

# Introduction to Governance

## An introduction from our Chairman



*We all lead with integrity, passion and courage to inspire everyone to live our values. We overcome our challenges through innovation and deliver on promises to our customers, winning together.*

**Andrew Herbert**  
Chairman

The past 12 months have seen much change at Xaar, with a new brand identity and set of values launched in 2020.

### 2021 focus areas

- Continue the development and rollout of new products and solutions under the ImagineX platform
- Conclude negotiations in amendment of the Call Option for disposal of Xaar 3D Group to be submitted to shareholder approval
- Improvements to internal control and financial reporting environment within EPS
- Task Force for Climate-related Financial Disclosures (TCFD) to be incorporated into 2021 reporting
- Identify non-organic growth opportunities across the business environment.

### Dear Shareholders

This corporate governance section of the Annual Report sets out what governance means to Xaar and to the Board, both in itself and in terms of its impact on decision making in the business, and looks to assure shareholders and others we have embedded the values that they would expect to see in place.

Corporate governance is not just a set of guidelines but a framework which underpins the core values of the business. It sets standards against which we can judge whether we are acting in the right way and for the right reasons when we make decisions, while ensuring we have all the appropriate and necessary safeguards, checks and balances in place.

### Purpose, culture and values

A healthy corporate culture is a valuable asset, a source of competitive advantage and vital to the creation and protection of long-term value. It is the Board's role to determine the purpose of the Company and ensure that the Company's values, strategy and business model are aligned to it.

In September 2020, when we announced our new brand identity and launched the ImagineX platform, we also launched a new set of values to reflect the true essence of Xaar and which we use to guide the way we behave towards our customers, our partners and each other.

These values are our guiding principles:

- + We do everything with passion
- + We are creative
- + We are innovative
- + We have integrity
- + We are collaborative

### Board changes

This year saw significant changes to Board membership including a new Chair, a new CFO and a new Non-Executive Director.

The Nomination Committee has reviewed and concluded that, in the initial period of implementation of the new business strategy, and in the face of stringent cost measures implemented elsewhere in the business, it is appropriate to maintain three rather than the previously four independent Non-Executive Board members. This position remains under review by the Committee to ensure the Board and its Committees maintain appropriate skills and experience and that the majority of the Board remains independent.

### Looking ahead

The past 12 months have seen much change at Xaar.

The Board continues to provide effective and independent oversight of the Company's strategy and its broad business operation, within a framework of effective controls and prudent risk assessment.

Additional work will be undertaken in 2021 to address internal control issues raised during the external audit within EPS, and to identify the roadmap for compliance with the TCFD reporting requirements by end of 2021.

**Andrew Herbert**  
Chairman

27 April 2021

## Section 172 Statement

Decisions of the Board take into account not just short-term, but also medium and long-term consequences, which are carefully considered and balanced, having regard to the sometimes conflicting needs and priorities of the business, its customers, partners, employees and other stakeholders.

The decision to potentially divest the 3D business will create a cash funding pool available for investment into targeted development of the ImagineX platform to strengthen both the existing product portfolio and existing customer relationships, but also to develop new product solutions and new revenue streams in new customer sectors.

The Directors' report and Corporate governance report set out in greater detail Xaar's policy towards its employees. Xaar's value is created through innovation, which is a product of motivated employees. They are of central importance to Xaar's success, and the Directors believe that the Xaar culture and core values create an environment for engaged and successful employees. The Xaar HR team supports managers to look after employee needs, and the Directors review an annual employee engagement survey, which ensures that employee interests and needs are at the kept forefront of the Board agenda.

Three virtual 'Meet the NEDs' employee sessions took place in 2020, hosted by each of the Non-Executive Directors. Topics discussed were wide ranging with discussions around the new strategy and direction of the business, remuneration, employee training and opportunities for development.

Regular communication sessions were organised with the Executive Directors, including presentation of the three year business plan via webinar to all employees, with a question and answer session.

Xaar's success depends on strategic relationships with key partners, OEM customers and suppliers, so the Board maintains ongoing oversight of these. Monthly management packs report to the Board on the status of key relationships, which have Board-level engagement from an operational perspective.

Product performance is constantly monitored, and customer feedback continuously captured through regular account meetings, which are always attended by management-level, and often Director-level, representatives.

Xaar seeks to make a positive contribution to its community, at local and global levels, and to minimise as far as possible its impact on the environment. Xaar backs its employees' interests in community activities, supporting them in terms of time to attend to these commitments and financial backing.

 **Further details on practical steps Xaar has taken during the COVID pandemic can be found in the Strategy update (page 12) and Sustainable and Responsible business report (page 35).**

We are pleased to confirm that throughout the year ended 31 December 2020, the Company has followed the provisions of the UK Corporate Governance Code 2018 ('the Code'), and has either complied or explained why a provision has not been followed. An explanation of non-compliance in post employment shareholdings is provided in the Directors' Remuneration report (page 71).

Xaar works with the global leaders of the digital inkjet technology industry. Accordingly, the highest standards of business are demanded. Xaar works with these global leaders, at the forefront of business, industry and technological innovation, to ensure these standards are constantly challenged and improved. The competing needs of the various stakeholders of the Company are monitored and reviewed at management and Board level. Where conflicting needs arise, advice is sought from the wider Board and, as necessary, from Xaar advisors. Through the careful balancing of stakeholder needs, Xaar seeks to promote success for the long-term benefit of shareholders.

### Governance highlights at a glance

#### Key governance activities

- Establish new Executive and Non-Executive Board membership following significant personnel changes in 2020
- Undertake a review of the way the Board works and identify improvements in both agenda and delivery of Board material
- Conduct an internal review of Board effectiveness and performance during the year.

### Board attendance

Director	% attendance
<b>Andrew Herbert</b> Chairman	<b>100</b>
<b>John Mills</b> Chief Executive Officer	<b>100</b>
<b>Ian Tichias</b> CFO	<b>100</b>

Director	% attendance
<b>Chris Morgan</b> Non Executive Director	<b>100</b>
<b>Alison Littley</b> Senior Independent Director	<b>100</b>

## Introduction to Governance (cont.)

### Q&A with Ian Tichias and John Mills

This year saw significant changes to Board membership, with a new executive management team, including a new CEO and CFO



**John Mills** Chief Executive Officer



*User Developer Integrators are turning to Xaar's technology because it goes beyond the typical capabilities of inkjet.*

**John Mills**  
CEO

#### What attracted you to Xaar?

Of all the inkjet businesses in the Cambridge area, Xaar was top of the list of companies I'd like to run, so when the opportunity arose, obviously I was delighted. I have always been aware of the fundamental benefits of Xaar's technology but also some of the limitations. In my previous role at Inca I would never have adopted Xaar technology because the limitations outweighed the benefits for our application. Moving to Xaar has given me the chance to eliminate those limitations and to showcase the compelling benefits of Xaar's technology, which is very exciting.

#### What do you bring to the role of CEO?

A technical background and many years in inkjet companies has certainly been useful to quickly get to grips with the complex nature of Xaar's products and to see the unique advantages and potential of the technology. My five years as CEO of OEM Inca Digital gave me a great understanding of what our customers need from Xaar in order to drive success in their own businesses. It was clear to me that Xaar's business model and route to market created confusion, specifically with our OEM customers.

We have now adopted a clear single route to market through our OEM and UDI customers and are already starting to see the impact of the changes made.

#### What do you see as the main opportunities for Xaar in the coming year?

The progress made to date has allowed us to regain customer trust which opens new business opportunities. We are starting to gain more interest from User Developer Integrators looking to build print systems for their own specific applications which might fall outside of the typical capabilities of inkjet. UDIs are turning to Xaar's technology because it goes beyond the typical, offering the widest application window, handling a broader range of fluids, viscosities and printing modes.

We will also progress the roadmap to deliver products that offer real value propositions to our customers, which will in turn enable them to drive the success of their own businesses with our technology.

In addition, we are developing integrated solutions to enable our customers to easily adopt inkjet technology and get to market more quickly and efficiently.



**Ian Tichias** Chief Financial Officer



*It's an exciting challenge – to rebuild the Company and be involved in shaping a new, better Xaar.*

**Ian Tichias**  
CFO

### What attracted you to Xaar?

The main thing that attracted me to Xaar was the opportunity and potential of the Company and what Xaar could achieve. Huge potential such as this is really exciting and motivating. In addition, Xaar is an established business and has had such a good reputation for innovation and expertise in its field which presents me with an exciting challenge – to rebuild the Company and to be involved in shaping a new, better Xaar.

### What do you bring to the role of CFO?

Having spent 17 years in the pharma industry, I bring to Xaar substantial experience gained in successful, well managed and organised businesses. My career has been built across a number of functions, not just finance, and I have a good track record of building successful teams and driving high performance through strong leadership and direction.

