Governance at a glance
An experienced leadership team

Governance framework

Board of Directors

The Board's responsibility for leading the Group towards achievement of its purpose is supported by a robust governance framework.
The Board has established a corporate governance structure with clearly defined responsibilities, designed to safeguard and enhance the long-term sustainable success of Xaar, creating value and benefit for its shareholders and other stakeholders.

Biographies

Read more about the Board on pages 60 and 61

Corporate Governance

Read more about Corporate Governance on pages 71 to 76

The Board delegates certain matters to its Principal Committees

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

Read more on page 61

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

Read more on page 60

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

Read more on page 61

Board composition in 2021

Composition

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

Diversity

- Male **4**
- Female **1**

Tenure

- 0-3 years **3**
- 3-6 years **1**
- 6-9 years **1**

Division of responsibilities

Directors		Responsibilities
	**Andrew Herbert** Chairman	• Primary responsibility is to lead the Board to ensure the Board functions properly to meet its obligations and responsibilities, by facilitating efficient Board discussion, challenge and debate • Nomination Committee Chair.
	**John Mills** Chief Executive Officer	• Leads the Executive Committee responsible for proposing and implementing Group strategy, and managing the operational and financial performance of the Group • Engages with various stakeholders of the Group, providing feedback to the Board.
	**Ian Tichias** Chief Financial Officer	• Evaluates the financial performance of the business in line with strategy implementation, operational objectives, forecasts and budgets • Ensures integrity of reported financial information, and maintaining robust accounting systems and internal controls.
	**Chris Morgan** Non-Executive Director	• As an independent Non-Executive Director, provides constructive challenge and strategic guidance to the Board, monitors achievement of objectives and Executive Director performance • Audit Committee Chair.
	**Alison Littley** Senior Independent Director	• As the Senior Independent Director, acts as a sounding board for the Chairman and an intermediary for other Directors, and is available to discuss any concerns with shareholders that cannot be resolved through communication with the Chairman or Executive Directors • Remuneration Committee Chair.

Board meeting attendance

The Board held 11 scheduled Board meetings in 2021, with three additional unscheduled meetings held to cover specific items.

Chairman, Non-Executive and Independent Directors	Scheduled Board meetings attended	Additional Board meetings attended
Andrew Herbert – Chairman	100%	100%
Chris Morgan – Non-Executive Director	100%	100%
Alison Littley – Senior Independent Director	100%	100%
Executive Directors		
John Mills – Chief Executive Officer	100%	100%
Ian Tichias – Chief Financial Officer	100%	100%

Highlights

Key governance activities

During 2021, the Board undertook the following key governance activities:

+ Further developed Board meeting structure, format, agenda and material
+ Ensured compliance with the 2018 UK Corporate Governance Code, agreeing actions to address any non-compliance.

Read more on pages 71 to 76

+ Reviewed and updated the Committee Terms of Reference
+ Conducted an internal review of Board and Committee effectiveness and performance during the year
+ Reviewed progress of the action plan addressing the remediation of significant deficiencies in internal control at EPS during the year.

Board focus areas

During 2021, the Board focused on the following key operational and strategic activities:

+ Printhead ImagineX product roadmap progress and customer engagement
+ Mitigation of supply chain constraints
+ Strategy progress and operational improvements at EPS
+ IT infrastructure improvements, including the ERP upgrade
+ Capital and equity strategy
+ Development of the Sustainability Roadmap.

Read more about the Sustainability Roadmap on page 37

+ FFEI acquisition and integration implementation
+ Completion of the divestment of the Xaar 3D investment.

Board of Directors

Andrew Herbert
Chairman

N R

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

N

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.

External appointments
- None.

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.

External appointments
- None.

Chris Morgan

Non-Executive Director

A N R

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.

External appointments

- Non-Executive Director for San Diego based additive manufacturing company, Intrepid Automation.

Alison Littley

Senior Independent Director

A N R

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 ten years Alison has been a Non-Executive Director (NED) of both international PLCs and privately owned businesses.

External appointments

- Non-Executive Director and the Remuneration Committee Chair at Norcros plc
- Senior Independent Director and Remuneration Committee Chair at musicMagpie plc.

Committee key

A Audit
N Nomination
R Remuneration
● Chair
○ Member

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 2021.

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 44 to 55
Business model	Strategic Report on page 8
Employee engagement	Strategic Report on page 3 Stakeholder engagement on pages 69 to 70 Directors' Remuneration report on page 85
Equality, diversity, inclusion and human rights	Sustainable and responsible business on pages 31 to 32
Disabled employees	Sustainable and responsible business on pages 32 to 33
Supplier engagement	Stakeholder engagement on page 70
Engagement with customers and other business relationships (including community engagement)	Stakeholder engagement on page 70 Sustainable and responsible business on page 35
Greenhouse gas emissions and environmental policies	Sustainable and responsible business (TCFD) on pages 38 to 40 GHG statement on page 41
Political donations	Sustainable and responsible business on page 35
Ethics and governance, including Code of Conduct, anti-bribery and corruption policies	Sustainable and responsible business on page 31 Corporate Governance section on page 79

Branches

In addition to the subsidiaries disclosed in note 11 of the Company's separate financial statements on pages 135 to 137, there is a branch in Stockholm, Sweden through which research and development activities are conducted.

Dividends

No interim or final dividend was proposed or paid for the year ended 31 December 2021.

Details on dividends are set out in note 13 on page 138

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'). There is a Deferred Bonus Plan for the Executive Directors, as introduced in 2020.

- 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 59

Capital allocation policy

The Company is committed to investing in the growth strategy of the business. This investment includes both capital investments within existing operations as well as pursuing inorganic growth opportunities that align with the Company's strategy, investing in capability and capacity to accelerate our strategy and future growth. The Company's objective is to maximise long-term shareholder returns through a disciplined deployment of capital and resources, and it has adopted the following capital allocation policy in support of this:

- **Organic growth:** The Company invests in capital projects and R&D relating to ongoing and new technology development to support demand in our chosen and target markets and product innovation;
- **Inorganic growth:** The Company continues to explore complementary inorganic growth and acquisition opportunities consistent with the growth strategy and supplementary to our existing innovation and product pipeline; and
- **Treatment of excess capital and shareholder distributions:** The Board keeps under review the Company's balance sheet and cash position in line with this policy and medium-term investment requirements. The Company returns excess capital to shareholders if and when the Board considers it appropriate by means of a dividend or a share repurchase. The Company assesses the underlying profitability and the future cash requirements of the business at least annually, as well as the distributable reserves available, to determine the appropriateness of paying a dividend to shareholders, and to review the appropriate policy to adopt.

At this current time, capital resources are focused on and deployed to supporting organic growth and inorganic growth. The Board keep the Company's capital structure under regular review.

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 2021 AGM held on 16 June 2021, 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 2021 or 2020.

Directors and their interests

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

Andrew Herbert
Chairman

John Mills
Chief Executive Officer

Ian Tichias
Chief Financial Officer

Chris Morgan
Non-Executive Director

Alison Littley
Senior Independent Director

Brief biographical descriptions of the Directors are set out on pages 60 and 61

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 2021 are as follows:

	Number of ordinary shares of 10p each 31 December 2021	Number of ordinary shares of 10p each 31 December 2020
Andrew Herbert	**100,000**	100,000
John Mills	**125,000**	125,000
Ian Tichias	**50,000**	50,000
Chris Morgan	**–**	–
Alison Littley	**–**	–

There have been no changes in the Directors' interests in shares of the Company between 31 December 2021 and 29 March 2022. 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.

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 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:

Top 10 shareholders (by holding) – at 31 December 2021	**Number of ordinary shares held**	Percentage of issued share capital
Schroder Investment Mgt	**22,791,868**	29.05%
Aberforth Partners	**7,075,267**	9.02%
Odyssean Capital	**6,380,000**	8.13%
Columbia Threadneedle Investments	**4,619,139**	5.89%
Invesco (OppenheimerFunds)	**4,068,105**	5.19%
Hargreaves Lansdown Asset Mgt	**3,632,282**	4.63%
Interactive Investor	**3,160,615**	4.03%
Chelverton Asset Mgt	**2,300,000**	2.93%
Barclays Wealth	**1,789,426**	2.28%
JO Hambro Capital Mgt	**1,743,309**	2.22%
Total	**57,560,011**	73.38%

During the period 31 December 2021 to 29 March 2022, 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 2021	**Number of ordinary shares held**	Percentage of issued share capital
Schroder Investment Mgt	**22,569,368**	28.79%

Annual General Meeting

The notice convening the Annual General Meeting is set out on pages 173 to 176

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.

