

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 2022, which explains the work of the Committee, how we implemented our Remuneration Policy in 2022, our approach to our new Remuneration Policy, and how we propose to implement our Remuneration Policy in 2023.

Following my statement, there are two sections to this Directors' Remuneration report.

- Our proposed new Directors' Remuneration Policy, for which shareholder approval will be sought at the 2023 AGM. Our current Directors' Remuneration Policy was approved at the 2020 AGM and in line with the usual timetable shareholders will be asked to approve a new policy at the forthcoming AGM.
- The Annual Report on Remuneration sets out how we implemented in 2022 the Directors' Remuneration Policy which was approved at the 2020 AGM. The Annual Report on Remuneration will be the subject of an advisory shareholder vote at the 2023 AGM.

Remuneration in the context of our business performance and our approach to wider workforce remuneration

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.

Under the leadership of the CEO and CFO, we are making strong progress on our journey to transform the Group, in line with our growth strategy of exploiting the fundamental strength of our bulk piezo inkjet technology. The business is re-energised following a restructuring, rebranding and a new business model, all of which are now delivering results.

We have continued to deliver a strong performance, which despite challenging market conditions, demonstrates the success of our strategy and underlying strength of the business. By way of context, our strong performance includes the following:

- the continued successful implementation of the new strategy with the expansion of a new commercial model and our technological offering to better serve our target markets delivering growth
- Delivery of a solid performance in the year with strong revenue growth, improved margin and a return to profitability
- The mitigation of external challenges including supply chain issues and inflationary pressures
- The successful launch of new products including Aquinox which has demonstrated great interest from customers
- Significant investment in the Company's infrastructure and manufacturing base to drive operational efficiencies and reduce energy costs
- As part of our continued commitment to sustainability, the launch of the Sustainability Roadmap to 2030
- The acquisition and integration into the Group of the Megnajet businesses
- For 2023, we have implemented a tiered pay increase from 1 January 2023 for UK employees ranging from an 8% base salary increase for the most junior employees cascading to 3% for the senior employees
- This ensures that our UK starting base salary rate for production operatives will be above the new National Living Wage which is effective April 2023
- We made a £500 cost of living payment paid in January to all employees (excluding executive team members)
- We have retained an additional budget to address any further inflationary pressures and any further in year increases excluding new and replacement roles and previously agreed promotions.

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

The above represents a combined overall budgeted increase for 2023 of circa. 7% (of which 5.39% denotes the UK base salary increase effective 1 January 2023 and £500 cost of living payment). We believe this to be the most equitable and sustainable approach to supporting our team through the current period. As a responsible business, we continue to support our people with the challenges they're facing as a result of the cost-of-living crisis.

Annual bonus and LTIP outturns for the year ended 31 December 2022

2022 Annual bonus

For the financial year ended 31 December 2022, 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 39.51% of maximum (49% of salary and 40% of salary respectively). Full details of the targets and performance achieved can be found on page 97. 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.

Long-Term Incentive Plan (LTIP) awards vesting in respect of 2022

The following awards granted to the CEO and CFO vest in respect of performance periods ending in the 2022 financial year. These awards are therefore included in the single figure of remuneration details on page 96.

- When the CEO, John Mills, joined the business in 2019, he was granted an LTIP award over 180,328 shares on 3 October 2019. This was a joining award made at the first opportunity following his start date in August, having joined the Board on 26 September 2019. This award was based 50% on adjusted basic EPS for the year ended 31 December 2022 and 50% based on Company's total shareholder return (TSR) relative to the total shareholder return of the companies constituting the FTSE Small Cap Index over the performance period October 2019 to October 2022. Adjusted EPS for the year ended 31 December 2022 was 4.8p therefore this element of the award vested at 97%. Xaar's relative TSR over the performance period was above upper quartile therefore the TSR element vested in full. One third of the vested award can be exercised immediately with one third exercisable from 3 October 2023 and one third from 3 October 2024.

Annual bonus and LTIP outturns for the year ended 31 December 2022 continued

Long-Term Incentive Plan (LTIP) awards vesting in respect of 2022 continued

- Ian Tichias joined the Group as CFO on 1 March 2020. As detailed in the 2020 Remuneration report, he was granted an LTIP award over 50,000 shares on 29 April 2020 to compensate for options forfeited when he left his previous employer. This award was subject to the Company achieving a positive adjusted profit before tax for the year ended 31 December 2022. Adjusted profit before tax for the year ended 31 December 2022 was £2,822,000 therefore this award vested in full. The award can be exercised in full from 29 April 2023.
- As detailed in the 2020 Remuneration report, John Mills and Ian Tichias were also granted 2020 LTIP awards over a fixed number of shares: 365,000 shares and 170,000 shares respectively on 4 June 2020. The 2020 LTIP grants were based 60% on Adjusted EPS for the year ending 31 December 2022 and 40% on relative TSR performance against the companies in the FTSE SmallCap Index measured over the three-year performance period to 31 December 2022. The maximum EPS target was exceeded and Xaar's relative TSR over the performance period was above upper quartile therefore these awards vested in full. In line with the UK Corporate Governance Code, there is a further two-year holding period following the end of the performance period therefore vested awards cannot be exercised until 4 June 2025.

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.

LTIP awards granted in 2022

The 2022 LTIP awards were granted at 150% of base salary for the CEO and 100% of salary for the CFO. 2022 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 2024. Full details of the targets are set out on page 97. Each award will be subject to a further two-year holding period following the end of the performance period.

Directors' Remuneration Policy

The Committee conducted a thorough review during the year of the Directors' Remuneration Policy which was last approved by shareholders in 2020 with over 99% of votes in favour. As part of the review of the Policy, we consulted with our major shareholders and voting agencies, having regard to feedback received when finalising our proposals. The Committee concluded that the Policy approved by shareholders in 2020 remains largely fit for purpose, supports the strategy of the Group and is aligned with stakeholder interests, and takes into account the requirements of the 2018 Code as far as they relate to remuneration. Therefore, the new Policy only introduces minor changes to the Policy approved in 2020, which are proposed so that the new Policy has sufficient flexibility for the next three-year lifecycle. The full new Policy is set out on pages 85 to 91. The principal changes compared to the Policy approved in 2020 are as follows.

