

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**

Section 172 statement continued

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.