

Governance continued

DIRECTORS' REMUNERATION REPORT

Statement from the Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the 2017 Remuneration report. This covers the actual amounts earned by Directors for the year ended 31 December 2017 and a forward looking guide to the minimal changes proposed to the performance measures within the Annual Bonus and Long Term Incentive plans.

The Committee's goals are to support the drive to deliver the 2020 vision by:

- Attracting and retaining management of the highest calibre
- Providing incentives that reward near and longer term achievement that are clearly linked to performance
- Offering competitive packages comparable to those offered by companies similar to Xaar in terms of size and complexity
- Being considerate to the climate for pay restraint, with awards biased towards delivery of sustainable long term growth
- Taking into account the views of our shareholders.

Remuneration for 2017

Despite the success in diversification of market segments during 2017 it was a challenging year for the Company as the Ceramics market continued to decline and delays were experienced in the manufacturing ramp of the new Thin Film 5601 product. Strong progress was made in the introduction of new products and we gained market share in certain key segments.

During the year we were pleased to welcome Lily Liu to the Board as she succeeded Alex Bevis as Chief Financial Officer.

Annual bonus payments

Following the profit warning in late 2017 no bonus payments will be made to employees or Directors (excluding Lily Liu – see below). The Committee considers this appropriate given the performance of the underlying business. We were disappointed with the slower than expected adoption of some of our new products and also the increased competition and maturity in ceramics hence the Board agreed it was not appropriate to pay a bonus for 2017 as the revenue and profit targets, set without the inclusion of the SII licence arrangement, were not met.

As part of the agreement of her remuneration before joining, Lily Liu was offered a pro-rata guaranteed bonus of 50% of her maximum entitlement for 2017 only.

Existing LTIP grants

The LTIP granted in 2015 are expected to vest. Cumulative EPS over the three year performance period ending 31 December 2017 was 43.6 pence leading to vesting of 36.7% on that element of the grant. Threshold vesting was at 38 pence and maximum at 74 pence. Aon Hewitt has independently calculated the Relative TSR measured against the TechMARK. This was approaching the upper quartile leading to vesting of 90.85% on that element. Threshold vesting was at median performance relative to the index and maximum vesting at upper quartile. Total vesting is 55% of maximum entitlement.

All terms of the 2016 and 2017 grants remain unchanged.

Leading remuneration decisions for 2018

The policy was renewed with a binding vote at the AGM in May 2017. The Committee has exercised their discretion which is in accordance with the policy.

For 2018 remuneration links directly to the goals laid out for the pillars of the 2020 vision.

Base salary

An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.

When determining an appropriate level of salary, the Committee considers:

- general salary rises to employees
- remuneration practices within the Company
- any change in scope, role and responsibilities
- the general performance of the Company
- the experience of the relevant Director
- the economic environment
- when the Committee determines a benchmarking exercise is appropriate (normally every three years) salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking.

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved. It is proposed to increase the base salaries of Doug Edwards and Lily Liu by 3% from 1 July 2018 subject to continued performance. This level is within the range of increases for the general employee base. Ted Wiggans will not receive an increase.

Bonus

Introduction of new performance measure

For Doug Edwards only it is proposed to introduce a cash element to the bonus scheme for 2018.

In this year the weighting of his bonus elements will be:

- Profit 53%
- Revenue 35%
- Cash 12%

The Company considers its performance targets to be commercially sensitive information but as in past years will fully disclose the exact measurements retrospectively in the event of any payout.

Long term incentives

Three Year cumulative EPS targets

Threshold vesting will be at 39 pence. The minimum target is set by achievement of clear progress and growth over the 2017 results. The maximum target is set by achievement of very significant improvement and the trends implicit in the 2020 vision. This level will be 62 pence.

Revenue targets

Threshold vesting will be at £130 million. The minimum target is set by achievement of clear progress and annual growth of 9.09% over the 2017 results. The maximum target is set by achievement of very significant improvement and the trends implicit in the 2020 vision. This level will be £200 million and represents compound annual growth of 30%.

Introduction of a new performance measure and weighting of existing measures

During 2017 we commenced amortisation of the development of the Thin Film platform as we moved to the phase of product introduction. Over the last five years Xaar has capitalised £31.5 million in the development of this platform. The Committee believes that it is now appropriate to start to reward Executive Directors for delivering returns on this and other product investments.

In order to achieve this we propose to introduce a new measure for LTIP vesting covering new product sales performance. This would measure the sales in 2020 for products based on the new Thin Film platform (5601) and also the Advanced Manufacturing category that includes 3D printing. This directly measures success in two of our critical pillars and the returns made from our recent R&D investment.

The weighting of the three measures for LTIP vesting will be:

- Three year cumulative EPS 50%
- Revenue 30%
- Thin Film new product sales performance 20%.

All other terms remain unchanged from the 2017 plans.

UK Corporate Governance Code

The Committee has also considered the guidance of the UK Corporate Governance Code. Malus and clawback provisions have been in place for sometime and are unaltered. The Committee introduced post vesting holding periods in the policy review last year and also increased the minimum target shareholding requirements to 200%, these are all considered appropriate for a company of the size of Xaar.

We remain committed to openly reporting the details of our Director pay arrangements and to consulting with shareholders on any changes as required. We will continue to maintain a dialogue with investors regarding our disclosures to ensure we clearly communicate our arrangements as far as possible without it impacting our commerciality. If you would like to discuss any aspect of this report, I would be happy to hear from you. You may contact me through Lily Liu, Company Secretary or Karen Leahy, who provides support to Non-Executive Directors.



Margaret Rice-Jones
Chairman of the Remuneration Committee

21 March 2018

Governance continued

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual report on remuneration

This part of the report sets out the actual payments made by the Company to its Directors with respect to the year ended 31 December 2017.

