

**Barratt Developments PLC
Group Internal Audit Charter
January 2021**

Introduction

This charter sets out the role, mandate, activities, scope and responsibilities of the Internal Audit function for Barratt Developments PLC. It should be read in conjunction with the Group Audit Committee Terms of Reference, which set out the responsibilities of the Audit Committee in providing general direction of the scope of work and the activities to be audited. This Charter is publically available on the Company's website.

The Charter is owned by the Head of Internal Audit and is sponsored on behalf of the Barratt Developments PLC Board of Directors by both the Chair of the Audit Committee and the Chief Executive Officer. Adherence to the Charter is mandatory for all members of the Internal Audit team.

A. Role and mandate of Internal Audit

The primary role of Internal Audit is to help the Barratt Developments PLC Board of Directors and Executive Management to protect the assets, reputation and sustainability of the Company by assessing whether all risks are identified and appropriately reported by management to the Board of Directors and Executive Management, assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

The Board of Directors, Audit Committee and Executive Management are responsible for setting the right 'tone at the top' to ensure support for, and acceptance of, Internal Audit at all levels of the organisation.

B. Scope and priorities of Internal Audit

Internal audit's scope is unrestricted. Internal Audit is therefore authorised to review all areas of Barratt Developments PLC and has full, free and unrestricted access to all activities, records, property and personnel required to complete their work. The scope of Internal Audit activities extends to all legal entities, joint ventures (JV's), outsourcing and other business partnerships.

Internal Audit undertakes the following principal activities, objectively and independent from management:

- Assessing and reporting on the effectiveness of the design and operating effectiveness of the framework of internal control which enables risk to be identified, assessed, reported and controlled;
- Assessing and reporting on the effectiveness of management actions to address deficiencies in the internal control framework;
- Investigating and reporting on cases of suspected fraud or potential breaches of company policy; and
- Carrying out advisory projects for management, provided that they do not threaten Internal Audit's independence from management.

Whilst it is not the role of internal audit to second guess the decisions made by the Board of Directors and its Committees, its scope includes information presented to the Board and its Committees.

In setting its scope, Internal Audit forms its own judgement on how best to assess risks, prioritise internal audit work, and segment the audit universe.

In setting out its priorities and deciding where to carry out more detailed work, Internal Audit focuses on the areas where it considers risks to be higher and makes risk-based decisions as to which areas within its scope should be included in the audit plan, but does not cover all of the scope areas every year. Internal Audit's independent view is informed, but not determined, by the views of management. Internal Audit's judgement on which areas are to be covered in the audit plan, and on the frequency and method of audit cycle coverage, are approved by the Audit Committee on a six monthly basis.

Internal Audit ensures that they have flexibility to deal with unplanned events and prioritise emerging risks, and changes to the audit plan are considered in light of Internal Audit's ongoing assessment of risk.

Internal Audit includes consideration of, but not limited to, the following areas within its scope;

- a. Internal governance;
- b. Information presented to the Board and executive management for decision making;
- c. The setting of, and adherence to, the risks the Company is willing to accept (risk appetite);
- d. The risk and control culture of the Company;
- e. Key corporate events; and
- f. The design and operating effectiveness of processes.

C. Reporting results

Internal Audit will be present at the Audit Committee meeting and will meet in private with the members of the Audit Committee at least annually. The Head of Internal Audit may also meet with the Audit Committee or individual members of the Committee between meetings as appropriate, and is also expected to attend all meetings of the Group Risk Committee.

Internal Audit will ensure that any issues that could impact the achievement of the Barratt Group objectives be brought to the attention of the relevant Group, Regional and Divisional management as well as the Audit or Risk Committees as appropriate. The nature of written reports issued by Internal Audit will depend on the audience for those reports. Internal Audit's reporting will include, as a minimum:

- a focus on significant control weaknesses with a robust root-cause analysis;
- will identify owners, accountabilities and appropriate timescales for each management action;
- any thematic issues identified across the organisation;
- an independent view of management's reporting on the risk management of the organisation, including a view on management's remediation plans (which might include restricting further business until improvements have been implemented) highlighting areas where there are significant delays;
- a review of any post-mortem and 'lessons learned' analysis if a significant adverse event has occurred at an organisation. and
- at least annually, an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation, and its conclusions on whether the organisation's risk appetite is being adhered to, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.

The Head of Internal Audit has the right to attend and observe all or part of Executive Committee meetings and other key management decision meetings such as IT Steering groups, Divisional Board meetings and valuation meetings.

