



**Corporate Governance
Statement
(August 2023)**

Principle 1

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

Tan Delta's growth strategy is centred around two key areas:

- substantially increased sales and marketing activities to grow sales of existing products to the large commercial and industrial segment; and
- accelerate new product development to expand revenue streams within the existing target market segment and open new market segments such as light commercial and automotive.

Sales and marketing: to date Tan Delta has undertaken limited sales and marketing, being purposefully commensurate with Tan Delta's capacity to support customers. Now that the core product range is in established production with critical customer and market references, an established business platform exists upon which wider (market vertical and geographic) activity can be based. This will entail deploying more resources to existing customers in order to drive sales growth through their established sales channels, whilst also targeting new customers and markets. More specifically, Tan Delta intends to employ up to three new business development people, increase its product marketing including more targeted sector specific marketing, and attend strategic exhibitions. This activity will build on Tan Delta's existing direct, OEM and distributor customer base.

New product development: products such as the G2-Express kit and G2-MOT kit provide new market opportunities. Additionally, Tan Delta will start to develop an initial cloud-based subscription offer which can be taken to market quickly and develop a new revenue stream. In the medium term, a new sensor (G2-IM) will be developed, targeting the cost-sensitive light commercial and automotive segments, which will enable inquiries received from some major car and light truck manufacturers to be progressed.

The Directors believe that the Company's model and growth strategy, which includes the continued winning and delivery of sensor solution contracts, as well as expansion into complementary markets, will promote long-term value for shareholders.

Principle 2

Seek to understand and meet shareholder needs and expectations

The board welcomes discussions with shareholders, achieved by maintaining an active dialogue with both institutional and private shareholders, who will be kept up to date by announcements made via a Regulatory Information Service on matters of a material substance and/or a regulatory nature. Updates will be provided to the market from time to time, including any financial information, and any expected material deviations to market expectations will also be announced via a Regulatory Information Service. In addition, Tan Delta intends to communicate with shareholders via investor interviews and presentations, giving them the opportunity to participate in Q&A.

Tan Delta's AGM will be an opportunity for shareholders to meet with the Chairman and other members of the Board. The meeting is open to all shareholders, giving them the option to ask questions and raise issues during the formal business or, more informally, following the meeting. The results of each AGM will be announced via a Regulatory Information Service.

The Board is keen to ensure that the voting decisions of shareholders are reviewed and monitored, and Tan Delta intends to engage with shareholders who vote significantly against resolutions at AGMs to understand their motivation.

There is also a designated email address for investor relations, info@tandeltasystems.com, and a responsible persons contact details are included on Tan Delta's website.

Principle 3

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

Tan Delta takes its corporate social responsibilities, including its wider ESG responsibilities, very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including shareholders, employees, customers, suppliers and the communities in which Tan Delta operates, in order to achieve long term success. Tan Delta will maintain an open and ongoing dialogue with Tan Delta's stakeholders to help promote the long-term success of Tan Delta.

Principle 4

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

The principal risks associated with Tan Delta's current business and operations are set out as follows:

- Customer dependency
- Manufacturer dependency
- Procurement processes for contracts with customers can be lengthy and unpredictable on timing, which makes forecasting revenue difficult
- Reliance on overseas suppliers can result in supply chain risks
- Being unsuccessful in obtaining, maintaining and/or enforcing sufficient IP rights to protect its business, or in avoiding claims that infringes on the IP rights of others
- Risks resulting from product defects
- Increasing prices in line with inflationary cost pressures

The Directors will continue to take appropriate steps to identify risks and undertake a mitigation strategy to manage those risks. The risks and the specific uncertainties facing Tan Delta will be regularly monitored and the Board will formally review such risks at regular intervals and adapt them as Tan Delta's operations grow and evolve. All proposals reviewed by Tan Delta will include a consideration of the risks relevant to the proposal. Where necessary, Tan Delta will draw on the expertise of appropriate external consultants or advisers to assist in dealing with or mitigating risks.

Principle 5

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

On Admission, the Board will comprise the following persons:

- Non-Executive, Non-Independent Chairman;
- One Independent Non-Executive Director; and
- Two Executive Directors.