Post-employment shareholding requirement	New policy	Rationale
Maximum annual bonus <ul style="list-style-type: none"> • 125% of salary for the CEO • 100% of salary for any other Executive Director 	No change for the CEO. Maximum annual bonus opportunity for any other Executive Director is increased to 110% of salary.	The current incentive opportunities for the Chief Financial Officer (CFO) are positioned at the lower end of the market when compared to the FTSE SmallCap. Given the CFO's role in supporting the strong performance of the business, the Committee considers it appropriate to introduce this headroom in the new Policy.
Maximum LTIP <ul style="list-style-type: none"> • CEO – 365,000 shares (150% of salary maximum) • Any other Executive Director – 170,000 shares (100% of salary maximum). 	The fixed share limits are removed. There is no change to the 150% of salary maximum for the CEO. The maximum for any other Executive Director is increased to 125% of salary.	For 2023, the additional headroom in the Policy will not be used such that the CFO's maximum annual bonus and LTIP award will each be at the level of 100% of salary. The flexibility introduced with the headroom will enable the Committee to grant higher maximum incentive opportunities if strong business and personal performance continues over the three-year life of the new Policy.
Policy approved in 2020 Under the current Policy, our approach to post-employment shareholding requirements is to apply the 'leaver' provisions in our share plans.	For the first year after cessation, Executive Directors must retain such of their relevant shares as have a value equal to 200% of salary, reducing to 100% of salary in the second year. Relevant shares are those acquired from LTIP and deferred bonus awards granted from 1 January 2023 onwards. The 'leaver' provisions will continue to apply to vested and unvested awards.	We have enhanced the approach having regard to developing market practice. We consider that this 'tapered' approach is a fair balance taking into account the size of the business and the size of LTIP awards that are granted.

Implementation of the Policy in 2023

A summary of our approach to pay increases for the wider workforce for 2023 is set out above.

In last year's report we set out our proposed approach to the Executive Directors' salaries with effect from 1 January 2023, being the second part of a phased two-stage approach to their salary increases. The Committee considered those originally proposed increases in the context of the strong performance of the Company and the Executive Directors as well as the actions being taken to support the wider workforce, as referred to above.

Directors' Remuneration report continued

Implementation of the Policy in 2023 continued

The Committee believes that it is appropriate to recognise our continued strong performance and ambitions in the future, including our return to sustained profitable growth, by implementing the increases as proposed. Therefore, in line with that proposal, the base salaries for the CEO and CFO have been increased as set out below with effect from 1 January 2023. The increases move the CEO and CFO's base salaries towards the mid-point of the market competitive range.

	Salary effective from 1 January 2022	Salary effective from 1 January 2023
CEO – John Mills	£360,000	£390,000
CFO – Ian Tichias	£240,000	£260,000

No other changes are proposed to the Executive Directors' package for 2023.

- Pension/cash in lieu – in line with wider workforce (currently 6% of salary)
- Maximum annual bonus for 2023 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. Further information in relation to the performance measures is set out on page 97
- 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. Further information in relation to the performance measures is set out on page 97
- The Committee retains discretion to override formulaic outcomes if these do not reflect underlying Company performance or other circumstances as determined by the Committee. As part of this assessment the Committee will take into account progress against Xaar's Sustainability Roadmap that will push Xaar towards its Net Zero by 2030 goal and our wider ESG commitments.

Looking ahead – key focus areas for the Committee for 2023

During the course of 2023 we will concentrate on the implementation of the new Remuneration Policy and we will consider the extent to which we should enhance the focus on ESG targets in the reward framework.

Board Chair and Non-Executive Directors

Board Chair

In last year's Directors' Remuneration report, we explained that the Board Chair's fee was reduced to £90,000 with effect from 1 January 2020, reflecting the smaller scale and profitability of the business at that time. As we explained last year, we were mindful that the strong performance delivered has required a significant time commitment and contribution from the whole Board and that the successful turnaround of the business has been achieved with a very effective, albeit smaller, Board. Therefore, and as set out last year, consistent with the approach being adopted for the Executive Directors, and reflecting both the time commitment and contribution of the Chairman, the Committee agreed to increase the Chairman's fee on a phased basis. The first stage of the increase to £120,000 took effect from 1 January 2022. We explained last year that subject to the continued performance of the Company, including a return to sustained profitable growth, the second stage of the increase to £130,000 would apply with effect from 1 January 2023. The Committee has confirmed this increase will apply.

Non-Executive Directors

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 £47,500 for the Non-Executive Directors' fees is broadly market competitive (positioned around the mid-point). The base fee will be increased by 3%, in line with the lowest rate of increase for the wider workforce for 2023, to £48,925. The additional fee in respect of acting as a Committee Chair or Senior Independent Director will not be increased, remaining at £7,500 and £3,000 respectively.

Employee engagement

As explained in the Annual Report last year, our workforce engagement sessions are 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. The Committee also took into account the pay policies across the Group and themes from our workforce engagement activities as part of the development of the new Remuneration Policy.

Shareholder engagement

The Committee consulted with major shareholders and the main proxy voting advisory agencies to outline the proposed changes to the Remuneration Policy and our remuneration proposals for 2023 and invited their feedback. Our major shareholders who provided feedback were very supportive of the proposals and welcomed the Committee's explanation of our approach to supporting our people with the challenges they are facing as a result of the cost-of-living crisis.

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 2022 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 the forthcoming AGM on 31 May 2023.



Alison Littley

Chairman of the Remuneration Committee

27 March 2023

Directors' Remuneration Policy

Our approach to the new Directors' Remuneration Policy

Introduction

The proposed new Directors' Remuneration Policy is set out below. In the statement from the Committee Chair on pages 102 to 103, the approach to the determination of the new Policy is addressed, along with a summary of the principal changes compared to the Policy approved in 2020.

In determining the new Policy, the Committee had regard to 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.

