

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. Haydale adopts the Quoted Companies Alliance Corporate Governance Code (2018) ("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.

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 Group's business model and strategy, together with the principal risks and uncertainties facing the Group, are set out in the Strategic Report on pages 3 to 9 of this Annual Report. The Company aims to grow organically and, if necessary, by acquisition, to extend the Group's customer base and geographical penetration and use its existing expertise and global reach to generate commercial opportunities in the high growth advanced materials industry. The directors intend that the strategy will deliver medium and long-term shareholder returns initially through capital appreciation and eventually through distributions via dividends. The Group's values and culture underpin its approach to growth and are addressed in Principle 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 Gareth Kaminski-Cook 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 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 2023 AGM on 7 December 2023 ("2023 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, the Board engages with the relevant shareholders, where possible, to understand the reason for the result and, where appropriate, takes suitable action.

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. Investor feedback is communicated via the brokers to the Board.

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.

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 we seek to help employees achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. Health and safety remains a priority, and appropriate 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 including specific focus on health and safety related training which has been rolled out across the Group's sites as it 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 business unit with the opportunity to raise issues and provide feedback to the Board via the executive members. These feedback processes seek 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 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 external stakeholders. Feedback received is reviewed and appropriate actions taken. The Company communicates with its stakeholders and takes account of their feedback with a view to develop products that meet the needs of customers and that may potentially 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 Company maintains a risk register which was reviewed during the year by the executive directors as well as the Audit Committee at each of its meetings. The risk register sets out the assessed risks and the key actions, controls and processes to mitigate those risks and the individual or group responsible for ensuring that these are performed.

The review process is led by the Chief Financial Officer and 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 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 8-9.

The Company has established 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 are considered to be material.

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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 was in place during the year, 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; the Thailand facility is ISO 14001:2015 and the US facility is ISO 9001:2015

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

During the year, the Board comprised 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: Ryan Howard (resigned 1 August 2023);
- Non-executive: Graham Eves (resigned on 7 December 2023)
- Non-executive: Theresa Wallis; and
- Non-executive: Gareth Kaminski-Cook (from 1 January 2024)

As noted above, the board composition changed post year end. Biographical details of the current Directors can be found here at <https://www.haydale-ir.com/content/investors/board> and in this Annual Report on page 10. All the non-executive directors were considered to be independent.

All the non-executive directors are expected to dedicate at least 24 days per annum to the Company. Mr Broadbent and Mr Carter were 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.

Senior management may also be invited to meet with the Board, providing further insights into the Company's activities and performance. 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 videoconference 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 clarifications before the meetings.

The non-executive directors meet online or in person 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 2024, the Company held 28 board meetings (FY23: 28), with each member's attendance as follows:

<i>Director</i>	<i>Number of board meetings attended</i>			
	<i>Scheduled FY24</i>	<i>Ad hoc FY24</i>	<i>Total FY24</i>	<i>Total FY23</i>
David Banks	7/7	21/21	28/28	28/28
Keith Broadbent	7/7	20/21	27/28	28/28
Graham Eves	2/3	15/16	17/19	27/28
Theresa Wallis	7/7	20/21	27/28	28/28
Patrick Carter	6/7	20/21	26/28	3/3
Gareth Kaminski-Cook	4/4	4/4	8/8	–

Attendance at the Company's audit, remuneration and nomination committee meetings during FY24 and the prior year was as follows:

<i>Committee member</i>	<i>Number of committee meetings attended</i>					
	<i>Audit</i>		<i>Remuneration</i>		<i>Nomination</i>	
	<i>FY24</i>	<i>FY23</i>	<i>FY24</i>	<i>FY23</i>	<i>FY24</i>	<i>FY23</i>
David Banks	3/3	4/4	8/8	9/9	3/3	5/5
Graham Eves	1/1	4/4	6/6	9/9	3/3	5/5
Theresa Wallis	3/3	4/4	8/8	9/9	3/3	5/5
Gareth Kaminski-Cook	1/2	–	1/3	–	–	–

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 10 of this Annual Report and on the Company's website.

In addition to their general board responsibilities, non-executive directors may be involved in site visits and meetings, in line with their individual areas of expertise.

If required, the directors are entitled to take independent professional advice at the Company's expense in accordance with the relevant Board agreed procedure. During the year, the Remuneration Committee obtained external advice in relation to the grant and surrender of share-based incentives grant across the Group (see Directors' Remuneration Report on pages 21 to 22).

In addition, during the year the Company was a member of the QCA and as such all the directors had access to briefings issued by the QCA. Directors also access briefings, updates and events offered by other professional advisory firms.

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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. No formal evaluation was undertaken in the financial year. The Chair intends to undertake a formal evaluation once the restructured executive team has had time to complete actions following the Review and establish a revised operational modus operandi. Realistically this will be late 2025. Information regarding the last board evaluation was set out in last year's Annual Report.

Making recommendations relating to board succession planning is one of the responsibilities of the Nomination Committee as set out with regard to Principle 9 below. 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 will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is 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 Board monitors the corporate culture through the above activities (see also the explanations regarding Principle 3 above) the findings of which are communicated to the Board by the CEO and an employee survey was conducted during the year.

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. New employees receive an induction.

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.

The Chair is responsible for the leadership and effectiveness 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. During the year, the CEO was responsible for the day-to-day running of the business as well as developing corporate strategy. On 13 November 2024 Gareth Kaminski-Cook was appointed interim Executive Chair, assuming responsibility for the overall management of Haydale until a new CEO is appointed,

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 delegates responsibilities to committees and individuals as it sees fit

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;
- Material 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. During the year the Committees comprised independent non-executive directors only and met independently of Board meetings.

Terms of reference for each of the Board's Committees are published on the Group's website (<https://www.haydale-ir.com/corporate/corporate-governance>). 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 below.

Audit Committee

During the year, the Audit Committee had three members, Theresa Wallis (Chair), Gareth Kaminski-Cook and David Banks. The CFO, CEO and external auditors 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. The activities of the Audit Committee during the year are described in the Audit Committee Report on page 23.

Remuneration Committee

During the year, the Remuneration Committee had three members, David Banks (Chair), Gareth Kaminski-Cook and Theresa Wallis.

The remit of the Committee is primarily to ensure that the Company's 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 schemes. The Directors' Remuneration Report is on pages 21 to 22.

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.

During the year, the Nomination Committee had three members, David Banks (Chair), Gareth Kaminski-Cook and Theresa Wallis. Until his resignation from the Board in December 2023 Graham Eves chaired the Committee.

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The process for board appointments includes preparing a job description and person specification that is reviewed by the Nomination Committee, having identified the skills and experience that are required. Members of the Committee interview candidates, who also meet relevant executives. Searches are conducted either through search firms or through the Company's network and references or recommendations are obtained.

The Committee met three times during the year in relation to the appointment of a new independent non-executive director to replace Graham Eves. The Committee considered the skills and experience of the existing board members and those that were required and a description of the role and capabilities was prepared and reviewed. The Committee also reviewed and considered a list of possible NED candidates provided by the Company's Nomad (Cavendish) against the criteria before recommending that the Board appoint Mr Kaminski-Cook.

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 2023 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. 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 Principle 9 above.

By order of the Board on 29 November 2024

Gareth Kaminski-Cook

Chair