

Terms of Reference Audit Committee

(adopted 13 February 2004 and amended 11 March 2005, 30 November 2010, 27 November 2012, 29 November 2013, 28 November 2014, 8 December 2015, 6 December 2016, 23 February, 12 December 2018 and 8th December 2020)

Reference to 'the Committee' shall mean the Audit Committee

Reference to 'the Board' shall mean the Board of Directors

Reference to 'the Company' shall mean Bovis Homes Group PLC

1. Membership and attendance

The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and shall comprise of a Chair and at least two other members.

All members of the Committee shall be non-executive directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. At least one member of the Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates.

The Chair of the Board shall not be a member of the Committee.

Care should be taken to minimise the risk of any conflict of interest that might give rise to an unacceptable influence.

The Board, on the recommendation of the Nomination Committee, shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.

The Committee may ask the Chair of the Company, the Chief Executive, Finance Director and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.

The Committee shall ask a representative of the external auditor and the Head of Internal Audit & Risk to attend meetings as required. The Committee should have at least one meeting, or part thereof, annually with the external auditor and with the Head of Internal Audit & Risk without management being present.

2. Secretary

The Company Secretary shall act as the Secretary of the Committee.

3. Quorum

The quorum necessary for the transaction of business 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.

4. Frequency of Meetings

The Committee shall meet not less than three times a year and at such other times as the Chair of the Committee shall require.

Meetings will be arranged to coincide with key dates in the Company's reporting cycle and the publication of the Company's financial statements.

Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof. Meetings may be requested by the external or internal auditors if they consider it necessary.

5. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

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

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to all members of the Board, the Head of Internal Audit & Risk and the external auditors, unless in the opinion of the Chair of the Committee it would be inappropriate to do so.

6. 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.

7. Duties

The Committee shall carry out the duties below for the Company, its major subsidiary undertakings and the Group as a whole, as appropriate.

7.1 Internal Control and Risk Management Systems

- The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial controls, internal control policies and internal control and risk management systems and make recommendations to the Board.
- The Committee shall review the process for the Board in determining the risk appetite and identifying and carrying out a robust assessment of principal risks, and assessing the risk management procedures and the management and reporting of those risks by the Company.
- The Committee shall review and approve statements to be included in the Company's Annual Report and Accounts concerning internal controls and risk management, including the assessment of principal risks and emerging risks, and the viability statement.
- The Committee shall review any significant litigation not in the ordinary course of business.

7.2 Internal Audit

- The Committee shall consider and approve the appointment of the Head of Internal Audit & Risk and any dismissal of the post holder will be considered by the Committee.
- The Committee shall consider and approve the remit of the Internal Audit function, ensure that it is adequately resourced and has appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards, has appropriate standing and is free from management or other restrictions.
- The Committee shall review and approve the annual internal audit plan and be advised of reasons for any change or delay in the programme.

- The Committee shall ensure the annual internal audit work plan is aligned to the key risks of the business and receive regular reports on work carried out. The Committee shall pay particular attention to the areas in which the work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and overseeing these relationships to ensure they are coordinated and operating effectively to avoid duplication.
- The Committee shall monitor and carry out an annual assessment of the effectiveness of the Internal Audit function in the context of the Company's overall risk management system and focus upon the freedom and scope allowed to the internal auditors and consider whether an independent third party review of Independent Audit effectiveness and processes is appropriate.
- The Committee shall review promptly all reports on the Company from the internal auditors.
- The Committee shall review and monitor management's responsiveness to findings and recommendations contained in reports from the internal auditors.
- The Head of Internal Audit & Risk shall have the right of direct access to the Chair of the Committee.

7.3 External Audit

- The Committee shall oversee the process for selecting the external auditor, including audit contract tendering and ensuring that all tendering firms have access to all necessary information and individuals during the tender process, and consider and make recommendations to the Board as regards the appointment, re-appointment and removal of the Company's external auditor, and shall ensure that key partners within the appointed firm are rotated from time to time.
- The Committee shall meet with the external auditor at least twice each year, once at the planning stage, where the nature and scope of the audit will be considered and agreed, and once post audit at the reporting stage to review the findings of the audit, and shall ensure that any auditor's management letters and management's responses are reviewed.