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</p> <p>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, including in relation to the formulation of the new Policy for which shareholder approval will be sought at the 2023 Annual General Meeting.</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</p> <p>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</p> <p>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</p> <p>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 new Policy are clearly set out in the new Policy on page 85.</p>
<p>Proportionality</p> <p>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</p> <p>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>

This part of the report sets out the Company's Directors' Remuneration Policy, for which approval will be sought at the 2023 AGM. The Policy is determined by the Remuneration Committee (the 'Committee'). The Directors' Remuneration Policy is not audited.

Policy table for Executive Directors

The table below describes 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>Whilst there is no maximum, increases will normally be within or below the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. However, higher increases may be awarded in appropriate circumstances, such as:</p> <ul style="list-style-type: none"> • on promotion or in the event of an increase in scope of the role or the individual's responsibilities; • where an individual has been appointed to the Board at a salary set at a level that is lower than the Committee's view of a market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a market level as the individual gains experience; • change in size and/or complexity of the Group; and/or • significant market movement. <p>Such increases may be implemented over such time period as the Committee deems appropriate.</p> <p>The base salaries effective as at 1 January 2023 are shown on page 86.</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 Committee approval, the allowance may be paid in cash rather than utilised to purchase benefits.</p> <p>The SIP and SAYE are tax qualifying 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 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 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. The Committee may review and amend this rate as appropriate.</p> <p>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.

Policy table for Executive Directors continued

Retirement benefits	
Objective	Provide market competitive post-employment benefits to recruit and retain Directors of the calibre required for the business.
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 some or all of the contributions into a pension plan.
Opportunity	6% of base salary subject to any increase to reflect increases in the pension opportunity for the wider workforce.
Performance measures	Not applicable.
Annual bonus	
Objective	Rewards performance against annual targets which support the strategic direction of the Company.
Operation	Targets are set annually and any pay-out is determined by the Committee after the period-end, based on performance against those targets. The 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 Committee's assessment of overall business performance or be inappropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year, or in the event of other circumstances determined by the Committee. 30% of any bonus will ordinarily be deferred in shares and subject to a two-year deferral period with the balance delivered in cash. However, if the amount to be deferred would be below £5,000, the Committee has discretion to pay the whole amount of the bonus in cash. On the exercise of a deferred bonus award, the Committee has the discretion to decide that Executives can receive additional shares to reflect the dividends paid or payable on the award shares over the period ending on vesting of the award. This amount may assume the reinvestment of dividends (on such basis as the Committee determines).
Opportunity	Overall maximum annual bonus is 125% of salary for the Chief Executive Officer and 110% for any other Executive Director. For 2023, the annual bonus opportunity for the CFO will be capped at 100% of salary.
Performance measures	Stretching performance targets are set each year reflecting the business priorities that underpin Group strategy. Performance may be based on operational targets (which may be financial or strategic measures) and/or individual objectives. The majority of the annual bonus opportunity will be based on financial measures. Subject to the Committee's discretion to override formulaic outturns, for financial measures, normally up to 20% of the maximum for any financial element is earned for threshold performance, normally rising to up to 50% of the maximum for any financial element for on target performance and 100% of the maximum for the financial element for maximum performance. Subject to the Committee's discretion to override formulaic outturns, vesting of the bonus in respect of strategic measures or individual objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

Policy table for Executive Directors continued

Long-Term Incentive Plan continued	
Objective	<p>Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests.</p> <p>Support longer-term sustainable profitability.</p> <p>Provide alignment with shareholders' interests.</p> <p>Support retention and promote share ownership.</p>
Operation	<p>LTIP awards take the form of performance shares (zero priced share options) which vest subject to satisfaction of performance conditions, ordinarily assessed over a period of three years. Following the end of the performance period, there is a further two-year holding period which may be operated on the basis that either (1) the Executive Director can acquire shares following the end of the performance period but that other than as regards sales to cover tax, may not sell shares until the end of the holding period; or (2) the Executive Director may not acquire shares until the end of the holding period.</p> <p>On the vesting/exercise of an LTIP award, the Committee has the discretion to decide that Executives can receive additional shares to reflect the dividends paid or payable on vested shares between the date of grant and the date on which the vested shares can first be acquired.</p> <p>The Committee has discretion to vary the vesting outturn should any formulaic output not produce a fair result for either the Executive Director or the Company, taking account of the Committee's assessment of overall business performance or be inappropriate in the context of circumstances that were unexpected or unforeseen at grant, or in the event of other circumstances determined by the Committee.</p> <p>The 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 tax qualifying 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 a tax qualifying option for the part of the award up to the applicable limit in the tax legislation with a non-qualifying option for the balance and a 'linked award' to fund the exercise price of the tax qualifying option, or as a tax qualifying 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 tax-qualifying 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>
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 shares with a value of 150% of salary; and • as regards any other Executive Director an award over shares with a value of 125% of salary. <p>For 2023, the LTIP award for the CFO will be capped at 100% of salary.</p> <p>These limits do not include the value of shares subject to any tax-qualifying option granted as part of an LTIP award.</p>
Performance measures	<p>Performance will be based on operational targets (which may be financial or strategic measures). Ordinarily at least 75% of the LTIP will be based on financial measures.</p> <p>Subject to the Committee's discretion to override formulaic outturns, up to 25% of the maximum for any element is earned for threshold performance.</p>

Shareholding guideline

In-service guideline

To align the interests of Executive Directors with those of shareholders, the 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 2x 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.

Post-employment requirement

The Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs and deferred bonus awards) granted after 1 January 2023.

Following employment, an Executive Director must retain:

- for the first year after employment, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to the shareholding guideline that applies during employment; and
- for the second year after employment, such of those shares as have a value for these purposes equal to 50% of the shareholding guideline that applies during employment
- or in either case and if fewer, all of those shares.

The Committee retains discretion to vary the application of the in-service guidelines and/or the post-employment requirement in exceptional circumstances.

Malus, clawback and underpin provisions

The Committee has the right to:

- Reduce any LTIP awards which have not yet vested or annual bonus opportunity (i.e. a malus provision); and
- Recover any vested LTIP awards, paid cash bonuses or deferred bonus awards (i.e. a clawback provision).