Tim Croston is considered to be independent and was selected with the objective of bringing experience and independent judgement to the Board.

The Company was intending to appoint two independent Non-Executive Directors on Admission, however due to recent and unforeseen family circumstances, one of the Proposed Directors is no longer in a position to accept the role. As the Board should have an appropriate balance between executive directors and non-executive directors, the Company expects to appoint an additional independent Non-Executive Director within three months of Admission.

The Board is also supported by the Audit Committee and the Remuneration Committee, further details disclosed on in AIM Rule 26 page. Tan Delta will not have a nomination committee at Admission but the Board will keep its composition under regular review, taking into account the relevant skills, experience, independence, knowledge and gender balance of the Board. The Board will continue to review whether a nomination committee would be beneficial as Tan Delta develops. The Directors will be subject to retirement by rotation at every AGM of the Company as set out in the Articles of Association.

The Board will meet regularly and hold at least 6 board meetings per annum. Processes are in place to ensure that each Director is, at all times, provided with such information as is necessary to enable each Director to discharge their respective duties.

The Company is satisfied that, with the appointment of an additional independent Non-Executive Director within three months of Admission, the Board will be sufficiently resourced going forwards to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional executive and/or non-executive directors as the Company fulfils its growth objectives.

Principle 6

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

The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives. The Directors' experience is varied and will help to maintain a balanced board that has the appropriate level and range of skills to enable Tan Delta to progress. Tan Delta expects to appoint an additional independent Non-Executive Director within three months from Admission to ensure diversity in skills and experience and that the Board has an appropriate balance between executive and non-executive directors to foster an attitude of independence of character and judgement. The Board is not dominated by one individual and all Directors have the ability to challenge proposals put forward to a meeting, democratically. The Directors have also received a briefing from Tan Delta's Nominated Adviser in respect of continued compliance with, *inter alia*, the AIM Rules for Companies.

Principle 7

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

The Directors will consider seriously the effectiveness of the Audit Committee and the Remuneration Committee, and the individual performance of each Director.

Tan Delta have a formal process for the regular assessment of the individual contributions of each member of the Board to ensure that their contribution is relevant and effective.

Principle 8

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

Tan Delta has a responsibility towards its employees and other stakeholders. The Board promotes a culture of integrity, honesty, trust and respect and all employees of Tan Delta are expected to operate in an ethical manner in all of their internal and external dealings.

Tan Delta's staff handbook and policies promote this culture and cover such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees. The Board takes responsibility for the promotion of ethical values and behaviours throughout Tan Delta, and for ensuring that such values and behaviours guide the objectives and strategy of Tan Delta.

The culture is led by the Board and is regularly considered and discussed at Board meetings.

Principle 9

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

The Non-Executive Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of Tan Delta's executive team. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Executive Directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board is supported by the Audit Committee and the Remuneration Committee. Whilst the Board may delegate specific responsibilities to the Audit Committee and then Remuneration Committee, there will be a formal schedule of matters specifically reserved for consideration and decision by the full Board.

The Board intends to review Tan Delta's governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

Principle 10

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

The Board is committed to maintaining effective communication and having constructive dialogue with its Shareholders. Tan Delta intends to have ongoing relationships with both its private and institutional Shareholders (through meetings and presentations) as well with analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Directors.

Tan Delta's corporate governance statement and the information that will be contained in the Tan Delta's annual reports and accounts will provide details to all stakeholders on how Tan Delta is governed. The Board views the annual reports and accounts as well as its half year reports as key communication channels through which progress in meeting Tan Delta's objectives and updating its strategic targets can be given to shareholders following Admission.

Additionally, the Board will use Tan Delta's AGMs as a primary mechanism to engage directly with shareholders, to give information and receive feedback about Tan Delta's governance and its progress.

Tan Delta's website will be updated on a regular basis with information regarding Tan Delta's activities and performance, including financial information.

There is also a designated email address for investor relations, info@tandeltasystems.com, and all contact details are included on Tan Delta's website.