

# Directors' Remuneration report

## Statement from the Chairman of the Remuneration Committee

### Dear Shareholder

On behalf of the Board, for the first time as Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration report for 2020. I would like to extend my gratitude to my predecessor, Margaret Rice-Jones, for her dedicated contribution and service as the previous Chair of the Committee.

The Remuneration report is divided into three sections: the Chair's introduction; a summary of the key elements of the Directors' Remuneration Policy that was approved at the Annual General Meeting in 2020, and the Annual Remuneration Report, which explains how the Remuneration Policy was implemented in 2020 and how it will be applied in 2021.

### Performance outcomes for the year ended 31 December 2020

In light of the impact of the COVID-19 pandemic across global economies, 2020 was undoubtedly an extraordinary year for businesses, as well as for us all personally. Whilst Xaar was not immune to the effects of the pandemic, we are pleased to report excellent progress. A strong balance sheet, a well managed cash position and most importantly, the hard work of the team ensured Xaar continues to navigate the current economic climate.

Under new leadership, excellent progress has been made refocusing the business on our core competencies and developing a strategy for growth exploiting the fundamental strength of our bulk piezo inkjet technology. As detailed in the Chairman's introduction implementation of the new strategy continues to deliver positive customer engagement. Our Printhead business has performed strongly this year with consistent wins of new customers and projects following successful shift in go-to-market strategy and focus on markets where products have a competitive advantage. We have been particularly pleased with efficiency gains made in our Printhead operations, which resulted in both improved gross margins and strong cash generation from more efficient use of working capital. Our ImagineX platform successfully launched in September 2020 utilising investment in Thin Film IP, providing a clear product roadmap and compelling market opportunity. Our Product Print Systems business (EPS) was impacted by a fall in demand through the worst of the pandemic, but remains a valuable contributor to the Group with a strong order book and pipeline including several new target markets. The sale of Xaar 3D is at an advanced stage to divest the Xaar 3D investment.

Revenue for the year from continuing operations was £48 million, in line with management expectations. Our balance sheet remains strong with net cash excluding Xaar 3D of £18.1 million and positive net cash inflows (including treasury deposits) from continuing operations of £7.1 million. Our share price has also increased significantly since January 2020. This performance has been delivered whilst primarily operating in a remote working environment. A testament to the pro-active management and leadership of our CEO, John Mills and our CFO, Ian Tichias and the commitment of all our people.

### Annual bonus outturn for 2020

For the financial year ended 31 December 2020, the CEO and CFO were eligible for a maximum annual bonus of up to 125% and 100% of base salary respectively. At the start of the year annual bonus targets were set based on performance against adjusted Group profit before tax (50%), cash flow improvement (30%) and 3D revenue targets (20%).

Taking into account the impact of the launch of the new strategy in September 2020, the Committee carefully considered how the performance goals set at the start of 2020 should be assessed:

- No changes were made to the stretching adjusted Group profit before tax targets set at the start of the year to reflect the Group's focus on improving the profitability of the Company and, in particular, the Printhead business unit
- The cash flow targets set reflect the importance of protecting the cash position of the business and improving operational cash flow. Cash flow performance for 2020 bonus purposes was focused on operating cash flow from trading activities. Therefore, the cash performance targets and actual results excluded residual cash payments made during 2020 in respect of commitments outstanding at the end of 2019, following termination of the Thin Film development programme
- Reflecting the change in focus for the Xaar 3D business, from growing revenues, to an alternative ownership structure, the 3D revenue target was replaced with strategic goals for the 3D business linked to working closely with Stratasys to continue to optimise the future of the project.

The resulting overall bonus outcome for 2020 was 43.27% of the maximum bonus opportunity (£162,271 for the CEO and £75,726 for the CFO). The Committee gave careful consideration to this outcome in respect of various internal and external factors including the fact that no employee was furloughed or made redundant as a result of COVID-19 during 2020, and our share price has increased significantly over the course of the year (see page 91 for further details) and concluded that this was consistent with the shareholder and wider workforce experience during the year. Full disclosure of the bonus targets and outcomes is provided on pages 88 and 89.

In line with the new Remuneration Policy approved in 2020, 30% of the bonus earned will be deferred in shares and subject to a two-year deferral period, with the balance delivered in cash. To provide further alignment with shareholders for 2020, the deferred element of bonus earned based on the 3D strategic goals will be forfeited in the event that the Stratasys transaction does not complete and gain shareholder approval by 30 June 2021.

### Long-Term Incentive Plan (LTIP) awards for 2020

As detailed in the Remuneration report last year, the LTIP awards granted to John Mills and Ian Tichias during 2020 were set as a fixed number of shares – 365,000 shares and 170,000 shares respectively. Based on the share price at the date of grant, the LTIP grants in 2020 equate to circa. 72% and 48% of salary for the CEO and CFO respectively. The 2020 LTIP grants were based on Adjusted EPS from continuing operations performance for the final year of the three-year performance period (i.e. Adjusted EPS from continuing operations for the year ending 31 December 2022) (60% of the award) and relative TSR performance against the companies in the FTSE SmallCap Index (40% of the award) measured over a three-year performance period to 31 December 2022 (see page 79 for performance conditions). In line with the UK Corporate Governance Code, there is a further two-year holding period following the end of the performance period.

## Buy-out awards granted to Ian Tichias as compensation for awards forfeit when he left his previous employer

Ian Tichias joined the Group as CFO on 1 March 2020. In accordance with our recruitment policy, the following awards were made in 2020 in order to compensate him for losses he incurred when he joined Xaar as CFO.

- an annual bonus payment of £65,420 payable in cash on 24 April 2020; and
- an LTIP grant in April 2020 over 50,000 shares with a face value of £20,500 at the date of grant to compensate for options forfeited when he left his previous employer. This award is subject to a performance condition of Xaar achieving an adjusted profit before tax measured over the three-year performance period to 31 December 2022.

## Implementation of the Policy in 2021

### Base salaries

#### Executive Directors

The CEO's salary was set at £300,000 on appointment in October 2019 and was not increased in 2020. The CFO's salary was set at £210,000 on appointment in March 2020.

Reflecting the significant progress made during the year and the improved profitability of the Group, the Committee has determined that, with effect from 1 January 2021, the base salary for John Mills will be increased to £315,000 and the base salary for Ian Tichias will be increased to £220,500.

It is intended that future base salary increases that are higher than the general rises for employees will be phased over time and will be subject to their continued performance and contribution in role, Group performance (including profitability) and overall positioning against the market.

#### Non-Executive Directors

Fees for Non-Executive Directors will be increased by 2.5% with effect from 1 January 2021 which is aligned with the general increase given to all employees.

### 2021 annual bonus

The maximum opportunity for the CEO and CFO will be unchanged at 125% and 100% of base salary respectively for 2021. The core performance metrics of the bonus for 2021 are profit and cash generated from operations. 30% of any bonus earned will be deferred in shares and subject to a two-year deferral period. The Committee has discretion to amend formulaic outputs such that in addition to overall business performance, circumstances that were unexpected or unforeseen (or any other reasons at the discretion of the Committee) will be considered.

