

Internal Audit Charter for Persimmon plc

Purpose

The purpose of the Group Internal Audit department is to strengthen the ability of Persimmon (the Group) to create, protect, and sustain value by providing the Board and senior management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Group Internal Audit department supports the Group in its:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Group Internal Audit department is most effective when:

- Its activities are performed by competent professionals in conformance with The Institute of Internal Audit (IIA)'s *Global Internal Audit Standards*, which are set in the public interest.
- The department is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Group Internal Audit department will adhere to the mandatory elements of the IIA's *International Professional Practices Framework*, which comprise the *Global Internal Audit Standards* and *Topical Requirements*. As Chief Audit Executive, the Director of Internal Audit will report at least annually to the Board regarding the Group Internal Audit department's conformance with the *Standards*, which will be assessed through a Quality Assurance and Improvement Programme (QAIP).

Mandate

Authority

The Board grants the Group Internal Audit department the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight. The Group Internal Audit department's authority is created by its direct reporting relationship to the Board. Such authority allows for unrestricted access to the Board.

The Board authorises the Group Internal Audit department to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate appropriate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish its objectives.
- Obtain assistance from Group employees and other specialised services from within or outside the Group to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The Director of Internal Audit will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing

the independence of the Group Internal Audit department. The Director of Internal Audit will report functionally to the Board through the Chair of the Audit & Risk Committee, and administratively (for example, day-to-day operations) to the Chief Financial Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the ability to maintain objectivity.

The Director of Internal Audit will confirm to the Board, at least annually, the organisational independence of the Group Internal Audit department. If the governance structure does not support organisational independence, the Director of Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Director of Internal Audit will disclose to the Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Group Internal Audit department's effectiveness and ability to fulfil its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Director of Internal Audit, Board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the *Global Internal Audit Standards*.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the Director of Internal Audit, Board, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

In line with its terms of reference, the Audit & Risk Committee will provide oversight of the Group Internal Audit department on behalf of the Board. In addition to those specific responsibilities, the Audit & Risk Committee will:

- Approve the Group Internal Audit department's headcount and budgets.
- Approve the Group Internal Audit department's expenses and other resource commitments.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Director of Internal Audit, as described in the *Global Internal Audit Standards*.
- Approve the remuneration of the Director of Internal Audit.

Director of Internal Audit Roles and Responsibilities

Ethics and Professionalism

The Director of Internal Audit will ensure that internal auditors:

- Conform with the *Global Internal Audit Standards*, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Director of Internal Audit will ensure that the Group Internal Audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Director of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Group, with the exception of the following known responsibilities for the department:
 - Administrative maintenance of the Group's Risk Registers
 - Monitoring of the Group's whistleblowing provision
 - Provision of Principal Risk Reports to each meeting of the Main Board
 - The Director of Internal Audit acting as Deputy Money Laundering Reporting Officer
 - The Director of Internal Audit supporting, in a non-executive capacity, various business Group-level steering groups and committees such as the Security Council and Disclosure Committee
- Initiating or approving transactions other than those of the Group Internal Audit department.
- Directing the activities of any Group employee that is not part of the Group Internal Audit department, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Director of Internal Audit, Board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Group Internal Audit department

The Director of Internal Audit has the responsibility to:

- At least annually, submit a risk-based internal audit plan to the Board and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Board.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Group's business, risks, operations, programmes, systems, and controls.
- Communicate with the Board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the *Global Internal Audit Standards*.

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Board and senior management for each engagement as appropriate.
- Ensure the Group Internal Audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the *Global Internal Audit Standards* and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Group and communicate to the Board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and adhere to methodologies designed to guide the Group Internal Audit department.
- Ensure adherence to the Group's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the *Global Internal Audit Standards*. Any such conflicts will be resolved or documented and communicated to the Board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Director of Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Board.

Communication with the Board and Senior Management

The Director of Internal Audit will report periodically to the Board and senior management regarding:

- The Group Internal Audit department's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the QAIP, which include the Group Internal Audit department's conformance with the IIA's *Global Internal Audit Standards* and action plans to address the Group Internal Audit department's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Group Internal Audit department determines may be unacceptable or acceptance of a risk that is beyond Persimmon's risk appetite.

Quality Assurance and Improvement Programme (QAIP)

The Director of Internal Audit will develop, implement, and maintain a QAIP that covers all aspects of the Group Internal Audit department. The programme will include external and internal assessments of the Group Internal Audit department's conformance with the *Global Internal Audit Standards*, as well as performance measurement to assess the Group Internal Audit department's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, where applicable, the assessment will include plans to address the Group Internal Audit department's deficiencies and opportunities for improvement.

Annually, the Director of Internal Audit will communicate with the Board and senior management about the Group Internal Audit department's QAIP, including the results of any internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be

conducted at least once every five years by a qualified, independent assessor or assessment team from outside Persimmon; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the Group. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for Persimmon.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Group Internal Audit department does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Persimmon's strategic objectives are appropriately identified and managed.
- The actions of Persimmon's workforce comply with the Group's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Persimmon.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved on 24th April 2024 by:

Roger Devlin, Chairman

Dean Finch, Group Chief Executive Officer

Jeremy Lawson, Director of Internal Audit