Malus and clawback provisions may be applied in the event of: (1) a material misstatement of the Company's financial results; (2) a material loss for the Company, any Group member or a relevant business unit; (3) reputational damage to the Company, any Group member or a relevant business unit; (4) corporate failure in any Group member or a relevant business unit; (5) serious misconduct on the part of the participant; and (6) an error in assessing any performance condition.

Clawback may ordinarily be applied until the second anniversary of vesting in the case of an LTIP award, until the normal vesting date in the case of a deferred bonus award and until the second anniversary of payment in the case of a cash bonus.

Operation of share plans

The 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 Committee would only settle an Executive Directors' award in cash in appropriate circumstances, such as where there is a regulatory restriction on the delivery of shares, or in respect of any tax liability arising in respect of an award.

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 Committee taking into account the relevant performance conditions (and the Committee may vary the weightings of the applicable performance measures) and, unless the 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;
- 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</p> <p>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 Committee. 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 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. Fees include a base fee plus additional fees for holding the Chairmanship of a Board Committee or the office of Senior Independent Director. Additional fees may be paid to reflect additional roles and/or time commitments.</p> <p>The fees may be paid wholly or partly in cash or Company shares. Overall fees paid to Directors will remain within any applicable limit as referred to in our Articles of Association.</p> <p>Non-Executive Directors do not participate in any incentive scheme.</p> <p>Directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.</p>

Explanation of performance metrics chosen

Performance measures for the LTIP and annual bonus are selected to reflect the Group's strategy. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

Annual Bonus

For 2023 the measures will be based on profit and cash generated from operations. This incentivises Executive Directors to focus on delivering the key financial goals of the Company. These targets therefore ensure that the interests of the Executive Directors are aligned with those of the shareholders.

LTIP

For 2023, LTIP performance measures will be based on EPS and TSR, which are considered to be the key measure of success of the execution of our long-term strategy.

The Committee retains the discretion to adjust the performance targets and measures for the annual bonus and/or the LTIP where it considers it appropriate to do so (for example, to reflect changes in the structure of the business and to assess performance on a fair and consistent basis from year to year).

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 a tax qualifying SAYE and invites all employees to participate, therefore encouraging wider workforce share ownership.

Illustrations of application of Remuneration Policy

The charts set out below give an illustration of the Remuneration Policy, in line with the policy above and include base salary, pension, benefits and incentives in four different scenarios. The charts provide an illustration of the proportion of total remuneration made up of each component of the policy and the value of each component.

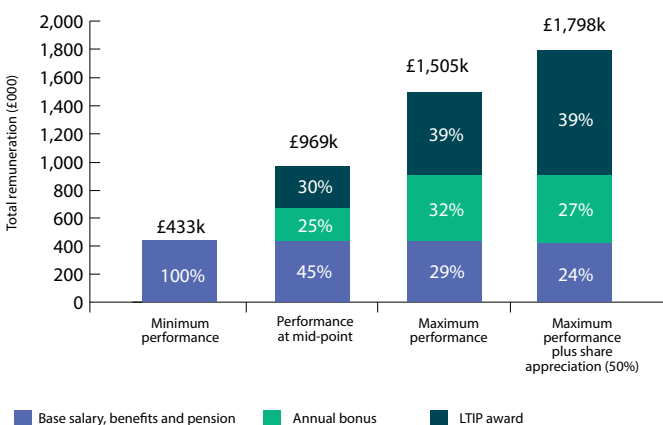
For these purposes:

- base salary reflects the salary at 1 January 2023. Bonus is based on those salaries;
- benefits are calculated as 5% of that salary for each of the Chief Executive Officer and Chief Financial Officer;
- pension is calculated as 6% of that salary for each of the Chief Executive Officer and Chief Financial Officer; and
- variable pay assumes a bonus opportunity of 125% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer and an LTIP award of 150% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer, with vesting as set out below.

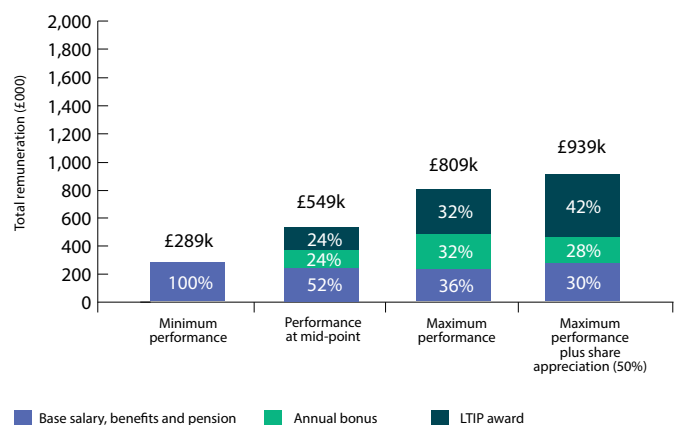
Four scenarios have been illustrated for each Executive Director

Minimum performance	<ul style="list-style-type: none"> • Salary, benefits and pension as set out above • No bonus pay-out • No vesting under the LTIP.
Performance at mid point	<ul style="list-style-type: none"> • Salary, benefits and pension as set out above • 62.5% of salary pay-out under the annual bonus for the CEO, 50% for the CFO • 50% of shares vesting under the LTIP (75% of salary for the CEO, 50% of salary for the CFO).
Maximum performance	<ul style="list-style-type: none"> • Salary, benefits and pension as set out above • 125% of salary pay-out under the annual bonus for the CEO, 100% for the CFO • 100% of shares vesting under the LTIP (150% of salary for the CEO, 100% of salary for the CFO).
Maximum performance plus share appreciation (50%)	<ul style="list-style-type: none"> • Salary, benefits and pension as set out above • 125% of salary pay-out under the annual bonus for the CEO, 100% for the CFO • 100% of shares vesting under the LTIP (150% of salary for the CEO, 100% of salary for the CFO), and an assumed 50% increase in the share price for the purposes of the LTIP element.

