

Chairman's introduction to corporate governance

Good governance to promote long-term growth

Dear shareholders,

I am pleased to introduce our Corporate governance report for the year ended 31 August 2024 on behalf of the Board in which we describe our corporate governance arrangements, the activities of the Board and its Committees, and how the Board discharged its duties throughout FY 2024.

This report explains how we have continued to comply with the Quoted Companies Alliance Corporate Governance Code 2018 (the QCA Code) on the basis that it is the most appropriate governance code for the Group having regard to its strategy, size, stage of development and resources. The information presented in this section reflects the Board's assessment of the application of the QCA Code. We believe that effective corporate governance is key to delivering the Group's strategy and ensuring our long-term success.

Role of the Board

The Board is responsible to the Group's shareholders and sets the Group's strategy for achieving long-term success in accordance with our purpose and values. The Board is also ultimately responsible for establishing the Group's governance structure, the effectiveness of our internal controls, risk management, and the direction of the Group to help deliver our strategy. We look to provide the framework for our Group companies to follow our strategy and provide guidance at Group level on measures to implement our objectives.



Richard Elsy CBE
Non-Executive Chairman

Chairman's introduction to corporate governance continued

Growth and scale

We are investing in our business to grow organically and through acquisitions. This year, we welcomed VTS into our group of businesses which expands the Group's capability and geographic coverage in the important and growing field of EV battery and powertrain performance evaluation. This acquisition provides us with an excellent platform for further growth. We remain committed to our stated acquisition strategy and have identified a number of opportunities that would potentially meet our strategic criteria. We will ensure our governance structures remain in place and evolve to meet the changing demands of the Group in this period of growth.

Board activities and environmental policy

The Board is mindful that it needs to create the right balance between considering in-year activities and looking ahead at more strategic matters. The Board's activities during the year are set out on pages 73 and 74.

One of the Board's activities this year was to review the Group's environmental policy and ongoing actions to decarbonise and reduce emissions. Our aim to be net zero for market based Scope 1 and 2 emissions by 2040 and to be a net zero organisation by 2050 is a key part of the Group's strategy. If we are to continue to achieve our stated objective, it is essential that decarbonisation goals become embedded into the breadth of our activities and include stretching but attainable targets. In FY 2024, the Board reviewed and discussed the Group's decarbonisation targets and flightpath to 2050. More information on the Group's sustainability strategy and how we track our performance can be found on pages 32 to 49.

Equality, diversity and inclusion

This year, our focus turned towards nurturing an inclusive culture at AB Dynamics through our equality, diversity and inclusion (EDI) workstream. We introduced an EDI policy which outlines our commitment to EDI and sets out how we put this commitment into practice. To support and raise awareness on the importance of inclusivity in our workplace every employee is to undertake EDI training on an annual basis. We surveyed our employees to obtain our baseline data this year and we will monitor our data on an ongoing basis to assess the impact of this policy and our EDI strategy.

Board effectiveness and evaluation

The Board conducts an external Board evaluation process every three years. The most recent external Board evaluation exercise was carried out in FY 2022 and it is intended that an external Board evaluation is carried out next year in FY 2025. This year we conducted an internal Board evaluation. I am pleased to report that the overall conclusion of the internal review is that the Board and its Committees continue to be effective and function well in an environment of constructive challenge and open sharing of viewpoints.

Annual General Meeting (AGM)

Our 2025 AGM will be held on Thursday 16 January 2025 at 11 am. Full details including the resolutions to be proposed to shareholders are set out in the Notice of the AGM on pages 134 to 138.

Outcomes of the resolutions tabled at the AGM, including poll results detailing the votes for, against and withheld, will be published on the Group's website and the London Stock Exchange once the AGM has concluded.

Richard Elsy CBE
Non-Executive Chairman
26 November 2024

“Corporate governance supports and encourages high levels of professionalism in the Board.”

Statement of corporate governance

This statement of corporate governance is an explanation of how the Group has applied the ten principles of the Quoted Companies Alliance Corporate Governance Code 2018 (the QCA Code) throughout the year. The QCA Code and these standards are integrated into the Group's operations and compliance supports the achievement of our strategic objectives. Whilst day-to-day operational decisions are managed by the Chief Executive Officer, certain strategic decision-making powers and authorities of the Company are reserved as matters for the Board.

The Board recognises the value of good corporate governance and can confirm that it has complied with the QCA Code for the period under review, as required by the AIM Rules. The Board of the Group notes that the QCA Code was recently updated, with changes to take effect for financial periods commencing on or after 1 April 2024. The Group will provide disclosures for the new QCA Code in next year's Annual Report and Accounts.

Board performance review and evaluation

During the year, an internal review of Board performance was conducted. Further details of the outcome of the report can be found on page 75.

Summary of compliance with the QCA Code

The Board has reviewed the principles and provisions of the QCA Code. Following this review, the Board is pleased to confirm that the Company has complied with the Code for the financial year ended 31 August 2024.

The QCA Code can be found on the QCA's website (www.theqca.com) and further information on compliance with the Code can be found below.

The Board held eight meetings through the year ended 31 August 2024, and the Directors' attendance at those meetings is set out on page 73.

The Board is committed to the pursuit and maintenance of high standards of corporate governance by promoting ethical and sustainable values and behaviours consistently across the Group's businesses. This report, along with the sections detailed below, aims to provide clear and meaningful explanations of how the Board and its Committees have discharged their governance duties and explains how the Group promotes open and transparent discussions and welcomes constructive challenge in every aspect of its business.

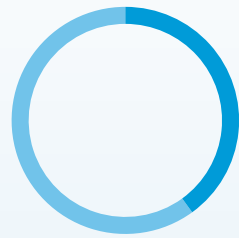
CONTINUE READING ABOUT OUR STATEMENT OF CORPORATE GOVERNANCE ON PAGE 71

Board of Directors

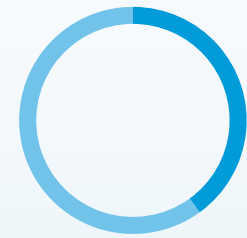
A leadership team creating sustainable shareholder value

Board composition

Length of tenure

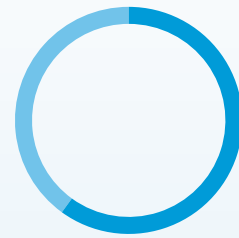


Balance of Executive and independent Non-Executive Directors



¹ Chairman was assessed as independent on appointment.

Gender diversity



Collective Board skills

Richard Elsy CBE			
Dr James Routh			
Sarah Matthews-DeMers			
Richard Hickinbotham			
Louise Evans			

Financial expert Industry expert Risk expert



Richard (Dick) Elsy CBE
Non-Executive Chairman

Appointments:

Joined the Board as Non-Executive Director on 1 August 2020.

Non-Executive Chairman (assessed as independent on appointment) and Chairman of the Nomination Committee from 1 July 2021.

Skills and experience:

Dick is a career veteran from the automotive industry, with the bulk of his time spent at Land Rover and then Jaguar, where he was Engineering Director. He was Chief Executive of Torotrak plc, and was the founding CEO of the High Value Manufacturing Catapult, which he built into Europe's largest advanced manufacturing research institution.

In 2020, Dick chaired the Ventilator Challenge UK Consortium, an extraordinary programme to repurpose the automotive, motorsport and aero industries to build thousands of complex medical devices in a matter of a few weeks in response to the pandemic crisis.

Number of Board meetings attended:

8

External appointments:

Dick is Non-Executive Director of AWE and chairs the Faraday Advisory Board for UKRI. He is a Fellow of the Royal Academy of Engineering and an honorary professor at Strathclyde University.



Dr James Routh
Chief Executive Officer

Appointments:

Joined the Group and was appointed to the Board as an Executive Director on 1 October 2018.

Skills and experience:

James brings significant engineering and management leadership experience gained across international businesses. Prior to joining the Group, James was Group Managing Director at FTSE 100 listed Diploma PLC for six years where he delivered a series of successful international acquisitions. His previous career involved engineering leadership positions predominantly in the aerospace and defence industry, including senior roles at Chemring Group PLC and Cobham PLC. James holds a PhD in Engineering and is a Chartered Mechanical Engineer and Fellow of the Institution of Mechanical Engineers.

Number of Board meetings attended:

8

External appointments:

James is Non-Executive Director and Senior Independent Director at Tracsis plc.

Board of Directors continued



Sarah Matthews-DeMers
Chief Financial Officer

Appointments:

Joined the Group and was appointed to the Board as an Executive Director on 4 November 2019.

Skills and experience:

Sarah has extensive experience of financial management in public company environments, investor relations and strategic development. Previous roles include Group Finance Director of Carclo plc and Director of Strategy at Rotork plc where she led a wide-reaching strategic review. Prior to this she was Deputy Group Finance Director at Avon Rubber plc, being part of the senior management team during a period of significant transformation. She began her career at PwC, working with many international manufacturing and technology companies. Sarah is a Chartered Accountant and Fellow of the ICAEW with a first-class degree in Accountancy Studies.

Number of Board meetings attended:

8

External appointments:

Council Member, University of Exeter.



Richard Hickinbotham
Non-Executive Director (Independent)

Appointments:

Joined the Board as a Non-Executive Director on 9 August 2017.

Chair of the Remuneration Committee.

Skills and experience:

Richard holds a BSc in Mechanical Engineering from Imperial College and is a Chartered Accountant with over 30 years' City experience. He was Head of Research at Singer Capital Markets and was previously in research management roles at Cantor Fitzgerald Europe and Charles Stanley Securities. He has held several senior positions at Investec and S G Warburg & Co. (acquired by UBS).

Number of Board meetings attended:

8

External appointments:

Richard is Non-Executive Chair of Directa Plus Plc.



Louise Evans
Non-Executive Director (Independent)

Appointments:

Joined the Board and appointed Chair of the Audit and Risk Committee on 6 April 2020.

Chair of the ESG Committee.

Skills and experience:

A qualified Chartered Accountant, Louise was previously Group Finance Director of Williams Grand Prix Holdings plc and Braemar Shipping Services plc and Non-Executive Director of SCB Brokers SA.

Number of Board meetings attended:

8

External appointments:

Louise is the Senior Independent Director and Chair of the Audit Committee of Gooch & Housego plc, Non-Executive Director of the International Foundation for Aids to Navigation and Non-Executive Director of World Rugby.

- A Audit and Risk Committee
- RC Remuneration Committee
- N Nomination Committee
- E ESG Committee
- Committee Chair

Executive Committee

A balance of skills

The Executive Committee includes the Group CEO and CFO as well as the following business leaders.

“The Executive Committee facilitates execution of the Group’s strategy through running the day-to-day operations of the business.”

The Executive Committee (Excom) oversees the delivery of the Group’s strategy, monitors the operational and financial performance of the business, allocates resources across the Group, manages risk and implements the Group’s governance policies.

