

Bellway p.l.c.

Audit Committee Terms of Reference

Constitution

1. The Board has established a Committee of the Board known as the Audit Committee, being a permanent Committee of the Board.

Membership

2. The Committee has been appointed by the Board. All members of the Committee shall be independent non-executive directors of the company. The Committee shall consist of not less than three members. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors.
4. At least one member of the Committee should, in the opinion of the Board, have recent and relevant financial experience.

Attendance at Meetings

5. The finance director and a representative of the external auditors shall attend meetings at the invitation of the Committee.
6. The Chairman of the Board, the Group Chief Executive and other Board members shall attend if invited by the Committee.
7. There should be at least one meeting a year, or part thereof, where the external auditors attend without management present.
8. The Company Secretary shall be Secretary of the Committee.

Frequency of Meetings

9. Meetings shall be held no less than three times a year and more frequently if required. Where appropriate they should coincide with key dates in the company's financial reporting cycle.
10. External auditors may request a meeting if they consider that one is necessary.

Voting

11. Decisions of the Committee will be made by a majority vote. In the event of an equality of votes, the Chairman shall have a second or casting vote.

Authority

12. The Committee is authorised by the board to:

- (a) investigate any activity within its terms of reference;
- (b) seek any information that it requires from any employee of the company and all employees are directed to co-operate with any request made by the Committee; and
- (c) obtain outside legal or independent professional advice and such advisers may attend meetings as necessary.

Responsibilities

13. The responsibilities of the Committee shall be:

- (a) to consider the appointment/reappointment of the external auditor and assess the independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
- (b) to recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor and to ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;
- (c) to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- (d) to oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
- (e) to review the external auditor's management letter and management's response;
- (f) to consider management's response to any major external audit recommendations;
- (g) to consider annually whether there is a need for an internal audit function and make a recommendation to the Board.

- (h) to review the company's procedures for handling allegations from whistleblowers;
- (i) to review management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management;
- (j) to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. (Note: the Board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of the review being delegated to the Audit Committee).
- (k) to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
 - i. critical accounting policies and practices, and any changes in them
 - ii. decisions requiring a major element of judgement
 - iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
 - iv. the clarity of disclosures
 - v. significant adjustments resulting from the audit
 - vi. the going concern assumption
 - vii. compliance with accounting standards
 - viii. compliance with stock exchange and other legal requirements
 - ix. reviewing the company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company; and
- (l) to consider other topics as directed by the Board.

Reporting Procedures

- 14. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the Committee or, as a minimum another member of the Committee, shall attend the Board meeting at which the accounts or interim statements are approved.
- 15. The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.
- 16. The Committee's duties and activities during the year shall be disclosed in the annual financial statements.
- 17. The Chairman shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Audit Committee's activities and their responsibilities.