John Mills



Ian Tichias



Approach to recruitment remuneration

When appointing a new Executive Director, whether with an internal or external candidate, the Committee will typically seek to use the policy detailed in the table on pages 88 to 90 to determine the Executive Director's ongoing remuneration package.

To facilitate the appointment of candidates of the appropriate calibre required to implement the Group's strategy, the Committee also retains the discretion to include any other remuneration component or award which is outside the policy. The Committee will not use this discretion to make a non-performance related incentive payment (for example, a 'golden hello'). In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure that the arrangements are in the best interests of the Company and its shareholders. This may, for example, include (but is not limited to) the following circumstances:

- An interim appointment being made to fill an Executive Director role on a short-term basis
- Exceptional circumstances require that the Chairman or a Non-Executive Director takes on an Executive function on a short-term basis
- An Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis
- The Executive received benefits at his previous employer which the Committee considers it appropriate to offer
- If the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or long-term incentive, subject to the rules of the scheme, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained.

In determining appropriate remuneration arrangements on hiring a new Executive Director, the Committee will take into account relevant factors such as the calibre of the individual, local market practice, the existing remuneration arrangements for other Executives and the business circumstances. It will seek to ensure that arrangements are in the best interests of both the Company and its shareholders and not seek to pay more than is appropriate.

The Committee may make an award or payment to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors regarding the forfeited arrangements which may include the form of any forfeited awards (e.g. cash or shares), any performance conditions attached to these awards (and the likelihood of meeting those conditions), and the time over which they would have vested. It will generally seek to structure buy-out awards and payments on a comparable basis to remuneration arrangements forfeited. These awards or payments are excluded from the maximum level of variable pay referred to below; however, the Committee's intention is that the value awarded or paid would be no higher than the expected value of the forfeited arrangements.

Appropriate costs and support will be covered if the recruitment requires the relocation of the individual. All buy-out awards and payments will normally be liable to forfeiture or 'clawback' on early departure. For Executive Directors, early departure is typically defined as being within the first two years of employment although the Committee has the ability to amend this definition in appropriate circumstances.

The maximum level of variable pay which may be awarded to new Executive Directors, excluding buy-out arrangements, would normally be in line with the maximum level of variable pay that may be awarded under the annual bonus plan and LTIP, but in any event the Committee would not make awards of variable pay in respect of any year above:

- In the case of the CEO – a bonus of 125% of salary and an LTIP award of 150% of salary; and
- In the case of any other Executive Director – a bonus of 125% of salary and an LTIP award of 125% of salary.

The Committee may determine that such awards will be forfeited if performance or continued employment conditions are not met and it is deemed appropriate to do so.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, in order to facilitate the awards mentioned above, the Committee may rely on exemption 9.4.2. of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a newly-appointed Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Directors' Remuneration report continued

Service contracts

Executive Directors

It is the Group's policy that Executive Directors should have contracts with an indefinite term, providing for one year's notice.

	Date of contract	Date of appointment	Notice from the Company	Notice from Director
John Mills	31 May 2019	1 August 2019	12 months	12 months
Ian Tichias	26 November 2019	1 March 2020	12 months	12 months

Non-Executive Directors

All Non-Executive Directors are appointed for an initial three-year term with provision for two further three-year terms, subject to satisfactory performance.

	Date of letter of appointment ¹	Date of appointment	Remaining term of contract on 31 December 2022
Andrew Herbert	15 April 2016	1 June 2016	29 months
Alison Littlely	22 April 2020	1 May 2020	76 months
Chris Morgan	2 December 2015	4 January 2016	24 months

¹ The dates above refer to the dates of the latest service agreements for each of the Non-Executive Directors.

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code 2018.

Letters of appointment are available for inspection at the registered office address of the Company.

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached is set out below. Where the Committee retains discretion, as outlined below, it will be used to provide flexibility in certain situations, taking into account the particular circumstance of the Director's departure.

Notice period on termination by employing company	12 months. The Committee has the discretion to determine what proportion of the notice period will be utilised in active service.
Termination payment	<p>Payments in lieu of notice are limited to no more than one year's salary plus benefits in kind (including company car or car allowance and private health insurance) and pension contributions (which may include salary supplements).</p> <p>Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees and payments in respect of accrued but untaken holiday.</p>

Leaver provisions

	Reason for cessation	Calculation of vesting/payment	Timing
Annual bonus	Termination with cause.	No bonus paid.	Not applicable.
	Resignation.	No bonus is paid unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise. Any bonus paid will typically be pro-rated to reflect time served in the performance period.	If a bonus is paid, it is paid at the usual time including with deferral applied in accordance with the Company's usual arrangements.
	Redundancy, disability, illness, injury, death or any other reason as determined by the Committee.	Typically bonus amounts will be determined by reference to the applicable performance targets, pro-rated for time served in the performance period.	<p>The bonus will normally be paid at the usual time including with deferral applied in accordance with the Company's usual arrangements.</p> <p>The Committee retains discretion to pay the bonus early (and to assess performance accordingly) and to pay the full bonus in cash in compassionate circumstances.</p>
Deferred bonus shares	Termination with cause.	Shares forfeited.	Not applicable.
	All other reasons.	Award retained.	<p>Ordinarily, the deferred bonus shares will vest following the end of the originally anticipated deferral period.</p> <p>The Committee has discretion to permit early vesting.</p>

Leaver provisions continued

	Reason for cessation	Calculation of vesting/payment	Timing
LTIP	Termination with cause.	Lapse.	Not applicable.
	Resignation before vesting.	Normally lapse but with Committee discretion to determine otherwise; if the award continues, its vesting will be subject to the satisfaction of the applicable performance condition and a pro-rata reduction to reflect the proportion of period worked during the vesting period. The Committee can decide not to pro rate.	If an award is retained, it will vest at the usual time and the post-vesting holding period will continue to apply.
	Redundancy, disability, illness, injury, death or any other reason as determined by the Committee.	Performance condition applies (with early assessment if applicable) and vesting then pro-rated to proportion of period worked during vesting period. The Committee can decide not to pro rate.	The award will ordinarily vest at the usual time. The post-vesting holding period will continue to apply other than in the case of death, ill-health, injury or disability, when it will cease to apply unless the Committee decides otherwise. The Committee retains discretion to vest the award before the usual vesting date (and to assess performance accordingly) and/or to disapply the post-vesting holding period in circumstances where the default would be for it to apply.
	Leaving during the holding period.	If employment is terminated for cause, the award is forfeit. If employment terminates in any other circumstances, the award is retained to the extent vested.	The post-vesting holding period will continue to apply unless the Committee determines otherwise (other than in the case of death, ill-health, injury or disability, when it will cease to apply unless the Committee decides otherwise).
SIP and SAYE	Governed by the plan rules which reflect the applicable legislation and which cover certain leaver provisions.		