### Long-term incentives

Reflecting the strong recovery in our share price, the maximum LTIP award in 2021 will be capped at 150% of base salary for the CEO and 100% of salary for the CFO. 2021 LTIP awards will be based on Cumulative Adjusted EPS performance (60% of the award) and relative TSR performance against the companies in the FTSE SmallCap Index (40% of the award). Cumulative Adjusted EPS and relative TSR performance will be measured over a three-year performance period to 31 December 2023. As noted above, there is a further two-year holding period following the end of the performance period.

TSR will operate as follows against the peer group (FTSE SmallCap Index):

- Threshold – ie 25% – at median performance with respect to peer group
- Target – straight line between threshold and maximum
- Maximum – at upper quartile performance with respect to peer group.

As for 2020, given the turnaround position of the Company, the Board considers that the EPS performance targets for the LTIP awards to be granted in 2021 to be commercially sensitive information at this time but, as in past years, will fully disclose the exact measurements retrospectively. We will revert to publishing any measurement targets in advance as we have done in the past as soon as possible.

### Employee engagement

Our employee forum, comprising all three Non-Executive Directors and a group of employees drawn from both the Cambridge and Huntingdon sites, has continued to engage while in a remote working environment. During 2020 a significant portion of time was spent on the wellbeing and health and safety of our employees in addition to the launch of the new strategy for the business. Employees are drawn from a wide range of functions to ensure all views are represented. They continued to meet with the Non-Executive Directors remotely during 2020.

## Directors' Remuneration report (cont.)

### Shareholder engagement and voting outcomes

The Committee engages directly with major shareholders and their representative bodies, where it considers there to be material changes to the Policy or our executive remuneration framework. The Committee consulted with major shareholders prior to the 2020 AGM on changes to the Policy and was very pleased to receive over 99% of votes in favour of both the Policy and the advisory vote on the Remuneration report. We hope we will again receive your support for the resolutions relating to remuneration at the forthcoming AGM

We remain committed to a responsible approach to executive pay, as I trust this Directors' Remuneration report demonstrates. We believe that the Policy operated as intended and consider that the remuneration received by the Executive Directors in respect of 2020 was appropriate, taking into account Group and personal performance and the experience of shareholders and employees.

As always, I am happy to meet or speak with shareholders if there are any questions or feedback on our approach to executive remuneration, and I hope that we will earn your support at the forthcoming AGM on 16 June 2021.



**Alison Littley**

Chairman of the Remuneration Committee

27 April 2021

## Directors' Remuneration Policy

Our Directors' Remuneration Policy was approved by shareholders at the 2020 AGM held on 2 June 2020, and is set out in full on pages 75 to 85 of the 2019 Annual Report and Accounts, which are available on the Company's website at <https://www.xaar.com/media/2182/xaar-annual-report-2019-online-v2.pdf>. We have set out below a summary of those parts of the Policy that we think shareholders will find the most useful.

The Directors' Remuneration Policy is not audited.

## Policy table for Executive Directors

The table below summarises each of the elements of the remuneration package for the Executive Directors.

Base salary	
<b>Objective</b>	Core element of fixed remuneration that provides the basis to recruit and retain talent necessary to deliver the business strategy.
<b>Operation</b>	<p>Normally reviewed annually and any increases generally apply from 1 January (but may be reviewed more frequently if required).</p> <p>When determining base salary levels, consideration is given to the following:</p> <ul style="list-style-type: none"> <li>• Role, responsibility and experience of the individual</li> <li>• Corporate and individual performance</li> <li>• Market conditions including typical pay levels for comparable roles in companies of a similar size and complexity</li> <li>• The range of salary increases awarded across the Group.</li> </ul>
<b>Opportunity</b>	<p>No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors and employees.</p> <p>The base salaries effective as at 1 January 2021 are shown on page 94.</p>
<b>Performance measure</b>	Not applicable.
Benefits	
<b>Objective</b>	<p>Provide a market-competitive benefits package to recruit and retain Directors of the calibre required for the business.</p> <p>Participation in the Company's Share Incentive Plan (SIP) and Share Save Scheme (SAYE) encourages share ownership and alignment with the wider workforce.</p>
<b>Operation</b>	<p>Executive Directors receive base benefits including car allowance, private medical insurance, and basic levels of other insurances (such as income protection cover).</p> <p>All UK staff, including Executive Directors, are also provided with a benefit allowance which they can apply to a range of benefits, including pension contributions. In some circumstances, and subject to Remuneration Committee approval, the allowance may be paid in cash rather than utilised to purchase benefits.</p> <p>The SIP and SAYE are HMRC approved share plans for all employees facilitating the acquisition of shares in the Company at a discount.</p> <p>Other benefits may be provided based on individual circumstances, such as, but not limited to: housing or relocation allowances, travel allowance or other expatriate benefits.</p>
<b>Opportunity</b>	<p>Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors receive, the value of benefits is set at a level which the Remuneration Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.</p> <p>The flexible benefits allowance is currently up to 5% of base salary.</p> <p>The Remuneration Committee has the authority to review and amend this rate as appropriate. Individuals have the choice to invest all or part of this amount in their pension scheme, in addition to the benefits outlined in the 'Retirement benefits' section of this table.</p> <p>SAYE and SIP limits as permitted in accordance with the relevant tax legislation.</p>
<b>Performance measures</b>	Not applicable.

## Directors' Remuneration report (cont.)

Retirement benefits	
<b>Objective</b>	Provide an appropriate level of retirement benefit (or cash allowance equivalent) as part of a market-competitive total remuneration package.
<b>Operation</b>	Executive Directors are eligible to participate in the defined contribution pension scheme (or such other pension plan as may be deemed appropriate). In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.
<b>Opportunity</b>	Company pension contribution (or cash allowance equivalent) not exceeding the contribution available to the majority of the workforce (currently 6% of base salary).
<b>Performance measures</b>	Not applicable.
Annual bonus	
<b>Objective</b>	Rewards performance against annual targets which support the strategic direction of the Company. The majority of staff participate in the same scheme.
<b>Operation</b>	Targets are set annually and any pay-out is determined by the Remuneration Committee after the period-end, based on performance against those targets. The Remuneration Committee has discretion to vary the bonus pay-out should any formulaic output not produce a fair result for either the Executive Director or the Company, taking account of the Remuneration Committee's assessment of overall business performance. 30% of any bonus will be deferred in shares and subject to a two-year deferral period. The balance is delivered in cash. Additionally, Directors may opt to invest in the Company SIP (refer to note 32 for details).
<b>Opportunity</b>	Overall maximum annual bonus is 125% of salary for Chief Executive Officer and 100% for Chief Financial Officer and Chief Operations Officer. 50% of the maximum bonus can be earned for on-target performance.
<b>Performance measures</b>	The annual bonus is assessed against financial and/or strategic targets which are determined by the Remuneration Committee. Stretching performance targets are set each year reflecting the business priorities that underpin Group strategy. The proposed performance measures for the 2021 annual bonus are adjusted profit before tax (70%) and cash flow (30%). The Committee may vary the weighting of these measures and could add alternative measures in future years.

