Sustainable and responsible business
Working in responsible ways

A strong belief in responsibility

The Group strongly believes that corporate responsibility is integral to business success. The Group is compliant with all relevant regulation and legislation whilst enhancing the working environment for our employees and minimising the environmental impact of our manufacturing processes. There is internal reporting of key metrics throughout the business, and each member of staff is expected to take individual responsibility for their performance and to work together to achieve shared goals.

Our community

Xaar sponsors two Imagineering Clubs at local primary schools. These Clubs are designed to introduce children to engineering through fun activities. The sponsorships are part of Xaar's role in helping to create the 'engineers of the future' and drive interest in STEM subjects ('Science, Technology, Engineering and Mathematics') amongst school students. During 2020 the impact of COVID meant the clubs were not held as frequently as would normally be the case.

During the initial COVID lockdown in 2020, the Group donated both additional cleanroom PPE gowns and masks, and 3D printed visors were manufactured for distribution to the local NHS hospital.

📄 **Non-financial information statements are indexed in the Directors' Report on page 59**

Social responsibility

- Xaar employees usually raise money during the year for a number of charities, including taking part in various activities for Comic Relief on Red Nose Day, coffee mornings for Macmillan Cancer Support and Christmas Jumper Day for Save the Children. Unfortunately due to the Coronavirus pandemic in 2020 we were unable to participate in charity fundraisers this year, instead charity nominations took place in November 2020 with Hinchingbrooke Special Care Baby Unit (donation made January 2021) and Wood Green Animal Shelter selected to receive £2,000 each
- Xaar usually sponsors a number of employees and their families engaging in events throughout the year, including charity golf days, equipment for a charity football team, various sporting events and donations to community food banks. In total, the Group made charitable contributions to local and national charities during the year totalling £3,150 (2019: £5,100)
- No political donations were made in the current or previous year
- The social club, which is aimed at encouraging staff to have fun and get to know each other socially, was paused during 2020 as a consequence of COVID restrictions
- Xaar continues to sponsor an Imagineering Foundation club which operates at primary schools in both Huntingdon and Cambridge. Supported by eight volunteer tutors from Xaar's Operations and R&D teams, the weekly, hour-long after-school clubs are attended by up to 12 Year Six students. The students learn about basic science and engineering concepts and make working mechanical and electronics-based models, such as a balloon-powered 'rocket' car, a steady hand game and even an AM radio. The Foundation's aim is to introduce young people of 8-16 years to the exciting world of engineering, science and technology through fun, hands-on activities
- The Group has commenced a review of its energy usage under a programme to target "Carbon Zero by 2030"; actions to date incorporate:
  - Transfer of electricity supply to an environmentally sustainable green source
  - Co-ordination of energy efficient actions via an Energy Reduction Team
  - Investigation of energy generation solutions via supply and installation of Solar array at Huntingdon.

The Group respects all human rights and in conducting its business the Group regards those rights relating to non-discrimination, fair treatment and respect for privacy to be

Our guiding principles

WE DO
EVERYTHING WITH
PASSION

Our new brand identity and launch of the ImagineX printhead platform.

📄 **Read more on pages 2 and 3**

INNOVATION
CREATIVITY

A new set of values to reflect the true essence of Xaar.

📄 **Read more on pages 4 and 5**

INTEGRITY
COLLABORATIVE

Guide the way we behave towards our customers, our partners and each other.

📄 **Read more on pages 6 and 7**

the most relevant and to have the greatest potential impact on its key stakeholder groups of customers, employees and suppliers.

The Board has overall responsibility for ensuring that the Group upholds and promotes respect for human rights. The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts and, in particular, through its policies regarding employment, equality and diversity, treating customers fairly and information securely. Group policies seek both to ensure that employees comply with the relevant legislation and regulations in place in the UK and other operating locations and to promote good practice. The Group's policies are formulated and kept up to date by the relevant business area, authorised by the Board and communicated to all employees.

The Group's policies are incorporated into the Xaar Code of Conduct, including:

- Xaar Anti-bribery and Corruption policy
- Xaar Anti-money Laundering policy
- Xaar Corporate Criminal Offence policy
- Xaar Employee Share Dealing Code.

📄 **The anti-bribery and corruption policies of the Group are set out in the Corporate Governance section on page 67**

The Group undertakes extensive monitoring of the implementation of all of its policies and has not been made aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

Equality and diversity

The Group is committed to providing a working environment in which employees feel valued and respected and are able to contribute to the success of the business. Employees are requested to co-operate with the Group's efforts to ensure that the policy is fully implemented.

