







Task Force on Climate-related Financial Disclosures (TCFD)



In meeting the requirements of Listing Rule 9.8.6 R, the Board has concluded that:

We comply with the recommended disclosures across each of the provisions. See below for details.

Disclosures	Recommended disclosures	Response
A. Governance		
Disclose the organisation's governance around climate-related risks and opportunities.	1. Describe the board's oversight of climate-related risks and opportunities.	<p>The Xaar plc Board reviews key climate-related risks and opportunities and oversees mitigation strategies as part of the bi-annual review of principal and emerging risks.</p> <p>Alison Littley, Senior Independent Director, has specific responsibility for ESG matters, including climate change and sustainability.</p>
	2. Describe management's role in assessing and managing climate-related risks and opportunities.	<p>Executive management receives reports from an ESG Committee whose members consist of senior managers across the Group.</p> <p>The ESG Committee meets on a quarterly basis to assess the opportunities and proposals developed by the Sustainability Working Group.</p> <p>The Sustainability Working Group meets regularly and is driving our roadmap whilst also receiving information from both the Carbon Net Zero team and Energy Efficiency team.</p> <p> See governance structure on page 60</p>
B. Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	3. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	<p>We completed climate scenario planning out to 2100 across two climate scenarios (e.g. RCP 2.6, RCP 8.5).</p> <p>The review examined all Xaar sites globally and our top ten critical supplier sites using 12 separate climate models, in each case the RCP 8.5 model was used to assess risks at the most extreme expected temperature rises (4.5oC).</p> <p>The report concluded physical risks are low to very low in almost all cases.</p> <p>There are two Xaar sites at risk of flooding:</p> <ul style="list-style-type: none"> • Bayes Street Kettering – surface water high risk • Fuzhou Avenue, Bao'an District Shenzhen – one metre above sea level <p>There are three supplier sites of ten analysed with risks:</p> <ul style="list-style-type: none"> • Site 1 IPRO PID five metres above sea level near coast • Site 4 Fabrinet five metres above sea level protected by Bangkok (7km inland) • Site 5 CTS Tianjin China 0 metres above sea level near coast <p>Mitigations</p> <p>China is expected to create one metre coastal defences to protect its major population centres and both the Xaar and CTS sites are part of major population centres and should be part of these coastal actions.</p> <p>IPRO PID at five metres will not be affected for a long time, so there is plenty of time to monitor actual sea level rise before making any risk judgement.</p> <p>Fabrinet at five metres, and 70km inland will not be affected for a long time, so there is plenty of time to monitor actual sea level rise before making any risk judgement. We expect coastal defences to be put in place to protect Bangkok which will also protect Fabrinet.</p> <p> See Risk management on pages 53 to 54</p>

Disclosures	Recommended disclosures	Response
B. Strategy continued		
	4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<p>In managing these financial climate-related risks our business model would not require material change, except for increasing inventory levels of components to account for transport delays arising from exceptional weather events, and to consider mitigation for potential business disruption, e.g. flood defences.</p> <p>Opportunities exist in the transition to a low carbon manufacturer, by reducing both energy usage and utilising renewable energy sources to deliver lower costs to the business. Product development will incorporate sustainability as a central objective, to transition manufacturing from a linear to a circular process and to being a process to reduce, reuse and recycle materials, all to be undertaken as part of Xaar's overall Sustainability Roadmap.</p> <p> See Risk management on pages 53 to 54</p>
	5. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>We have undertaken a high-level review of the likely impact of 2°C and 4.5°C global warming scenarios (see section 3 above), an independent external climate related scenario review in 2022 to identify physical and transition risks and opportunities in delivering carbon neutral manufacturing leading to 'Net Zero by 2030'. The review identified very low to low risks in most cases with five sites identified with slightly higher risk scenarios.</p> <p> See Risk management on pages 53 to 54</p>
C. Risk management		
Disclose how the organisation identifies, assesses, and manages climate-related risks.	6. Describe the organisation's processes for identifying and assessing climate-related risks.	<p>The Group has processes in place for identifying, evaluating and managing the principal risks, which could have an impact upon the Group's financial performance. Climate change has been disclosed as an emerging risk in recent years, and has been escalated to a principal risk category in 2021.</p> <p>With new inputs from an independent report the Board has considered the potential impact of climate change that could occur in the short, medium and longer term.</p> <p> See Risk Management on pages 53 to 54</p>
	7. Describe the organisation's processes for managing climate-related risks.	See above – A. Governance – Xaar has introduced a new structure to identify climate-related risks to be reported to the Board bi-annually including making decisions to mitigate, transfer, accept, or control those risks.
	8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	As part of the Group's risk management, within the detailed risk register, climate-related risks are determined alongside other principal risk areas, e.g. manufacturing facility, inventory and supply chain risks. The assessment is quantified via a Likelihood/Magnitude matrix to determine the overall net risk after mitigation.
D. Metrics & Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>Metric updates for 2022:</p> <ul style="list-style-type: none"> Investigate metrics and targets to be defined as part of Science Based Targets initiative Continuing improvement/reduction in Scope 1 & 2 emissions along with intensity measurement Scope 1 & 2 emissions are being offset to become 'carbon neutral' Analysis completed to recognise and begin to action travel, commute and upstream Scope 3 emissions Set, measure and disclose waste to landfill target, any waste not recycled being sent to a waste to energy recovery process. We are aware that the new acquisition, Megnajet, is not a zero to landfill site and it will be a priority to correct this situation in 2023. <p> See page 29 for Sustainability Roadmap</p>

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Disclosures	Recommended disclosures	Response
D. Metrics & Targets continued		
	10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>GHG emissions are disclosed as per the SECR requirements for Scope 1 and Scope 2.</p> <p>An initial assessment has been completed for Printhead business unit Scope 3 emissions, and a boundary developed.</p> <p>We have recognised Scope 3 emissions arising from employee travel and commuting; a model has been generated to allow an estimate of the upstream value chain and direct interaction with suppliers to validate the quality of this modelled data has been initiated. Downstream value chain activities have not yet been examined, and with the initial upstream results being approximately 100 times our own internal Scope 1 & 2 footprint we intent to focus on upstream value chain activities for a number of years before moving to downstream review.</p> <p> See GHG/SECR disclosure on page 45</p>
	11. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>Xaar has committed short-term targets:</p> <ul style="list-style-type: none"> • To achieve a net zero target by 2030 • 100% renewable (green) electricity at UK facilities by Sep 23 • Zero waste to landfill • Offset of all Scope 1 & 2 Group emissions as we continue to drive reductions in energy use. <p> See page 33 for progress summary</p>