

Matters Reserved for the Board

Terms of Reference

Key:

"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 (April 2016).

"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.

"LR" means the Financial Conduct Authority's Listing Rules.

"PR" means the Financial Conduct Authority's Prospectus Rules.

1. Strategy and Management

1.1 Responsibility for the overall management of the Group. *(Code A.1)*

1.2 Approval of the Group's long term objectives, commercial strategy and business plan. *(Code A.1)*

1.3 Approval of the annual operating and capital expenditure budgets and any material changes to them.

1.4 Oversight of the Group's operations ensuring *(Code C.2)*:-

1.4.1 competent and prudent management;

1.4.2 sound planning;

1.4.3 maintenance of sound management and internal control systems;

1.4.4 adequate accounting and other records; and

1.4.5 compliance with statutory and regulatory obligations.

1.5 Review of performance in light of the Group's strategy aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken. *(Code B.6)*

1.6 Extension of the Group's activities into new business or geographic areas.

1.7 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 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 Changes to the Group's management and control structure as set out in the Governance of Dialight.

2.4 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, interim management statements and any preliminary announcement of the final results. *(Code C.1, Audit, DTR 4.1 – 4.4)*

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. *(CA 2006 ss 414 -415, LR 9.8, Code C.1, DTR 4, Audit)*

3.3 Approval of the dividend policy.

3.4 Declaration and announcement of the interim dividend and recommendation of the final dividend. *(LR 9.7 A.2, DTR 6.1.13)*

3.5 Approval of any significant changes in accounting policies or practices. *(Code C.1 and C.3, Audit)*

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), except foreign currency exposures, hedging and the use of financial derivatives where the responsibility for such management and approval has been delegated to the Executive Committee, provided such amounts do not exceed £2 million in the aggregate at any such time. The level of foreign currency exposures, hedging and use of financial derivatives will be included in the Group Finance Director'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 £1 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 £500,000 in the aggregate.

4. Internal Controls

- 4.1 Ensuring maintenance of a sound system of internal control and risk management including (*Code C.2, C2.1, Audit, UK Bribery Act 2010*):
 - 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 approving procedures 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. (*DTR 5*)

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.

7. Communication

- 7.1 Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives. *(Code E.1)*
- 7.2 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting. *(LR 13)*
- 7.3 Approval of all circulars, prospectuses and listing particulars (approval of routine documents such as periodic circulars about scrip dividend procedures or exercise of conversion rights may be delegated to a committee). *(LR 13, PR 5.5)*
- 7.4 Approval of press releases 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. *(Code B1, Nomination)*
- 8.2 Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within Dialight plc and on the Board. *(Code B.2)*
- 8.3 Appointments to the Board, following recommendations by the Nomination committee *(Code B.2.1, Nomination)*
- 8.4 Selection of the Chairman of the Board and the Chief Executive. *(GBR 1.4 – 1.8, 1.12 – 1.17, 4.1 – 4.7 and Nomination)*
- 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. *(Code A.4.1, GBR 1.9 – 1.11 and Nomination)*
- 8.6 Membership and Chairmanship of Board committees following recommendations from the Nominations committee. *(Nomination)*

- 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. *(Nomination)*
- 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. *(Nomination)*
- 8.9 Appointment or removal of the Company Secretary. *(CA 2006 Part 12 ss 270-280, Code B.5.2 and GBE 2.1 – 2.4)*
- 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. *(CA 2006 ss 489 and 491, Code C3.2, Audit)*
- 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 directors, Company Secretary and other senior executives *(Code D.2, Remuneration)*
- 9.2 Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate. *(Code D.2.3)*
- 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. *(Remuneration)*

10. Delegation of Authority

- 10.1 The division of responsibilities between the chairman and the chief executive, which should be clearly established, set out in writing and agreed by the Board. *(Code A.2.1)*
- 10.2 Establishing board committees and approving their Terms of Reference, and approving material changes thereto. *(Code B.2.1, C.3.1 and D.2.1)*
- 10.3 Receiving reports from Board committees on their activities.

11. Corporate Governance Matters

- 11.1 Undertaking a formal and rigorous review and evaluation annually of its own performance, that of its committees and individual directors, and the division of responsibilities. *(Code B.6)*
- 11.2 Determining the independence of non-executive directors in light of their character, judgment and relationships. *(Code B.1.1)*
- 11.3 Considering the balance of interests between shareholders, employees, customers and the community. *(CA 2006 s 172)*
- 11.4 Review of the Group's overall corporate governance arrangements.

11.5 Receiving reports on the views of the Company's shareholders to ensure they are communicated to the Board as a whole. *(Code E.1.1)*

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 and delegated authorities below Board level including in the Governance of Dialight and in the Group Controls Manual.

12. Corporate Social Responsibility

12.1 Approval of the Group's Code of Business Conduct and relevant supporting Group Policies. *(Code, A.1)*

13. Urgent Matters

13.1 It is quite appropriate for emergency procedures to deal with matters that must be dealt with urgently to be undertaken by way of telephone conference calls. In such cases it is advisable that as many directors as possible participate in the call or calls. All relevant papers should be sent to all directors and those unable to participate shall be invited to communicate their views to the Chairman beforehand.

14. Reputation Issues

14.1 Matters materially affecting the reputation or financial position of the Group.

15. Other

15.1 The making of political donations by the Company.

15.2 Approval of the appointment of the Company's principal professional advisers.

15.3 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.

15.4 Approval of the overall levels of insurance for the Group including Directors' & Officers' Liability insurance and indemnification of directors. *(Code A.1.3)*

15.5 Major changes to the rules of the Group's pension scheme, or changes of trustees or, when this is subject to the approval of Dialight plc, changes in the fund management arrangements.

15.6 Any decision likely to have a material impact on Dialight plc or the Group from any perspective, including but not limited to, financial, operational, strategic or reputational, including decisions in respect of the triennial or actuarial reviews of the Group's pension scheme arrangements.

15.7 Procedure for directors in the furtherance of their individual duties to take independent advice, at the Group's expense.

15.8 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.