

# Chair's Corporate Governance Statement

## Overview

As Chair of the Board of Directors of the Group, 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. 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](http://www.haydale.com).

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 believes the highest medium and long-term value can be delivered to its shareholders by the adoption of the following vision statement for the Company: *To be a world leader in the revolutionary development of plasma functionalisation of advanced performance-enhancing materials and nanomaterials across all industry sectors, providing cutting-edge technological solutions to improve people's life experience.* 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. The Group's business model, together with the principal risks and uncertainties facing the Group, are set out in the Strategic Report on pages 3 to 8 of this Annual Report. The directors intend that the strategy will deliver shareholder returns initially through capital appreciation and eventually through distributions via dividends. The Group's values underpin its approach to growth and are addressed in paragraph 8.

### 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. The website provides contact details for investor relations enquiries and David Banks is the director appointed as the main point of contact for shareholder liaison.

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 to facilitate these relationships. When possible, 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 encouraged to attend. The Company held its 2022 AGM at its registered office at Clos Fferws, Parc Hendre, Capel Hendre, Ammanford, SA18 3BL on 29 November 2022 ("2022 AGM"). As with recent AGMs, provision was made to allow those shareholders who were unable to attend the AGM to ask questions of the directors by email as well as submit their votes in advance by proxy. 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, as was the case at the 2022 AGM, the Board engages with the relevant shareholders, where possible, to understand the reason for the result and, where appropriate, takes suitable action.

FinnCap (now Cavendish) as the Company's broker and nominated advisor regularly briefed and kept the Company apprised of market and regulatory developments as they affect the Company and feedback from shareholders and potential investors.

### 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 s.172 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 shareholders 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 other stakeholders;
- impact of the Company's operations on the community and the environment;
- importance of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

# Chair's Corporate Governance Statement

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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 s.172 or not. The Board ensures that there is close oversight and contact with its key resources and relationships by various means. 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 challenges raised by the Covid-19 pandemic in early 2020 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 remains a priority, and compliant protocols are maintained at our sites. The Company is still of a size where the executive directors know all of the team and employees are aware that they are able to contact the senior leadership directly to ask questions on any topic that concerns them.

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 with specific focus on health and safety related training at, initially, the Ammanford site, which has subsequently been rolled out across the other sites as the Group prepares for higher material throughput.

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 inform the development of each business unit's budget and taken together these form the basis of the Company's annual budget. Subsequently, the ongoing review of performance against the budget facilitates an on-going dialogue on the goals, targets and aspirations of the Company and of each of the business units. This two-way communication 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 on-going 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 meetings held in the ordinary course of business with other stakeholders such as customers, suppliers and partners. Feedback received is reviewed and considered with any changes required being 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.

#### *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.

The risk register was reviewed in detail at regular intervals during the year by the executive directors in conjunction with other senior managers as well as the Audit Committee and the full Board. 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.

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.

The risk register was considered by the Audit Committee at its meeting in February 2023. 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 page 8.

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, market guidance issued by the Company's brokers 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 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: Patrick Carter;

##### Non-executives

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

Biographical details of the Directors can be found here at [www.haydale.com](http://www.haydale.com) or in this Annual Report on page 9.

All the non-executive directors are expected to dedicate at least 24 days per annum to the Company. Mr Broadbent and Mr Carter are full time. Any director who was not appointed or re-appointed at one of the preceding two annual general meetings shall retire from office and be subject to re-election at the next AGM.

Graham Eves, a non-executive director of the Company, has served as an independent non-executive director for more than nine years, having been appointed in January 2014. The Board has decided that in line with best practice corporate governance, it would annually consider Mr Eves' ongoing independence as a non-executive director and that he would submit himself for annual re-election at the Company's Annual General Meeting. As at the date of this report, the Board considers Mr Eves to be independent.

Board meetings are open and constructive, with every director participating fully. Senior management may also be invited to meet with the Board, providing further insights into the Company's activities and performance. The full Board met 28 times 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 video conference or telephone. Board papers are prepared by the relevant personnel and usually 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.

