

MATTERS RESERVED FOR THE BOARD

Terms of Reference

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Definitions:

The following words have the following meanings:

“Audit”, “Nominations” or “Remuneration” refer to the Group Company’s Board Committees which will consider the item and make recommendations to the Board for its final decision.

“Board” means the Board of Directors of Dialight plc.

“Board Committees” means the Audit, Nominations and Remuneration committees of Dialight Plc.

“CA 2006” means the Companies Act 2006.

“Code” means the UK Corporate Governance Code 2024.

“DTR” means the Financial Conduct Authority’s Disclosure and Transparency Rules.

“GBE” means the FRC Guidance on Board Effectiveness.

“Group” means Dialight plc and any subsidiary company as defined in section 1159 of the CA 2006 and any other company which is a subsidiary (as so defined) of a company which is itself a subsidiary of such holding company.

“Group Company” means any subsidiary company of Dialight plc as defined in section 1159 of the CA 2006 and any other company which is a subsidiary (as so defined) of a company which is itself a subsidiary of such holding company.

“UKLR” means the Financial Conduct Authority’s Listing Rules.

“PRM” means the Financial Conduct Authority’s Prospectus Rules.

Introduction

The purpose of this document is to define the key matters reserved for the decision of the Board, ensuring that the Board retains appropriate oversight and control over the strategic direction, governance, and overall management of the Group. By clearly distinguishing those matters which must be considered at Board level, from those delegated to management, this framework supports effective decision-making, accountability, and transparency and promotes the long-term sustainable success of the Group while taking into account the interests of shareholders and other key stakeholders. This approach is aligned with the principles set out in the UK Corporate Governance Code 2024 and the requirements of the Companies Act 2006.

Pursuant to article 89 of the Company’s articles of association (the “Articles”), the board of directors of the Company (the “Board”) has the general power to manage the Company’s business. This includes the power to delegate authority to committees (under article 92 of the Articles), to individual directors (under article 91 of the Articles), and to any manager or agent of the Company (under article 94 of the Articles). Notwithstanding this broad power of delegation,

the Board recognises that, in accordance with principles of good governance, there are certain matters for which it should retain sole and exclusive responsibility.

Accordingly, the matters set out in the schedule below are reserved exclusively for determination by the Board. The reservation of such matters does not prevent the Board's committees, or individuals with relevant knowledge and expertise, from providing recommendations or contributing to informed and constructive discussion. Matters which the Board considers appropriate for delegation are set out in the respective terms of reference of its committees and are subject to periodic review to ensure continued alignment with best practice.

1. Strategy and Management

- 1.1. Responsibility for the overall leadership of the Group, including establishing the Group's purpose, values, and strategy and satisfying itself that these and its culture are aligned.
- 1.2. Approval of the Group's long-term objectives and strategy to ensure the Group generates and preserves value over the long term for shareholders whilst having regard to wider stakeholder interests
- 1.3. On-going assessment and monitoring of the Group's culture, including ensuring that policy, practices and behaviours are aligned with the Company's purpose, values and strategy (Code, Provision 2)
- 1.4. Ensuring that views of shareholders and other key stakeholders are considered when making decisions, in order to promote the long-term sustainable success of the Group and its contribution to wider society.
- 1.5. Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 1.6. Oversight of the Company's operations, ensuring:
 - 1.6.1. competent and prudent management
 - 1.6.2. sound planning
 - 1.6.3. adequate systems of risk management and internal controls
 - 1.6.4. adequate accounting and other records
 - 1.6.5. compliance with statutory and regulatory obligations
- 1.7. Review of performance in light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken
- 1.8. Extension of the Group's activities into new business, markets or geographic areas
- 1.9. Any decision to cease to operate all or any material part of the Group's business

2. Structure and Capital

- 2.1. Changes relating to the Group's capital structure, including a reduction of capital, share issues (except under employee share plans), and share buybacks including the use of treasury shares.
- 2.2. Major changes to the Group's corporate structure, including, but not limited to, acquisitions and disposals of shares which are material relative to the size of the Group (taking into account initial and deferred consideration).
- 2.3. Any changes to the Company's listing or its status as a public limited company.