The Group's aim is that its employees should be able to work in an environment free from discrimination, harassment and bullying, and that employees, job applicants, customers, retailers, business introducers and suppliers should be treated fairly regardless of:

- race, colour, nationality (including citizenship), ethnic or national origins;
- gender, gender reassignment, sexual orientation, marital or civil partnership status;
- religious or political beliefs or affiliations;
- disability, impairment or age;

- real or suspected infection with HIV/AIDS;
- membership of a trade union;
- pregnancy, maternity and paternity;

and that they should not be disadvantaged by unjust or unfair conditions or requirements.

The Group aims to ensure that applications for employment from people with disabilities, and other under-represented groups, are given full and fair consideration and that such people are given the same training, development and job opportunities as other employees. Every effort is also made to retrain and support employees who suffer from disabilities during their employment, including the provision of flexible working to assist their re-entry into the workplace.

The Group places considerable value on the involvement of its employees and has continued to keep them informed of the various factors affecting the performance of the Group. This is achieved through written communications shared through the Company intranet and email, and formal and informal meetings. All employees participate in a bonus scheme based on individual performance and Group business targets and, in the UK, have the opportunity to participate in an HMRC approved Share Save Scheme and Share Incentive Plan.

Based on the closing headcount at 31 December the split of staff by gender was as follows:

	2020 Male/Female	2019 Male/Female
All employees	311/77	297/69
Directors	4/1	6/1
Senior managers	40/9	42/8
Employees	267/67	249/60

The Group undertakes R&D and manufactures products in the UK and the USA. The Group complies with all local and European legislation. The Group's manufacturing facility in Huntingdon is both ISO 9001:2015 and ISO 14001:2015 certified and as a minimum complies to HSG65. It is the Group's policy to maintain this level of certification for its Huntingdon manufacturing facilities and to comply at all times with all relevant environmental and other legislation in the territories in which the Group operates. The Group is compliant with REACH ('Registration, Evaluation, Authorisation and restriction of Chemicals'), WEEE ('Waste Electrical and Electronic Equipment') and RoHS ('Restriction of the Use of Certain Hazardous Substances') directives, as required under UK and European legislation.

The Group has a proactive Health and Safety System modelled on OHSAS 18001/HSG65 in Cambridge, Huntingdon and Nottingham.

Health, safety and environment

Xaar has a manufacturing site in Huntingdon, along with R&D and head office functions in Cambridge, Nottingham, Europe and the USA, plus sales offices worldwide.

It is always Xaar's intention to conduct business in a manner that protects the public, the environment, and employee safety. Xaar's Environmental and Health and Safety policies provide a framework for setting and reviewing of Occupational Health, Safety and Environmental Objectives. This demonstrates Xaar's continued commitment to the prevention of injury and ill health and also the continual improvement in our Environmental and Occupational Health and Safety Performance. Xaar believes that the combination of a safe place of work and safe working practices, together with a productive and innovative environment, are critical to the continued success of the Company.

Employee health and wellbeing

Employee health and wellbeing remains a keen priority for the Group.

In line with this approach, the businesses within the Group have prioritised different initiatives that best reflect their workforce, such as volunteering and employee wellbeing policies, regular wellbeing weeks, step challenges, weekly Yoga sessions, qualified mental health first-aiders and other activities to encourage and promote a healthier workforce.

During the COVID pandemic the safety and wellbeing of our employees has been and continues to be our overriding priority. Our executive and senior management team have monitored events closely to ensure that we have been able to react quickly to an ever-changing situation. At the start of the pandemic we enabled working from home at short notice for those who were able to do so, and in the workplace we took actions to introduce enhanced hygiene and social distancing measures, screens, temperature checks, use of face coverings and more recently workplace lateral flow testing.

Sustainable and responsible business (cont.)
Task Force on Climate-related Financial Disclosures (TCFD)

Despite the pandemic, the focus on climate change has not diminished.
Policy-makers, regulators, industry and wider society all increasingly recognise
the urgent need to adapt.

Background

The TCFD's recommendations continue to be adopted internationally. According to the TCFD Status Report 2020, more than 1,500 organisations have now voiced their public support. Over 110 regulators and government organisations are TCFD supporters, including the UK Government, Bank of England and the FCA. The private finance agenda of the UN Climate Change Summit 2021 (COP26) also features TCFD implementation as an objective.

The FRC has carried out a thematic review of how climate-related issues are being addressed across its various areas of responsibility, including governance, corporate reporting, audit and professional oversight.

