

# Remuneration Committee

## Terms of Reference

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### 1. Definitions

“Board” means the Company’s Board of Directors

“Committee” means the Company’s Remuneration Committee

“Company” means Dialight plc

“Executive Committee” means individuals holding senior executive positions reporting into the Group Chief Executive

“Group” means the Company’s group of companies

### 2. Membership and Chairman

2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee and in consultation with the Committee Chairman. The Committee shall consist of at least three members, all of whom shall be independent Non-Executive Directors, as defined in the UK Corporate Governance Code. The Group Chairman may also serve on the Committee as an additional member if he or she was considered independent on appointment as Group Chairman.

2.2 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Group Chairman (if not a member), Group Chief Executive and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

2.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two further three-year periods, provided the member (other than the Chairman of the Board, if he or she is a member of the Committee) still meets the criteria for membership of the Committee.

2.4 The Board shall appoint the Committee Chairman who shall on appointment be an independent Non-Executive Director who has served for at least 12 months: (a) on the Board; and (b) on a remuneration committee before the Board nominates such Non-Executive Director to the Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these Terms of Reference to be appointed to that position by the Board. The Group Chairman shall not be chairman of the Committee.

### 3. Secretary

3.1 The Company Secretary or their duly appointed 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 the issues.

### 4. Quorum

4.1 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 or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### 5. Meetings

5.1 The Committee shall meet at least twice a year and at such other times as the Committee Chairman shall require.

## **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 6.2 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, any other person required to attend and all other Non-Executive Directors, no later than three 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.

## **7. Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, in the opinion of the Committee Chairman, it would be inappropriate to do so.

## **8. Annual General Meeting**

- 8.1 The Committee Chairman shall attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **9. Duties**

The Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

### **Remuneration Policy and Remuneration of the Executive Directors, the Chairman and Company Secretary**

The Committee shall:

- 9.1 have responsibility for setting the remuneration policy for all Executive Directors, the Company's Chairman and senior management including, where appropriate, bonuses, incentive payments, share based incentive schemes, pension rights, compensation payments and post-employment shareholding requirements. The Board shall determine the remuneration of the Non-Executive Directors within the limits set in the Articles of Association. No director or manager shall be involved in any decisions as to their own remuneration;
- 9.2 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to: reward fairly and responsibly, in support of the Company's strategy and to promote its long-term sustainable success, with a clear link to corporate and individual performance; and with regard to the Company's purpose and values, and its long strategic term goals;
- 9.3 when setting remuneration policy for Directors, review and have regard to pay and employment conditions across the Company or Group, especially when determining annual salary increases;
- 9.4 consider remuneration practice, the engagement and independence of external remuneration advisers and their costs to the Company;
- 9.5 review the ongoing, appropriateness and relevance of the remuneration policy;
- 9.6 within the terms of the agreed policy and in consultation with the Group Chairman and/or Group Chief Executive, as appropriate, determine the total individual remuneration package for each Executive



Director, the Group Chairman and the Company Secretary including bonuses, incentive payments, share based incentive schemes, pension rights, compensation payments and post-employment shareholding requirements; and

- 9.7 when determining executive director remuneration policy and practices, address the following factors set out in Provision 40 of the UK Corporate Governance Code:
- 9.7.1 clarity;
  - 9.7.2 simplicity;
  - 9.7.3 risk;
  - 9.7.4 predictability;
  - 9.7.5 proportionality; and,
  - 9.7.6 alignment to culture; and
- 9.8 when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes.

#### **Share Incentive Schemes**

The Committee shall:

- 9.9 approve the design of, and determine targets for, any performance related incentive schemes operated by the Company and approve the total annual payments made under such schemes (in accordance with the provisions of Schedule A of the UK Corporate Governance Code); and
- 9.10 review the design of all share incentive plans requiring approval by the Board and shareholders. For any such plans, the Committee shall determine each year, taking into account the recommendations of the Group Chief Executive, whether awards will be made and, if so, the amount of such awards to the Executive Directors, Company Secretary, members of the Executive Committee and other senior Group employees from time to time nominated by the Group Chief Executive, and the performance targets to be used.

#### **Remuneration of the Executive Committee and any other Group employees**

The Committee shall:

- 9.11 be kept informed by the Group Chief Executive of and be given the opportunity to review and comment in advance on:
- 9.11.1 any changes to the level and structure of the remuneration of the existing members of the Executive Committee (including, without limitation, any salary increases, bonus payments and pension arrangements);
  - 9.11.2 the proposed remuneration package of any replacement or additional member of the Executive Committee, it being acknowledged that: (i) the final decision on the remuneration structure for members of the Executive Committee shall rest with the Group Chief Executive, and (ii) any awards under the Group's share incentive plans requires the prior approval of the Remuneration Committee, in accordance with paragraph 9.9 and 9.10 above;
  - 9.11.3 be kept informed by the Group Chief Executive of any major changes in employee benefits structures throughout the Company or Group, provided that any changes to or new participation in the Group's existing defined benefits schemes and the creation of any new defined benefits schemes will require the prior approval of the Committee;

- 9.11.4 ensure that contractual terms on termination, and any payments made, are fair to each Executive Director or member of senior management and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 9.11.5 review workforce remuneration and related policies and the alignment of incentives and rewards with culture; and,
- 9.11.6 engage with the workforce to explain how decisions on executive pay reflect wider company pay policy.

## **Other**

The Committee shall:

- 9.12 agree the policy for authorising the claims for expenses from the Directors;
- 9.13 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 9.14 obtain reliable, up-to-date information about remuneration in other companies. To help fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission any reports or surveys which it deems necessary to help it fulfil its obligations, within any budgetary restraints imposed by the Board; and
- 9.15 work and liaise as necessary with all other Board committees.

## **10. Responsibilities**

- 10.1 In carrying out their responsibilities, the Committee members shall act in accordance with the statement of Directors' Duties set out in sections 171 -177 of the Companies Act 2006.
- 10.2 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.4 The Committee shall recommend the directors' remuneration policy to the Board for approval by the shareholders at least every 3 years.
- 10.5 The Committee shall ensure that provisions regarding disclosure of information, including pension as required by UK law and by the UK Corporate Governance Code, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM. Where the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 10.6 Through the Group Chairman, ensure that the Company maintains contact, and that the Committee Chair seeks engagement, as required, with its principal shareholders on significant matters related to the Committee's areas of responsibility.

## **11. Other matters**

- 11.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 11.2 The Committee shall give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed / non-listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as well as guidelines published by the Investment Association and the Pensions and Lifetime Savings Association, the GC100 and Investor Group and any other applicable rules, as appropriate.
- 11.3 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 11.4 The Committee shall be provided with appropriate and timely training as required, both as an induction programme for new members and on an on-going basis for all members.

## **12. Authority**

- 12.1 In connection with its duties the Company is authorised by the Board to obtain, at the Company's reasonable expense, any outside legal or other professional advice on any matters within its terms of reference.