

4 December 2018

Disclosures against the principles of the QCA Code

	Principle	Disclosure
1	<p>Establish a strategy and business model which promotes long-term value for shareholders</p>	<p>The Company’s strategy is shaped by the executive board and is set out in the 2017 Annual Report.</p> <p>Our Business – Providing test solutions to the Global Automotive Test Market.</p> <p>This is achieved by employing high calibre individuals and developing a global customer base. The Company’s understanding of future automotive testing requirements enables it to develop suitable products and sustainable shareholder returns.</p> <p>The Strategic Report contained in the Annual Report and Accounts further explains the Company’s business model and strategy.</p> <p>The Strategic Report also includes a number of Risks and Uncertainties identified by the board which also represent challenges. We also explain how we are addressing them.</p>
2	<p>Seek to understand and meet shareholder needs and expectations</p>	<p>The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. The Board communicates with shareholders through the Annual Report and the Interim Statement, trading and other announcement made on RNS and at the Annual General Meeting where the Board encourages investors to participate. The Company also maintains a website www.abdynamics.com which contains information on the Group’s business, corporate information and specific disclosures required under AIM rules and the QCA Code. Following the announcement of the Group’s half year and full year results the Chief Executive Officer, together with the Chief Financial Officer, and other Directors as appropriate, make presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings and site visits are held with existing and prospective institutional and other investors.</p> <p>Formal feedback from shareholder meetings is provided by the Group’s broker and discussion of this feedback is a standard item on the Board’s agenda. The Group’s broker and other broking firms also produce research notes on the Group from time to time. The Group discloses contact details on its website and on all announcements released via RNS. In addition, investor relations queries may be routed via the Group’s broker or its financial PR Agency. The Chairman and Independent Non-Executive Directors will also attend meetings with investors and analysts as required, in addition to being available at the Group’s AGM to discuss any matter that shareholders might wish to raise.</p>

3	<p>Take into account wider stakeholder and social responsibilities and their implications for long term-success</p>	<p>The Board recognises its responsibility under UK law to promote the success of the Group for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, suppliers and to the local community.</p> <p>The Board is very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate.</p> <p>The importance of sound ethical values and behaviors is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the exacting demands of a sophisticated and demanding customer base.</p> <p>The Board's assessment of the culture within the Group is one where there is respect for all individuals, there is open dialogue and commitment to providing the best service possible to customers and considerate interactions with our trusted suppliers.</p> <p>The Company is a participant in the local community and has in the past provided assistance to various causes including providing work experience to local schoolchildren.</p> <p>The Company monitors feedback from all of its stakeholders and uses this to develop future policy.</p>
4	<p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The Board is responsible for the Group's system of internal controls and for the reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.</p> <p>The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements.</p> <p>The Group has in place defined authorisation levels for expenditure, the placing of orders and signing authorities. The daily cash movements of the Group are reconciled and monitored by the finance department. The Group's cash flow is also monitored by management.</p> <p>Each year on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and</p>

		<p>from discussions with the external auditor. The Board is not aware of any significant failings or weaknesses in the system of internal control. On the recommendation of the Audit Committee, the Board has determined that an internal audit function is not required due to the small size of the administrative function and the high level of Director Review and authorisation of transactions. The Board intends to keep this matter under review as the Group develops.</p> <p>Where the management of operational risk requires outside advice, this is sought from expert parties.</p> <p>The Group has put measures in place to protect itself against supplier failure including dual sourcing, insurance and sufficient stock.</p> <p>The Group has developed a diversified customer base across multiple geographic locations.</p> <p>The Board of the Company's wholly owned subsidiary, Anthony Best Dynamics Ltd, meet on a regular basis and monitors business risk as part of its agenda.</p>
5	<p>Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which we operate.</p> <p>The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Company.</p> <p>Following the departure of the CEO in February 2018 and the appointment of a successor which is in progress, Tony Best has acted as Interim Chief Executive Officer and Non-Executive Chairman. The Board therefore currently comprises Mr Best, two additional executive directors and three independent non-executive directors.</p> <p>The Board is supported by the Audit, Remuneration and Nominations Committees, each of which has access to information, resources and advice that it deems necessary, at the company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee which are available on the AIM rule 26 page of this website.</p> <p>The Audit Committee is comprised of all three Independent Non-Executive Directors and is chaired by Bryan Smart. The Audit Committee will meet at least three times a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. The external auditors will attend all meetings and the Audit Committee will have discussions with the external auditors at least once a year without any executive Directors being present.</p> <p>The Remuneration Committee comprises all three independent non-executive directors and is chaired by Graham Eves. The remuneration committee reviews the performance of the executive Directors and sets and reviews the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of the Shareholders. In</p>