## Long-Term Incentive Plan

<b>Objective</b>	<p>Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests.</p> <p>Support the turnaround of the business towards longer-term, sustainable profitability.</p> <p>Provide alignment with shareholders' interests.</p> <p>Support retention and promote share ownership.</p>
<b>Operation</b>	<p>An award of performance shares (zero priced share options) may be granted on an annual basis and will vest after three years subject to the achievement of the applicable performance conditions. There will be a further two-year holding period.</p> <p>Vested LTIP options must be exercised within ten years of the date of grant. Under the rules of the LTIP, the Remuneration Committee has discretion to satisfy vested LTIP awards in cash.</p> <p>On the vesting/exercise of an LTIP award, the Remuneration Committee has the discretion to decide that Executives can receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of an award on the number of shares which have vested. However, the Committee would only settle dividend equivalents for an Executive Director in cash where the particular circumstances made that appropriate – for example in the event of a regulatory restriction on the delivery of shares, or in respect of the tax arising on the vesting or release of the award.</p> <p>Awards may vest early on a change of control (or other relevant event) subject to the satisfaction of the performance conditions (as determined by the Remuneration Committee) and pro-rating for the LTIP was previously approved by shareholders in April 2007.</p> <p>The Remuneration Committee may at its discretion structure awards as Approved Long-Term Incentive Plan (ALTIP) awards. ALTIP awards enable the participant and Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. ALTIP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a 'linked award' to fund the exercise price of the approved option, or as an approved option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on the exercise of the approved option. Other than to enable the grant of ALTIP awards, the Company will not grant awards to Executive Directors under the Executive Share Option Plan.</p>
<b>Maximum opportunity</b>	<p>The maximum award in respect of any year will be:</p> <ul style="list-style-type: none"> <li>• as regards the Chief Executive Officer, an award over 365,000 shares; and</li> <li>• as regards any other Executive Director, an award over 170,000 shares,</li> </ul> <p>subject to an overriding limit in respect of any year of 150% of salary for the Chief Executive Officer and 100% of salary for any other Executive Director.</p> <p>For threshold performance, 25% of award will vest.</p> <p>Straight-line vesting applies between threshold and maximum vesting.</p> <p>These limits do not include the value of shares subject to any approved option granted as part of an LTIP award.</p>
<b>Performance measures</b>	<p>Stretching performance targets are set each year reflecting the business priorities that underpin longer term Group strategy.</p> <p>The 2021 LTIP award will be measured based on:</p> <ul style="list-style-type: none"> <li>• Cumulative Adjusted EPS – 60%</li> <li>• The Company's relative TSR performance against the companies in the FTSE Small Cap All-Share Index – 40%</li> <li>• Cumulative Adjusted EPS and relative TSR performance will be measured over a three-year performance period to 31 December 2023.</li> </ul> <p>The Remuneration Committee retains the discretion to alter the weighting of measures and to apply alternative or additional measures in future years.</p>

## Directors' Remuneration report (cont.)

### Shareholding guideline

To align the interests of Executive Directors with those of shareholders, the Remuneration Committee has adopted formal shareholding guidelines in accordance with which Executive Directors are required to build and maintain a shareholding with a value of at least 200% salary. Executive Directors are required to retain half of the after tax number of shares they acquire pursuant to the LTIP or deferred bonus until this level of holding is achieved.

The Remuneration Committee's policy on post-employment shareholdings is to apply the "leaver" provisions under the Company's share plans as regards both unvested awards and awards which are vested but subject to a holding period.

### Malus, clawback and underpin provisions

The Remuneration Committee has the right to:

- Reduce any LTIP awards which have not yet vested (i.e. a malus provision) if an act or omission contributes to a material misstatement of the Group's financial statements or results in material loss or reputational damage for the Company
- Recover cash or shares which have been paid or transferred (i.e. a clawback provision) in the event of a corporate failure, serious misconduct or an act or omission contributes to a material misstatement of the Group's financial statements or results in material loss or reputational damage for the Company, for a period up to two years following determination of the vesting outcome
- Apply an underpin to LTIP vesting and bonus achievement and to flex the weighting of performance measure in the event of early vesting as a result of change of control.

### Operation of share plans

The Remuneration Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. Awards may be settled, in whole or in part, in cash, although the Remuneration Committee would only settle an Executive Directors' award in cash in exceptional circumstances, such as where there is a regulatory restriction on the delivery of shares. Awards under the Company's share plans may vest in the event of a change of control (or other relevant event) as follows:

- unvested awards under the LTIP will be released to the extent determined by the Remuneration Committee taking into account the relevant performance conditions (and the Remuneration Committee may vary the weightings of the applicable performance measures) and, unless the Remuneration Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the vesting period that has elapsed;
- vested awards under the LTIP which remain subject to a holding period will be released to the extent they vested;
- deferred bonus awards will vest in full; and
- SAYE and SIP awards will vest to the extent determined in accordance with the rules of the relevant plan, to the same extent as for all other participants.

### Chairman and Non-Executive Directors

The table below sets out an overview of the remuneration of Non-Executive Directors.

Alignment with strategy/purpose	Approach of the Company
<p><b>Chairman and Non-Executive Directors' fees</b> Provide an appropriate reward to attract and retain Directors of the calibre required for the business.</p>	<p>The remuneration of the Chairman of the Board is set by the Remuneration Committee and the Chief Executive Officer. Fees are set at a level which reflects the skills, knowledge, and experience of the individual, whilst taking into account appropriate market data.</p> <p>The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares.</p> <p>The Chairman and the Chief Executive Officer are responsible for deciding Non-Executive Directors' fees. Fees are set taking into account several factors, including the size and complexity of the business, fees paid to non-executive directors of UK listed companies of a similar size and complexity, and the expected time commitment and contribution for the role.</p> <p>The fees are set as a fixed annual fee and may be paid wholly or partly in cash or Company shares. Overall fees paid to Directors will remain within the limit stated of £300,000 in our Articles of Association.</p> <p>Non-Executive Directors do not participate in any incentive scheme.</p> <p>Directors may be eligible to benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.</p>

## Pay policy for other employees

The Company values its wider workforce and aims to provide a remuneration package that is market competitive, complies with any statutory requirements, and is applied fairly and equitably across the wider employee population. Where remuneration is not determined by statutory regulation, the key principles of the compensation philosophy are as follows:

- We remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long-term growth
- We seek to remunerate fairly and consistently for each role with due regard to the marketplace, internal consistency and the Company's ability to pay
- The Company operates an HMRC approved SAYE and invites all employees to participate, therefore encouraging wider workforce share ownership.