Knowing what good looks like and applying best practice gives confidence to know what needs to be done to make the most of Xaar's potential. Overall, it's quite a broad leadership background which means I can easily adapt to deliver what the business needs as it develops and grows.

### What do you see as the main opportunities for Xaar in the coming year?

We're at the start of an exciting opportunity for Xaar. We have a lot of ambition and determination. We will move forward in careful, measured steps, embedding quality process and behaviours across the Company. We will make sure we have the right teams focused on the right goals and that the whole Company is aligned. The result will be a structured, stable and sustainable business. The good news is we are already making steady progress! Over the next year we will continue to build on this, to put in place a stable platform to successfully develop Xaar into the foreseeable future.



## Board of Directors



### Andrew Herbert

Chairman



**Appointed to the Board**  
2016

#### Qualifications

- FCMA Chartered Management Accountant
- BA (Hons) in Business Studies.

#### Skills and experience

- Extensive experience in the global digital printing industry following a 30-year career with Domino Printing Sciences plc, working both in the UK and the US
- Group Finance Director/Chief Financial Officer of Domino Printing Sciences plc from 1998 to 2015 during which time he played an instrumental role in expanding the business geographically through acquisition and creation of sales channels, and in broadening the product range via acquisition of technology based businesses
- Previously held a number of line director roles in Finance, Operations, Planning and Business Development.

#### External appointments

- Non-Executive Chairman of Midwich Group plc.



### John Mills

Chief Executive Officer



**Appointed to the Board**  
2019

#### Qualifications

- Ph.D Physics.

#### Skills and experience

- Five years as CEO at Inca Digital
- Previously CEO at DataLase and COO at Plastic Logic
- Wealth of experience in inkjet, having started career at Domino Printing Sciences as Development Scientist rising to Director of Development after four years in various technical roles.



### Ian Tichias

Chief Financial Officer

**Appointed to the Board**  
2020

#### Qualifications

- ACA Institute of Chartered Accountants in England & Wales
- BSc (Hons) Economics & Maths, University of Leeds.

#### Skills and experience

- Over 15 years' experience in senior financial roles
- Previously, Ibstock plc Group Finance Director and Deputy CFO, with direct responsibility for the Group's Clay division business
- Other past roles include Senior Director, Finance & Global Pricing Lead – Europe, Africa and Middle East for Zoetis and before that, Head of Finance for Pfizer Diversified Businesses ('PDB') UK
- Proven track record of delivering business focused finance operations that drive efficiency and commercial performance beyond finance.



**Chris Morgan**  
Non-Executive Director

**A R N**

**Appointed to the Board**  
2016

**Skills and experience**

- Wealth of expertise in managing complex international technology businesses, having spent 25 years at HP Inc.
- Strong background in global marketing, sales and general management senior executive roles including global accountability for HP’s multibillion dollar graphics/industrial portfolio of digital 2D and 3D printing businesses from 2009-2012
- Extensive experience in Asia and Japan having spent more than a decade in senior APJ leadership roles
- Led strategic investments in key growth markets and has been involved in a number of mergers and acquisitions at both the strategic and operational levels
- Chief Marketing Officer for Stratasys in 2014-2015 and recently served as Senior Vice President of Americas and Asia for 3D Systems, Inc. until January 2018
- Currently a Non-Executive Director for San Diego based additive manufacturing company, Intrepid Automation.



**Alison Littley**  
Senior Independent Director

**R A N**

**Appointed to the Board**  
2020

**Skills and experience**

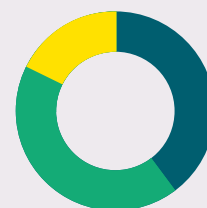
- Over 25 years’ experience within international blue chip organisations, including multinational manufacturing, supply chain and marketing services roles
- Strong international leadership background of building effective management teams and third-party relationships gained through a variety of senior management positions in Diageo plc, Mars Inc and an Agency to HM Treasury, where she was Chief Executive Officer
- For the past nine years Alison has been a Non-Executive Director (NED) of both international PLCs and privately owned businesses. She is currently NED at Norcros plc, and the family-owned Osborne construction company consisting of Osborne Group Holdings Ltd and Rosewood Group Holdings Ltd.

**Key to Committee**

- A** Audit
- R** Remuneration
- N** Nomination
- Chair
- Member

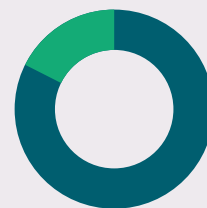
**Board composition**

- Executive Director 2
- Non-Executive Director 2
- Chair 1



**Board diversity**

- Male 4
- Female 1



**Board tenure**

- 0-3 years 3
- 3-6 years 2



## Board structure

### Board of Directors

#### Management Committee

##### Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness and effectiveness of the Internal Controls and Risk Management procedures of the Group.

**Chris Morgan** Chair  
Appointed 1 April 2020

 See page 72



#### Principal Committees

##### Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and providing advice to the Board on Board and senior management appointments and succession planning; monitoring of the composition of the Board and its Committees.

**Andrew Herbert** Chair  
Appointed 1 April 2020

 See page 76



##### Remuneration Committee

The Remuneration Committee is responsible for the development and implementation of the Group's remuneration framework and policies for Directors including all incentives and bonuses.

**Alison Littley** Chair  
Appointed 1 July 2020

 See page 78



## Directors' report

### Report on the affairs of the Group

The Directors present their Annual Report together with the financial statements and auditor's report for the year ended 31 December 2020.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include matters of strategic importance in the Strategic Report which otherwise would be required to be disclosed in the Directors' report. An indication of likely future developments in the business of the Company and details of research and development activities and important events since the financial year-end are included in the Strategic Report. The following cross-referenced material is incorporated into this Directors' report.

Non-financial information statement – Subject Matter	Section/Page
Principal Risks and uncertainties	Risk Management on pages 40-49
Business model	Strategic Report on page 14
Employee engagement	Strategic Report on page 15 Stakeholder engagement on page 32 Directors' Remuneration report on page 79
Equality, Diversity, Inclusion and Human Rights	Sustainable and responsible business on page 35
Disabled employees	Sustainable and responsible business on page 35
Supplier engagement	Stakeholder engagement on page 32
Engagement with customers and other business relationships (including community engagement)	Strategic Report on page 15 Stakeholder engagement on page 32 Sustainable and responsible business on page 34
Greenhouse gas emissions and environmental policies	Sustainable and responsible business (TCFD) on page 36 GHG statement on page 50
Political donations	Sustainable and responsible business on page 34
Ethics and Governance, including Code of Conduct, Anti-bribery and corruptions policies	Sustainable and responsible business on page 35 Corporate Governance section on page 68

## Branches

In addition to the subsidiaries disclosed in note 11 of the Company's separate financial statements on page 165, there is a branch in Stockholm, Sweden through which research and development activities are conducted. Xaarjet Overseas Limited also has sales branches in Haryana, India (closed in 2021) and Hong Kong.

## Dividends

No interim or final dividend was proposed or paid for the year ended 31 December 2020.

 Details on dividends are set out in note 13 on page 134.

## Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 26. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company, except for shares held in the Xaar Share Incentive Plan trust, which hold no voting rights.


There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

There are a number of employee share schemes, namely, Employee Share Option Schemes ('ESOP'), Long-Term Incentive Plans ('LTIPs'), Share Incentive Plans ('SIP'), and Share Save Schemes ('SAYE').

- Details of the shareholding held in trust by Xaar Trustee Ltd and held by the Xaar plc ESOP trust are provided in note 28. These have voting rights exercised by the Trustees
- Details of other share-based payment schemes are set out in note 32. Shares held in Xaar plc SIP do not hold voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to the Articles and the Companies Act.

 The powers of Directors are described in the Main Board terms of reference, copies of which are available on request, and the Corporate Governance statement, division of responsibilities on page 69.



## Directors' report (cont.)

### Treasury

The Group's policy enables it to use financial instruments to hedge foreign currency exposures. The main trading currency of the Group is GBP Sterling. The Group's use of financial instruments and the related risks are discussed further in notes 21 and 22.

At the 2020 AGM held on 2 June 2020, the Company's shareholders granted the Company authority to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company.

The Company did not purchase any shares for cancellation or to be held as treasury shares in 2020 or 2019.

### Directors and their interests

The Directors who served during the year, and subsequent to the year-end, unless otherwise stated, were as follows:

#### Robin Williams

Chairman (retired 31 March 2020)

#### Andrew Herbert

Non-Executive Director (appointed Chairman 1 April 2020)

#### John Mills

Chief Executive Officer

#### Ian Tichias

Chief Finance Officer (appointed 1 March 2020)

#### Margaret Rice-Jones

Senior Independent Director (retired 30 June 2020)

#### Chris Morgan

Non-Executive Director

#### Alison Littley

Senior Independent Director (appointed 1 May 2020, Senior Independent Director 1 July 2020)

 Brief biographical descriptions of the Directors are set out on pages 56 and 57.