determining the remuneration of executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of high calibre. No director is permitted to participate in discussions or decisions concerning his own remuneration. The Remuneration Committee meets as and when necessary.

The Nominations Committee comprises all three independent non-executive directors and is chaired by Richard Hickinbotham. The Nomination Committee is responsible for recommendations to the Board for the appointment of additional directors or replacement of current directors and for succession planning for the Company.

The Board and its committees receive appropriate and timely information prior to each meeting. A formal agenda is produced for each meeting and board committee papers are distributed several days before meetings take place. Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.

Directors have access to advice or services needed to enable them to carry out their roles and duties.

All relevant directors attended all board and board committee meetings during the year.

Graham Eves, Richard Hickinbotham and Bryan Smart (and Tony Best in his capacity as Non-Executive Chairman) are each Non-Executive Directors and Messrs Eves, Hickinbotham and Smart are considered to be independent of the management and free to exercise independence of judgement.

The Board has established procedures to identify and monitor potential or actual conflicts of interest.

The Board has also established procedures to ensure AIM Rules are complied with and that there is close liaison with the Company's Nominated Adviser.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.

The Board has a formal schedule of matters reserved for its decisions. There are a minimum of 4 full board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars. Additional meetings are held as required.

		<p>All directors spend such time as is necessary to effectively carry out their roles.</p> <p>The number of meetings of the board and board committees and the attendance of directors at these meetings is set out in the Corporate Governance Report of the Company's Annual Report and Accounts.</p>
6	<p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The skills and experience of the Board are set out in their biographical details included within the Corporate Governance Report of the Company's Annual Report and Accounts. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance.</p> <p><i>Role of the Non-Executive Chairman and Chief Executive</i></p> <p>There is normally a clear division of responsibility between the Non-Executive Chairman and the Chief Executive but in the interregnum the division has been between the Chairman and the Executive Directors. The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group.</p> <p><i>Role of the Independent Directors</i></p> <p>The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Directors and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders.</p> <p>The directors of the Company are:</p> <p>Tony Best (Non-Executive Chairman) James Routh (Chief Executive Officer) Matthew Hubbard (Chief Operating Officer) Robert Hart (Chief Financial Officer and Company Secretary) Graham Eves (NED) Richard Hickinbotham (NED) Bryan Smart (NED)</p> <p>Their roles on the Board, biographical details and skills and experience, are set out in the corporate Governance Report of the Annual Report and Accounts.</p>

		<p>The Board comprises a range of different skills including business, engineering and financial. In addition, the Company's non-executive directors have all held senior executive positions and do hold a number of non-executive roles in public companies.</p> <p>The Company Secretary is responsible for ensuring that the board and its committees receive appropriate and timely information prior to each meeting. A formal agenda is notified ahead of each meeting and relevant board committee papers are distributed before meetings take place. Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.</p>
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The collective performance of the board is reflected in the success of the business. Evaluation of the performance of individual members has historically been implemented in an ad hoc manner. From 2019 however, these processes will be reviewed.</p> <p>On an ongoing basis, board members maintain a watching brief to identify relevant internal and external candidates to meet the future needs of the business.</p> <p>Responsibility for succession planning lies with the Nomination Committee as exemplified by the recent search for a new CEO.</p>
8	Promote a corporate culture that is based on ethical values and behaviours.	<p>The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviors is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the exacting demands of a sophisticated and demanding customer base.</p> <p>The Company's ethical approach to business is reflected in the way the Company has been able to develop long term and fruitful relationships with many of its clients.</p>
9	Maintain Governance structures and processes that are fit for purpose and support good decision making by the board	<p>There is normally a clear division of responsibility between the Non-Executive Chairman and the Chief Executive. This division has been suspended pending the appointment of a new Chief Executive Officer. The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group.</p>