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 2018 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 2018 UK Corporate Governance Code and in keeping with the Board's aim of following best corporate governance practice, all Directors 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 83 to 101 (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 £2,614,874 (corresponding to approximately one third of the issued share capital at 29 March 2022) and up to an additional aggregate nominal value of £5,229,749 (corresponding to approximately two thirds of the issued share capital at 29 March 2022) 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 £5,229,749 (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 £392,231 (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 £392,231 (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 29 March 2022 (including options awarded under LTIP which may be satisfied by subscription for new shares) was 4,711,777. This represents 6.0% 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 2021 would represent 7.1% 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 173 to 176.

The notice of the Annual General Meeting is on pages 173 to 176

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 173 to 176 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.

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. 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 95

Major interests (i.e. those greater than 3%) of which the Company has been notified are shown on page 64

Company share schemes

The Xaar plc ESOP Trust holds 0.9% (2020: 0.9%) 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 12 to 23 and Business performance on pages 24 to 27

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 12 to 23. The Group reported a profit after tax for the year ended 31 December 2021 of £14.2 million, which includes a profit after tax of £13.5 million related to discontinued operations, being the costs relating to Thin Film and Xaar 3D (£4.4 million loss), as well as the gain on disposal (£17.9 million). 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 2021 of £25.1 million. The Group was debt free as at 31 December 2021.

To date the impact of COVID-19 on the Group's trading has been minimal, however we did experience some COVID-19 related supply constraints in 2021, for which actions have been taken to mitigate their impact and therefore the Board continues to be optimistic on the future trading environment.

The going concern review has been completed by considering 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 is consistent with the current Board approved forecasts and, to reflect judgement over timing of contingent consideration payments, has been adjusted to exclude these in the going concern period. A second case which includes the consideration payable on the acquisition of Megnajet Ltd (as set out in note 38), however excludes the revenue compared to forecast across the entire Group required to prevent the business continuing as a going concern is more than 30% which is considered remote 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 Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2023, 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 thorough strategic planning 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 12 to 23

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 47 to 55

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 ensures that the Company manages the risks it faces 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 those of our customers and the probability this could lead to technological advancements that disrupt the markets that Xaar operates in.

The Board has considered plausible principal risks and the financial impact that these could have over a three-year period. The principal risks that were combined and modelled to create a 'severe but plausible' scenario are: 2. Identification of market requirements, 4. Merger and acquisition opportunities and 12. Supply chain. The results of this scenario led to an 8% reduction in base case revenue over the three-year period.

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 2024.

Auditor

Ernst & Young LLP were re-appointed in 2021 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 pages 60 and 61

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 29 March 2022 and is signed on its behalf by:

John Mills
Chief Executive Officer

Section 172 statement

The Companies Act 2006 (the 'Act'), as amended by the Companies (Miscellaneous Reporting) Regulations 2018, requires companies to include a 'Section 172(1) Statement' in the Strategic Report describing how directors have had regard to the matters set out in Section 172 (1) (a) to (f) of the Act when performing their duties.

Section 172 of the Act requires directors of a company to act in a way they consider, in good faith, would most 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:

1. Likely consequences of any decision in the long term,
2. Interests of the company's employees,
3. Need to foster the company's business relationships with suppliers, customers and others,
4. Impact of the company's operations on the community and the environment,
5. Desirability of the company maintaining a reputation for high standards of business conduct, and
6. Need to act fairly as between members of the company.

The Directors' duties under Section 172 are embedded in all of the decisions that the Board and its Committees make, together with a range of other factors, including alignment with our strategy and our values. Accordingly, information on how s172 matters have been considered during the year are detailed throughout this Annual Report.

The Board understands the importance of effectively engaging with the Company's key stakeholders, in order to better understand their views and interests, and the potential impact of the Directors' decisions on them.

The Board is aware that the interests of stakeholders may not always align with each other and that it may not always be possible to provide a positive outcome for all stakeholders from a given decision.

The Board strives to follow best corporate governance practice and has a governance framework in place that allows it to make reasoned and informed decisions. Further information on how the Board and its Committees operate can be found in the Corporate Governance Report on pages 73 to 74 of this Annual Report.

The identification and assessment of risk is an integral part of the Board's decision making process, particularly when it comes to considering the longer-term consequences and the sustainability of the Company's business model and strategy. The Group maintains a risk register, which the senior leadership team maintain, which is presented to the Board on an annual basis.

More details of our approach to risk management are set out in pages 46 to 55

Stakeholder engagement

The Directors have ongoing engagement with all of our key stakeholders:

- our Investors
- our People
- our Communities and,
- our Partners.

The Directors continually review the impact that any decisions will have on these key stakeholders.

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement with the stakeholders themselves.

Shareholders

All Board decisions are made to promote the long-term success of the Group for the benefit of our shareholders.

We maintain strong relationships with shareholders ensuring they understand our strategy, the progress and performance against key milestones and that we understand how they view our business. We engage with our shareholders through Investor Roadshows and webinar presentations led by the Chief Executive Officer and Chief Financial Officer, in addition to written communication from and meetings as required with the Chairman, Committee Chairs and Executive Directors.

The Group's brokers provide independent feedback to the Board on shareholder opinions and their views on our meetings with investors. Regular trading updates are provided as well as the Annual Report and Interim Report.

Information provided at analysts' meetings and financial press releases are made available on the Group's website. We engage with investors to gain and maintain support for our strategy, and feedback received has informed the Board's discussions and decisions on Group strategy.

More details of our engagement with our shareholders and the results of those engagements are set out in the Corporate Governance Statement on page 72 and Directors' Remuneration Report on pages 83 to 102

Employees

Our people are a highly skilled, technical, and valued workforce. They are essential to the Group's ability to stay ahead in a fast-moving world.

Our people play a crucial role in helping us pursue our strategic goals and are core to the success of the business. We engage and support them to achieve their full potential. There are regular internal communications from the management team and feedback from employee working and representative groups, such as the Sustainability team, Exec Exchange and Meet the NEDs. Regular engagement with employees improves open dialogue channels, collaboration, visibility of achievements and progress across the business, as well as transparency.

The Health and Safety of our employees is of the highest importance to us. More details of our engagement with our employees and the results of those engagements are set out in Sustainability and responsible business on page 32 and Directors' Remuneration report on page 85

Community

As a Group, we have a wide-reaching indirect impact on the communities and environments we interact with and are committed to making sure that this impact is as positive as possible.

Xaar is a responsible citizen within our communities, offering local recruitment, supporting educational institutions and the local economy. Xaar offers a range of employment opportunities for apprentices and we work closely with educational establishments. We look to minimise our impact on the environment. We are investing to reduce greenhouse gas emissions and have transferred electrical supply over to 100% renewable source, invested in electric vehicle charges and installed LED lighting.

More details of our engagement with our communities and the results of those engagements are set out in Sustainability and responsible business on page 35

Customers

Our customers depend on us to supply high quality products in a timely manner. We also support them in the development of their next generation products. They expect us to operate in a responsible manner maintaining the highest standard of business ethics.

The Board is regularly updated on the timeliness and quality of product deliveries to our customers as well as developments with targeted customers, new customer wins and a sales pipeline, including how the product roadmap aligns. Our sales and engineering teams engage with our customers and solicit feedback which is used to inform our technology roadmaps.

The key account management structure across the business encourages meaningful, consistent and ongoing engagement with OEM and UDI customers. There are regular exchanges with our customers on their new programmes especially through engineer to engineer interactions so that we can better understand their emerging needs.

We worked hard to ensure our factories could continue to operate and supply our customers even at the height of the pandemic.

We invested £5.7 million in R&D during 2021, focusing on those areas where we see the opportunity to support our customers' next generation product developments.

More details of our engagement with our customers and the results of those engagements are set out in the Strategic Report on page 31, Our business model on page 9 and individual business unit updates on pages 16 to 23

Suppliers

Our relationships with our suppliers and partners are integral to the delivery of quality products to our customers and the operational success of our business.

The supply of goods and services to our operations is critical to our overall success. We regularly review the performance of our suppliers and work with them to implement improvement programmes.

The Group has established a comprehensive set of policies covering the areas of business ethics. We require our suppliers to operate to the same high standards and these are set out in our Supplier Code of Conduct which they are required to adhere to. Thus ensuring high standards throughout our Tier 1 supply chain, by measuring and auditing our key suppliers against specific criteria, including human rights (human trafficking, anti-slavery, prohibition of child labour) and conflict minerals policies.

Corporate Governance statement

The Board's primary objective remains 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 as set out in the Financial Reporting Council ('FRC') 2018 UK Corporate Governance Code ('the Code').

The 2018 UK Corporate Governance Code is a set of principles and provisions that emphasise the value of good corporate governance to long-term sustainable success and achievement of wider objectives. The Code can be found on the FRC's website at www.frc.org.uk.

Application of the main principles of the Code

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

We are pleased to confirm that throughout the year ended 31 December 2021, the Company has followed the principles and provisions of the 2018 UK Corporate Governance 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 terms of reference for the Audit, Nomination and Remuneration Committees were reviewed during 2021 to address the requirements of the Code, and updated as of 1 January 2022.

