DIRECTORS' REMUNERATION REPORT: Letter from the Chair of the Remuneration Committee

Alison Wood
Chair of the Remuneration Committee

"The Committee is dedicated to ensuring that remuneration policies and practices support the company's strategy and promote its long-term sustainable success. Recognising the continued excellent performance, remuneration outcomes for executives are in alignment with the experience of our key stakeholders."

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2023, which is presented in three sections:

- My annual statement as Chair, summarising the work of the Committee during the year;
- The Directors' Remuneration Policy (Policy) to be proposed for shareholder approval at the 2023 AGM; and
- The Annual Report on Remuneration, detailing the remuneration outcomes for the financial year ended 31 March 2023 and the proposed implementation of the new Policy for the year ahead.

Broader employee remuneration considerations

In what has been a busy time for the Committee on executive remuneration matters, the priority has been to ensure that our employees have been supported throughout the year, in recognition of the impact of inflation on the cost of living and the sudden increase in energy prices at the end of 2022. As such, the Committee endorsed the decision to make a one-off payment to eligible employees with salaries below a certain threshold and to increase salaries for UK employees, by 6% on average for FY23. We pay above minimum wage across the world and above the living wage in the UK and also aim to provide benefits which are above the statutory minimums, where appropriate.

We carefully considered workforce remuneration policies as part of our review of the Policy and when determining executive pay for 2022/23 and beyond. The structures of bonus plans throughout the organisation is aligned to incentivise the behaviours which deliver value, both financial and non-financial, to shareholders and our key stakeholders. All eligible employees across our business units and global teams have received a bonus for FY23 performance, in line with performance delivered.

More generally to ensure that our workforce is appropriately balanced in relation to gender, ethnicity, social class and other factors, there are processes in place to address unconscious diversity and inclusion biases during recruitment, including the use of balanced shortlists, and in decisions about career progression and remuneration.

Operation of the Remuneration Policy in 2022/23 and incentive plan payments

Performance for the year-ended 31 March 2023 was strong, with the company's business model and strategy continuing to drive strong order, revenue and profit growth.

The Committee considered the formula-driven incentive outturns for 2022/23 in the context of the broader economic environment and employee and shareholder experience, whilst recognising that the performance targets set were both stretching and clearly linked to the Group's strategy and financial performance.

The annual bonus outcome for 2022/23 has been measured by performance against a combination of cash, operating margin, profit and non-financial strategic targets. Group financial performance was again excellent, resulting in a payout in respect of the financial elements of 90.7% of base salary for the CEO and CFO, of a maximum 110% of base salary. The non-financial strategic targets, representing 15% of base salary opportunity, were based on the achievement of strategic objectives, for which we have determined achievement levels of 10% and 13% for the CEO and CFO, respectively. The overall bonus achieved was therefore 100.7% of salary for the CEO and 103.7% of salary for the CFO. In line with the current Policy, 50% of the bonus earned in excess of the target level will be paid in shares, which are deferred for three years.

Awards granted in 2020 under the Performance Share Plan (PSP) were based on two equally weighted performance measures. Earnings Per Share (EPS) was assessed over the three years to 31 March 2023 and achieved above the maximum target, with compound EPS growth of 17.1% per annum. Return on Capital Employed (ROCE) also exceeded the maximum target and in the final year of the performance period was 32.4%. As a result of this strong performance, the 2020 PSP grant will vest in full. A two-year holding period applies to the vested award.

As regards shareholder experience, we noted the strong shareholder return (+20%) in 2022/23 and the significantly higher Total Shareholder Return (TSR) over the three-year PSP performance period (+103%).

We specifically considered whether there had been any 'windfall gain' caused by the award having been granted when the stock market was much lower than it is now, due to the economic impact of the Covid-19 pandemic. The Committee concluded that there had not been a windfall gain, recognising in particular that:

- the relative performance of the company has been in the top quartile of our constituent FTSE index, the FTSE 250, so the share price has not simply recovered in line with the market; and
- the share price at which the awards were granted in September 2020 was at a relative historical high of £15.80, which had recovered significantly from the share price low at the onset of the Covid-19 pandemic (around £10), also being significantly higher than the share price a year prior (the share price at which the 2019 PSP award was granted was £13.74).

