

# **AUDIT COMMITTEE TERMS OF REFERENCE**

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## 1. Definitions

The following words have the following meanings:

“AGM”	the Company’s Annual General Meeting;
“Auditor”	the Company’s external auditor from time to time;
“Board”	the Board of Directors of the Company;
“CEO”	the Group Chief Executive Officer
“CFO”	the Group Chief Financial Officer
“Code”	the UK Corporate Governance Code 2024
“Committee”	the Audit Committee of the Board
“Company”	Dialight Plc
“Group”	the Company and its subsidiary undertakings
“Secretary”	the secretary to the Committee, being the Company Secretary of the Company or their duly appointed nominee;
“Sustainability Reporting”	public reporting relating to environmental, climate, social or governance matters including, but not limited to, greenhouse gas emissions, climate-related financial disclosures and other sustainability disclosures required under applicable law, regulation or international reporting standards

## 2. Membership and Chair

- 2.1. The Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Committee Chair.
- 2.2. The Committee shall comprise at least three independent non-executive directors, as defined in the Code. In the case of smaller companies, the Board may determine that two independent non-executive directors are sufficient.
- 2.3. At least one member shall have recent and relevant financial experience, ideally with a professional qualification from a recognised accountancy body.
- 2.4. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.5. Appointments to the Committee shall normally be for a period of up to three years, extendable by two additional three-year periods, provided the director remains independent.
- 2.6. The Board shall appoint the Committee Chair, who shall be an independent non-executive director and shall not be the Chair of the Board.
- 2.7. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 2.8. Only Committee members have the right to attend Committee meetings, although the Board Chair, CEO, CFO, internal audit lead and Auditor may be invited to attend for all or part of any meeting.

## 3. Secretary

The Company Secretary, or their nominee, shall act as Secretary of the Committee and shall ensure the Committee receives information and papers in a timely manner to enable full and proper consideration of issues.

## 4. Quorum

The quorum necessary for the transaction of business shall be two members.  
A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all authorities, powers and discretions vested in the Committee.

## **5. Meetings**

- 5.1. The Committee shall meet at least four times each financial year, aligned with the Company's financial reporting and audit cycle.
- 5.2. Additional meetings may be convened as required by the Committee Chair.
- 5.3. Outside formal meetings, the Committee Chair shall maintain a dialogue with key individuals involved in governance, including the Board Chair, CEO, CFO, the external audit lead partner and the head of internal audit.
- 5.4. The Committee shall meet the external auditor and the head of internal audit at least once a year without management present.

## **6. Notice of Meetings**

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of any Committee member, the external auditor or the head of internal audit if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda and supporting papers, shall be circulated to members and attendees no later than three working days before the meeting.

## **7. Minutes of Meetings**

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings.
- 7.2. Draft minutes shall be circulated promptly to Committee members.
- 7.3. Once approved, minutes shall be circulated to the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.

## **8. AGM**

The Committee Chair shall attend the AGM to answer shareholder questions on the Committee's activities.

## **9. Authority**

The Committee is authorised by the Board to:

- 9.1. investigate any activity within its terms of reference;
- 9.2. seek any information it requires from any employee of the Group;
- 9.3. obtain, at the Company's expense, independent legal, accounting or other professional advice;
- 9.4. call any employee to be questioned at a meeting of the Committee;
- 9.5. publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

## 10. Duties and Responsibilities

The Committee shall carry out the following duties for the Company, its major subsidiaries and the Group as a whole.

### 10.1. Financial Reporting

The Committee shall:

- 10.1.1. monitor the integrity of the Company's financial statements including annual and half-yearly reports and any formal announcements relating to financial performance;
- 10.1.2. monitor the financial reporting process and the effectiveness of internal controls over financial reporting;
- 10.1.3. review and challenge where necessary:
  - 10.1.3.1. significant accounting policies and any changes to them;
  - 10.1.3.2. the methods used to account for significant or unusual transactions;
  - 10.1.3.3. the appropriateness of accounting estimates and judgements;
  - 10.1.3.4. compliance with accounting standards;
  - 10.1.3.5. the clarity and completeness of disclosures in financial reports;
  - 10.1.3.6. all material information presented with financial statements including the strategic report and corporate governance disclosures;
- 10.1.4. review and challenge management's assessment of going concern and longer-term viability, including assumptions, stress testing and scenario analysis;
- 10.1.5. review the integrity of Sustainability Reporting and related disclosures included within the annual report.
- 10.1.6. Where the Committee is not satisfied with any aspect of financial reporting, it shall report its views to the Board.