The members of the Committee include the Executive Directors, the Group President – Testing Products, the Managing Director – Testing Services, the Managing Director – Simulation and the Group Corporate Development Director.

Other individuals may be invited to attend Excom meetings as required.



Dr James Routh
Chief Executive Officer



Sarah Matthews-DeMers
Chief Financial Officer

SEE PAGES 66 AND 67 FOR BIOGRAPHIES

Executive Committee continued

**Andrew Ng****Group President – Testing Products****Appointments:**

Joined the Group on 1 October 2021 and is a member of the Group Executive Committee.

Skills and experience:

Andrew brings senior management leadership experience and significant global commercial experience. Prior to joining the Group, Andrew was Group Managing Director – APAC at FTSE 100 listed Diploma PLC for four years, Managing Director – Australia for FTSE 250 listed Fenner plc for ten years and held International Sales and Business Development Manager roles at NZ50 listed Skellerup for twelve years. He delivered successful acquisitions in the APAC region and has extensive experience in automotive, mining, mineral processing and oil and gas. Andrew has a BAS in Materials Science from the University of Technology, Sydney, and an MBA from Macquarie University, Sydney, Australia.

**Dan Clark****Managing Director – Simulation****Appointments:**

Joined the Group as Managing Director of the simulation division in June 2022 which comprises the AB Dynamics subsidiaries Ansible Motion Limited and rFpro Limited. Member of the Group Executive Committee.

Skills and experience:

Dan is a successful business leader with a passion for engineering and technical disciplines. He has gained significant experience from a career in highly technical and commercially demanding environments in aerospace and defence engineering services and product development. Dan has held roles in engineering, technical management, project management, operations and senior leadership. Prior to joining AB Dynamics, Dan was the Managing Director of Stirling Dynamics and Vice President of the Expleo Group. Dan has a Master's degree in mechanical engineering from the University of Bath and is a Chartered Engineer with the Institution of Mechanical Engineers.

**Neil Carpenter****Managing Director – Testing Services****Appointments:**

Appointed Managing Director – Testing Services on 1 October 2024. Originally joined the Group on 1 June 2024 as Managing Director – North America. Member of the Group Executive Committee.

Skills and experience:

Neil has held various executive leadership roles within the automotive industry. He has been in customer-facing roles his entire career, including experience in application engineering, systems engineering, project management, sales, business development and general management. His testing experience includes component, system and vehicle level development and validation. Prior to joining AB Dynamics, Neil was the Vice President – Customer Business Unit at Motherson and Global Director of Sales at Continental. Neil received his MBA from Central Michigan University and his Bachelor of Science in Mechanical Engineering from Kettering University.

**Matthew Price****Group Corporate Development Director****Appointments:**

Appointed Group Corporate Development Director on 18 September 2024 and previously acted as Managing Director – ABD Solutions. Joined the Group on 1 January 2020. Member of the Group Executive Committee.

Skills and experience:

Matthew brings extensive international engineering, management leadership and operational experience gained across a broad range of industry sectors. Prior to joining AB Dynamics Matthew was Head of Aerospace Aftermarket Services for Atkins, a global engineering consultancy, where he developed new revenue streams and delivered a series of successful international programmes. His previous career roles included engineering and programme leadership positions throughout the UK, the USA, Europe and Australia, within the automotive, telecommunications, aerospace and defence industries, including senior roles at Ford, GKN and Airbus. Matthew is a Chartered Aerospace Engineer and Fellow of the Royal Aeronautical Society.

Statement of corporate compliance

SUMMARY OF COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE 2018 (THE QCA CODE)

Principle 1

Establish a strategy and business model which promote long-term value for shareholders.

The Group has built on its existing core strategy to diversify the business and enter larger, growth-focused markets. For more details regarding this strategy, please see the Strategic report on pages 1 to 63 and the Group's detailed analysis of its compliance with the QCA Code Principle 1 available on the Group's website.

Principle 2

Seek to understand and meet shareholder needs and expectations.

The Group maintains regular contact with its major shareholders and is committed to communicating openly with shareholders through announcements made via our RNS and presentations to institutional shareholders, private client brokers and investment analysts. Meetings and site visits are regularly held with existing and prospective investors. For further and more detailed explanations of how the Group applies Principle 2, see our commentary on the Group's Section 172(1) responsibilities on pages 56 and 57 and the Statement of corporate governance on pages 71 to 79.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

Social engagement and the Group's responsibilities to the communities within which we operate is one of the pillars of our sustainability strategy. Our duties to our internal and external stakeholders remain key to our Group's success. We summarise the Group's community activities and general corporate social responsibilities on pages 36 to 41.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Group has implemented a risk management framework and management structure that ensure risks are identified, assessed and mitigated wherever possible. For further and more detailed explanations of how the Group applies Principle 4, see Principal risks and uncertainties on pages 60 to 62.

Principle 5

Maintain the Board as a well-functioning, balanced team led by the Chair.

The Board is supported by its Committees – Audit and Risk, Nomination, ESG and Remuneration, each of which is chaired by an independent Non-Executive Director with relevant expertise. The Board and Committees were well attended by all Board members during the year. The Nomination Committee is satisfied that each Director commits the time necessary to fulfil their roles effectively. For further and more detailed explanations of how the Group applies Principle 5, see the Statement of corporate governance on pages 71 to 79.

Principle 6

Ensure that between them the Directors have necessary up-to-date experience, skills and capabilities.

The composition of the Board is monitored by the Nomination Committee. The Board is satisfied that the Directors have a blend of skills, experience, knowledge and independence suited to the Group's needs and its continuing development. Information on the Directors' range of skills including details of their technical and/or financial experience and expertise can be found on pages 66 and 67.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Board and its Committees review their skills, experience, independence and knowledge to enable the discharge of their duties and responsibilities effectively. This year the Board conducted an internal Board performance review. For further and more detailed explanations of how the Group applies Principle 7, see our Statement of corporate governance on pages 71 to 79.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours.

The Board is committed to the pursuit and maintenance of very high standards of corporate governance and the promotion of ethical and sustainable values and behaviours across the Group's businesses. For further and more detailed explanations of how the Group applies Principle 8, see our Statement of corporate governance on pages 71 to 79. For more information on the Group's vision and values, refer to page 36.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.

The Group operates under a centralised, head office-controlled framework and devolves responsibility for compliance within this framework to each operating division or jurisdictional management, with the aim of global harmonisation around local legislation. This is achieved via a robust business-wide delegation of authority. The roles and responsibilities of the Chief Executive and the Chairman are clearly defined. The Group's governance framework and the structures of the Board and its Committees are fully detailed within our Statement of corporate governance on pages 71 to 79.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Engagement with our stakeholders is key to a successful business and is an ongoing part of managing our business. How the Board remains informed of this engagement and a statement summarising the effects of its consideration of stakeholder interests and the details of the principal decisions taken by the Board during the financial year can be found on page 79. For further and more detailed explanations of how the Group maintains a dialogue with its shareholders and other relevant stakeholders, refer to the Company's Section 172(1) statement on pages 56 and 57.

FURTHER INFORMATION ON THE GROUP'S COMPLIANCE WITH THE QCA CODE CAN BE FOUND ON THE GROUP'S WEBSITE, WWW.ABDPLC.COM, ON THE AIM RULE 26 PAGE

Statement of corporate governance continued

Governance framework

Board

The Board of Directors (the Board) is collectively responsible to the Group's shareholders for the long-term success of the Group. This responsibility includes matters of strategy, performance, resources, standards of conduct and accountability as well as having regard for our employees, customers and suppliers and the impact of our activities on both the environment and the communities in which we operate. The Board also has ultimate responsibility for corporate governance, which it discharges either directly or through its Committees. The Board delegates certain responsibilities to the Board's Committees outlined below, whilst maintaining an appropriate level of oversight through regular reports from Committee Chairs. The matters reserved for the Board can be found on the Group's website at www.abdplc.com/about/corporate-governance.

The Board's role is to:

- Determine the Group's overall strategy and direction
- Ensure appropriate adherence to health and safety requirements and promote an appropriate safety culture
- Establish and maintain controls, audit processes and risk management policies to ensure they mitigate identified risks and that the Group operates efficiently
- Approve budgets and review performance relative to those budgets and approve the financial statements
- Approve material agreements and non-recurring projects
- Approve Board appointments
- Review and approve Group-wide remuneration policies and Executive remuneration
- Ensure effective communication with shareholders and other key stakeholders
- Promote a corporate culture based on sound ethical values and behaviours

Committees

Certain matters are delegated to the Board's four Committees (Nomination, Audit and Risk, Remuneration and ESG), which will consider and manage them in accordance with their terms of reference.

Nomination Committee	Audit and Risk Committee	Remuneration Committee	ESG Committee
<ul style="list-style-type: none"> • Board and Committee composition • Succession planning • Board diversity • Executive and Non-Executive Board appointments and strategy 	<ul style="list-style-type: none"> • External audit • Financial reporting • Risk management and internal controls • Internal audit 	<ul style="list-style-type: none"> • Remuneration policy • Remuneration principles • Incentive scheme design and setting of targets • Executive and senior management remuneration 	<ul style="list-style-type: none"> • Environmental policy • Diversity and inclusion • People and talent • CSR and community engagement • Ethical, diverse and robust supply chains
READ MORE ON PAGES 80 AND 81	READ MORE ON PAGES 82 AND 83	READ MORE ON PAGES 85 TO 92	READ MORE ON PAGE 84

Statement of corporate governance continued

Governance framework continued

Division of responsibilities

The Group strives for a clear division of responsibilities and the table below outlines the Directors' roles and remits. The majority of the Board is comprised of independent Non-Executive Directors (the Chairman being assessed as independent upon appointment). Further information on the Directors' range of skills including details of their technical and/or financial experience and expertise can be found on pages 66 and 67.