 Full details of their interests in shares of the Company and its subsidiary undertakings are included in the Directors' Remuneration report on page 90.

### Shareholdings in the Company

The interests of the Directors in the shares of the Company and its subsidiaries (all of which are beneficial) as at 31 December 2020 are as follows:

	Number of ordinary shares of 10p each 31 December 2020	Number of ordinary shares of 10p each 31 December 2019
Andrew Herbert	100,000	—
John Mills	125,000	—
Ian Tichias	50,000	—
Chris Morgan	—	—
Alison Littley	—	—

There have been no changes in the Directors' interests in shares of the Company between 31 December 2020 and 27 April 2021. Directors' interests in options in the Company and in deferred bonuses (in shares) are shown in the Directors' Remuneration report. The Executive Directors are required to receive a portion of their bonus in deferred shares. At the point in which the bonus is approved each year, the shareholding is then increased accordingly.

### Directors' liabilities

Xaar plc, the ultimate parent company, and its subsidiaries have granted an indemnity to all of the Directors of Xaar plc and of its subsidiaries against liability in respect of any potential proceedings that may be brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in place during the year and remains in force as at the date of approving the Directors' report.

## Share capital

As at 31 December 2020 the Company had been notified in accordance with Chapter 5 of the Financial Conduct Authority's ('FCA's') Disclosure and Transparency Rules of the following material interests in its share capital:

Top 10 shareholders (by parent company) – at 31 December 2020	Number of ordinary shares held	Percentage of issued share capital
Schroders	22,238,789	28.39%
Aberforth Partners	8,461,333	10.80%
Hargreaves Lansdown PLC	5,508,346	7.03%
Invesco	4,070,814	5.20%
Interactive Investor Trading	3,618,360	4.62%
Columbia Threadneedle Investments	3,520,252	4.49%
Fidelity Worldwide Investment (FIL)	2,836,253	3.62%
Barclays Bank	2,395,398	3.06%
Chelverton Asset Mgt	2,331,826	2.98%
River & Mercantile Asset Mgt	2,211,608	2.82%
<b>Total</b>	<b>57,192,979</b>	<b>73.01%</b>

During the period 31 December 2020 to 26 April 2021, the Company had been notified in accordance with Chapter 5 of the Financial Conduct Authority's ('FCA's') Disclosure and Transparency Rules of the following material interests in its share capital:

Changes in material shareholdings since 31 December 2020	Number of ordinary shares held	Percentage of issued share capital
Schroder Investment Mgt (London) (decrease in shareholding from 28.39% to 27.33%)	21,406,643	27.33%
Columbia Threadneedle Investments (increase in shareholding from 4.49% to 6.69%)	5,241,342	6.69%
Hargreaves Lansdown PLC (decrease in shareholding from 7.03% to 6.54%)	5,119,423	6.54%
Odyssean Capital LLP (increase in shareholding from 2.69% to 5.09%)	3,982,500	5.09%
Interactive Investor Trading (decrease in shareholding from 4.62% to 3.57%)	2,796,503	3.57%
Fidelity Worldwide Investment (FIL) (decrease in shareholding from 3.62% to 3.23%)	2,534,063	3.23%
Barclays Bank (decrease in shareholding from 3.06% to 2.80%)	2,190,041	2.80%
River & Mercantile Asset Mgt (decrease in shareholding from 2.82% to 1.77%)	1,389,995	1.77%

## COVID-19 statement

The health and wellbeing of our colleagues, shareholders and the wider community in which our Company operates is a priority for us. The Directors have carefully considered the impact on the meeting of the constantly evolving COVID-19 situation and the UK Government's restrictions and guidance on, amongst other things, public gatherings and social distancing. As at the date of publication of the notice of the Annual General Meeting, it is anticipated that this year's AGM will be held as a closed meeting. Accordingly, save for the Chairman of the Meeting and such other persons as the Chairman of the Meeting may decide should be admitted for the purposes of forming a quorum, shareholder attendance in person at the AGM will not be permitted.

The Company will continue to closely monitor the developing impact of COVID-19 and the latest legislation and guidance issued by the UK Government. If circumstances evolve such that the Directors consider that, within safety constraints and in accordance with government guidance, arrangements regarding attendance at the Annual General Meeting can change, the Company will notify shareholders as soon as reasonably practicable of any such changes via a Regulatory Information Service and on our website. We encourage shareholders to monitor the Company's website and regulatory news services for any updates in relation to this year's AGM.

Given the uncertainty around whether shareholders will be able to attend the AGM, we strongly recommend that shareholders exercise their votes by submitting their proxy as set out in the Notice of Meeting. This will ensure that your vote will be counted if attendance at the meeting is restricted (which is likely to be the case due to the ongoing COVID-19 restrictions). All shareholders are strongly recommended to vote electronically at [www.signalshares.com](http://www.signalshares.com) as your vote will automatically be counted. In addition, should a shareholder have a question that they would have raised at the meeting, we ask that they send it by email to [investor.relations@xaar.com](mailto:investor.relations@xaar.com) before 5.00 pm on 9 June 2021. Answers to the questions will be published on our corporate website ([www.xaar.com](http://www.xaar.com)) after the AGM.

## Annual General Meeting

 The notice convening the Annual General Meeting is set out on pages 167 to 170.

Resolutions 1 to 9 set out in the notice of the meeting deal with the ordinary business to be transacted at the meeting. The special business to be transacted at the meeting is set out in Resolutions 10 to 13.

## Directors' report (cont.)

### Re-election of Directors

#### Resolutions 4 to 8

The Company's Articles of Association require the Directors to retire by rotation at least once every three years, with the number to retire by rotation at each Annual General Meeting being the number nearest to but not exceeding one third of the Board. However, the UK Corporate Governance Code provides that all Directors should be subject to re-election by their shareholders every year. In accordance with this provision of the UK Corporate Governance Code and in keeping with the Board's aim of following best corporate governance practice, the Board has, in recent years, decided that all Directors should retire at each Annual General Meeting and offer themselves for re-election.

### Directors' Remuneration report

#### Resolution 9

This Resolution seeks shareholder approval for the Directors' Remuneration report.

 **The Directors' Remuneration report can be found on pages 78 to 96 (inclusive) of the Annual Report and Financial Statements.**

In accordance with regulations which came into force on 1 October 2013, Resolution 9 offers shareholders an advisory vote on the implementation of the Company's existing remuneration policy.

### Power to issue securities

#### Resolutions 10, 11 and 12

Under section 551 of the Companies Act 2006 (the 'Act'), the Directors may only allot shares or grant rights to subscribe for or convert any securities into shares if authorised by the shareholders to do so.

Resolution 10, which complies with guidance issued by the Investment Association, will, if passed, authorise the Directors to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares, up to an aggregate nominal value of £2,611,143 (corresponding to approximately one third of the issued share capital at 26 April 2021) and up to an additional aggregate nominal value of £5,222,286 (corresponding to approximately two thirds of the issued share capital at 26 April 2021) in the case of allotments only in connection with a fully pre-emptive rights issue. The Directors have no present intention to exercise the authority sought under this Resolution. However, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

This authority will expire no later than 15 months after the passing of the Resolution. It is the Board's current intention to seek renewal of such authority at each future Annual General Meeting of the Company.

#### Disapplication of pre-emption rights Resolutions 11 and 12

Under section 561(1) of the Act, if the Directors wish to allot equity securities (as defined in section 560 of the Act) they must in the first instance offer them to existing shareholders in proportion to their holdings. In addition, there may be occasions when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

In accordance with institutional guidelines, under Resolution 11, to be proposed as a Special Resolution, authority is sought to allot shares:

- (i) in relation to a pre-emptive rights issue only, up to an aggregate nominal amount of £5,222,286 (being the nominal value of approximately two thirds of the issued share capital of the Company); and
- (ii) in any other case, up to an aggregate nominal amount of £391,672 (representing 5% of the issued share capital of the Company).

The Directors do not currently have an intention to exercise the authority.

In addition, Resolution 12, which is also to be proposed as a Special Resolution, asks the shareholders to waive their pre-emption rights in relation to the allotment of equity securities or sale of treasury shares up to a further aggregate nominal amount of £391,672 (representing 5% of the issued share capital of the Company), with such authority to be used only for the purpose of financing (or refinancing, if the authority is to be used in the six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles on Disapplying Pre-emption Rights.

The Directors will also have regard to the guidance in the Statement of Principles concerning cumulative usage of authorities within a three-year period. Accordingly, the Board confirms that it does not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

If Resolutions 11 and 12 are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolutions. It is the Board's current intention to seek renewal of such authorities at each future Annual General Meeting of the Company.

