

**JD SPORTS FASHION PLC (THE "COMPANY")**

**AUDIT AND RISK COMMITTEE**

**TERMS OF REFERENCE**

**1. CONSTITUTION**

- 1.1. The committee has been established by a resolution of the board of directors of the Company (the "**Board**") and is to be known as the audit and risk committee (the "**Audit and Risk Committee**").

**2. MEMBERSHIP**

- 2.1. The members of the Audit and Risk Committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the chair of the Audit and Risk Committee.
- 2.2. The Audit and Risk Committee shall consist of at least three members, all of whom shall be independent non-executive directors of the Company. The chair of the Board shall not be a member of the Audit and Risk Committee.
- 2.3. At least one member of the Audit and Risk Committee shall have recent and relevant financial experience and shall, preferably, have a professional qualification from one of the professional accountancy bodies. The Audit and Risk Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.4. Appointments to the Audit and Risk Committee shall be for a period of up to three years (subject to the election and re-election provisions in the Company's Articles of Association and in the UK Corporate Governance Code), which may be extended by no more than two further three year periods, provided the director remains independent.
- 2.5. The Board shall appoint the chair of the Audit and Risk Committee (the "**Chair**"). The Chair shall be an independent non-executive director. In the absence of the Chair, the remaining members present shall effect one of themselves to chair the meeting.
- 2.6. The Board shall regularly review the membership of the Audit and Risk Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals as regards membership of the Audit and Risk Committee and other Board committees.

**3. QUORUM**

- 3.1. A quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Audit and Risk 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 Audit and Risk Committee.

#### **4. ATTENDANCE AT MEETINGS**

- 4.1. Only members of the Audit and Risk Committee are entitled to be present or vote at a meeting of the Audit and Risk Committee.
- 4.2. Other directors and individuals (including representatives of the external advisers) may be invited to attend all or part of any meetings as and when, in the opinion of the Chair or the majority of Audit and Risk Committee members, it is appropriate.
- 4.3. There should be at least one meeting, or part of a meeting, each year which the external auditors attend without management present.
- 4.4. There should be at least one meeting, or part of a meeting, each year which the internal audit or risk and assurance leads attend without management present.

#### **5. SECRETARY**

- 5.1. The Company Secretary or their nominee shall act as the secretary of the Audit and Risk Committee (the "**Secretary**") and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **6. FREQUENCY OF MEETINGS**

- 6.1. Meetings shall be held at such times as the Audit and Risk Committee deems appropriate, and in any event shall be held at least three times a year. Where appropriate, meetings should coincide with key dates in the company's financial reporting cycle.
- 6.2. External auditors and internal auditors / assurance may request a meeting if they consider that one is necessary.
- 6.3. Outside of the formal meeting programme, the Chair shall maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board, Chief Executive Officer, Chief Financial Officer, External Audit Lead Partner and the Head of Risk & Assurance, as applicable.

#### **7. PROCEEDINGS**

- 7.1. Unless varied by these terms of reference, meetings and proceedings of the Audit and Risk Committee will be governed by the Company's Articles of Association regarding the meetings and proceedings of directors.
- 7.2. Meetings of the Audit and Risk Committee shall be summoned by the Secretary at the request of any of its members or at the request of internal or external auditors.
- 7.3. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be sent to each member of the Audit and Risk Committee, any other person required to attend and all other non-executive directors not later than seven working days prior to the date of the meeting (unless otherwise agreed).

7.4. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interests and minute them accordingly. The Secretary shall record the proceedings and resolutions of meetings of the Audit and Risk Committee, including the names of those present, and shall circulate the minutes of such meetings to all members of the Audit and Risk Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the Chair, it would be inappropriate to do so.

## **8. AUTHORITY**

8.1. The Audit and Risk Committee is authorised by the Board, at the expense of the Company, to investigate any matter within its terms of reference. It is authorised to seek any information that it requires from any employee in order to perform its duties and all employees are directed to cooperate with any requests made by the Audit and Risk Committee.

8.2. The Audit and Risk Committee is authorised by the Board, at the expense of the Company, to obtain independent legal, accounting or other professional advice on any matter it reasonably believes it necessary to do so and to secure the attendance of third parties with relevant experience and expertise at meetings of the Audit and Risk Committee if it considers this necessary.

8.3. The Audit and Risk Committee has the right to publish in the Company's annual report details of any issues that cannot be resolved between it and the Board.