Chairman	Chief Executive Officer	Chief Financial Officer	Independent Non-Executive Directors
<ul style="list-style-type: none"> Responsible for the leadership and overall effectiveness of the Board and for ensuring appropriate strategic focus and direction Provides leadership to the Board, setting the agenda, style and tone of Board discussions to promote constructive debate and challenge between the Executive and Non-Executive Directors Ensures that there is a good information flow to the Board, and from the Board to its key stakeholders Supports and advises the Chief Executive Officer, particularly on the development of strategy Demonstrates ethical leadership and promotes the highest standards of integrity throughout the business Ensures effective operation of the Board's Committees 	<ul style="list-style-type: none"> Provides the day-to-day leadership of the Group Responsible for developing and defining strategic proposals for recommendation to the Board and the subsequent implementation of the agreed strategy Accountable for business performance Responsible for developing an organisational structure, and establishing processes and systems to ensure that the Group has the capabilities and resources required to achieve its plans Maintains a dialogue with the Chairman on all important matters and strategic issues facing the Group Ensures that there is an effective framework of internal controls, including risk management, covering all business activities Oversees the application of Group policies and governance procedures Ensures that the Board is fully informed of all key matters Develops and promotes effective communication with shareholders and other key stakeholders 	<ul style="list-style-type: none"> Oversees the financial delivery and performance of the Group and provides insightful financial analysis that informs key decision making Leads investor relations activities and communication with investors alongside the Chief Executive Officer Works with the Chief Executive Officer to develop budgets and medium-term plans to support the agreed strategy Supports the Chief Executive Officer in developing and implementing strategy, allocating resources across the Group and managing risk 	<ul style="list-style-type: none"> Bring external perspectives and insight to the deliberations of the Board and its Committees Provide a range of knowledge and business experience from different sectors and undertakings (see their biographies on pages 66 and 67) Assist in the formulation and progression of the Board's agreed strategy and monitor the performance of the Executive management in the implementation of this strategy Constructively challenge management and decisions taken at Board level Oversee the performance of management in meeting agreed goals Support the Chairman and Executive Directors to instil an appropriate culture, values and behaviours in the boardroom and across the Group Challenge the adequacy and quality of information received prior to Board meetings

Executive Committee

The Executive Committee comprises the Group's senior leadership below Board level and assists the Executive Directors in facilitating the execution of the strategy.

Statement of corporate governance continued

Governance framework continued

Board and Committee attendance record

Member	Independence	Board ¹	AGM	Strategy day	Audit and Risk	Remuneration	Nomination	ESG
Executive								
Dr James Routh	N	8/8	Yes	1/1	N/A	N/A	N/A	4/4
Sarah Matthews-DeMers	N	8/8	Yes	1/1	N/A	N/A	N/A	N/A
Non-Executive								
Richard Elsy CBE	Y ²	8/8	Yes	1/1	N/A	4/4	2/2	4/4
Richard Hickinbotham	Y	8/8	Yes	1/1	5/5	4/4	2/2	N/A
Louise Evans	Y	8/8	Yes	1/1	5/5	4/4	2/2	4/4

¹ The table shows attendance at full Board meetings only. Sub-Committees of the Board were convened with the authorisation of the Board throughout the course of the year for transactional activities.

² Richard Elsy CBE was considered independent at the time of his appointment as Chairman.

Effectiveness

For the Directors to effectively perform their responsibilities as set out in the matters reserved for the Board below, the Board meets at least eight times each financial year. The Board and Committees also meet on an ad-hoc basis when required by business priorities. In addition, the Board attends a strategy day at the beginning of each calendar year to discuss in depth the Group's strategic direction. Details of the Directors' attendance at scheduled meetings is shown above.

Richard Elsy CBE, Non-Executive Director, was considered independent on his appointment as Chairman. Louise Evans and Richard Hickinbotham, as Non-Executive Directors, are independent of the Executives and are free to exercise independence of judgement. Richard Hickinbotham has the longest tenure of the Non-Executive Directors at just over seven years. The Board does not believe any of our Non-Executives have formed associations with management or others that may compromise their ability to exercise independent judgement or act in the best interests of the Group. The Board is satisfied that no conflict of interest exists for any Director.

Time commitments of the Non-Executive Directors

All Non-Executive Directors have been advised of the time required to fulfil their role and remit prior to their appointment and this requirement is included in their letters of appointment. The Nomination Committee reviews the time commitments of the Non-Executive Directors on an annual basis and is satisfied that the Chairman and each of the independent Non-Executive Directors can devote sufficient time to the Group's business.

Matters reserved for the Board

Matters reserved for the Board include, but are not limited to:

- Strategy and management, including responsibility for the overall leadership of the Group, setting the Group's values and standards, and overview of the Group's operational management
- Structure and capital, including changes relating to the Group's capital structure and major changes to the Group's corporate structure, including acquisitions and disposals, and changes to the Group's management and control structure
- Financial reporting, including the approval of the Annual Report and Accounts, half-year report, trading statements, preliminary announcement for the results and dividend, treasury and accounting policies
- Internal controls, ensuring that the Group manages risk effectively by approving its risk appetite and monitoring aggregate risk exposures
- Contracts, including approval of all major capital projects and major investments
- Ensuring satisfactory communication with the Group's stakeholders, including its shareholders
- Board membership and other appointments, including changes to the structure, size and composition of the Board, and succession planning for the Board and senior management
- Ensure appropriate adherence to health and safety requirements and promote an appropriate safety culture
- Promote a corporate culture based on sound ethical values and behaviours

Activities of the Board

The Group's governance framework is set out on pages 71 to 74. The core activities and calendar of the Board and its Committees are planned on an annual basis and this framework forms the structure within which the Board operates.

Statement of corporate governance continued

Governance framework continued

Activities of the Board continued

Key considerations	Key activities	In practice
Strategy	<ul style="list-style-type: none"> Annual strategy day (March 2024) to discuss the future strategic direction of the Group Assessment of the Group's performance against previously agreed strategic objectives Review of the CEO's proposals for the strategic future of the Group 	<p>The Board considered and agreed (in principle) to the CEO's proposals for the following:</p> <ul style="list-style-type: none"> M&A strategy Sales and marketing capability, including development of channels to market Leadership requirements, including leadership in operational excellence supported by recruitment activity Organisational design and structure review Product and technology development Enhanced systems and processes to support the Group's growth
Finance	<ul style="list-style-type: none"> Approval of the Group's budget for the financial year ending 31 August 2025 and three-year plan ERP implementation activities Onboarding of Crowe UK LLP as the Group's external auditor Integration of VTS 	<p>The Board debated the risks and benefits of the current dividend policy, including the options available in light of an uncertain economic environment and continued exposure to geopolitical uncertainty. It concluded that the total dividend for the year should be 7.63p.</p> <p>The Board reviewed the strategy for capital allocation and confirmed the priorities as new products, investment in ABD Solutions, implementing acquisitions and a progressive dividend policy.</p> <p>The Board welcomed Crowe UK LLP as the Group's external auditor.</p>
Risk and compliance	<ul style="list-style-type: none"> Annual review of the Group's strategic risk register Continuation of due diligence on third party suppliers and agents Review of Group-wide policies Review of Group-wide insurance coverage Maintenance of the Group's whistleblowing platform 	<p>The Board continues to receive information to assess and mitigate risks associated with ongoing geopolitical conflicts.</p> <p>The Board was updated by the CEO about the Group's progress to de-risk its supply chain and improve its diversification of suppliers of its key components.</p> <p>The Board received no new whistleblowing issues in FY 2024 and two whistleblowing cases which had been reported in our previous financial year, and remained open, were resolved without the need for further action.</p>
People and culture	<ul style="list-style-type: none"> Professional Development Programme Group CSR maintained Review of current structure of the Group Real Living Wage accreditation 	<p>The Group completed the second year of its career development programme including a Professional Development Programme for emerging leaders with participants from across the Group's business units. The Group will continue with the Professional Development Programme with new participants within the Group.</p> <p>The Group maintained the operation of its CSR criteria, underpinned by its corporate values, to ensure that its CSR activities enhance the links to the Group's local communities.</p> <p>All four UK legal trading entities within the Group achieved accreditation as a Real Living Wage employer.</p>
Governance	<ul style="list-style-type: none"> The Group achieved an MSCI AAA ESG rating Stakeholder engagement Internal Board performance review 	<p>The Group achieved an MSCI AAA ESG rating, placing the Group in the top 6% of MSCI's ACWI Index for Auto Components.</p> <p>Having created our Net Zero Working Group in the last financial year, the Group set targets of becoming net zero for market based Scope 1 and 2 emissions by 2040 and to be a net zero organisation by 2050. The Group has completed a milestone in this journey by finalising its UK data collection (including Scope 3 emissions) enabling the business to complete its first comprehensive assessment of the Group's UK carbon footprint and establish its baseline. The Group continues to work with Auditel to assist with its net zero goals.</p> <p>An internal Board performance review was conducted during the year and the Board approved and is implementing the development points highlighted. Please refer to page 75 for more information.</p>

Focus for 2025 – The Board will focus on succession planning, diversification and sustainability initiatives.

Statement of corporate governance continued

Statement of corporate governance

Board meetings

During the period, the Board convened formally on eight occasions. The Board retains the services of a Company Secretary and receives its information on a secure platform, Board Intelligence. The routine Board and Committee papers are distributed seven days in advance of the scheduled meetings (a minority of papers may be circulated nearer to the time of a meeting on an exceptional basis).

Any Director can challenge proposals, with decisions reached after open discussions. 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. The Board is supported by the Audit and Risk, Remuneration, Nomination and ESG Committees, each of which has access to information, resources and advice that it deems necessary, at the Group's cost, to enable each Committee to discharge its duties.

The Chairman also meets separately with Non-Executive Directors, without Executive Directors or other managers present. Debate and discussion at Board and Committee meetings are encouraged to be open, challenging and constructive.

Board composition

As at 31 August 2024, the Board comprised a Non-Executive Chairman (who was deemed independent upon appointment), two Executive Directors and two independent Non-Executive Directors. A biography of each Director in office at the end of the year is set out on pages 66 and 67.

The composition of the Board is monitored by the Nomination Committee. The Board remains satisfied that each Director, whether Executive or Non-Executive, has the necessary time to devote to their role to effectively discharge their responsibilities and that, between them, the Directors have a blend of skills, experience, knowledge and independence suited to the Group's needs and its continuing development. The Board is also assured that it has a suitable balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and constructively challenge other Directors where appropriate.

Board performance review

The Board and its Committees review their skills, experience, independence and knowledge to enable the discharge of their duties and responsibilities effectively. An external Board performance review is conducted every three years in accordance with the Financial Reporting Council's Code of Governance (provision 21) and an external Board performance review is scheduled to take place in the next financial year.

An internal Board performance review was conducted during the year, which confirmed an excellent Board culture with good balance between governance and active support for the Group's objectives.

Actions identified in the review for the forthcoming year include Board presence at the Group's locations internationally.

Powers of Directors

The powers of the Directors are set out in the Group's Articles of Association (the Articles). The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation. The Articles are available for inspection online at www.abdplc.com and can also be viewed at the Group's registered office.

Directors' inductions, training and development

Following appointment to the Board, all new Directors receive an induction tailored to their individual requirements. These inductions cover some or all of the following (depending on the individual Director's experience and what is appropriate for their role):

- **Board and governance:** including the Board's calendar; procedures, including meeting protocols; Committee activities and terms of reference; and matters reserved for the Board
- **Business introduction:** the nature of the Group, its business, markets and relationships; meetings with the relevant operational and functional senior management; and overviews of the business via monthly reports
- **Finance:** budget and forecast papers; and analyst and investor overviews
- **Risk:** the Group's approach to risk management
- **Other:** meetings with the Company's official appointed advisers including registrar, solicitor, auditor, broker and nominated adviser (NOMAD)

The Group meets the cost of appropriate training for Directors, the requirement for which is kept under review by the Chairman. Directors are continually updated on the Group's businesses and the matters affecting the markets in which the Group operates.