## Authority to purchase own shares

### Resolution 13

It is proposed by Resolution 13, by Special Resolution, to authorise the Company generally and unconditionally to purchase its own shares at a price of not less than the par value of the shares and not more than the higher of:

- (i) 5% above the average of the middle market quotations of the shares as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the purchase is made; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (in each case exclusive of any expenses payable by the Company).

The authority will be for a maximum of 14.9% of the Company's issued share capital and will expire at the earlier of the next Annual General Meeting of the Company or within 15 months from the date of the passing of this Resolution. The Directors currently have no intention to exercise the authority and will only purchase shares if it is in the best interests of shareholders as a whole.

The total number of ordinary shares under option, which remain unexercised and outstanding as at 26 April 2021 (including options awarded under LTIP which may be satisfied by subscription for new shares) was 3,480,593. This represents 4.4% of the issued ordinary share capital at that date. If the Company was to buy back the maximum number of ordinary shares permitted pursuant to the passing of this Resolution, then the total number of ordinary shares under option which remain unexercised and outstanding as at 31 December 2020 would represent 5.2% of the reduced issued ordinary share capital.

## Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

The structure of the Company's issued share capital is shown in note 26.

Details of ordinary shares held in trust owned by the Company can be found in note 28.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Directors are authorised to issue and allot shares and to undertake purchases of the Company's shares. Appropriate resolutions to renew these authorities are proposed to be passed at the Annual General Meeting as detailed above and notice of which is on pages 167 to 170.

 **The notice of the Annual General Meeting is on pages 167 to 170.**

## Ordinary shares

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote for every ordinary share held and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the Annual General Meeting on pages 167 to 170 specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at the Annual General Meeting.

All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are made available at the Annual General Meeting and are published on the Company's website after the meeting. No person holds securities carrying special rights with regard to control of the Company.

## Directors' report (cont.)

### Restrictions

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- pursuant to the Listing Rules of the FCA whereby all employees of the Company require the approval of the Company to deal in the Company's securities.

### Articles of Association

The Company's Articles of Association may only be amended by a Special Resolution at a general meeting of the shareholders. Directors are reappointed by Ordinary Resolution at a general meeting of the shareholders.

### Action to be taken

As detailed in the notes to the notice convening the Annual General Meeting, you will not receive a Form of Proxy for the Annual General Meeting in the post. Instead, you can vote online at [www.signalshares.com](http://www.signalshares.com). To register, you will need your Investor Code, which can be found on your share certificate; once logged on, click on the "Vote Online Now" button to vote. Proxy votes should be submitted as early as possible and in any event, no later than 48 hours before the start of the meeting (excluding weekends and public holidays). Shareholders attempting to attend the meeting will be refused admission.

You may request a hard copy proxy form directly from the registrars, Link Asset Services on 0871 664 0300. (Calls cost 12 pence per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate.) Lines are open between 9.00a.m. to 5.30p.m., Monday to Friday, excluding public holidays in England and Wales.

### Appointment and replacement of Directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and prevailing legislation.

The Board can appoint a Director but anyone so appointed must be elected by an Ordinary Resolution at the next general meeting.

All Directors are required to submit themselves for reappointment every year at the AGM (see: Re-election of Directors, above) in line with the UK Corporate Governance Code.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an Ordinary Resolution of the Company.

### Significant interests

 **Directors' interests in the share capital of the Company are shown in the table on page 60.**

 **Major interests (i.e. those greater than 3%) of which the Company has been notified are shown on page 61.**

### Company share schemes

The Xaar plc ESOP Trust holds 0.9% (2019: 1.2%) of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees.

### Change of control

The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Depending on the achievement of performance conditions, share-based payment arrangements may vest on change of control but this is subject to the approval and exercise of the discretion of the Remuneration Committee.

### Going concern

 **The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 9 to 13 and Business performance on pages 28 to 31.**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 19. The Group reported a loss after tax for the year ended 31 December 2020 of £14.7 million, of which £10.3 million related to discontinued operations, being the final costs relating to Thin Film and the Xaar 3D business which is expected to be sold. Notes 21 and 22 include a description of the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group's day to day working capital requirements are expected to be met through the current cash and cash equivalent resources (including Treasury deposits) at the balance sheet date of 31 December 2020 of £18.1 million. The Group was debt free as at 31 December 2020 and across each of the going concern scenarios described below.



Whilst the impact of COVID-19 on the performance of the business over the last year has not been significant, the long-term implications of the spread of the virus remain uncertain making it difficult to determine the impact on the 2021 financial performance. The Board has therefore considered the performance of the different businesses across the Group and each of their funding requirements before performing a number of stress tests. The base going concern case assumes that the disposal of Xaar 3D completes as described in note 37 and the Strategic update on page 11, however excludes the anticipated consideration. Conservatively, a second case which excludes the disposal of Xaar 3D has been applied. In both cases the downturn in revenue across the entire Group required to prevent the business continuing as a going concern would have to be severe and is not plausible given the nature and size of the order book and the trading experience of the printhead and EPS segments during COVID-19 conditions to date. Notwithstanding this, the Group has further options to mitigate a cash shortfall which have not been factored into the above forecasts, such as staffing reductions, further delaying/stopping capital and research and development expenditure and aligning performance related pay to actual results.

The Group continues to enjoy a strong cash position and is well positioned to cope with the current situation. The Board remains confident in the long-term future prospects for the Group and its ability to continue as a going concern for the foreseeable future.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, based on the Group's forecasts and projections for the period to 30 April 2022, taking account of reasonably possible changes in trading performance. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

## Viability Statement

The long-term viability of the Group is assessed by the Directors as part of the risk management process and regular strategic reviews.

The Company has undertaken a thorough strategic review of all three business units which has resulted in a three-year plan which takes into consideration the principal risks, product portfolios and R&D roadmaps, the market opportunities, our competitive position, core capabilities, and the cost structure, effectiveness and efficiency of the organisation.

 **Details of which are outlined in the CEO report and in the strategic review on pages 9 to 13.**

The plan forms the basis for strategic actions to be taken across the Company and the key objectives for each business. These objectives, and the key performance metrics associated with these, are regularly reviewed by the Directors.

The Company is aware that it operates in an uncertain environment and faces risks both internally and externally that could potentially impact on the Company's ability to achieve its strategy.

 **The principal risks and uncertainties faced by the Company are included on pages 40 to 49.**

As part of the process of reviewing these risks, and other potential risks, the Board assigns responsibility for these to members of the Executive Committee. It is the responsibility of the Executive Committee members to manage the risk and the mitigating actions. This process is supplemented with strong internal controls and processes. This combination ensures that the Company manages the risks it face appropriately and that these are considered in all of the financial models.

The Board has assessed the viability of the Group over a three-year timeframe based on the development cycles of our competitors and that of our customers and the probability this could lead to technological advancements that disrupt the markets that Xaar operates in. In practice the combined development time to produce a new printhead and subsequently a new printer is longer than this. The major risks to the Group in the three-year timeframe considered predominantly relate to existing competition displacing Xaar with their current product portfolios and macro-economic events, such as the COVID-19 pandemic, that cause a significant downturn in the global economy.

A reverse stress test of the business based on the business having insufficient liquidity to continue trading was modelled. The scenarios run focused predominantly on significant declines in revenue. In these scenarios, the Directors have considered the actions that would be taken if these events were to become a reality. These actions include reduced capital expenditure, suspension of bonus plans, and a delay in R&D programmes. These results confirmed the Group would be able to withstand these scenarios.

Taking account of the Company's current financial position, operating performance, and the principal risks and uncertainties, the Directors have assessed the prospects of the Company, and confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for the next three years, to December 2023.

## Directors' report (cont.)

### Auditor

Ernst & Young LLP were re-appointed in 2020 and have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

### Directors' statement as to disclosure of information to auditor

 The Directors who were members of the Board at the time of approving the Directors' report are listed on page 51.

Having made enquiries of fellow Directors, each of these Directors confirm that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information
- If any independent Director does not agree to support this statement this must be disclosed.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### Approval

The Directors' report was approved by the Board on 27 April 2021 and is signed on its behalf by:



**John Mills**  
Chief Executive Officer

## Corporate Governance statement

The Board's primary objective remains the acceleration of the transformation strategy, ensuring long-term, sustainable growth for the benefit of the Company's shareholders and wider stakeholders. This includes an ongoing commitment to the highest standards of corporate governance.

The 2018 UK Corporate Governance Code is an updated set of principles and provisions that emphasise the value of good corporate governance to long-term sustainable success and achievement of wider objectives.

### Application of the main principles of the Code

The Board has considered and implemented the provisions of the 2018 Code effective 1 January 2019.

We are pleased to confirm that throughout the year ended 31 December 2020, the Company has followed the principles and provisions of the UK Corporate Governance Code 2018 ('the Code'), which applies to all companies with a premium listing on the London Stock Exchange, and has either complied with the provision or explained why the provision has not been followed.