The governance report gives:

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

Statement of compliance with the Code

Throughout the year ended 31 December 2021 the Company has followed the provisions set out in the Code, and has either complied with the provisions of the Code or explained why the provision has not been followed, as outlined below. The FRC expects companies to provide a clear and meaningful explanation for any departures from the Code.

A copy of the Code can be found on the FRC website at www.frc.org.uk.

Provision 36: The current policy on post-employment shareholdings do not comply fully with the Code, as it doesn't include a minimum two-year post-employment holding. This is partially mitigated through applying the leaver provisions under the Company's share plans. We intend to introduce a post-employment shareholding for future LTIP grants from 2023 onwards and will update the guideline when a new remuneration policy is introduced.

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 is responsible for leading the Group, focusing primarily upon strategic and policy issues, and is responsible for ensuring the long-term sustainable success of the Group. It is responsible for effective risk assessment and management. In performance of these duties, the Board has regard to the interests of the Group's key stakeholders, generating value for the shareholders and contributing to the benefit of wider society.

In order to achieve this the Board has established a clear vision: "A world where you can print anything you can imagine", with our mission being "we help companies and industries be more colourful, creative and productive through our world-class technology and printheads".

The Board has updated the core values which shape our culture and contribute to our success, which are EPIICC:

- We do Everything with Passion
- We are Innovative
- We have Integrity
- We are Creative
- We are Collaborative.

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. Other than their normal attendance and participation in discussions at Board meetings, the Executive Directors are responsible for the day-to-day running of the Group and the implementation of the agreed strategy.

Refer to page 5 for the Strategy review and page 32 for Company values

The Group has four main locations. The head office functions, R&D, marketing, human resources, legal and finance are based in Cambridge, UK. The Group has three manufacturing facilities with offices: one in Huntingdon, UK, one in Hemel Hempstead, UK and the other in Vermont, USA. The Group also has representatives in other global locations including Italy, Spain, China, Hong Kong, and Sweden.

Refer to page 8 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.

Refer to page 69 for the s.172 disclosure

The key focus this year was to maintain the progress made by the business in recent years while navigating the unpredictable impacts of a global pandemic. The Board has focused on ensuring the financial position of the Company is secured whilst also looking forward to the longer-term strategic options for the Group, including identifying potential further acquisitions that would bring additional value. In particular, the main Board decisions during the year were:

- Continuing to invest in R&D and the product roadmap, leading to two further product launches from the ImagineX platform:
  - April 2021 – launch of the Xaar Nitrox printhead attracting new customers and increased opportunities.
  - September 2021 – launch of the Xaar Irix printhead, strengthening our product offering in the Coding & Marking sector.
- Concluded the divestment of the remaining shareholding of Xaar 3D to Stratasys generating a positive cash inflow of £9.3 million (before transaction costs of £0.3 million) to enable Xaar to focus on its core business.
- Completed the acquisition of FFEI, a leading integrator and manufacturer of industrial digital inkjet systems and digital life science technology, as part of the vertical integration strategy to grow Xaar's capability and help accelerate customer adoption of our printhead technology.
- Initiated operational changes within the EPS business unit to strengthen management and internal controls, to take advantage of the compelling growth opportunity in the market.
- Relocated the corporate headquarters in Cambridge, UK which is expected to deliver £0.7 million of annual cost savings.
- Opened a new Customer Service Centre in Shenzhen, China.
- Established an ESG Committee to develop a Sustainability Roadmap to 2030.
- Presented a pandemic response during 2021 to ensure the safety and wellbeing of our people, security of supply chain and provision of finished goods to our customers.

The Board worked closely with executive management to redefine the Group's mission, vision and values which will underpin the Group's evolving culture under the executive leadership team. Further information is in the Directors' Remuneration report on page 83 and Sustainable and responsible business on page 32.

Engagement with shareholders

The Board and Directors seek to build on a mutual understanding of objectives between the Group and its institutional shareholders by providing the opportunity to meet 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 85

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 2021, the majority of resolutions had less than 1% of votes cast against the Board's recommendation. The exceptions being resolutions 4, 5 & 10 with c. 8% of votes cast against the Board's recommendation.

The Company engaged with shareholders both throughout the year and specifically in respect of resolutions where noteworthy votes were against the Board's recommendation, in order to better understand shareholders' thoughts and align resolutions with the members' views.

Feedback from brokers and financial PR

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.

Annual Report and Accounts

We review feedback from shareholders and other stakeholders and take this into consideration when drafting our Annual Report and Accounts. We make our Annual Report and Accounts available on our website as soon as it is practicable following our final earnings release. Shareholders can access up-to-date Company information, including video presentations, from the Investors section of the Xaar website at www.xaar.com.

Workforce engagement

Workforce engagement has been increasingly important during 2021 due to the second year of the COVID-19 pandemic and changes to working patterns. Despite the restrictions on international travel, we have endeavoured to stay close to our employees and support them during this difficult time. We have ensured that our managers have taken additional time to check on the wellbeing of their teams, for those individuals working on site and those who are working from home.

The Board continued to hold employee engagement sessions which are held recurrently throughout the year. With the impact of COVID-19, the three Non-Executive Directors hosted two sessions each during 2021, which were held either virtually via video call or in person, i.e. a total of six sessions in total. Topics discussed were wide ranging but focused mainly around the strategy and direction of the business, acquisitions and divestments, sustainability, executive remuneration and alignment with the wider workforce, employee training, opportunities for development, and the workings of the Board and governance.

Conflict of interest and time commitment

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. There were deemed to be no such conflicts of interests in 2021.

The only change to Directors' outside commitments during 2021 related to Senior Independent Director Alison Littley, who resigned as a Non-Executive Director from Headlam plc, Osborne Group Holdings Ltd and Rosewood Holdings Ltd, and was appointed as Senior Independent Director and Chair of the Remuneration Committee of musicMagpie plc in April 2021. Each Director devoted significant time to their Xaar Board responsibilities during 2021, with all Directors attending all Board meetings (see page 76).

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, 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 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 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 60 and 61 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. 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

Board composition

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

The Board considers Alison Littley, 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 maintained his independence, having departed Stratasys in 2015. All Non-Executive Directors complete a disclosure document prior to appointment, and submit an annual declaration.

Succession

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. When recruiting, search firms are appointed to secure a strong and diverse list of candidates.

The appointment of new Directors is led by the Nomination Committee. The year was a less active one for the Nomination Committee, with no Board appointments, resignations or changes during 2021 for Executive and Non-Executive Directors.

The Committee has considered succession planning and the good progress made on building an executive management team and focusing on senior management development during the past two years. The Nomination Committee has recommended that during 2022 the Board be broadened and that the number of independent Non-Executive Directors be increased to four including the Chair. In making any future appointment the Nomination Committee will consider both diversity and succession as a matter of course as it seeks to further equip the Board in its role of overseeing future business growth and expansion.

Diversity

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 page 33.

As the Company grows, the Board will keep under consideration the requirements of the Parker Review (2017) to improve the ethnic and cultural diversity of the UK boards to better reflect their employee base and communities they serve.

Board evaluation

The Board conducted an internal review of the effectiveness of itself, with each Non-Executive Director, the Chairman and the Board Committees in December 2021. From the review and conclusions drawn, areas of improvement were identified as follows:

1. Board membership diversity, skills and experience to be reviewed and an additional NED appointment to be considered
2. Improve the balance of time spent in Board meetings considering strategic as compared to operational issues, allowing sufficient time for in depth discussion, debate and challenge
3. Further develop the approach to succession planning and talent management in the business to create greater opportunity for progression and increased diversity among senior management and the Board

Areas of improvement identified in 2020 were addressed and actions taken and implemented during 2021.

Further details of the activities of the Nomination Committee can be found on pages 81 and 82

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.

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 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 re-election at the 2021 AGM.

The biographies of the Directors, set out on pages 60 to 61, 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 and Risk and Internal Controls

The role and responsibilities of the Audit Committee are set out in the Audit Committee section on pages 77 to 80

- The Audit Committee review of the effectiveness of the external audit is set out on page 80
- The auditors Ernst and Young LLP were appointed following a tender process in July 2019, and provide no non-audit services; the Audit Committee assessment of the auditor's independence is disclosed on page 80.

The Directors' assessment of the Group's internal control environment as required under the UK Corporate Governance Code is set out on page 79 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 establishing arrangements to ensure that we are 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 page 78 and in note 2 to the accounts on pages 119 and 120

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 2 to 57, 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.

Principal and emerging risks

The Board has confirmed on page 44 of the Annual Report that it has carried out a robust assessment of the principal and emerging risks facing the Company during the year, including those that could threaten its values, reputation, business model, future performance, solvency or liquidity.