Non-Executive Directors

Under the terms of their engagement, the notice period to be given by the Non-Executive Directors on the Company is six months and the Company is obliged to give the same length of notice. Discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances.

Statement of consideration of employment conditions elsewhere in the Company

Salary, benefits and performance related reward provided to employees is taken into account when setting policy for Executive Directors' remuneration (although employees are not formally consulted in relation to the setting of the policy). This includes consideration of:

- Salary increases for the general employee population
- Company-wide benefit (including pension) offerings
- Overall spend and participation levels in the annual bonus and LTIP
- Relevant ad-hoc information.

Existing contractual arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

- before the policy came into effect (provided that, in the case of any payments agreed on or after 14 May 2014 they are in line with any applicable shareholder approved Directors' Remuneration Policy in force at the time they were agreed or were otherwise approved by shareholders), or
- at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company (or such other person).

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Statement of consideration of shareholder views

In the interests of ensuring ongoing and transparent dialogue with shareholders, the Committee consulted major shareholders over its base salaries and proposed new three-year policy outlined in this report.

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 2022.

The information provided in this part of the Directors' Remuneration report is subject to audit.

Directors' Remuneration report continued

Single figure table

The aggregate remuneration provided to Directors who have served as Directors in the year ended 31 December 2022 is set out below, along with the aggregate remuneration provided to such Directors for the financial year ended 31 December 2021.

Year ended 31 December 2022

	Salary/fees ^(a) £'000	Benefits ^(b) £'000	Bonus ^(c) £'000	Long-term incentives ^(f) £'000	Pension ^(f) £'000	Total remuneration £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive								
John Mills	360	31	178	988	22	1,579	413	1,166
Ian Tichias	240	24	95	405	14	778	278	500
Non-Executive								
Andrew Herbert (Chairman)	120	-	-	-	-	120	120	-
Alison Littlely	58	-	-	-	-	58	58	-
Chris Morgan	55	-	-	-	-	55	55	-

Year ended 31 December 2021

	Salary/fees ^(a) £'000	Benefits ^(b) £'000	Bonus ^(c) £'000	Reduction ^(d) £'000	Long-term incentives ^(f) £'000	Pension ^(f) £'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 Littlely	50	-	-	-	-	-	50	50	-
Chris Morgan	50	-	-	-	-	-	50	50	-

The figures in the single figure table above 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) 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) Reduction	In line with the reporting regulations, the reduction of the bonus reported for the year ended 31 December 2020 is included in the 2021 single figure table, as described in the 2021 Directors' Remuneration report.
(e) Long-term incentives	The value of LTIP awards vesting is in respect of performance periods which ended in the relevant year. The value of SAYE options granted is based on the fair value of the options/shares at grant.
(f) 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 £360,000 from 1 January 2022 and the CFO's salary was increased to £240,000 from 1 January 2022.

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.

Individual elements of remuneration continued

Annual bonus

For the financial year ended 31 December 2022, 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 pre bonus (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 (pre bonus)	70%	1,652	3,073	5,951	3,443	56.44%
Cash flow from operations	30%	3,570	6,344	9,119	(5,438)	0%
Overall outturn	100%					39.51%

The bonus outturns for 2022 are detailed in the table below.

	% of maximum opportunity vesting	% of salary	Total	Cash	Deferred shares*
John Mills	39.51%	49%	£178k	£124k	£53k
Ian Tichias	39.51%	40%	£95k	£66k	£28k

* 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 vesting in respect of 2022

As explained in the statement from the Chairman of the Committee, joining awards granted to John Mills and Ian Tichias in 2019 and 2020 respectively and 2020 LTIP awards each vested by reference to performance over the period ending 31 December 2022. In line with the applicable regulations, the estimated vesting value of those awards is included in the 2022 single total figure of remuneration. Details of the performance measures, the outturns against them, and the basis of the calculation of the values included in the single total figure of remuneration are set out below.

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. In particular, the Committee considered the current share price relative to the share prices when the awards were granted and took into account the quantum of the awards granted (including that the 2020 LTIP grants were capped as fixed numbers of shares with face values equating to circa 72% of salary and 48% of salary for the CEO and CFO respectively). The Committee noted the growth in the share price over the relevant periods reflected the strong performance of the business and could not be considered to be delivering a 'windfall gain'.

Award	Performance condition ¹	Threshold vesting (25%)	Maximum vesting	Performance outturn	Vesting percentage	Shares under award	Vested shares
John Mills' joining award	TSR (50% weighting) ¹	Median	Upper quartile	Above upper quartile	100%	90,164	90,164
	EPS (50% weighting)	2022 adjusted basic EPS more than 0 pence	2022 adjusted basic EPS 5 pence	4.8 pence	97%	90,164	87,459
Ian Tichias' joining award	Adjusted PBT (100% weighting)	N/A	Positive adjusted profit before tax for the year ended 31 December 2022.	Pass	100%	50,000	50,000
2020 LTIP award	TSR (40% weighting)	Median	Upper quartile	Above upper quartile	100%	146,000 (John Mills)	146,000 (John Mills)
	EPS (60% weighting)					68,000 (Ian Tichias)	68,000 (Ian Tichias)
		2022 adjusted basic EPS more than 0.1 pence	2022 adjusted basic EPS 2.4 pence	4.8 pence	100%	219,000 (John Mills)	219,000 (John Mills)
						102,000 (Ian Tichias)	102,000 (Ian Tichias)

¹ Total shareholder return relative to the TSR of the companies constituting the FTSE SmallCap Index over the three-year performance period – October 2019 to October 2022 in the case of John Mills' joining award and 1 January 2020 to 31 December 2022 in the case of the 2020 LTIP award.