## **9. DUTIES**

The responsibilities of the Audit and Risk Committee shall be:

### **9.1. External audit**

- 9.1.1. to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- 9.1.2. to ensure that at least once every ten years the external audit services contract is put out to tender to enable the Audit and Risk Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms, and in respect of such tender oversee the selection process and ensure that all tendering firms have the necessary access to information and individuals throughout the tendering process;
- 9.1.3. to ensure that, pursuant to the tender process referred to above, the external auditor is replaced at least once every twenty years;
- 9.1.4. oversee the relationship with the external auditor including: a) approval of their remuneration, including both fees for audit and non-audit services (all non-audit services

to be agreed prior to engagement of the auditor); and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- 9.1.5. to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- 9.1.6. to monitor annually the external auditor's independence and objectivity, taking into consideration relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
- 9.1.7. to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 9.1.8. to agree with the Board a policy on the employment of former employees of the Company's auditor and monitoring the implementation of this policy;
- 9.1.9. to monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- 9.1.10. to assess annually the external auditor's qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 9.1.11. to evaluate the risks to the quality and effectiveness of the financial reporting process and considering the risk of the withdrawal of the Company's present auditor from the market in that evaluation;
- 9.1.12. to ensure that proper disclosure is made in the annual report of (i) how the Audit and Risk Committee's policy in relation to non-audit fees paid to auditors adequately safeguards the independence of the auditor; (ii) all fees paid to the auditor and; (iii) how the auditors manage any actual or potential conflicts of interest;
- 9.1.13. 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;
- 9.1.14. if an auditor resigns, the Audit and Risk Committee shall investigate the issues surrounding the resignation and consider whether any action is required and otherwise comply with any legal requirements arising out of the auditor's resignation;
- 9.1.15. to review the external auditor's management letter and any major recommendations of the external auditor and to consider management's response;

- 9.1.16. to review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 9.1.17. to approve the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 9.1.18. to review with the external auditors the results of their work in conducting the annual and any interim audit, including:
  - (a) any major issues that arose during the course of the audit;
  - (b) key accounting and audit judgements;
  - (c) the auditor's perception of the interaction with senior management and other members of the financial team;
  - (d) the levels of errors identified during the audit and obtaining explanations from management;
  - (e) the effectiveness of the audit process;
  - (f) any reservations that the external auditors may have and other matters that they wish to raise.
- 9.1.19. review any representation letter(s), management letter(s) and management's response to the auditor's findings and;
- 9.1.20. review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.
- 9.1.21. to explain to shareholders in the Audit and Risk Committee section of the annual report how the Audit and Risk Committee reached its recommendation to the Board on the appointment, reappointment or removal of the external auditors and include in the explanation supporting information on tendering frequency, the tenure of the incumbent external auditor and any contractual obligations that acted to restrict the Audit and Risk Committee's choice of external auditors.

## 9.2. Internal audit

The Committee shall continuously review the need for an Internal Audit function and consider whether arrangements across other functions meet the Committee's needs in respect of ongoing review of risks facing the business and updates as to the Group's control environment.

### 9.3. Risk management

The Audit and Risk Committee shall:

- 9.3.1. determine and review the Company's risk profile, including the nature and extent of significant risks that the Company is willing to take in achieving its strategic objectives;
- 9.3.2. where requested by the Board, carry out a robust assessment of principal risks, including those that might impact on the business model, performance, liquidity and solvency;
- 9.3.3. review the company's internal financial controls and monitor on an on-going basis the group's internal control and risk management systems and, at least annually, carry out a review of the scope, adequacy and effectiveness of those systems;
- 9.3.4. review whether the principles of any guidance published by the Financial Reporting Council for directors on internal control requirements are being embedded within the Company's group;
- 9.3.5. review the Company's procedures for handling allegations from whistleblowers, including the annual review of the Company's whistleblowing policy, in order to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- 9.3.6. review the Company's policies and procedures for information governance and cyber security;
- 9.3.7. at least annually, review the Company's modern slavery policy and statement and supplier ethical code of practice;
- 9.3.8. review the Company's share dealing procedures;
- 9.3.9. undertake a review of the Company's human resources cultural and behavioral data on an annual basis;
- 9.3.10. review management's, the external auditor's, and where the Company has an internal audit function, the Director of Risk & Assurance reports on, the effectiveness of systems for internal financial control, financial reporting and risk management;
- 9.3.11. review the timeliness of, and reports on, the effectiveness of corrective action taken by the Company's management;
- 9.3.12. review the Company's annual statement to be included in its annual report concerning its systems of internal control, risk management prior to endorsement by the Board;
- 9.3.13. review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company;

- 9.3.14. review, on at least an annual basis, the systems and controls for prevention and investigation of bribery and corruption;
- 9.3.15. review the Company's codes of conduct, policies for detecting and the investigation of fraud, ethics and related corporate responsibility policies at least on an annual basis and how these are communicated to employees and monitored
- 9.3.16. review the adequacy and security of the Company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 9.3.17. review the Company's procedures for detecting fraud; and
- 9.3.18. review the Company's systems and controls for the prevention and detection of fraud and bribery and receive reports on non-compliance

#### **9.4. Financial reporting**

The Audit and Risk Committee shall:

- 9.4.1 monitor the integrity of all financial statements made by the Company and any formal announcements relating to the Company's financial performance reviewing and reporting to the Board on significant financial and management judgements which they contain. In particular, the Audit and Risk Committee shall review and challenge where necessary:
  - (a) the consistency of critical accounting policies and practices, and any changes in them;
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (c) decisions requiring a major element of judgement;
  - (d) the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
  - (e) the clarity and completeness of disclosures in the Company's financial reports and the context in which statements are made;
  - (f) the integrity of the statements;
  - (g) all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit, risk management, internal control, the going concern basis of accounting and longer term viability;
  - (h) significant adjustments resulting from the audit;

- (i) the directors' assessment and statement as to whether, taking account of the Company's position and principal risks, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period covered by that assessment;
- (j) the directors' assessment and statement as to whether they consider it appropriate to adopt the going concern basis of accounting in preparing financial statements and the identification of material uncertainties to the Company's ability to continue to do so; and
- (k) compliance with accounting standards.

9.4.2 Where requested by the Board, the Audit and Risk committee should 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 position and performance, business model and strategy.

## 9.5 **CSRD Reporting**

The Audit and Risk Committee shall:

- 9.5.1 Monitor the effectiveness of internal control and risk management systems and, where applicable, internal audit, about procedures relating to the preparation and processing of accounting and financial information and sustainability information
- 9.5.2 Monitor the assurance of the annual and consolidated sustainability reporting, where applicable, in particular its performance, taking into account any findings and conclusions by the competent authority;
- 9.5.3 Monitor the financial and, where applicable, sustainability reporting process, including the electronic reporting process and the process carried out by the reporting entities to identify the information reported in accordance with the sustainability reporting standards adopted, and submit recommendations or proposals to ensure their integrity;
- 9.5.4 Keep the board informed of the outcome of the assurance of sustainability reporting contributes to the integrity of the financial reporting and what it's role in the process was;
- 9.5.5 Ensure compliance with the conditions of independence required of the parties carrying out the statutory audits and assurance of sustainability
- 9.5.6 Review the results of any reviews or independent audits of the Company's performance in regards to CSRD matters and review any strategies/recommendations developed in response to issues raised

## 9.6 **Other**

The Audit and Risk Committee shall:

- 9.6.1 have access to sufficient resources in order to carry out its duties, including access to the Secretary for assistance as required;



- 9.6.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 9.6.3 give due consideration to any applicable laws and regulations, including the provisions of the UK Corporate Governance Code and any other applicable rules, as appropriate;
- 9.6.4 perform an annual review of Group tax strategy, with the assistance of the Company's tax team, as necessary;
- 9.6.5 carry out a review, on at least an annual basis, of Group treasury policies;
- 9.6.6 give due consideration to the Company's global environment and climate risk mitigation strategy, including reviewing the reporting processes and relevant targets;
- 9.6.7 review the insurance position of the Group;
- 9.6.8 work and liaise with all other committees of the Board and consider other topics as defined by the Board; and
- 9.6.9 review its own effectiveness and performance.

## 10 REPORTING PROCEDURES

- 10.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities.
- 10.2 The Audit and Risk Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Chair or, as a minimum, another member of the Audit and Risk Committee, shall attend the Board meeting at which the accounts are approved.
- 10.4 Where, following its review, the Audit and Risk Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
  - 10.4.1 The Audit and Risk Committee members shall conduct an annual review of these terms of reference and its own effectiveness and make recommendations to the Board. The Audit and Risk Committee shall report to the Board on how it has discharged its responsibilities.
  - 10.4.2 A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report, signed by the Chair, should include:

- a summary of the role and work of the Audit and Risk Committee;
- how the Audit and Risk Committee composition requirements have been addressed, and the names and qualifications of all members of the Audit and Risk Committee during the period, if not provided elsewhere;
- the number of Audit and Risk Committee meetings;
- an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; and advance notice of any retendering plans;
- if the external auditor provides non-audit services, the committee's policy for approval of non-audit services; how auditor objectivity and independence is safeguarded; the audit fees for the statutory audit of the Company's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, explain what the services are and why the Audit and Risk Committee concluded that it was in the interests of the company to purchase them from the external auditor;
- an explanation of how the committee has assessed the effectiveness, the reasons for an absence of an internal audit function and how internal assurance is achieved and how this affects the work of external audit should be explained in the relevant section of the annual report;
- the significant issues that it considered in relation to the financial statements and how these were addressed, having regard to matters communicated to it by the auditors. 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 nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and where a company's audit has been reviewed by the FRC's Audit Quality Review team, the Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors plan to take. This discussion should not include disclosure of the audit quality category; and
- any other issues on which the board has requested the committee's opinion.

**11 ENGAGEMENT WITH SHAREHOLDERS**

- 11.1 The Chair shall be available at the annual general meeting to answer questions on the Audit and Risk Committee's activities and its responsibilities and shall seek engagement with shareholders on significant matters related to their area of responsibility.