3. Financial Reporting and Controls

- 3.1. Approval of the half-yearly report, preliminary announcement of final results and any trading updates.
- 3.2. Approval of the annual report and accounts, including the strategic report, corporate governance statement, remuneration report and remuneration policy at least every 3 years.
- 3.3. Approval of the dividend policy.
- 3.4. Declaration and announcement of the interim dividend and recommendation of the final dividend.
- 3.5. Approval of any significant changes in accounting policies or practices.
- 3.6. Approval of treasury policies including any facility to borrow provided by a bank, financial institution or other third party (which at the time of its arrangement has a term exceeding one year (“Term Facility”), and where the principal sum under such Term Facility exceeds £5 million), including foreign currency exposures, hedging and the use of financial derivatives. The level of foreign currency exposures, hedging and use of financial derivatives will be included in the Chief Financial Officer’s reports to the Board.
- 3.7. Approval of any guarantee, bond or indemnity to be given to a third party by a Group Company (for itself or on behalf of another Group Company), where the amount of the contingent liability under such guarantee, bond or indemnity exceeds £5 million, except in respect of a guarantee, bond or indemnity which:
 - 3.7.1. is being given in support of a tender or contract (entered into in the normal course of business) and such contract has been properly approved in accordance with the Matters Reserved to the Board; or
 - 3.7.2. is being given in support of any borrowing, or facility to borrow (including facilities for the issue of bonds, letters of credit, indemnities or guarantees on behalf of a Group Company), of a wholly owned Group Company and such borrowing facility has been properly approved in accordance with the Matters Reserved to the Board
- 3.8. Approval of any proposal to charge any assets of a Group Company in favour of any third party (including any financial institution), whether by way of a fixed or floating charge, mortgage or any other form of security, where the amount of the charge or the book value of the assets to be charged exceeds £5million.
- 3.9. Approval of capital expenditure (“CAPEX”) by a Group Company which is within the Dialight plc approved budget and where the total written down book, investment or capitalised value in respect of a single transaction or series of related transactions, exceeds £3 million.

For these purposes CAPEX is deemed to include:

- 3.9.1. expenditure on an existing or new fixed asset;
- 3.9.2. the purchase or sale of a fixed asset;
- 3.9.3. the acquisition or sale of a company or business by a Group Company, or investment in an associated company, joint venture or partnership
- 3.9.4. the participation, or termination of participation, by a Group Company in an associated company, joint venture or partnership, including approval of

- prospective third-party participants or removal of existing participants
- 3.9.5. the entering into of leases, licences or other such arrangements which would entitle a Group Company to use an asset owned by a third party; and
- 3.9.6. granting leases, licences or other such arrangements, which entitle a third party to use an asset owned by a Group Company
- 3.10. Approval of CAPEX by Group Company which is not within the Dialight plc approved budget and where the total written down book, investment or capitalised value in respect of a single transaction or series of related transactions exceeds £1million in the aggregate.

4. Internal Controls

- 4.1. Ensuring maintenance of a sound system of internal controls and risk management including:
 - 4.1.1. approval of risk management and internal control policies for the Group;
 - 4.1.2. receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;
 - 4.1.3. ensuring procedures are adequate for the detection of fraud and the prevention of bribery;
 - 4.1.4. undertaking an annual assessment of these processes; and
 - 4.1.5. approving an appropriate statement for inclusion in the annual report.

5. Acquisitions and Disposals

- 5.1. Acquisitions or disposals of part or all of a business (including fixed assets and intangibles such as intellectual property) above £10 million.
- 5.2. Major investments including the proposed acquisition or disposal of any interest in the voting shares of any company or the making of any takeover offer.

6. Contracts

- 6.1. New contracts or binding tenders (or renewals or material amendments to existing customer contracts) with an anticipated annual revenue, project value or consideration above £10m.
- 6.2. New customer contracts or binding tenders (or renewals or material amendments to existing customer contracts) which are potentially onerous, including those with:
 - 6.2.1. A fixed duration of longer than 12 months and an anticipated annual revenue or project value above £5m.
 - 6.2.2. Liability exposure in excess of internally agreed and documented thresholds.
 - 6.2.3. Upfront investment costs of above £0.5m.
- 6.3. Contracts in which a director or other related party is interested.
- 6.4. Any binding commitment to enter into or materially amend the terms of a major strategic alliance, joint venture, partnership.
- 6.5. Approval of acquisitions, disposals, and investments above delegated authority limits
- 6.6. Approval of any decision likely to have a material impact on the Company's financial

position or reputation

7. Communication

- 7.1. Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- 7.2. Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 7.3. Approval of all circulars, prospectuses and listing particulars, except for routine circulars which may be delegated to a Committee or approved according to a procedure specified by the Board in advance.
- 7.4. Approval of press releases or RNS announcements concerning matters decided by the Board.