² Due to a typographical error, in the 2019 Directors' Remuneration report, the performance period for this award was wrongly stated to be 1 January 2019 – 31 December 2021. The correct performance condition and performance period is summarised above.

Directors' Remuneration report continued

Individual elements of remuneration continued

Long-term incentives vesting in respect of 2022 continued

In the 2022 single total figure of remuneration, the value of these awards is calculated as follows.

Award	Vested shares	Value of vested shares ¹	Value of vested shares attributable to share price at grant of award ²	Value of vested shares attributable to growth in shares price ³
John Mills' joining award	177,623	£323,273	£80,286	£242,988
Ian Tichias' joining award	50,000	£91,000	£20,500	£70,500
John Mills' 2020 LTIP award	365,000	£664,300	£215,350	£448,950
Ian Tichias' 2020 LTIP award	170,000	£309,400	£100,300	£209,100

1 In accordance with the applicable regulations, this is calculated by reference to the average share price over October, November and December 2022 being £1.82.

2 This is calculated by reference to the share price at the date of grant being £0.452 in the case of John Mills' joining award, £0.41 in the case of Ian Tichias' joining award, and £0.59 in the case of the 2020 LTIP award.

3 This is calculated by reference to the difference between the price at the date of grant and the average share price over October, November and December 2022.

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

The table below outlines awards made under the LTIP to Executive Directors in 2022:

	Award basis	Performance condition	Number of shares	Face value of the award £'000	Vesting at threshold	Performance period	Vesting date
6 April 2022	John Mills	Performance Share Plan awards	207,932	540	25% of award	1 January 2022 to 31 December 2024	March 2025 (2024 Results)
		Deferred Bonus Plan	11,944	31		N/A	March 2024 (2023 Results)
6 April 2022	Ian Tichias	Performance Share Plan awards	92,414	240	25% of award	1 January 2022 to 31 December 2024	March 2025 (2024 Results)
		Deferred Bonus Plan	6,689	17		N/A	March 2024 (2023 Results)

1 The share price used to calculate the face value of the Performance Share Plan award and the Deferred Bonus Plan share award granted on 6 April 2022 was £2.597 being the closing average share price on the five business date preceding the grant award date.

The 2022 LTIP grants were based on Cumulative Adjusted EPS performance for the three-year performance period commencing with the 2022 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 2022 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 2021 bonus earned.

Given the turnaround position of the Company, the Board considers the EPS performance targets for the LTIP awards granted in 2022 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%

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

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 2022
						Subject to performance conditions	Not subject to performance conditions	
Executive Directors								
John Mills	200% of salary	77%	Shares	125,000				1,212,225
			LTIP options			1,046,738		
			DBP and SAYE options				40,487	
Ian Tichias	200% of salary	48%	Shares	50,000				531,641
			LTIP options			449,371		
			DBP and SAYE options				32,270	
Non-Executive Directors								
Andrew Herbert			Shares	100,000				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 2022 (£1.94) with the percentage of salary determined by reference to salaries at 31 December 2022 (CEO £360,000 and CFO £240,000).

There have been no changes in the Directors' holdings in the share capital of the Company, as set out in the table above, between 31 December 2022 and 28 March 2023. Andrew Herbert holds no options in Xaar plc. 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 2022	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2022	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
	-	207,932	-	-	207,932	6 April 2022	£2.70	March 2027*	6 April 2032
	838,806	207,932	-	-	1,046,738				
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
	-	92,414	-	-	92,414	6 April 2022	£2.70	March 2027*	6 April 2032
	356,957	92,414	-	-	449,371				

* 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.

Directors' Remuneration report continued

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 2022	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2022	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
	–	11,944	–	–	11,944	6 April 2022	£2.70	March 2024*	6 April 2032
	23,249	11,944	–	–	35,193				
Ian Tichias	10,849	–	–	–	10,849	14 October 2021	£1.61	March 2023*	14 October 2031
	–	6,689	–	–	6,689	6 April 2022	£2.70	March 2024*	6 April 2032
	10,849	6,689	–	–	17,538				

* The options vest on the dealing day following the announcement by the Company of its annual results.

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 2022	Granted during the year	Lapsed during the year	Exercised during the year	As at 31 December 2022	Grant date	Exercise price	Earliest date of exercise	Expiry date
John Mills	5,294	–	–	–	5,294	2 November 2020	£1.02	1 December 2023	2 May 2024
	5,294	–	–	–	5,294				
Ian Tichias	5,294	–	–	–	5,294	2 November 2020	£1.02	1 December 2023	2 May 2024
	5,581	–	–	–	5,581	4 November 2021	£1.29	1 December 2024	4 May 2025
	–	3,857	–	–	3,857	3 November 2022	£1.40	1 December 2025	3 May 2025
	10,875	3,857	–	–	14,732				3 May 2025

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

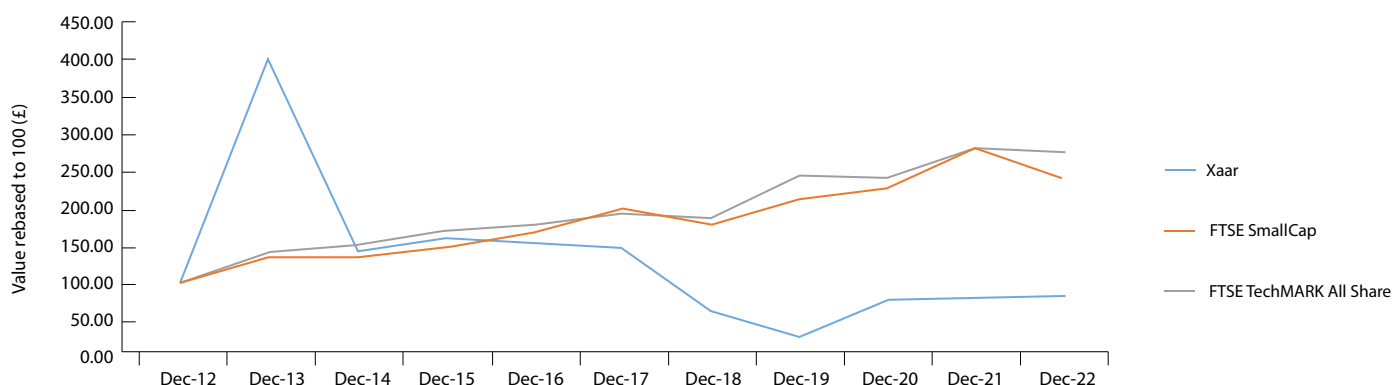
No payments for loss of office or payments to past Directors were made in 2022.