Risk management and internal controls

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. The control framework includes:

- Setting and approval of an annual budget
- Regular updates from all subsidiaries to the CEO and CFO
- Monthly business reviews by the CEO and CFO focused on business performance
- Quarterly reviews by Group finance focused on the quarter-end balance sheet
- Six-monthly confirmations from local controllers regarding operation of internal controls, results and financial position and compliance with bank requirements
- Automated controls and workflows built into the new ERP system
- Physical verification of inventory every six months

The principal risks which the Board has identified this year are set out in the section on Principal risks and uncertainties on pages 60 to 62 of the Strategic report.

Delegation of authority

The Group has in place defined authorisation levels for expenditure, the placing of orders and signing authorities.

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 that includes both financial and non-financial issues with the potential to affect the Group, and from discussions with the external auditor.

Statement of corporate governance continued

Statement of corporate governance continued

Anti-corruption

The Group has recently reviewed its policy on anti-bribery and corruption to ensure it meets the requirements of the Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977. This policy is published on the Group's website and is circulated to employees globally. Individuals receive online training on the core subject matter annually. To facilitate understanding and compliance, the policy and training are available in four languages (the key languages spoken across the Group). The Group continues to use the Dow Jones Risk Management tool for its due diligence on agents, distributors, customers and suppliers. The Dow Jones Risk and Compliance platform aids the Group's diligence on these third parties in relation to: sanctions lists, state ownership, politically exposed persons, territorial/jurisdictional risks and adverse media amongst other things, which supports the Group's anti-corruption policies and procedures.

Whistleblowing

The Group aims to create a working environment where honest and open communication is encouraged and employees feel comfortable raising concerns.

Whilst we believe we have a robust framework in place and an embedded commitment to always doing the right thing, where these high standards have not been met, we encourage our workforce to come forward and speak up via our whistleblowing portal. The portal is accessible 24 hours a day, 365 days of the year, through an internet URL and mobile phone app. Our whistleblowing policy aims to encourage openness, reports can be made anonymously, and we guarantee legal protection for all whistleblowers, even if they turn out to be mistaken. All reports made through this tool are investigated in line with the Group's whistleblowing policy and are supervised by our independent Non-Executive Directors.

No new whistleblowing reports were received in FY 2024 and two cases which had been reported in our previous financial year, and remained open, were resolved without the need for further action.

Diversity and equality

The Group is proud of its Board diversity with 40% female Directors and it remains committed to strengthening its diversity beyond gender to ethnic diversity, when appropriate opportunities arise. Diversity across a wide range of criteria is valued, including skills, knowledge and experience as well as neurodiversity, religion or beliefs and membership or non-membership of any trade unions. It is also committed to creating equality of opportunity where people are appointed on merit, and without any form of positive or negative discrimination. Whilst the Nomination Committee reviews the structure, size, diversity, balance and composition of the Board, the principal objective of the Nomination Committee is to ensure that all candidates are suitably qualified and experienced for the role. Additional information on diversity can be found on pages 36 and 37 in our Sustainability section.

Re-election

All Directors are subject to re-election by shareholders at the first Annual General Meeting following their appointment and annually thereafter.

Liability insurance

Each Director and Officer of the Group is covered by appropriate Directors' and Officers' liability insurance (D&O insurance) at the Group's expense in line with market practice.

The D&O insurance provides coverage for the Directors and Officers for the costs of defending themselves in legal proceedings taken against them in their capacity as a Director and in respect of damages that may result from those proceedings. The insurance does not provide coverage where the Director or Officer has committed a deliberately fraudulent or deliberately criminal act.

Professional advice

Each Director is entitled to obtain independent professional advice at the Company's expense in furtherance of their duties as a Director of AB Dynamics plc. In addition, each Committee is authorised, through its terms of reference, to seek advice at the Company's expense. The Board retains the services of a Company Secretary who is available to all Directors to provide governance advice and acts as secretary to the Board and its Committees.

Conflicts of interest

The Group has policies and procedures to appropriately manage or resolve potential or actual conflicts of interest that may arise in the business. The policies are available in four languages and apply to the Company's Directors and personnel.

All Directors are also subject to a statutory duty under the Companies Act 2006 (the Companies Act) to avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Directors of public companies may authorise conflicts and potential conflicts in accordance with the Companies Act where it is appropriate to do so and where the Articles of Association (the Articles) contain a provision to this effect. At each Board meeting, the Chairman enquires if the Directors are aware of any potential or actual conflicts of interest. It is the Board's contention that all authorisation powers are being exercised in accordance with the Companies Act and the Company's Articles.

Accountability

The Board is responsible for ensuring that the Annual Report and Accounts, taken as a whole, presents a clear, fair and balanced assessment of the Group which provides the information necessary for shareholders to assess the Group's performance, strategy and business model.

The Board receives a detailed report from the Chief Financial Officer which sets out the key matters that impact or could impact the Group's Annual Report and financial statements and highlights areas of the financial statements where it has been necessary to rely upon a significant level of subjectivity.

Statement of corporate governance continued

BOARD COMMITTEES

Audit and Risk Committee

Chaired by Louise Evans
(finance and audit expert)

Number of meetings in the year: 5

Role of the Committee

The Audit and Risk Committee is responsible for ensuring that the financial performance of the Group is reported and monitored, and for meeting the auditor and reviewing the reports from the auditor relating to accounts and internal control systems. The Audit and Risk Committee meets with the external auditor at least once a year without any Executive Directors being present. The Committee also confirms the independence and effectiveness of the external auditor. The Committee is also responsible for the review and management of the Group's risk management framework. This year the Committee welcomed Crowe UK LLP as the new external auditor to the Group.

Nomination Committee

Chaired by Richard Elsy CBE
(industry expert)

Number of meetings in the year: 2

Role of the Committee

The Nomination Committee is responsible for recommendations to the Board for the appointment of additional Directors or replacement of current Directors. The Committee reviews the structure, size and composition of the Board and its Committees and also considers succession planning for the Board and the Executive Committee. The Committee is also responsible for the annual Board performance review and makes recommendations to the Board in respect of development areas to continuously improve the effectiveness of the Board and its Committees.

Remuneration Committee

Chaired by Richard Hickinbotham
(industry and finance expert)

Number of meetings in the year: 4

Role of the Committee

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 Group 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. This year the Remuneration Committee continued to be advised by FIT Remuneration Consultants. The Committee reviewed the Group's Executive Remuneration Policy, oversaw the award of Executive bonuses (and the allocation of a percentage of these bonuses to be awarded as shares), and authorised the award of an LTIP to the Executive and senior leadership of the organisation.

ESG Committee

Chaired by Louise Evans
(finance and audit expert)

Number of meetings in the year: 4

Role of the Committee

The aim of the Committee is to further the sustainability of the Group, promote the continuous improvement of the Group's sustainability management and performance and promote and enhance the Group's sustainability work to ensure it receives due attention and acknowledgement, enabling the Group to become a sustainability leader in our selected industries. This year, the ESG Committee continued to instruct Auditel, a leading cost, procurement and carbon solutions company, to assist with our net zero journey.

The Board also has access to all relevant information and reviews other periodic management information and RNS announcements. The draft Annual Report and Accounts is circulated to each member of the Board in sufficient time to allow challenge of the disclosures where necessary. The Statement of Directors' responsibilities is set out on page 96 (within the Directors' report).

Statement of corporate governance continued

Stakeholder engagement

Consideration of all our stakeholders

See our report on Section 172(1) stakeholder engagement on pages 56 and 57 for details of how the Group engages with its stakeholders.

Our stakeholders	How the Board and Committees are kept informed
Customers	<ul style="list-style-type: none"> The Board reviews the Group's engagement with significant customers and regularly discusses the contractual requirements of the larger or more complex contracts
Industry bodies	<ul style="list-style-type: none"> The ESG Committee receives information regarding industry bodies with which our subsidiaries are engaged. This year, the Committee intends to formalise this review to be able to give further direction to the business regarding with whom they should engage and at what level
Investors	<ul style="list-style-type: none"> The CEO and CFO engage with major shareholders and potential investors directly and indirectly throughout the year, and provide regular and detailed feedback to the Board after each consultation The Company's Executive and Non-Executive Directors are given regular updates as to the views of institutional shareholders and changes to significant shareholdings through research carried out quarterly by the Group's brokers and adviser The Company's AGM is an opportunity for all shareholders to meet and question the Directors. Please refer to the Notice of the AGM 2025 on pages 134 to 138 The Board receives feedback from investors after the full and half-year results announcements from the Executive team
Employees	<ul style="list-style-type: none"> The ESG Committee receives updates from Human Resources regarding employee engagement The results from any employee engagement surveys are shared with the Board The Chairman and Non-Executive Directors have engaged directly with employees at several levels of seniority providing an opportunity to receive direct feedback
Supply chains	<ul style="list-style-type: none"> The Board receives reports from the businesses to update on performance of major suppliers, highlighting risks (and their proposed mitigations)
Communities	<ul style="list-style-type: none"> The Company's engagement with the communities is reviewed annually by the ESG Committee CSR criteria reviewed annually by the ESG Committee The Board receives updates on CSR initiatives

Statement of corporate governance continued

Stakeholder engagement continued

Consideration of all our stakeholders continued

We consider all stakeholders when formulating the Group's strategy and business model. More information on how stakeholder interests have influenced the Board's decision making this year is included below.

Key decisions and discussions	Stakeholders	How the Board considered stakeholders during the year	Annual Report sections
CSR criteria review	<ul style="list-style-type: none"> • Employees • Customers • Society 	Led by the ESG Committee, the Group's HR team and the emerging leaders from across the business revised and updated the Group's CSR criteria to strengthen and deepen the Group's relationships with the communities it serves. The Group Employee Volunteering Policy was maintained for all employees to take up two paid volunteering days p.a.	For more information on the Group's CSR criteria, refer to page 40 of the Sustainability section
Capital allocation	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • Society 	During the year, the Group acquired VTS. An acquisition of this type impacts on a number of our stakeholders. The strengthening of our testing services business is seen as beneficial to our shareholders as we increase our market presence. We welcomed new employees to our Group and offer our existing employees the opportunity to exchange best practices with VTS. Our breadth of testing services has expanded, which offers our customers more choice from our Group. The Board also considered the priorities for capital allocation and agreed that these should remain unchanged, being organic investment in the core business, investment in ABD Solutions, acquisitions and dividends.	
Growth of a sustainability agenda led by an ESG Committee	<ul style="list-style-type: none"> • Society • Customers • Employees • Shareholders 	The ESG Committee has continued to progress the Group's sustainability agenda. The ESG Committee has continued its focus on reductions in our CO ₂ emissions, waste and water usage and data collection to accurately measure our use of resources. The Net Zero Working Group is responsible for the Group's initiative towards net zero. This year, the Group finalised its UK data collection (including Scope 3 emissions), its first comprehensive assessment of the Group's UK carbon footprint and establishment of its baseline. The Group achieved an MSCI AAA rating in the financial year ended 31 August 2024. For more information, please refer to our Sustainability section on pages 32 to 49.	See page 84 for more information regarding the activities of the ESG Committee

Nomination Committee report

Maintaining a balance of skills and experience



Meetings

2

Nomination Committee members

- Richard Elsy CBE (Chair)
- Richard Hickenbotham
- Louise Evans

Key activities for the year

- Internal Board performance review
- Succession planning was reviewed and discussed during the year
- The composition of the Board and its Committees was reviewed and considered appropriate

Dear shareholders,

I am pleased to present the Nomination Committee's report for the year ended 31 August 2024.