As a consequence of the risk assessment review:

- Climate change, was escalated from an emerging to a principal risk.
- IT and Cyber risks, following the progress of the transformation programme has seen the risk probability reduced.

Descriptions of principal and emerging risks and how they are mitigated and any changes are set out on pages 44 to 55

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 44 to 46

The Board explains on pages 67 and 68 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. During 2022 the Remuneration Policy will be reviewed ahead of being put to a shareholder vote in 2023, and as part of this review we will consider how our ESG priorities should be reflected in the reward framework. The Remuneration Committee has not exercised any discretion in relation to remuneration outcomes in 2021.

Details of the activities of the Remuneration Committee can be found in the Remuneration Committee section on page 83 and in the Directors' Remuneration report on pages 86 to 101

- The alignment of executive remuneration with Company purposes and values is set out on page 86
- The award of long-term incentives and their performance conditions are set out on page 88
- How the Remuneration Committee addresses the principles set out in the UK Corporate Governance Code in respect of the Directors Remuneration Policy is set out on page 91
- The discretionary powers of the Remuneration Committee are on page 88
- The alignment of executive pensions with those of the workforce are on page 87
- Recovery and withdrawal provisions (malus/clawback), and the circumstances under which the provisions may apply, are on page 89.

Summary of Board meeting attendance in 2021

Eleven Board meetings were held in 2021, with three additional unscheduled meetings for specific items:

Name	Scheduled Board meetings	Additional meetings
Andrew Herbert	11 (11)	3 (3)
Alison Littley	11 (11)	3 (3)
Chris Morgan	11 (11)	3 (3)
John Mills	11 (11)	3 (3)
Ian Tichias	11 (11)	3 (3)

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	No	No	Yes
Ian Tichias	No	No	No

Summary of Committee meeting member attendance in 2021:

Name	Audit Committee[1]	Remuneration Committee[1]	Nomination Committee[1]
Andrew Herbert	n/a	5 (5)	1 (1)
Alison Littley	7 (7)	5 (5)	1 (1)
Chris Morgan	7 (7)	5 (5)	1 (1)
John Mills	n/a	n/a	1 (1)

1 The Committees may invite Board Directors who are not Committee members to attend Committee meetings when the subject matter deems their presence appropriate.

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

Approval

The Board confirms the 2021 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.

The Corporate Governance statement was approved by the Board on 29 March 2022 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 Chair of the Committee is Chris Morgan.

Audit Committee composition and meetings

Chris Morgan's 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 Littley, Audit Committee member, also brings a breadth of experience including executive experience in complex, international business operations. Additional information on our skills and experience can be found in the Board biographies set out on pages 60 and 61.

The Audit Committee met formally on seven occasions during the year and details of the attendance at meetings by members of the Audit Committee are set out on page 76. Please see the tables on page 76 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 whistleblowing, 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. The Committee shall review its terms of reference annually and may recommend to the Board any amendments. The Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the 2018 UK Corporate Governance Code. The terms of reference of the Committee are available on written request from the Company Secretary.

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:

- Revenue recognition
- Valuation of Xaar 3D disposal contingent consideration
- FFEI acquisition
- Impairment of goodwill, intangible assets and PPE
- Inventory valuation and obsolescence, including EPS' H1 2021 non-cash adjustments relating to slow moving and obsolete inventory
- Consideration and treatment as a prior year adjustment of the remediation of the significant deficiencies in internal control identified within EPS as part of the 2020 year end audit process, as described on page 79.

Key areas of management judgement

The Committee has reviewed, discussed with and challenged management in respect of the approaches taken for the following areas of key accounting judgement and estimation:

Accounting judgements

Capitalisation of development costs – note 16

The Audit Committee considers management's assessments when the criteria for capitalisation are met. The development of the High Speed Sintering in 3D was completed in December 2020, the cost and accumulated depreciation was reclassified as part of an asset group held for sale as at 31 December 2020, and subsequently disposed of in 2021.

Discontinued operations – note 11

The 3D business met the criteria of a discontinued operation in December 2020 and the disposal was formally completed on 1 November 2021. The accounting treatment of the disposal of the Xaar 3D business reclassified as discontinued operations has been presented to, considered and agreed by the Audit Committee and the external auditors.

Estimation uncertainty

Climate-related risks – Risk management

Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. In management's view and the Audit Committee's review, climate change does not currently create any further key sources of estimation uncertainty for the Group.

Contingent consideration – note 22

The contingent consideration is a financial asset measured at fair value, which is calculated using the Monte Carlo Simulation model, the model uses a number of inputs that require estimation: forecast revenues, time until expiration, expected volatility and discount rates. Third party experts are used to provide these inputs, but the estimates remain uncertain. The valuations are considered by the Audit Committee on review of the accounting treatment of the disposal of the Xaar 3D business.

Inventory provision – note 20

A policy is used by management 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 by management.

Impairment of capitalised development costs – note 16

The Group determines whether capitalised development costs, and all other non-current assets, are impaired at least on an annual basis. The carrying amount of capitalised development costs at 31 December 2021 was £nil.

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. Management's assessment has been reviewed by the Audit Committee, which is satisfied that there is no impairment identified.

Revenue recognition – note 5

The Audit Committee reviews the assessment of the application of IFRS 15, as presented to it, with regards to the stage of completion for relevant customer contracts.

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 119 and 120

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 and supporting assessments
- Reviewed reports from the external auditor on their work and findings
- Reviewed the effectiveness of the Group's internal control environment.

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 44 and 45), 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 systems which mitigate potential impacts on shareholder investments and the Company's assets. The Corporate Risk Register is reviewed and challenged bi-annually by the Audit Committee.

The Committee having performed the annual review of the Group's internal control processes considers the systems 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. In order to support the growth of the business and the implementation of Company strategies, the Committee recognises the need to continue to review the adequacy and effectiveness of our control framework.

The Committee undertakes this evaluation having:

- 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 Whistleblowing policies
- Reviewed and approved actions for improvements to Treasury management
- The Committee considered and reviewed the internal audit plan that in 2020 was unable to progress as planned due to the impact of COVID-19 restricting the ability to travel to overseas sites alongside requirements to work from home, which continued to disrupt plans in 2021. A review was undertaken for the approach of internal audit, internal resource was recruited (joined in January 2022) and an external provider was engaged to commence internal audit activities in 2022. In addition, an audit readiness engagement was performed at EPS in the place of an internal audit in 2021 (see more detail below).

In line with the provisions of the UK Corporate Governance Code 2018, the Committee monitors and reviews the effectiveness of the Company's internal audit function or, where there is not one during a period, considers annually whether there is a need for one. The Committee recognises the challenges faced over the last two years, and has ensured steps have been taken to commence internal audits of financial processes and controls in 2022 across the Group. The Committee sanctioned an approach for greater emphasis to be placed on the methodology and effectiveness of management controls. This was implemented during 2021 with the objective to identify effective and ineffective processes and controls, and will drive increased engagement with internal audit in the future through the design and implementation of new internal systems to ensure a robust and effective solution.

As disclosed in the Xaar plc Annual Report and Financial Statements 2020, significant deficiencies in internal control were identified in the EPS subsidiary during the external audit process for the year ended 31 December 2020, in respect to the financial statement close process and management controls. An action plan was established, presented to the Board and Audit Committee, and implemented in 2021, covering the actions required to remediate the internal management and reporting controls and remediate the identified deficiencies. The significant deficiencies in internal control identified in the EPS subsidiary were in respect of the adequacy of controls in the financial reporting close process, controls over revenue recognition, and controls over inventory management and valuation.

The action plan was substantially underway by the end of 2021, enabling the delivery of improved operational processes across the business and addressing the concerns raised during the external audit of the 2020 financial year. The Board and the Audit Committee are kept up to date with the progress made against the action plan. A third party, RSM LLP US (RSM), were engaged to support the audit readiness of EPS ahead of the 2021 year end audit. In addition to reviewing actions taken during 2021, RSM helped to identify and implement further actions as required to enable a successful year-end external audit. This engagement was undertaken ahead of traditional internal audit activities in order to provide assurance that appropriate processes have been performed resulting in accurate accounting, free from significant deficiencies in internal controls.

Further to this, RSM will work with EPS in relation to risk and controls to ensure we have clear integrated controls and reporting across the EPS business. This work will be enhanced further by internal audit procedures to follow later in 2022 once clear processes and controls have been established at EPS. Work continues across the business to enable delivery of improved operational processes, however the actions taken to date have resulted in significant progress being made, with clear and demonstrable improvement in operations, process and culture.

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 68.