## Service contracts

### Executive Directors

It is the Group's policy that Executive Directors should have contracts with an indefinite term, providing for one year's notice.

	Date of contract	Date of appointment	Notice from the Company	Notice from Director
John Mills	31 May 2019	1 August 2019	12 months	12 months
Ian Tichias	26 November 2019	1 March 2020	12 months	12 months

### Non-Executive Directors

All Non-Executive Directors are appointed for an initial three-year term, with provision for two further three-year terms, subject to satisfactory performance.

	Date of letter of appointment	Date of appointment	Unexpired term of contract on 31 December 2020
Andrew Herbert	15 April 2016	1 June 2019	18 months
Alison Littley	22 April 2020	1 May 2020	28 months
Chris Morgan	2 December 2015	4 January 2019	12 months

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Letters of appointment are available for inspection at the registered office address of the Company.

## Directors' Remuneration report (cont.)

The table below details how the Remuneration Committee addresses the principles set out in the UK Corporate Governance Code in respect of the Directors' Remuneration Policy.

Provision	Approach
<p><b>Clarity</b> Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.</p>	<ul style="list-style-type: none"> <li>• The Committee engages directly with major shareholders and their representative bodies where it considers there to be material changes to the Policy or our executive remuneration framework to ensure there is transparency on our Policy and its implementation</li> <li>• Employees have a forum where they can raise questions and give feedback about the Remuneration Policy directly to the Non-Executives.</li> </ul>
<p><b>Simplicity</b> Remuneration structure should avoid complexity and its rationale and operation should be easy to understand.</p>	<ul style="list-style-type: none"> <li>• A core reward principle of our Policy is to operate a simple and transparent framework which can be readily cascaded</li> <li>• The remuneration framework is made up of three key elements: fixed pay (including base salary, retirement and benefits); annual bonus; and a separate long-term incentive</li> <li>• The structure is simple to understand for both participants and shareholders, and is aligned to the strategic priorities for the business.</li> </ul>
<p><b>Risk</b> Remuneration structures should identify and mitigate against reputational and other risks from excessive rewards, as well as behavioural risks that can arise from target-based incentive plans.</p>	<ul style="list-style-type: none"> <li>• Annual bonus and LTIP targets are set at levels which reward high performance, but which do not encourage inappropriate business risk</li> <li>• Both the annual bonus and LTIP are subject to malus and clawback provisions. This allows the Committee to have appropriate regard to risk considerations</li> <li>• Annual bonus deferral and the application of the two-year holding period to awards under the LTIP provide longer-term alignment with shareholders' interests</li> <li>• The Committee also has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group.</li> </ul>
<p><b>Predictability</b> The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.</p>	<ul style="list-style-type: none"> <li>• The range of possible pay awards available to Executive Directors under the current Policy were clearly set out in the 2020 Directors' Remuneration report prior to the Policy being voted on.</li> </ul>
<p><b>Proportionality</b> The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear and outcomes should not reward poor performance.</p>	<ul style="list-style-type: none"> <li>• We believe total remuneration should fairly reflect performance of the Executive Directors and the Group as a whole, taking into account underlying performance and shareholder experience</li> <li>• The Committee considers the approach to wider workforce pay and policies when determining the Directors' Remuneration Policy to ensure that it is appropriate in this context.</li> </ul>
<p><b>Alignment with culture</b> Incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.</p>	<ul style="list-style-type: none"> <li>• The Board is focused on ensuring a healthy culture exists across the entire Group which supports our focus on delivery of commitments, innovation, continuous improvement and being open and transparent. We believe that the Executive Directors and wider management team set the standards for behaviour and conduct across the Group</li> <li>• Our incentive schemes are aligned with our strategy to return to sustainable long-term growth and profitability.</li> </ul>

## Annual report on remuneration

This part of the report sets out the actual payments made by the Company to its Directors with respect to the year ended 31 December 2020.

The Remuneration Committee's policy is to attract and retain individuals of the highest calibre by offering remuneration competitive with comparable publicly listed companies, and to drive Company performance by providing arrangements which fairly and responsibly reward individuals for their contribution to the success of the Group. Performance related bonuses and equity-based remuneration represent a substantial proportion of Executive Directors' potential remuneration.

The information provided in this part of the Directors' Remuneration report is subject to audit.

### Single figure table

The aggregate remuneration provided to Directors who have served as Directors in the year ended 31 December 2020 is set out below, along with the aggregate remuneration provided to such Directors for the financial year ended 31 December 2019.

#### Year ended 31 December 2020

	Salary/fees <sup>(a)</sup> £'000	Benefits <sup>(b)</sup> £'000	Performance bonus <sup>(c)</sup> £'000	Bonus <sup>(d)</sup> £'000	Others <sup>(e)</sup> £'000	Pension <sup>(f)</sup> £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
<b>Executive</b>									
John Mills	300	27	162	–	4	18	511	345	166
Ian Tichias <sup>1</sup>	175	36	76	66	4	11	368	288	80
<b>Non-Executive</b>									
Andrew Herbert (Chairman) <sup>2</sup>	80	–	–	–	–	–	80	80	–
Alison Littlely <sup>3</sup>	32	–	–	–	–	–	32	32	–
Chris Morgan	48	–	–	–	–	–	48	48	–
Robin Williams <sup>4</sup>	23	–	–	–	–	–	23	23	–
Margaret Rice-Jones <sup>5</sup>	25	–	–	–	–	–	25	25	–

#### Year ended 31 December 2019

Director	Salary/fees £'000	Benefits £'000	Bonus £'000	Others £'000	Pension £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
<b>Executive</b>								
John Mills <sup>6</sup>	67	6	46	–	3	122	122	–
Doug Edwards <sup>7</sup>	271	59	–	–	27	357	357	–
<b>Non-Executive</b>								
Robin Williams (Chairman)	102	–	–	–	–	102	102	–
Margaret Rice-Jones	48	–	–	–	–	48	48	–
Chris Morgan	44	–	–	–	–	44	44	–
Andrew Herbert	47	–	–	–	–	47	47	–

	Salary/fees <sup>(a)</sup> \$'000	Benefits <sup>(b)</sup> \$'000	Bonus <sup>(c)</sup> \$'000	Others <sup>(d)</sup> \$'000	Pension <sup>(e)</sup> \$'000	Total remuneration \$'000	Total fixed remuneration \$'000	Total variable remuneration \$'000
Shomit Kenkare <sup>8</sup>	294	32	–	–	29	356	356	–

