

THE TAKEOVER PANEL

FINANCE, AUDIT AND RISK COMMITTEE

Terms of Reference

1. Establishment

- 1.1 The Panel on Takeovers and Mergers (the “Panel”) hereby establishes a committee of the Panel, to be known as the Finance, Audit and Risk Committee (the “Committee”) to combine the functions of a finance committee, an audit committee and a risk committee.
- 1.2 The Panel hereby delegates certain functions (as set out in paragraph 2. below) to the Committee.

2. Purpose and functions of the Committee

- 2.1 The purpose and functions of the Committee are:
- (a) to review the financial statements of the Panel with a view to recommending them for adoption by the Panel (see paragraph 4. below);
 - (b) to monitor internal controls and the external audit process;
 - (c) to review income and expenditure;
 - (d) to recommend the annual budget for adoption by the Panel;
 - (e) to report to the Panel on a regular basis on the Panel’s financial position;
 - (f) to consider and recommend to the Panel the size and extent of the levy on securities transactions;

- (g) to consider and recommend to the Panel the size and extent of the charges payable on offers, whitewashes and any other relevant transactions which are subject to a document charge by the Panel;
- (h) to consider and recommend to the Panel the size and extent of Exempt and Recognised Intermediary charges;
- (i) to supervise the management of the Panel's accumulated surplus;
- (j) to oversee and advise the Panel on its overall exposure to financial, operational and reputational risks and the strategy for mitigation;
- (k) to consider and recommend to the Panel whether any rebate of document charges should be made and, if so, the quantum; and
- (l) to consider such other matters which are related to those set out in this paragraph 2.1 as may from time to time be referred to the Committee by the Panel.

3. Composition of the Committee

- 3.1 Membership of the Committee shall comprise persons drawn from the membership of the Panel and, if determined by the Panel, other individuals who need not be members of the Panel. Such other individuals may include persons who are also designated alternates for members of the Panel but who, if appointed as members of the Committee, shall be members of the Committee in their own right. The Committee shall include at least one of the Deputy Chairmen of the Panel.
- 3.2 The chairman and members of the Committee shall be appointed by the Panel, upon the recommendation of the Nomination Committee.
- 3.3 The number of members of the Committee shall be determined by the Panel from time to time, provided that at no time shall there be less than four members of the Committee.

3.4 Appointments to the Committee shall be for a period of up to three years extendable by no more than an additional two periods. In exceptional circumstances the Panel may grant further extensions on the recommendation of the Nomination Committee.

3.5 The Chief Operating Officer of the Panel shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. Financial reporting and annual accounts

4.1 The Committee shall monitor the integrity of the financial statements of the Panel, including its annual accounts, reviewing significant financial reporting issues and judgements which they contain.

4.2 The Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Panel has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; and
- (d) all material information presented with the financial statements.

4.3 The Committee shall keep under review the effectiveness of the Panel's financial controls in the context of the Panel's overall risk management system.

4.4 The Committee shall, in overseeing the relationship with the external auditor, consider and make recommendations to the Panel for approval as and where necessary, in relation to the appointment, re-appointment and removal of the Panel's external auditor. The Committee shall agree the remuneration of the

Panel's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

5. Meetings

- 5.1 All business of the Committee shall be transacted at duly convened meetings of the Committee or by way of written resolution. Meetings may be held by telephone or audio-visual communication.
- 5.2 The Committee shall meet at least three times a year and otherwise as required.
- 5.3 A meeting of the Committee may be called by any member of the Committee.
- 5.4 The quorum for transaction of business at a meeting of the Committee shall be three.
- 5.5 All decisions and resolutions of the Committee shall be made by a majority vote of those members present at a meeting of the Committee. In the event of a deadlock, the chairman of the meeting shall have a casting vote.
- 5.6 A resolution or decision in writing signed or approved by letter or electronic communication by or on behalf of a majority of the members of the Committee shall be valid and effectual as if it had been passed at a quorate meeting of the Committee duly convened and held. Any such resolution may be contained in one document or in several documents in the same terms each signed or agreed via electronic communication by one or more of the members.
- 5.7 Appropriate minutes of all meetings of the Committee, recommendations made and resolutions passed shall be kept.
- 5.8 Copies of the minutes of the meetings shall be circulated by the secretary to all members of the Committee and to the Chairman of the Panel.

6. Authority

- 6.1 The Committee and the chairman of the Committee are hereby authorised by the Panel to do anything it or (s)he considers necessary or expedient for the purposes of, or in connection with, its functions.
- 6.2 The Committee and the chairman of the Committee are hereby authorised by the Panel to establish procedures for the performance of its functions and to vary or amend such procedures from time to time, as it or (s)he sees fit.
- 6.3 The Committee is hereby authorised by the Panel to delegate to the Panel Executive those of its functions as it sees fit, provided that it reports such delegation to the Panel at the first opportunity.
- 6.4 The Committee is hereby authorised by the Panel to obtain external financial, accounting, audit or other independent professional advice and to secure the attendance at its meetings of third parties with the relevant experience and expertise if it considers this to be necessary for the fulfilments of its duties, at the Panel's expense.
- 6.5 The Committee is hereby authorised by the Panel to arrange and agree the terms of the Panel's banking arrangements and facilities including, without limitation, the size of any overdraft.

7. Other matters

- 7.1 The Committee shall arrange for periodic reviews of its terms of reference and constitution, at least every three years, and recommend any changes it considers necessary to the Panel for approval.

Adopted by the Panel on 25 April 2018