FRC's Corporate Reporting Review

Xaar plc's Annual Report and Accounts to 31 December 2020 was selected as part of the FRC thematic review of companies' disclosure of alternative performance measures (APMs); as such, only the disclosures in relation to APMs were reviewed. Xaar's disclosure relating to the cash flow impact and tax effect of restructuring costs was highlighted as an example of better practice in the FRC Thematic Review: Alternative Performance Measures (APMs), published in October 2021. A request for information was also made; Xaar provided a response covering the specific questions raised and on 10 November the FRC confirmed that the matter was brought to a satisfactory conclusion. The FRC asked Xaar to explain the difference between the amount of depreciation of property, plant and equipment disclosed within the reconciliation of adjusted EBITDA, and the depreciation charge disclosed elsewhere in the notes to the accounts. We provided a satisfactory analysis and clarified that the main difference related to an impairment charge. We also stated that the depreciation of right-of-use assets was not added back when arriving at the adjusted EBITDA. We confirmed that the nature of the reconciling items, and the reasons for their selection, would be clarified in the next Annual Report and Financial Statements.

Note that there are inherent limitations in the FRC's review as the FRC provides no assurance that Xaar's 2020 Annual Report and Financial Statements are correct in all material aspects; their role is not to verify the information provided but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on them by Xaar or any third party, including but not limited to investors and shareholders.

External audit

- Following the conclusion and sharing of the 2020 audit results, there was an extensive collaborative effort by the Xaar and the EY teams to review the process in detail, and identify and implement improvements for future audit efforts including improved planning and timing of audit procedures, as well as 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 2021 audit
- The Audit Committee provided a forum for reporting and discussion with the Group's external auditors in respect of the Group's 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 agreed the fees to be paid to the external auditor relating to their services rendered for the annual audit
- 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.

External auditor

This was the third year for Ernst & Young LLP (EY) as the Company's auditor having first been appointed in July 2019 after a competitive tender. For the second year the senior statutory auditor is Adrian Bennett. 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, may 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. EY were engaged to provide tax services for FFEI for their year ending 31 March 2021, however on the completion of Xaar's acquisition of FFEI, there was no open work and EY discontinued their engagement as tax advisor.

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 2021, 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.

Review of the Audit 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.

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 state that it shall meet typically twice 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 on the request of any member of the Committee. Please see the tables on page 76 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 the 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 consider relevant skills, experience, knowledge and ability without gender or ethnicity bias. Succession planning is performed and all appointments are made on merit and suitability against objective selection criteria with due consideration of, amongst other things, the benefits of diversity, including gender and ethnicity.

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 four 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 32 and 33.

Key issues and activities

In 2020 and following significant losses in the business and as part of a move to control costs, a decision was made to reduce the Board size to five comprising three independent Non-Executive Directors and two Executive Directors. This position was retained in 2021 during which there were no changes to the Board. The matter has, however, been kept under constant review.

Following implementation of a new strategy and the good progress made on building an executive management team during the past two years, the Nomination Committee has recommended that during 2022 the Board be strengthened and that the number of independent Non-Executive Directors be increased to four including the Chair. This move will allow the balance of skills of Board members to be enhanced, will facilitate some reassignment of responsibilities among the Non-Executive team and will ensure continuation of strong governance. In making any future appointment the Nomination Committee will consider both diversity and succession as a matter of course as we seek to further equip the Board in its role of overseeing future business growth and expansion.

The Committee has considered organisational development and succession planning, an induction programme for Non-Executive Directors, 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 2021 to strengthen the executive team across the business units as the Company rebuilds competencies appropriate to its strategy and structure following the acquisition of FFEI Limited and divestment of the 3D business in the year.

The Committee has facilitated the review of the annual performance evaluations of the Board and its Committees. For further information with regards to the evaluation, see the Corporate Governance statement. As the Company is not a FTSE 350 company, it is not required by the 2018 UK Corporate Governance Code to have regular externally facilitated Board evaluations, however the Committee will consider the use of an external evaluator for future annual performance evaluations.

Nomination Committee continued

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.

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 60 and 61. 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

29 March 2022

Directors' Remuneration report
Statement from the Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration report for 2021.

Our report explains the work of the Committee and how we have implemented our Remuneration Policy which was approved by shareholders at the 2020 AGM. For ease of reference, a summary of the key elements of the Directors' Remuneration Policy is included on pages 86 to 89. The Annual Report on Remuneration (on pages 92 to 101) explains how the Remuneration Policy was implemented in 2021 and how it will be applied in 2022. This is the subject of an advisory shareholder vote at the 2022 AGM.

2021 remuneration in the context of our business performance

During the year we have continued to ensure our approach to remuneration is aligned to our strategy and supports the delivery of long-term sustainable performance, to benefit all stakeholders.

As outlined in our Remuneration report last year, under the leadership of the CEO and CFO, we have refocused the business on our core competencies and developed a new strategy for growth exploiting the fundamental strength of our bulk piezo inkjet technology. We have continued to deliver strong performance, which despite challenging market conditions, demonstrates the success of our strategy and underlying strength of the business. By way of context:

- Our Printhead business continues to perform with a growing pipeline of new product developments
- Underlying performance of our Engineered Printing Solutions (EPS) remains good with progress made in our modular strategy
- A new bulk piezo product platform, ImagineX, has been established and a regular rollout of new products with enhanced performance aligned to market needs is continuing
- Continued investment in capability and capacity, together with the acquisition of FFEI Limited ('FFEI') on 11 July 2021 will drive future growth and continue to accelerate strong performance
- An ESG Committee has been established with a view to announcing the Sustainability Roadmap to 2030 with the full-year results
- In November 2021 we announced the completion of the divestment of the Company's remaining interest in Xaar 3D which enables us to focus on our core technology and what we do best
- As detailed in the Strategic Report our balance sheet remains strong and we have continued to deliver robust financial performance
- Reflecting the excellent progress made and positive momentum generated across the business, we report an adjusted profit for the business in the second half of 2021 and anticipate a return to sustained profitable growth from 2022
- Our market capitalisation (six month average) has also increased almost three fold from c. £53 million to 31 December 2019 to c. £146 million to 31 December 2021.

This performance is a testament to the proactive management and leadership of our CEO, CFO and Board and the commitment of all our people.

Annual bonus outturn for the year ended 31 December 2021

For the financial year ended 31 December 2021, 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 (70%) and cash flow improvement (30%).

Reflecting the strong business performance the annual bonus outcomes for the CEO and CFO were 26.26% of maximum (32.83% of salary and 26.26% of salary respectively). Full details of the targets and performance achieved can be found on page 93. In line with our Remuneration Policy, 30% of the bonus earned will be deferred in shares and subject to a two-year deferral period, with the balance delivered in cash.

When considering the outturns the Committee has taken a holistic view, including in relation to the employee and wider stakeholder experience, in addition to performance relative to the targets and objectives set. The Committee believes that the outcomes are an appropriate reflection of wider performance and the Committee has not exercised any discretion in relation to remuneration outcomes.

Deferred element of 2020 bonus

Reflecting the fact that the divestment of the Company's remaining interest in Xaar 3D did not complete and gain shareholder approval by 30 June 2021, the deferred element of bonus earned for 2020 that was based on the 3D strategic goals was forfeited during the year.

Long-Term Incentive Plan (LTIP) awards

No LTIP awards were due to vest for Executive Directors in respect of 2021.

Reflecting the strong recovery in our share price, the 2021 LTIP awards were granted at 150% of base salary for the CEO and 100% of salary for the CFO. 2021 LTIP awards are 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.

Key principles of the compensation philosophy

Whilst market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Director remuneration. In line with Xaar's general approach to setting pay, the Committee considers a range of factors alongside benchmarking when reviewing proposed changes to remuneration packages. Our approach to remuneration is based on the following key principles:

- 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 our assessment of what is competitive and appropriate according to the size and complexity of the business, the calibre and experience of individuals in each role, internal consistency and the Company's ability to pay
- A significant element of the total package rewards near and longer-term achievements that are clearly linked to performance and Company strategy.

Implementation of the Policy in 2022

The wider workforce was awarded a 2.5% base salary increase for both 2020 and 2021 and the proposed general base salary increase for 2022 is 3% for UK employees. In addition to these increases, since 2019 the base salaries of various members of the senior management team have been significantly revised in recent years to reflect increased responsibilities and the development of the business, which has reduced internal relativities (five key executives have received double digit increases over the last three years to reflect increased responsibilities). 69 individuals below the executive team have received higher base salary increases on promotion over the last year.

Since appointment the Executive Directors have received one base salary increase. The CEO and CFO's current base salary is below the lower decile compared to companies of a similar market capitalisation to Xaar.

The Committee believes it is appropriate to recognise our continued strong performance and ambitions in the future, including our return to sustained profitable growth with base salary increases for the CEO and CFO that are higher than the general rises for employees. The proposed increases set out below also take into account the outstanding contribution of our CEO and CFO to the development and successful implementation of our new strategy. Our intention is to increase the CEO and CFO's base salary on a phased basis towards the mid-point of the market competitive range.