The current policy post-employment shareholding do not fully comply with the Code, and an explanation is provided in the Directors' Remuneration report on page 71.

The terms of reference for the Audit, Nomination and Remuneration Committees reflect the changes in the 2018 Code, with the Committees addressing additional requirements of them.

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to factors (a) to (f):

- a) The likely consequences of any decision in the long-term,
- b) The interests of the company's employees,
- c) The need to foster the company's business relationships with suppliers, customers and others,
- d) The impact of the company's operations on the community and the environment,
- e) The desirability of the company maintaining a reputation for high standards of business conduct, and
- f) The need to act fairly as between members of the company.

The governance report gives:

- A clear and honest view of progress throughout the year
- The outcome of our Board evaluation
- Disclosure of Board discussions and the resulting actions
- Our approach to ensuring long-term viability of the business
- Our approach to risk and mitigation.

This statement outlines the processes the Company has undertaken throughout the year to apply the Code and demonstrates compliance with each provision. An explanation of how the main principles have been applied during 2020 is set out below.

The disclosures in respect of the Takeovers Directive (as implemented in the UK) are included in the Directors' report and form part of this report.

#### 1. Board leadership and Company purpose

The Board's role is to promote the long-term sustainable success of the Company, generating value for the shareholders and contributing to wider society:

The Group has three main locations. The head office functions, R&D, EMEA sales, marketing, human resources, finance, IT and facilities are based in Cambridge and Nottingham, UK. The Group has two manufacturing facilities: one in Huntingdon, UK, and the other in Vermont, USA. The Group also has representatives in other global locations including Italy, India, Hong Kong, Sweden and Denmark.

 **Refer to page 14 for the Xaar business model.**

In accordance with the Directors' duties in Section 172 of the Companies Act 2006, the Board considers the likely consequences of any decision in the long-term. The Board incorporates the basis on which the Company generates and preserves value in formation of the strategy and strategic decision-making.

## Corporate Governance statement (cont.)

During 2020, the Board transformation progressed with the executive Board incorporating the new CEO, CFO and Chair being appointed, the continuation in the business turnaround in developing a more customer-centric business model and a change in the go-to-market strategy to increase the product offering to original equipment manufacturers and progress development of new technological solutions to address customers' requirements, with a clear product roadmap leading to the launch of ImagineX platform and new IP and product launches.

In the year ended 31 December 2020, the Company invested approximately £7.0 million in Xaar 3D. Due to delays caused by the impact of the COVID-19 pandemic on the development of Xaar 3D products, the Directors believe there was a risk that the Xaar 3D programme might take longer than anticipated when it entered into the original Call Option with Stratasy, and subsequently the Company would be required to commit additional funds to Xaar 3D. Following a re-evaluation of the further cash investment required and extended timescales to full commercialisation of the product, we have determined that it is in Xaar's best interests to bring forward the planned sale of Xaar's shares in Xaar 3D.

The terms of the proposed revised option arrangement will be published in due course and are subject to Xaar shareholder approval.

Such an arrangement would provide Xaar 3D with the best opportunity to complete the commercialisation of the HSS product range in the shortest time, would lead to an immediate injection of cash and would enable Xaar to focus on its core business.

The Board is responsible for establishing, assessing and monitoring the Company's purpose, values, strategy, and culture. In doing so, the Board ensures the alignment of the Company's culture and the transformation programme.

The Board and Directors seek to build on a mutual understanding of objectives between the Group and its institutional shareholders by meeting at least twice per year, following interim and annual results, to provide an update on trading and obtain feedback.

 **See Shareholder communications as part of the Directors' Remuneration report on page 80.**

The Group's financial public relations advisors and lead brokers give all investors and potential investors who have met with the Group's investor relations team the opportunity to provide feedback on the meetings. Additionally, the Chief Executive Officer and the Chief Financial Officer provide feedback to the Board at the meeting following shareholder meetings to ensure that the Board, and in particular the Non-Executive Directors, possess an understanding of the views of the Company's major shareholders. Both the Chairman and the Senior Independent Director are available to meet with shareholders as required.

The Board uses the AGM to communicate with investors and to encourage their participation.

Following a general meeting, voting results are published on the Company's website. If the votes against a resolution exceeded 20%, an explanation would also be published on the website. At the most recent AGM in 2020, there were no resolutions with more than 1% of votes cast against the Board's recommendation. The Company engages with shareholders both throughout the year and specifically in respect of new or significantly amended resolutions in order to ensure the Board's recommendation is aligned with the members' views.

Shareholders can access up-to-date Company information from the Investors section of the Xaar website at [www.xaar.com](http://www.xaar.com).

The Board has worked closely with executive management to redefine the Group's mission, vision and values which will underpin the Group's evolving culture under the new leadership team. Further information is in Directors' Remuneration report page 78 and Sustainable and responsible business page 34.

The Board has formally introduced workforce engagement sessions to be held at least three times a year. With the impact of COVID, the three sessions taking place in 2020 were held virtually, hosted by each of the Non-Executive Directors. Topics discussed were wide ranging but focused mainly around the new strategy and direction of the business, remuneration, employee training and opportunities for development

The Company conducts its business with the highest standards of integrity and honesty at all times and expects its employees to maintain the same standards in everything they do. Employees are therefore required to report any wrongdoing by Xaar or its members of staff that falls short of these principles. The whistle-blowing, and anti-bribery and corruption policies are available and communicated to all employees via the Company intranet, and all employees confirm in writing that they have read and comply with the whistle-blowing and anti-bribery and corruption policies. All reported incidences of actual or suspected bribery or corruption will be promptly and thoroughly investigated and dealt with appropriately by the Board. The purpose of the anti-bribery and corruption policy is to protect Xaar and its employees from breaches of anti-bribery and corruption laws. Xaar does not tolerate any employee or third party being involved in any level of bribery or corruption. Xaar is committed to complying with applicable anti-bribery and corruption laws in all countries in which it conducts business.

Following the changes made to the Company's Articles of Association to incorporate the provisions of section 175 of the Companies Act 2006 which gave boards the statutory power to authorise conflicts of interest, any potential conflict of interest is approved by the Board in advance of any action or appointment that could result in a conflict of interest arising. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Each member of the Board is familiar with the procedure to follow in relation to conflicts of interest and the process is operated efficiently.

## 2. Division of responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture emphasising openness and transparency, which enables opportunities and risks to be assessed and managed appropriately. In addition, the Board sets the Company's strategic direction; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

The Chairman, Andrew Herbert, was deemed independent on appointment in 2020. There exists a clear division of responsibilities between the Chair and the Chief Executive Officer, which is exercised by John Mills. The Chair's primary role includes ensuring the Board functions properly, that it meets its obligations and responsibilities, and that its organisation and mechanisms are in place and are working effectively.

The Board delegates management of the business to the Executive Committee, comprising Executive Directors and senior operational managers, headed by the Chief Executive Officer. The Executive Committee meets weekly and is responsible for implementing Group strategy, monitoring business performance, preparing the operating and capital expenditure budgets for recommendation to the Board, and ensuring efficient management of the Group.

The Non-Executive Directors attend the Board meetings, and form the Audit, Remuneration and Nomination Committees. They are responsible for scrutinising the performance of management and determining appropriate levels of remuneration of Executive Directors. They also have a key role in appointing and, where required, removing Executive Directors.

The Non-Executive Directors are identified on pages 56 and 57 of the Annual Report and a short biography provided. The Board has determined that each Non-Executive Director is independent in character and judgement; commits sufficient time and energy to the role; and continues to make a valuable contribution to the Board and its Committees. The Board keeps under review whether there are relationships or circumstances which are likely to affect, or could appear to affect, their independence.

The Company Secretary is the secretary to the Board and its Committees and is also the secretary to the Executive Committee. All Directors have access to the services of the Company Secretary and Directors may take independent legal and other professional advice at the expense of the Company. Camila Cottage was re-appointed as Company Secretary on 1 February 2021.

## 3. Composition, succession and evaluation

The Nomination Committee is responsible for regularly reviewing the composition of the Board. In recommending appointments to the Board, the Nomination Committee considers the range of skills, knowledge and experience required, with due regard for the benefits of diversity on the Board, including gender.

The Board continues to consider that diversity quotas at Board level are inappropriate, and is committed to recruiting the best talent available, assessed against objective criteria of skills, knowledge, independence and experience. All candidates are therefore considered on merit but without reference to a specific diversity policy and without any established measurable objectives in respect of diversity quotas (e.g. age, gender, ethnicity, disability, religion or educational and professional background). More information on the Group's gender profile is reported in Sustainable and responsible business on 35.

The Board of Directors comprises the Chairman, two Executive Directors and two Non-Executive Directors.

The Board considers Alison Littlely, Chris Morgan and Andrew Herbert to be independent within the meaning of the Code. To be considered independent each Non-Executive Director is sufficiently separate to management and free from any business or other relationships which could affect their judgement, impartiality or objectivity.

