board) required in performing any engagement. This includes the right (but not the obligation) to attend any management or Board meetings. This access is subject to accountability for confidentiality and the requirement to ensure adequate safeguarding of all records and information obtained.

All employees are requested to assist Group Internal Audit in fulfilling its responsibilities by providing access to any materials or personnel as requested in a timely manner.

6. Group Internal Audit Independence and Objectivity

The Group Internal Audit Department will remain free from interference in the performance of its agreed schedule of activities, including matters of audit project selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Members of the Group Internal Audit Department will have no direct operational responsibility or authority over any of the activities reviewed. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. If any review is requested of work or processes overseen currently or recently by Group Internal Audit, appropriate safeguards on independence would be obtained, with work provided by another provider of assurance (either internally or externally sourced).

Group Internal Audit must exhibit the highest levels of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Members of Group Internal Audit must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. The Group Internal Audit Manager will confirm to the Board, at least annually, the organisational independence of the department.

As an additional safeguard on independence, and in line with the Audit Committee's terms of reference and the guidance of the Financial Reporting Council, the Group Internal Audit Manager will meet with the Audit Committee members once per year, without the presence of management. This meeting will include the adequacy of resourcing as a standing agenda item. Where the Group Internal Audit Manager has been in position for over seven years, the Audit Committee will ensure that, on an annual basis, the continued independence and objectivity of the Group Internal Audit Manager is reviewed.

7. Responsibilities of Group Internal Audit

The scope of Group Internal Audit activities encompass, but are not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and control processes through the completion of the agreed project plan (see 4.1). In addition to this core role, the Group Internal Audit Department will have responsibility for the following:

- Maintenance of the Group's Risk Registers
- Monitoring of the Group's whistleblowing provision
- Performance of periodic data analyses and investigations
- Attending valuation meetings to ensure adherence to agreed processes and controls
- Provision of Principal Risk Reports to each meeting of the Main Board

Group Internal Audit's primary responsibilities are the provision of assurance to the board. As a third line of defence function, Group Internal Audit does not have direct responsibility for the management of risk.

8. Annual Audit Plan

At least annually, the Group Internal Audit Manager will submit to the Risk and Audit Committees an annual audit plan for review and approval, including risk assessment criteria. The plan will include a provisional scheduling for each project within the next calendar year.

The scope of the annual audit plan will be unrestricted, and will focus on the key risks of the Group as well as internal governance arrangements, operational processes, key corporate events, the provision of management information, and the Group's risk and control culture.

To ensure the best use of available resources, the annual audit plan will be developed based on a prioritisation of the risks facing the Group using a risk-based methodology, based on analysis of the Group's 'Audit Universe' (register of auditable processes), Risk Registers and the input of the Risk and Audit Committee members and senior management (including Regional Chairmen, Regional Finance Directors and all PLC Heads of Function).

Any significant deviation from the approved audit plan, or any impact on the plan resulting from resource limitations, will be communicated to the Risk and Audit Committees through the periodic Report of Group Internal Audit.

9. Reporting and monitoring

A written report will be prepared and issued by the Group Internal Audit Manager following the conclusion of each project and will be distributed as appropriate. The results of each Group Internal Audit project will also be communicated to the Risk and Audit Committees through the Report of Group Internal Audit prepared for each committee meeting.

The Group Internal Audit Department is responsible for appropriate follow-up on engagement findings and recommendations. Follow-up will be conducted for each individual issue and recommendation raised, with a log at the level of individual audit reports being provided to each meeting of the Risk and Audit Committees for review.

Periodically, Group Internal Audit will report to the Risk and Audit Committees on thematic issues identified in the performance of its routine work. Group Internal Audit will also provide an annual assessment of the effectiveness of internal control for Board approval via the Risk and Audit Committees.

10. Periodic assessment

The Group Internal Audit Manager is responsible for providing periodically a self-assessment on the Group Internal Audit Department as regards its consistency with this Charter and performance relative to its project plan. In addition, the Group Internal Audit Manager will communicate to senior management and the Risk and Audit Committees on the department's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted ideally every five years.

11. Quality assurance and improvement programme

The Group Internal Audit Department will maintain a quality assurance and improvement programme that covers all core aspects of its activity. The programme will include an evaluation of Group Internal Audit's conformance with the Definition of Internal Auditing, the International Standards and the UK Internal Audit Code of Practice, as well as an evaluation of whether the department's members apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Group Internal Audit and identifies opportunities for improvement.

The Group Internal Audit Manager will communicate to senior management and the Risk and Audit Committees on Group Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted ideally every five years.

Approved by:

Group Chief Executive

Chair of the Audit Committee

Approved February 2020. Next review date is one year from approval.