

DISCLOSURES AGAINST THE PRINCIPLES OF THE QCA CODE – 25 NOVEMBER 2020

	Principle	Disclosure
1	Establish a strategy and business model which promotes long-term value for shareholders	<p>The Company's strategy is shaped by the executive board and is set out in the 2020 Annual Report. The Annual Report can be located on the Company's website: www.abdplc.com.</p> <p>Our Business supplies test and verification products and services for the global automotive industry, specialising in providing solutions to support the sector's drive to improve safety and the impact on the environment.</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 Company's Business Model and Strategy are detailed in the Annual Report and Accounts. The Annual Report also includes a section on Risk Management where the Company details: its methodology for the management of risk, the principal risks and uncertainties facing the Group as identified by the board, and provides details of each risk and the proposed mitigation measures.</p>
2	Seek to understand and meet shareholder needs and expectations	<p>The Company's investor relations are managed by the Chief Executive Officer and Chief Financial Officer with the support and assistance of the Company's broker. The Company maintains regular contact with major shareholders to communicate the Group's objectives. The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood; this is achieved through the Annual Report and the Interim Statement, trading and other announcements made on RNS and at the Annual General Meeting, where the Board would usually encourage investors to participate.</p> <p>Following the announcement of the Group's half year and full year results the Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders, private client brokers and investment analysts, although during FY20 these were largely conducted online due to the COVID-19 pandemic. Some face-to-face meetings and site visits were conducted prior to the UK's national lockdown with existing and prospective institutional and other investors during which attendees were given the opportunity to meet with senior management and gain a better understanding of the businesses' product portfolios and market.</p>

		<p>The Group also maintains a website (www.abdplc.com) which contains information on the Group's businesses, corporate information and specific disclosures required under AIM rules and the QCA Code. It contains up-to-date information for shareholders, which includes the Annual Report and Accounts of the past seven years (since its admission to AIM), a link to current share price information, and all announcements released via RNS. The website also contains factual data on the Group's businesses, products and services and links to press releases. 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, Peel Hunt LLP, or its financial PR agency, Tulchan Communications.</p> <p>The Group's Executives and Non-Executives are given regular updates as to the views of institutional shareholders and changes significant shareholdings through research carried out ca. monthly by the Group's broker and advisor. 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. Formal feedback from shareholder meetings is also provided by the Group's broker and discussion of these meetings and feedback is a regular item on the Board's agenda. However, given the current Coronavirus (COVID-19) situation, for the forthcoming AGM shareholders shall be urged to appoint the Chair of the meeting as his or her proxy as ordinary shareholders and their proxies are unlikely to be allowed to attend the meeting in person. Shareholders shall also be encouraged to submit votes electronically by sending completed and signed proxy forms by email to voting@shareregistrars.uk.com. AGMs can be called with 21 clear days' notice in accordance with the Company's Articles, for general meetings, other than AGMs, the Board will continue, in ordinary circumstances, to provide as much notice as possible and certainly no less than the required 14 clear days.</p>
3	Take into account wider stakeholder and social responsibilities and their implications for long term-success	<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. Further details of the Company's stakeholder engagement can be found in the Company's Annual Report within the Governance section.</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 behaviours 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, during the past year, aided various causes, for more information please see the Annual Report: Environmental, Social and Governance (ESG) Strategy section. The Company monitors feedback from all of its stakeholders and uses this to develop future policy, further details of our stakeholder engagement activities can be found in our S172(1) Statement in the Governance section of the Annual Report.</p>
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board is responsible for the Group's system of internal controls and for reviewing the effectiveness of that system. It 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 damage, deficiency or loss.</p> <p>The Board monitors financial controls through the setting and approval of an annual budget, regular reforecasts and review of monthly management accounts. Management accounts contain several indicators that are designed to reduce the possibility of error in the financial statements.</p> <p>The Group has in place defined authorisation levels for expenditure, contractual approvals, placing of orders and signing authorities. The daily cash movements of the Group are reconciled and monitored by Group finance. The Group's cash flow is also monitored by management.</p> <p>Each year on behalf of the Board, the Audit and Risk Committee reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of the risks within a business risk assessment matrix which covers both financial and non-financial issues potentially affecting the Group, and from discussions with the external auditor. A comprehensive risk review is undertaken bi-annually with the monitoring/management of those risks being a regular Board agenda item at both Group and subsidiary level. The principal risks which the Board has identified this year are set out in the section on Risk Management in the Annual Report.</p> <p>Anti-corruption</p> <p>This year AB Dynamics plc has rolled out a revised Group-wide policy on anti-corruption that fully addresses the requirements of the Bribery Act 2010. The policy has been issued to each member of staff globally through the Company's HR portal and individuals have been asked to 'sign' it to acknowledge acceptance of its terms. Online anti-bribery training has also been rolled out to all UK based personnel to ensure and record continued and effective compliance, and overseas</p>