Membership of the Committee

The Nomination Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver the Group's strategy. There were no changes in the membership of the Committee during the last twelve months and all members are considered to be independent Non-Executive Directors. I chair the Committee but will not do so where the Committee is dealing with my own re-appointment or my replacement as Chairman of the Board. The Company Secretary acts as secretary to the Committee. Details of attendance of members of the Committee at the two meetings held during the year are shown on page 73.

Meetings of the Committee are attended, at the invitation of the Chair, by the Chief Executive Officer and the Chief Financial Officer when considered appropriate. Members of the Committee do not participate in any discussions relating to their own appointment or replacement.

Responsibilities

The Committee's key responsibilities are:

- To review the size, structure, composition and independence of the Board and its Committees
- To make recommendations to the Board for the appointment of new Executive and Non-Executive Directors and their re-appointment following retirement by rotation
- To manage the search for and selection of suitable candidates for the appointment or replacement of Directors
- To consider succession planning for all Group Directors taking into account the challenges and opportunities facing the Group
- To keep under review the time commitment of Non-Executive Directors and external appointments of Board members
- To implement, review and respond to the results of Board performance reviews

The Committee remains focused on ensuring the Group benefits from strong leadership and that the Board continues to operate in an open and transparent manner. In considering changes to the Board and its Committees, the Nomination Committee is focused on the recruitment of the best available talent based on merit and assessed against a set of objective criteria of skills, knowledge and experience. Diversity and gender inclusiveness span the whole Group and are important and enduring considerations in the search for and selection of new Board members.

Nomination Committee report continued

Board composition

The Committee regularly reviews the composition and balance of the Board and its Committees, and considers Non-Executive Directors' independence, whether the balance between Non-Executive and Executive Directors remains appropriate, and whether the Board has the requisite skills and experience to oversee the delivery of the agreed strategy for the Group.

Whilst the current structure of the Board has served the business well, it is under constant review regarding its scale and effectiveness.

In light of the continued growth of the Group and our position within AIM, the Nomination Committee has agreed that it is time to broaden the skills and experience of the Non-Executive Directors to match the growing needs of the business.

To this end we have retained Korn Ferry with a remit to secure two new Non-Executives over the next two years. Our focus is predominantly on quality of candidates and right cultural fit with the Board and we recognise that the right people may not be immediately available. By adopting a measured timing approach to this important recruitment, we feel that we will have an advantage in the market.

The only timing pressure that we are imposing on the process is to secure a successor to Richard Hickenbotham, who will retire in August 2026 from the Board and as Chair of the Remuneration Committee. We wish to have a successor in role well in advance of this to ensure continuity of our robust remuneration process which we have worked hard to establish.

We anticipate that this slower-burn recruitment process may well present us with exceptional candidates over time and we will consider a third Non-Executive hire should we have that choice.

Board performance review

The skills and experience of Board members are set out in their biographies on pages 66 and 67 of this Annual Report.

An external Board evaluation is conducted every three years in accordance with the Financial Reporting Council's Code of Governance. The Board undertook an external Board evaluation in FY 2022 and the next external Board evaluation is scheduled for next year, in FY 2025. During the current year, an internal Board performance review was carried out using a questionnaire which focused on the composition of the Board, its scope of duties, the overall performance of the Board in discharging these duties and Group dynamics.

The review was very positive with clear evidence of a collaborative Board which encourages constructive challenge and provides good support for the Executives. The improvements to Board processes following last year's internal review have shown their benefits, in particular the quality of management information which has fostered excellent discussion and decision making.

In the spirit of continuous improvement, the review highlighted the opportunity for the Board to be more visible at the Group's many locations including internationally. We have taken action on this already and seen benefits of greater Board awareness and employee engagement.

Equality, diversity and inclusion

The Committee recognises the importance of equality, diversity and inclusion to the effective performance of the Board, and to our wider business operations. We are committed to promoting diversity across the Group in all forms, including diversity of age, sex, gender identity, gender reassignment, sexual orientation, marital status, nationality, ethnicity, geography, social and cultural background, disability, neurodiversity, religion or beliefs, or membership or non-membership of any trade unions.

The Committee is cognisant of the voluntary targets set out in the Hampton-Alexander Review that at least 33% of Board and Executive Committee members be female. We have met this target from a Board perspective and we continue to aspire to further improve female representation across the broader senior leadership team over the next few years. The Committee will also have regard to the recommendations set out in the Parker Review on ethnic diversity when recommending future appointments to the Board.

Succession planning

The Committee is responsible for promoting effective succession planning for the Board and the Executive Committee, to ensure that the leadership of the business remains aligned to the Group's strategy. The Committee reviewed the succession plan for individuals in key leadership roles at Group level. The Committee is satisfied that an appropriate succession plan is in place for the Board and key members of the Executive Committee, including emergency replacements over the short term. Over the longer term, the Committee will continue further work to ensure appropriate appointments are made when current tenures are approaching and as the organisation grows and evolves. These will be considered on a case-by-case basis, including internal candidates where available or external recruitment where deemed more appropriate.

The Directors will guard against any complacency to ensure the Board continues to operate in an open and transparent manner supported by high-quality debate and constructive challenge.

Richard Elsy CBE
Nomination Committee Chair
26 November 2024

“The Board has the experience and skills to deliver our ambitious strategy.”

Audit and Risk Committee report

Monitoring all aspects of financial reporting and risk



Meetings

5

Audit and Risk Committee members

- Louise Evans (Chair)
- Richard Hickenbotham

Key activities for the year

- Approval of the 2023 Annual Report and Accounts and 2024 half-year report
- Review and recommendation to the Board as to the appointment of the external auditor
- Review of the Group's risk and internal control framework

Dear shareholders,

I am pleased to present my report as Chair of the Audit and Risk Committee.

The Audit and Risk Committee continues to play a very important role in the governance of the Group's financial affairs, through monitoring the integrity of the Group's financial reporting and internal controls and reviewing material financial reporting judgements. During the early part of the financial year, the Committee was focused on matters relating to the 2023 financial statements, which were covered in detail in last year's report. This report therefore focuses on the Committee's activities in relation to the 2024 half-year and full-year results, and the external and internal audit activity during 2024.

Membership of the Audit and Risk Committee

The Audit and Risk Committee has been established by the Board and is responsible for monitoring the integrity of the Group's financial statements and the effectiveness of the internal and external audit process. Both members of the Committee are independent Non-Executive Directors, and each brings a broad range of financial and business expertise. I have previously served as the Finance Director of public companies and currently serve as an Audit and Risk Committee Chair on an additional listed company. Therefore, I possess recent and relevant financial experience. The Board considers that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries. The qualifications and experience of the members of the Committee can be found on pages 66 and 67.

Operation of the Committee

Meetings of the Committee are attended, at the invitation of the Chair, by the external auditor, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and representatives of the Group finance function. The Committee meets with the external auditor at least once per year without the Executive Directors being present. The Company Secretary acts as secretary to the Committee. A verbal report on key issues discussed by the Committee is provided to the Board after every meeting.

The Chair of the Committee meets regularly with both the Chief Financial Officer and the external audit lead partner outside of scheduled meetings.

The Committee is authorised to obtain any external legal or other professional advice it requires at the Group's expense.

The Committee relies on regular reports from the Executive Directors, the wider management team, and the external auditor in order to discharge its responsibilities. The Committee is satisfied that it received timely, sufficient and reliable information to enable it to fulfil its obligations during the year.

Audit and Risk Committee activities

The Committee's responsibilities are set out in its terms of reference which are available on the Group's website. The Committee reviews its terms of reference annually and recommends to the Board any changes required as a result of its review.

The key roles and responsibilities of the Committee are as follows:

- To review the Group's risk management framework, assist the Board in conducting a robust assessment of the Group's principal risks and ensure adherence to policies and effectiveness of mitigating actions
- To review the published half-year and annual financial reports and advise the Board on whether such information represents a fair, balanced and understandable assessment of the Group's position and prospects; monitor compliance with relevant statutory reporting requirements; review and consider any changes in accounting standards; and consider the suitability of, and any changes to, accounting policies used by the Group, including the use of estimates and judgements

Audit and Risk Committee report continued

Audit and Risk Committee activities continued

- To manage the appointment of the Group's external auditor, agreeing the nature and scope of the external audit as well as the terms of remuneration, and assess the effectiveness of the audit and auditor independence, including approval of any non-audit services undertaken together with the level of non-audit fees
- To review the internal control environment and consider the scope and findings of the internal audit reviews
- To review the adequacy of the Group's procedures for employees to report wrongdoing or raise concerns and review the systems in place to detect and prevent bribery, fraud and money laundering
- To monitor compliance with the UK corporate governance guidelines contained in the QCA Code in respect of audit and risk committees

Review of financial statements

The Committee monitors the integrity of the Group's financial statements and has reviewed the presentation and content of the Group's interim and preliminary results announcements and the Annual Report. It considered whether the Annual Report was fair, balanced and understandable, as well as the appropriateness and disclosure of accounting policies, key judgements and key estimates. As part of this review, it considered matters raised by the CFO and finance team together with reports presented by the external auditor summarising the findings of its annual audit.

