

CORPORATE GOVERNANCE STATEMENT 2019-20

CORPORATE GOVERNANCE CODE PUBLISHED BY THE QUOTED COMPANIES ALLIANCE (THE 'CODE')

The Group has formally adopted the Code published in April 2018 by the Quoted Companies Alliance. It is the policy of the Board to comply with the Code wherever it is practicable to do so. The following Statement sets out how the Group complies with the salient aspects of the Code.

THE BOARD

Attendance

During the year, regular scheduled Board meetings were held each month, with Committee meetings scheduled quarterly or called as required. As shown in the table below, all directors attended each Board meeting for which they were eligible and members of each Committee Board also attended each meeting for which they were eligible.

	Scheduled Board Meetings ¹	NEDs only	Audit Committee ²	Remuneration & Nomination Committee ²	Risk Committee ²	Intellectual Property Committee ²
R J Goddard	12	2	1	-	4	4
P D Kirkham	12	-	-	-	4	4
P N Davenport	8	-	-	-	3	-
S A Hallam	6	-	-	-	2	-
Y N Zhuk	12	-	-	-	-	4
A R Boyce	12	2	-	11	-	-
T J Rice	12	2	-	11	-	-
C Irving-Swift	10	-	1	-	-	-

¹ Where a Board-level decision is required to consider and accept a recommendation from a Board Committee, a single purpose Board meeting may be convened.

² In some instances, directors who were not members of a Committee at the date of its meeting, attended by invitation some or all parts of the meetings of the Audit, and Remuneration & Nomination Committees.

Meetings of only Non-executive directors

Two 'NED-only' meetings first took place in this financial year. They serve to bring together matters better covered in this way and supplement the ongoing but less-formal contact between and among Non-executive directors.

These meetings have formal agenda and minutes are taken. Matters considered include performance of the Board as a whole and that of individual executive directors. Also considered may be the effectiveness of Board Committees, the identification and management of major risks; together with achievement of strategic plans and the characteristics of incentive schemes.

Board Committees

There are four standing Board Committees, as described later in this section. In the normal course, these Committees make recommendations to the Board. Minutes of Committee meetings are made available to the Board as a whole but may be redacted at the discretion of the chairman of the Committee, if necessary in consultation with the Group Chairman. There have been no instances where redaction was called for. Where it is urgent that a recommendation of a Committee needs to be accepted by the Board, this is done by a directors' resolution in writing.

Occasionally ad hoc Board or Committee meetings are convened when prompt decisions are required.

Matters reserved by the Board and authority levels

There is a formal schedule of matters reserved for Board decision. This includes the appointment of directors, any raising of funds, the setting of high-level targets, approval of budgets, strategy, and 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.

Formulation of strategy

Towards the end of the financial 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 Chairman but set and agreed to by the whole Board. The creation of budgets and Business Strategy is set within the framework of the Corporate Strategy and prepared by the executive directors and other senior management. This Business Strategy is then challenged by the Board, adjusted if necessary, finally approved and then monitored by it. Adjustments agreed necessary are formalised in writing shortly after the review.

A summary of Hardide's Corporate Strategy can be found elsewhere in this Annual Report.

Business Reviews

At its regular monthly meetings, the Board reviews both the financial and non-financial performance of the Group. 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 & creditors, and fixed assets. Close attention is also paid to the development of sales by sector and by customer; as well as progress with initiatives to develop major new applications, sectors and customers. From time to time, directors may call for further analysis of a particular matter, and frequently do.

Non-financial information is reviewed at least monthly by the Board. It includes reports from each executive director and key performance indicators such as plant performance, delivery performance, research & development, sales activity and health, safety & environmental performance. Progress on strategic projects is also reviewed monthly.

The Board has a formal policy designed to ensure Board leadership of health, safety & environmental matters and institute a board-level review of progress against objectives and KPIs. An important feature of this is normally a joint presentation made at least yearly by the CEO and VP of Operations.

COMPOSITION, CULTURE AND EFFECTIVENESS OF THE BOARD

Independence of directors

Each of the directors (except Mr Hallam) 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. Each of Mr Kirkham, Mr Hallam, Dr Zhuk and Mr Goddard has options on ordinary shares of Hardide plc; all as declared in the Annual Report and on the Regulatory News Service (RNS) at the time of grant.

Annually, the Board reviews Mr Goddard's activities outside of Hardide. In 2020, this exercise was repeated at directors' meetings shortly after the end of the financial year. The Board is satisfied that none of Mr Goddard's activities conflicts with his role as Chairman of Hardide. The same applies to the other non-executive directors.

The 'independence' of each non-executive director has been assessed by four, single purpose ad hoc committees of directors. Excluded in turn from these meetings was the non-executive director in question. As before, the main criteria for independence 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 of 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.

Mr Boyce was not considered to be an independent director because he did not satisfy the third of these tests. However, it should be noted that Mr Boyce is party to a Relationship Agreement with the Group. Each of the other two non-executive directors is considered by the Board to be 'independent'.

Number of directors

Following the resignation earlier in the year of Charles Irving-Swift, there has been six directors; three of them non-executive. Tim Rice has been appointed the senior independent director ('SID') in place of Charles Irving-Swift. In addition, and in compliance with the Code, the chair of the Remuneration & Nomination Committee is to be an independent director and Tim Rice has taken that role. The Chairmanship of the Audit Committee has now been resumed by Robert Goddard.

Culture of the Board and its capability to meet new challenges

Non-executive directors are actively and regularly consulted by the Chairman on a one-to-one basis and more formally during meetings of the non-executive directors alone. With the knowledge of the Chief Executive, from time to time the Chairman seeks directly the views of the two other executive directors. Also, the Chairman has contact with major shareholders and they are free to contact him outside those meetings, and do so. The Chairman relays shareholder opinion to the non-executive directors or the full Board, as appropriate. The SID is in a position to do the same.

Open exchange and mutual challenge among Board members and staff is a well-established part of the culture of the Group. The Chairman is made aware promptly of matters of substance and style that merit his attention. In addition, each director is free to speak in confidence to the Chairman or the SID; as is any member of staff.

An open exchange of views takes place not only up and down the management pyramid, but also 'sideways' between disciplines. This is vital for a high-tech company that is continually developing new substances and methods. Maintenance of this and other aspects of Group culture is explicitly one of the CEO's important tasks and, implicitly, of each member of staff. Any concerns about corporate culture are raised initially by the CEO with the Chairman.

The CEO and Chairman have an off-site or video meeting every month. At this meeting they discuss the upcoming Board meeting, the latest performance indicators and particular challenges facing the Group and high-level 'people issues'.

Any director may have access to independent professional advice at Group expense.

All directors are conscious that the growth now expected of Hardide will present additional challenges. There will be more specialism and the dynamics of staff interaction will change. The Board is very well equipped with directors who have experience of the 'growing pains' associated with the organisational changes that result from growth in a technology company, and are well able to support changes that arise and deal with the associated challenges.

Executive directors and senior managers worked closely with external consultants and designers to deliver the expertise for the highly successful layout, fit-out and installation of plant and equipment.

Roles of CEO, Senior Independent Director and Chairman

Hardide is a small company, hence most directors have a range of tasks and responsibilities.

CEO:

All members of the senior management team, including the other two executive directors report to the CEO. The CEO develops, gains Board approval for, and implements the Business Strategy. Also, he designs and implements the sales and marketing plans. By virtue of his experience as a professional chartered engineer, he provides strong support for operations and engineering. Also, he has the principal responsibility for the Group's financial performance. He maintains a strong relationship with the Chairman 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 challenges; including increasing their awareness of the Group's environmental and social responsibilities. These briefings are usually held monthly. 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 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 Chairman; and
- iv along with other non-executive directors and having taken soundings among other suitable parties, conducting reviews of the performance of the Chairman.

The Chairman:

The role of the Group's Chairman is to:

- i Ensure effective communication with shareholders;
- ii be available for private meetings or calls with principal shareholders;¹
- iii set the overall rules for corporate governance and ensure compliance with these;
- iv lead the development of Corporate Strategy;
- v ensure effective and open communication among directors; particularly at Board meetings;
- vi chair the Risk Committee and the Audit Committee and be an ordinary member of the Intellectual Property 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.

Evaluation of the Board and individual directors

The Chairman and the CEO agree annually a set of objectives for the CEO and this is shared with other directors. These objectives are taken into account

when setting remuneration for the CEO. The CEO conducts performance planning exercises for his direct reports. The previous year's performance is discussed each time. As with the CEO, and in co-operation with him, the Remuneration & Nomination Committee takes account of personal performance plans for each executive director.

Collectively and individually, the directors monitor the performance of the Board as a whole and its members on a range of measures. These include attendance, familiarity with the Board packs, the quality of those Board packs, an understanding of the matters under discussion, the ability to contribute to Board discussion and the quality of the challenge made to executive proposals; together with the performance and thoroughness of reporting and recommendations made by Board Committees. Given its size, a formal evaluation of Board performance by an outside agency is not believed to be appropriate. Instead, a process has been agreed whereby objectives for the Board are agreed formally and responsibility for the skills and behaviour needed to meet those objectives is identified and then incorporated into the performance planning process for each individual director. Alongside this formal process, the Chairman has frequent contact with individual directors. This provides the opportunity for effective two-way 'calibration' and is another way of addressing performance concerns on a one-to-one basis. The newly-designated SID is also available for one-to-one meetings with other directors.

At appropriate times, meetings of the three non-executive directors alone may include consideration of the performance of individual executive directors and of the Board as a whole.

Range of skills and experience

A formal exercise is undertaken annually to establish the range of skills and experience among the directors as a whole, and 'mark' these against those ideally needed to achieve the Board's objectives. These include professional qualifications and practice in engineering and accounting, together with relevant experience in corporate governance and the formulation and implementation of strategy. Each director is 'assessed' against the criteria. The Group's Finance Director is a Chartered Accountant. Three of the directors have an MBA and at least two of these have the skills needed to chair the Audit Committee. A single director has in-depth knowledge of advanced CVD coating technology. Three directors are Chartered Engineers.

Company Secretary

At present, the Finance Director (Mr Hallam) also acts as the Company Secretary. The directors have reviewed again this dual role and consider it to be acceptable. This is on the grounds that the Group is fairly small, 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.

Succession planning

Overseen by the Remuneration and Nominations Committee, a formal succession plan is maintained for those directors and senior staff who are vital to the operation and ultimate success of the business. The relevant roles and individuals are identified, and

¹ Yearly, the Chairman writes to all holders of shares representing 1% or more of the total. In that letter he makes clear that he or the SID are available for private meetings or telephone calls.

the Chairman, CEO and Remuneration & Nominations Committee agree on action in respect of the roles covered by the plan.

Terms of appointment of 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 for the Chairman remain unchanged at £50,000, as are those for the other non-executive directors who each receive £25,000. Fees are paid wholly under the PAYE system; except for Andrew Boyce whose fees are paid split between his personal service companies and the PAYE system.

The terms of appointment of all non-executive directors require them to serve on Board Committees 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 four standing Committees of the Board and their roles are detailed below. 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 is determined by the Board.

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

Remuneration and Nomination Committee

The Committee comprises Tim Rice as chair and Andrew Boyce. It meets at least quarterly. In this financial year it met 11 times. Its duties are to:

- i Determine and agree with the Board the framework or broad policy for the remuneration and contractual terms of the Chief Executive Officer (CEO), Chairman, the executive directors and senior members of the management team who report to directors;
- ii design or approve the design of, and recommend to the Board, targets for any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes. Such schemes and payments are subject to final approval by the Board;
- iii design all share-related incentive plans for approval by the Board. For any such plans, determine each year whether awards should be made and if so, the

overall value of such awards, the individual awards to directors and other senior managers and the performance targets to be used;

- iv ensure that contractual terms on termination, and any payments made, are fair to the individual and to the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- v within the terms of the agreed policy and in consultation with the Chairman or CEO or both, determine the total individual remuneration package of each executive director and other senior managers who report to the CEO, including bonuses, incentive payments and share options, other share awards or other benefits. Particular attention is paid to designing remuneration packages that are aligned with the plans for the years ahead and especially with the Group's strategic goals;
- vi at suitable times, review the implementation of succession plans; and
- vii oversee any proposal for major changes in employee benefits throughout the Group.

Audit Committee

The Audit Committee comprises Robert Goddard as its chairman and Tim Rice. Normally, the Finance Director and CEO will attend by invitation. Whilst no non-executive member of the Board has a full qualification in accounting, Mr Goddard and Mr Rice are both deemed competent by virtue of their MBAs and professional experience.

Normally, the Audit Committee meets at least twice each year with the Group's auditor at appropriate times during the reporting and audit cycle, and in addition as required. The Committee met once during the year.

The duties of the Audit Committee are to:

- i Monitor the integrity of the financial statements and the financial reporting process;
- ii review and challenge the effectiveness of the Group's internal controls, risk identification and risk management systems;
- iii review the Group's arrangements for its employees to raise concerns in confidence and with impunity about possible wrongdoing and ensure these arrangements allow proportionate and independent investigation;
- iv review and keep up to date the Group's procedures for detecting and preventing bribery and fraud; and ensure that the Group complies with all relevant legislation in those jurisdictions where the Group operates and/or employs staff;
- v monitor the performance of the statutory audit, review the independence and effectiveness of the external auditor; and make recommendations in relation to the appointment, re-appointment and removal of the Group's external auditor; and
- vi consider and, if necessary, agree the terms of reference under which the Risk Committee operates, review the work of the Risk Committee and identify any potential gaps that may need to be addressed.

The external auditor also provides certain non-audit services including annual tax compliance. The Board

has reviewed its safeguards and policies in place for non-audit services and is satisfied that these are sufficiently robust to ensure James Cowper Kreston maintain their objectivity and independence. James Cowper Kreston report to the Board annually on their independence to Hardide plc. Non-audit services are only provided if such services do not conflict with their statutory responsibilities and ethical guidance

Currently, the Group is too small to justify an internal audit function and so the Audit Committee is responsible for examining the Group's internal financial policies and procedures and recommending amendments or improvements.

During the year there were no significant matters regarding the audit process or its outcome that required action by the Committee.

The Group's auditors, James Cowper Kreston, were reappointed for the year ended 30th September 2020, which was their fourth year acting as the Group's auditors. It is intended that they are proposed for reappointment in accordance with Section 485 of the Companies Act 2006. The effectiveness of the audit and auditor are reviewed by reference to the auditor's audit plan, post-audit management letter and discussion with the finance director.

Intellectual Property Committee

Dr Yuri Zhuk chairs the quarterly meeting of the IP Committee, with Robert Goddard and Philip Kirkham as the other members. The Committee is charged with reviewing, and in most cases deciding upon all matters relating to intellectual property, including patents, trademarks and know-how. The Committee is also responsible for non-disclosure agreements and joint development agreements designed to protect and develop intellectual property. When necessary the Committee uses the services of the Group's Patent Attorneys (Harrison Goddard Foote Ltd) to perform patent searches and provide a range of advice on IP matters. Where the Committee does not have delegated powers, the Committee will make recommendations to the Board.

Risk Management Committee and the management of significant events

The Board has overall responsibility for the Group's system of risk management and does so in cooperation with its Risk Management Committee. The Committee's role is to identify the strategic, operational and financial risks to which the Group may be exposed and recommends how these may be avoided, mitigated, insured against, or some combination of these. Risks are ranked by assessing their likelihood of occurrence and their potential impact. Risks considered by the Committee include those relating to movements in exchange rates, solvency, and liquidity; as well as operational risks.

The members of this Committee, which meets quarterly, are Robert Goddard (Chair), Philip Kirkham, and Simon Hallam. Reports of the Committee and its assessment of risks are made to the Board and the Audit Committee. Descriptions of the principal risks that the Group has identified are included in the Strategic Report.

The Group has a comprehensive 'Bid Alert Manual' and this is updated as needed. Much of its content would

also be used in the management of a major adverse incident. Directors are asked to ensure that a copy is available to them at all times. In addition, the Group has a Crisis Management and Disaster Recovery Procedure.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

The reporting year has seen the transfer of all² of Hardide's UK operations to a nearby site in Bicester. The new premises are newly-built on a modern industrial estate and are well away from any residential areas. As a result, the effect of any noise or release of emissions would be less than at the previous site. Nonetheless, and not compulsory, the opportunity has been taken to replace some existing substantial items of plant with types that have a much lower environmental impact, as well as improving the cleansing of by-products of the process. Low energy lighting has also been installed, along with a general upgrading of safety for staff and visitors and general working conditions. It would not have been sensible in the reporting year to attempt the creation of environmental benchmarks such as an estimated 'carbon footprint'. It should be noted that, since the new premises have been equipped with plant having excellent environmental credentials, it will prove difficult to improve on it; at least in the near term. Nonetheless, the Group will seek out opportunities to do so.

Whilst the Group has no ability to constrain its customers, it is worth noting that in most applications, the Hardide coating will reduce the environmental impact of the end-user. Examples include the replacement of hard chrome plating, whose production process uses carcinogenic salts, and the lengthening of service intervals due to reduced corrosion or wear of critical parts.

COVID-19

The Group has taken precautions to protect all its employees (including those most vulnerable), contractors and visitors at both its UK and US sites due to the COVID-19 pandemic and is complying with the relevant guidelines from both the UK government and the State of Virginia. Measures include education and training, signage, re-organising to ensure social distancing in the workplace, temperature checks, mask-wearing and more frequent and rigorous cleaning regimes. Where appropriate, certain staff have been able to work from home to minimise the number of staff on-site at any one time, and others have been 'flexibly-furloughed' and thus minimising the number of staff on-site at any one time. At all times at least one director has been present in the Bicester office, with operations continuing normally throughout the pandemic. Delivery of product to customers has not been affected.

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 are pleased to report that all suppliers of these gasses have confirmed that conflict minerals are not used in their processes. A statement to this effect may be found on the Group's website.

² Just one reactor is to remain in the former premises until Airbus approves the new site, probably in spring 2021.

REMUNERATION

During the coming year, and in accordance with its normal practice the Board will consider what policies and actions it may implement so as to comply with the Code, so long as it is practicable to do so.

Policy for the remuneration of the executive directors includes three main objectives. These are to:

- i Provide remuneration packages to attract and motivate executive directors and senior management of the calibre needed to run the Group successfully, and to retain them;
- ii ensure that there is a strong link between such remuneration and the Group's strategy; and
- iii align the executive directors' interests with those of shareholders.

No director has been awarded a bonus for the reporting year; nor had an annual salary review in January 2021.

Remuneration components

The remuneration of the executive directors has up to five components. They are:

- i Base salary;
- ii an annual performance-related discretionary bonus (non-pensionable);
- iii a longer-term incentive; comprising principally of share options;
- iv medical insurance for employees and their families; and
- v in some cases, a car or car allowance.

Share Options as a longer-term incentive

The Group does not have a formal long-term incentive plan or share option scheme. The Group instead maintains the following policy regarding share options:

- i The granting of share options should be reviewed at least annually by the Committee, having taken the advice of both the Group's Chairman and its CEO;
- ii share options are recognised as effective means of recruiting, incentivising and encouraging the retention of directors and senior managers;
- iii grants may be made when there has been exceptional performance that has been shown to have, or is likely to have, a positive impact upon Hardide plc's share value;
- iv also, grants may be considered for long-serving key managers and employees where it is considered they have added value over the term of their employment and should be recognised, incentivised and retained;
- v vesting criteria will vary. They may include different elements such as:
 - a. the period since grant and the achievement of particular share price at a future point that is above that current at the date of grant;
 - b. the growth of sales made by the business; and
 - c. the improvement in gross profit; and finally
- vi the grant of options to executive directors is determined by a single-purpose sub-Committee of the Board, on which only non-executive

directors sit. Other grants recommended by the Remuneration & Nomination Committee are at the discretion of the main Board.

Upon award, the particular criteria relating to directors' new share options are disclosed in an RNS notice.

Directors' Service Contracts

Messrs Kirkham, Zhuk and Hallam have service contracts that are terminable at up to 12 months' notice by either party. The Committee considers, and is advised that these contracts are in line with market practice.

The service contracts for non-executive directors are terminable at one month's notice either way.

Non-executive Directors

Non-executive directors' remuneration is reviewed by all members of the Board, apart from the non-executive director under review. There has been no change this year.

Robert Goddard is the only current non-executive director to have been granted share options.

Compensation for loss of office

There are no predetermined special provisions for compensation for executive or non-executive directors in the event of loss of office. The Remuneration & Nomination Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly. An important principle is not to reward poor performance.

EXTERNAL ADVISERS

The Group consults a range of professional advisers. Principally, these are:

- i Its Nominated Adviser, Brokers and Corporate finance adviser. These functions are widely understood and so not elaborated here;
- ii corporate lawyer – who also advises on intellectual property matters not within the scope of support available from the patent attorney;
- iii patent attorney – who, in addition to advising on patent strategy and the handling of patent renewals, also assists with the preparations of patent applications;
- iv tax adviser. Unless conflicted, the Group's auditor provides UK tax advice and prepares returns. It also advises on R&D tax credits. Separate arrangements are made for the US subsidiary;
- v a specialist adviser on company secretarial matters. They also provide advice and look after the Group's statutory books and filings;
- vi employment lawyer; and
- vii advisers on matters related to Health, Safety & Environment in both the UK and US.

The identities of the advisers in the first four above can be found on the final page of the Group's Annual Report. The roles of the remainder are obvious from the title of the adviser and so are not elaborated upon here.

BRIBERY ACT, 2010 (THE 'ACT') AND UNETHICAL BEHAVIOUR

Well before the Act came into force, the Group had in place a full 'Anti-bribery Policy', and this was in parallel with a 'Whistle-blowers' Policy'. Under guidelines set by the Board, a designated 'Group Compliance Officer' 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, in confidence with any director, raise concerns about financial or other impropriety. The Group Compliance Officer reports to the Board. From time to time, the Board considers whether these policies need to be updated. The main provisions of the Act and 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. This is now greatly facilitated by software that, among other things, maintains insider lists and provides notifications 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 EU GENERAL DATA PROTECTION REGULATION ('GDPR' OR 'REGULATION') AND THE UK DATA PROTECTION ACT 2018

These Regulations came into effect in May 2018. Prior to that, and in recognition of its far-reaching application, as well as the considerable fines payable in the event of its breach, the Group, with the assistance of an external consultancy began developing its GDPR compliance plan in mid-2017 and continues to do so. All the procedures and proper records are in place to achieve and demonstrate compliance. The Group is aware that the separate UK GDPR came into effect from January 2021.

FORMULATION OF STRATEGY AND BUSINESS MODEL

A high-level description of the Group's business model, strategy and risks appears in the Strategic Report section of the Group's Annual Report. A summary of this also appears in the Chairman's and CEO's Report.

The Group distinguishes between Corporate Strategy and Business Strategy. The former is developed by the full Board and the latter by executive directors and senior staff, but approved by the Board. The Group has a policy of re-visiting its strategies at least annually. The Business Model is derived from the Business Strategy.

CYBER SECURITY

The Group has strong cyber security systems. It has an ongoing contract with an external specialist cyber security company and is accredited to the government-backed Cyber Essentials 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 full- and half-year results are published, as well when seeking new funding, the CEO, FD and Chairman make themselves available to present the results in person, and do so (this year by means of virtual meetings). In addition, the Chairman 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 Chairman and shareholders is encouraged by way of letters to significant shareholders inviting them to make direct contact with either him or the Senior Independent Director. Alternatively, shareholders are free to make contact via finnCap or Allenby Capital, the Group's joint brokers.

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. When it is safe and appropriate to do so, there will be a special open day for shareholders at Hardide's new site. In the meantime, a video has been produced showing the equipment installed which is available on the Group's website.

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. An improved and mobile friendly version of the website was launched in May 2020. Hard copies of Hardide's Annual Report are available from the Group on request.

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 of its stakeholders.

All UK-based staff are invited to a monthly briefing 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.

Hardide is accredited to and complies with the international Environmental Management standard, ISO 14001:2015 as well as Quality Management Systems AS9100 RevD, ISO9001:2015 and Nadcap (the National Aerospace Defense Contractors Accreditation Program).

On behalf of the Board,

Robert Goddard
Chairman

18 February 2021