

Corporate Governance Statement

The Board is committed to high standards of corporate governance.

Hardide complies with the Corporate Governance Code of the Quoted Companies Alliance (“QCA Code”). A detailed review of how Hardide complies with each provision of the Code can be found on our website at <https://hardide.com/investor-relations/corporate-governance>.

The Board is cognisant of recent changes to the QCA Code and that the revised Code will apply to our 2025 financial year. In light of the forthcoming changes:

- (a) we intend to develop a Purpose statement;
- (b) we are aware that the diversity of the Board could be improved, and we will take opportunities to do so;
- (c) we are developing a Remuneration Policy for the first time. This will be based on the principles set out in the Remuneration and Nomination Committee report in this Annual Report. We will seek to consult shareholders on the proposed Policy in advance and, once it has been published for the first time, we intend to put it to a shareholder advisory vote. In the meantime, we would welcome any shareholder comment on this year’s remuneration report; and
- (d) Resolutions will be put before the AGM annually, commencing in 2025, for the re-election of all Directors.

Attendance at meetings

The following table summarises the number of Board and Board Committee meetings held during the financial year ended 30 September 2024. In addition to the formal meetings listed below, Board members and NEDs held a number of informal ad-hoc meetings and discussions.

	Board	Audit Committee	Remuneration & Nomination
A Magson	12	4	9
M R Hamblin ²	11	4 ¹	5 ¹
S A Hallam	12	4 ¹	3 ¹
Y N Zhuk	12	–	2 ¹
P D Kirkham ³	5	3 ¹	3 ¹
S J Paul ⁴	4	1 ¹	–
A R Boyce	12	4 ¹	9 ¹
T J Rice ⁵	12	4	9

¹ invited to participate in the meeting, or part of the meeting, as an attendee, except in the case of M R Hamblin who attended two Audit Committee and three Remuneration and Nomination Committee meetings as a formal member of those Committees, prior to his appointment as CEO in June 2024, see also note 2 below.

² M R Hamblin joined the Board on 1 November 2023 as a NED, and subsequently became Chief Executive on 3 June 2024

³ P D Kirkham resigned from the Board on 5 March 2024

⁴ S J Paul was appointed to the Board on 12 February 2024 as Interim Chief Executive and stepped down from the Board on 18 June following M R Hamblin’s appointment as permanent Chief Executive on 3 June.

⁵ After the period end, T J Rice retired from the Board on 31 December 2024, and was succeeded by Dr. Bryan Allcock who was appointed on 3 December 2024.

Board priorities for the 2024 financial year

The Board’s agreed priorities for the financial year under review were:

1. To oversee the successful recruitment of a new CEO and a smooth handover process
2. To obtain further debt and equity financing
3. To achieve key business and financial targets for the year, with focus on sales and business development initiatives
4. To better incentivise delivery of key financial metrics through the introduction of whole company incentive plans, with full communication and training on this
5. NEDs to support the Executive team by using their contacts and market knowledge to identify and promote new business opportunities

The Board considers that, for the most part, it achieved its objectives for the FY24 financial year, except that the business development and financial targets set, in particular sales and profit growth were clearly not achieved. The Board has become increasingly focused on initiatives to deliver an acceleration in profitable growth during the year, and this is now being led by our new Chief Executive, Matt Hamblin. An increasing proportion of the Board’s time is being spent on supporting and facilitating initiatives to grow sales, particularly over a short to short /medium term time horizon.

Board priorities for the 2025 financial year

The Board’s agreed priorities for the current financial year are as follows. These also reflect feedback and agreed actions from the Board review of its own performance during the year.

1. Support the executive team to achieve / exceed the FY25 budget
2. Oversight / approval of Hardide’s strategy and business plan for growth, as updated and refreshed following Matt Hamblin’s appointment as CEO in 2024
3. Oversee a successful succession process for the Senior Independent Director
4. Implement the Board’s continuous improvement actions from the review of its own performance during the year, including compliance with the revised QCA Code in 2025
5. Promote further senior management development, including through participation in Board meetings

Matters reserved by the Board and delegated authority levels

There is a formal schedule of matters reserved for a Board decision. This includes the appointment of directors, any raising of funds, the setting of high-level targets, approval of budgets, strategy, capital and revenue expenditure above certain limits, license agreements and incentive schemes. Authority levels for expenditure are delegated to individual executives or management committees according to a schedule agreed by the Board from time to time.