1 Ian Tichias joined the Board on 1 March 2020.

2 Andrew Herbert became Chairman on 1 April 2020.

3 Alison Littlely joined the Board on 1 May 2020.

4 Robin Williams stepped down as Chairman on 31 March 2020.

5 Margaret Rice-Jones stepped down from the Board on 30 June 2020.

6 John Mills became CEO and joined the Board on 11 October 2019.

7 Doug Edwards stepped down from the Board on 11 October 2019.

8 Shomit Kenkare stepped down from the Board on 31 December 2019 and his salary was paid in US Dollars.

## Directors' Remuneration report (cont.)

The figures in the single figure table on page 87 are derived from the following:

(a) Salary/fees	The amount of base salary/fees received in the year.
(b) Benefits	This is the taxable value of benefits and the flexible benefits allowance received in the year. This includes any relocation allowance claimed in 2020.
(c) Performance bonus	The value of the bonus earned in respect of the year. 30% of the bonus earned will be deferred in shares and subject to a two-year deferral period with the balance delivered in cash. To provide further alignment with shareholders, the deferred element of bonus earned based on the 3D strategic goals will be forfeited in the event that the transaction does not complete by 30 June 2021.
(d) Bonus	The value of any other bonus; for Ian Tichias, this is a bonus payment of £65,420 to compensate him for remuneration forfeit when he joined Xaar as CFO.
(e) Others (LTIPs and SAYE)	The value of performance related incentives vesting in respect of the financial year and the value of SAYE options granted based on the fair value of the options/shares at grant.  The Performance Share Awards granted under the LTIP in April 2018 to former Executive Directors have lapsed. The current Executive Directors did not hold LTIPs that would have vested in respect of the financial year ending 31 December 2020.
(f) Pension	The value of the employer contribution to the defined contribution pension plan in the UK or the 401k plan in US (or the value of a salary supplement paid in lieu of a contribution to this pension plan).

### Individual elements of remuneration

#### Base salary and fees

The CEO's salary was set at £300,000 on appointment in October 2019 and was not increased in 2020. The CFO's salary was set at £210,000 on appointment in March 2020.

#### Benefits

UK benefits principally comprise a car allowance, private medical insurance and basic levels of other insurances (such as income protection cover). In addition, UK Executive Directors are provided with an allowance of 5% of base salary which they can apply to a range of benefits such as life insurance and critical illness insurance.

Benefits include any relocation allowance claimed in 2020. Ian Tichias was given relocation cost assistance to the value of £18,000.

#### Pension

The Company operates a self-administered, defined contribution, HMRC approved pension scheme. UK Executive Directors participate in this scheme. In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan. This salary supplement does not form part of salary for the purposes of calculating any other entitlement under the policy. Non-Executive Directors do not receive pension contributions.

#### Annual bonus

For the financial year ended 31 December 2020, the CEO and CFO were eligible for a maximum annual bonus of up to 125% of base salary and 100% of base salary respectively. Annual bonus targets were set based on performance against adjusted Group profit before tax (50%), cash flow improvement (30%) and 3D revenue targets (20%).

As discussed in the statement from the Chairman of the Remuneration Committee, taking into account the impact of the launch of the new strategy in September 2020, the Committee carefully considered how the performance goals set at the start of 2020 should be assessed. Reflecting the change in focus for the Xaar 3D business from growing revenues to an alternative ownership structure, the 3D revenue target was replaced with strategic goals of the 3D business. Details of the bonus targets and outcomes are shown in the table below.

	Weighting	Threshold (0% of maximum vests)	Target (50% of maximum vests)	Maximum (100% vesting)	Actual	% of maximum vesting
Adjusted Group PBT*	50%	(£12.3m)	(£8.2m)	(£2.7m)	(£10.6m)	25.13%
Cash flow from operations**	30%	(£3.3m)	–	£4.4m	£1.7m	69.03%
Strategic goals for Xaar 3D	20%	Performance out-turn based on Committee's assessment of progress with product development and testing in Xaar 3D and working closely with Stratasys to optimise the approach to commercialisation of the product range. The Committee determined that an on-target performance against these strategic goals for the 3D business was merited.				50%
Overall out-turn						43.27%

\* The Adjusted Group PBT target is the adjusted loss before tax from continuing operations as defined in note 4, plus the adjusted loss before tax for Xaar 3D.

\*\* The cash performance targets and actual results excluded residual cash payments made during 2020 in respect of commitments outstanding at the end of 2019, following termination of the Thin Film development programme.

The bonus out-turns for 2020 are detailed in the table below.

	% of maximum opportunity vesting	% of salary	Total	Cash	Deferred shares**
John Mills	43.27%	54.09%	£162,271	£113,588	£48,680
Ian Tichias	43.27%	43.27%	£75,725	£53,008	£22,718

\*\* In line with the new Remuneration Policy approved in 2020, 30% of the bonus earned will be deferred in shares and subject to a two-year deferral period with the balance delivered in cash. To provide further alignment with shareholders, the deferred element of bonus earned based on the 3D strategic goals will be forfeited in the event that the transaction does not complete by 30 June 2021.

The Committee gave careful consideration to this outcome in respect of various internal and external factors including the fact that no employee was furloughed or made redundant as a result of COVID-19 during 2020, our share price has increased significantly over the course of the year, revenue for the year was £48 million in line with management expectations and excellent progress has been made refocusing the business on our core competencies and developing a strategy for growth exploiting the fundamental strength of our bulk piezo inkjet technology

## Long-term incentives awarded during the financial year

The table below outlines awards made under the LTIP to Executive Directors in 2020:

	Award basis	Performance condition	Number of shares	Face value of the award <sup>2</sup> £'000	Vesting at threshold	Performance period	Vesting date	
4 June 2020	John Mills	Performance Share Plan awards	EPS & TSR	365,000	215	25% of award	1 January 2020 to 31 December 2022	4 June 2023
29 April 2020 <sup>1</sup>		Performance Share Plan awards	aPBT	50,000	21	25% of award	1 January 2020 to 31 December 2022	29 April 2023
4 June 2020	Ian Tichias	Performance Share Plan awards	EPS & TSR	170,000	100			4 June 2023

1 LTIP awards were granted to Ian Tichias in April 2020 over 50,000 shares at £0.41 (being the mid-market price on the preceding day) with a face value of £20,500 at the date of grant. This was to compensate for options forfeited when he left his previous employer. This award is subject to a performance condition of Xaar achieving an adjusted profit before tax measured over the three-year performance period to 31 December 2022.

2 The share price used to calculate the face value of the Performance Share award granted on 4 June 2020 was £0.59 being the mid-market price on the day prior to award date.

As detailed in the Remuneration report last year, the LTIP awards granted to John Mills and Ian Tichias during 2020 were set as a fixed number of shares – 365,000 shares and 170,000 shares respectively. Based on the share price of £0.59 at the date of grant, the LTIP grants in 2020 equate to circa. 72% and 48% of salary for the CEO and CFO respectively. The 2020 LTIP grants were based on Adjusted EPS performance for the final year of the three-year performance period (i.e. Adjusted EPS for the year ending 31 December 2022) (60% of the award) and relative TSR performance against the companies in the FTSE SmallCap Index (40% of the award) measured over a three-year performance period to 31 December 2022 (performance conditions disclosed on page 79). In line with the UK Corporate Governance Code, there is a further two-year holding period following the end of the performance period. Given the turnaround position of the Company, the Board considers the EPS performance targets for the LTIP awards granted in 2020 to be commercially sensitive information at this time but, as in past years, will fully disclose the exact measurements retrospectively.

