

Pre-Emption Group

PRE-EMPTION GROUP TERMS OF REFERENCE

The role of the Pre-Emption Group

1. The Pre-Emption Group (the **Group**) is an industry group acting on a voluntary basis that represents listed companies, investors, intermediaries and other stakeholders in the equity capital markets in relation to matters relating to the UK pre-emption rights regime. It issues guidelines, best practice documents and reports in relation to the regime. It is supported by the Financial Reporting Council, which acts as Secretariat to the Group.
2. The role of the Group is to:
 - a. monitor practice in relation to the disapplication of pre-emption rights and report annually on the application of the Statement of Principles published by the Group as well as on observance by stakeholders of the UK pre-emption regime more generally;
 - b. regularly review the Statement of Principles and, if necessary, agree any revisions to them and the supporting template resolutions after consultation with interested parties, and promote stakeholder awareness of the revised Principles;
 - c. monitor whether the processes relevant to pre-emptive and non-pre-emptive issues could operate more efficiently for the benefit of companies and shareholders and, where appropriate and relevant, make recommendations to the appropriate authorities; and
 - d. provide the market with a clear view of what is regarded as acceptable practice when raising equity and equity-related capital non-pre-emptively in the UK equity capital markets.
3. The Group will not express a view on, or otherwise intervene in, individual cases.
4. The Group will give due consideration to all relevant laws and regulations, the provisions of the UK Companies Act 2006, the UK Corporate Governance Code and published guidance, the requirements of the FCA's Listing Rules, the Prospectus Regulation Rules and the Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules or guidance as the Group considers relevant.

Membership

5. The Group shall comprise at least fourteen members and its membership will at all times be representative of the key stakeholders in the UK equity capital markets. These will comprise:
 - an independent chair;
 - an institutional investor representing UK dedicated equity funds;
 - an institutional investor representing global equity funds;
 - an institutional investor representing index tracking funds;

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- a representative of the retail investor community, whether through the UK Shareholders' Association, ShareSoc or otherwise;
- a representative of the Association for Financial Markets in Europe;
- a representative of the Quoted Companies Alliance;
- a representative of the 100 Group;
- a representative of the Association of Corporate Treasurers;
- a representative of the Pension and Lifetime Savings Association; and
- four independent members.

A representative of each of the Investment Association and the Investor Forum shall be entitled to attend meetings as observers. The Group will seek independent legal advice from time to time as necessary.

6. Members shall draw on the experience and expertise of their particular background but will serve in an individual capacity and not as the formal spokesperson for a particular constituency. Membership shall not be assignable.
7. Appointments to the Group shall be for a period of up to two years, extendable by the Nomination Committee. Appointments may be terminated earlier by a majority vote of the other members.
8. Membership of the Group is on a voluntary basis and no fee shall be payable by or to any member.
9. The names of the members of the Group will be set out on the Group's website and updated at least annually.

Nominations

10. The Chair and new members to the Group will be appointed by the Nomination Committee.
11. The Nomination Committee will be formed of three representatives from the Group, plus the Chair. The three members of the Committee in addition to the Chair should consist of one independent member as well as one representative of the investment community and one representative of the issuer community. No Nomination Committee member shall be present when matters concerning their own appointment are to be discussed.

Meetings

12. The Group will be at least twice a year to consider market developments, consider any required revisions to the Statement of Principles and to discuss and agree its annual report on pre-emption. Additional meetings of the Group will be held as required, and shall be called by the Secretariat at the request of the Chair or any member of the Group.
13. At least two weeks' written notice of meetings will be given to all members. Meetings may be held in person or by telephone or any other method of electronic communication.

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14. The quorum of the Group at meetings will be seven members, at least two of whom must be independent.
15. Only members of the Group have the right to attend meetings of the Group. However, other individuals may on occasion be invited to attend the meetings as an observer or otherwise to assist with specific activities at the discretion of the Chair, where their expertise is needed for the Group to be able to discharge its remit properly.
16. In the absence of the Chair and/or an appointed deputy at a meeting, the remaining members present shall elect one of themselves to chair the meeting.
17. The Group may also take decisions without a meeting by unanimous written resolution, when deemed necessary or desirable by the Chair.
18. The Secretariat shall minute the proceedings and decisions of all meetings of the Group, including recording the names of those present and in attendance. Minutes of meetings will be made available to all members of the Group and a summary of the minutes shall be made publicly available on the Group's website.

Secretariat

19. The Secretariat shall act as secretary of the Group and will ensure that the Group receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
20. The Secretariat shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest, advise on how to manage them and minute the outcome accordingly.

Other matters

21. The Group shall, as required in response to any changes in law, regulation, regulatory guidance and/or developing market practice, review these terms of reference and amend them as it considers appropriate from time to time. It shall also annually review its own performance.
22. The Group, with the agreement of the Secretariat and following prior notification to HM Treasury and the Financial Conduct Authority, will have the right to disband itself. In this event, the Secretariat will publish the fact of the Group's disbandment to the market.