The Remuneration Committee's policy is to attract and retain individuals of the highest calibre by offering remuneration competitive with comparable publicly listed companies, and to drive Company performance by providing arrangements which fairly and responsibly reward individuals for their contribution to the success of the Group. Performance related bonuses and equity-based remuneration represent a substantial proportion of Executive Directors' potential remuneration.

Single figure table

The aggregate remuneration provided to Directors who have served as Directors in the year ended 31 December 2017 is set out below, along with the aggregate remuneration provided to such Directors for the financial year ended 31 December 2016.

Director	Salary/fees ^(a) £'000	Benefits ^(b) £'000	Bonus ^(c) £'000	Long term incentives ^(d) £'000	Pension ^(e) £'000	Total remuneration £'000
Year ended 31 December 2017						
Executive						
Doug Edwards	330	56	–	175	33	594
Lily Liu ¹	152	36	77	18	15	298
Alex Bevis ²	48	5	–	73	5	131
Ted Wiggans	230	24	–	106	23	383
Non-Executive						
Robin Williams (Chairman)	100	–	–	–	–	100
Margaret Rice-Jones	47	–	–	–	–	47
Chris Morgan	43	–	–	–	–	43
Andrew Herbert	46	–	–	–	–	46
Year ended 31 December 2016						
Executive						
Doug Edwards	307	50	39	2	31	429
Jim Brault ³	36	5	5	–	2	48
Alex Bevis	182	21	24	2	18	247
Ted Wiggans	230	24	29	–	23	306
Non-Executive						
Phil Lawler (Chairman) ⁴	59	–	–	–	–	59
Margaret Rice-Jones	44	–	–	–	–	44
Chris Morgan	42	–	–	–	–	42
Andrew Herbert ⁵	25	–	–	–	–	25
Robin Williams ⁴	57	–	–	–	–	57

1 Lily Liu joined the Board on 2 May 2017.

2 Alex Bevis stepped down from the Board on 29 March 2017.

3 Jim Brault stepped down from the Board on 16 March 2016.

4 Phil Lawler stepped down from the Board on 30 September 2016 and Robin Williams was appointed Chairman.

5 Andrew Herbert joined the Board on 1 June 2016.

The figures in the single figure table on page 60 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 2017.
(c) Bonus	The value of the bonus earned in respect of the year. The bonus paid to Lily Liu was agreed as part of her remuneration before joining in recognition of the fact that she was unable to fully assess the likelihood of results or influence target setting of the business prior to joining.
(d) Long Term Incentives	<p>The value of performance related incentives vesting in respect of the financial year and the value of SAYE options and Matching Shares under the HMRC approved Share Incentive Plan (SIP) granted based on the fair value of the options/shares at grant.</p> <p>The performance condition for the Performance Share Awards granted under the LTIP on 2 April 2015 was a cumulative EPS amount delivered over the three year performance period ending 31 December 2017 plus a relative TSR measure.</p> <p>For the year ended 31 December 2017, the Company's EPS achieved 43.6 pence over the three year performance period commencing 1 January 2015 and ending 31 December 2017, and Xaar was ranked 12th against the 41 companies in the FTSE TechMARK Index during the performance period. This will result in 55% of the granted LTIPs vesting in April 2018.</p> <p>For the year ended 31 December 2016 comparative figures, none of the Performance Share Awards and Matching Share Awards in respect of the year ending 31 December 2016 vested.</p> <p>Also included in the long term incentives figure are:</p> <ul style="list-style-type: none"> • SAYE options granted in the year, valued at the accounting value on date of grant.
(e) Pension	The value of the employer contribution to the defined contribution pension plan (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

Base salaries for Executive Directors were reviewed by the Remuneration Committee prior to the beginning of each year and when an individual changes position or responsibility. From 2016, the annual review was effective from 1 July. In deciding appropriate levels, the Remuneration Committee considers the role, responsibility, and experience of the individual, corporate and individual performance, market conditions, and the range of salary increases awarded across the Group.

The Remuneration Policy for the Non-Executive Directors is reviewed periodically.

Benefits

Benefits principally comprise a car allowance, private medical insurance and basic levels of other insurances (such as income protection cover). In addition, 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.

Governance continued

DIRECTORS' REMUNERATION REPORT CONTINUED

Pension

The Company operates a self-administered, defined contribution, HMRC approved pension scheme. All current Executive Directors participate in this scheme. In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan. This salary supplement does not form part of salary for the purposes of calculating any other entitlement under the policy. Non-Executive Directors do not receive pension contributions.

Annual bonus

For the year ended 31 December 2017 the annual bonus was based on performance against a Group profit target, which was not achieved for 2017. As a consequence, an annual bonus will not be paid for 2017.

To facilitate the appointment of our new CFO, Lily Liu, she was offered a guaranteed amount equal to her on-target bonus (pro-rated to start date). This will result in a payment of £76,877 in March 2018.

The Board considers the Group profit target to be a matter that is commercially sensitive. The Board believes that the advance disclosure of this commercially sensitive information could negatively impact the Company's competitive position by providing our competitors with insight into our business plans, expectations and our strategic actions resulting in significant risk to future profitability and shareholder value. It will however disclose targets retrospectively in relation to any bonuses paid.

For 2017 the two bonus targets were set as revenue and adjusted profit before tax. For revenue the threshold was set at £103 million and the on target performance was £115 million; the minimum threshold was not met. For adjusted profit before tax the threshold was £9 million and the on target performance was £12.2 million. This target was set for performance in the underlying business and did not include the SII licence arrangement when it was set and hence the Board agreed that the target conditions had not been met.