Development of strategy and annual budgets

Each year the whole Board considers and develops the Corporate Strategy set out in the previous year. The formulation or re-formulation of Corporate Strategy is led by the Chief Executive but is formally set and agreed by the whole Board. The development of the annual budget is set within the framework of the Corporate Strategy and is prepared by the executive directors and other senior management and is reviewed and approved by the Board.

Hardide's Strategy is set out in the Strategic Report.

Business Reviews

At its regular monthly meetings, the Board reviews the performance and development of the Group, including financial information.

The monthly Board pack includes a presentation by the CEO which incorporates KPIs from across the business, including health, safety & environmental performance, business development, website and e-marketing, plant performance, delivery performance, research & development and sales activity. Progress on strategic projects is also reviewed monthly. Particular attention is paid to sales and business development and progress with the execution of Hardide's strategy of accelerating revenue growth.

Financial information for the Group and its subsidiaries includes detailed profit & loss accounts, cash flow statements and balance sheets; together with analyses of movements in cash, trade debtors, trade creditors and fixed assets.

Directors may call for further analysis of any particular matter.

Independence of directors

Each of the directors, with the exception of Dr. Allcock who joined the Board recently, directly owns ordinary shares in Hardide plc. Mr Boyce represents a large percentage of shares by virtue of his directorship of companies that own Hardide shares. Mr Hamblin, Mr Hallam and Dr Zhuk have options over ordinary shares of Hardide plc, and are disclosed in this Annual Report and on the Regulatory News Service (RNS) at the time of grant.

As in previous years, the main criteria for assessing the independence of Non-Executive Directors were:

- i Based on the observed conduct of the director at and outside Board and Committee meetings, has that director acted clearly and consistently in the best interests of the Group?
- ii Has there been any matter affecting the Group that might have given rise or might give rise in the future to any conflict of interest?
- iii Is the director's direct or indirect holding of shares or other financial instruments (such as share options) in the Group substantial enough to cause an external observer to believe the director in question might possibly have a potential conflict of interest? In this case, 'substantial' has been taken to mean 10% or more of the total issued share capital
- iv Has the director served on the Board for a period of more than 9 years?

Mr Boyce is not considered independent based on the third and fourth of these tests. However, Mr Boyce's ongoing input to the Board is considered important to its overall effectiveness given the perspective he brings from his substantial external Board and governance experience, and also his alignment with Hardide shareholders' interests through his representation of family shareholdings in the Group.

Number of directors and membership of Board Committees

In the past financial year, a total of eight directors served and, at various times, between three and four of these were executive and between three and four were non-executive directors. At the date of this report, the Board has six members, of which three are executive and three are non-executive.

Tim Rice served as the senior independent director ('SID') during the year under review. Tim was succeeded in this role by Dr Bryan Allcock effective from 1 January 2025, following Tim's retirement from the Board on 31 December 2024. In addition, and in compliance with the Code, Tim Rice was the chair of the Remuneration & Nomination Committee in the year under review.

The chair of the Audit Committee was Andrew Magson. The Board is aware that the Chair of the Board should not ideally also chair the Audit Committee, but given the size and financial position of the Group considers this to be appropriate at least for the time being, but keeps this position under review.

Following the appointment of Dr Bryan Allcock as SID on 1 January 2025, he was also appointed Chair of the Remuneration Committee. Bryan also became a member of the Audit Committee and the Nominations Committee at that time.

Andrew Magson became Chair of the Nominations Committee effective from 1 January 2025 and he continues to Chair the Audit Committee and is a member of the Remuneration Committee.

The Remuneration, Nomination and Audit committees continue to comprise solely independent non-executive directors, in line with the QCA Code.

Roles of the Chair, CEO and Senior Independent Director

Presently, Hardide is a relatively small company and so most directors have a range of tasks and responsibilities.

Non-Executive Chair:

The role of the Group's Chair is to:

- i ensure effective communication with shareholders;
- ii be available for private meetings or calls with principal shareholders;
- iii set the overall rules for corporate governance and ensure compliance with these;
- iv oversee the development of Corporate Strategy;
- v ensure effective and open communication among directors; particularly at Board meetings;
- vi chair the Audit Committee and Nomination Committee;
- vii together with the CEO, direct and lead recruitment and induction programmes for new directors and senior recruits; and
- viii ensure the appropriate content, format and presentation of information for the Board.