The significant accounting judgements considered for the year ended 31 August 2024 were:

- Review of the valuation and recoverability of goodwill and other intangible assets: the Committee considered the carrying value of goodwill and intangible assets in relation to Ansible Motion, VadoTech, rFpro, DRI and Venshure Test Services against the latest forecasts for the businesses concerned and the future strategic plan for the Group. The Committee was satisfied that the valuation is appropriate and that no impairment is required
- Review of revenue recognition on long-term contracts: judgement is required on a contract-by-contract basis to determine whether revenue from contracts with customers for large capital equipment is recognised over time, depending on whether the Group has an enforceable right to payment for work completed to date. In relation to over time recognition, the Group has established processes in relation to estimating the stage of completion, milestones and expected profitability of the contracts. The Committee reviewed the judgements made and was satisfied that they are appropriate

- Review of acquisition accounting: the Committee considered the allocation of the purchase price of VTS between the acquired net assets, separately identifiable intangible assets and goodwill and was satisfied that the allocation is appropriate
- Review of assets held for sale: the Committee considered the classification of the land asset that is held for sale and was satisfied that a sale is highly probable therefore the classification is appropriate

The Committee reviewed the adequacy of the Group's financial resources to ensure there is sufficient headroom to enable the Group to continue trading for the foreseeable future. The Group has substantial cash resources and a £15m undrawn revolving credit facility at year end. The Group's future funding requirements were also considered. Based on its review of the Group's forecasts and discussions with the external auditor, the Committee recommended to the Board the adoption of the going concern basis for the preparation of the interim and full-year results.

The Committee reviewed the form and content of the 2024 Annual Report and confirmed to the Board that, taken as a whole, the Annual Report is fair, balanced and understandable. The Committee also concluded that the Annual Report provides the information necessary to assess the Group's position and performance, business model and strategy.

External audit

Following the completion of the external audit process in 2023, the Audit and Risk Committee decided to undertake a tender process for the appointment of a new external auditor. In the opinion of the Audit and Risk Committee, Grant Thornton UK LLP did not complete its work on a timely basis or provide sufficient communication on progress and following the firm's demotion to tier two status by the FRC, it was not invited to take part in the tender process. Grant Thornton UK LLP confirmed in its resignation letter that there are no matters connected with its ceasing to hold office which it considers should be brought to the attention of the members or creditors of the Group. Three audit firms took part in the audit process and, following the completion of that process, Crowe UK LLP was appointed as external auditor by the Board in April 2024, completed the audit for the year ended 31 August 2024 and provided the Independent auditor's report on pages 97 to 101.

The Audit and Risk Committee reviewed the audit plan including scope and materiality thresholds. It also considered the independence and objectivity of the external auditor, and reviewed the effectiveness of the audit process through inviting feedback from people involved with the external auditor's work across the business, and additional meetings between the Chair of the Committee and the audit partner.

The Committee received confirmation from the auditor that it had complied with independence rules and with the Ethical Standards for Auditors. Having reviewed the audit plan, audit findings report and enquiries of management, the Committee concluded that audit effectiveness for FY 2024 was satisfactory.

The Committee also reviewed the nature, extent, impact on objectivity and cost of non-audit services provided by the auditor. During the year, Crowe UK LLP provided no non-audit services. The Committee concluded that the external auditor was independent during the financial year.

The auditor independence policy, which was reviewed by the Committee during the year, prohibits the provision of certain non-audit services by the external auditor, in line with regulatory requirements and UK ethical guidance. It also requires the Committee's prior approval of any permitted individual non-audit services with a fee above £25,000, or £50,000 in aggregate in any financial year.

Risk and internal control framework

During the year, the Committee reviewed the Group's risk, compliance and internal control framework. This included:

- Reviewing and updating the Group's delegation of authority framework, in order to ensure appropriate controls are in place for the approval of certain matters and actions relating to expenditure, contractual exposure and other potential liability for the Group
- Reviewing the effectiveness of the Group's internal control environment and how this has been strengthened through the design and implementation of the new ERP system as well as the publication of the internal control manual in the prior year and the monitoring programme to assess its implementation which was undertaken in the year
- Reviewing the provision of internal oversight and the development of internal audit reviews
- Reviewing the ongoing development of the Group's risk management framework, including assessing the Group's emerging and principal risks and mitigating actions, more information on which can be found on pages 58 to 62
- Reviewing the Group's insurance coverage

Louise Evans
Audit and Risk Committee Chair
26 November 2024

ESG Committee report

Embedding sustainability across our business



Meetings

4

ESG Committee members

- Louise Evans (Chair)
- Richard Elsy CBE
- James Routh

Key activities for the year

- Promoting the Group's contribution to road safety and the associated reduction in road accidents and fatalities
- Promoting the Group's sustainability objectives by assisting in the roll-out of EVs and other lower-carbon transport technologies
- Overseeing the growth of the Group's sustainability strategy
- Reviewing the Group's policies, programmes, targets and initiatives

Dear shareholders,

I am delighted to present my fourth report as Chair of our ESG Committee.

Sustainability is an intrinsic part of our core purpose to accelerate our customers' drive towards net zero emissions and to improve road safety and the automation of vehicle applications through leadership and innovation in engineering and technology.

The ESG Committee has continued to set the overall sustainability strategy for the Group and provide Board-level oversight of the various sustainability activities which are embedded throughout our business.

Role and activities

The role of the Committee includes:

- Promoting the Group's contribution to road safety and the associated reduction in road accidents and fatalities
- Oversight of the Net Zero Working Group, the global team tasked with identifying, managing and reducing the Group's carbon emissions
- Promoting the Group's Equality, Diversity and Inclusion and Social Mobility Programme
- Reviewing the Group's management and governance policies
- Ensuring Group whistleblowing policies and procedures are appropriate and effective

Activities during the year

The Committee met four times during the year to develop the sustainability strategy and bring together the current activities under coherent oversight.

We have set our environmental goal to be net zero for market based Scope 1 and 2 emissions by 2040 and to be a net zero organisation by 2050, and are already making good progress against these objectives.

We continue to engage Auditel, a leading carbon solutions company, to assist us in identifying and reducing our carbon emissions and related costs. Achieving credible, trustworthy and substantiated environmental claims is key to our aim for verification with ISO 14068-1 (Climate change management - Transition to net zero; Part 1: Carbon neutrality).

Employee health, safety and wellbeing continues to be of paramount importance. The Group continues to be accredited with the ISO 45001 Occupational Health and Safety Management System certification at Anthony Best Dynamics Limited and AB Dynamics GmbH. The accreditation reinforces our Health and Safety Policy and demonstrates our commitment to employee safety.

The Net Zero Working Group continues to operate after its formation last year and comprises representatives from the Group's subsidiaries who will spearhead a comprehensive programme to achieve net zero for Scope 1 and 2 emissions throughout all the businesses in the Group by 2040.

The Committee recognises the significance of diversity and inclusion and social mobility and supporting future leaders. The Group's Equality, Diversity and Inclusion and Social Mobility Programme was launched last year. This year we introduced an Equality, Diversity and Inclusion Policy which outlines our commitment to equality, diversity and inclusion and sets out how we put this commitment into practice. To support this policy, all of our hiring managers undertook unconscious bias training this year and every current employee is to attend equality, diversity and inclusion training on an annual basis. This year, we surveyed our employees to obtain our baseline data and we will monitor our data on an ongoing basis to assess the impact of this policy and our EDI strategy.

Looking forward

In the coming year, we plan to continue with the implementation of our strategy and refine our sustainability performance delivery.

Louise Evans
ESG Committee Chair
26 November 2024

Directors' remuneration report

Annual Statement

Our Remuneration Policy aligns to the interests of our shareholders



Meetings

4

Remuneration Committee members

- Richard Hickinbotham (Chair)
- Richard Elsy CBE
- Louise Evans

Key activities for the year

During the year, the Committee considered:

- Salary reviews for Executive Directors and senior management
- The 2024 annual bonus plan outturn
- Approval of the 2025 annual bonus plan financial targets and personal objectives for the Executive Directors
- Vesting of the 2020 LTIP awards
- Approval of 2024 LTIP awards and performance conditions
- Shareholder consultation on the provisions of the FY 2025 LTIP
- Review of the Directors' remuneration report

Dear shareholders,

I am pleased to present the Directors' remuneration report for the year ended 31 August 2024. As a group listed on the Alternative Investment Market (AIM), we are required to comply with AIM Rule 19 in respect of remuneration disclosures. However, the Committee has chosen to provide additional disclosures in line with AIM best practice to enable shareholders to better understand and consider our remuneration arrangements. As such, this report is divided into three sections, being:

- This **Annual Statement**, which summarises the Committee and its work, remuneration outcomes in respect of the year just ended and how the Remuneration Policy will be operated for the forthcoming financial year
- The **Remuneration Policy**, which sets out the Group's Remuneration Policy for the Directors
- The **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in the year ended 31 August 2024 in detail

Consistent with AIM best practice and noting Principle 9, application e, this Directors' remuneration report (comprising this Annual Statement, the Remuneration Policy and the Annual Report on Remuneration) will be put to an advisory vote at the AGM in January 2025.

Remuneration Policy

The Committee is conscious of the need to demonstrate good governance. Whilst we recognise our status as an AIM-quoted company, the Committee has adopted remuneration structures which reflect good practice. In particular, I would highlight the following:

- The annual bonus for Executive Directors is based on delivering against key financial and strategic performance metrics which are aligned to our business strategy
- 20% of any bonus earned is deferred into shares for a period of three years
- Awards made under the long-term incentive plan (LTIP) vest based on sliding scale and three-year performance metrics measured over a three-year performance period with a further two-year holding period
- LTIP awards are subject to malus and clawback provisions
- Shareholding guidelines operate for the Executive Directors

In addition, the Remuneration Committee continues to keep abreast of corporate governance and regulatory developments to ensure the continued application of best practice and transparency.

Performance outcomes

The Group delivered a very strong set of financial results during the year, with record levels of revenue, operating profit and cash generation, despite the headwinds of global inflation and supply chain constraints. Revenue increased by 10% to £111.3m while adjusted operating profit grew by 22% to £20.3m. Further developments against the Group's strategic priorities included the acquisition and integration of VTS and the launch of several new products.