All the Non-Executive Directors are deemed to be independent members of the Board having no financial relationship or significant links with related parties. Chris Morgan maintains his independence, having departed Stratasys in 2015. All Directors complete a disclosure document prior to appointment.

The appointment of new Directors is led by the Nomination Committee. The year was a less active one for the Nomination Committee, with the appointment of Alison Littlely as Senior Independent Director following the retirement of Margaret Rice-Jones in June 2020.

The Board conducted an internal review of the effectiveness of itself, with each Non-Executive Director, the Chairman and the Board Committees in December 2020. From the review and conclusion process areas of improvement were identified, in summary:

1. Preparation of material, content and frequency of meetings
2. Delegation of authority and matters requiring Board approval to be extended to commercial contracts with long-term consequences
3. Insight into and interaction with the operating management
4. Access to off-Board management and focus on succession planning.

 **Further details of the activities of the Nomination Committee can be found on page 76.**

As part of the selection process for any potential Directors, any significant external time commitments are considered before an appointment is agreed. All Directors are required to consult with the Chair of the Board and obtain the approval of the Board, before taking on additional appointments.



## Corporate Governance statement (cont.)

Executive Directors are not permitted to take on more than one significant appointment as a director of a FTSE 100 company or any other substantial appointment.

The responsibilities of the Chair, Chief Executive, Senior Independent Director, Board and Committees are clear, set out in writing, agreed by the Board and made publicly available, with terms of reference for the Committees available on request.

The Board's policy for individual Director performance review is for a formal and rigorous appraisal process based on performance by the individual Director against specific targets. Individual Director performance is reviewed at least annually. The Senior Independent Director, in consultation with the other Non-Executive Directors and taking into account the views of the other Directors, appraises the performance of the Chairman. The Executive Directors, in consultation with the Chairman, appraise the performance of the Non-Executive Directors.

It is the Board's intention to review its own performance, and that of its Committees, at least once a year. All Directors were subject to shareholder election or re-election at the 2020 AGM, with the exception of Alison Littlely who was appointed just prior to the AGM and whose appointment was confirmed by the Board. All Directors will stand for re-election at the 2021 AGM.

**The biographies of the Directors, set out on pages 56 to 57, contain the evaluation of skills and experience beneficial to the Company so that the Board recommends the re-election or election of each Director.**

### 4. Audit, risk and internal control

**The role and responsibilities of the Audit Committee are set out in the Audit Committee section on pages 72 to 75.**

**The Directors' assessment of the Group's internal control environment as required under the UK Corporate Governance Code is set out on page 74 under 'Internal controls and compliance'.**

The Audit Committee, led by Chris Morgan, plays a key role in monitoring and evaluating our compliance and risk management processes, providing independent oversight of our external audit and internal control programmes, accounting policies and business transformation projects, and in assisting the Board in reporting in a fair, balanced and understandable manner to our shareholders. The Board has satisfied itself that Chris Morgan has recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the sectors in which the Company operates.

**The significant accounting judgements and estimation uncertainties that the Audit Committee has considered in relation to the financial statements are set out in the Audit Committee section on pages 72 to 73 and in note 2 to the accounts on pages 115 to 116.**

All of the Audit Committee members are independent Non-Executive Directors and have financial and/or related business experience due to the senior positions they hold or have held in other listed or publicly traded companies and/or similar large organisations.

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report, set out on pages 8 to 31, provides information about the performance of the Group, the business model, the Group's strategy and the risks and uncertainties relating to the Group's future prospects.

The Board has confirmed on page 41 of the Annual Report that it has carried out a robust assessment of the principal and emerging risks facing the Company, including those that could threaten its values, reputation, business model, future performance, solvency or liquidity. Descriptions of those risks and how they are mitigated are set out on pages 42 to 49.

**The Group's policies relating to risk management and internal control can be found in the 'Risk management' section of the Strategic Report on pages 40 to 49.**

The Board explains on pages 64 and 65 of the Annual Report how it has assessed the prospects of the Company over the longer term and why it considers a three-year period to be appropriate for the purposes of this assessment. The Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this period.

The Committee has formally identified the Chief Executive Officer as responsible for health and safety and the Chief Financial Officer as responsible for risk assessment.

### 5. Remuneration

The Remuneration Committee sets levels of remuneration which are designed to promote the long-term success of the Group and structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.

The Remuneration Committee's primary role is to recommend to the Board the senior remuneration strategy and framework, giving due regard to the financial and commercial health of the Company and to ensure the Executive Directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance. The remit of the Committee also includes considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation, determining the terms of employment and remuneration for Executive Directors and senior managers, including recruitment and termination arrangements, approving the design, targets and payments for all annual incentive schemes that include Executive Directors and senior managers and agreeing the design, targets and annual awards made for all share incentive plans requiring shareholder approval.

**Details of the activities of the Remuneration Committee can be found in the Remuneration Committee section on page 78 and in the Directors' Remuneration report on pages 78 to 96.**

### Summary of Board meeting attendance in 2020

Eleven Board meetings were held in 2020.

Name	Meetings attended
John Mills	11 (11)
Ian Tichias <sup>1</sup>	11 (11)
Robin Williams <sup>2</sup>	3 (3)
Andrew Herbert	11 (11)
Margaret Rice-Jones <sup>3</sup>	8 (8)
Alison Littley <sup>4</sup>	6 (6)
Chris Morgan	11 (11)

<sup>1</sup> Ian Tichias was appointed to the Board on 1 March 2020.

<sup>2</sup> Robin Williams retired from the Board on 31 March 2020.

<sup>3</sup> Margaret Rice-Jones stepped down from the Board on 30 June 2020.

<sup>4</sup> Alison Littley was appointed to the Board on 1 May 2020, and appointed Senior Independent Director on 1 July 2020.

### Board Committees

Summary of Committee membership:

Name	Audit Committee	Remuneration Committee	Nomination Committee
Andrew Herbert	No	Yes	Chair
Alison Littley	Yes	Chair	Yes
Chris Morgan	Chair	Yes	Yes
John Mills <sup>1</sup>	No	No	Yes

<sup>1</sup> The Committee invites the CEO to attend meetings when the subject matter deems their presence appropriate.

Summary of Committee meeting attendance in 2020:

Name	Audit Committee	Remuneration Committee	Nomination Committee
Andrew Herbert	4 (4)	9 (9)	1 (1)
Robin Williams	n/a	3 (3)	n/a
Alison Littley	3 (3)	5 (5)	n/a
Margaret Rice-Jones	1 (1)	5 (5)	1 (1)
Chris Morgan	4 (4)	9 (9)	1 (1)
Ian Tichias	3 (3)	5 (5)	1 (1)
John Mills	4(4)	9 (9)	1 (1)

Figures in brackets denote the maximum number of meetings that could have been attended.

### Statement of compliance with the Code

Throughout the year ended 31 December 2020 the Company has followed the provisions set out in the Code, and has either complied with the provisions of the 2018 Code or explained why the provision has not been followed.

The current policy post-employment shareholding do not comply fully with the UK Code, as it doesn't include a minimum two-year post-employment holding. This is partially mitigated through applying the leaver provisions set out on page 84. The Committee will keep this under review and will update the guideline when a new remuneration policy is introduced.

The Board confirms the 2020 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the position, performance, strategy, and business model of the Company.

### Approval

The Corporate Governance statement was approved by the Board on 27 April 2021 and is signed on its behalf by:



**John Mills**

Chief Executive Officer

## Audit Committee

The Audit Committee (the 'Committee') is appointed by the Board from the Non-Executive Directors of the Company. The Committee's terms of reference were revised and updated in January 2019 and include all matters indicated by Disclosure and Transparency Rule 7.1 and the 2018 UK Corporate Governance Code. The written terms of reference of the Committee are available on request from the Company Secretary.

### Audit Committee composition and meetings

Andrew Herbert was Chair of the Audit Committee until 31 March 2020, when he stepped down from the Committee and became Chairman of the Xaar Board on 1 April 2020. Chris Morgan was appointed Chair of the Audit Committee on 1 April 2020, Chris' previous roles have given him senior executive and financial experience working across a number of technology and digital printing sectors and across a number of jurisdictions. Alison Littlely joined the Audit Committee upon appointment to the Board on 1 May 2020. Alison also brings a breadth of experience including executive experience in complex, international business operations. Margaret Rice-Jones retired from the Board and stood down from the Audit Committee on 30 June 2020. Additional information on our skills and experience can be found in the Board biographies set out on pages 56 and 57.

The Audit Committee met formally on four occasions during the year and details of the attendance at meetings by members of the Audit Committee are set out on page 71. Please see the tables on page 71 for details of the Committee members in the year and the number of Committee meetings attended. At the Committee's request, other members of the Board and senior management may be invited to attend the Audit Committee's meetings based on the meeting agenda.