CEO:

The CEO develops, gains Board approval for, and implements the Strategy. Also, he designs and implements the sales and marketing plans. Also, he has the principal responsibility for the Group's financial performance. He maintains a strong relationship with the Chair and is jointly responsible with him for shareholder communication and, by way of staff briefings, ensures awareness among all staff of the Group's performance and key objectives, including increasing their awareness of the Group's sales and business development targets. These briefings are held on a frequent basis throughout the year. All members of the senior management team, including the two other executive directors report to the CEO.

Ensuring compliance with the quality management systems, adequate staff training, the health & safety of employees and the environmental performance are direct accountabilities of the CEO.

Senior Independent Director ("SID")

The SID is charged with:

- i Being a conduit for the concerns of directors, shareholders and other stakeholders who prefer to discuss matters that they have been unable to resolve through other channels;
- ii being available to meet principal shareholders;
- iii being a sounding board for the Chair; and
- iv along with other non-executive directors, and having taken soundings among other suitable parties, conducting reviews of the performance of the Chair.

Board performance review

The Chair led a review of the performance of the Board during the year. This was done through a questionnaire completed by each Board member, followed by series of interviews with each director. The SID had discussions with each Board member with regard to the Chair's performance.

The conclusion of the Board performance review was that the Board had ultimately responded well to the unexpected downturn in trading in the first part of the year; successfully raised funds to help secure the Group's future; and managed the succession of Chief Executive and the subsequent restructuring of the business effectively to significantly reduce cost and achieve a cash break-even position. The Board's key objectives for the current financial year are set out above.

Range of skills and experience

A review is undertaken annually of the range of skills and experience among the directors in light of the evolving priorities needed to promote and achieve success for Hardide over the longer term.

The number of directors (serving at the date of this report) assessed to have appropriate experience and / or specialisms in the following areas relevant to Hardide are as follows:

Skill or specialism	Number of Directors
Strategy and strategic development	6
General management	4
Coatings, surface treatment and relevant Hardide end user markets	4
Sales, business development and marketing	2
Engineering and new product development	3
Health & safety, operations, manufacturing	6
Human resources	2
International business	6
Corporate governance	3
Corporate finance	4
Finance and accounting	2

Three of the directors have MBAs, two have a PhD and two are Chartered Accountants.

Company Secretary

At present, the Finance Director (Simon Hallam) also acts as the Company Secretary. The directors consider that to be acceptable. This is on the grounds of the size of the Group, and its corporate structure is simple. Moreover, Mr Hallam has ready access to advice from a specialist firm that is familiar with Hardide's needs in respect of secretarial matters.

Main terms of appointment for non-executive directors

The non-executives' principal terms and conditions are available for inspection by shareholders ahead of any general meeting of the Group. What follows is a summary of those terms and conditions.

Annual fees remain unchanged at £60,000 for the Chair and those for the other non-executive directors, each of whom receive £25,000. The Chair was awarded a discretionary £30,000 bonus by the Board (in his absence from that part of the meeting) to reflect the substantial time he invested in the business during the refinancing and restructuring of the business and the transition between Chief Executives during the year. Fees are paid wholly under the PAYE system; except for Andrew Boyce whose fees are paid split between his personal service company and the PAYE system.

The terms of appointment of all non-executive directors require them to serve on Board Committees, as appropriate, and to devote sufficient time to their roles. All directors are entitled to seek independent legal advice and have personal indemnity insurance paid for by the Group.

All directors are obliged to inform the Board of any new professional commitments or potential conflicts of interest; whereupon other directors will consider the acceptability of such roles. To date, no additional commitment of a director has been found to be unacceptable.

Directors are bound by confidentiality, especially with regard to technology and to the identity of certain customers. Following the end of their appointment, directors may not, for one year, be engaged in any business or technology that does, or reasonably may be expected to, compete with Hardide.

All non-executive directors' appointments are terminable at one month's notice by either party.