Given the strong company performance during 2022/23 and the full three-year PSP performance period, we are comfortable that there has been a robust link between reward and performance, plus alignment with investor returns. We are satisfied that the Policy has operated as intended and the remuneration outcomes are appropriate, considering workforce remuneration and outcomes, the relativities between employees and Executive Directors, and the wider stakeholder experience as set out above. We therefore concluded that it would not be necessary to exercise discretion to adjust the 2022/23 incentive outcomes. Whilst the Committee is satisfied the Policy has operated as intended for the year, changes are, however, proposed to the Policy and its operation going forward, as described later.

Board changes

We announced on 13 April 2023 the forthcoming retirement, with the agreement of the Board, of Chief Executive Ian Barkshire. He will be treated as a good leaver in respect of the incentive plan payments and will be eligible to participate in the FY24 annual bonus plan for the portion of the year that he is actively employed. His unvested PSP awards will be retained subject to the achievement of the performance conditions, vesting at the usual time, scaled back for his shorter service period. Post-vesting holding periods will apply and he will be subject to the post-employment shareholding requirement, which requires him to retain the lower of his level of shareholding on cessation, or 200% of base salary, for two years effective from the end of his notice period. Further details on his remuneration on retirement are set out later in this report.

We were pleased to announce that Richard Tyson has been appointed as Ian's successor. The company is working with Richard and TT Electronics plc to agree the date he will commence in the role, and will make a further announcement in due course. It is intended that Ian will continue as Chief Executive until Richard joins, and will then remain actively employed for a further period to ensure a smooth transition of leadership. Whilst not strictly required, given my role as Non-Executive Director and Remuneration Committee Chair at TT Electronics plc, I recused myself from all decisions relating to Richard's appointment. Richard will receive a salary of £570,000, benefits in line with the new Policy and a pension contribution of 6% of salary, aligned to the maximum available to the UK workforce. Subject to approval

DIRECTORS' REMUNERATION REPORT: Letter from the Chair of the Remuneration Committee continued

of the new Policy at the 2023 AGM, his bonus opportunity in 2023/24 will be 150% of salary, pro-rated for the period from appointment, and he will receive a PSP grant of 200% of salary. This package is no higher than the mid-market level and was necessary to recruit an experienced candidate, who is currently a CEO at another UK listed company. Richard's total fixed pay upon appointment (salary, benefits and pension) will be lower than that of the current CEO.

Richard will forego his FY23 annual bonus for the period of time worked at his previous employer during FY23. He will also forfeit outstanding LTIP awards. In line with our recruitment policy, and as part of the discussions for Richard joining, we agreed to replicate the FY23 bonus foregone and LTIP awards being forfeited as closely as possible, taking into account the nature of the deferred remuneration forfeited, the performance conditions, the expected value and the time over which they would have vested or been paid.

Richard must retain at least 50% of the shares vesting under his buyout awards as part of his shareholding requirement as CEO (200% of salary). Further details of the buyout awards to be granted are set out later in this report.

Review of the Remuneration Policy and shareholder engagement

When reviewing the Policy ahead of the triennial vote at the 2023 AGM, we reflected on the current Policy, which we considered has been sufficiently agile and robust to remain aligned with the business strategy through a period of significant disruption caused by the Covid-19 pandemic. The Committee considered the performance of the management team, noting they have performed outstandingly, delivering sustained and significant shareholder value in line with the company's Horizon strategy which has resulted in a larger business with a significantly higher market value. Upon reviewing the current Executive Directors' packages we noted that their salaries and incentive opportunities in both annual bonus and LTIP were below our assessment of mid-market rates. The Board and Remuneration Committee consider that it is vital that the management team is paid competitively and that there is sufficient flexibility within the policy limits for incentive pay, to ensure that we can continue to attract and retain the very best talent. In particular, in view of the impending CEO succession, the increase to both bonus and LTIP opportunities to a mid-market position was considered vital in order to recruit the best available talent and ensure that the entire management team remained fully focused and incentivised to build on the outstanding recent business performance. In this context, we reviewed the Policy, consulting with our 20 largest shareholders and the proxy advisory bodies to ensure their feedback was considered in the development of the new Policy. We were pleased that shareholders were overwhelmingly supportive and we made one adjustment to reflect the feedback received.