### Report from the Committee Chairman

I am pleased to present the Audit Committee's report describing our work during the past year. Ernst & Young LLP (EY) was reappointed as the Group external auditor at the Annual General Meeting and Adrian Bennett is the engagement partner.

The Audit Committee's primary responsibilities are the following:

- To approve and monitor key financial and accounting policies and practices
- To monitor the integrity of the financial statements, announcements and review significant financial reporting judgements contained therein
- To keep under review the adequacy and effectiveness of internal controls
- To review procedures, systems and controls for whistle-blowing, fraud detection and bribery prevention
- To review, approve and monitor internal audit activities
- To monitor and review the Group's external auditor's independence, objectivity and effectiveness
- To monitor and approve any non-audit services provided by the external auditor
- To conduct any tender process and make recommendation to the Board on the appointment, remuneration and terms of engagement of the external auditor.

The Committee is not responsible for the identification of key risks or the review of the adequacy of arrangements to mitigate those risks, which remains the responsibility of the Board. The Committee is required to report its findings to the Board at least annually, identifying any matters on which it considers that action or improvement is needed, to make recommendations on the steps to be taken, and to ensure that the required actions are implemented. For example, the Audit Committee has requested that management present an action plan in early 2021, to remediate certain internal control deficiencies identified within EPS.

The effectiveness of the Audit Committee was reviewed as a part of the overall Board evaluation exercise and no significant issues were identified.

## Significant issues considered by the Committee

The Committee has a work plan that is designed to ensure its responsibilities are fully discharged over the annual reporting cycle. Specific items are added to the agenda for individual meetings as required. There were a number of significant accounting matters considered during the year including:

- Going concern/impact of COVID-19/extensive stress testing of cash position
- Revenue recognition
- Consolidation of Xaar 3D Ltd – assessment of control
- Valuation of Xaar 3D Call Option with Stratasys
- Recoverability of receivables
- Impairment of goodwill, intangible assets and PPE
- Inventory valuation and obsolescence
- The Committee also considered the significant deficiencies in internal control identified within EPS as part of the year end audit process, as described in page 74.

## Key areas of management judgement

The Committee has reviewed and challenged management judgement in respect of the following areas:

### Accounting judgements

- Capitalisation of development costs – note 16

The development of the High Speed Sintering in 3D was completed in December 2020, the cost and accumulated depreciation has been reclassified as part of an asset group held for sale, the Audit Committee reviewed a technical paper in consideration of this treatment.

- Consolidation of Xaar 3D – notes 22,34 and 35

A review was undertaken to consider the requirements of IFRS 10, with a technical report presented to the Audit Committee and external auditors to determine the appropriate treatment of the majority shareholding of Xaar 3D and the significant control interests of Stratasys Solutions Limited.

- Discontinued operations – note 11

The accounting treatment on the closure of Thin Film operations, and the potential disposal of the Xaar 3D business to be reclassified as held for sale and discontinued operations has been considered and presented to the Audit Committee and external auditors.

### Estimation uncertainty

- Xaar 3D option – note 22

The Xaar 3D option is a financial liability measured at fair value, which is calculated using the Black-Scholes model, the model uses a number of inputs that require estimation: the underlying price of the shares, the option strikeprice, time until expiration and implied volatility of underlying shares and LIBOR. Third party experts are used to provide these inputs, but the estimates remain uncertain.

- Inventory provision – note 20

A policy is used to calculate the inventory provisions based upon use and ageing of inventory, a significant proportion of the inventory provision relates to discontinued operations.

- Credit provision for the allowance of doubtful debts – note 21

A review has been undertaken to consider the requirements of IFRS 9 and the expected credit loss provision requirements based on historical default and loss experience.

- Impairment of capitalised development costs – note 16

The impairment of capitalised development costs relates to the full impairment of the Thin Film development costs in 2019, the transfer of 3D development costs to asset group held for sale has not led to an impairment valuation.

- Impairment of goodwill in relation to EPS – note 15

The Group tests goodwill annually for impairment. A budget has been prepared for EPS and a cash flow forecast derived to determine a value in use calculation. The recoverable amount is estimated and discounted with regards to a discount rate applicable to EPS, this reflects external third party advice and input estimates of the risk free rate, equity beta and market premium calculated at the year end. Sensitivity analysis is undertaken, but the estimates remain uncertain and rely upon forward guidance.

 **Additional disclosure in relation to key sources of estimation uncertainty and critical accounting judgements is provided in the Group financial statements – note 2 on pages 115 and 116.**

## Key activities

In discharging its responsibilities, the Committee has completed the following activities:

### Financial statements and reports

- Reviewed the Annual Report, financial statements and the half-yearly financial report including disclosures made therein, and confirms that taken as a whole, they are fair, balanced and understandable, and provide the information necessary for shareholders to assess the position, performance, strategy, and business model of the Company
- Reviewed Going Concern and Viability Statements
- Reviewed reports from the external auditor on their work and findings

## Audit Committee (cont.)

- Reviewed the effectiveness of the Group's internal control environment
- Reviewed and challenged the forecasts and scenarios relating to COVID-19 impact on the Going Concern and Viability Statements and reviewed the associated disclosures around COVID-19 and is satisfied that the Group can continue as a going concern and the appropriate disclosures have been made.

### Internal controls and compliance

To assist the Board with its responsibilities to effectively determine the nature and extent of the Group's significant risks (as described on pages 41 and 42), the Committee carries out a robust annual assessment of the principal risks and uncertainties facing the Group. The Board remains ultimately responsible for determining the nature and extent of the effectiveness of the risk management and internal controls system which mitigate potential impacts on shareholder investments and the Company's assets.

During the external audit process, significant deficiencies in internal control were identified in the EPS subsidiary in respect of the adequacy of (i) controls in the financial reporting close process to ensure the completeness and accuracy of closing entries, (ii) controls over revenue to ensure amounts recognised at year-end are complete and accurate, specifically management review of inputs and calculations for the valuation of accrued income recognised at year-end (see note 5) and (iii) controls over inventory management and valuation of inventory and work in progress (see note 20). Adjustments were identified and processed as appropriate in the audited results.

The Audit Committee reviewed the work of the external auditors in the relevant areas and determined that further work will be undertaken by management to develop an action plan to implement improved management, financial statement close process and controls within EPS, and to present these improved controls to the Audit Committee for evaluation in 2021.

The Committee undertakes this evaluation having:

- Reviewed the internal audit task list that in 2020 was unable to progress as planned due to the impact of COVID restricting the ability to travel to overseas sites alongside requirements to work from home. A review was undertaken for the approach of internal audit and greater methodology emphasis on management controls
- Reviewed the internal financial controls and risk management systems
- Reviewed fraud detection and the systems and controls for the prevention of bribery including employee confirmation of abiding by the Code of Conduct, Anti-bribery & Corruption, and Whistle-blowing policies
- Reviewed and approved actions for improvements to Treasury Management
- The Committee considered and challenged reports from the internal auditors on the effectiveness of internal controls and noted the material weaknesses identified by the external audit process in financial reporting close and management controls of EPS.

The Committee having performed the annual review of the Group's internal control processes considers the system to be effective and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting as issued by the FRC, with the exception of the EPS internal controls identified above.

The Committee remains of the view that the statement made regarding the Company's viability period continues to be an accurate assessment of the Company's viability as at the date of the report. The Viability Statement can be found in full on page 65.

### External audit

- Following the conclusion and sharing of the 2019 audit results, there was an extensive collaborative effort by the Xaar and the EY teams to review the process in detail and identify improvements for future audit efforts including working team adjustments to better handle engagement given the dynamic COVID-19 situation. This process work and the related recommendations were reviewed by the Audit Committee and were instrumental in aiding the planning of the 2020 audit
- The Audit Committee provided a forum for reporting and discussion with the Group's external auditors in respect of the Group's half-year and full-year results. The Committee had dedicated time for these activities and reviewed the audit work with emphasis on significant risk areas identified and discussed by the external auditor in their report
- The scope of the audit work to be undertaken by the auditor was reviewed and agreed on
- The Committee aligned the fees to be paid to the external auditor relating to their services rendered for the annual audit and interim review
- The independence and objectivity of the external auditor was assessed by the Committee.

The Chairman of the Audit Committee will be available at the AGM to answer any questions about the work of the Committee.

### FRC's Audit Quality Review

EY's external audit of the Company for the year ending December 2019 was subject to an FRC Audit Quality Review (AQR) during the second half of 2020. The Committee has been kept fully informed of the progress and conclusions of the review with no key findings to report and certain good practices identified. The AQR review focused on a number of key audit matters including revenue recognition, consolidation of Xaar 3D, recoverability of receivables, impairment of goodwill and intangible assets, and the impact of COVID-19. These remain areas of audit focus in the current year, with the Committee continuing to oversee the proposed approach and conclusions.



