

Chair's Corporate Governance Statement

Overview

As Chair of the Board of Directors of Haydale Graphene Industries Plc (“Haydale”, the “Group” or the “Company”), it is my responsibility to ensure that Haydale has both sound corporate governance and an effective Board. This is achieved by maintaining a corporate governance framework that includes regular meetings of the Board and its committees, with informative, relevant and timely information flow. We regularly review our governance processes to ensure we are constantly improving. The Board members have extensive experience of managing AIM companies, including knowledge of the AIM Rules and the Market Abuse Regulations. Haydale adopts the Quoted Companies Alliance Corporate Governance Code (“QCA Code”) and this report follows its structure and explains how we have applied it. The principal methods of communicating our application of the QCA Code are this Annual Report and through our website, at www.haydale.com.

The Board believes that corporate governance is more than just a set of guidelines; we believe that good corporate governance improves long-term success and performance, whilst reducing or mitigating risks.

Below are the Company's explanations of how it has complied with the 10 principles of the QCA Code during the year.

QCA Principles

1. *Establish a strategy and business model which promotes long-term value for shareholders*

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of a single purpose for the Company: *To use our knowledge of advanced materials and dispersion to be one of the world's foremost creators of material change, enabling our customers to improve the performance of their products.* To achieve this, the Company aims to grow organically and, if necessary, by acquisition, to extend the Group's client base and geographical penetration and use its existing expertise and global reach to generate commercial opportunities in the high growth advanced materials industry. Haydale's business model and strategy, together with the principal risks and uncertainties facing the Group, are set out in the Strategic Report on pages 5 to 12 of this Annual Report. The Directors intend that the strategy will deliver shareholder returns initially through capital appreciation and eventually through distributions via dividends.

2. *Seek to understand and meet shareholder needs and expectations*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders.

The Directors meet shareholders and other investors or potential investors during the year, especially following the announcement of the Annual and Interim Results. The Company also hosts broker and analyst meetings. David Banks is the Director appointed as the main point of contact for shareholder liaison and the Directors ensure that shareholder views are taken into account. Due to the Covid-19 pandemic, most meetings over the past year with shareholders and brokers took place via videoconference or, when permitted, by national and regional regulations and guidance, visits to the main production site at Ammanford were organised.

The Company intends to have close ongoing relationships with its larger private shareholders, institutional shareholders and analysts and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. The Company receives reports from its corporate registrar and from Argus Vickers. In normal years the whole Board attends the Company's Annual General Meeting (“AGM”), which is regarded as an opportunity to meet, listen and present to shareholders, all of whom are normally encouraged to attend. Whilst shareholders were advised not to attend the 2020 AGM, they were invited to ask questions by email and submit their votes in advance by proxy. Looking ahead, the Company will continue to monitor and comply with prevailing guidance when determining if shareholders are able to safely attend the next AGM and hopes that this will be the case. The outcomes of each of the AGM votes are announced following the meeting. If there is a resolution passed at a general meeting with a significant number of votes against, the Board seeks to understand the reason for the result and, where appropriate, takes suitable action.

The Company's broker and nominated advisor is briefed regularly and keeps the Company apprised of market and regulatory developments as they affect the Company.

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

The Board is mindful of its statutory duty under s172 of the Companies Act and the Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, and in doing so, had regard amongst other matters to the:

- Foreseeable or likely consequences of any decision in the long term;
- interests of the Company's employees at each of its five facilities;

- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and the environment; and
- importance of the Company maintaining a reputation for high standards of business conduct.

In doing so, the Board recognises the Company is reliant upon the efforts of the employees of the Company and its collaboration partners, suppliers, regulators and other stakeholders whether they are identified under s172 or not. The Board ensures that there is close oversight and contact with its key resources and relationships and, whilst this has been more challenging during the year given the Covid-19 pandemic and consequent meeting, travel and other restrictions, the Company has used video conferencing and other modes of communication to maintain its efforts in this regard. The following paragraphs set out how we engage with our stakeholders.

Everyone within the Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The unfamiliar challenges raised by Covid-19 have required the Company to adapt its procedures to comply with national and local guidance in the jurisdictions in which it operates. Health and safety of our team was prioritised and compliant protocols were introduced at our sites which all remained operative throughout the year. Where feasible employees moved to homeworking during the pandemic and for those who were advised to shelter due to personal or household circumstances and, where homeworking was not practical, appropriate measures, including use of the various Government support schemes, were put in place to reduce the anxiety caused by any protracted time away from the business. Those working from home were given access to a videoconference facility and communication with employees was increased to include weekly team calls alongside the normal business related meetings. The Company is still of a size where the Executive Directors know all of the team and employees were aware that they were able to contact the senior leadership directly to ask questions on any topic that concerned them.