		<p>training is planned for 2021. At the date of this disclosure 96% of staff (globally) have signed the Anti-Bribery policy, and 83% of staff in the UK have completed the online training, the Company intends to roll out this training to all subsidiaries and staff globally.</p> <p>Whistleblowing The Company's Whistleblowing Policy is available on its website www.abdplc.com. This policy provides the framework to encourage and give employees confidence to 'blow the whistle' and report irregularities. The Board aims to encourage openness and will support staff who raise genuine concerns in good faith under this policy, even if they turn out to be mistaken. All reports are investigated in line with the policy, however there were no whistleblowing reports received during this period.</p> <p>The Board is not aware of any significant failings or weaknesses in the system of internal control (including the Company's approach to bribery and corruption and/ or its protection of whistle-blowers). The principal risks which the Board has identified this year are set out in the section on Risk Management within the Strategic Report.</p> <p>Although the Company does not currently have a dedicated internal auditor, the function of internal control is carried out by Group Finance, supported by the Company Secretary. Its responsibility is to monitor compliance and conduct or, where appropriate, commission specific reviews. The Board and Audit Committee continues to assess and consider the need for an internal audit function and intends to keep this matter under review during the financial year. Where the management of operational risk requires outside advice, this is sought from expert parties.</p> <p>The Group maintains measures in place to protect itself against supplier failure including dual sourcing, insurance and sufficient stock. The Group has developed a diversified customer base across multiple geographic locations, this has improved further during the year following the acquisition of rFpro (formerly "Kangaloosh Limited") and Dynamic Research Inc.</p>
5	Maintain the board as a well-functioning, balanced team led by the chair	<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. 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>The Board currently comprises two executive directors and three independent non-executive directors with Mr Best acting as a non-executive Chairman.</p>

	<p>The Board is supported by the Audit & Risk, Remuneration and Nominations Committees, and a newly formed Environmental, Social and Governance Committee, 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.</p> <p>These duties are set out in the Terms of Reference of each committee which are available on website (www.abdplc.com).</p> <p>The Audit & Risk Committee is comprised of all three Independent Non-Executive Directors and is chaired by Louise Evans. The Audit & Risk Committee meets at least twice 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 attend a number of these meetings and the Audit & Risk 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 Richard Elsy. 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 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 or her own remuneration. The Remuneration Committee meets as and when necessary (five times within the last financial year).</p> <p>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 Nomination Committee also meets as and when necessary (twice in the last financial year).</p> <p>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.</p>
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6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>The directors of the Company are:</p> <p>Anthony Best (Non-Executive Chairman) James Routh (Chief Executive Officer) Sarah Matthews-DeMers (Chief Financial Officer) Louise Evans (Non-Executive Director) Richard Hickinbotham (Non-Executive Director) Richard Elsy (Non-Executive Director)</p>

		<p>Their roles on the Board, biographical details and skills and experience, are set out in the Governance section of the Annual Report and Accounts and can also be located on the Company's website: www.abdplc.com. The Board comprises a range of different skills including business, engineering and financial. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. In addition, the Company's non-executive directors have all held senior executive positions and several hold non-executive roles in other 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. The Company Secretary is not an executive director. Any director can challenge proposals discussed within Board and Committee meetings, with decisions being taken after discussion and/or a vote where appropriate. 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 Board had previously agreed that a formal internal review process would be conducted as soon as practical after the arrival of the new Chief Financial Officer. In view of the changes to the composition of the Board which occurred throughout FY19-20 it has been decided to conduct this review after the interim results have been published in April 2021.</p> <p>In the meantime, evaluation of the performance of individual Board members has continued to be implemented in an ad-hoc manner. In conjunction with the Chairman, the Nomination Committee keeps Board evaluation processes under review and will consider the appointment of external evaluators at an appropriate time in the development of the Group having regard to the scale and complexity of its activities.</p> <p>At this time, the Nomination Committee is confident the Board is operating in an open and transparent manner, and in an environment of trust with all Board members having the freedom to express opinions for the benefit of the business.</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 behaviours 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>

		The Company's ethical approach to business is reflected in the way the Company has been able to develop long term, successful relationships with many of its clients.
9	Maintain Governance structures and processes that are fit for purpose and support good decision making by the board	<p>Roles of the Non-Executive Chairman and Chief Executive Officer</p> <p>There is a clear ongoing division of responsibility between the Non-Executive Chairman and the Chief Executive Officer. The Chairman is responsible for: ensuring the effective operation of the Board and its Committees; setting the agenda, style and tone of Board discussions (to promote constructive debate and effective decision-making); and foster effective working relationships between the Executive and Non-Executive Directors. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been agreed and overseeing the day-to-day leadership of the Group.</p> <p>Role of the independent Non-Executive Directors</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 Group's financial reporting systems and the information they provide; ensuring that appropriate standards of corporate governance are adhered to; 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 can be located on the Company's website: www.abdplc.com.</p> <p>There are a wide range of matters reserved for the board, for further details please see the Company's Annual Report. 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 regularly reviewed to maintain the highest levels of business performance.</p>
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Directors believe that stakeholder engagement remains vital to building a sustainable business. Throughout FY20, members of the Board have sought to actively engage with shareholders on a number of occasions, through meetings, presentations and roadshows, although this year these were largely conducted by telephone or online due to the COVID-19 pandemic.</p> <p>The Group's Executives and Non-Executives are given regular updates as to the views of institutional shareholders and changes significant shareholdings through research carried out ca. monthly by the Group's broker and advisor. The</p>