	Current salary (effective 1 January 2021	New salary (effective 1 January 2022)	Lower quartile*	Proposed salary (effective 1 January 2023)	Median*
CEO – John Mills	£315,000	£360,000 14% increase c. 94% of lower quartile	£381,400	£390,000	£412,000 8% increase c. 95% of median
CFO – Ian Tichias	£220,500	£ 240,000 9% increase c. 96% of lower quartile	£251,000	£260,000	£282,000 8% increase c. 92% of median

* Based on companies with 12 month average market cap £50 million – £175 million.

The Committee is mindful of the impact of base salary increases on the value of the overall total remuneration package. The changes outlined above move the positioning of base salaries and total remuneration package for our current Executive Directors towards the lower end of the market for 2022.

No other changes are proposed to the Executive Directors' package for 2022.

- Pension/cash in lieu – in line with wider workforce (currently 6% of salary)
- Maximum annual bonus for 2022 is 125% of salary for the CEO and 100% for the CFO. 50% of the maximum bonus can be earned for on-target performance. 30% of any bonus will be deferred in shares and subject to a two-year deferral period. The balance is delivered in cash
- Long-term incentive maximum 150% of salary for the CEO and 100% of salary for the CFO. LTIP awards vest after three years subject to the achievement of appropriately stretching performance conditions. A further two-year holding period applies in line with the UK Code.

The proposed increase for 2023 is subject to the continued performance of the Executive Directors and the Company including a return to sustained profitable growth.

Looking ahead – key focus areas for the Committee for 2022

The Committee is mindful of the need to attract and retain high calibre individuals in an increasingly competitive market and to remunerate executives fairly and responsibly. During the course of 2022 we will be reviewing our Remuneration Policy to ensure that it continues to support delivery of the strategy for the next stage of Xaar's development, ahead of being put to a shareholder vote in 2023.

As part of this review we will consider how our ESG priorities should be reflected in the reward framework. We also intend to introduce a post-employment shareholding for future LTIP grants from 2023 onwards. Any changes to the Remuneration Policy will be considered alongside the impact of the proposed changes to base salary for 2023.

Board Chair and Non-Executive Directors

We have also taken the opportunity to review our Chairman fee level and a committee, appointed by the Executive Directors and the Chairman, has reviewed fees for the other Non-Executive Directors.

We are mindful that the strong performance delivered has required a significant time commitment and contribution from the whole Board. The successful turnaround of the business has also been achieved with a very effective, albeit smaller, Board.

From 1 January 2020 the Chairman fee was reduced to £90,000. This reflected the smaller scale and profitability of the business at that time. Consistent with the approach being adopted for the Executive Directors, and reflecting both the time commitment and contribution of the Chairman, the Committee has agreed to increase the Board Chair fee (currently £92,250) on a phased basis as detailed below. The 2023 increase will be subject to the continued performance of the Company including a return to sustained profitable growth. This still positions us slightly below the market compared to FTSE SmallCap companies of a similar size.

	Current fee (effective 1 January 2021)	New fee (effective 1 January 2022)	Lower quartile*	Proposed fee (effective 1 January 2023)	Median*
Chairman – Andrew Herbert	£92,250	£120,000 30% increase c. 95% of lower quartile	£126,750	£130,000	£137,500 8% increase c. 95% of median

* Based on companies with 12 month average market cap £50 million – £175 million.

Under delegated authority from the Board, the Executive Directors and the Chair have reviewed fees for the other Non-Executive Directors. The outcome was that the base fee of £46,125 for the Non-Executive Directors' fees is broadly market competitive (positioned around the mid-point). The base fee will be increased by circa 3%, in line with the increase for the wider workforce for 2022, to £47,500. The additional fee in respect of acting as a Committee Chair will be increased from £3,000 to £7,500 and the fee for the Senior Independent Director will be increased from £1,000 to £3,000. These increases bring the additional fees closer to the mid-point of the market competitive range for the Committee Chairs and closer to the lower end of the market for the Senior Independent Director.

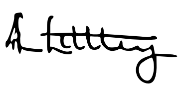
Employee engagement

The Board has formally introduced workforce engagement sessions to be held at least three times a year. These include regular business forums with Non-Executive Directors and senior management update calls to all employees. These have provided an upward channel for views, comments and debate, as well as an opportunity to provide positive feedback on the Group's focus on the wellbeing and health and safety of our employees. During the course of the year, we have provided an update on how our reward framework aligns with business and talent strategy and the wider Company pay policy.

Shareholder engagement

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 on the changes in our two most senior executives' basic salaries and the change to the Chairman's fee as set out above. We greatly appreciate the feedback and the level of support we have received from our shareholders regarding our approach to remuneration and the changes outlined. We are firmly of the view they are in the best interests of the business and its shareholders.

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 2021 was appropriate, taking into account Group and personal performance and the experience of shareholders and employees. On behalf of the Board, I would like to thank you, our shareholders, for your engagement, and I hope that we will continue to receive your support at forthcoming AGM on 25 May 2022.



Alison Littley
Chairman of the Remuneration Committee

29 March 2022

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	
Objective	Core element of fixed remuneration that provides the basis to recruit and retain talent necessary to deliver the business strategy.
Operation	Normally reviewed annually and any increases generally apply from 1 January (but may be reviewed more frequently if required). When determining base salary levels, consideration is given to the following: • Role, responsibility and experience of the individual • Corporate and individual performance • Market conditions including typical pay levels for comparable roles in companies of a similar size and complexity • The range of salary increases awarded across the Group.
Opportunity	No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors and employees. The base salaries effective as at 1 January 2022 are shown on page 99.
Performance measures	Not applicable.

Benefits	
Objective	Provide a market-competitive benefits package to recruit and retain Directors of the calibre required for the business. Participation in the Company's Share Incentive Plan (SIP) and Share Save Scheme (SAYE) encourages share ownership and alignment with the wider workforce.
Operation	Executive Directors receive base benefits including car allowance, private medical insurance, and basic levels of other insurances (such as income protection cover). 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. The SIP and SAYE are HMRC approved share plans for all employees facilitating the acquisition of shares in the Company at a discount. 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.
Opportunity	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. The flexible benefits allowance is currently up to 5% of base salary. 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. SAYE and SIP limits as permitted in accordance with the relevant tax legislation.
Performance measures	Not applicable.

Retirement benefits	
Objective	Provide an appropriate level of retirement benefit (or cash allowance equivalent) as part of a market-competitive total remuneration package.
Operation	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.
Opportunity	Company pension contribution (or cash allowance equivalent) not exceeding the contribution available to the majority of the workforce (currently 6% of base salary).
Performance measures	Not applicable.

Annual bonus	
Objective	Rewards performance against annual targets which support the strategic direction of the Company. The majority of staff participate in the same scheme.
Operation	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).
Opportunity	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.
Performance measures	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 2022 annual bonus are adjusted profit before tax (70%) and cash flow (30%). The Committee may vary the weighting of these measures and could add alternative measures in future years.

Long-Term Incentive Plan	
Objective	Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests. Support the turnaround of the business towards longer-term, sustainable profitability. Provide alignment with shareholders' interests. Support retention and promote share ownership.
Operation	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. 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. 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. 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. 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.
Maximum opportunity	The maximum award in respect of any year will be: • as regards the Chief Executive Officer, an award over 365,000 shares; and • as regards any other Executive Director, an award over 170,000 shares, 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. For threshold performance, 25% of award will vest. Straight-line vesting applies between threshold and maximum vesting. These limits do not include the value of shares subject to any approved option granted as part of an LTIP award.
Performance measures	Stretching performance targets are set each year reflecting the business priorities that underpin longer-term Group strategy. The 2022 LTIP award will be measured based on: • Cumulative Adjusted EPS – 60% • The Company's relative TSR performance against the companies in the FTSE SmallCap All-Share Index – 40% • Cumulative Adjusted EPS and relative TSR performance will be measured over a three-year performance period to 31 December 2024. The Remuneration Committee retains the discretion to alter the weighting of measures and to apply alternative or additional measures in future years.

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
Chairman and Non-Executive Directors' fees Provide an appropriate reward to attract and retain Directors of the calibre required for the business.	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. The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares. 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. 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. Non-Executive Directors do not participate in any incentive scheme. Directors may be eligible to benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.

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 the 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	Remaining term of maximum on 31 December 2021
Andrew Herbert	15 April 2016	1 June 2016	41 months
Alison Littley	22 April 2020	1 May 2020	88 months
Chris Morgan	2 December 2015	4 January 2016	36 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.