		<p>The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Directors and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders</p> <p>The terms of reference of the board committees are set out in response to Principle 5.</p> <p>There are a wide range of matters reserved for the board. These include strategy, finance, corporate governance, approval of significant capital expenditure, appointment of key personnel and compliance with legal and regulatory requirements.</p> <p>The Company's governance framework is reviewed to maintain the highest levels of business performance.</p>
10	<p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>The Board recognises that meaningful engagement with its shareholders is integral to the continued success of the Group. Throughout FY18, members of the Board have sought to actively engage with shareholders on a number of occasions, through meetings, presentations and roadshows. Non-Executive Directors are kept informed of the views of the shareholders through periodic reports from the Chief Executive Officer and the Chief Financial Officer, including inputs from the corporate brokers with whom they are in regular contact.</p> <p>The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published on the Group's website.</p> <p>The Annual General Meeting ('AGM') is the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders.</p> <p>The Board is supported by the Audit, Remuneration and Nominations Committees, each of which has access to information, resources and advice that it deems necessary, at the company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee which are available at</p> <p>https://www.abdynamics.com/en/investors-area/corporate-governance</p>

The Audit Committee

The audit committee is chaired by Bryan Smart FCA and supported by Graham Eves and Richard Hickinbotham and meets at least twice a year. All meetings involve the external auditors, together with invited attendees comprising executive members of the board.

The first meeting is held before the start of the final audit, and typically covers matters such as audit scope, materiality, auditor independence, new emerging business and corporate governance issues and finally a negotiation of audit budgets.

The second meeting is held before the final accounts are finalised, and the draft annual reports are reviewed, and the auditor's findings and any recommendations for enhanced control procedures are considered.

All meetings are minuted by an independent secretarial service company representative, and action points arising are followed up to ensure compliance.

The audit committee chairman will periodically extend a committee meeting to allow discussion when only the committee members and external auditors are present.

The scope of the audit committee function is planned to be expanded for future financial years to include a review of Risk Management.

No formal internal audit function is thought necessary at this time, but as the company expands, this policy will be regularly revisited.

The Nomination Committee

The Nomination Committee consists of the three Independent Non-Executive Directors, Richard Hickinbotham (Chairman), Graham Eves and Bryan Smart.

The Committee is responsible for recommendations to the Board for the appointment of additional directors or the replacement of current directors and for succession planning for the Group. The terms of reference of the Committee were reviewed and updated in September 2018 and can be found on the Group's website.

The Committee met five times during the year with its principal focus on the recruitment of a new Chief Executive Officer following the departure of Tim Rogers who stepped down from the Board in March 2018. The Committee employed the services of an external search firm with the ensuing search conducted against a comprehensive job specification. After an extensive and thorough process, the Board approved the appointment of James Routh as Chief Executive Officer with effect from 1st October 2018.

The Committee also works with the Executive Directors to support them in decisions concerning the development and succession of senior managers within the business. During the year Andrew Pick and Adrian Simms were appointed to the Board of Anthony Best Dynamics Limited reflecting their respective leadership roles in managing the Laboratory Test and Track Test activities of the Group.

The on-going work of the Committee remains to support the Board in reviewing its size, structure and composition to ensure an appropriate balance of skills, knowledge, independence and experience, and as appropriate to make suitable recommendations to the Board.

The Remuneration Committee

The year was exceptional in that, apart from the usual two meetings, the Remuneration Committee had a number of additional meetings and telephone conference calls jointly with the Nomination Committee to discuss the terms of employment of the new CEO, as well as the COO. The Committee also discussed, with Mr Best not being present, his terms and remuneration for assuming the role of Interim Executive Chairman. The remuneration will not change when Mr Best reverts to being Non-Executive Chairman when the new CEO joins in view of the additional time required helping the CEO to become established. The Remuneration Committee is pleased to record that, with the exception of the CEO, there has been no leavers during the year, despite the national shortage of people with the qualifications and experience of the Company's staff.

The objective of the Company's remuneration policy is to incentivise and reward the achievement of shareholder value. The Company's growth in the UK and internationally makes it essential that the Company attracts and retains the very best people.