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 2022, of £100 invested in Xaar on 31 December 2012, 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.

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

Total shareholder return continued

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 2022	1,579	39.51%	99.50%
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%

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 2021 and the year ended 31 December 2022, and the average percentage change in the same remuneration over the same period in respect of the employees of Xaar plc on a full-time equivalent basis. For the purposes of the table below, and in line with the regulations, the comparator employee group average employee within the UK is the employees of Xaar plc. This comparator group was chosen because it is the most relevant sub-set of employees and can be used consistently.

Year	Salary/fees				Benefits				Bonus						
	2022	2021	2020-2021 % increase	2019-2020 % increase	2022	2021	2020-2021 % increase	2019-2020 % increase	2022	2021	2020-2021 % increase	2019-2020 % increase			
John Mills	360,000	315,000	14%	5%	30,648	28,000	9%	4%	177,773	103,399	72%	-36%	-21%		
Ian Tichias	240,000	220,500	9%	5%	24,020	23,000	4%	-36%	94,800	57,903	64%	-24%	-		
Andrew Herbert	120,000	92,250	30%	15%	70%	-	-	-	70%	-	-	-	-		
Alison Littlely	58,000	50,125	16%	3.9%	-	-	-	-	-	-	-	-	-		
Chris Morgan	55,000	50,125	10%	3.9%	10%	-	-	-	10%	-	-	-	-		
Comparator employee group	87,550	60,000	46%	11.2%	2.5%	13,354	2,250	494%	10%	2.5%	10,376	4,163	149%	5.8%	n/a

1 Average employee – Full-time equivalent median employee of Xaar plc. Benefits calculated as the cost of benefits provided by Xaar to all employees at no cost to each employee (life cover etc) plus 5% flexible benefits allowance for Executive Directors, and 3% flexible benefits allowance for comparator employee and any car allowance where applicable. Previous years have been restated on this basis. In previous years, the benefits referred to here have included pension. In accordance with the regulations pension is no longer included and the percentage changes for previous years have been updated to reflect this and to ensure that the basis of the calculation is consistent year on year.

2 Owing to the restructuring noted in the Chairman's letter, during 2022 a significant proportion of the roles historically employed by Xaar plc, which were typically junior roles, were transferred to subsidiaries of Xaar plc. At the same point a number of senior roles within these subsidiaries (where these roles were typically aligned to Group activities) were transferred to Xaar plc. This has resulted in a fundamental change in the employees employed by Xaar plc, which is demonstrated by the comparator employee information shown for 2022.

CEO pay ratio

The following table sets out the ratio of the CEO's total remuneration in respect of FY22 (taken from the single figure table on page 96), 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	25 th percentile	Median pay ratio	75 th percentile
2022	Option A	61:1	40:1	28:1
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.

Directors' Remuneration report continued

CEO pay ratio continued

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 2021 and 2022 and the salary component of that remuneration. The change in the CEO pay ratio is largely driven by the end of the performance period for two separate LTIP awards held by the CEO. Owing to his tenure this is the first period when LTIP awards have been recognised as part of the CEO pay ratio. In addition this was also impacted by Printhead performance for 2022 which did not reach the required threshold for any bonus payment to be made for this business area.

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)
2022	£1,579k (£360k)	£26k (£24k)	£39k (£34k)	£56k (£51k)
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 2022.

	2022 £'000	2021 £'000	Change %
Dividends paid to shareholders	–	–	0%
Group-wide expenditure on pay for all employees (note 9)	28,274	24,660	14.6%

Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2023

Information on how the Company intends to implement the Policy for the financial year commencing 1 January 2023 is set out in the statement from the Chairman of the Remuneration Committee and is summarised below.

Basic salary and fees

Details of the Executive Directors' salary arrangements and the Chairman and Non-Executive Directors' fee arrangements for 2023 are set out in the statement from the Chairman of the Committee.

Annual bonus

The maximum opportunity for the CEO and CFO will be unchanged at 125% and 100% of base salary respectively for 2023. The performance metrics for the bonus for 2023 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. As part of this assessment, the Committee will take into account progress against Xaar's Sustainability Roadmap that will push Xaar towards its Net Zero by 2030 goal and our wider ESG commitments.

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. They provide 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 2023 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 (excluding investment trust and financial service companies) (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 2022, given the turnaround position of the Company, the Board considers the EPS performance targets for the LTIP awards to be granted in 2023 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 2022, as set out on page 97.

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 78 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 2022 were Andrew Herbert and Chris Morgan. All members of the Remuneration Committee are considered independent within the meaning of the UK Corporate Governance Code 2018.

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 2022 are shown below:

Remuneration Committee's key activities in 2022

Executive Directors' and senior management remuneration	Undertook a consultation on the proposed Directors' Remuneration Policy
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
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 £36,100. 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 2022 at the 2022 AGM and in respect of the resolution to approve the Directors' Remuneration Policy at the 2020 AGM.

Number of votes	For (including discretion)	Against	Withheld
Resolution 9 – Directors' Remuneration report for the year ended 31 December 2021	55,726,493 (97.5%)	1,450,136 (2.5%)	2,776
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 27 March 2023 and signed on its behalf by:



Alison Littley

Chairman of the Remuneration Committee