## Directors' Remuneration report (cont.)

### Shareholding guidelines and total shareholdings of Directors

On 16 May 2017, the Remuneration Committee introduced a shareholding guideline of 200% salary. Executive Directors are required to retain half of the after tax number of shares they acquire pursuant to the LTIP or deferred bonus until this level of holding is achieved. The extent to which each Executive Director has met the shareholding guideline is shown in the table below:

Name	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Vested	Unvested		Total as at 31 December 2020
						Subject to performance conditions	Not subject to performance conditions	
<b>Executive Directors</b>								
John Mills	200% of salary	(74%)	Shares LTIP options	125,000 –	– –	– 545,328	– 5,294	<b>125,000</b> <b>550,622</b>
Ian Tichias	200% of salary	(42%)	Shares LTIP options	50,000 –	– –	– 220,000	– 5,294	<b>50,000</b> <b>225,294</b>
<b>Non-Executive Directors</b>								
Andrew Herbert			Shares	100,000	–	–	–	<b>100,000</b>
Robin Williams (Resigned 31 March 2020)			Shares	10,000	–	–	–	<b>10,000</b>
Margaret Rice-Jones (Resigned 30 June 2020)			Shares	5,700	–	–	–	<b>5,700</b>

Shares valued at closing price on 31 December 2020 (£1.78) and salaries at 31 December 2020 (CEO £300,000 and CFO £210,000).

There have been no changes in the Directors' holdings in the share capital of the Company, as set out in the table above, between 31 December 2020 and 27 April 2021. Chris Morgan and Alison Littlely hold no shares or options in Xaar plc. These figures do not include the 30% of the bonus earned that will be deferred in shares and subject to a two-year deferral period with the balance delivered in cash.

### Outstanding Directors' share awards

The awards held by Executive Directors of the Company under the LTIP are shown below:

#### LTIP

The outstanding awards granted to each Executive Director of the Company under the Xaar plc 2017 LTIP are as follows. All options under the LTIP are nil-cost options such that no exercise price is payable. The performance conditions for these LTIP awards are described in full in this report.

Name	As at 1 January 2020 (1)	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2020	Grant date	Share price at date of grant	Earliest date of exercise	Expiry date
John Mills	180,328	–	–	–	<b>180,328</b>	4 October 2019	£0.452	4 October 2022	4 October 2029
		365,000	–	–	<b>365,000</b>	4 June 2020	£0.59	4 June 2025	4 June 2030
	180,328	365,000	–	–	<b>545,328</b>				
Ian Tichias	–	50,000	–	–	<b>50,000</b>	29 April 2020	£0.41	29 April 2023	29 April 2030
	–	170,000	–	–	<b>170,000</b>	4 June 2020	£0.59	4 June 2025	4 June 2030
	–	220,000	–	–	<b>220,000</b>				

(1) These options carry the performance criteria of an Absolute EPS requirement and TSR relative to the FTSE SmallCap (50/50 weighting) which must be achieved on conclusion of a three-year vesting period.

### All employee share plans

The Executive Directors may participate in the Company's all employee share plans, the Xaar plc SAYE Scheme (SAYE Scheme) and the Xaar SIP, on the same basis as other employees. The SAYE Scheme provides an opportunity to save a set monthly amount (up to £500) over three years towards the exercise of a discounted share option, which is granted at the start of the three years. The SIP scheme has not been used since 2017 but may be used at an appropriate point in the future. Options and awards under these plans are not subject to performance conditions.

The outstanding awards granted to each Executive Director under the SAYE Scheme at 31 December are as follows:

Name	As at 1 January 2020	Granted during the year	Lapsed during the year	Exercised during the year	As at 31 December 2020	Grant date	Exercise price	Earliest date of exercise	Expiry date
John Mills	–	5,294	–	–	<b>5,294</b>	2 November 2020	£1.02	2 November 2023	2 May 2024
Ian Tichias	–	5,294	–	–	<b>5,294</b>	2 November 2020	£1.02	2 November 2023	2 May 2024

## Payments for loss of office made during the year

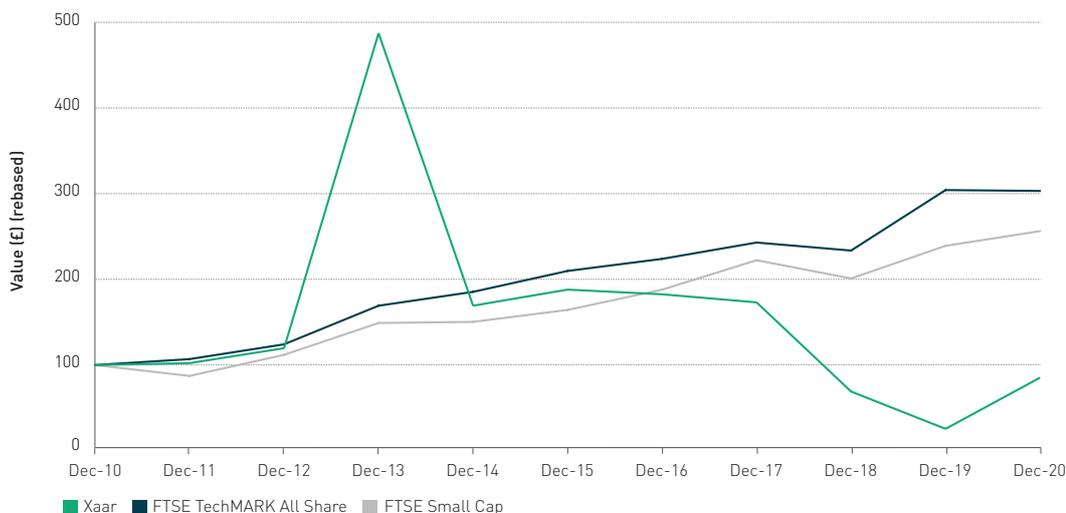
No payments for loss of office were made in 2020.

The information provided in this part of the Directors' Remuneration report is not subject to audit.

### Performance graph and table

The graph on this page shows the Company's performance measured by total shareholder return (TSR), compared with the performance of the FTSE TechMARK All Share Index and FTSE SmallCap Index (of which Xaar is now a member), which the Remuneration Committee considers to be the most appropriate indices for comparison because they illustrate the Company's TSR performance against a broad equity market index of similar UK companies.

#### Total Shareholder Return



This graph shows the value, by 31 December 2020, of £100 invested in Xaar on 31 December 2010, compared with the value of £100 invested in the FTSE TechMARK All Share and FTSE SmallCap Indices on the same date.