Directors' remuneration report continued

Implementation of the policy for the year ended 31 August 2024

In respect of implementing the Remuneration Policy for the year ended 31 August 2024:

- As detailed in last year's Directors' remuneration report, Executive Director base salary levels were increased in line with the general workforce from 1 January 2024
- Pension provision continued to be aligned to the Company's UK workforce at 10% of salary
- As a result of the Company's performance against the financial and strategic/operational performance targets, the annual bonus paid out at 89.5% of the maximum for both the CEO and CFO. 20% of the bonus award will be deferred into shares for three years as per the normal deferral policy. Details of the performance against the targets are set out in the Annual Report on Remuneration
- LTIP awards were granted on 8 February 2024 over shares equal to 125% of salary for the CEO and CFO. Details of the number of shares awarded and the performance targets are set out in the Annual Report on Remuneration
- In relation to the LTIP awards granted in December 2020, while the EPS targets (50% of awards) were met in full, the threshold total shareholder return targets (50% of awards) were not met and, as such, 50% of the total awards vested in February 2024 and the remainder of the awards lapsed

Implementation of the policy for the year ending 31 August 2025

In respect of implementing the Remuneration Policy for the year ending 31 August 2025:

- Following a review of Executive Director salary levels in light of both personal and Group performance and noting the increase in the Group's size and complexity, the Committee has agreed to increase the CEO's and CFO's salaries to £440,412 and £330,309 effective 1 January 2025. These salaries are considered to be appropriately aligned to AIM 100 levels, particularly considering the CEO's and CFO's length of service, experience and performance in their respective roles. These increases follow two years of workforce aligned increases and were awarded against the backdrop of strong Group performance (with three-year revenue and operating profit growth at circa 20% and 26% CAGR respectively)
- Pension provision will continue to be aligned to the Group's UK workforce at 10% of salary
- Annual bonus will continue to be capped at 125% of salary. Performance metrics will be based on adjusted EBIT (40%), order intake (10%), cash conversion (10%), operating margin (10%), strategic (10%), organisation/operations (5% for the CEO, 11% for the CFO), product development (10% for the CEO, 4% for the CFO) and ESG (5%)
- Following a positive consultation exercise with the Group's largest shareholders, the next LTIP awards will be set at 150% of salary for the CEO and CFO. This reflects the significant increase in the Group's size, complexity and greater international focus. This ensures packages remain market competitive and appropriately aligned to shareholder interests. Vesting will continue to be based on sliding scale earnings per share, relative total shareholder return and three-year cash based targets. The targets for the LTIP award, currently envisaged to be granted in January 2025, will be set out in an RNS announcement to the market following their consideration by the Committee
- The Committee continues to welcome feedback from shareholders and I hope that we receive your support in respect of the remuneration related votes at our forthcoming AGM

“Our Remuneration Policy accords with the long-term interests of our shareholders.”

Directors' remuneration report continued

Remuneration at a glance

This section provides an overview of our Remuneration Policy and outcomes for the year.

Strategic alignment of remuneration with FY 2024 KPIs

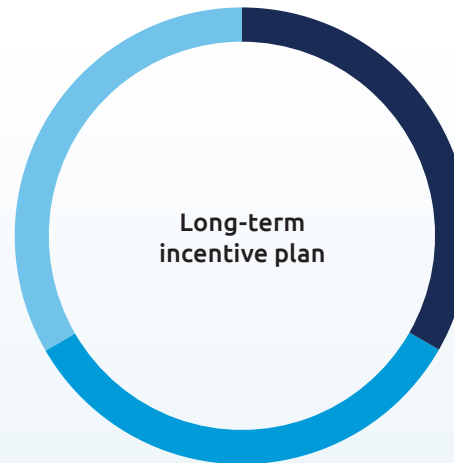


- 1. Financial 70%
- 2. Product development 5%
- 3. Operational/organisational 15%
- 4. Strategic 5%
- 5. ESG 5%

Link to strategy



READ MORE ON PAGE 11



- Total shareholder return 33.3%
- Earnings per share (EPS) 33.3%
- Cash conversion 33.4%

Total shareholder return vests between median and upper quartile performance.

EPS vests between 5% to 12% compound annual growth.

Cash conversion vests between 80% to 110%.

Remuneration Policy and FY 2024 outturn

James Routh

Actual	£427k	£433k	£193k
Minimum	£427k		
On target	£427k	£242k	£242k
Maximum	£427k	£484k	£484k

Sarah Matthews-DeMers

Actual	£320k	£325k	£117k
Minimum	£320k		
On target	£320k	£181k	£181k
Maximum	£320k	£363k	£363k

■ Fixed pay ■ Annual bonus ■ LTIP

On target assumes the annual bonus and LTIP vest at 50% of maximum for FY 2024. No share price appreciation is included.

Directors' remuneration report continued

Directors' Remuneration Policy

Executive Directors				
Element	Purpose	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain Executive Directors with the required skills and experience to deliver AB Dynamic's continued growth strategy	Base salaries are normally reviewed on an annual basis with any changes normally effective 1 January each year	There is no maximum salary, although salary levels are set to progressively move towards levels for companies of a similar size and operational and geographic complexity	Base salary levels and corresponding increases are based on individual experience, skills and Group performance along with competitiveness against similar companies
Benefits	To provide market competitive benefits	Benefits may include medical cover, income protection and death in service insurance. Other benefits may be awarded as appropriate and include relocation	Benefits may vary by role and individual circumstances and are periodically reviewed	Not performance related
Pensions	Competitive to market to reward sustained contribution by Executive Directors	Contributions to a Director's pension as appropriate. This may include contribution to a money purchase scheme or payment of a cash allowance where appropriate	Aligned to the pension available to AB Dynamic's UK workforce	No performance metrics applicable
Annual performance related bonus	To reward and incentivise based on the performance against budget and other business related objectives	Financial and non-financial performance targets are set and reviewed by the Remuneration Committee 20% of any bonus earned is normally deferred into shares for three years Bonus awards are subject to malus and clawback provisions	125% of base salary	Sliding scale financial and/or personal/strategic targets
Long-term incentive plan (LTIP)	To align Executive Directors to the delivery of the long-term strategy of the Group and provide long-term value for shareholders	Performance is assessed against rolling three-year performance periods. Awards normally vest at the end of the three-year performance period with 60% released after year three and 20% in each of the following two years. LTIP awards are subject to malus and clawback provisions	Maximum of 175% of base salary although normal awards will be set at 150% of salary	Performance metrics will be linked to financial and/or share price and/or strategic performance
Shareholding guidelines	To align Executive Directors with shareholder interests	Shareholding guidelines require a minimum shareholding (normally within five years)	150% of salary	Not performance related

Non-Executive Directors

Chairman's and Non-Executive Directors' fees	To attract and retain a Chairman and independent Non-Executive Directors with the required skills and experience	Paid monthly in arrears and reviewed each year. Any reasonable business related expenses can be reimbursed	The Chairman's and Non-Executive Directors' fees are determined by relevant benchmark data	Annual review by the Board (Non-Executive Directors, Remuneration Committee Chair)
---	--	--	--	--

Discretion

The Committee has discretion to adjust the formulaic:

- Bonus outcomes to ensure alignment of pay with the underlying performance of the business over the financial year and to take account of personal performance over the course of the year
- LTIP outcomes to ensure alignment of pay with performance and to ensure the outcome is a true reflection of the performance of the Company

Recruitment policy

Upon recruitment of an Executive Director, the remuneration package will be in line with the Remuneration Policy, subject to the Committee having discretion that buy-out awards (or any other means in order to facilitate the recruitment of an Executive Director) are reasonably necessary.

Directors' remuneration report continued

Annual Report on Remuneration

This section sets out how the Remuneration Policy was applied for the year ended 31 August 2024 (and the prior year).

Single figure table for Executive Directors

Pay element	James Routh		Sarah Matthews-DeMers	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Base salary	387	366	290	275
Taxable benefits	1	1	1	1
Pensions	39	37	29	27
Annual bonus	433	403	325	302
LTIP ¹	193	—	117	—
Gain on exercise of share options ²	—	257	—	—
Total	1,053	1,064	762	605
Of which:				
Fixed remuneration	427	404	320	303
Variable remuneration	626	660	442	302

¹ While the threshold total shareholder return (TSR) targets were not met, the EPS targets (50% of awards) were met in full, resulting in 50% of the December 2020 awards vesting. In respect of the prior year numbers, the LTIP awards granted in January 2020 lapsed in full in January 2023 as a result of failing to hit threshold EPS and TSR targets.

² James Routh exercised 33,334 recruitment related market value options on 20 June 2023.

Annual bonus

As a result of the Group's performance against the financial and strategic/operational performance targets, the annual bonus paid out at 89.5% of the maximum for both the CEO and CFO. 20% of the bonus award will be deferred into shares for three years. Details of the performance against the targets are as follows:

	Outcome	Outcome	Weighting
EBIT	Above maximum	40%	40%
Order intake	Between threshold and budget	2.5%	10%
Cash conversion	At maximum	10%	10%
Operating margin	Above maximum	10%	10%
Strategic	Majority of the targets met in full	4%	5%
Organisation/operations	Majority of the targets met in full	14%	15%
Product development	Majority of the targets met in full	4%	5%
ESG	Met in full – the Committee was pleased to see the achievement of an MSCI AAA rating	5%	5%
Total (% of max)		89.5%	100%
Total (% of salary)		111.9% of salary	

Directors' remuneration report continued

Annual Report on Remuneration continued

Share awards granted in the year

Deferred bonus awards

Details of the deferred bonus shares granted to Executive Directors on 8 February 2024 in respect of 20% of the respective annual bonus awards for the year ended 31 August 2023 are as follows:

Executive Director	Awards granted	Award basis (% of salary)	Grant date	Release date	Performance conditions
James Routh	2,406	20% of FY 2023 bonus ¹	8 February 2024	8 February 2027	n/a
Sarah Matthews-DeMers	1,804	20% of FY 2023 bonus ¹	8 February 2024	8 February 2027	n/a

¹ Based on the share price of £17.75 on 7 February 2024.

LTIP awards

Details of the LTIP awards granted on 8 February 2024, which were set at 125% of salary for both the CEO and CFO, are as follows:

Executive Director	Awards granted	Award basis (% of salary)	Grant date	Face value of award at maximum vesting (£k) ¹	Vesting date	Performance conditions
James Routh	27,692	125%	8 February 2024	£489	8 February 2027	See below
Sarah Matthews-DeMers	20,769	125%	8 February 2024	£367	8 February 2027	See below

¹ Based on the share price of £17.675 on 8 February 2024.

The performance conditions determining vesting over the three years to 31 August 2026 are as follows:

- One-third of awards vest based on EPS growth. 25% of this part of awards vest for EPS growth of 5% p.a., increasing on a straight-line basis to 100% of this part of awards vesting for EPS growth of 12% p.a.
- One-third of awards vest based on cash conversion. 0% of this part of awards vest for cash conversion of 80% increasing on a straight-line basis such that 50% of this part of awards vest for cash conversion of 100%. A further 50% of this part of awards vest for cash conversion of between 100% and 110%
- One-third of awards vest based on relative TSR versus the constituents of the AIM 100 (ex-Investment Trusts). 25% of this part of awards vest for median TSR, increasing on a straight-line basis to 100% of this part of awards vesting for upper quartile TSR

Directors' interests in shares

Directors' interests in the shares of the Company, including related parties, were as follows:

Directors	Ordinary shares of 1p each	Shareholding guidelines ¹	Shareholding guidelines met
James Routh	33,625	150%	Yes
Sarah Matthews-DeMers	8,048	150%	No

¹ Shareholdings of 150% of salary are targeted to be built up within five years of appointment.