Long term incentives awarded during the financial year

The table below outlines awards made under the LTIP to Executive Directors in 2017:

	Award basis	Performance condition	Number of shares	Face value of the award £'000	Vesting at EPS & Revenue threshold	Performance period	Vesting date	
16 May 2017	Doug Edwards	EPS	76,580	283	25% of award	1 January 2017 to 31 December 2019	16 May 2020	
		TSR	127,634	473			16 May 2020	
		Revenue	51,053	189			16 May 2020	
16 May 2017	Lily Liu	EPS	37,277	138			16 May 2020	
		TSR	31,065	115			16 May 2020	
		Revenue	24,851	92			16 May 2020	
16 May 2017	Ted Wiggins	EPS	37,277	138	n/a	16 May 2017 to 31 March 2019	16 May 2020	
		TSR	31,065	115			16 May 2020	
		Revenue	24,851	92			16 May 2020	
16 May 2017	Lily Liu	Buy out of grant on joining	Profit	31,979			120	16 May 2020

The share prices used to calculate the face value of the Performance Share award was £3.702 being the mid-market prices on the days prior to award date and £3.7525 for the buy-out grant award which was the average on 16 May 2017.

The performance conditions for the LTIP and awards are described in full on pages 125 to 126.

Shareholding guidelines and total shareholdings of Directors

On 16 May 2017, the Remuneration Committee introduced a shareholding guideline of 2x salary. Executive Directors will be expected to move towards the new guidelines as new grants vest. The extent to which each Executive Director has met the shareholding guideline is shown in the table below:

Name	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Vested	Unvested		Total as at 31 December 2017
						Subject to performance conditions	Not subject to performance conditions	
Executive Directors								
Doug Edwards	200% of salary	33,031 (35%)	Shares	33,031	–	–	–	33,885
			LTIP options	–	–	449,164	–	449,164
			SAYE options	–	–	–	4,316	4,316
			Matching SIP	–	–	–	854	854
Lily Liu	200% of salary	14,000 (23%)	Shares	14,000	–	–	–	14,000
			LTIP options	–	–	125,172	–	125,172
			SAYE options	–	–	–	5,232	5,232
Ted Wiggans	200% of salary	70,749 (115%)	Shares	70,749	–	–	–	70,749
			LTIP options	–	–	185,088	–	185,088
			SAYE options	–	–	–	5,325	5,325
			Matching SIP	–	–	–	490	490
Alex Bevis ¹	200% of salary	58,017 (110%)	Shares	58,017	–	–	–	58,017
			LTIP options	–	–	60,672	–	60,672
Non-Executive Directors								
Robin Williams (Chairman)	–	–	Shares	10,000	–	–	–	10,000
Margaret Rice-Jones	–	–	Shares	5,700	–	–	–	5,700

¹ Alex Bevis stepped down from the Board on 29 March 2017. Lapsing occurred at the point of stepping down. Refer to payments to past Directors for more detail on page 65.

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 2017 and 21 March 2018.

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DIRECTORS' REMUNERATION REPORT CONTINUED

Outstanding Directors' share awards

The awards held by Executive Directors of the Company under the LTIP are shown below:

LTIP

The outstanding awards granted to each Executive Director of the Company under the Xaar plc 2007 and 2017 LTIP are as follows. All options under the LTIP are nil-cost options such that no exercise price is payable. The performance conditions for these LTIP awards are described in full in note 32.

Name	As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2017	Grant date	Share price at date of grant	Earliest date of exercise	Expiry date
Doug Edwards	73,305	–	–	–	73,305	2 April 2015	£4.09	2 April 2018	2 April 2025
	61,539	–	–	–	61,539	1 April 2016	£4.875	1 April 2019	1 April 2026
	11,494 ³	–	–	–	11,494	11 May 2016	£4.93	11 May 2019	11 May 2026
	47,559	–	–	–	47,559	25 August 2016	£4.9675	25 August 2019	25 August 2026
	–	255,267	–	–	255,267	16 May 2017	£3.702	16 May 2020 ⁴	16 May 2027
	193,897	255,267	–	–	449,164				
Alex Bevis ^{1,2}	60,417	–	(60,417)	–	–	2 April 2012	£2.36	2 April 2015	2 April 2022
	18,798	–	–	(18,798)	–	2 April 2014	£8.96	2 April 2017	2 April 2024
	8,698 ³	–	–	(8,698)	–	12 May 2014	£7.52	12 May 2017	12 May 2024
	41,295	–	–	(10,323)	30,972	2 April 2015	£4.09	2 April 2018	2 April 2025
	34,667	–	–	(20,222)	14,445	1 April 2016	£4.875	1 April 2019	1 April 2026
	17,050 ³	–	–	(9,946)	7,104	11 May 2016	£4.93	11 May 2019	11 May 2026
	19,562	–	–	(11,411)	8,151	25 August 2016	£4.9675	25 August 2019	25 August 2026
	200,487	–	(60,417)	(79,398)	60,672				
Ted Wiggans	20,355	–	–	(20,355)	–	2 April 2014	£8.96	2 April 2017	2 April 2024
	8,800 ³	–	–	(8,800)	–	12 May 2014	£7.52	12 May 2017	12 May 2024
	44,716	–	–	–	44,716	2 April 2015	£4.09	2 April 2018	2 April 2025
	47,179	–	–	–	47,179	1 April 2016	£4.875	1 April 2019	1 April 2026
	–	93,193	–	–	93,193	16 May 2017	£3.702	16 May 2020 ⁴	16 May 2027
	121,050	93,193	–	(29,155)	185,088				
Lily Liu	–	93,193	–	–	93,193	16 May 2017	£3.702	16 May 2020 ⁴	16 May 2027
	–	31,979	–	–	31,979	16 May 2017	£3.7525	16 May 2020	16 May 2027
	–	125,172	–	–	125,172				

1 Number of shares as at 31 December 2017, or at date of leaving if earlier LTIPs granted as part of the bonus matching scheme.

2 Alex Bevis exercised post stepping down as Director. Lapsing occurred at the point of stepping down. Refer to payments to past Directors for more detail on page 65.

3 LTIPs granted as part of the bonus matching scheme.

4 A two year hold is in place with 33% being held for one year and 33% two years after vesting.

All employee share plans

The Executive Directors may participate in the Company's all employee share plans, the Xaar plc SAYE Scheme (SAYE Scheme) and the Xaar SIP, 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.

The SIP provides an opportunity for employees to buy shares from their pre-tax remuneration up to the limit permitted by the relevant tax legislation (currently £1,800 per year) and are awarded additional shares for free on a matching basis; the Company currently operates the plan on the basis of a 1:1 match but may award Matching Shares up to the maximum ratio permitted by the relevant tax legislation (currently a 2:1 ratio).

Options and awards under these plans are not subject to performance conditions.

The outstanding awards granted to each Executive Director under the SAYE Scheme are as follows:

Name	As at 1 January 2017	Granted during the year	Exercised during the year	As at 31 December 2017	Grant date	Exercise price	Earliest date of exercise	Expiry date
Doug Edwards	4,316	–	–	4,316	1 November 2015	£4.17	1 November 2018	1 May 2019
Lily Liu	–	5,232	–	5,232	1 November 2017	£3.44	1 November 2020	1 May 2021
Ted Wiggans	5,325	–	–	5,325	1 November 2014	£3.38	1 November 2017	1 May 2018

The outstanding awards granted to each Executive Director under the SIP are as follows:

Name	Total number of matching shares as at 31 December 2017
Doug Edwards	854
Ted Wiggans	490

Payments for loss of office made during the year

No payments for loss of office were made during the year.

Payments to past Directors

On 29 March 2017 Alex Bevis, CFO, left Xaar to pursue other opportunities. As stated in the 2016 Annual Report, the Remuneration Committee exercised their discretion to allow unvested LTIPs to be retained after a pro-rata adjustment. All other conditions including vesting date and performance conditions remained unchanged. The details of the vesting outcomes of his future vesting LTIP awards will be provided in the Annual Report for the appropriate year. No bonus was paid for 2017.

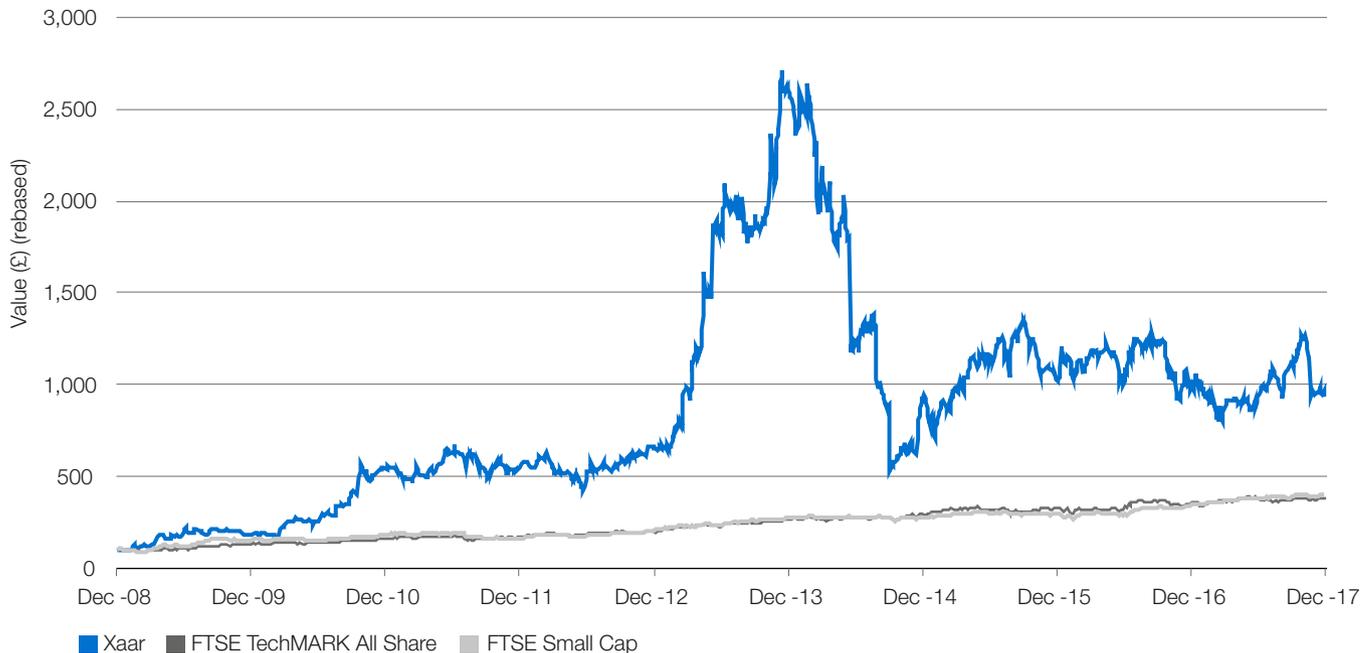
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DIRECTORS' REMUNERATION REPORT CONTINUED

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, which the Remuneration Committee considers to be the most appropriate index 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 2017, of £100 invested in Xaar on 31 December 2008, compared with the value of £100 invested in the FTSE TechMARK All Share and FTSE Smallcap Indices on the same date on a yearly basis.

The other points plotted are the values at intervening financial year-ends.

The table below shows details of the total remuneration, annual bonus (as a percentage of maximum opportunity) and LTIP vesting percentage for the CEO over the last nine financial years.

	Total remuneration	Annual bonus as a % of maximum opportunity	LTIP as a % of maximum opportunity
Year ended 31 December 2017	579	0%	50%
Year ended 31 December 2016	429	12.5%	0%
Year ended 31 December 2015	571	48%	0%
Year ended 31 December 2014	562	0%	100%
Year ended 31 December 2013	1,379	83%	100%
Year ended 31 December 2012	649	53%	100%
Year ended 31 December 2011	1,244	100%	100%
Year ended 31 December 2010	504	80%	32%
Year ended 31 December 2009	229	0%	0%

CEO pay increase in relation to all employees

The table below sets out in relation to salary and annual bonus the increase between the pay for the year ended 31 December 2016 and the pay for the year ended 31 December 2017 for the CEO compared with the average increase/bonus award between the same periods for the wider workforce. For the purposes of the table below, the wider workforce has been defined as the UK employees of the Group. This comparator group was chosen because it is the most relevant sub-set of employees and can be used consistently.

Element of remuneration	CEO	Wider workforce average
Salary – % change	7.5%	3.5%
Annual bonus – absolute % of salary paid	0%	0%
Benefits – absolute % of salary paid	17%	9%

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 2017.

	2017 £'000	2016 £'000	Change %
Dividends paid to shareholders	7,728	7,328	5%
Group-wide expenditure on pay for all employees (note 8)	33,932	31,055	9%

Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2018

Information on how the Company intends to implement the policy for the financial year commencing 1 January 2018 is set out below.

We want our remuneration policy to support the transformation of Xaar to lead the digital inkjet revolution and 2020 vision. A new three year policy was approved in 2017 to drive the delivery of the vision, to retain the key Executive talent required to deliver the transformation and to align Executive and shareholder interests.

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DIRECTORS' REMUNERATION REPORT CONTINUED

Basic salary and fees

Our approach on base salary continues to be to provide a fixed remuneration component which reflects the increased experience and heightened complexity of the roles and the increasing business and geographic diversity.

The Remuneration Committee considers it to be appropriate to increase base salary for the CEO to £355,350 effective 1 July 2018. The salary of CFO Lily Liu will be increased to £236,900 effective 1 July 2018. There will be no change for the COO in 2018 as he is retiring in 2018.

The proposed base salary increases for the Executive Directors are shown below:

Year ended 31 December 2017	Increase effective from	2017	2018	% increase
Doug Edwards	1 July 2018	£345,000	£355,350	3%
Lily Liu	1 July 2018	£230,000	£236,900	3%
Ted Wiggans	–	£230,000	£230,000	0%

The proposed fee increases for the Non-Executive Directors are shown below:

Year ended 31 December 2017	Additional duties	Additional fees	Increase effective from	2017	2018	% increase
Robin Williams			1 July 2018	£102,000	£104,550	2.5%
Margaret Rice-Jones	Rem Com & SID	£4,000	1 July 2018	£44,300	£45,203	2.0%
Andrew Herbert	Audit Committee	£3,000	1 July 2018	£44,250	£45,203	2.2%
Chris Morgan			1 July 2018	£44,100	£45,203	2.5%

Annual bonus

No significant changes have been made to the total bonus structure, therefore, the maximum opportunity for the CEO is 125% and for the CFO and COO is 100% of salary. The core performance metrics of the bonus are profit and revenue growth. A cash component will be added for the CEO for 2018.

The Board considers the Group profit, revenue and cash targets for 2018 to be matters that are commercially sensitive and should therefore remain confidential to the Company. It provides our competitors with insight into our business plans, expectations and our strategic actions. However, the Remuneration Committee will disclose on a retrospective basis how the Company's performance relates to any annual bonus payments made.

Long term incentives

A new strategic goal will be added to reward the returns from the R&D investment in two pillars of our 2020 vision. Thin Film has seen significant investment over the last four years which has been capitalised. As amortisation commenced in 2017, it is now appropriate to set a target that relates to the revenue derived from this pillar along with that from Advanced Manufacturing. The performance target will be set as an absolute revenue target which will be measured in 2020. It will have an appropriate minimum threshold and straight-line vesting to a stretch maximum achievement.

The Board considers the exact details of this target to be a matter that is commercially sensitive and should therefore remain confidential to the Company. It provides our competitors with insight into our business plans, expectations and our strategic actions. However, the Remuneration Committee will disclose on a retrospective basis how the Company's performance relates to any vesting of this component.

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.

The Remuneration Committee is chaired by Margaret Rice-Jones. The other members during the year ended 31 December 2017 were Robin Williams, Andrew Herbert and Chris Morgan. All members of the Remuneration Committee are considered independent within the meaning of the UK Corporate Governance Code.

The principal function of the Remuneration Committee is to determine, on behalf of the Board, the specific remuneration and other benefits of Executive Directors, including pension contributions, bonus arrangements, long term incentives and service contracts. 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.

Additionally, the Remuneration Committee makes recommendations to the Board on the framework of Executive Director remuneration as well as principal Company-wide compensation programmes.

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 entitled to accept appointments outside the Group providing that the Chairman's permission is sought.

Advisors to the Remuneration Committee

The Remuneration Committee is assisted in its work by Xaar's human resources department including the Chief Human Resources Officer. 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 year, the Remuneration Committee was not assisted in its work by any external consultants.

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DIRECTORS' REMUNERATION REPORT CONTINUED

Shareholder voting

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration report for the year ended 31 December 2016.

Number of votes	For (including discretion)	Against	Withheld
Resolution 12 – Directors' Remuneration report for the year ended 31 December 2016	57,155,923 (88.0%)	7,801,350 (12.0%)	1,194
Resolution 13 – Directors' Remuneration policy for the year ended 31 December 2016	54,599,814 (86.2%)	8,720,060 (13.8%)	1,527,691
Resolution 17 – Approve the 2017 LTIP plan rules	54,658,242 (86.2%)	8,772,533 (13.8%)	1,527,692

Directors' Remuneration Policy

This part of the report sets out the Company's Directors' Remuneration Policy, which took binding effect from 16 May 2017. The Policy is determined by the Remuneration 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. This is the proposed policy to run until May 2020.

Base salary	
Objective	Core element of fixed remuneration that provides the basis to recruit and retain talent necessary to deliver the business strategy.
Operation	<p>Normally reviewed annually and any increases generally apply from 1 January or 1 July (but may be reviewed more frequently if required).</p> <p>When determining base salary levels, consideration is given to the following:</p> <ul style="list-style-type: none"> • Role, responsibility and experience of the individual • Corporate and individual performance • Market conditions including typical pay levels for comparable roles in companies of a similar size and complexity • The range of salary increases awarded across the Group.
Opportunity	<p>No maximum salary opportunity has been set out in this policy report to avoid setting expectations for Executive Directors and employees.</p> <p>The base salaries effective as at 1 July 2018, are shown on page 68. The Remuneration Committee resolved to move base salaries progressively to a level which is market competitive (in general, positioned below median) taking account of individual factors such as:</p> <ul style="list-style-type: none"> • Increase in scope and responsibility • A new Executive Director being moved to market positioning over time • Alignment to market level.
Performance measure	Not applicable.

Benefits	
Objective	<p>Provide a market-competitive benefits package to recruit and retain Directors of the calibre required for the business.</p> <p>Participation in the Company's Share Incentive Plan (SIP) and Share Save Scheme (SAYE) encourages share ownership and alignment with the wider workforce.</p>
Operation	<p>Executive Directors receive base benefits including car allowance, private medical insurance, and basic levels of other insurances (such as critical illness cover).</p> <p>All UK staff, including Executive Directors, are also provided with a benefit allowance which they can apply to a range of benefits, including pension contributions. In some circumstances, and subject to Remuneration Committee approval, the allowance may be paid in cash rather than utilised to purchase benefits.</p> <p>The SIP and SAYE are HMRC approved share plans for all employees facilitating the acquisition of shares in the Company at a discount.</p> <p>Other benefits may be provided based on individual circumstances, such as, but not limited to: housing or relocation allowances, travel allowance or other expatriate benefits.</p>
Opportunity	<p>Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors receive, the value of benefits is set at a level which the Remuneration Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.</p> <p>The flexible benefits allowance is currently up to 5% of base salary.</p> <p>The Remuneration Committee has the authority to review and amend this rate as appropriate. Individuals have the choice to invest all or part of this amount in their pension scheme, in addition to the benefits outlined in the 'Retirement benefits' section of this table.</p> <p>SAYE and SIP limits as permitted in accordance with the relevant tax legislation.</p>
Performance measures	Not applicable.
Retirement benefits	
Objective	Provide market competitive post-employment benefits to recruit and retain Directors of the calibre required for the business.
Operation	<p>Executive Directors are eligible to participate in the defined contribution pension scheme (or such other pension plan as may be deemed appropriate).</p> <p>In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.</p>
Opportunity	<p>10% of base salary for the Executive Directors.</p> <p>The Remuneration Committee has the authority to review and amend this rate as appropriate.</p>
Performance measures	Not applicable.

Governance continued

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual bonus

Objective	Rewards performance against annual targets which support the strategic direction of the Company. The majority of staff participate in the same scheme.
Operation	<p>Targets are set annually and any pay-out is determined by the Remuneration Committee after the period-end, based on performance against those targets. The Remuneration Committee has discretion to vary the bonus pay-out should any formulaic output not produce a fair result for either the Executive Director or the Company, taking account of the Remuneration Committee's assessment of overall business performance.</p> <p>The annual bonus is delivered in cash.</p> <p>Additionally Directors may opt to invest in the Company SIP (refer to note 32 for details).</p>
Opportunity	<p>Overall maximum annual bonus 125% of salary for CEO and 100% for CFO and COO. This will normally be subject to the following performance components:</p> <p>Profit The Company profit performance element represents 60% of the bonus and has a direct relationship with adjusted profit before tax, excluding any impact of IAS 38. A minimum profit threshold is set.</p> <p>Revenue growth The Company revenue performance element represents 40% of the bonus. This measure is based on revenue growth performance with a minimum profit threshold.</p> <p>The pay-out has the following parameters:</p> <ul style="list-style-type: none">• Below threshold performance: 0% of the maximum opportunity• On-target performance: 50% of the maximum opportunity• Maximum: 100% of the maximum opportunity. <p>The Committee may vary the weighting of these measures and could consider alternative measures in future years.</p>
Performance measures	<p>Stretching performance targets are set each year reflecting the business priorities that underpin Group strategy.</p> <p>125% (CEO) and 100% (CFO and COO) of salary can be earned based on achieving the maximum financial performance targets and subject to individual performance.</p>

Long Term Incentive Plan

Objective	<p>Drive and reward the achievement of longer term objectives aligned closely to shareholders' interests.</p> <p>Retain key Executives over a longer term measurement period.</p> <p>Provide alignment with shareholders' interests.</p> <p>Support retention and promote share ownership.</p>
Operation	<p>Following the approval by shareholders in May 2017, the LTIP will operate as follows:</p> <p>An award of performance shares (zero priced share options) may be granted on an annual basis. The award is composed of two elements:</p> <ul style="list-style-type: none"> • The base LTIP award is the primary element and will vest after three years subject to the achievement of the applied performance conditions • An outperformance multiplier will be applied to the base LTIP grant for the delivery of results relative to the FTSE small cap market. For upper quartile results, the base award will be multiplied by x1.167. For upper decile results, the CEO's base award will be multiplied by x2 (x1.5 for the CFO and COO). <p>Vesting will occur at the end of a three year period. A two year hold is introduced with 33% being held for one year after vesting and 33% being held for two years after vesting.</p> <p>Vested LTIP options must be exercised within ten years of the date of grant. Under the rules of the LTIP, the Remuneration Committee has discretion to satisfy vested LTIP awards in cash.</p> <p>On the vesting/exercise of an LTIP award, the Remuneration Committee has the discretion to decide that Executives can receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of an award on the number of shares which have vested.</p> <p>Awards may vest early on a change of control (or other relevant event) subject to the satisfaction of the performance conditions (as determined by the Remuneration Committee) and pro-rating for the LTIP was previously approved by shareholders in April 2007.</p> <p>The Remuneration Committee may at its discretion structure awards as Approved Long Term Incentive Plan (ALTIP) awards. ALTIP awards enable the participant and Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. ALTIP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a 'linked award' to fund the exercise price of the approved option, or as an approved option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on the exercise of the approved option. Other than to enable the grant of ALTIP awards, the Company will not grant awards to Executive Directors under the Executive Share Option Plan.</p>
Maximum opportunity	<p>The maximum annual award of the base LTIP will be 150% of base salary for CEO and 100% of salary for CFO and COO.</p> <p>The outperformance multiplier could increase the maximum opportunity for the CEO to 300% of salary and to 150% for the CFO and COO.</p> <p>For the LTIP, for threshold performance, 25% of award will vest.</p> <p>Straight-line vesting applies between threshold and maximum vesting.</p> <p>These limits do not include the value of shares subject to any approved option granted as part of an LTIP award.</p>
Performance measures	<p>Stretching performance targets are set each year reflecting the business priorities that underpin longer term Group strategy.</p> <p>The base LTIP award will normally be measured using the following:</p> <ul style="list-style-type: none"> • Three year cumulative EPS growth – 60% • Three year revenue growth – 40%. <p>The Remuneration Committee retains the discretion to alter the weighting of measures and to apply alternative or additional measures in future years. The outperformance multiplier will be measured against relative TSR of the FTSE SmallCAP index.</p>

Governance continued

DIRECTORS' REMUNERATION REPORT CONTINUED

Malus, clawback and underpin provisions

The Remuneration Committee has the right to:

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

Chairman and Non-Executive Directors

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

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

Explanation of performance metrics chosen

The annual bonus is assessed against financial targets which are determined by the Remuneration Committee, typically Group adjusted profit before tax excluding any impact of IAS 38 and revenue growth. 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.

For the LTIP, long term performance measures are chosen by the Remuneration Committee to provide a robust and transparent basis on which to measure Xaar's performance over the longer term and to provide alignment with Xaar's business strategy. EPS, Revenue growth and TSR are deemed to be the key measure of success of the execution of our long term strategy.

The Remuneration Committee retains the discretion to adjust the performance targets and measures 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), and has exercised its discretion in this area of leaver provisions as described under CFO transition in the 2016 Annual Report.

Awards may be adjusted in the event of a variation of capital in accordance with the scheme rules.

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 HMRC approved SIP and SAYE and invites all employees to participate, therefore encouraging wider workforce share ownership.

Illustrations of application of remuneration policy

The charts below set out an illustration of the remuneration policy, in line with the policy above and include base salary, pension, benefits and incentives. 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.

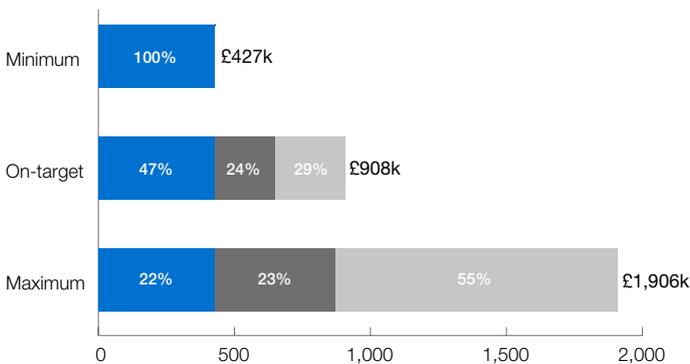
For these purposes base salary reflects the salary at 1 January 2018 and any anticipated increases in July 2018. Bonus is based on anticipated base salary as at 31 December 2018. Benefits are calculated as 12% of average salary for 2018. Pension is based on the policy set out in the policy table. LTIP awards are based on a base salary level pre 1 July 2018, and are calculated as set out in the policy on pages 60 to 63.

Three scenarios have been illustrated for each Executive Director.

Minimum performance	<ul style="list-style-type: none"> • No bonus pay-out • No vesting under the LTIP.
Performance at mid point	<ul style="list-style-type: none"> • 62.5% of salary pay-out under the annual bonus for the CEO, 50% for the CFO and COO • Shares equivalent to 75% of salary vesting under the LTIP for the CEO, 50% for the CFO and COO.
Maximum performance	<ul style="list-style-type: none"> • 125% of salary pay-out under the annual bonus for the CEO, 100% for the CFO and COO • Shares equivalent to 300% of salary vesting under the LTIP for the CEO, 150% for the CFO and COO.

As required by the regulations, the scenarios do not include any share price growth assumptions or take into account any dividends that may be paid.

Chief Executive Officer – Doug Edwards, total remuneration £'000

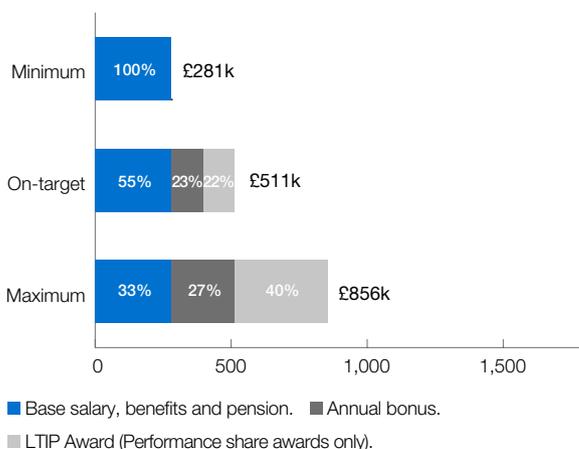


- Base salary, benefits and pension.
- Annual bonus.
- LTIP Award (Performance share awards only).

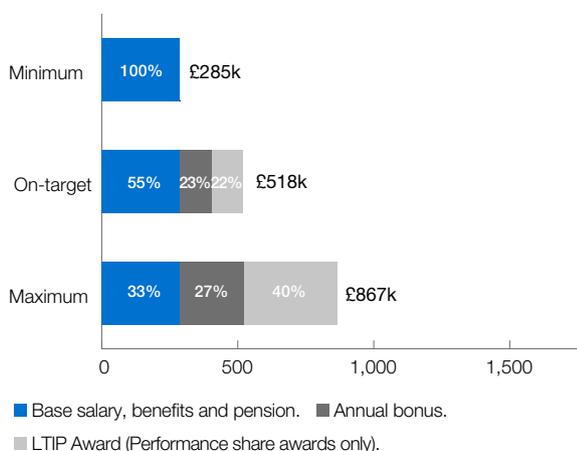
Governance continued

DIRECTORS' REMUNERATION REPORT CONTINUED

Chief Operations Officer Ted Wiggins, total remuneration £'000



Chief Financial Officer Lily Liu, total remuneration £'000

**Approach to recruitment remuneration**

When appointing a new Executive Director, whether with an internal or external candidate, the Remuneration Committee will typically seek to use the policy detailed in the table on pages 70 to 73 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 Remuneration Committee also retains the discretion to include any other remuneration component or award which is outside the policy. The Remuneration Committee does not intend to use this discretion to make a non-performance related incentive payment (for example, a 'golden hello'). In determining appropriate remuneration, the Remuneration 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 Remuneration Committee considers it appropriate to offer.

The Remuneration Committee may also alter the performance measures, performance period and vesting period of the annual bonus or long term incentive, subject to the rules of the scheme, if the Remuneration 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 Remuneration 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 Remuneration Committee may make an award or payment to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so the Remuneration 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 Remuneration 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 Remuneration 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 Remuneration Committee would not make an award of annual variable pay above 425% of salary. The Remuneration 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 ¹	Date of appointment	Notice from the Company	Notice from Director
Doug Edwards	5 January 2015	5 January 2015	12 months	12 months
Ted Wiggans ²	4 December 2013	10 January 2011	12 months	12 months
Lily Liu	23 January 2017	2 May 2017	12 months	12 months

¹ The dates of contract above refer to the dates of the latest service agreements for each of the Directors.

² Ted Wiggans gave his notice of resignation on 9 August 2017.

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	Unexpired term of contract on 31 December 2017
Robin Williams (Chairman)	27 September 2016	1 October 2016	21 months
Margaret Rice-Jones	3 June 2015	1 August 2015	7 months
Chris Morgan	2 December 2015	4 January 2016	12 months
Andrew Herbert	15 April 2016	1 June 2016	19 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. Letters of appointment are available for inspection at the registered office address of the Company.

Governance continued

DIRECTORS' REMUNERATION REPORT CONTINUED

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 Remuneration 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 and recent performance of the Company.

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

	Reason for cessation	Calculation of vesting/payment	Timing of vesting
Annual Bonus	Termination with cause.	No bonus paid.	Not applicable.
	Resignation or retirement.	No bonus is normally paid unless the Committee in its absolute discretion (and on a case-by-case basis) determines otherwise.	Normal payment date.
	Redundancy, disability, illness, injury, death or any other reason as determined by the Remuneration Committee.	Typically bonus amounts will be determined by reference to the applicable performance targets, pro-rated for time served in relation to the performance period.	Normal payment date unless Remuneration Committee decides it should be earlier.
LTIP	Termination with cause.	Lapse.	Not applicable.
	Resignation or Retirement.	Normally lapse but with Remuneration Committee discretion to determine otherwise.	Normal vesting date.
	Redundancy, disability, illness, injury, death or any other reason as determined by the Remuneration Committee.	<p>Pro rated to proportion of period worked during vesting period.</p> <p>Remuneration Committee can decide not to pro rate.</p>	Normal vesting unless Remuneration Committee decides it should be at cessation of employment.
	Death.	Discretion to disapply performance conditions.	Date of cessation – unless Remuneration Committee decides normal vesting date.
SIP and SAYE	Governed by the HMRC approved plan rules 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 Remuneration 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 below where the terms of the payment were agreed:

- before the policy came into effect, or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' includes the Remuneration 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.

The Remuneration Committee may make minor changes to this policy, which do not have a material advantage to Directors, to aid in its operation or implementation without seeking shareholder approval but taking into account the interests of shareholders.

Statement of consideration of shareholder views

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

Approval

This Report was approved by the Board on 21 March 2018 and signed on its behalf by:



Margaret Rice-Jones
Remuneration Committee Chair