The other points plotted are the values at intervening financial year-ends.

Source: Datastream (Thomson Reuters).

This graph shows the value, by 31 December 2020, of £100 invested in Xaar on 31 December 2010, compared with the value of £100 invested in the FTSE TechMARK All Share and FTSE Small Cap Indices on the same date on a yearly basis. The other points plotted are the values at intervening financial year-ends.

The table below shows details of the total remuneration, annual bonus (as a percentage of maximum opportunity) and LTIP vesting percentage for the Chief Executive Officer over the last ten financial years.

	Total remuneration	Annual bonus as a % of maximum opportunity	LTIP as a % of maximum opportunity
Year ended 31 December 2020	511	43.27%	n/a
Year ended 31 December 2019 – John Mills	122	0%	0%
Year ended 31 December 2019 – Doug Edwards	357	0%	0%
Year ended 31 December 2018	502	12%	0%
Year ended 31 December 2017	594	0%	50%
Year ended 31 December 2016	429	12.5%	0%
Year ended 31 December 2015	571	48%	0%
Year ended 31 December 2014	562	0%	100%
Year ended 31 December 2013	1,379	83%	100%
Year ended 31 December 2012	649	53%	100%
Year ended 31 December 2011	1,244	100%	100%

1. Doug Edwards was CEO from 1 January until 10 October 2019, and John Mills was CEO from 11 October to 31 December 2019.

2. John Mills did not earn a performance bonus in respect of 2019. He received a buy-out bonus to compensate him for loss of income to join Xaar.

## Directors' Remuneration report (cont.)

### Percentage change in Directors' remuneration

The table below shows the percentage change in each Director's salary/fees, benefits and bonus and average remuneration of full-time employees on a full-time equivalent basis between the year ended 31 December 2019 and the year ended 31 December 2020, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full-time equivalent basis.

Ian Tichias and Alison Littlely were appointed to the Board during 2020 and, accordingly, have been excluded from the table below.

For the purposes of the table below, the average employee has been defined as being within the UK employees of the Group. This comparator group was chosen because it is the most relevant sub-set of employees and can be used consistently.

Year	Salary/Fees			Benefits			Bonus		
	2020	2019	% increase	2020	2019	% increase	2020	2019	% increase
John Mills	<b>300,000</b>	300,000	-	<b>27,000</b>	27,000	-	<b>162,271</b>	205,970	(21%)
Andrew Herbert	<b>80,000</b>	47,000	70%	-	-	-	-	-	-
Robin Williams (Chairman)	<b>90,000</b>	102,000	(12%)	-	-	-	-	-	-
Margaret Rice-Jones	<b>49,000</b>	48,000	2%	-	-	-	-	-	-
Chris Morgan	<b>48,250</b>	44,000	10%	-	-	-	-	-	-
Comparator employee group	<b>38,779</b>	37,833	2.5%	<b>1,163</b>	1,135	2.5%	<b>2,675</b>	-	n/a

1. John Mills – became CEO on 11 October 2019, therefore 2019 salary, benefits and bonus figures have been annualised to provide comparison.
2. Andrew Herbert became Chairman on 1 April 2020 and received an annual fee of £90,000 from this date. Remuneration prior to this date and during 2019 was as a Non-Executive Director.
3. Robin Williams stepped down in March 2020. His fees have been annualised to provide comparison (and reflect the agreement that the Chairman fees would be reduced to £90k p.a. in 2020).
4. Margaret Rice Jones stepped down on 30 June 2020. Her 2020 fees have been annualised to provide a comparison.
5. Average employee – Full-time equivalent median employee of Xaar plc. Zero bonus in 2019.
6. Ian Tichias – joined Xaar as CEO on 1 March 2020. No comparison is possible to 2019.
7. Alison Littlely joined the Board on 1 May 2020 so there is no 2019 data to compare.

## CEO pay gap ratio

The following table sets out the ratio of the CEO's total remuneration in respect of FY20 (taken from the single figure table on page 87) to the 25<sup>th</sup> percentile, 50<sup>th</sup> percentile (i.e. the median) and the 75<sup>th</sup> percentile full-time equivalent (FTE) of the Group's UK employees. In line with the applicable regulations, the corresponding ratios for 2019 are also included. The basis for the 2019 CEO total remuneration was based on the sum of the two CEOs that served during that year.

Year	Method	25th percentile	Median pay ratio	75th percentile
2020	Option A	15:1	11:1	8:1
2019	Option A	17:1	12:1	8:1

The median and quartile figures have been determined based on Option A as this was stated in government guidance as the most statistically accurate method. Remuneration for other employees for the purposes of the calculations was as at 31 December in each year.

In line with the applicable regulations, we have set out below for the same employee percentiles (and for the CEO) their total remuneration in respect of 2019 and 2020 and the salary component of that remuneration.

Year	CEO total remuneration (salary component of total remuneration)	25th percentile employee total remuneration (salary component of total remuneration)	Median employee total remuneration (salary component of total remuneration)	75th percentile employee total remuneration (salary component of total remuneration)
2020	£511k (£300k)	£33k (£29k)	£46k (£34k)	£64k (£50k)
2019	£479k (£338k)	£28k (£26k)	£39k (£33k)	£57k (£52k)

The reduction in the 2020 pay ratios relative to the 2019 pay ratios is attributable to a change in the remuneration of the CEO and the employees receiving a bonus for the 2020 performance. The Committee believes the median pay ratio is consistent with the pay, reward and progression policies for the UK employees taken as a whole.

## Spend on pay

The table below sets out the Group's distributions to shareholders by way of dividends and total Group-wide expenditure on pay for all employees (including employer social security, pension contributions and share-based payments), as reported in the audited financial statements for the financial year ended 31 December 2020.

	2020 £'000	2019 £'000	Change %
Dividends paid to shareholders	–	–	–
Group-wide expenditure on pay for all employees (note 9)	21,629	25,416	(15%)

## Directors' Remuneration report (cont.)

### Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2021

Information on how the Company intends to implement the Policy for the financial year commencing 1 January 2021 is set out in the statement from the Chairman of the Remuneration Committee and is summarised below.

#### Basic salary and fees

The proposed base salary increases for the Executive Directors are shown below:

	Review date	2020	2021	% increase
John Mills	1 Jan 2021	<b>£300,000</b>	£315,000	5%
Ian Tichias	1 Jan 2021	<b>£210,000</b>	£220,500	5%

As explained in the statement from the Chairman of the Remuneration Committee these increases reflect the significant progress made during the year under the leadership of John Mills and Ian Tichias, the improved profitability of the Group and the increased size of the Group.

Fees for Non-Executive Directors will be increased by 2.5% with effect from 1 January 2021 which is aligned with the general increase given to all employees.