- The Committee shall have primary responsibility for and keep under review and monitor the relationship with the external auditor and the effectiveness of the audit process, including (but not limited to):

assessing annually the independence and objectivity of the external auditor, taking account of relevant professional and regulatory requirements;

satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

assessing annually the qualifications, expertise, resources and independence of the external auditor and the effectiveness of the external audit process which shall include a report from the external auditor on their own internal quality procedures;

seek to ensure coordination of the external audit with the activities of the Internal Audit function;

the consideration and approval of terms of engagement and audit fees which should be paid, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted, and the pre-approval of all consultancy work proposed to be undertaken, with the exception of compliance work undertaken in the ordinary course of business, and the fees which shall be payable;

discussions with the external auditor concerning any problems and reservations arising from the interim review and final audit and any matters the auditor may wish to discuss, such as compliance with accounting standards and any proposals which the external auditor has made vis-à-vis the Company's internal auditing standards; and

if the external auditor resigns, investigate the issues leading to this and decide whether any action is required.

- The Committee shall develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including the approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved and assessment of whether non-audit services have a direct or material effect on audited financial statements.

7.4 Financial Statements

- The Committee shall keep under review the Company's operating, financial and accounting practices and the consistency of accounting policies both on a year to year basis and across the Company.
- The Committee shall review and challenge where necessary the Company's financial statements, formal announcements relating to the Company's financial performance, interim and final dividend proposals and presentations to analysts, having regard to matters reported to it by the external auditor and focusing particularly on:

the application of and any change in significant accounting policies and practice;

decisions requiring a major element of judgement and whether estimates and judgements are appropriate;

the methods used to account for significant or unusual transactions where different approaches are possible;

the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;

the clarity of disclosures and the context in which statements are made;

significant adjustments resulting from the audit;

adoption of the going concern basis and the assessment forming the basis of the longer term viability statement;

compliance with accounting standards (and in particular accounting standards adopted in the financial year for the first time);

compliance with the UKLA Listing Rules and other legal requirements;

all material information presented with the financial statements, such as the strategic report and corporate governance statement insofar as relevant to the audit and risk management; and

the proposed statement on the review of the system of internal control prior to endorsement by the Board.

- Where requested by the Board, the Committee shall provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code.
- The Committee shall review the disclosures in the Company's financial statements relating to the Company's pension schemes and maintain an overview of funding levels, funding requirements, contribution arrangements and the impact on the Company's financial position.

7.5.1 Reporting Responsibilities

- The Committee or its Chair shall meet formally with the Board of Directors at least twice a year to discuss such matters as the financial statements and the relationship with the external auditor.

- The Committee chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

the significant issues that it considered in relation to the financial statements and how these were addressed;

its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor;

information on any improvement or action that is required in relation to the approval of the supply of non-audit services by the external auditor; and

any other issues on which the Board has requested the Committee's opinion.

- In the light of its other duties, the Committee shall report as necessary and make whatever recommendations to the Board it deems appropriate.

- The Committee shall compile a report to shareholders to be incorporated in the Company's Annual Report and Accounts, to include:

the significant issues considered in relation to the financial statements and how they were addressed;

how the effectiveness of the external audit process and the effectiveness of Internal Audit were assessed;

all other information requirements set out in the UK Corporate Governance Code; and

a statement of compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the "CMA Order").

- In compiling the reports referred to above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

7.6 Other Matters

- The Committee shall give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the CMA Order and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules, as appropriate.
- The Committee shall be responsible for co-ordination of the internal and external auditors.
- The Committee will review the adequacy and security of the Company's whistleblowing procedures for employees and third parties to raise concerns, in confidence, with the objective of ensuring that arrangements are in place for the proportionate and independent investigation of matters raised and for appropriate follow-up action. The Committee will also review the Company's procedures for the detection of fraud and the prevention of bribery and receive reports on non-compliance.

- The Committee will liaise with the Remuneration Committee to ensure consistency of reward thresholds with current accounting practices.
- The Committee shall oversee any investigation of activities which are within its terms of reference, consider the major findings and management's response, and act as a court of the last resort.
- The Committee shall consider any other matters as defined by the Board.
- The Committee shall have access to sufficient resources in order to carry out its duties.
- The Committee shall be provided with appropriate and timely training, both for the induction of new members and on an ongoing basis for all members.
- The Committee will review its own performance, constitution and terms of reference on an annual basis to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8. Authority

The Committee is authorised:

- to seek any information it requires from any employee of the Company in order to perform its duties and all employees are directed to co-operate with any request made by the Committee;
- to obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- to call any employee to be questioned at a meeting of the Committee as and when required; and
- to make its terms of reference, explaining its role and the authority delegated to it by the Board, publicly available.