8. Board Membership and Other Appointments

- 8.1. Changes to the structure, size and composition of the Board, following recommendations from the Nomination committee.
- 8.2. Ensuring adequate succession planning for the Board and senior management, with due regard to diversity, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.
- 8.3. Appointments to the Board, following recommendations by the Nomination committee
- 8.4. Selection of the Chair of the Board and the Chief Executive.
- 8.5. Appointment of the Senior Independent Director to provide a sounding board for the Chairman and to serve as intermediary for the other directors when necessary.
- 8.6. Membership and Chairmanship of Board committees following recommendations from the Nominations committee.
- 8.7. Continuation in office of directors at the end of their term office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate, following recommendations by the Nominations Committee.
- 8.8. Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to law and their service contract, following recommendations by the Nominations Committee.
- 8.9. Appointment or removal of the Company Secretary (Code, Section 2, Provision 16).
- 8.10. Appointment, re-appointment or removal of the external auditor to be put to shareholders for approval in general meeting, following the recommendation of the Audit committee.
- 8.11. Appointments to the boards of subsidiaries shall be delegated by the Board to the Group Chief Executive for approval.

9. Remuneration

- 9.1. Determining the remuneration policy for the executive directors and Company Secretary, following the recommendation of the remuneration committee
- 9.2. Determining the remuneration of the non-executive directors, subject to the articles of

association and shareholder approval as appropriate.

- 9.3. The introduction of new share incentive plans and all employee share schemes or major changes to existing plans, to be put to shareholders for approval, following the recommendation of the remuneration committee

10. Delegation of Authority

- 10.1. The division of responsibilities between the Chair and the Chief Executive, which should be clearly established, set out in writing and agreed by the Board. (Code, Section 2, Provision 14)
- 10.2. Establishing board committees and approving their Terms of Reference, and approving material changes thereto. (Code, Section 2, Provision 14)
- 10.3. Receiving reports from Board committees on their activities.

11. Corporate Governance Matters

- 11.1. Undertaking a formal and rigorous review annual review of the Board's own performance, that of its committees and individual directors, and the division of responsibilities. (Code Section 3, Principle L and Provision 21)
- 11.2. Determining the independence of non-executive directors according to, amongst other things, the factors set out in the Code
- 11.3. Considering the balance of interests between all stakeholders, including but not limited to shareholders, employees, customers and the community. (CA 2006 s172)
- 11.4. Review of the Group's overall corporate governance arrangements.
- 11.5. Receiving reports on the views of the Company's shareholders.
- 11.6. Authorising conflicts of interest where permitted by Dialight plc's Articles of Association. (CA 2006 s 177)
- 11.7. Approval of and any changes to the Group authority limits.

12. Policies

- 12.1. Approval of the Group policies, including but not limited to the Group's
 - 12.1.1. Code of Business Conduct
 - 12.1.2. Anti-Corruption & Bribery Policy
 - 12.1.3. Anti-Fraud Policy
 - 12.1.4. Treasury Policy
 - 12.1.5. Annual Modern Slavery Statement
 - 12.1.6. Share Dealing Code

13. Other

- 13.1. Approval of any political donations by the Company.
- 13.2. Approval of the appointment of the Company's principal financial and professional advisers.
- 13.3. Prosecution, commencement, defence or settlement of litigation, or an alternative

dispute resolution mechanism, in respect of any claim above £1 million, or being of a material interest or unusual nature.

- 13.4. Approval of the overall levels of insurance for the Group including Directors' & Officers' Liability insurance and indemnification of directors.
- 13.5. Major changes to the rules of the Group's pension scheme, or changes of trustees or, if this is subject to the approval of the Company, changes in the fund management arrangements.
- 13.6. Any decision likely to have a material impact on the Group from any perspective, including but not limited to, financial, operational, strategic or reputational perspectives
- 13.7. Procedure for directors in the furtherance of their individual duties to take independent advice, at the Group's expense.
- 13.8. Changes to this schedule of matters reserved for Board decisions.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.