Notwithstanding the demands imposed by the pandemic, the Group has continued to invest in staff training to ensure that employees have the skills to meet their responsibilities as part of a modern international operation.

The Company prepares a detailed budget annually which takes into account the Group's strategy and its available key resources including staffing, working capital, production capacity and functionalisation capabilities.

In depth analysis and reviews of each business unit's budgeted business plan are agreed at the start of each financial year, with contributions from all involved parties which facilitates a two-way communication channel with agreement on the goals, targets and aspirations of the Company. This provides each strategic business unit with the opportunity to raise issues and provide feedback to the Board via the executive members. These feedback processes help to ensure that the Company can respond to new issues and opportunities that arise to further the success of the Group.

The Company has close ongoing relationships with a broad range of its stakeholders and, as set out above, provides them with the opportunity to raise issues and provide feedback to the Company. The Company seeks regular feedback from its stakeholders which include employees, industry participants, such as customers, graphene producers, R&D facilities, including universities and academic institutions whilst simultaneously embracing influential movers within the advanced materials industry who may positively influence perception of the Company. This feedback is generally but not exclusively received through formal performance reviews (employees) and informal meetings. Feedback received is reviewed, considered, and, if changes are required, actioned appropriately. The Company communicates with its stakeholders and takes account of their feedback in order to develop products that meet the needs of their customers and that can be supplied reliably, cost effectively and in line with applicable standards.

The UK is ISO 9001:2015 accredited and the UK and Thailand operations are ISO 14001:2015 accredited, and the Group complies with relevant health and safety and environmental legislation. Through the employment opportunities it provides it has a beneficial community effect.

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

The Board oversees and reviews the Group's risk management and internal control mechanisms.

During the year the risk register was regularly reviewed by the senior management working in conjunction with the site managers. The risk register sets out the assessed risks and the key actions and processes to mitigate those risks and the individual or group responsible for ensuring that these are performed.

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The review process involves the review and identification of risks, assessment to determine the relative likelihood of them impacting the business and the potential severity of the impact and determination of what needs to be done to minimise their likelihood and/or mitigate their impact. The risk register sets out and categorises these risks and outlines the controls and any further actions required.

During the year particular focus was given to the risks associated with the Covid-19 pandemic and the growing cybersecurity risk that all organisations face. As set out below the risk register was considered by the Audit Committee at its meeting in May 2021. The principal risks and uncertainties to the business and steps to mitigate them are set out in the Strategic Report in this Annual Report on pages 14 to 15.

The Board has established appropriate reporting and control mechanisms. The system of internal control is structured around the risks set out in the risk register and is designed to address those risks that the Board considers to be material, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records which produce reliable financial and management information.

Further key features of the Company's internal control system include the following:

- Close management of the business by the executive directors;
- Monthly management accounts information is prepared and reviewed by the Board, including variances against the annual budget, latest expectations and prior year;
- There is a schedule of matters reserved for decision by the Board;
- A clearly defined organisational structure is in place, with clearly delegated authorities, reporting lines and roles;
- Defined levels/limits for authorisation of expenditure and placing of orders and clearly set out authorisation procedures; and
- Quality management systems are implemented and regularly audited by an independent third party. The UK operations are Company is ISO 9001:2015 and ISO 14001:2015 certified and the Thailand facility is ISO 14001:2015

5. *Maintain the board as a well-functioning, balanced team led by the Chair*

The Board comprises two executive directors and three non-executive directors as follows:

Executives

- Chief Executive Officer: Keith Broadbent;
- Chief Financial Officer: Mark Chapman;

Non-executives

- Non-executive Chair: David Banks;
- Independent Non-executive: Graham Eves; and
- Independent Non-executive: Theresa Wallis.

Biographical details of the Directors can be found here at www.haydale.com. or in this Annual Report on page 12.

All the Non-Executive Directors are expected to dedicate at least 24 days per annum to the Company. Mr Broadbent and Mr Chapman are full time. One third of Board are subject to re-election at each AGM.

Board meetings are open and constructive, with every Director participating fully. Senior management are also invited to meet with the Board, providing further insights into the Company's activities and performance. The full Board had seven regular meetings in the year. Regular board meetings are scheduled in advance, but the Board also meets as and when required. In order to be efficient, the Directors meet formally and informally in person, by telephone or videoconference. This was particularly the case in the last year due to the Covid 19 restrictions, when all but two of the board meetings took place by videoconference. Board papers are prepared by the relevant personnel and circulated to the Board at least 48 hours before meetings, allowing time for consideration and necessary clarifications before the meetings. Directors are free to seek any further information they consider necessary.

The Non-executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between Board meetings.