Directors' remuneration report continued

Directors' interests in long-term incentive awards

Director	Award	Date of grant	Date of vesting	Notes	Exercise price	1 September 2023	Awarded during the year	Exercised during the year	Lapsed during the year	31 August 2024
James Routh	LTIP	2 December 2020	8 February 2024	2	£0	21,917	—	10,958	10,959	—
	LTIP	11 March 2022	3 December 2024	3	£0	51,220	—	—	—	51,220
	LTIP	4 January 2023	4 December 2025	4	£0	28,457	—	—	—	28,457
	LTIP	8 February 2024	8 February 2027	5	£0	—	27,692	—	—	27,692
Sarah Matthews-DeMers	Legacy options	5 December 2019	5 December 2021	1	£21.40	60,000	—	—	—	60,000
	LTIP	2 December 2020	8 February 2024	2	£0	13,292	—	6,646	6,646	—
	LTIP	11 March 2022	3 December 2024	3	£0	38,415	—	—	—	38,415
	LTIP	4 January 2023	4 December 2025	4	£0	21,343	—	—	—	21,343
	LTIP	8 February 2024	8 February 2027	5	£0	—	20,769	—	—	20,769

Notes:

- 1 Recruitment related market value options which vested on 4 December 2020 (50%) and 4 December 2021 (50%).
- 2 50% based on EPS growth, 50% based on relative TSR versus the AIM 100 (median to upper quartile).
- 3 50% based on EPS growth, 50% based on relative TSR versus the AIM 100 (median to upper quartile). The EPS targets have been met in full. The TSR targets are expected to be met in full on completion of the measurement period in December 2024.
- 4 One-third based on EPS growth, one-third based on cash conversion, one-third based on relative TSR versus the AIM 100 (median to upper quartile).
- 5 See performance conditions detailed in the LTIPs granted in the year section above.

CEO pay ratio

The Group has a range of policies and practices to ensure that all employees are fairly rewarded for the work they undertake. For all employees, a total reward package is offered that includes market competitive salaries and a bonus scheme which allows employees to share in the success of the Group. The senior management team is also eligible for awards under the long-term incentive plan which provides closer alignment to the shareholder experience.

The table below shows the CEO's and average employee total remuneration over the last three years.

The CEO pay ratio has increased during the year due to a reduction in the average pay per employee, which has decreased by 6% due to a change in the mix of employees. The CEO pay ratio has increased from 2022 due to the crystallisation of pay-outs under long-term incentive arrangements, including legacy share options.

The Committee is satisfied that the pay ratio is consistent with the pay, reward and progression policies for our employees.

FY	Total remuneration		Ratio
	James Routh	Average employee	
2024	£1,053,000	£66,000	16:1
2023	£1,064,000	£70,000	15:1
2022	£762,000	£69,000	11:1

Directors' remuneration report continued

Directors' contracts

The Executive Directors have rolling service contracts that are subject to twelve months' notice. The Chairman and Non-Executive Directors do not have contracts of service.

Single figure table for Non-Executive Directors

Pay element	Richard Elsy CBE		Richard Hickinbotham		Louise Evans	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Fees, including Committee Chair fees	104	100	60	58	60	58

Advisers

FIT Remuneration Consultants LLP continued to provide independent advice to the Committee during the year ended 31 August 2024. Its fee for the year ended 31 August 2024 was £13,900 (2023: £12,900).

Payments to past Directors

Anthony Best retired from the Board on 1 July 2021 and continues as a special adviser to the Group on a retainer of £12,000 per annum.

Loss of office

There were no loss of office payments made during the year.

Richard Hickinbotham

Remuneration Committee Chair
26 November 2024

Directors' report

Index to principal Directors' report and other required governance and compliance disclosures

This section contains information which the Directors are required by law and regulation to include within the Annual Report and Accounts. Where relevant information (required to be disclosed in the Directors' report) is located in more detail elsewhere in this document, please refer to the table below:

Information	Section in Annual Report	Page
Business review	Strategic report	1 to 31
Principal risks and uncertainties	Strategic report	60 to 62
Risk management and internal controls	Strategic report – Risk management	58 and 59
Disclosure of information to auditor	Governance – Directors' report	95
Dividend recommendation for the year	Strategic report – Chairman's statement	7
Strategy and future developments of the Company	Strategic report	8 to 15
Directors who held office during the year	Governance – Board of Directors	66 and 67
Directors' and Officers' liability insurance in place	Governance – Directors' report	95
Director skills, experience and independence	Governance – Board of Directors	66 and 67
Rules governing the appointment of Directors	Governance	81
Powers of Directors	Governance	75
Structure of share capital, including restrictions and the transfer of securities, voting rights and significant shareholders	Governance – Directors' report	94 and 95
Non-financial information statement	Strategic report	63
Articles of Association and the rules governing changes to them	Governance – Directors' report	94
Company's energy usage and greenhouse gas emissions	Strategic report – Sustainability	42 to 46
Research and development	Strategic report	27
Director remuneration details	Governance – Remuneration Committee report	85 to 92
Corporate social responsibility	Strategic report – Sustainability	36 to 39
Employee engagement	Strategic report – Sustainability	36
Employment policies	Strategic report – Sustainability	36 to 41
Company's Section 172(1) statement	Strategic report – Sustainability	56 and 57
Stakeholder engagement	Strategic report – Sustainability	56 and 57
Principal decisions taken by the Company arising from or influenced by stakeholder engagement	Statement of corporate governance	79
Accounting standards applied	Governance – Statement of Directors' responsibilities	96
	Financial statements – Note 1 of the financial statements	106
Board performance review	Governance – Nomination Committee report	81

Directors' report continued

Company information

Articles of Association

The Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Strategic report

The Strategic report is set out on pages 1 to 63 and was approved by the Board on 26 November 2024. It is signed on behalf of the Board by James Routh, Chief Executive Officer.

Cautionary statement

The review of the business and its future development in the Annual Report has been prepared solely to provide additional information to shareholders to allow individual shareholders to consider the Group's strategies and make their own assessment of the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports; as such they should be treated with caution due to inherent uncertainties associated with such statements.

Employees

The average number of persons, including Directors, employed by the Group including its overseas subsidiaries and their remuneration are set out on pages 85 to 92 and in note 8 to the financial statements. Other information about the Group's employee engagement, equality, diversity and inclusion policies is set out in the Our people section of the Sustainability section on pages 36 to 39, and the Corporate social responsibility section on page 40. The Group-wide gender diversity split as at 1 September 2024 was 17% female, 82% male and 1% prefer not to say (excluding VadoTech Group).

Greenhouse gas (GHG) emissions

The Group recognises and strives to minimise its impact on the environment. This year our main environmental focus has been on clean inputs and responsible consumption. Further information including the Group's carbon emissions and energy consumption data can be found on pages 42 to 46.

Shareholder information

Incorporation and principal activity

AB Dynamics plc is domiciled in England and registered in England and Wales under company number 8393914. At 25 November 2024, there were 22,954,463 ordinary shares of 1p each in issue, all of which are fully paid up and quoted on the London Stock Exchange's AIM market. The principal activity of the Group is the design, manufacture and supply to the global transport market of advanced testing systems, simulation products and testing services. A description and review of the activities of the Group during the financial year and an indication of future developments are set out on pages 1 to 63.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 11 am on Thursday 16 January 2025 at Teneo, The Carter Building, 11 Pilgrim Street, London EC4V 6RN. The Notice of the AGM 2025 can be found on pages 134 to 138 and will be published on the AB Dynamics plc website.

Substantial shareholdings

At 25 November 2024, the Company had been notified of the following interests amounting to 3% or more of the voting rights in its ordinary share capital:

	Percentage of ordinary share capital
Anthony Best	23.88
Octopus Investments	9.92
Investec Wealth & Investment	5.36
Sanford Deland Asset Management	4.68
Liontrust Asset Management	3.98
Canaccord Genuity Wealth Management	3.80

As far as the Directors are aware, there were no other interests above 3% of the issued ordinary share capital.

Share capital

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from the Company Secretary and are available on the Company's website. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company.

Employee share plans

Details of the Company Share Option Plan, under which 138,872 non-transferable options were granted to employees in October 2019, and the Group's ongoing long-term incentive plan, the conditional arrangement under which contingent share awards can be made to selected senior management, including the Executive Directors, are set out in the Remuneration Committee report and in note 25 of the financial statements.

Restrictions on transfer of shares

The Board may in its absolute discretion refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share, unless the instrument of transfer is:

- (i) Duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty, lodged at the Transfer Office or at such other place as the Board may appoint and (save in the case of a transfer by a person to whom no certificate was issued in respect of the shares in question) accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do
- (ii) In respect of only one class of shares
- (iii) In favour of not more than four persons jointly

Directors' report continued

Shareholder information continued

Restrictions on transfer of shares continued

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws) or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Related party disclosures (AIM Rule 19)

There is no information to be disclosed by the Company in respect of related party transactions, except for:

- Share options and long-term incentive schemes awarded to Executive Directors (see the Remuneration Committee report)
- Provision of services by the controlling shareholder (see the Remuneration Committee report)

Financial information

Results and dividends

The profit for the financial year attributable to shareholders was £9,854,000 (2023: £7,279,000). The Directors recommend a final dividend of 5.30p per ordinary share (2023: 4.42p) to be paid, if approved, on 31 January 2025. The results are shown more fully in the consolidated financial statements on pages 102 to 127 and summarised in the Chief Financial Officer's review on pages 26 to 29.

Independent auditor

A resolution to appoint Crowe UK LLP (Crowe) as the Company's external auditor will be proposed at the forthcoming AGM, in accordance with Section 489 of the Companies Act 2006.

Disclosure of information to auditor

Each person who is a Director at the date of approval of this Directors' report confirms that:

- So far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of the information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' assessment of going concern

The Directors have assessed the principal risks discussed on pages 60 to 62, including by modelling a severe but plausible downside scenario over an extended assessment period to August 2026, whereby the Group experiences:

- A reduction in demand of 25% over the next two financial years
- A 10% increase in operating costs
- An increase in cash collection cycle
- An increase in input costs resulting in a reduction in gross margin by 12%

At 31 August 2024, the Group had £30.8m of cash and a £15.0m undrawn revolving credit facility. Even in this severe downside scenario, the Group has sufficient headroom to be able to continue to operate for the foreseeable future. The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group and Company will have adequate resources to continue in operation for at least twelve months from the signing date of the financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Directors' insurance

The Group has in place a Directors' and Officers' liability insurance policy which provides cover for the personal liability which the Company's Directors and Officers may face. This remains in force at the date of this report.

Approved for and on behalf of the Board.

Dr James Routh
Chief Executive Officer
AB Dynamics plc
Company number: 8393914

Richard Elsy CBE
Non-Executive Chairman

26 November 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, they have elected to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that year. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic report and the Directors' report and other information included in the Annual Report and Accounts are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the AB Dynamics plc website is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in Annual Reports may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 26 November 2024 and is signed on its behalf by:

Dr James Routh
Chief Executive Officer

Richard Ely CBE
Non-Executive Chairman

Registered office:
Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB