Governance at a glance

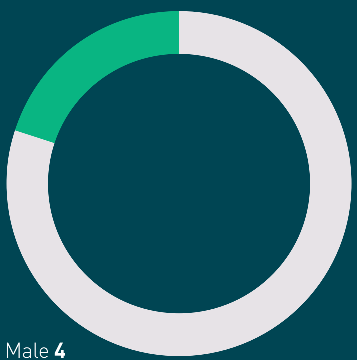
An experienced leadership team

Board composition

Composition

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

Diversity



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

Tenure

- 0-3 years **2**
- 3-6 years **1**
- 6-9 years **2**

Governance framework

Board of Directors

The Board's responsibility for leading the Group towards achievement of its purpose is supported by a robust governance framework.

The Board has established a corporate governance structure with clearly defined responsibilities, designed to safeguard and enhance the long-term sustainable success of Xaar, creating value and benefit for its shareholders and other stakeholders.

Biographies

Read more about the Board on page 63

Corporate Governance

Read more about Corporate Governance on pages 73 to 78

The Board delegates certain matters to its Principal Committees

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness and effectiveness of the Internal Controls and Risk Management procedures of the Group.

Chris Morgan Chair
Appointed 1 April 2020

Read more on page 79

Nomination Committee

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board and providing advice to the Board on Board and senior management appointments and succession planning, monitoring of the composition of the Board and its Committees.

Andrew Herbert Chair
Appointed 1 April 2020

Read more on page 82

Remuneration Committee

The Remuneration Committee is responsible for the development and implementation of the Group's remuneration framework and policies for Directors including all incentives and bonuses.

Alison Littley Chair
Appointed 1 July 2020

Read more on page 84

Division of responsibilities

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

Board meeting attendance

The Board held 11 scheduled Board meetings in 2022, with one additional unscheduled meeting held to cover a specific item.

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

Highlights

Key governance activities

During 2022, the Board undertook the following key governance activities:

+ Undertook a review of the Company's Articles of Association and proposed changes for approval at the 2023 AGM
+ Ensured compliance with the 2018 UK Corporate Governance Code, agreeing actions to address any areas of non-compliance
+ Reviewed the Remuneration Policy for approval at the 2023 AGM

Read more on pages 73 to 78

+ Conducted an internal review of Board and Committee effectiveness and performance during the year

Board focus areas

During 2022, the Board focused on the following key operational and strategic activities:

+ Megnajet acquisition and integration implementation
+ Capital and equity strategy
+ Investment in manufacturing efficiencies at Huntingdon, UK Printhead ImagineX product
+ Development of the Sustainability Roadmap

Read more about the Sustainability Roadmap on page 29

+ IT infrastructure and roadmap Information/cyber security
+ Printhead's ImagineX product roadmap progress and customer engagement
+ Mitigation of supply chain constraints
+ Strategy progress and operational improvements at EPS

Chairman's introduction to Governance

Our focus on customers and a product roadmap that reflects current and potential customer needs has increased the quality and responsiveness of the business, and means we are well placed for further performance improvement.

Andrew Herbert
Chairman

Dear Shareholder

I am pleased to introduce this year's Corporate Governance report for the financial year ended 31 December 2022.

The Board recognises that the way that the Company does business is as important as what it does. A strong governance framework with robust supporting processes across Xaar is a key factor in delivering sustainable business performance, generating value for shareholders and contributing to wider society.

A key part of the Board's role is to provide entrepreneurial leadership, with appropriate oversight, challenge and support to the management team.

Board focus and oversight

Key areas of the Board's focus during the year included financial stability, the acquisition and integration of Megnajet, investment in product development, the upgrade to our Huntingdon manufacturing site, strengthening our senior management team with new skills and diverse talent, and advancing our Sustainability Roadmap.

UK Corporate Governance Code 2018 and s.172 reporting

Our report demonstrates the way that we have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 during the year and our approach to governance in practice. Our Code compliance statement can be found on page 73. Further details on the way that our Directors discharged their duties under s.172 of the Companies Act are set out on pages 71 to 72.

Board composition

Succession planning is an important part of our governance processes. Furthermore, as our strategy evolves, so do the skills and experience required for the Board to help drive the execution of Xaar's strategy. Further details of the work undertaken by the Nomination Committee during 2022 on succession planning are on pages 82 to 83.

Board effectiveness review

An internal evaluation of the Board was undertaken in December 2022. The findings of the review and our progress against the actions from 2021 can be found on page 76.

Stakeholder engagement and support

Building and nurturing strong working relationships with our stakeholders is critical to our success and the development of our strategy and is intrinsic in our day to day activities. With the lifting of the majority of the restrictions related to the COVID-19 pandemic in 2022, the Company has actively engaged with its customers to deal with disruption in supplies and inventory shortages. Further details of how we engage with stakeholders are set out on page 74.

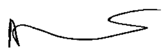
Business conduct

Xaar aspires to the highest standards of conduct. The Code of Conduct is applied throughout the Company and helps to ensure that good governance extends beyond the Boardroom. This Code, which works alongside our values, relates to the Company's policies and procedures, which outline the responsibilities of our employees and Xaar as an employer. These policies have been devised to protect our employees and stakeholders, as well as the business interests of Xaar, to ensure that we maintain high standards both legally and ethically. The Board receives relevant updates on how the application of the Group's culture and values are embedded for colleagues and the Group's wider stakeholders. More details are set on pages 73 to 75.

Engagement with shareholders

We believe that communication with our shareholders is key. In addition to the comprehensive programme of investor relations led by John Mills and Ian Tichias, I proactively seek periodic engagement with institutional investors. Both Alison Littley, the Senior Independent Director, and I am available to meet with shareholders as appropriate. Our AGM also provides an important opportunity to meet with and answer questions from shareholders.

On behalf of the Board, I would like to thank all of our shareholders and stakeholders for their continued support of the Company.



Andrew Herbert
Chairman

27 March 2023

Board of Directors

Andrew Herbert
Chairman
Appointed to the Board: 2016

N R

Qualifications
- FCMA Chartered Management Accountant
- BA (Hons) in Business Studies.

Skills and experience
- Extensive experience in the global digital printing industry following a 30-year career with Domino Printing Sciences plc, working both in the UK and the US
- Group Finance Director/Chief Financial Officer of Domino Printing Sciences plc from 1998 to 2015 during which time he played an instrumental role in expanding the business geographically through acquisition and creation of sales channels, and in broadening the product range via acquisition of technology based businesses
- Previously held a number of line director roles in Finance, Operations, Planning and Business Development.

External appointments
- Non-Executive Chairman of Midwich Group plc.

John Mills
Chief Executive Officer
Appointed to the Board: 2019

Qualifications
- Ph.D Physics.

Skills and experience
- Five years as CEO at Inca Digital
- Previously CEO at DataLase and COO at Plastic Logic
- Wealth of experience in inkjet, having started career at Domino Printing Sciences as Development Scientist rising to Director of Development after four years in various technical roles.

External appointments
- None.

Ian Tichias
Chief Financial Officer
Appointed to the Board: 2020

Qualifications
- ACA Institute of Chartered Accountants in England & Wales
- BSc (Hons) Economics & Maths, University of Leeds.

Skills and experience
- Over 20 years' experience in senior financial roles
- Previously, Ibstock plc Group Finance Director and Deputy CFO, with direct responsibility for the Group's Clay division business
- Other past roles include Senior Director, Finance & Global Pricing Lead – Europe, Africa and Middle East for Zoetis and before that, Head of Finance for Pfizer Diversified Businesses (PDB) UK
- Proven track record of delivering business focused finance operations that drive efficiency and commercial performance beyond finance.

External appointments
- None.

Alison Littley
Senior Independent Director
Appointed to the Board: 2020

A N R

Skills and experience
- Over 25 years' experience within international blue chip organisations, including multinational manufacturing, supply chain and marketing services roles
- Strong international leadership background of building effective management teams and third-party relationships gained through a variety of senior management positions in Diageo plc, Mars Inc and an Agency to HM Treasury, where she was Chief Executive Officer
- For the past 11 years Alison has been a Non-Executive Director (NED) of both international PLCs and privately owned businesses.

External appointments
- Non-Executive Director and the Remuneration Committee Chair at Norcros plc
- Senior Independent Director and Remuneration Committee Chair at musicMagpie plc.
- Non-Executive Director and Employee Engagement and ESG Committee Chair at Eurocell plc

Chris Morgan
Non-Executive Director
Appointed to the Board: 2016

A N R

Skills and experience
- Wealth of expertise in managing complex international technology businesses, having spent 25 years at HP Inc.
- Strong background in global marketing, sales and general management senior executive roles including global accountability for HP's multibillion dollar graphics/industrial portfolio of digital 2D and 3D printing businesses from 2009-2012
- Extensive experience in Asia and Japan having spent more than a decade in senior APJ leadership roles
- Led strategic investments in key growth markets and has been involved in a number of mergers and acquisitions at both the strategic and operational levels
- In depth 3D printing/additive manufacturing experience: Chief Marketing Officer for Stratasys from 2014 to 2015 and senior executive roles including Senior Vice President of Americas, at 3D Systems Inc. from 2016 to 2018.

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

Committee key

A Audit Committee
N Nomination Committee
R Remuneration Committee

● Chair
○ Member

Directors' report
Report on the affairs of the Group

The Directors present their Annual Report together with the financial statements and auditor's report for the year ended 31 December 2022.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include matters of strategic importance in the Strategic Report which otherwise would be required to be disclosed in the Directors' report. An indication of likely future developments in the business of the Company and details of research and development activities and important events since the financial year-end are included in the Strategic Report. The following cross-referenced material is incorporated into this Directors' report.

Non-financial information statement – Subject Matter	Section/Page
Principal risks and uncertainties	Risk management on pages 48 to 57
Business model	Strategic Report on page 8
Employee engagement	Strategic Report on page 9 Stakeholder engagement on page 71 Directors' Remuneration report on page 86
Equality, diversity, inclusion and human rights	Sustainable and responsible business on pages 34 to 37
Disabled employees	Sustainable and responsible business on page 35
Supplier engagement	Stakeholder engagement on page 72
Engagement with customers and other business relationships (including community engagement)	Stakeholder engagement on page 72 Sustainable and responsible business on page 40
Greenhouse gas emissions and environmental policies	Sustainable and responsible business (TCFD) on pages 42 to 44 GHG statement on page 45
Political donations	Sustainable and responsible business on page 40
Ethics and governance, including Code of Conduct, anti-bribery and corruption policies	Sustainable and responsible business on page 34 Corporate Governance section on page 73

Branches

In addition to the subsidiaries disclosed in note 11 of the Company's separate financial statements on page 168, there is a branch in Stockholm, Sweden through which research and development activities are conducted.

Dividends

No interim or final dividend was proposed or paid for the year ended 31 December 2022.

Details on dividends are set out in note 8 on page 167

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 26. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company, except for shares held in the Xaar Share Incentive Plan trust, which hold no voting rights.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

There are a number of employee share schemes, namely, Employee Share Option Schemes (ESOP), Long-Term Incentive Plans (LTIPs), Share Incentive Plans (SIP), and Share Save Schemes (SAYE). There is a Deferred Bonus Plan for the Executive Directors, as introduced in 2020.

- Details of the shareholding held in trust by Xaar Trustee Ltd and held by the Xaar plc ESOP trust are provided in note 28. These have voting rights exercised by the Trustees
- Details of other share-based payment schemes are set out in note 32. Shares held in Xaar plc SIP do not hold voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to the Articles and the Companies Act.

The powers of Directors are described in the Main Board terms of reference, copies of which are available on request, and the Corporate Governance statement, division of responsibilities on page 75

Capital allocation policy

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

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

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

Treasury

The Group's policy enables it to use financial instruments to hedge foreign currency exposures. The main trading currency of the Group is GBP Sterling. The Group's use of financial instruments and the related risks are discussed further in notes 21 and 22.

At the 2022 AGM held on 25 May 2022, the Company's shareholders granted the Company authority to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company.

The Company did not purchase any shares for cancellation or to be held as treasury shares in 2022 or 2021.

Directors and their interests

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

Andrew Herbert
Chairman

John Mills
Chief Executive Officer

Ian Tichias
Chief Financial Officer

Chris Morgan
Non-Executive Director

Alison Littley
Senior Independent Director

Brief biographical descriptions of the Directors are set out on page 63

Shareholdings in the Company

The interests of the Directors in the shares of the Company and its subsidiaries (all of which are beneficial) as at 31 December 2022 are as follows:

	Number of ordinary shares of 10p each 31 December 2022	Number of ordinary shares of 10p each 31 December 2021
Andrew Herbert	**100,000**	100,000
John Mills	**125,000**	125,000
Ian Tichias	**50,000**	50,000
Chris Morgan	**–**	–
Alison Littley	**–**	–

There have been no changes in the Directors' interests in shares of the Company between 31 December 2022 and 29 March 2023. Directors' interests in options in the Company and in deferred bonuses (in shares) are shown in the Directors' Remuneration report. The Executive Directors are required to receive a portion of their bonus in deferred shares.

Directors' liabilities

Xaar plc, the ultimate parent company, and its subsidiaries have granted an indemnity to all of the Directors of Xaar plc and of its subsidiaries against liability in respect of any potential proceedings that may be brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in place during the year and remains in force as at the date of approving the Directors' report.

Share capital

As at 31 December 2022 the Company had been notified in accordance with Chapter 5 of the Financial Conduct Authority's (FCA's) Disclosure and Transparency Rules of the following material interests in its share capital:

Top ten shareholders (by holding) – at 31 December 2022	Number of ordinary shares held	Percentage of issued share capital
Schroder Investment Mgt	**22,327,769**	28.45%
Odyssean Investment Trust	**8,500,000**	10.83%
Aberforth Partners	**7,402,509**	9.43%
Invesco OppenheimerFunds	**6,099,203**	7.77%
Columbia Threadneedle Investments	**4,491,840**	5.72%
Hargreaves Lansdown Asset Mgt	**3,108,560**	3.96%
Interactive Investor	**2,589,831**	3.30%
BMO Global Asset Mgt	**1,745,108**	2.22%
A J Bell Securities	**1,394,013**	1.78%
Barclays Wealth	**1,304,775**	1.66%
Total	**58,963.608**	75.13%

During the period 31 December 2022 to 28 March 2023, the Company had been notified in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules of the following material interests in its share capital:

Changes in material shareholdings since 31 December 2022	Number of ordinary shares held	Percentage of issued share capital
Odyssean Investment Trust	**9,415,000**	12.00%

Annual General Meeting

The notice convening the Annual General Meeting is set out on pages 170 to 174

Resolutions 1 to 8 set out in the notice of the meeting deal with the ordinary business to be transacted at the meeting. The special business to be transacted at the meeting is set out in Resolutions 9 to 15.

Re-election of Directors

Resolutions 4 to 8

The Company's Articles of Association require the Directors to retire by rotation at least once every three years, with the number to retire by rotation at each Annual General Meeting being the number nearest to but not exceeding one third of the Board. However, the 2018 UK Corporate Governance Code provides that all Directors should be subject to re-election by their shareholders every year. In accordance with this provision of the 2018 UK Corporate Governance Code and in keeping with the Board's aim of following best corporate governance practice, all Directors retire at each Annual General Meeting and offer themselves for re-election.

The Board has considered succession plans and is actively seeking to appoint a new Non-Executive Director with a view to that person succeeding Chris Morgan as Chair of the Audit Committee. Chris is standing for re-election this year but, subject to a successful handover, has indicated his intention to stand down from the Board by the end of 2023.

Directors' Remuneration Policy

Resolution 9

This Resolution seeks shareholder approval for the Directors' Remuneration Policy.

The Directors' Remuneration Policy can be found on pages 87 to 95 (inclusive) of the Annual Report and Financial Statements

Directors' Remuneration report

Resolution 10

This Resolution seeks shareholder approval for the Directors' Remuneration report.

The Directors' Remuneration report can be found on pages 84 to 104 (inclusive) of the Annual Report and Financial Statements

In accordance with regulations which came into force on 1 October 2013, Resolution 10 offers shareholders an advisory vote on the Directors' Remuneration report.

Power to issue securities

Resolutions 11, 12 and 13

Under section 551 of the Companies Act 2006 (the 'Act'), the Directors may only allot shares or grant rights to subscribe for or convert any securities into shares if authorised by the shareholders to do so.

Resolution 11, which complies with guidance issued by the Investment Association, will, if passed, authorise the Directors to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares, up to an aggregate nominal value of £2,614,874 (corresponding to approximately one third of the issued share capital at 28 March 2023) and up to an additional aggregate nominal value of £5,229,749 (corresponding to approximately two thirds of the issued share capital at 28 March 2023) in the case of allotments only in connection with a fully pre-emptive rights issue. The Directors have no present intention to exercise the authority sought under this Resolution. However, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

This authority will expire no later than 15 months after the passing of the Resolution. It is the Board's current intention to seek renewal of such authority at each future Annual General Meeting of the Company.

Disapplication of pre-emption rights

Resolutions 12 and 13

Under section 561(1) of the Act, if the Directors wish to allot equity securities (as defined in section 560 of the Act) they must in the first instance offer them to existing shareholders in proportion to their holdings. In addition, there may be occasions when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolutions 12 and 13 seek authority from shareholders in line with the Pre-Emption Group's Statement of Principles (as updated in March 2015 (the '2015 Statement of Principles'), and the template resolutions published by the Pre-Emption Group in May 2016.

The Board notes that the Pre-Emption Group published a revised statement of principles and template resolutions for the disapplication of pre-emption rights in November 2022, which include increased thresholds in relation to the disapplication of pre-emption rights. At this time, the Board considers it appropriate to follow the 2015 Statement of Principles but will continue to keep this under review.

Under Resolution 12, to be proposed as a Special Resolution, authority is sought to allot shares:

(i) in relation to a pre-emptive rights issue only, up to an aggregate nominal amount of £5,229,749 (being the nominal value of approximately two thirds of the issued share capital of the Company); and

(ii) in any other case, up to an aggregate nominal amount of £392,231 (representing 5% of the issued share capital of the Company).

The Directors do not currently have an intention to exercise the authority.

In addition, Resolution 13, which is also to be proposed as a Special Resolution, asks the shareholders to waive their pre-emption rights in relation to the allotment of equity securities or sale of treasury shares up to a further aggregate nominal amount of £392,231 (representing 5% of the issued share capital of the Company), with such authority to be used only for the purpose of financing (or refinancing, if the authority is to be used in the six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles on Disapplying Pre-Emption Rights.

The Directors will also have regard to the guidance in the 2015 Statement of Principles concerning cumulative usage of authorities within a three-year period. Accordingly, the Board confirms that it does not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

If Resolutions 12 and 13 are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolutions. It is the Board's current intention to seek renewal of such authorities at each future Annual General Meeting of the Company.

Authority to purchase own shares

Resolution 14

It is proposed by Resolution 14, by Special Resolution, to authorise the Company generally and unconditionally to purchase its own shares at a price of not less than the par value of the shares and not more than the higher of:

(i) 5% above the average of the middle market quotations of the shares as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the purchase is made; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (in each case exclusive of any expenses payable by the Company).

The authority will be for a maximum of 10% of the Company's issued share capital and will expire at the earlier of the next Annual General Meeting of the Company or within 15 months from the date of the passing of this Resolution. The Directors currently have no intention to exercise the authority and will only purchase shares if it is in the best interests of shareholders as a whole.

The total number of ordinary shares under option, which remain unexercised and outstanding as at 27 March 2023 (including options awarded under LTIP which may be satisfied by subscription for new shares), was 4,763,782. This represents 6.7% of the issued ordinary share capital at that date. If the Company was to buy back the maximum number of ordinary shares permitted pursuant to the passing of this Resolution, then the total number of ordinary shares under option which remain unexercised and outstanding as at 31 December 2022 would represent 6.1% of the reduced issued ordinary share capital.

Articles of Association

Resolution 15

It is proposed by Resolution 15, by Special Resolution, to adopt new articles of association. Further details of the proposed changes to the Articles of Association are set out on page 174.

Further details on the proposed changes to the Company's articles of association are set out in the Notice of Annual General Meeting on pages 170 to 174

Action to be taken

As detailed in the notes to the notice convening the Annual General Meeting, you will not receive a Form of Proxy for the Annual General Meeting in the post. Instead, you can vote online at www.signalshares.com. To register, you will need your Investor Code, which can be found on your share certificate; once logged on, click on the 'Vote Online Now' button to vote. Proxy votes should be submitted as early as possible and in any event, no later than 48 hours before the start of the meeting (excluding weekends and public holidays). Shareholders attempting to attend the meeting will be refused admission.

You may request a hard copy proxy form directly from the registrars, Link Asset Services on 0871 664 0300. (Calls cost 12 pence per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate.) Lines are open between 9.00a.m. to 5.30p.m., Monday to Friday, excluding public holidays in England and Wales.

Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

The structure of the Company's issued share capital is shown in note 26.

Details of ordinary shares held in trust owned by the Company can be found in note 28.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Directors are authorised to issue and allot shares and to undertake purchases of the Company's shares. Appropriate resolutions to renew these authorities are proposed to be passed at the Annual General Meeting as detailed above and notice of which is on pages 170 to 174.

The notice of the Annual General Meeting is on pages 170 to 174

Ordinary shares

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote for every ordinary share held and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the Annual General Meeting on pages 170 to 174 specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at the Annual General Meeting.

All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are made available at the Annual General Meeting and are published on the Company's website after the meeting. No person holds securities carrying special rights with regard to control of the Company.

Restrictions

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- pursuant to the Listing Rules of the FCA whereby all employees of the Company require the approval of the Company to deal in the Company's securities.

Articles of Association

The Company's Articles of Association may only be amended by a Special Resolution at a general meeting of the shareholders. Directors are reappointed by Ordinary Resolution at a general meeting of the shareholders.

Appointment and replacement of Directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and prevailing legislation.

The Board can appoint a Director but anyone so appointed must be elected by an Ordinary Resolution at the next general meeting. All Directors are required to submit themselves for reappointment every year at the AGM (see: Re-election of Directors, above) in line with the UK Corporate Governance Code.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an Ordinary Resolution of the Company.

Significant interests

Directors' interests in the share capital of the Company are shown in the table on page 99

Major interests (i.e. those greater than 3%) of which the Company has been notified are shown on page 66

Company share schemes

The Xaar plc ESOP Trust holds 0.9% (2021: 0.9%) of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the Trustees.

Change of control

The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. Depending on the achievement of performance conditions, share-based payment arrangements may vest on change of control but this is subject to the approval and exercise of the discretion of the Remuneration Committee.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 16 to 25 and business performance on pages 26 to 28

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 16 to 25. Notes 21 and 22 include a description of the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group's day-to-day working capital requirements are expected to be met through the current cash and cash equivalent resources (including treasury deposits) at the balance sheet date of 31 December 2022 of £8.5 million. As set out in note 22, the Group has a £5 million invoice discounting facility, of which £0.4 million was drawn as at the balance sheet date.

The Group has prepared and reviewed monthly profit and cash flow forecasts which cover a period up to 30 June 2024, the going concern period. This base case forecast position has been compiled by considering the performance of the different businesses across the Group and each of their funding requirements which represents the current Board approved forecasts. These forecasts reflect existing technologies and products, existing OEM adoption, the committed order pipeline, an increasing customer install base and demand for consumables such as fluids across the customer base and no specific risks around creditworthiness. This creates a high degree of predictability within the short-term cash flows, which have been factored into the level of sensitivity testing and reverse stress testing performed below. As set out in note 6, there is no concentration of revenues from an individual customer. The operational steps described in the Strategic Report also provide increased predictability over future margins, which have been incorporated in this base case forecast. Using this base case, liquidity compliance has been assessed across the going concern period and is sufficient to enable the Group to settle its obligations as they fall due.

To support the going concern conclusion, a sensitivity analysis has been performed which models a 10% reduction in revenue and 2% reduction in gross margin in comparison to the base case and is below the reported FY22 actual result. The outcome of this sensitivity analysis is that the Group maintains liquidity across the going concern period and is able to meet all forecasted obligations as they fall due. A reverse stress scenario has also been performed to model the circumstances required to eliminate available liquidity during the going concern period. This includes reducing revenues and reducing gross margin. This reverse stress scenario requires a reduction in revenue in excess of 25% in comparison to the base case and is below the reported FY22 actual result, as is the assumed margin. The Directors believe the possibility of this combination of severe downsides arising to be remote given the recurring revenue base and predictability of forecasts, and that there are numerous controllable mitigating actions such as deferring non-committed capital expenditure and reducing performance related pay which could be taken to avoid a liquidity breach.

Should extreme downside scenarios occur, the Group has further options within their control to mitigate a cash shortfall which have not been factored into the above forecasts and stress testing, such as staffing reductions, further delaying/stopping capital and research and development expenditure and aligning performance related pay to actual results. The Group has also received credit pre-approval for a £5 million revolving credit facility. No drawdowns have been assumed during the going concern period, nor are they required in the sensitivity or reverse stress scenarios described above and as such the facility would provide additional liquidity headroom to the Group across the going concern period.

Based on the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 30 June 2024. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

The long-term viability of the Group is assessed by the Directors as part of the risk management process and regular strategic reviews.

The Company has undertaken thorough strategic planning of all four business units which has resulted in a three-year plan which takes into consideration the principal risks, product portfolios and R&D roadmaps, the market opportunities, our competitive position, core capabilities, and the cost structure, effectiveness and efficiency of the organisation.

Details of which are outlined in the strategic review on pages 16 to 28

The plan forms the basis for strategic actions to be taken across the Company and the key objectives for each business. These objectives, and the key performance metrics associated with these, are regularly reviewed by the Directors.

The Company is aware that it operates in an uncertain environment and faces risks both internally and externally that could potentially impact on the Company's ability to achieve its strategy.

The principal risks and uncertainties faced by the Company are included on pages 48 to 57

As part of the process of reviewing these risks, and other potential risks, the Board assigns responsibility for these to members of the Executive Committee. It is the responsibility of the Executive Committee members to manage the risk and the mitigating actions. This ensures that the Company manages the risks it faces appropriately and that these are considered in all financial models.

The Board has assessed the viability of the Group over a three-year timeframe based on the development cycles of our competitors and those of our customers and the probability this could lead to technological advancements that disrupt the markets that Xaar operates in.

The Board has considered plausible principal risks and the financial impacts that these could have over a three-year period were conservatively assumed in the Group's mid-term planning exercise. The principal risks considered were: 5. Coronavirus (COVID-19), 9. Supply chain and 10. War in Ukraine and world economy and the further potential impacts of these were used to model a 'severe but plausible' scenario. The outcome of this scenario is an 8.4% reduction in revenue over the three-year period.

Taking account of the Company's current financial position, operating performance, and the principal risks and uncertainties, the Directors have assessed the prospects of the Company, and confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for the next three years, to December 2025.

Auditor

Ernst & Young LLP were re-appointed in 2022 and have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 63

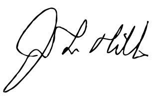
Having made enquiries of fellow Directors, each of these Directors confirm that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approval

The Directors' report was approved by the Board on 27 March 2023 and is signed on its behalf by:



John Mills
Chief Executive Officer

Section 172 statement

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

Section 172 of the Act requires directors of a company to act in a way they consider, in good faith, would be likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

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

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

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

The Board strives to follow best corporate governance practice and has a governance framework in place that allows it to make reasoned and informed decisions. Further information on how the Board and its Committees operate can be found in the Corporate Governance statement on pages 73 to 78 of this Annual Report.

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

More details of our approach to risk management are set out on pages 48 to 57

Stakeholder engagement

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

- our Investors
- our People
- our Communities
- our Partners.

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

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

Shareholders

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

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

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

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

More details of our engagement with our shareholders and the results of those engagements are set out in the Corporate Governance statement on page 74 and Directors' Remuneration report on page 86

Employees

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

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

The health and safety of our employees is of the highest importance to us. More details of our engagement with our employees and the results of those engagements are set out in Sustainability and responsible business on page 35 and the Directors' Remuneration report on page 86

Community

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

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

More details of our engagement with our communities and the results of those engagements are set out in Sustainability and responsible business on page 40

Customers

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

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

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

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

We invested £6.7 million in R&D during 2023, focusing on those areas where we see the opportunity to support our customers' next generation product developments.

More details of our engagement with our customers and the results of those engagements are set out in our business model on pages 8 to 9 and individual business unit updates on pages 20 to 25

Suppliers

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

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

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

Corporate Governance statement

The Board's primary objective remains ensuring long-term, sustainable growth for the benefit of the Company's shareholders and wider stakeholders. This includes an ongoing commitment to the highest standards of corporate governance as set out in the Financial Reporting Council (FRC) 2018 UK Corporate Governance Code ('the Code').

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

Application of the main principles of the Code

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

We are pleased to confirm that throughout the year ended 31 December 2022, the Company has followed the principles and provisions of the UK Corporate Governance Code 2018, which applies to all companies with a premium listing on the London Stock Exchange, and has either complied with the provision or explained why the provision has not been followed.

The governance report gives:

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

Statement of compliance with the Code

Throughout the year ended 31 December 2022 the Company has followed the provisions set out in the Code and has either complied with the provisions of the Code or explained why the provision has not been followed, as outlined below. The FRC expects companies to provide a clear and meaningful explanation for any departures from the Code. This report on the Company's compliance with and application of the Code has been approved by the Board and includes this Statement, the Directors' report on pages 64 to 70, the report of the Audit Committee (see pages 79 to 81), the Nomination Committee report (see pages 82 to 83) and the Directors' Remuneration report set out on pages 84 to 104.

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

Provision 36: The current policy on post-employment shareholdings does not comply fully with the Code, as it does not include a minimum two-year post-employment holding. This is partially mitigated through applying the leaver provisions under the Company's share plans. A post-employment shareholding for future LTIP grants from 2023 onwards will be introduced as part of the new Remuneration Policy. Details are set out on pages 94 to 95.

The disclosures in respect of the Takeovers Directive (as implemented in the UK) are included in the Directors' report and form part of this report.

1. Board Leadership, Culture and Company Purpose

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

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

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

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

The Board is responsible for establishing, assessing and monitoring the Company's purpose, values, strategy, and culture. In doing so, the Board ensures the alignment of the Company's culture and the transformation programme. The Board receives regular updates on the work being undertaken by the senior management team to align the operations and policies of the Group with its culture and values. Other than their normal attendance and participation in discussions at Board meetings, the Executive Directors are responsible for the day-to-day running of the Group and the implementation of the agreed strategy.

Refer to page 16 for the Strategy review and page 35 for Company values and culture

1. Board Leadership, Culture and Company Purpose continued

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

Refer to pages 8 to 9 for the Xaar business model

In accordance with the Directors' duties in Section 172 of the Companies Act 2006, the Board considers the likely consequences of any decision in the long term. The Board incorporates the basis on which the Company generates and preserves value in formation of the strategy and strategic decision-making.

Refer to page 71 for the s.172 disclosure

The key focus this year has been on returning the Group to profit while developing capability and opportunity to deliver future growth. It has been a priority to maintain the progress made by the business in recent years during a period of macroeconomic uncertainty with inflationary pressures in energy costs and continued challenges in the supply chain following the end of the pandemic. The Board has ensured there is a focus on our core competence of the design and manufacture of world leading printheads. It has continued to ensure the financial position of the Company is secured whilst also looking forward to the longer-term strategic options for the Group, including identifying potential further acquisitions that would bring additional value and synergies. In particular, the main Board decisions during the year were:

- Continuing to invest in R&D and the product roadmap, with the launch of Aquinox in November 2022.
- Agreed the reorganisation of the factory in Huntingdon as part of the project to improve efficiency and reduce costs in manufacturing.
- Completed the acquisition of Megnajet, one of the leading designers and manufacturers of industrial ink management and supply systems for digital inkjet, to accelerate Xaar's growth strategy by creating a more integrated inkjet solution whereby customers can access more of the printing ecosystem (such as ink supply systems and the electronics) from Xaar.
- Continued the strengthening of the Group's senior management team with key appointments in operations, R&D, HR and Finance.

The Board worked closely with executive management to redefine the Group's mission, vision and values which will underpin the Group's evolving culture under the executive leadership team. Further information is in the Directors' Remuneration report on page 84 and Sustainable and responsible business on page 30.

Engagement with shareholders

The Board and Directors seek to build on a mutual understanding of objectives between the Group and its institutional shareholders by providing the opportunity to meet at least twice per year, following interim and annual results, to provide an update on trading and obtain feedback.

See Shareholder communications as part of the Directors' Remuneration report on page 84

The Board uses the AGM to communicate with investors and to encourage their participation.

Following a general meeting, voting results are published on the Company's website. If the votes against a resolution exceeded 20%, an explanation would also be published on the website. At the most recent AGM in 2022, the majority of resolutions had less than 1% of votes cast against the Board's recommendation. The exception being Resolution 10 (the power to issue shares by the Directors) with 11.3% of votes cast against the Board's recommendation.

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

Feedback from brokers and financial PR

The Group's financial public relations advisors and lead brokers give all investors and potential investors who have met with the Group's investor relations team the opportunity to provide feedback on the meetings. Additionally, the Chief Executive Officer and the Chief Financial Officer provide feedback to the Board at the meeting following shareholder meetings to ensure that the Board, and in particular the Non-Executive Directors, possess an understanding of the views of the Company's major shareholders. Both the Chairman and the Senior Independent Director are available to meet with shareholders as required.

Annual Report and Accounts

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

Workforce engagement

The Board continued to hold employee engagement sessions which are held recurrently throughout the year with the three Non-Executive Directors being responsible on behalf of the Board for workforce engagement. Topics discussed were wide ranging but focused mainly around the strategy and direction of the business, acquisitions and divestments, sustainability, executive remuneration and alignment with the wider workforce, employee training, opportunities for development, and the workings of the Board and governance, i.e. a total of six sessions in total.

1. Board Leadership, Culture and Company Purpose continued

Conflict of interest and time commitment

Following the changes made to the Company's Articles of Association to incorporate the provisions of section 175 of the Companies Act 2006 which gave boards the statutory power to authorise conflicts of interest, any potential conflict of interest is approved by the Board in advance of any action or appointment that could result in a conflict of interest arising. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Each member of the Board is familiar with the procedure to follow in relation to conflicts of interest and the process is operated efficiently. There were deemed to be no such conflicts of interests in 2022.

The only change to Directors' outside commitments during 2022 related to the appointment of Alison Littley as a non-executive director of Eurocell plc on 1 July 2022.

Each Director devoted significant time to their Xaar Board responsibilities during 2022, with all Directors attending all Board meetings (see page 61).

2. Division of Responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture emphasising openness and transparency, which enables opportunities and risks to be assessed and managed appropriately. In addition, the Board sets the Company's strategic direction; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

The Chairman, Andrew Herbert, was deemed independent on appointment in 2020. There exists a clear division of responsibilities between the Chair and the Chief Executive Officer, John Mills. The Chair's primary role includes ensuring the Board functions properly, that it meets its obligations and responsibilities, and that its organisation and mechanisms are in place and are working effectively.

The responsibilities of the Chair, Chief Executive, Senior Independent Director, Board and Committees are clear, set out in writing, agreed by the Board and made publicly available, with terms of reference for the Committees available on request.

The Board delegates management of the business to the Executive Committee, comprising Executive Directors and senior operational managers, headed by the Chief Executive Officer. The Executive Committee meets weekly and is responsible for implementing Group strategy, monitoring business performance, preparing the operating and capital expenditure budgets for recommendation to the Board, and ensuring efficient management of the Group.

The Non-Executive Directors attend the Board meetings, and form the Audit, Remuneration and Nomination Committees. They are responsible for scrutinising the performance of management and determining appropriate levels of remuneration of Executive Directors. They also have a key role in appointing and, where required, removing Executive Directors.

The Non-Executive Directors are identified on page 63 of the Annual Report with a short biography provided. The Board has determined that each Non-Executive Director is independent in character and judgement; commits sufficient time and energy to the role; and continues to make a valuable contribution to the Board and its Committees. The Board keeps under review whether there are relationships or circumstances which are likely to affect, or could appear to affect, their independence.

The Company Secretary is the secretary to the Board and its Committees. All Directors have access to the services of the Company Secretary and Directors may take independent legal and other professional advice at the expense of the Company. Camila Cottage resigned as Company Secretary on 22 October 2022 and Ian Tichias was appointed in her place on the same day. Ian Tichias resigned as Company Secretary with effect from 16 January 2023 and Julia Crane was appointed on the same day.

3. Composition, Succession and Evaluation

Board composition

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

The Board considers Alison Littley, Chris Morgan and Andrew Herbert to be independent within the meaning of the Code. To be considered independent each Non-Executive Director is sufficiently separate to management and free from any business or other relationships which could affect their judgement, impartiality or objectivity.

All the Non-Executive Directors are deemed to be independent members of the Board having no financial relationship or significant links with related parties. Chris Morgan maintained his independence, having departed Stratasys in 2015. All Non-Executive Directors complete a disclosure document prior to appointment and submit an annual declaration.

Succession

The Nomination Committee is responsible for regularly reviewing the composition of the Board. In recommending appointments to the Board, the Nomination Committee considers the range of skills, knowledge and experience required, with due regard for the benefits of diversity on the Board, including gender. When recruiting, search firms are appointed to secure a strong and diverse list of candidates.

The appointment of new Directors is led by the Nomination Committee. There were no changes to the Board during 2022.

The Committee has considered succession planning and the good progress made on building an executive management team and focusing on senior management development during the past three years. In 2022, the Committee recommended that during 2023 the Board be broadened and that the number of independent Non-Executive Directors be increased to four including the Chair. In making any future appointment the Nomination Committee will consider both diversity and succession as a matter of course as it seeks to further equip the Board in its role of overseeing future business growth and expansion.

3. Composition, Succession and Evaluation continued

Diversity

The Board continues to consider that diversity quotas at Board level are inappropriate, and is committed to recruiting the best talent available, assessed against objective criteria of skills, knowledge, independence and experience. All candidates are therefore considered on merit. The Company does not apply any established measurable objectives in respect of diversity quotas (e.g. age, gender, ethnicity, disability, religion or educational and professional background) but with reference to the Company's Diversity Policy. More information on the Group's gender profile is set out in the report on Sustainable and responsible business on pages 35 to 36.

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

A Board Diversity Policy was adopted by the Directors, on the recommendation of the Nomination Committee. A copy of the policy is available on the Company's website.

Board evaluation

The Board conducted an internal review of the effectiveness of itself, with each Non-Executive Director, the Chairman and the Board Committees in December 2022. A questionnaire was completed by the Directors which looked at all areas of the operation and management of the Board and its Committees. The Chairman held discussions with each Director on the results of the evaluation. The outcome of the review was discussed by the Nomination Committee and actions agreed by the Board. From the review and conclusions drawn, areas of improvement were identified as follows:

1. To review the composition of the Board as part of the succession planning process specifically taking into account the skills and expertise required as the business grows while also seeking to enhance the diversity and experience of Board members and ensure that the Remuneration and Audit Committees are meeting the objectives of the business.
2. To consider holding at least one Board meeting each year at a subsidiary location.
3. To increase the frequency of Board review to quarterly of the identification and management of risk across the Company.
4. To improve the evaluation and consideration of the longer-term implications of changes to strategy.

Areas of improvement identified in 2021 were addressed and actions taken and implemented during 2022 as follows:

2021 Recommendations	Action taken in 2022
Board membership diversity, skills and experience to be reviewed and an additional NED appointment to be considered.	The Nomination Committee undertook a comprehensive review of the composition of the Board during the year and has commenced the process to appoint a new NED.
Improve the balance of time spent in Board meetings considering strategic as compared to operational issues, allowing sufficient time for in depth discussion, debate and challenge.	The Board agenda was revised in 2022 to allow more time for discussion on strategic issues. A strategy session will be held in 2023.
Further develop the approach to succession planning and talent management in the business to create greater opportunity for progression and increased diversity among the senior management and the Board.	The Nomination Committee reviewed the succession plan for the senior management team during the year and changes to the plan were approved.

Further details of the activities of the Nomination Committee can be found on pages 82 to 83

As part of the selection process for any potential Directors, any significant external time commitments are considered before an appointment is agreed. All Directors are required to consult with the Chair of the Board and obtain the approval of the Board before taking on additional appointments.

Executive Directors are not permitted to take on more than one significant appointment as a director of a FTSE 100 company or any other substantial appointment.

The Board's policy for individual Director performance review is for a formal and rigorous appraisal process based on performance by the individual Director against specific targets. Individual Director performance is reviewed at least annually.

- The Senior Independent Director, in consultation with the other Non-Executive Directors and taking into account the views of the other Directors, appraises the performance of the Chairman.
- The Executive Directors, in consultation with the Chairman, appraise the performance of the Non-Executive Directors.

It is the Board's intention to review its own performance, and that of its Committees, at least once a year. All Directors were subject to shareholder re-election at the 2022 AGM.

The biographies of the Directors, set out on page 63, contain the evaluation of skills and experience beneficial to the Company so that the Board recommends the re-election or election of each Director

4. Audit and Risk and Internal Controls

The role and responsibilities of the Audit Committee are set out in the Audit Committee section on pages 79 to 81

- The Audit Committee review of the effectiveness of the external audit is set out on page 81.
- The auditor Ernst and Young LLP were appointed following a tender process in July 2019, and provide no non-audit services; the Audit Committee assessment of the auditor's independence is disclosed on page 81.

The Directors' assessment of the Group's internal control environment as required under the UK Corporate Governance Code is set out on pages 80 to 81 under 'Internal controls and compliance'

The Audit Committee, led by Chris Morgan, plays a key role in monitoring and evaluating our compliance and risk management processes, providing independent oversight of our external audit and internal control programmes, accounting policies and business transformation projects, and in assisting the Board in establishing arrangements to ensure that we are reporting in a fair, balanced and understandable manner to our shareholders. The Board has satisfied itself that Chris Morgan has recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the sectors in which the Company operates.

The significant accounting judgements and estimation uncertainties that the Audit Committee has considered in relation to the financial statements are set out in the Audit Committee report on pages 79 to 80 and in note 3 to the accounts on pages 122 to 129

All of the Audit Committee members are independent Non-Executive Directors and have financial and/or related business experience due to the senior positions they hold or have held in other listed or publicly traded companies and/or similar large organisations.

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report, set out on pages 1 to 59, provides information about the performance of the Group, the business model, the Group's strategy and the risks and uncertainties relating to the Group's future prospects.

Principal and emerging risks

As set out on page 48, the Board confirms that it has carried out a robust assessment of the principal and emerging risks facing the Company during the year, including those that could threaten its values, reputation, business model, future performance, solvency or liquidity.

As a consequence of the risk assessment review:

- IT transformation risk, following the progress of the transformation programme, has been removed.
- The impact of the COVID-19 pandemic – Internal/Operations has been removed as a risk, following the lifting of the majority of the restrictions.
- The potential non-compliance with laws and regulations has been added as a new risk.
- Changes have been made to the impact of the risk from climate change.
- The risks from cyber security threats have been updated following improvements made in 2022.
- The impact of the war in Ukraine on the global economy has been added as a new risk.

Descriptions of principal and emerging risks and how they are mitigated and any changes are set out on pages 52 to 57

The Group's policies relating to risk management and internal control can be found in the 'Risk management' section of the Strategic Report on pages 49 to 51

The Board explains on pages 69 of the Annual Report how it has assessed the prospects of the Company over the longer term and why it considers a three-year period to be appropriate for the purposes of this assessment. The Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this period.

The Committee has formally identified the Chief Executive Officer as responsible for health and safety and the Chief Financial Officer as responsible for risk assessment.

5. Remuneration

The Remuneration Committee sets levels of remuneration which are designed to promote the long-term success of the Group and structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.

The Remuneration Committee's primary role is to recommend to the Board the senior management remuneration strategy and framework, giving due regard to the financial and commercial health of the Company and to ensure the Executive Directors and senior management are fairly rewarded for their individual contributions to the Company's overall performance. The remit of the Committee also includes considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation, determining the terms of employment and remuneration for Executive Directors and senior managers, including recruitment and termination arrangements, approving the design, targets and payments for all annual incentive schemes that include Executive Directors and senior managers and agreeing the design, targets and annual awards made for all share incentive plans requiring shareholder approval. During 2022, the Remuneration Policy was reviewed ahead of being put to a shareholder vote at the forthcoming AGM, and as part of this review we have considered and agreed how our ESG priorities should be reflected in the reward framework. Further details are set out on page 84. The Remuneration Committee has not exercised any discretion in relation to remuneration outcomes in 2022.

Details of the activities of the Remuneration Committee can be found in the Directors' Remuneration report on pages 84 to 104.

- The alignment of executive remuneration with Company purposes and values is set out on page 87
- The award of long-term incentives and their performance conditions are set out on page 98
- How the Remuneration Committee addresses the principles set out in the UK Corporate Governance Code in respect of the Directors' Remuneration Policy is set out on page 87
- The discretionary powers of the Remuneration Committee are on page 86
- The alignment of executive pensions with those of the workforce are on page 86
- Recovery and withdrawal provisions (malus/clawback), and the circumstances under which the provisions may apply, are on page 91.

Summary of Board meeting attendance in 2022

11 Board meetings were held in 2022, with two additional unscheduled meetings for specific items:

Name	Scheduled Board meetings	Additional meeting
Andrew Herbert	11 (11)	2 (2)
Alison Littley	11 (11)	2 (2)
Chris Morgan	11 (11)	2 (2)
John Mills	11 (11)	2 (2)
Ian Tichias	11 (11)	2 (2)

Board Committees

Summary of Committee membership:

Name	Audit Committee	Remuneration Committee	Nomination Committee
Andrew Herbert	No	Yes	Chair
Alison Littley	Yes	Chair	Yes
Chris Morgan	Chair	Yes	Yes
John Mills	No	No	Yes
Ian Tichias	No	No	No

Summary of Committee meeting member attendance in 2022:

Name	Audit Committee[1]	Remuneration Committee[1]	Nomination Committee[1]
Andrew Herbert	n/a	5 (5)	4 (4)
Alison Littley	4 (4)	5 (5)	4 (4)
Chris Morgan	4 (4)	5 (5)	4 (4)
John Mills	n/a	n/a	3 (3)

1 The Committees may invite Board Directors who are not Committee members to attend Committee meetings when the subject matter deems their presence appropriate.
2 John Mills stood down as a member of the Nomination Committee in November 2022.

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

Approval

The Board confirms the 2022 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the position, performance, strategy, and business model of the Company.

The Corporate Governance statement, which incorporates the Directors' Report, the Audit Committee report, the Nomination Committee report and the Directors' Remuneration report, was approved by the Board on 27 March 2023 and is signed on its behalf by:

John Mills
Chief Executive Officer

The Audit Committee (the 'Committee') is appointed by the Board from the Non-Executive Directors of the Company. The Chair of the Committee is Chris Morgan.

Audit Committee composition and meetings

Chris Morgan's previous roles have given him senior executive and financial experience working across a number of technology and digital printing sectors and across a number of jurisdictions. Alison Littley, Audit Committee member, also brings a breadth of experience including executive experience in complex, international business operations. Additional information on our skills and experience can be found in the Board biographies set out on page 63.

The Audit Committee met formally on four occasions during the year and details of the attendance at meetings by members of the Audit Committee are set out on page 78. Please see the tables on page 78 for details of the Committee members in the year and the number of Committee meetings attended. At the Committee's request, other members of the Board and senior management may be invited to attend the Audit Committee's meetings based on the meeting agenda.

Report from the Committee Chairman

I am pleased to present the Audit Committee's report describing our work during the past year. Ernst & Young LLP (EY) was reappointed as the Group external auditor at the Annual General Meeting and Ruth Logan is the engagement partner.

The Audit Committee's primary responsibilities are the following:

- To approve and monitor key financial and accounting policies and practices
- To monitor the integrity of the financial statements, announcements and review significant financial reporting judgements contained therein
- To keep under review the adequacy and effectiveness of internal controls
- To review procedures, systems and controls for whistleblowing, fraud detection and bribery prevention
- To review, approve and monitor internal audit activities
- To monitor and review the Group's external auditor's independence, objectivity and effectiveness
- To monitor and approve any non-audit services provided by the external auditor
- To conduct any tender process and make recommendation to the Board on the appointment, remuneration and terms of engagement of the external auditor.

The Committee is not responsible for the identification of key risks or the review of the adequacy of arrangements to mitigate those risks, which remains the responsibility of the Board.

The Committee is required to report its findings to the Board at least annually, identifying any matters on which it considers that action or improvement is needed, to make recommendations on the steps to be taken, and to ensure that the required actions are implemented.

The Committee shall review its terms of reference annually and may recommend to the Board any amendments. The Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the 2018 UK Corporate Governance Code. The terms of reference of the Committee are available on written request from the Company Secretary.

Significant issues considered by the Committee

The Committee has a work plan that is designed to ensure its responsibilities are fully discharged over the annual reporting cycle. Specific items are added to the agenda for individual meetings as required. There were a number of significant accounting matters considered during the year including:

- Megnajet acquisition
- Impairment of goodwill, intangible assets and PPE
- Alternative performance measures.

Key areas of management judgement

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

Accounting judgements

Capitalisation of development costs – note 16

The Group capitalises development expenditure as an intangible asset where the criteria under IAS 38 Intangible Assets are met. This requires management to make judgement on when all of the criteria for capitalisation are met and when to cease capitalisation and start amortising the asset. In the current year, £1.7 million of external development costs were capitalised after the initial research phase, which were incurred in 2021 and expensed in the income statement, the feasibility of the project was established and the development work commended. No internal development costs have been capitalised since most of internal labour was minor administration with clearly trivial time incurred. There were no capitalised development costs for the prior year.

Key areas of management judgement continued

Accounting judgements continued

Revenue recognition – note 5

EPS and FFEI recognise revenue on the stage of completion for some of the customer contract and performance obligations in the manufacture of bespoke machinery and equipment as well as some of the research and development services for delivery to the customer. Each month an assessment is undertaken of the work in progress and stage of completion in both supply of individual components and labour hours allocated to the project against the expected project manufacture costs. The revenue determined is recognised upon the proportion and stage of completion of the performance obligations. This assessment enables an estimate to be undertaken for the expected profitability of the customer contract, costs incurred to date, and costs to complete, but is subject to a level of uncertainty until the work in progress is finalised and the completed machinery and services are available for final delivery and acceptance by the customer. The transaction price allocated to partially satisfied and unsatisfied obligations at 31 December 2022 is set out in note 5.

Estimation uncertainty

Contingent consideration – notes 11 and 22

In November 2021, Stratasys Solutions Limited acquired the remaining 55% of Xaar 3D Limited for an initial consideration of US$13.5 million or £9.9 million in cash and a milestone consideration and 3% earn-out consideration which are contingent on the achievement of certain milestones in respect of the future revenue stream of Xaar 3D and should be estimated using a statistical simulation model. This contingent consideration is measured at fair value using a Monte Carlo Simulation model and the use of a recognised third party. The Monte Carlo Simulation model uses a number of inputs that require estimation. The key ones are the risk-adjusted discount rate and revenue volatility. The milestone consideration and 3% earn-out consideration are calculated based on the terms of the proposed transaction and by reference to simulated revenue. This is then discounted back to the valuation date using a discount rate over a period commensurate with the year in which payments are payable.The Group considers this model to be appropriate, given the complex conditions associated with the milestone consideration and 3% earn-out consideration. A sensitivity analysis is provided in note 22.

Acquisition of Megnajet Ltd and Technomation Ltd – note 36

There is a high level of judgement surrounding the valuation of goodwill and acquired intangibles for any material acquisitions and this applies to the acquisition of Megnajet and Technomation in the year. An additional judgement was required around the classification of Technomation as an asset purchase rather than a business purchase and was concluded as such as a result of the applied concentration test under IFRS 3:B7(A)a.Management involved a third party valuation expert to estimate the value of the acquired intangibles and goodwill to ensure the judgements are appropriately considered.

Impairment of goodwill and intangibles (estimation uncertainty) – notes 15 and 16

The Group tests goodwill and intangibles annually for impairment or more frequently if there are indications that goodwill might be impaired. Having performed appropriate testing, no impairment has been identified and therefore no impairment loss has been recognised in 2022 (2021: £nil). Management has performed sensitivity analysis on its reasonably worst case scenario for EPS, FFEI and Megnajet and it has been completed on each key assumption in isolation. Reasonably possible change sensitivities are included in note 15.

Additional disclosure in relation to key sources of estimation uncertainty and critical accounting judgements is provided in the Group financial statements – note 2 on pages 121 and 122

Key activities

In discharging its responsibilities, the Committee has completed the following activities:

Financial statements and reports

- Reviewed the Annual Report, financial statements and the half-yearly financial report including disclosures made therein, and confirms that taken as a whole, they are fair, balanced and understandable, and provide the information necessary for shareholders to assess the position, performance, strategy, and business model of the Company
- Reviewed Going Concern and Viability Statements and supporting assessments
- Reviewed reports from the external auditor on their work and findings
- Reviewed the effectiveness of the Group's internal control environment.

Internal controls and compliance

To assist the Board with its responsibilities to effectively determine the nature and extent of the Group's significant risks (as described on pages 52 to 57), the Committee carries out a robust annual assessment of the principal risks and uncertainties facing the Group.

The Board remains ultimately responsible for determining the nature and extent of the effectiveness of the risk management and internal controls systems which mitigate potential impacts on shareholder investments and the Company's assets. The Corporate Risk Register is reviewed and challenged bi-annually by the Audit Committee.

The Committee having performed the annual review of the Group's internal control processes considers the systems to be effective and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting as issued by the FRC. In order to support the growth of the business and the implementation of Company strategies, the Committee recognises the need to continue to review the adequacy and effectiveness of our control framework.

The Committee undertakes this evaluation having:

- Reviewed the internal financial controls and risk management systems
- Reviewed fraud detection and the systems and controls for the prevention of bribery including employee confirmation of abiding by the Code of Conduct, Anti-bribery & Corruption, and Whistleblowing policies

Key activities continued

Internal controls and compliance continued

- The Committee considered the revised internal audit plan which was reviewed and amended during the year. A separate risk, control and audit function has been established headed by the Director of Risk, Control and Audit to oversee the planning and implementation of the Group's internal audit programme. Measures were put in place to co-source the internal audit function with an external specialist to undertake timely internal audits for all the controls which had been formalised and implemented.

Additional attention was given to EPS considering deficiencies identified in past. Due to their prior engagement and accumulated knowledge, RSM was hired to assist the Director of Risk, Controls & Audit with the identification of key controls and gaps for main business cycles within EPS. Whilst full implementation and formalisation of the controls framework is still in progress, all significant deficiencies identified have been addressed.

In addition to the controls work described above, 2022 was the first full year when the new leadership of EPS was present. The finance department of EPS has been supported and peer-reviewed by the Group finance team throughout the year and all discrepancies between Group policies and EPS policies have been identified and brought into alignment. Management has also closely worked with EY, Group auditors, to ensure all findings from the 2021 audit have been addressed. The improvements have been evidenced and acknowledged by the Group auditors as part of their planning and interim procedures. In summary, we believe that all significant deficiencies have been addressed at EPS while still acknowledging continuing work is required to formalise the wider controls framework.

In line with the provisions of the UK Corporate Governance Code 2018, the Committee monitors and reviews the effectiveness of the Company's internal audit function or, where there is not one during a period, considers annually whether there is a need for one. The Committee considered the revised internal audit plan which was reviewed and amended during the year. Measures were put in place to co-source the internal audit function for 2023 with an external specialist to undertake timely internal audits for all the controls which have been formalised and implemented.

The Committee remains of the view that the statement made regarding the Company's viability period continues to be an accurate assessment of the Company's viability as at the date of the report. The Viability Statement can be found in full on pages 69 and 70.

External audit

- The Audit Committee provided a forum for reporting and discussion with the Group's external auditor in respect of the Group's full-year results. The Committee had dedicated time for these activities and reviewed the audit work with emphasis on significant risk areas identified and discussed by the external auditor in their report
- The scope of the audit work to be undertaken by the auditor was reviewed and agreed on 19 December 2022
- The Committee agreed the fees to be paid to the external auditor relating to their services rendered for the annual audit
- The independence and objectivity of the external auditor was assessed by the Committee
- The Chairman of the Audit Committee will be available at the AGM to answer any questions about the work of the Committee.

External auditor

This was the third year for Ernst & Young LLP (EY) as the Company's auditor having first been appointed in July 2019 after a competitive tender. Ruth Logan was appointed as the senior statutory auditor during the year. The Committee has met with the auditor on at least three occasions during the year and it is expected that the Committee will continue to meet with the auditor a minimum of two times each year. The Chief Executive Officer and Chief Financial Officer, and other relevant managers and Board members, may attend these sessions by invitation, except for a period of each meeting where the Committee members may meet with the auditor without any member of executive management present.

The Committee is required to assess the qualifications, expertise, resources, and independence of the external auditor, and the objectivity and effectiveness of the audit process. The Committee reviews the type of work, effectiveness of, and level of fees charged by the auditor on an annual basis and recommends to the Board the appointment, reappointment, term, remuneration, and terms of engagement of the external auditor.

The Committee safeguards auditor objectivity and independence through maintaining a dialogue with the auditor and by monitoring all fees paid. It is the policy of the Group not to engage the statutory auditor in any non-audit related services. This includes tax services. Specifically, the policy states that the preparation of tax forms, payroll tax, calculation of indirect tax and the provision of tax advice cannot be provided by the statutory auditor. Note 2 to the consolidated financial statements includes disclosure of the auditor's remuneration during the year.

The Committee, taking into consideration relevant UK professional and regulatory requirements, regularly considers the independence and objectivity of the auditor. The Committee receives an annual statement from the auditor detailing their independence policies and safeguards, and confirming their independence, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor.

The Committee considers the effectiveness of the external audit and the Group's relationship with the external auditor on an ongoing basis. In completing the review of the effectiveness of the annual audit in 2022, the Committee was able to conclude the audit undertaken by Ernst & Young LLP was effective. This review consisted of considering a number of key points together with the senior financial management of the Group. A similar exercise will be undertaken following completion of audit procedures on the 2022 results and reported on in next year's Annual Report.

Review of the Audit Committee's effectiveness

The Committee has reviewed and considered the effectiveness of its performance during the year. The review included the views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors).

I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective.

Chris Morgan
Chair of the Audit Committee

Nomination Committee

The Nomination Committee is appointed by the Board from the Non-Executive Directors of the Company and the Chief Executive Officer. The Chair of the Committee is Andrew Herbert.

The Committee met four times during 2022. When specific issues or changes need to be addressed, such as the appointment of a new Board member, the Committee may meet on additional occasions on the request of any member of the Committee. Please see the tables on page 78 for details of the Committee members in the year and the number of Committee meetings attended.

Responsibilities

The Nomination Committee's main responsibilities, as outlined in its terms of reference, are:

- Reviewing the size, structure, composition and independence of the Board and its Committees
- Identifying and nominating candidates to fill Board vacancies as the need arises
- Ensuring adequate succession planning is in place for Executive Directors, Non-Executive Directors and members of the senior management team
- Making recommendations to the Board on the appointment of new Executive and Non-Executive Directors and their reappointment following retirement by rotation
- Reviewing the results of the annual Board performance evaluation process.

The Committee Chair will not chair the Committee when it deals with the appointment of a successor to that role. The Committee shall review its terms of reference annually and may recommend to the Board any amendments. The terms of reference of the Committee are available on written request from the Company Secretary.

The Nomination Committee's role in the composition, succession and evaluation of the Board is disclosed in the Corporate Governance statement.

Boardroom diversity

The Committee is committed to ensuring that recruitment and promotion of individuals throughout the Group, including those at Board and senior management level, always consider relevant skills, experience, knowledge and ability without gender or ethnicity bias. Succession planning is performed and all appointments are made on merit and suitability against objective selection criteria with due consideration of, amongst other things, the benefits of diversity, including gender and ethnicity. Details of the workforce split by gender are set out on page 35.

The Board approved a Diversity Policy in respect of its membership in February 2023. It is cognisant of the benefits of a rich mix of backgrounds, experience and skills. The present Board is 20% female versus 80% male (one female and four males). The Board has not set any measurable objectives in respect of a diversity quota but appointments made to the Board in the past four years have demonstrated our inclusive approach, which the Nomination Committee expects to maintain for any and all future appointments.

Further disclosure of information in respect of diversity and equal opportunities policies for the Group is in the Sustainable and responsible business report on pages 35 and 36.

Key issues and activities

In 2021 and further to implementation of a new strategy and the good progress made on building an executive management team, the Nomination Committee recommended that the Board be strengthened and that the number of independent Non-Executive Directors be increased to four including the Chair. The process of recruitment was commenced during 2022 but, in support of other cost actions taken elsewhere in the business, the Committee took the decision to defer recruitment to the first quarter of 2023. This action is now in hand as the Board develops succession plans. In making any future appointment the Nomination Committee will consider both diversity and skills mix as a matter of course as we seek to further equip the Board in its role of overseeing future business growth and expansion.

The Committee has considered organisational development and succession planning, Board diversity, and, in association with the Remuneration Committee, has worked alongside executive management in reviewing senior management development.

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

Board appointments

The process adopted by the Committee in respect of any appointment to the Board is, firstly, to identify the specific skills and experience sought and then, secondly, to conduct a search to determine whether any external individuals known to the Committee or internal candidates would be suitable for the role. If no compelling candidates can be identified through this process then an external search consultancy is engaged. Even if a suitable internal candidate exists, an external mapping process may be used.

Members of the Committee and other Executive and Non-Executive Directors interview shortlisted candidates, as the Committee deems appropriate. Upon identifying a suitable candidate, the Chair of the Nomination Committee will recommend to the Board that the Company makes a formal offer of employment to the candidate.

As part of the recruitment process the Committee ensures appropriate disclosure of other demands on Directors' time. The Board of Directors' profiles disclose any external appointments on pages 63. No Executive Directors have a non-executive role, or other significant appointment. All Directors are required to submit themselves for reappointment every year at the AGM.

Review of the Nomination Committee's effectiveness

The Committee has reviewed and considered the effectiveness of its performance during the year. The review included the views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors).

I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective.

Andrew Herbert
Chair of the Nomination Committee

27 March 2023

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 • 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. 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.
Maximum LTIP • 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.	
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.

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 2002 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
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee engages directly with major shareholders and their representative bodies where it considers there to be material changes to the Policy or our executive remuneration framework to ensure there is transparency on our Policy and its implementation, including in relation to the formulation of the new Policy for which shareholder approval will be sought at the 2023 Annual General Meeting. Employees have a forum where they can raise questions and give feedback about the Remuneration Policy directly to the Non-Executives.
Simplicity Remuneration structure should avoid complexity and its rationale and operation should be easy to understand.	A core reward principle of our Policy is to operate a simple and transparent framework which can be readily cascaded. The remuneration framework is made up of three key elements: fixed pay (including base salary, retirement and benefits); annual bonus; and a separate long-term incentive. The structure is simple to understand for both participants and shareholders, and is aligned to the strategic priorities for the business.
Risk Remuneration structures should identify and mitigate against reputational and other risks from excessive rewards, as well as behavioural risks that can arise from target-based incentive plans.	Annual bonus and LTIP targets are set at levels which reward high performance, but which do not encourage inappropriate business risk. Both the annual bonus and LTIP are subject to malus and clawback provisions. This allows the Committee to have appropriate regard to risk considerations. Annual bonus deferral and the application of the two-year holding period to awards under the LTIP provide longer-term alignment with shareholders' interests. The Committee also has discretion to override formulaic outcomes, which may not accurately reflect the underlying performance of the Group.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The range of possible pay awards available to Executive Directors under the new Policy are clearly set out in the new Policy on page 85.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear and outcomes should not reward poor performance.	We believe total remuneration should fairly reflect performance of the Executive Directors and the Group as a whole, taking into account underlying performance and shareholder experience. The Committee considers the approach to wider workforce pay and policies when determining the Directors' Remuneration Policy to ensure that it is appropriate in this context
Alignment with culture Incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.	The Board is focused on ensuring a healthy culture exists across the entire Group which supports our focus on delivery of commitments, innovation, continuous improvement and being open and transparent. We believe that the Executive Directors and wider management team set the standards for behaviour and conduct across the Group. Our incentive schemes are aligned with our strategy to return to sustainable long-term growth and profitability.

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	Normally reviewed annually and any increases generally apply from 1 January (but may be reviewed more frequently if required). When determining base salary levels, consideration is given to the following: • Role, responsibility and experience of the individual • Corporate and individual performance • Market conditions including typical pay levels for comparable roles in companies of a similar size and complexity • The range of salary increases awarded across the Group.
Opportunity	No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors and employees. 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: • 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. Such increases may be implemented over such time period as the Committee deems appropriate. The base salaries effective as at 1 January 2023 are shown on page 86.
Performance measures	Not applicable.
Benefits	
Objective	Provide a market-competitive benefits package to recruit and retain Directors of the calibre required for the business. Participation in the Company's Share Incentive Plan (SIP) and Share Save Scheme (SAYE) encourages share ownership and alignment with the wider workforce.
Operation	Executive Directors receive base benefits including car allowance, private medical insurance, and basic levels of other insurances (such as income protection cover). All UK staff, including Executive Directors, are also provided with a benefit allowance which they can apply to a range of benefits, including pension contributions. In some circumstances, and subject to Committee approval, the allowance may be paid in cash rather than utilised to purchase benefits. The SIP and SAYE are tax qualifying share plans for all employees facilitating the acquisition of shares in the Company at a discount. Other benefits may be provided based on individual circumstances, such as, but not limited to: housing or relocation allowances, travel allowance or other expatriate benefits.
Opportunity	Whilst the 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. The flexible benefits allowance is currently up to 5% of base salary. The Committee may review and amend this rate as appropriate. Individuals have the choice to invest all or part of this amount in their pension scheme, in addition to the benefits outlined in the 'Retirement benefits' section of this table. SAYE and SIP limits as permitted in accordance with the relevant tax legislation.
Performance measures	Not applicable.

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	Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests. Support longer-term sustainable profitability. Provide alignment with shareholders' interests. Support retention and promote share ownership.
Operation	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. 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. 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. 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.
Opportunity	The maximum award in respect of any year will be: • 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. For 2023, the LTIP award for the CFO will be capped at 100% of salary. These limits do not include the value of shares subject to any tax-qualifying option granted as part of an LTIP award.
Performance measures	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. Subject to the Committee's discretion to override formulaic outturns, up to 25% of the maximum for any element is earned for threshold performance.

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
Chairman and Non-Executive Directors' fees Provide an appropriate reward to attract and retain Directors of the calibre required for the business.	The remuneration of the Chairman of the Board is set by the Committee. Fees are set at a level which reflects the skills, knowledge, and experience of the individual, whilst taking into account appropriate market data. 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. 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. Non-Executive Directors do not participate in any incentive scheme. 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.

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.

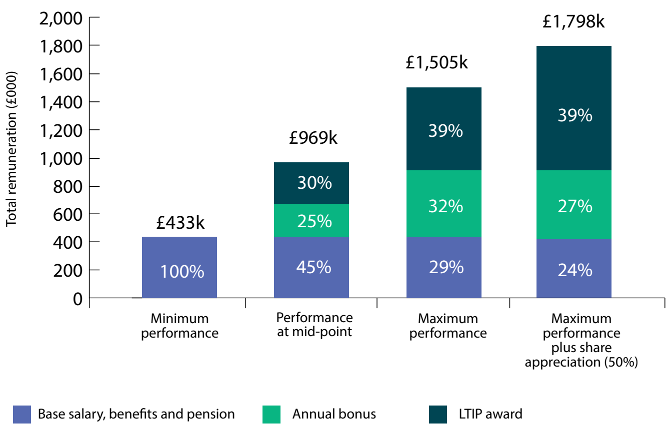
For these purposes:

- 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.

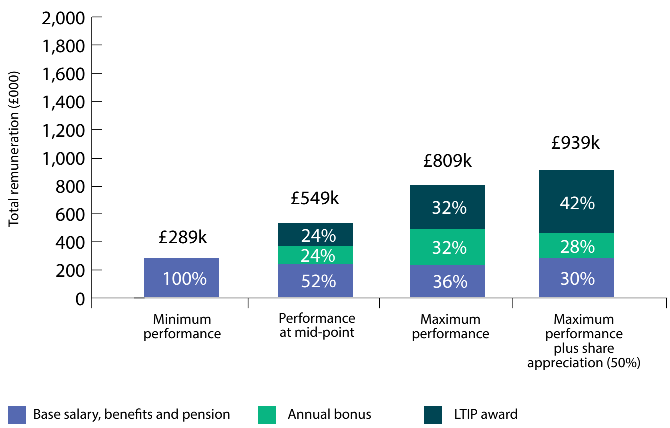
Four scenarios have been illustrated for each Executive Director

Minimum performance	• Salary, benefits and pension as set out above • No bonus pay-out • No vesting under the LTIP.
Performance at mid point	• 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	• 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%)	• 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.

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 Littley	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	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). 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.

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.	The bonus will normally be paid at the usual time including with deferral applied in accordance with the Company's usual arrangements. 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.
Deferred bonus shares	Termination with cause.	Shares forfeited.	Not applicable.
	All other reasons.	Award retained.	Ordinarily, the deferred bonus shares will vest following the end of the originally anticipated deferral period. The Committee has discretion to permit early vesting.

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:

(i) 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

(ii) 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.

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 Littley	**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 Littley	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) 68,000 (Ian Tichias)	146,000 (John Mills) 68,000 (Ian Tichias)
	EPS (60% weighting)	2022 adjusted basic EPS more than 0.1 pence	2022 adjusted basic EPS 2.4 pence	4.8 pence	100%	219,000 (John Mills) 102,000 (Ian Tichias)	219,000 (John Mills) 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.

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	EPS & TSR	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	EPS & TSR	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:

						Unvested		
Name	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Vested	Subject to performance conditions	Not subject to performance conditions	**Total as at 31 December 2022**
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.

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

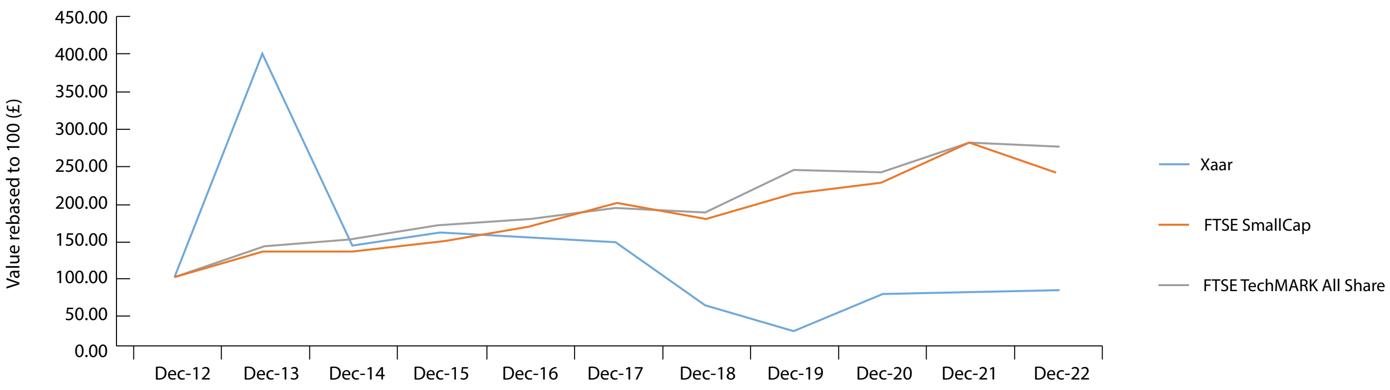
No payments for loss of office or payments to past Directors were made in 2022.

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.

	Salary/fees					Benefits					Bonus				
Year	**2022**	2021	2021-2022 % increase	2020-2021 % increase	2019-2020 % increase	**2022**	2021	2021-2022 % increase	2020-2021 % increase	2019-2020 % increase	**2022**	2021	2021-2022 % increase	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 Littley	**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	25th percentile	Median pay ratio	75th 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.

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 Littley. 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

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK adopted International Accounting Standards and have also chosen to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Select and apply accounting policies in accordance with IAS 8
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a strategic report, Directors' report, and Directors' remuneration report that comply with that law and those regulations.

Website publication

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors of Xaar plc are listed on page 63

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

John Mills
Chief Executive Officer

27 March 2023