During the year ended 30 June 2021, the Company held 21 board meetings (FY20: 20), with each member's attendance as follows:

Director	Number of board meetings attended			
	Scheduled FY21	Ad hoc FY21	Total FY21	Total FY20
David Banks	7/7	14/14	21/21	20/20
Keith Broadbent	7/7	14/14	21/21	19/20
Graham Eves	7/7	13/14	20/21	16/20
Mark Chapman	7/7	14/14	21/21	14/14
Theresa Wallis	7/7	14/14	21/21	1/1

Attendance at the Company's audit, remuneration and nomination committee meetings during FY21 and the prior year were as follows:

Committee member	Number of committee meetings attended					
	Audit		Remuneration		Nominations	
	FY21	FY20	FY21	FY20	FY21	FY20
David Banks	4/4	3/3	2/2	8/8	–	3/3
Graham Eves	4/4	3/3	2/2	6/8	–	3/3
Theresa Wallis	4/4	1/1	2/2	-/-	–	-/-

Terms of reference for each of the Board's Committees are published on the Group's website. The Company believes that the Committees have the necessary skills and knowledge to discharge their duties effectively.

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

The Company believes that the Directors have an appropriate breadth and depth of skills, knowledge and experience to fulfil their roles, reflecting a broad range of personal, commercial and professional skills across geographies and relevant sectors and experience of public markets. Details of the Directors' experience and areas of expertise and the relevant skills each Director brings to the Board are outlined on pages 16 to 17 of this Annual Report and on the Company's website.

In addition to their general board responsibilities, Non-executive Directors are encouraged to be involved in site visits and meetings, in line with their individual areas of expertise, though this was curtailed for much of the year due to Covid 19 restrictions.

The Company has employed the services of ONE Advisory Limited to provide assistance to the Company in its Company Secretarial and MAR compliance needs. Matt Wood, a director of ONE Advisory Limited, is Haydale's Company Secretary.

If required, the Directors are entitled to take independent legal advice and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

In addition, the Company is a member of the QCA and as such all the directors have access to briefings issued by the QCA and also access briefing, updates and events offered by other professional advisory firms.

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

We stated last year that every other year the Board expects to carry out an internal Board and Committee evaluation exercise, including that of the Chair and individual directors. Subsequent to the year end the Company commenced its first evaluation exercise and the results and recommendations of that assessment will be set out in next year's report. The Chair is leading the evaluation exercise and a non-executive Director will lead the review of the performance of the Chair.

Chair's Corporate Governance Statement continued

Board succession planning is one of the responsibilities of the Nomination Committee as set out in Principle 9 on page 22. Below the main Board the CEO seeks board approval for his recommendations on senior management appointments and changes to the subsidiary boards. During the year a number of appointments were made to the subsidiary Boards in the UK.

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

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave.

Our culture acts as the glue that binds our staff around the world together. Underpinning the Haydale culture is the need for team work and we expect all employees to:

- Be an active member of the team ensuring that support and cooperation is given to other members to assist them in achievement of Company objectives.
- Work proactively with colleagues to give a professional and speedy service to clients/customers.
- Coordinate activities with other colleagues to ensure the smooth running of the business and excellent customer service.
- Participate in the creation of a stable and cohesive team within the Company and assist all staff to maximise their contributions to the business.
- Be adaptable and flexible in respect of work undertaken as and when the needs of the business dictate.

The Company is working towards the goal of a “one team” shared culture that supports an open and respectful dialogue with employees, clients and other stakeholders, and is underpinned by sound ethical values and behaviours. These values are reinforced at the regular team and site performance reviews and also at intersite meetings which, amongst other areas, cover sales, marketing, technical and health and safety matters.

The Company has implemented a quality system based on the rigorous standards of BS EN ISO 9001 and 14001 and adherence to this Quality System is mandatory throughout the Company. All employees are encouraged to take responsibility for the quality of their own workmanship and to work with their colleagues towards maintaining our ISO standards.

To ensure we meet the high standards that we set ourselves employees are formally appraised each year and clear personal objectives are set out within personal development plans. Individual training needs are defined by these reviews and this training is combined with wider department and group training initiatives.

The Board attaches great importance to the health and safety of its employees and stakeholders who handle or use the Group's products. Health and safety is a standing item on the Board's agenda, with reports reviewed by the board at each scheduled board meeting. The Company's Health and Safety policy and the respective site Health and Safety plans are enforced rigorously and this has never been more important than in the past year in the face of the Covid-19 pandemic.

9. *Maintain governance structures and processes that are fit for purpose and support good decision-making by the board*

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Corporate Governance Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to committees and individuals as it sees fit, with the Chair being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business and primary contact with stakeholders.

The Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. He is also responsible for creating the right Board dynamic and for ensuring that all important matters receive adequate time and attention at Board meetings. He is also the director appointed as the main point of contact for shareholder liaison. The CEO is responsible for the day-to-day running of the business as well as developing corporate strategy while the Non-Executive Directors are tasked with, for example, constructively challenging the decisions and recommendations of executive management and satisfying themselves that the systems of business risk management and internal financial controls are appropriate.

The Board has adopted appropriate delegations of authority which sets out matters which are reserved to the Board as summarised below:

- The Group's strategy and vision
- Determining management's performance
- Board membership and membership of subsidiary boards
- Approval of major capital expenditure
- Financial reporting, risk management and internal controls
- Contracts, including potential acquisitions or investments in new projects or products
- Corporate governance
- Approval of annual budgets
- Approval of annual and interim reports
- Approval of changes in equity or debt funding
- Dividend recommendations and policy

The Board delegates certain duties and, where applicable, authority, to the following three board Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has three members, Theresa Wallis (Chair), Graham Eves and David Banks. The CFO and external auditors normally attend meetings by invitation. The Audit Committee is responsible for assisting the Board in fulfilling its financial and risk responsibilities. The Audit Committee oversees the financial reporting, risk management and internal control. The Audit Committee advises the Board on the appointment and removal of the external auditor and discusses the nature, scope and results of the audit with the auditors. The Audit Committee reviews the extent of non-audit services provided by the auditors and reviews with them their independence and objectivity. The Audit Committee plans to meet not less than twice in each financial year.

During the year the Committee met four times. The Committee met twice in October 2020 to consider the draft report and accounts for the year ended 30 June 2020, including the key judgements and estimates including revenue recognition, going concern, carrying value of intangible assets, and valuation of the defined benefit pension scheme as well as the independence of the auditors and their fees. The Committee reviewed the feedback from the auditors (Grant Thornton UK LLP) as set out in their Audit Findings Report to the Board at the second meeting.

The third meeting of the Committee was held in February 2021 to consider the draft interim results and receive updates on the risk register and the Group's internal control mechanisms.

The fourth meeting of the Committee was held in May 2021. The meeting considered the terms of engagement between the Company and Grant Thornton UK LLP as well as the audit plan for the Group. At this meeting the company also reviewed the risk register.

Due to the Covid-19 restrictions, the first three meetings of the Committee were held via videoconference. The auditors attended the October and May meetings by videoconference, with the Committee, CEO and CFO attending in person at the May meeting. During the October and May meetings, a discussion took place between the Audit Committee and the auditors without management being present.

Remuneration Committee

The Remuneration Committee has three members, David Banks (Chair), Graham Eves and Theresa Wallis. The members are all non-executive Directors. Other members of the Board may attend the Committee's meetings at the request of the Committee Chair.

Chair's Corporate Governance Statement continued

The remit of the Committee is primarily to ensure that the executive directors are provided with appropriate remuneration packages. The Committee reviews the performance of the Executive Directors and considers matters relating to their terms of employment and remuneration, including short term bonus and long-term incentives. The Remuneration Committee also considers the granting of share options pursuant to the Company's share option schemes. The Remuneration Committee shall meet not less than twice a year and will meet on other occasions as and when required.

The Committee met twice during the year.

The Directors' Remuneration Report is on pages 23 to 24.

Nomination Committee

The Nomination Committee has responsibility for evaluating the structure, size and composition of the Board in order to ensure a suitable balance of experience, knowledge, skills and independence, as well as for recommending to the Board the appointment of Executive and Non-Executive Directors. The Committees' Terms of Reference may be found on the Company's website.

The Nomination Committee has three members, Graham Eves (Chair), David Banks and Theresa Wallis. The Committee did not meet during the year.

As with many small companies, due to financial constraints and limited human resources, internal opportunities for succession to board director roles are circumscribed. As noted in the 2020 Annual Report and Accounts the Committee made two important appointments in the year ended June 2020 and, as planned, has promoted a period of stability before looking to further evaluate the success of the business and any further Board developments that might be required.

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

As stated in relation to Principle 2, the Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. We communicate through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website for both financial and general news relevant to shareholders. The Company's AGM results are available to view on the Company's website and all resolutions tabled at the Company's 2020 AGM passed comfortably.

The Company keeps in mind the proportions of direct, nominee and institutional shareholders, and distributes communications accordingly.

The latest corporate documents (including Annual Reports and Notices of AGMs) can be found on the Company's website.

Investors also have access to the latest information about the Group which is set out on the Company's website at www.haydale.com. The Company uses electronic communications with shareholders, where possible, to maximise efficiency.

A summary of the work carried out by the Audit and Nomination committees during the year is set out in section 9 above. The Directors' Remuneration Report is on pages 23 to 24.

By order of the Board on 14 December 2021

David Banks

Chair