### 10.2. Narrative Reporting

The Committee shall:

- 10.2.1. review the content of the annual report and advise the Board on whether it is fair, balanced and understandable;
- 10.2.2. ensure it provides the information necessary for shareholders to assess the Company's performance, strategy and business model;
- 10.2.3. review disclosures relating to internal controls, risk management and governance;
- 10.2.4. review significant findings from internal investigations relating to fraud, misconduct or control failures.

### 10.3. Internal Controls and Risk Management

The Committee shall:

- 10.3.1. keep under review the adequacy and effectiveness of the Group's internal control and risk management systems;
- 10.3.2. oversee the design, implementation and operation of the Group's internal control framework, including controls relating to:
  - 10.3.2.1. financial reporting

- 10.3.2.2. operational processes
- 10.3.2.3. legal and regulatory compliance
- 10.3.2.4. technology and cyber security
- 10.3.3. review management's assessment of the effectiveness of the Company's material internal controls, including financial, operational, reporting and compliance controls;
- 10.3.4. review the documentation and evidence supporting management's assessment, including any material weaknesses and remediation plans;
- 10.3.5. advise the Board in relation to the Board's declaration on the effectiveness of internal controls included in the annual report;
- 10.3.6. review the Company's principal and emerging risks and the systems established to identify, assess and manage those risks;
- 10.3.7. review statements in the annual report concerning risk management, internal control and viability.

#### 10.4. Compliance, Whistleblowing and Fraud

The Committee shall:

- 10.4.1. review the adequacy and effectiveness of the Company's whistleblowing arrangements, ensuring employees and contractors can raise concerns confidentially;
- 10.4.2. receive regular reports on whistleblowing activity, investigations and outcomes;
- 10.4.3. review the Company's procedures for detecting and preventing fraud;
- 10.4.4. review systems and controls designed to prevent bribery and corruption.

#### 10.5. Internal Audit

The Committee shall:

- 10.5.1. monitor and review the effectiveness of the internal audit function;
- 10.5.2. approve the appointment or removal of the head of internal audit;
- 10.5.3. review and approve the internal audit charter and annual audit plan;
- 10.5.4. ensure internal audit has sufficient resources and authority;
- 10.5.5. review internal audit reports and monitor management's response to recommendations;
- 10.5.6. meet the head of internal audit at least once a year without management present;

#### 10.6. External Audit

The Committee shall:

- 10.6.1. make recommendations to the Board regarding the appointment, reappointment or removal of the Auditor;
- 10.6.2. oversee the selection process for a new Auditor;
- 10.6.3. ensure the audit contract is put out to tender at least every ten years;
- 10.6.4. oversee the relationship with the Auditor including:
  - 10.6.4.1. remuneration and audit fees;
  - 10.6.4.2. terms of engagement;
  - 10.6.4.3. independence and objectivity;

- 10.6.4.4. the provision of non-audit services;
- 10.6.4.5. compliance with ethical and professional standards;
- 10.6.5. review and approve the external audit plan, including scope, materiality levels and key audit risks;
- 10.6.6. review the findings of the audit, including significant accounting judgements and identified errors;
- 10.6.7. assess annually the qualifications, expertise, resources and independence of the Auditor;
- 10.6.8. evaluate the effectiveness and quality of the audit process, including consideration of audit quality indicators;
- 10.6.9. review management representation letters before signature;
- 10.6.10. review the auditor's management letter and management's response;
- 10.6.11. develop and implement a policy governing the provision of non-audit services by the Auditor.

## 11. Reporting Responsibilities

- 11.1. The Committee Chair shall report to the Board after each meeting.
- 11.2. The Committee shall report on:
  - 11.2.1. significant financial reporting issues;
  - 11.2.2. the effectiveness of the external audit process;
  - 11.2.3. recommendations regarding the appointment of the Auditor.
- 11.3. The Committee shall compile a report for inclusion in the Company's annual report describing:
  - 11.3.1. its activities during the year;
  - 11.3.2. significant financial reporting issues;
  - 11.3.3. how audit effectiveness was assessed;
  - 11.3.4. how auditor independence was safeguarded;
  - 11.3.5. how it reviewed the effectiveness of internal controls and risk management systems.
  - 11.3.6. Committee members shall act in accordance with their duties under the Companies Act 2006.

## 12. Other Matters

The Committee shall:

- 12.1. review its own performance, constitution and terms of reference at least annually;
- 12.2. have access to sufficient resources and to the Company Secretary;
- 12.3. receive appropriate training and induction;
- 12.4. give due consideration to:
  - 12.4.1. the Code
  - 12.4.2. applicable law and regulation
  - 12.4.3. the Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and

Transparency Rules issued by the Financial Conduct Authority;

- 12.5. coordinate the activities of internal audit, external audit and management to ensure effective assurance coverage;
- 12.6. liaise with other Board committees where appropriate.