

**TERMS OF REFERENCE FOR THE  
AUDIT AND RISK COMMITTEE  
OF THE BOARD OF JOHN LEWIS PARTNERSHIP PLC**  
(approved by the Partnership Board on 30 November 2021)

- Definitions:** “**Committee**” means the Audit and Risk Committee.
- “**Company**” means John Lewis Partnership plc.
- “**Independent Directors**” means the Independent Directors who lead the independent function in the Partnership.
- “**Partnership Board**” means the Board of John Lewis Partnership plc.
- “**Partnership**” means John Lewis Partnership plc and its subsidiaries.
- Appointments:** Members of the Committee will be appointed and removed by the Partnership Board
- Membership:** The Committee shall comprise at least three members, including at least two independent Non-Executive Directors and one Elected Director, as recommended by the Nomination Committee. Membership of the Committee may include external independent members appointed from time to time. At least one member of the Committee shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Partnership operates.
- The Chair of the Committee shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- Chair of the Committee:** The Chair of the Committee will be an independent Non-Executive Director recommended by the Nomination Committee and appointed by the Partnership Board.
- In the absence of the Chair of the Committee, the meetings will be chaired by a member appointed by the Chair of the Committee, or failing that the remaining members present will elect one of their number to chair the meeting.
- Secretary of the Committee:** The Company Secretary or a nominee appointed by the Company Secretary will act as Secretary to the Committee ensuring it has access to sufficient resources and all necessary support (including training to enable it to carry out its duties), including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.
- Meetings:** The Committee shall meet at least four times a year and otherwise at such other times as the Chair of the Committee may require.
- Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five calendar days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Chair of the Committee.
- Only members of the Committee and Independent Directors have the right to attend Committee meetings. However, other individuals such as the external auditor, the Executive Director, Finance, the Director Financial Control and the Director, Internal Audit & Risk, may be invited to attend for all or part of any meeting, as and when appropriate with the agreement of the Chair of the Committee.
- At least twice a year, the Committee will meet with the external auditor and Director, Internal Audit & Risk, without management being present, to discuss their remit and any other matters arising. The external auditor and Director, Internal Audit & Risk may request a meeting with the Committee at their own discretion and at any time.
- Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

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**Quorum:** The quorum necessary for the transaction of business at a Committee meeting shall be three members, to include the Chair of the Committee (or his/her appointed deputy) and to include at least one member who is independent.

If there is difficulty in achieving a quorum, independent Non-Executive Directors and Elected Directors of the Partnership Board, who are not members of the Committee, may be co-opted as members for individual meetings.

**Minutes of meetings:** Once approved, minutes shall be circulated to all other members of the Partnership Board, normally by them being tabled at the next Partnership Board meeting, unless in the opinion of the Chair of the Committee it would be inappropriate to do so.

A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

**Authority:** The Partnership Board authorises the Committee to:

- (a) exercise the functions and powers and investigate any activity within its terms of reference;
- (b) seek any information it requires within its terms of reference from any Partner and/or call any Partner to be questioned at a Committee meeting as and when required;
- (c) have unrestricted access to the Partnership's documents and information and to obtain independent legal or professional advice, as and when required on any matter within its terms of reference as it considers necessary, at the Partnership's reasonable expense.

## **Purpose**

1. The purpose of the Committee is to assist the Board in fulfilling its responsibilities by reviewing and monitoring:
  - (a) the integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them;
  - (b) the effectiveness of the Partnership's system of internal controls and risk management;
  - (c) the effectiveness of the Partnership's auditors and the internal and external audit process;
  - (d) the effectiveness of the Partnership's processes for compliance with laws and regulations.
2. The Committee will review annually both its terms of reference and its own effectiveness and recommend any necessary changes to the Partnership Board.
3. In order to fulfil its purpose the Committee will carry out the duties described below.

## **Financial and Narrative Reporting**

4. The Committee will:
  - (a) monitor and discuss with management the integrity of the financial statements of the Company and Partnership, including: the annual and half-yearly reports; interim management statements; preliminary results announcements; and any other formal statements relating to its financial performance;
  - (b) review and report to the Board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor;

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- (c) review and challenge where necessary:
    - i. the application and appropriateness of significant accounting policies, and any changes to them both on a year on year basis and across the Partnership;
    - ii. whether appropriate accounting standards have been followed and whether appropriate estimates and judgements have been made, taking into account the external auditor's views;
    - iii. the clarity and completeness of financial reporting disclosures and any changes to those disclosures and the context in which statements are made, including the review of any correspondence between the Partnership and the external auditor;
    - iv. the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
    - v. significant adjustments resulting from the external audit;
    - vi. the disclosures concerning the Group's defined benefit pension arrangements;
    - vii. the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's or the Partnership's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and Partnership looking forward over an appropriate and justified period);
  - (d) monitor compliance with financial reporting standards and other financial and governance reporting requirements;
  - (e) review all material information presented with the financial statements, such as the strategic report and the corporate governance statements;
  - (f) review any other statements that contain financial information and require board approval.
5. The Committee will review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Partners and other stakeholders to assess the Partnership's performance, business model and strategy.