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
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	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. Employees have a forum where they can raise questions and give feedback about the Remuneration Policy directly to the Non-Executives.
Simplicity Remuneration structure should avoid complexity and its rationale and operation should be easy to understand.	A core reward principle of our Policy is to operate a simple and transparent framework which can be readily cascaded. 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. The structure is simple to understand for both participants and shareholders, and is aligned to the strategic priorities for the business.
Risk 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.	Annual bonus and LTIP targets are set at levels which reward high performance, but which do not encourage inappropriate business risk. Both the annual bonus and LTIP are subject to malus and clawback provisions. This allows the Committee to have appropriate regard to risk considerations. Annual bonus deferral and the application of the two-year holding period to awards under the LTIP provide longer-term alignment with shareholders' interests. The Committee also has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group.
Predictability 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.	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.
Proportionality 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.	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. 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.
Alignment with culture Incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.	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. Our incentive schemes are aligned with our strategy to return to sustainable long-term growth and profitability.

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 2021.

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 2021 is set out below, along with the aggregate remuneration provided to such Directors for the financial year ended 31 December 2020.

Year ended 31 December 2021

	Salary/fees[a] £'000	Benefits[b] £'000	Performance bonus[c] £'000	Bonus[d] £'000	Reduction[e] £'000	Others[f] £'000	Pension[g] £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive										
John Mills	315	28	103	–	(11)	–	19	454	362	92
Ian Tichias	221	23	58	–	(5)	7	13	317	257	60
Non-Executive										
Andrew Herbert (Chairman)	92	–	–	–	–	–	–	92	92	–
Alison Littley	50	–	–	–	–	–	–	50	50	–
Chris Morgan	50	–	–	–	–	–	–	50	50	–

Year ended 31 December 2020

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

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.

The figures in the single figure table on page 92 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 2021.
(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.
(d) Bonus	The value of any other bonus; for Ian Tichias, this is a bonus payment in 2020 of £65,420 to compensate him for remuneration forfeited when he joined Xaar as CFO.
(e) Reduction	In the single figure table in the 2020 Directors' Remuneration report, the performance bonus value for 2020 reflected the full bonus earned by each Executive Director by reference to the applicable performance conditions. As noted in that report, the deferred element of bonus earned based on the 3D strategic goals was to be forfeited in the event that the transaction did not complete by 30 June 2021. The relevant transaction did not complete and the shares over which the deferred element was granted on 14 October 2021 (as referred to on page 83) were reduced accordingly by a value of £11,250 in the case of John Mills and £5,250 in the case of Ian Tichias. In line with the reporting regulations, the reduction is included in the 2021 single figure table.
(f) Others	The value of SAYE options granted based on the fair value of the options/shares at grant.
(g) Pension	The value of the employer contribution to the defined contribution pension plan in the UK (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 increased to £315,000 from 1 January 2021 and the CFO's salary was increased to £220,500 from 1 January 2021.

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.

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 2021, 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 (70%) and cash flow improvement (30%).

	Weighting	Threshold (0% of maximum vests)	Target (50% of maximum vests)	Maximum (100% vesting)	Actual	% of maximum vesting
Adjusted Group PBT*	70%	(£3,911k)	(£414k)	£2,023k	(£1,291k)	37.51%
Cash flow from operations*	30%	(£382k)	£1,334k	£3,117k	(£999k)	0.00%
Overall out-turn						26.26%

* The Adjusted Group PBT target is the adjusted loss before tax from continuing operations as defined in note 4. Targets and actual exclude the impact of FFEI results.

The bonus out-turns for 2021 are detailed in the table below.

	% of maximum opportunity vesting	% of salary	Total	Cash	Deferred shares*
John Mills	26.26%	32.83%	£103,399	£72,379	£31,020
Ian Tichias	26.26%	26.26%	£57,903	£40,532	£17,371

* 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.

Long-term incentives and deferred bonuses awarded during the financial year

The table below outlines awards made under the LTIP to Executive Directors in 2021:

		Award basis	Performance condition	Number of shares	Face value of the award[1] £'000	Vesting at threshold	Performance period	Vesting date
14 October 2021	John Mills	Performance Share Plan awards	EPS & TSR	293,478	473	25% of award	1 January 2021 to 31 December 2023	March 2024 (2023 Results)
		Deferred Bonus Plan	–	23,249	37		N/A	March 2023 (2022 Results)
14 October 2021	Ian Tichias	Performance Share Plan awards	EPS & TSR	136,957	221	25% of award	1 January 2021 to 31 December 2023	March 2024 (2023 Results)
		Deferred Bonus Plan	–	10,849	17		N/A	March 2023 (2022 Results)

1 The share price used to calculate the face value of the Performance Share award and the Deferred Bonus share award granted on 14 October 2021 was £1.61 being the average mid-market price during the five days prior to award date.

The 2021 LTIP grants were based on Cumulative Adjusted EPS performance for the three-year performance period commencing with the 2021 financial year (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 commencing with the 2021 financial year. In line with the UK Corporate Governance Code, there is a further two-year holding period following the end of the performance period.

The Deferred Bonus plan award is a grant calculated as 30% of the 2020 bonus earned, the element of bonus earned based on the 3D strategic goals was forfeited as the transaction did not complete by 30 June 2021.

Given the turnaround position of the Company, the Board considers the EPS performance targets for the LTIP awards granted in 2021 to be commercially sensitive information at this time but, as in past years, will fully disclose the exact measurements retrospectively.

The portion of the awards based on TSR will vest subject to the satisfaction of the following performance conditions.

Company's TSR performance relative to the comparator group	Portion of the TSR element that vests
Median	25%
Between median and upper quartile	Pro-rata between 25% and 100%
Upper quartile	100%

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:

						Unvested		
Name	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Vested	Subject to performance conditions	Not subject to performance conditions	**Total as at 31 December 2021**
Executive Directors								
John Mills	200% of salary	72%	Shares	125,000				**992,349**
			LTIP options			838,806		
			DBP and SAYE options				28,543	
Ian Tichias	200% of salary	41%	Shares	50,000				**428,681**
			LTIP options			356,957		
			DBP and SAYE options				21,724	
Non-Executive Directors								
Andrew Herbert			Shares	100,000				
Alison Littley			Shares					
Chris Morgan			Shares					

Shares that count towards the guideline are those owned outright and the net of tax shares subject to DBP awards (the vesting of which is not subject to the satisfaction of any further performance condition). The shares are valued at closing price on 31 December 2021 (£1.82) with the percentage of salary determined by reference to salaries at 31 December 2021 (CEO £315,000 and CFO £220,500).

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 2021 and 29 March 2022. Chris Morgan and Alison Littley hold no shares or options in Xaar plc.

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.

Name	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2021	Grant date	Share price at date of grant	Earliest date of exercise	Expiry date
John Mills	180,328	–	–	–	**180,328**	4 October 2019	£0.452	4 October 2022	4 October 2029
	365,000				**365,000**	4 June 2020	£0.59	4 June 2025	4 June 2030
		293,478	–	–	**293,478**	14 October 2021	£1.61	March 2026*	14 October 2031
	545,328	293,478	–	–	**838,806**				
Ian Tichias	50,000	–	–	–	**50,000**	29 April 2020	£0.41	29 April 2023	29 April 2030
	170,000	–	–	–	**170,000**	4 June 2020	£0.59	4 June 2025	4 June 2030
		136,957	–	–	**136,957**	14 October 2021	£1.61	March 2026	14 October 2031
	220,000	136,957	–	–	**356,957**				

* The options vest on the dealing day following the announcement by the Company of its annual results or, if later, the date on which the Remuneration Committee determines whether the performance condition and any other condition has been satisfied (in whole or in part), and are exercisable two years after this date.

DBP

The outstanding awards granted to each Executive Director of the Company under the Xaar 2020 Deferred Bonus Plan are as follows. All options under the DBP are nil-cost options such that no exercise price is payable.

Name	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2021	Grant date	Share price at date of grant	Earliest date of exercise	Expiry date
John Mills	–	23,249	–	–	**23,249**	14 October 2021	£1.61	March 2023*	14 October 2031
Ian Tichias	–	10,849	–	–	**10,849**	14 October 2021	£1.61	March 2023	14 October 2031

* The options vest on the dealing day following the announcement by the Company of its annual results or, if later, the date on which the Remuneration Committee determines whether the performance condition and any other condition has been satisfied (in whole or in part).