	Additional duties	Additional fees	Review date	2020	2021	% increase
Andrew Herbert	Chairman		1 Jan 2021	<b>£90,000</b>	£92,250	2.5%
Alison Littley	Rem Com & SID	£4,000	1 Jan 2021	<b>£45,000</b>	£46,125	2.5%
Chris Morgan	Audit Committee & 3D	£4,000	1 Jan 2021	<b>£45,000</b>	£46,125	2.5%

#### Annual bonus

The maximum opportunity for the CEO and CFO will be unchanged at 125% and 100% of base salary respectively for 2021. The performance metrics for the bonus for 2021 are adjusted Group profit before tax (70%) and cash generated from operations (30%).

30% of any bonus earned will be deferred in shares and subject to a two-year deferral period. The Committee has discretion to amend formulaic outputs such that in addition to overall business performance, circumstances that were unexpected or unforeseen (or any other reasons at the discretion of the Committee) will be considered.

The Board considers the Group profit and cash targets for 2021 to be matters that are commercially sensitive and should therefore remain confidential to the Company. It provides our competitors with insight into our business plans, expectations and our strategic actions. However, the Remuneration Committee will disclose on a retrospective basis how the Company's performance relates to any annual bonus payments made.

#### Long-term incentives

Reflecting the strong recovery in our share price, the maximum LTIP award in 2021 will be capped at 150% of base salary for the CEO and 100% of salary for the CFO. 2021 LTIP awards will be based on:

1. Cumulative Adjusted EPS performance (60% of the award); and
2. Relative TSR performance against the companies in the FTSE SmallCap Index (40% of the award).

Cumulative Adjusted EPS and relative TSR performance will be measured over a three-year performance period to 31 December 2023 with a further two-year holding period following the end of the performance period.

As for 2020, given the turnaround position of the Company, the Board considers the EPS performance targets for the LTIP awards to be granted in 2021 to be commercially sensitive information at this time but, as in past years, will fully disclose the exact measurements retrospectively. We will revert to publishing any measurement targets in advance as we have done in the past as soon as possible. The performance conditions in relation to the TSR benchmark and performance are disclosed on page 79.

## Consideration by the Directors of matters relating to Directors' remuneration

### Membership

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The terms of reference of the Remuneration Committee can be obtained by contacting the Company Secretary. Please see the tables on page 71 for details of the Committee members in the year and the number of Committee meetings attended.

The Remuneration Committee is currently chaired by Alison Littlely. The other members during the year ended 31 December 2020 were Andrew Herbert and Chris Morgan. All members of the Remuneration Committee are considered independent within the meaning of the UK Corporate Governance Code.

### Role and responsibilities of the Remuneration Committee

The Remuneration Committee's primary responsibilities are:

- To make recommendations to the Board on the Group's policy for executive remuneration, and review the ongoing appropriateness and relevance of the policy taking into account workforce related pay and policies and the alignment of incentives and rewards with culture
- To determine, on behalf of the Board, the specific remuneration and other benefits of Executive Directors, senior management and the Company Secretary (including pension contributions, bonus arrangements, long-term incentives and service contracts)
- To review the design of all share incentive plans and oversee any major changes in employee benefit structures
- To ensure appropriate stakeholder input into the work of the Committee with specific focus on employees through regular employee engagement.

The fees paid to the Non-Executive Directors are determined by the Chief Executive Officer and the Chairman. The fees paid to the Chairman are determined by the Chief Executive Officer and the Non-Executive Directors.

The members of the Remuneration Committee have no personal financial interest, other than as shareholders, in the matters to be decided, no actual or potential conflicts of interest arising from other directorships and no day to day operational responsibility within the Company. Executive Directors are not entitled to accept more than one non-executive directorship outside the Group.

### Key issues and activities

The key activities of the Remuneration Committee during 2020 are shown below:

#### Remuneration Committee's key activities in 2020

Executive Directors' and senior management remuneration	<ul style="list-style-type: none"> <li>Assess 2019 bonus and LTIP outcomes</li> <li>Set the remuneration for the Executive Directors, senior management and the Company Secretary</li> <li>Agree the remuneration package for Ian Tichias on his appointment as CFO on 1 March 2020</li> <li>Finalise and approve 2020 bonus and 2020 LTIP targets</li> <li>Review update on market practice and corporate governance</li> <li>Review of Executive Director shareholdings against shareholding guidelines</li> <li>Review the impact of the launch of the new strategy and consider how the performance goals set at the start of 2020 should be assessed</li> </ul>
Share incentives plans	<ul style="list-style-type: none"> <li>Review eligibility for LTIP awards</li> <li>Approve grant of LTIP awards</li> <li>Approve grant of SAYE awards</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Engagement with shareholders on the new Remuneration Policy approved by shareholders at the 2020 AGM</li> <li>Consider and approved the Annual Report on Remuneration</li> <li>Consider the background of COVID-19 and its impact on remuneration</li> </ul>
Wider workforce	<ul style="list-style-type: none"> <li>Review proposed annual pay increases for the wider workforce</li> <li>Review proposed bonus payments for the wider workforce</li> <li>Agree improved processes for the Remuneration Committee to monitor wider workforce pay and policies</li> </ul>

## Directors' Remuneration report (cont.)

### Advisors to the Remuneration Committee

The Remuneration Committee is assisted in its work by Xaar's human resources department. The Chief Executive Officer is consulted on the remuneration of those who report directly to him and also of other senior executives. No Executive Director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration.

During the financial year, the Committee received independent advice from Deloitte LLP, which was appointed by the Committee, in relation to the Committee's consideration of matters relating to Directors' remuneration. Deloitte LLP was appointed in 2019 following a formal tender process. Fees for advice provided to the Remuneration Committee during the year were £8,000. Fees were charged on a time and disbursements basis.

Deloitte LLP is a member of the Remuneration Consultants Group and voluntarily operates under its code of conduct in its dealing with the Remuneration Committee. The Remuneration Committee continued to review the appointment of Deloitte LLP and is satisfied that all advice received was objective and independent.

Deloitte also provide advice to the Company on the operation of its employee share plans.

### Shareholder voting

The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration report for the year ended 31 December 2019 and in respect of the resolution to approve the Directors' Remuneration Policy approved at the 2020 AGM.

Number of votes	For (including discretion)	Against	Withheld
Resolution 8 – Directors' Remuneration report for the year ended 31 December 2019	50,592,544 (99.88%)	58,713 (0.12%)	261,809
Resolution 13 – Directors' Remuneration Policy	50,592,544 (99.41%)	299,077 (0.59%)	21,445

### Approval

This report was approved by the Board on 27 April 2021 and signed on its behalf by:



**Alison Littley**

Remuneration Committee Chairperson

## Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('IFRSs') and have also chosen to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Select and apply accounting policies in accordance with IAS 8
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a strategic report, Directors' report, and Directors' remuneration report that comply with that law and those regulations.

### Website publication

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors of Xaar plc are listed on pages 56 and 57.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:



**John Mills**  
Chief Executive Officer

27 April 2021