## **Risk Management and Internal Controls**

### **Risk Management**

6. The Committee will on behalf of the Partnership Board (which retains overall responsibility for risk management):
- (a) review and monitor the Partnership's risk management systems that identify, assess, manage and monitor risk within the risk appetite set by the Board and at least annually carry out a review of their effectiveness;
  - (b) ensure that a robust assessment of the emerging and principal risks facing the Partnership has been undertaken (including those risks that would threaten the Company's business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks; );
  - (c) maintain direct oversight of the Partnership's principal financial risks relating to: (i) liquidity risk; (ii) regulatory non-compliance risk (aligned to the responsibility in paragraph 6(a) above; and (iii) information security risk (as the information security control environment is a fundamental control to ensure the integrity of the financial statements; and
  - (d) oversee and advise the Partnership Board on the Partnership's current risk exposure and future risk strategy.

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**Internal Controls**

7. The Committee will on behalf of the Partnership Board oversee and monitor the Partnership's internal financial control systems and at least annually carry out a review of its effectiveness.

**Assurance Reports**

8. The Committee will on behalf of the Partnership Board receive and review assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively.
9. The Committee will review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation and also consider whether any such failings or weaknesses are significant and therefore require disclosure.

**Internal Audit**

10. The Committee will:
  - (a) approve the appointment and removal of the Director, Internal Audit & Risk;
  - (b) review and approve the terms of reference of the internal audit function;
  - (c) review and approve the annual internal audit plan to ensure it is aligned to business's key risks and receive regular reports on work carried out;
  - (d) ensure that the internal audit function has unrestricted scope, necessary resources, appropriate access to information and is free from management or other restrictions including direct access to the Chairman and to the Chair of the Committee and is accountable to the Committee;
  - (e) monitor and review the effectiveness of the work of the internal audit function;
  - (f) review and monitor management's responsiveness to the internal auditors' findings and recommendations.

**External Audit**

11. The Committee will:
  - (a) make recommendations to the Board, on the appointment, reappointment or removal of the Company's external auditors, ensuring that at least once every ten years the audit services contract is put out to tender;
  - (b) agree their terms of engagement with the external auditor, including any engagement letter issued at the start of each audit and its scope;
  - (c) agree the remuneration of the external auditor ensuring that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;
  - (d) if any external auditor resigns, investigate the issues leading to this and decide whether any action is required;
  - (e) review and assess on an annual basis the external auditor's independence and objectivity and its qualifications, expertise and resources ensuring that any provision of non-audit services does not impair the external auditor's independence or objectivity;

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- (f) consider any significant findings of a review of the Company's audit conducted by the Financial Reporting Council's Audit Quality Review team.
- (g) review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team and at the end of the audit cycle, assess the effectiveness of the audit process;
- (h) review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
- (i) review, before its consideration by the Partnership Board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations.

### **Compliance**

- 12. The Committee will annually review the Partnership's systems and controls for the detection of fraud, anti-money laundering and the prevention of bribery and receive appropriate reports from management.
- 13. The Committee will review and monitor the adequacy and effectiveness of the Partnership's regulatory compliance framework.

### **Whistleblowing**

- 14. The Committee will review, on behalf of the Board, the adequacy and security of the Partnership's arrangements for its Partners, employees of third-party organisations, agency workers and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. The Board retains responsibility for reviewing reports arising from use of these arrangements

### **Reporting Responsibilities**

- 15. The Chair of the Committee is responsible for:
  - (a) providing regular reports on the Committee's activities at meetings of the Partnership Board;
  - (b) the preparation of a formal report on the Committee's work and activities to be included incorporated in the Company's Annual Report and Accounts;
  - (c) attending Partnership Council at the meeting at which it discusses the Partnership's annual performance with the Chairman ("holding to account") to report on and answer questions on the Committee's activities;
  - (d) ensuring that any feedback received from Partnership Council, Partners generally or other stakeholders is taken into account by the Committee in carrying out its duties.