All employee share plan

The Executive Directors may participate in the Company's all employee share plan, the Xaar plc SAYE Scheme (SAYE Scheme), 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. Options and awards 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 2021	Granted during the year	Lapsed during the year	Exercised during the year	As at 31 December 2021	Grant date	Exercise price	Earliest date of exercise	Expiry date
John Mills	5,294	–	–	–	**5,294**	2 November 2020	£1.02	2 November 2023	2 May 2024
	5,294	–	–	–	**5,294**				
Ian Tichias	5,294	–	–	–	**5,294**	2 November 2020	£1.02	2 November 2023	2 May 2024
		5,581	–	–	**5,581**	4 November 2021	£1.29	4 November 2024	4 May 2025
	5,294	5,581	–	–	**10,875**				

Payments for loss of office and payments to past Directors made during the year

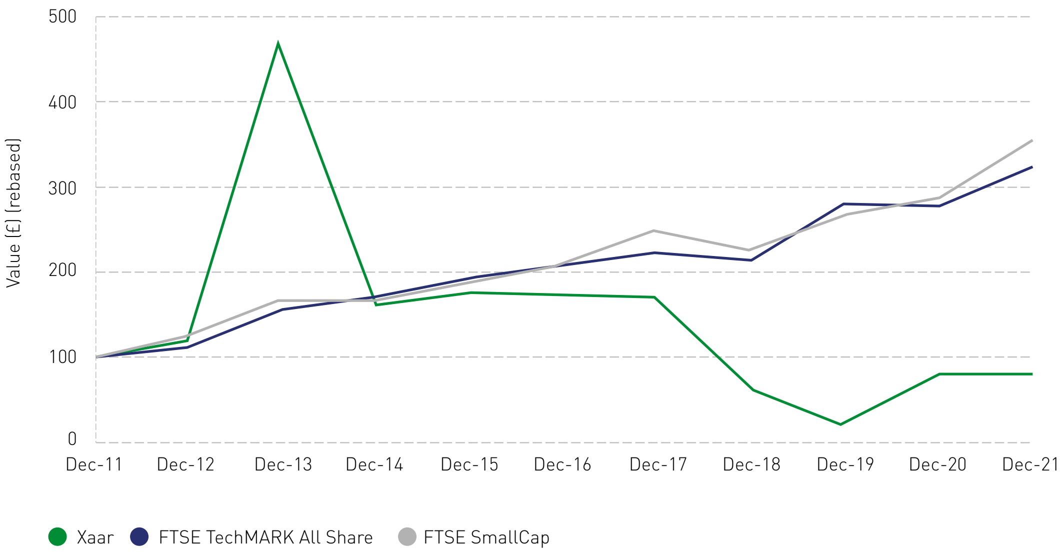
No payments for loss of office or payments to past Directors were made in 2021.

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



Source: Datastream (Thomson Reuters).

This graph shows the value, by 31 December 2021, of £100 invested in Xaar on 31 December 2011, compared with the value of £100 invested in the FTSE TechMARK All Share and FTSE SmallCap 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 2021	454	26.26%	n/a
Year ended 31 December 2020	511	43.27%	n/a
Year ended 31 December 2019 – John Mills[1]	122	0%	0%
Year ended 31 December 2019 – Doug Edwards[2]	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%

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

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 2020 and the year ended 31 December 2021, 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.

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.

	Salary/Fees				Benefits[5]				Bonus			
Year	**2021**	2020	2020-2021 % increase	2019-2020 % increase	**2021**	2020	2020-2021 % increase	2019-2020 % increase	**2021**	2020	2020-2021 % increase	2019-2020 % increase
John Mills	**315,000**	300,000	5%	–	**34,650**	33,000	5%	–	**103,399**	162,271	(36%)	(21%)
Ian Tichias[1]	**220,500**	210,000	5%	–	**24,255**	23,100	5%	–	**57,903**	75,726	(24%)	–
Andrew Herbert[2]	**92,250**	80,000	15%	70%		–	–	–		–	–	–
Alison Littley[3]	**50,125**	48,250	3.9%	–		–	–	–		–	–	–
Chris Morgan	**50,125**	48,250	3.9%	10%		–	–	–		–	–	–
Comparator employee group[4]	**60,000**	53,975	11.2%	2.5%	**5,400**	4,857	11.2%	2.5%	**4,163**	3,933	5.8%	n/a

1 Ian Tichias joined in March 2020. His 2020 salary has 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.
3 Alison Littley joined the Board on 1 May 2020. Her 2020 fees have been annualised to provide comparison.
4 Average employee – Full-time equivalent median employee of Xaar plc.
5 Benefits calculated as 11% for Executive Directors (5% flex, 6% pension) and 9% for employee group (3% flex, 6% pension).

CEO pay ratio

The following table sets out the ratio of the CEO's total remuneration in respect of FY21 (taken from the single figure table on page 92) to the 25th percentile, 50th percentile (i.e. the median) and the 75th percentile full-time equivalent (FTE) of the Group's UK employees. In line with the applicable regulations, the corresponding ratios for 2020 are also included.

Year	Method	25th percentile	Median pay ratio	75th percentile
2021	Option A	16:1	11:1	7:1
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 2020 and 2021 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)
2021	£454k (£315k)	£28k (£24k)	£43k (£34k)	£62k (£55k)
2020	£511k (£300k)	£33k (£29k)	£46k (£34k)	£64k (£50k)
2019	£479k (£338k)	£28k (£26k)	£39k (£33k)	£57k (£52k)

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 2021.

	2021 £'000	2020 £'000	Change %
Dividends paid to shareholders	**–**	–	0%
Group-wide expenditure on pay for all employees (note 9)	**24,660**	21,629	14%

Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2022

Information on how the Company intends to implement the Policy for the financial year commencing 1 January 2022 is set out in the statement from the Chairman of the Remuneration Committee and is summarised below.

Basic salary and fees

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

	2021	2022 (effective 1 January 2022)	% increase
John Mills	**£315,000**	£360,000	14%
Ian Tichias	**£220,500**	£240,000	9%

As explained in the statement from the Chairman of the Remuneration Committee, while market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Director remuneration. In line with Xaar's general approach to setting pay, the Committee therefore considered a range of factors alongside benchmarking when reviewing proposed changes to remuneration packages.

The increases reflect:

- The CEO's and CFO's current base salaries are below the lower decile compared to companies of a similar market capitalisation to Xaar. The Committee reviewed a peer group of companies with 12 month average market capitalisations of between £50 million – £175 million for these purposes. Xaar's market capitalisation is circa. £146 million to 31 December 2021
- The Committee's belief that it is appropriate to recognise our continued strong performance and ambitions in the future, including our return to sustained profitable growth with base salary increases for the CEO and CFO that are higher than the general rises for employees
- The proposed increases also take into account the outstanding contribution of our CEO and CFO to the development and successful implementation of our new strategy.

Fees for Non-Executive Directors will be increased with effect from 1 January 2022 as shown below.

	2021	2022 (effective 1 January 2022)
Chairman	**£92,250**	£120,000
Non-Executive Director – base fee	**£46,125**	£47,500
Fee for holding the position of Chair of a Board Committee	**£3,000**	£7,500
Fee for holding the position of Senior Independent Director	**£1,000**	£3,000

As explained in the statement from the Chairman of the Remuneration Committee, the fee for the Chairman was increased by the Remuneration Committee to reflect the time commitment and contribution of the Chairman. The changes to the fees for the Non-Executive Directors (including fees for additional duties) were approved by the Executive Directors and the Chairman with the base fee increase being in line with the increase for the wider workforce for 2022 and the fees for additional duties bringing them closer to the mid-point of the market competitive range in the case of the Committee Chair fee and the lower end of the market in the case of the Senior Independent Director fee.

Annual bonus

The maximum opportunity for the CEO and CFO will be unchanged at 125% and 100% of base salary respectively for 2022. The performance metrics for the bonus for 2022 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 2022 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

The maximum LTIP award in 2022 will be capped at 150% of base salary for the CEO and 100% of salary for the CFO. 2022 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 2024 with a further two-year holding period following the end of the performance period.

As for 2021, 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 TSR performance condition will be the same as for the awards granted in 2021, as set out on page 94.

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 76 for details of the Committee members in the year and the number of Committee meetings attended.

The Remuneration Committee is currently chaired by Alison Littley. The other members during the year ended 31 December 2021 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 2021 are shown below:

Remuneration Committee's key activities in 2021

Executive Directors' and senior management remuneration	Assess 2020 bonus and LTIP outcomes Set the remuneration for the Executive Directors, senior management and the Company Secretary Finalise and approve 2021 bonus and 2021 LTIP targets Review update on market practice and corporate governance Review of Executive Director shareholdings against shareholding guidelines Review the impact of the launch of the new strategy and consider how the performance goals set at the start of 2021 should be assessed
Share incentive plans	Review eligibility for LTIP awards Approve grant of LTIP awards Approve grant of SAYE awards
Governance	Consider and approve the Annual Report on Remuneration Consider the background of COVID-19 and its impact on remuneration
Wider workforce	Review proposed annual pay increases for the wider workforce Review proposed bonus payments for the wider workforce Agree improved processes for the Remuneration Committee to monitor wider workforce pay and policies

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 £22,470. 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 2020 at the 2021 AGM 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 9 – Directors' Remuneration report for the year ended 31 December 2020	53,687,531 (99.95%)	27,365 (0.05%)	1,551
Resolution 13 at the 2020 AGM – Directors' Remuneration Policy	50,592,544 (99.41%)	299,077 (0.59%)	21,445

Approval

This report was approved by the Board on 29 March 2022 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 UK adopted International Accounting Standards 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 60 and 61.

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

John Mills
Chief Executive Officer

29 March 2022