## External auditor

This was the second year for Ernst & Young LLP (EY) as the Company's auditor having first been appointed in July 2019. The Committee has met with the auditor on at least three occasions during the year and it is expected that the Committee will continue to meet with the auditor a minimum of two times each year. The Chief Executive Officer and Chief Financial Officer, and other relevant managers and Board members, attend these sessions by invitation, except for a period of each meeting where the Committee members may meet with the auditor without any member of executive management present.

The Committee is required to assess the qualifications, expertise, resources, and independence of the external auditor, and the objectivity and effectiveness of the audit process. The Committee reviews the type of work, effectiveness of, and level of fees charged by the auditor on an annual basis and recommends to the Board the appointment, reappointment, term, remuneration, and terms of engagement of the external auditor.

The Committee safeguards auditor objectivity and independence through maintaining a dialogue with the auditor and by monitoring all fees paid. It is the policy of the Group not to engage the statutory auditor in any non-audit related services. This includes tax services. Specifically, the policy states that the preparation of tax forms, payroll tax, calculation of indirect tax and the provision of tax advice cannot be provided by the statutory auditor.

Note 8 to the Consolidated financial statements includes disclosure of the auditor's remuneration for the year.

The Committee, taking into consideration relevant UK professional and regulatory requirements, regularly considers the independence and objectivity of the auditor. The Committee receives an annual statement from the auditor detailing their independence policies and safeguards, and confirming their independence, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor.

The Committee considers the effectiveness of the external audit and the Group's relationship with the external auditor on an ongoing basis. In completing the review of the effectiveness of the annual audit in 2020, the Committee was able to conclude the audit undertaken by Ernst & Young LLP was effective. This review consisted of considering a number of key points together with the senior financial management of the Group. A similar exercise will be undertaken following completion of audit procedures on the 2021 results and reported on in next year's Annual Report.



**Chris Morgan**

Chair of the Audit Committee

## Nomination Committee

The Nomination Committee is appointed by the Board from the Non-Executive Directors of the Company and the Chief Executive Officer. The Chair of the Committee is Andrew Herbert.

The terms of reference of the Committee require at least two meetings per year. When specific issues or changes need to be addressed, such as the appointment of a new Board member, the Committee may meet on additional occasions. Please see the tables on page 71 for details of the Committee members in the year and the number of Committee meetings attended.

### Responsibilities

The Nomination Committee's main responsibilities, as outlined in its terms of reference, are:

- Reviewing the size, structure, composition and independence of the Board and its Committees
- Identifying and nominating candidates to fill Board vacancies as the need arises
- Ensuring adequate succession planning is in place for Executive Directors, Non-Executive Directors and members of the senior management team
- Making recommendations to the Board on the appointment of new Executive and Non-Executive Directors and their reappointment following retirement by rotation
- Reviewing the results of the annual Board performance evaluation process.

The Committee Chair will not chair the Committee when it deals with the appointment of a successor to that role. The Committee shall review its terms of reference annually and may recommend to the Board any amendments. The terms of reference of the Committee are available on written request from the Company Secretary.

The Nomination Committee's role in composition, succession and evaluation of the Board is disclosed in the Corporate Governance Statement.

### Boardroom diversity

The Committee is committed to ensuring that recruitment and promotion of individuals throughout the Group, including those at Board and senior management level, always considers relevant skills, experience, knowledge and ability without gender or ethnicity bias. All appointments are made on merit and suitability against objective selection criteria with consideration of, amongst other things, the benefits of diversity, including gender.

The Board has not established a specific diversity policy in respect of its membership but is cognisant of the benefits of a rich mix of backgrounds, experience and skills. The present Board is 20% female versus 80% male (one female and four males). The Board has not set any measurable objectives in respect of a diversity quota but appointments made to the Board in the past three years have demonstrated our inclusive approach, which the Nomination Committee expects to maintain for any and all future appointments.

 **Further disclosure of information in respect of diversity and equal opportunities policies for the Group is in the Sustainable and responsible business report on pages 34 and 35.**

### Key issues and activities

This year saw significant changes to Board membership including a new Chair, a new CFO and a new Non-Executive Director.

Following the Strategic Review conducted during 2019 and the appointment of John Mills as CEO in October 2019, further changes to the Board were implemented as described in the Committee's report last year. Ian Tichias was appointed as CFO from 1 March 2020. Andrew Herbert was appointed Chair of the Board on 1 April 2020 and Alison Littlely was appointed as a Non-Executive Director on 1 May 2020. Margaret Rice-Jones, Senior Independent Director and former chair of the Remuneration Committee, stood down as planned on 30 June 2020 leaving the Board comprising two Executive and three independent Non-Executive Directors (see pages 56 and 57).

The Committee has reviewed and concluded that, in the initial period of implementation of the new business strategy, and in the face of stringent cost measures implemented elsewhere in the business, it is appropriate to maintain three rather than the previously four independent Non-Executive Board members. This position remains under review by the Committee to ensure the Board and its Committees maintain appropriate skills and experience and that the majority of the Board remains independent.

The Committee has considered organisational development and succession planning and, in association with the Remuneration Committee, has worked alongside executive management in reviewing senior management development. A number of senior appointments have been made during 2020 to strengthen the executive team as the Company rebuilds competencies appropriate to its new strategy.

## Board appointments

The process adopted by the Committee in respect of any appointment to the Board is, firstly, to identify the specific skills and experience sought and then, secondly, to conduct a search to determine whether any external individuals known to the Committee or internal candidates would be suitable for the role. If no compelling candidates can be identified through this process then an external search consultancy is engaged. Even if a suitable internal candidate exists, an external mapping process may be used.

Members of the Committee and other Executive and Non-Executive Directors interview shortlisted candidates, as the Committee deems appropriate. Upon identifying a suitable candidate, the Chair of the Nomination Committee will recommend to the Board that the Company makes a formal offer of employment to the candidate.

In seeking a new Non-Executive Director during 2020, specifically with appropriate experience to take over the role of Chair of the Remuneration Committee, we engaged the services of external search firm Independent Search Partnership to identify appropriate candidates to fill this role. Independent Search Partnership have no other connection with the Group and are independent advisors. The recruitment process concluded in April 2020 with the announcement of Alison Littlely's appointment. Alison took over as Chair of the Remuneration Committee and Senior Independent Director on 1 July 2020 when Margaret Rice-Jones stood down from the Board.

As part of the recruitment process the Committee ensures appropriate disclosure of other demands on Directors' time. The Board of Directors' profiles disclose any external appointments on pages 56 and 57. No Executive Directors have a non-executive role, or other significant appointment. All Directors are required to submit themselves for reappointment every year at the AGM.

## Review of the Nomination Committee's effectiveness

The Committee has reviewed and considered the effectiveness of its performance during the year. The review included the views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors).

I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective.



**Andrew Herbert**

Chair of the Nomination Committee

# 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.

<b>Long-Term Incentive Plan</b>	
<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 Littley <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 Littley 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

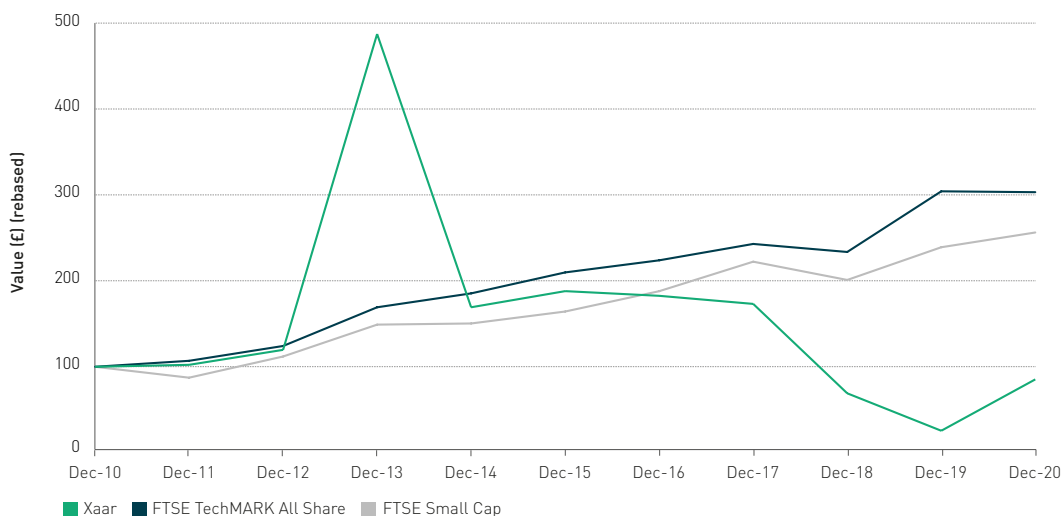
No payments for loss of office were made in 2020.

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