Board Committees

The two standing Committees of the Board that served during the 2023/24 financial year were as follows:

1. Remuneration and Nomination Committee
2. Audit Committee

Each Committee has written terms of reference approved by the Board. These are kept under review and updated as needed. The membership and chair of Board Committees are determined by the Board.

The terms of reference for each Board Committee can be found on the Group's website.

The reports of these committees for the year are in the following sections of the Annual Report.

Beginning in 2025, the intention is to separate the Remuneration Committee and the Nomination Committee as described in the membership of Board Committees section above.

Conflict Minerals

The Group has undertaken a due diligence exercise with its suppliers of key process gasses to ensure that conflict minerals are not used in their manufacture. We can advise that all suppliers of these gases have confirmed that conflict minerals are not involved in their processes. A statement to this effect may be found on the Group's website.

Bribery Act, 2010 (the 'Act') and unethical behaviour

The Group has in place a full 'Anti-bribery Policy', and a 'Whistleblowing Policy'. Under guidelines set by the Board, the Chief Executive manages the processes and procedures that flow from these policies; in particular the areas perceived to be most at risk from bribery or from behaviour that is fraudulent or unethical. Any member of staff may raise, in confidence, with Group Human Resources, or with any director, any concerns about financial or other impropriety. From time to time, the Board considers whether these policies need to be updated. The main provisions of the Act and of Group policies and procedures appear in the staff handbook. Annually, all staff are required to confirm that they have read, understood and complied with these.

Hardide's policy regarding its anti-bribery policy and guidance thereon may be found on the Group's website.

The Market Abuse Regulation ('MAR')

The Group has comprehensive policies and procedures designed to achieve compliance with MAR. Adherence to this regulation is facilitated by software that, among other things, maintains insider lists and can provide data to the FCA. All relevant members of staff have received copies of the policies and procedures.

Hardide has elected to adopt a closed period of 30-days ahead of the announcement of its interim and preliminary full-year results; as well as a planned event that may have an influence on share price; all in accordance with MAR requirements.

The UK General Data Protection Regulation ('UK-GDPR' or 'Regulation') and the UK Data Protection Act 2018

These EU Regulations originally came into effect in May 2018 and subsequently adopted into UK law in January 2021 upon Brexit. All the procedures and proper records are in place to achieve and demonstrate compliance.

Cyber security

The Group has strong and regularly updated cyber security systems. It has an ongoing contract with an external specialist cyber security company and is accredited to the government-backed Cyber Essentials Plus scheme.

Communication with Stakeholders

Shareholders

When there is a significant event regarding the Group, full use is made of the Regulatory News Service (the 'RNS'). Shortly after the full- and half-year results are published, as well when seeking new funding, the CEO, FD and Chair have made themselves available to present the results in person, or by means of virtual meetings. In addition, the Chair has regular contact with significant shareholders, and they are free to contact him with any concerns. Face-to-face, telephone or video contact between the Chair and shareholders is encouraged.

From time to time, shareholders visit Hardide's premises. On these occasions, they are invited to ask questions and are welcome to express concerns that they may have and give their opinion on how they would like to see the Group develop. Available on the Group's website is a video showing the new facility and the equipment installed within it. Hardide's website is comprehensive and, as well as statutory documents, includes profiles of directors and descriptions of a wide range of Group features and activity. On request, hard copies of Hardide's Annual Report are available from the Group.

Other Stakeholders

In addition to shareholders, the Group considers stakeholders to include its employees, customers, suppliers, contractors, the local community and other parties with whom it interacts. As part of its Quality and Environmental Management Systems, the Group has and refers to a comprehensive 'map' of all its stakeholders.

From time to time, all staff are invited to briefings where the CEO presents, explains, and responds to questions about, important developments in the Group or its environment.

Since Hardide's processes are unique in many respects, new staff are most unlikely to have knowledge of the processes and so require lengthy training. Therefore, the Group attaches great importance to the wellbeing and retention of its staff. All employees have health plan benefits and undergo regular health checks as appropriate to their work activity.

Both the UK and US sites are accredited to aerospace Quality Management System AS9100 RevD, and ISO9001:2015. The UK site is also accredited to the international Environmental Management standard ISO 14001:2015 and to Nadcap Gold Merit Status (National Aerospace Defense Contractors Accreditation Program).

On behalf of the Board,
Andrew Magson
 Non-Executive Chair

28 January 2025