

JD SPORTS FASHION PLC (THE "COMPANY")

AUDIT COMMITTEE

TERMS OF REFERENCE

1 CONSTITUTION

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

2 MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee.
- 2.2 The Audit Committee shall consist of at least three members, all of whom shall be independent non-executive directors of the Company. The chairman of the Board shall not be a member of the Audit Committee.
- 2.3 At least one member of the Audit Committee shall have recent and relevant financial experience and shall, preferably, have a professional qualification from one of the professional accountancy bodies.
- 2.4 Appointments to the Audit 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 chairman of the Audit Committee (the "Chairman"). The Chairman shall be an independent non-executive director. In the absence of the Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 The Board shall regularly review the membership of the Audit Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals as regards membership of the Audit Committee and other Board committees.

3 QUORUM

A quorum necessary for the transaction of business shall be three members. A duly convened meeting of the Audit 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 Committee.

4 ATTENDANCE AT MEETINGS

- 4.1 Only the members of the Audit Committee are entitled to be present or vote at a meeting of the Audit 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 Chairman or the majority of Audit 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.

5 SECRETARY

The Company Secretary or his or her nominee shall act as the secretary of the Audit Committee (the "**Secretary**") and shall keep a record of the membership of and the dates of any changes to the membership of the Audit Committee.

6 FREQUENCY OF MEETINGS

- 6.1 Meetings shall be held at such times as the Audit Committee deems appropriate, and in any event shall be held not less than three times a year. Where appropriate, meetings should coincide with key dates in the company's financial reporting cycle.
- 6.2 External auditors or internal auditors may request a meeting if they consider that one is necessary.
- 6.3 Outside of the formal meeting programme, the Chairman shall maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, chief executive officer, finance director, external audit lead partner and the head of internal audit.

7 PROCEEDINGS

- 7.1 Unless varied by these terms of reference, meetings and proceedings of the Audit Committee will be governed by the Company's Articles of Association regarding the meetings and proceedings of directors.
- 7.2 Meetings of the Audit 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 Committee, any other person required to attend and all other non-executive directors not later than two working days prior to the date of the meeting.
- 7.4 The Secretary shall ensure that each member of the Audit Committee (and any other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues.

7.5 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 Committee, including the names of those present, and shall circulate the minutes of such meetings to all members of the Audit Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the Chairman, it would be inappropriate to do so.

8 AUTHORITY

8.1 The Audit 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 Committee.

8.2 The Audit 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 Committee if it considers this necessary.

8.3 The Audit 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 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 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 make recommendations on the external auditor's remuneration, including fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

9.1.4 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;

- 9.1.5 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;
- 9.1.5 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;
- 9.1.6 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;
- 9.1.7 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;
- 9.1.8 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;
- 9.1.9 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;
- 9.1.10 to ensure that proper disclosure is made in the annual report of (i) how the Audit 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;
- 9.1.11 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;
- 9.1.12 if an auditor resigns the Audit 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;
- 9.1.13 to review the external auditor's management letter and any major recommendations of the external auditor and to consider management's response;
- 9.1.14 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;

- 9.1.15 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;
- 9.1.16 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) levels of errors identified during the audit and obtaining explanations from management;
 - (d) the effectiveness of the audit process;
 - (e) any reservations that the external auditors may have and other matters that they wish to raise.
- 9.1.17 to explain to shareholders in the Audit Committee section of the annual report how the Audit 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 Committee's choice of external auditors.

9.2 Internal audit

- 9.2.1 To monitor and review whether the Company requires an internal audit function;
- 9.2.2 Where the Company has an internal audit function:
- (a) to monitor and review its effectiveness in the context of the Company's risk management system;
 - (b) to review and approve its remit and ensure it has the necessary resources and access to information to enable it to fulfill its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
 - (c) to ensure the function has adequate standing, is free from management or other restrictions and is accountable to the Audit Committee;
 - (d) to approve the appointment or dismissal of its head;
 - (e) to consider management's response to any major internal audit recommendations;
 - (f) to ensure the internal auditor has direct access to the Board chairman and to the Audit Committee;
 - (g) to review and assess the annual internal audit work plan;
 - (h) to receive a report on the results of the internal auditor's work on a periodic basis; and

- (i) to meet with the head of internal audit at least once a year without the presence of management.

9.2.3 Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the Annual Report.

9.3 Risk management

The Audit 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, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, 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 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 management's, the external auditor's, and where the Company has an internal audit function, the internal auditor's reports on, the effectiveness of systems for internal financial control, financial reporting and risk management;
- 9.3.7 review the timeliness of, and reports on, the effectiveness of corrective action taken by the Company's management;
- 9.3.8 review the Company's annual statement on its systems of internal control and risk management prior to endorsement by the Board;
- 9.3.9 review co-ordination between the internal audit function, where the Company has such a function, and the external auditors;
- 9.3.10 review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company; and
- 9.3.11 review the Company's codes of conduct, policies for detecting fraud, ethics and related corporate responsibility policies and how these are communicated to employees and monitored.

9.4 Financial reporting

The Audit 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 and to review, and challenge where necessary, the actions and judgements of management in relation to such financial statements and formal announcements before submission to the Board, paying particular attention to:
- (a) the consistency of critical accounting policies and practices, and any changes in them;
 - (b) decisions requiring a major element of judgement;
 - (c) the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
 - (d) the clarity and completeness of disclosures;
 - (e) the integrity of the statements;
 - (f) significant adjustments resulting from the audit;
 - (g) 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;
 - (h) 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;
 - (i) compliance with accounting standards; and
 - (j) compliance with stock exchange and other legal requirements.
- 9.4.2 To review the annual financial statements of the Company's pension fund(s) (if any) where not reviewed by the Board as a whole.
- 9.4.3 Where requested by the board, the audit 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 Other

The Audit Committee shall:

- 9.5.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.5.2 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;
- 9.5.3 give due consideration to any applicable laws and regulations, including the provisions of the UK Corporate Governance Code and the requirements of the UKLA's Listing, Prospectus, Disclosure and Transparency Rules; and
- 9.5.4 work and liaise with all other committees of the Board and consider other topics as defined by the Board.

10 REPORTING PROCEDURES

- 10.1 The Chairman 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 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 Chairman or, as a minimum, another member of the Audit Committee, shall attend the Board meeting at which the accounts are approved.10.4 Where, following its review, the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- 10.5 The Audit Committee members shall conduct an annual review of these terms of reference and its own effectiveness and make recommendations to the Board. The Audit Committee shall report to the Board on how it has discharged its responsibilities.
- 10.6 A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:
 - the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed, having regard to matters communicated to it by the external auditor;
 - an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted, and any contractual obligations that have acted to restrict the Audit Committee's choice of external auditor;

- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded;
- any other issues in which the Board has requested the Audit Committee's opinion.

11 ANNUAL GENERAL MEETING

- 11.1 The Chairman shall be available at the annual general meeting to answer questions on the Audit Committee's activities and its responsibilities.