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. Summaries of the key activities of each of the Board's Committees during the year under review are set out on page 18 to 19 of this Annual Report.

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During the year ended 30 June 2023, the Company held 28 board meetings (FY22: 20), with each member's attendance as follows:

<i>Director</i>	<i>Number of board meetings attended</i>			
	<i>Scheduled FY23</i>	<i>Ad hoc FY23</i>	<i>Total FY23</i>	<i>Total FY22</i>
David Banks	7/7	21/21	28/28	20/20
Keith Broadbent	7/7	21/21	28/28	20/20
Graham Eves	7/7	20/21	27/28	19/20
Mark Chapman	6/6	19/19	25/25	19/20
Theresa Wallis	7/7	21/21	28/28	19/20
Ryan Howard	1/4	5/9	6/13	–
Patrick Carter	1/1	2/2	3/3	–

Attendance at the Company's audit, remuneration and nomination committee meetings during FY23 and the prior year were as follows:

<i>Committee member</i>	<i>Number of committee meetings attended</i>					
	<i>Audit</i>		<i>Remuneration</i>		<i>Nomination</i>	
	<i>FY23</i>	<i>FY22</i>	<i>FY23</i>	<i>FY22</i>	<i>FY23</i>	<i>FY22</i>
David Banks	4/4	5/5	9/9	3/3	5/5	–
Graham Eves	4/4	5/5	9/9	3/3	5/5	–
Theresa Wallis	4/4	5/5	9/9	3/3	5/5	–

## 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 page 9 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.

The Company has employed the services of ONE Advisory Limited to provide company secretarial and MAR compliance services. Matt Wood, a director of ONE Advisory Limited, is Haydale's Company Secretary.

If required, the directors are entitled to take independent professional advice at the Company's expense in accordance with the relevant Board agreed procedure.

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 briefings, updates and events offered by other professional advisory firms.

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

The Chair performs a continuous assessment of the individual and collective performance of the Board in an informal and collegiate way through dialogue and meetings. As previously reported, during the prior year (FY22), the Chair led a more formal evaluation exercise through a structured questionnaire that was completed by the non-executive directors. Since then, the Chair has assessed the questionnaire feedback, held discussions with each of the directors and provided a report of his findings to the Board, concluding the formal process. This was the Company's first Board evaluation. Recommendations included enhancements to the reports provided to Board meetings. The Board's intention is for a further review to be performed in the current year.

Making recommendations relating to board succession planning is one of the responsibilities of the Nomination Committee as set out with regard to Principle 9 on page 19. Below the main Board, the CEO seeks board approval for his recommendations on changes to the directors of subsidiary companies.

### 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.

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 inter-site 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 normally 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.

### 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.

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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; and
- 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, CEO 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 financial reporting, risk management and internal control, 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 three times in each financial year.

During the year the Committee met four times. The Committee met in September and October 2022 to consider the draft report and accounts for the year ended 30 June 2022, 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, which it subsequently recommended to the Board for approval. The Committee reviewed the feedback from the auditors (Crowe UK LLP) as set out in their draft Audit Status Update to the Board at the first meeting.

The third meeting of the Committee was held in February 2023 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 June 2023. The meeting considered the audit plan for the Group for the FY23 audit and the terms of engagement between the Company and Crowe UK LLP.

During two of these 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.

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 considers the granting of share options pursuant to the Company's share option scheme. The Remuneration Committee plans to meet at least twice a year and will meet on other occasions as and when required. The Committee met nine times during the year. The Directors' Remuneration Report is on pages 20 to 21.

### 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 met five times during the year reflecting the requirement to appoint a new CFO following the decision of the previous incumbent to step down.

As with many small companies, due to financial constraints and limited human resources, internal opportunities for succession to Board director roles are circumscribed.

### 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 2022 AGM were passed.

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](http://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, Remuneration and Nomination committees during the year is set out in section 9 above.

By order of the Board on 25 October 2023

**David Banks**

Chair