

GABELLI MERGER PLUS+ TRUST PLC

(the "Company")

AUDIT AND RISK COMMITTEE

Terms of Reference

(as adopted on 17 February 2023)

1. Membership

1.1 The committee shall comprise at least three members, all of whom shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and the committee as a whole shall have competence relevant to the sector in which the company operates. The chair of the board shall not be a member of the committee.

1.2 Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chair of the audit and risk committee. The nomination committee will keep under review the independence of Directors and composition of the audit & risk committee to ensure that members continue to be independent.

1.3 Only members of the committee have the right to attend committee meetings. However, external audit lead partner will be invited to attend meetings of the committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

1.4 The board shall appoint the committee chair. In the absence of the committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The company secretary, or their nominee, 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.

3. Quorum

The quorum necessary for the transaction of business shall be two members.

4. Frequency of meetings

4.1 The committee shall meet at least two times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the committee chair will maintain a dialogue with key individuals involved in the company's governance, including the board chair and the external audit lead partner.

5. Notice of meetings

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members, or at the request of the external audit lead partner if they consider it necessary.

5.2 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 working 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.

6. Minutes of meetings

6.1 The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the company secretary unless, exceptionally, it would be inappropriate to do so.

7. Engagement with shareholders

The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. In addition the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

8. Duties

The committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 Financial reporting

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

8.1.2 In particular, the committee shall review and challenge where necessary:

8.1.2.1 the application of significant accounting policies and any changes to them;

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3 whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

8.1.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made

8.1.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

8.1.3 The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

8.1.4 Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

8.2 Narrative reporting

Where requested by the board, the committee should 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 shareholders to assess the company's performance, business model and strategy and whether it informs the board's statement in the annual report on these matters that is required under the Code.

8.3 Internal controls and financial risk management systems

The committee shall

8.3.1 keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.

8.3.2 keep under review the policies and overall process for identifying and assessing business financial risks, including but not limited to any solvency risk, liquidity risk, capital risk, tax risks or other financial risks and managing their impact on the Company and enquire of management [and the Company's third party professional service providers] of any material deficiencies in the design or operation of the systems of internal control, of the existence of any material breakdown in controls or evidence of fraud or material misstatement of financial reports;

8.3.3 To monitor and keep under review the policies and overall process for identifying and assessing business risks and managing their impact on the Company.

8.3.4 To oversee and advise the Board on the current risk exposures of the Company; the Company's overall risk appetite, tolerance and future risk strategy.

8.3.5 review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

8.3.6 review the company's privacy and data protection policies and gain sufficient representation from management and third party providers as how these are executed and managed.

8.3.7 review and monitor the key technology risks facing the company, including, but not limited to, the Company's programs, policies, practices and safeguards for information technology, cybersecurity and fraud, identification, assessment, monitoring, mitigation and the overall management of those risks, and the Company's cyber-attack incident response and recovery plan.

8.3.8 Review the Company's (i) Crisis Management Plan; and (ii) Disaster Recovery Plan; and (iii) Business Continuity Plan.

8.4 Compliance, Whistleblowing, bribery and fraud

The committee shall

8.4.1 review the adequacy and security of the company's arrangements for its 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;

8.4.2 review the company's procedures for detecting fraud;

8.4.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;

8.4.4 review regular reports regarding the adequacy and effectiveness of the company's anti-money laundering systems and controls; and

8.4.5 review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function.

8.5 Internal audit

The committee shall consider whether an independent, third party review of processes is appropriate.

8.6 External Audit

The committee shall

8.6.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;

8.6.2 develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;

8.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

8.6.4 oversee the relationship with the external auditor. In this context the committee shall

8.6.4.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;

8.6.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.6.5 assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services

8.6.6 satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

8.6.7 agree with the board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;

8.6.8 monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;

8.6.9 monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;

8.6.10 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;

8.6.11 seek to ensure coordination of the external audit with the activities of any internal audit function;

8.6.12 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;

8.6.13 develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters

8.6.13.1 threats to the independence and objectivity of the external auditor and any safeguards in place;

8.6.13.2 the nature of the non-audit services;

8.6.13.3 whether the external audit firm is the most suitable supplier of the non-audit service;

8.6.13.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;

8.6.13.5 the criteria governing compensation;

8.6.14 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;

8.6.15 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

8.6.16 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.16.1 a discussion of any major issues which arose during the audit;

8.6.16.2 the auditor's explanation of how the risks to audit quality were addressed;

8.6.16.3 key accounting and audit judgements;

8.6.16.4 the auditor's view of their interactions with senior management;

8.6.16.5 levels of errors identified during the audit;

8.6.17 review any representation letter(s) requested by the external auditor before it is (they are) signed by management;

8.6.18 review the management letter and management's response to the auditor's findings and recommendations;

8.6.19 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. Reporting responsibilities

9.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include

9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.10), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;

9.1.3 any other issues on which the board has requested the committee's opinion;

9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The committee shall compile a report on its activities to be included in the company's annual report. The report should describe the work of the audit committee, including

9.3.1 the significant issues that the committee considered in relation to the financial statements and how these issues were addressed;

9.3.2 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, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;

9.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, 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 report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

10. Other matters

The committee shall

10.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.

10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

10.4 Be responsible for oversight of the coordination of the internal and external auditors as appropriate.

10.5 Oversee any investigation of activities which are within its terms of reference.

10.6 Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.

10.7 Ensure that a periodic evaluation of the committee's performance is carried out.

11. Self-Evaluation

11. At least annually, the committee shall review its constitution, performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

12. Authority

The committee is authorised to

12.1 Seek any information it requires from any employee of the company in order to perform its duties.

12.2 Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.

12.3 Call any employee to be questioned at a meeting of the committee as and when required.

12.4 Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the board. If the board has not accepted the committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the board has taken a different position.