	<p>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. Formal feedback from shareholder meetings is also provided by the Group's broker and discussion of these meetings and feedback is a regular item on the Board's agenda.</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 usually the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors, where an open question and answer session could be conducted to allow shareholders to ask questions both about the resolutions being proposed and the business in general. However, as a result of the ongoing COVID-19 pandemic, the measures that the UK Government has put in place restricting public gatherings and being mindful of the health and safety of our shareholders, employees and stakeholders, the next Annual General Meeting ("AGM") will be a closed meeting. Accordingly, shareholders will not be permitted to attend in person. The Company shall ensure that a quorum (being two shareholders present in person or by proxy) is present in accordance with the Company's Articles of Association, so as to allow the business contained in the Notice of AGM to be conducted. The Chairman of the meeting will direct that all resolutions will take place by way of a poll, rather than a show of hands, to ensure that proxy votes are recognised, in order to accurately reflect the views of shareholders. The results of voting on the resolutions put to the AGM will be announced to the market following the closure of the AGM.</p> <p>The Company will continue to monitor the situation and, if circumstances change such that shareholders in general are able to attend the AGM, the Company will make an announcement via a Regulatory Information Service and provide an update on its website.</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. The Terms of Reference for each of the below committees are available at www.abdplc.com.</p> <p>The Audit and Risk Committee</p> <p>The Audit and Risk Committee is chaired by Louise Evans and supported by Richard Elsy and Richard Hickinbotham. The committee met three times during the financial year under review, and also privately with the external auditors. In addition</p>
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	<p>to the committee members, invitees included our Chairman, our CEO, CFO and our external auditors and appropriate company secretarial support. The meetings included review of the risk management exercise, audit plan, discussion of the auditor's proposed materiality thresholds and review and discussion of audit findings and action points arising.</p> <p>The key roles and responsibilities of the Committee are as follows:</p> <ul style="list-style-type: none"> • To review the Group's risk management framework, ensure adherence to policies and effectiveness of mitigating actions; • To advise the Board on whether the Committee believes the Annual Report, taken as a whole, is fair, balanced and understandable through review of the accounting policies and significant judgements used in the Group's accounts; • To manage the appointment of the Group's external auditor, assess the effectiveness of the audit and auditor independence including the policy of inviting the auditors to bid for non-audit services as and when required; • Reviewing the internal control environment and consider the need for an internal audit function; • Reviewing whistleblowing procedures and other Group policies as relevant; and • To monitoring compliance with the UK corporate governance guidelines contained in the Quoted Companies Alliance (QCA) in respect of audit and risk committees. <p>All meetings were minuted and action points arising are followed up to ensure compliance. The Audit and Risk Committee met with the external auditor twice during the year without the Executive Directors being present.</p> <p>No formal internal audit function was thought necessary during FY20, however this decision will be revisited early in FY21.</p> <p>The Nomination Committee</p> <p>The Nomination Committee consists of the three Independent Non-Executive Directors, Richard Hickinbotham (Chair), Louise Evans and Richard Elsy. The Committee is responsible for:</p> <ul style="list-style-type: none"> • Board and Committee composition (recommendations to the Board for the appointment of additional directors or the replacement of current directors) • Succession planning • Diversity and • People strategy
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	<p>The Committee met two times during the year with its principal focus on the recruitment of two new Non-Executive Directors to replace Bryan Smart and Graham Eves who retired on 15 January 2020 and 31 August 2020 (respectively). The Nomination Committee report within the Annual Report contains further information regarding these appointments.</p> <p>The on-going work of the Committee remains to support the Board in reviewing its size, structure, composition and independence to ensure an appropriate balance of skills, knowledge, independence and experience, and as appropriate to make suitable recommendations to the Board.</p> <p>The Remuneration Committee</p> <p>The Remuneration Committee consists of the three Independent Non-Executive Directors: Richard Elsy (Chair), Richard Hickinbotham and Louise Evans. The committee is responsible for: -</p> <ul style="list-style-type: none"> • Remuneration Policy • Remuneration Principles • Incentive scheme design and setting of targets • Executive and senior management remuneration <p>The AB Dynamics remuneration approach is to ensure the Company can motivate, incentivise and attract senior management to deliver continued, long term sustainable shareholder value.</p> <p>During 2019, we revised our remuneration policy during this year to reflect the rapidly changing nature of the business and to ensure attraction and retention of key staff. The policy considers remuneration packages at companies of similar size and market capitalisation that are of similar complexity to AB Dynamics. The policy also includes a Long-Term Incentive Plan ('LTIP') based on nil-cost share options, following a review of external benchmarking data. The details of this plan can be found within the Remuneration Committee report in the Annual Report.</p> <p>To assist with the review of current and future executive remuneration the committee engaged PWC to ensure alignment with current market best practice for AIM listed companies. The Committee is satisfied that remuneration packages remain appropriate.</p> <p>Details of the bonus awards payable to Executive Directors for 2020 can be located in the Remuneration Committee report within our Annual Report.</p>
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