

Corporate Governance

THE QUOTED COMPANY ALLIANCE (QCA) CODE

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Directors anticipate that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature. To see how the Company addresses the key governance principles defined in the QCA Code please refer to the table below. Further information on compliance with the QCA Code will be provided in our annual report.

Ian Griffiths, Chairman

This disclosure was last reviewed and updated on 21st September 2018

THE PRINCIPLES OF THE QUOTED COMPANY ALLIANCE (QCA) CODE

DELIVER GROWTH

QCA Code Principle	Application (as set out by QCA)	What we do and why
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	<p>Trackwise Designs business model and strategy is set out within our Admission Document on pages 13 to 27.</p> <p>Our strategy is centred on the adoption of IHT as the leading technology for advanced aerospace wiring harnesses which includes profitable sales growth; continual margin enhancement through fixed asset investment, protecting our IPR and supporting these with complementary strategic investments.</p> <p>The key challenges to the business and how these are mitigated is detailed on pages 35 to 39 of our Admission Document which is available on our website.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>Trackwise Designs encourages two-way communication with both its institutional and private investors and responds to all queries received. The Executive management talks regularly with the Company's major shareholders and ensures that their views are communicated fully to the Board.</p> <p>The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.</p>

		Where voting decisions are not in line with the company's expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates, or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The Company is committed to making progress in promoting all aspects of sustainability with respect to the impact of its actions on the environment, customers, suppliers and the communities we operate in. This is evidenced and underpinned by our culture:</p> <ul style="list-style-type: none"> • We focus on high quality control of waste products as part of our environment concerns; • We seek to reduce resource wastage as a consequence of our product and the resources it saves; • We engage with the community at large to identify the challenges we have by listening to Customers, Suppliers, Employees and government agencies <p>Trackwise Designs conducts employee opinion surveys to get employees feedback on all aspects of employment with the Company.</p> <p>Trackwise Designs encourages feedback from our customers through trade account managers and engagement with individual customers through key manager representatives.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>Risk and Risk Management is set out on pages 35 to 39 of the Admission document which is available on our website which includes a list of the Risks to the business and how these are addressed and mitigated.</p> <p>The Board considers risk to the business at every Board meeting (at least 9 meetings are held each year) and the risk register is updated at each meeting. The Company formally reviews and documents the principal risks to the business annually.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	Application (as set out by QCA)	What we do and why
<p>5. Maintain the board as a well- functioning, balanced team led by the chair</p>	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.</p> <p>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p> <p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive directors. Independence is a board judgement.</p> <p>The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>The Company is governed by the Board of Directors. Ian Griffiths, the Non-Executive Chairman, is responsible for the running of the Board and Philip Johnston, the Chief Executive, has executive responsibility for running the Company's business and implementing its strategy.</p> <p>All Directors receive regular and timely information on the Company's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.</p> <p>The Board comprises two Executive Directors and two Non-Executive Directors. The Board considers that the Non-executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service.</p> <p>The Board has a formal schedule of matters reserved to it. The Board have a programme of work set out in the board meeting schedule that ensures all matters for which they are responsible are addressed on a regular basis.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.</p> <p>The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>The Nomination Committee of the Board oversees the process and makes recommendations to the Board on all new Board and senior management appointments. Where new Board appointments are considered necessary the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity. The Nomination Committee also considers succession planning.</p> <p>The Board carries out an evaluation of its performance annually, taking into account the Financial reporting Council's Guidance on Board Effectiveness.</p> <p>The Company Secretary supports the Chairman in addressing the training and development needs of Directors.</p>
<p>7. Evaluate board</p>	<p>The board should regularly review the</p>	<p>The Board carries out an evaluation of its</p>

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<p>performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.</p> <p>It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.</p>	<p>performance annually, taking into account the Financial reporting Council's Guidance on Board Effectiveness.</p> <p>All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.</p> <p>Appraisals are carried out each year with all Executive Directors.</p> <p>All continuing Directors stand for re-election on an annual basis.</p>
<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p> <p>The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.</p> <p>The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p>	<p>The Executive management adopt an inclusive approach to employee engagement and hold regular companywide caucuses to brief the team of Company progress and to listen to feedback.</p> <p>The Company seeks to adopt all guidance that is relevant to its business as soon as possible given the current size of the business</p>
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>The Company adopts the recommended structure of Board and Board Committees to oversee and enforce the governance code adopted.</p> <p>The company procedures are developed within the company and are driven by the culture of the business. The company's governance policies and practices are reviewed regularly to ensure they are appropriate and suitable for the company.</p>

BUILD TRUST

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10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.</p> <p>In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none">the communication of shareholders' views to the board; andthe shareholders' understanding of the unique circumstances and constraints faced by the company. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>The Company encourages two-way communication with both its institutional and private investors and responds to all queries received. The Executive Management talks regularly with the Company's major shareholders and ensures that their views are communicated fully to the Board.</p> <p>The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.</p>