In November 2020, the UK Chancellor of the Exchequer announced the UK's intention to move towards mandatory TCFD-aligned disclosures across the UK economy by 2025, with most measures to be in place by 2023. Within the roadmap presented by HM Treasury, premium listed companies (like Xaar plc) will be expected to comply with the reporting requirements by the end of 2021, from January 2022 to be included in the Annual Reporting framework.

Xaar's response:

Digital print methods are inherently more environmentally friendly than the analogue techniques we seek to replace.

Our research shows that, compared to analogue alternatives, digital has a huge impact in reducing energy consumption (by as much as 55%), water consumption (by up to 60%) and CO_2 emissions (by up to 95%), but also in reducing pollution and waste materials.

Xaar is committed to reducing its impact on the environment wherever possible, with Senior Independent Director Alison Littley having specific responsibility for ESG matters.

As part of the management of emerging risks within the risk register, the Board has received initial information on the potential risks and opportunities that are presented by requirements for managing climate change risk, and meeting the Task Force on Climate-related Financial Disclosures requirements in the next year.

Recent years have seen further progress internally to identify improvements in both electrical and energy usage and to reduce the greenhouse gas emissions of the Company recorded in Scope 1 and 2 (see GHG page 50).

As part of the development to ensure affordable and clean energy, Xaar is in the process of entering into a supply contract in 2021 for the supply of green electricity from a renewable source.

Xaar has also initiated a project to remove packaging complexity and improve sustainability, and introduced new packaging for its products in 2020, removing plastic as a packaging material, reducing its plastic consumption by 1.2 tonnes per year. All Xaar's printheads will be shipped in fully recyclable and biodegradable cardboard packs by the end of the year.

https://www.xaar.com/en/news/2020/ sustainable-packaging-delivers-for-all/

The management have set up a "Carbon Zero by 2030" team to identify metrics and targets that could be used by the organisation and develop other opportunities to reflect sustainable development goals to target continuation in the reduction in emissions to zero.

We still need to understand the full impact from our operations and are committed to continue reducing the impact on the environment and maintaining our drive to achieve complete carbon neutrality in line with the UK's 2030 goal.

Potential UN Sustainable Development Goal targets

7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.

What can business do?
Check your energy efficiency. Source your energy from renewable sources. Check what impact your energy need has on the local community.

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

What can business do?
Put a value on the economic impact generated by the jobs your company creates to evidence your licence to operate. Check you have a policy on human rights and that it is being adhered to throughout your supply chain. Check what programmes you have in place to reduce workplace injury and recruit and retain people with disability – are both improving?

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

What can business do?
Review your transport and building infrastructure to identify efficiencies. Consider investing in local transport improvements that would deliver a direct business benefit to you. Check how disruptive technologies or innovative business models could impact your market. Explore your digital potential (both what you do and how you do it).

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure responsible consumption and production patterns.

What can business do?
Check what you are doing to manage scarce resources. Set and meet targets to reduce energy and resource intensity in production and use. Assess the waste disposal of your company. Reduce the need for new resources and waste disposal by extending product life, repairing, reusing, re-manufacturing and recycling products. Adopt circular economy principles.

The core recommendations

Governance
The organisation's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.

Risk management
The processes used by the organisation to identify, assess, and manage climate-related risks.

Metrics and targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Initial actions in 2021 are focused upon:

- We have offset all of the UK regulatory Scope 1 and 2 carbon impact that we made and reported in 2020. Based on our carbon footprint reported in 2020 this makes Xaar a carbon neutral inkjet manufacturer
- Identify targets and metrics applicable to Xaar, to measure across the organisation
- Preparation and identification of Scope 3 emissions within the supply chain
- Identify actions to remove natural gas as an energy and heat source, or replace with a renewable gas supplier e.g. biogas
- Identify tier 1 suppliers and their disclosures around climate change and GHG emissions
- Green energy projects to identify additional energy and GHG savings:
  - Investigate Solar panel installation at Huntingdon location to generate a proportion of electricity ourselves.
  - Electric vehicle chargers installation for employee and delivery vehicles.
  - LED light installations to further reduce the utilisation of electricity
- Review product return policy, to identify possibilities for improvements in responsible consumption in production and remanufacturing of products, reduction in plastic use, reclaiming raw materials, recovery of any heavy metals, copper, lead etc.
- Set, measure and disclose a zero waste to landfill target, any waste not recycled being sent to a waste to energy recovery process.

	Disclosures	Recommended disclosures
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks. b. Describe the organisation's processes for managing climate-related risks. c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.