D. Interaction with other Group functions for the purpose of control design and operation

Internal Audit will liaise closely with all Barratt Development PLC's functions and department (including, but not limited to, Group Finance, Human Resources, Group Legal and Compliance, and Safety, Health and

Environment) whose responsibilities include designing and/or operating controls over business risks, as these functions have substantial potential to contribute to the effectiveness of governance, risk management and internal controls for the Company. Internal Audit will support the Audit Committee to take a holistic assessment of assurance gained from such functions and departments (via “risk assurance mapping”) to ensure the appropriate level of assurance is obtained, irrespective of whether delivered by Internal Audit, another “second line” Barratt Developments PLC function, third party, or not at all.

Internal Audit will form a judgement as to what extent it is appropriate to take account of relevant work undertaken by these other control functions, such as risk management, Legal and Compliance or Group Finance in either its risk assessment or in the determination of the level of audit testing required for the activities under review. Internal Audit will include within its scope an assessment of the adequacy and effectiveness of the internal control functions.

To ensure the objectivity of Internal Audit is at its strongest, it will neither be responsible for, nor part of, the control functions and will not design, own or be responsible for implementation of management controls. However, the purpose and skills of Internal Audit is complementary to that of the “control” functions and, in some cases, Internal Audit will provide consultancy advice regarding controls or controls wording.

E. Independence and authority of Internal Audit

Internal Audit ensures that it is independent from management at all times in order to be effective in performing its activities.

The Head of Internal Audit has the right to attend and observe all or part of Executive Management’s committee meetings and other key management decision-making in order to enable them to understand the strategy of the business, key business issues and decisions, and to adjust the function’s priorities as appropriate. It also facilitates a better working relationship with executive committee members.

The primary reporting line for the Head of Internal Audit is to the Chair of the Audit Committee who is accountable for setting the objectives of the Head of Internal Audit and appraising his/her performance at least annually. This appraisal considers the independence, objectivity and tenure of the Head of Internal Audit. The Chair of the Audit Committee is responsible for reviewing the remuneration of the Head of Internal Audit.

With the agreement of the Chair of the Audit Committee, Internal Audit’s secondary reporting line is to the CFO, who will support the Chair of the Audit Committee in matters such as remuneration and performance appraisal of the Head of Internal Audit.

F. Resources

The Head of Internal Audit ensures that the audit team has the skills and experience, including technical subject matter expertise, commensurate with the scale of operations, scope of work, and risks of the organisation by;

- Facilitating external team training on a regular basis, at least quarterly;
- Recruiting of individuals with suitable experience and qualifications; and
- Co-sourcing with external third parties for specialist knowledge, including the provision of IT audit services and data analytics.

The Head of Internal Audit provides the Audit Committee with a regular assessment of resources requirements versus available skills required to conduct its work. The Audit Committee approves the level of Internal Audit resources.

Internal Audit comply with the Institute of Internal Auditors' (IIA) International Professional Practices Framework C, and the Code of Practice, as well as demonstrate and uphold the Barratt Developments PLC Principles and Values.

G. Quality Assurance and Improvement Programme (QAIP)

The Audit Committee is responsible for evaluating the performance of Internal Audit on a regular basis.

Internal audit maintains an up-to-date set of policies and procedures, and performance and effectiveness measures and continuously improve these in light of industry developments.

Internal Audit has an on-going quality assurance and improvement programme by way of a feedback survey following each audit engagement. This includes an assessment by stakeholders of Internal Audit's understanding and identification of risk and control issues and the method of delivery of the audit. In addition, an internal QAR checklist is completed by the Internal Audit team following completion of every audit engagement to confirm adherence to audit methodology and procedures. The results of these quality assessments are reported to the Audit Committee regularly and the Head of Internal Audit is responsible for actions or progress arising from the outcomes of the review.

The Audit Committee obtains an independent and objective external quality assessment at appropriate intervals, at least every five years, as set out in the International Professional Practices Framework (IPPF) for internal audit. The external quality assessment considers and reports on compliance with the IIA Code of Practice as well as with the International Professional Practices Framework (IPPF) and the International Standards for the Professional Practice of Internal Auditing ('the IIA Standards').

H. Relationship with Regulators

The Head of Internal Audit considers the impact of the regulatory environment during all audit work and ensures an open, constructive and cooperative relationship with relevant regulators.

I. Relationship with External Audit

The Head of Internal Audit and the partner responsible for external audit hold regular meetings, at least every six months, to ensure appropriate and regular communication and sharing of information.