

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.

Directors' Remuneration report continued

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 report continued

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	<p>Normally reviewed annually and any increases generally apply from 1 January (but may be reviewed more frequently if required).</p> <p>When determining base salary levels, consideration is given to the following:</p> <ul style="list-style-type: none">• 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	<p>No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors and employees.</p> <p>The base salaries effective as at 1 January 2022 are shown on page 99.</p>
Performance measures	Not applicable.
Benefits	
Objective	<p>Provide a market-competitive benefits package to recruit and retain Directors of the calibre required for the business.</p> <p>Participation in the Company's Share Incentive Plan (SIP) and Share Save Scheme (SAYE) encourages share ownership and alignment with the wider workforce.</p>
Operation	<p>Executive Directors receive base benefits including car allowance, private medical insurance, and basic levels of other insurances (such as income protection cover).</p> <p>All UK staff, including Executive Directors, are also provided with a benefit allowance which they can apply to a range of benefits, including pension contributions. In some circumstances, and subject to Remuneration Committee approval, the allowance may be paid in cash rather than utilised to purchase benefits.</p> <p>The SIP and SAYE are HMRC approved share plans for all employees facilitating the acquisition of shares in the Company at a discount.</p> <p>Other benefits may be provided based on individual circumstances, such as, but not limited to: housing or relocation allowances, travel allowance or other expatriate benefits.</p>
Opportunity	<p>Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors receive, the value of benefits is set at a level which the Remuneration Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.</p> <p>The flexible benefits allowance is currently up to 5% of base salary.</p> <p>The Remuneration Committee has the authority to review and amend this rate as appropriate. Individuals have the choice to invest all or part of this amount in their pension scheme, in addition to the benefits outlined in the 'Retirement benefits' section of this table.</p> <p>SAYE and SIP limits as permitted in accordance with the relevant tax legislation.</p>
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.

Directors' Remuneration report continued

Long-Term Incentive Plan	
Objective	<p>Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests.</p> <p>Support the turnaround of the business towards longer-term, sustainable profitability.</p> <p>Provide alignment with shareholders' interests.</p> <p>Support retention and promote share ownership.</p>
Operation	<p>An award of performance shares (zero priced share options) may be granted on an annual basis and will vest after three years subject to the achievement of the applicable performance conditions. There will be a further two-year holding period.</p> <p>Vested LTIP options must be exercised within ten years of the date of grant. Under the rules of the LTIP, the Remuneration Committee has discretion to satisfy vested LTIP awards in cash.</p> <p>On the vesting/exercise of an LTIP award, the Remuneration Committee has the discretion to decide that Executives can receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of an award on the number of shares which have vested. However, the Committee would only settle dividend equivalents for an Executive Director in cash where the particular circumstances made that appropriate – for example in the event of a regulatory restriction on the delivery of shares, or in respect of the tax arising on the vesting or release of the award.</p> <p>Awards may vest early on a change of control (or other relevant event) subject to the satisfaction of the performance conditions (as determined by the Remuneration Committee) and pro-rating for the LTIP was previously approved by shareholders in April 2007.</p> <p>The Remuneration Committee may at its discretion structure awards as Approved Long-Term Incentive Plan (ALTIP) awards. ALTIP awards enable the participant and Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. ALTIP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a 'linked award' to fund the exercise price of the approved option, or as an approved option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on the exercise of the approved option. Other than to enable the grant of ALTIP awards, the Company will not grant awards to Executive Directors under the Executive Share Option Plan.</p>
Maximum opportunity	<p>The maximum award in respect of any year will be:</p> <ul style="list-style-type: none"> • 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, <p>subject to an overriding limit in respect of any year of 150% of salary for the Chief Executive Officer and 100% of salary for any other Executive Director.</p> <p>For threshold performance, 25% of award will vest.</p> <p>Straight-line vesting applies between threshold and maximum vesting.</p> <p>These limits do not include the value of shares subject to any approved option granted as part of an LTIP award.</p>
Performance measures	<p>Stretching performance targets are set each year reflecting the business priorities that underpin longer-term Group strategy.</p> <p>The 2022 LTIP award will be measured based on:</p> <ul style="list-style-type: none"> • 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. <p>The Remuneration Committee retains the discretion to alter the weighting of measures and to apply alternative or additional measures in future years.</p>

Shareholding guideline

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

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

Malus, clawback and underpin provisions

The Remuneration Committee has the right to:

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

Operation of share plans

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

Awards under the Company's share plans may vest in the event of a change of control (or other relevant event) as follows:

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

Chairman and Non-Executive Directors

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

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

Directors' Remuneration report continued

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

Directors' Remuneration report continued

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.

Directors' Remuneration report continued

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:

Name	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Vested	Unvested		Total as at 31 December 2021
						Subject to performance conditions	Not subject to performance conditions	
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 Littlely			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 Littlely hold no shares or options in Xaar plc.

Directors' Remuneration report continued

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

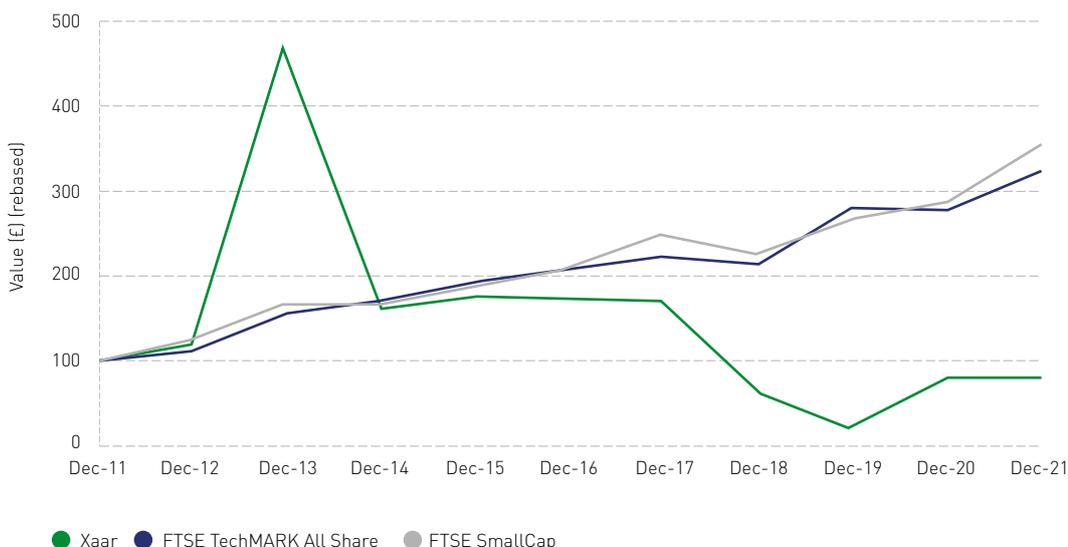
No payments for loss of office or payments to past Directors were made in 2021.

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.

Directors' Remuneration report continued

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.

Year	Salary/Fees				Benefits ⁵				Bonus			
	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.

Directors' Remuneration report continued

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 Littlely. 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