The key changes to the Policy are follows:

- Pension – Executive Directors currently receive a pension contribution as a fixed value, of £61,964 and £48,363 for the CEO and CFO, respectively. After the 2023 AGM the pension contribution will reduce to 6% of salary (£32,754 and £24,000 for the CEO and CFO, respectively, after the salary increase on 1 July 2023) in line with the maximum available to the UK workforce.
- Annual bonus quantum – the maximum policy limit for the annual bonus has increased from 125% to 150% of salary. The threshold and target levels remain unchanged. Therefore the additional bonus payable will only be for the achievement of stretch performance targets ahead of the business plan.
- Annual bonus deferral – deferral has been strengthened and one-third of any bonus payable will now be delivered in shares, rather than half of the bonus received above target.
- LTIP quantum - the normal policy limit of 150% of salary and exceptional limit of 200% of salary will be replaced by a standard 200% of salary limit in all cases other than a recruitment situation, where there will be no limit (this will ensure there is flexibility for buy-out awards, if necessary).
- LTIP performance measures – there will be flexibility to include non-financial performance measures, for example, based on our sustainability strategy, in addition to long-term financial performance and stock market measures.
- LTIP dividend equivalents – dividend equivalent payments will continue to accrue beyond the three-year vesting period, over the two-year holding period.

In addition, a number of minor changes have been made to provide some additional clarity, for example, noting that Executive Directors may receive a long service award, in line with other employees.

Operation of the Remuneration Policy in 2023/24

The Committee considered the new Policy's operation in 2023/24, as part of its overarching review.

Given the ongoing inflationary pressures and cost-of-living challenges, we carefully reviewed the recommendations regarding base salary increases for employees. The salary for Ian Barkshire, CEO, will increase by 3% from £530,000 to £545,900 and for Gavin Hill, CFO, will increase by 5% from £380,970 to £400,000, in line with the average workforce increase. We consider these increases appropriate, not least as the salaries remain at the lower end of our assessment of mid-market rates and, in the case of the CEO, the increase was considered appropriate, recognising that he was likely to be in active employment for a meaningful proportion of the year. The new CEO will receive a salary upon appointment of £570,000 – being broadly aligned to our assessment of the mid-market rate.

Post the 2023 AGM, the current Executive Directors' pension contributions will reduce significantly to 6% of salary, being the maximum contribution available to the majority of the UK workforce. The new CEO will receive 6% of salary pension contribution on appointment.

The 2023/24 annual bonus opportunity will increase from 125% to 150% of salary for the current Executive Directors and will also apply to the new CEO, pro-rated from the date of his appointment to the Board. As regards performance measures, the weighting for the strategic objectives element will increase slightly from 12% to 16.7%, to support investment in the business to drive future profitable growth, innovation and sustainability, especially in light of the wider macro-economic landscape and the challenges which this presents. Details of these robust and measurable strategic objectives will be disclosed retrospectively in next year's report. The performance measures will therefore be profit growth (50%), cash conversion (16.7%), operating profit margin (16.7%) and non-financial strategic objectives (16.7%). One-third of any bonus payable will be delivered in shares which must be held for a three-year period.

LTIP grants will be made upon appointment to the new CEO and exceptionally in 2023 to the CFO, at 200% of salary. The current CEO will not receive an LTIP award. We have reviewed the LTIP performance measures, in light of the strategy and increased award levels and believe that a broader mix of measures is necessary in order to provide a more rounded overall assessment of performance. The measures for the 2023 grant award will be Earnings Per Share (EPS) (30%), Return on Capital Employed (ROCE) (30%), Total Shareholder Return (TSR) (25%) and two sustainability measures (15%). EPS will require compound annual growth of between 4% and 10% over three years and ROCE a range of 30%-34%. TSR will be measured relative to the companies comprising the FTSE 250 Index, requiring median performance for threshold vesting and upper quartile performance for maximum vesting. The sustainability targets are aligned to our long-term strategy and will require (i) significant reduction in our Scope 1 and Scope 2 emissions in line with our ambitious plan to reduce by 50% and 70%, respectively, by 2030 and (ii) significant improvement in female representation in leadership positions. In future years we intend to broaden emissions targets to include Scope 3, and will also seek to include other aspects of our sustainability agenda at the appropriate time.

Non-Executive Directors' (NED fees

The fees of the Chair and NEDs will increase by 5%, in alignment with the average increase for our UK workforce. The additional fee payable for the Senior Independent Director and Committee Chairs (excluding the Nomination Committee) will increase from £7,803 to £10,000.

DIRECTORS' REMUNERATION REPORT: Letter from the Chair of the Remuneration Committee continued

Long-Term Incentive Plan (LTIP)

Our current PSP will expire in 2024. We have considered the share schemes we operate as part of the Policy review, and will be seeking shareholder approval for the new LTIP at the 2023 AGM. The LTIP rules will be aligned to the new Policy, with the normal individual limit for Executive Directors being increased from 150% to 200% of salary. This limit may be exceeded in a recruitment situation to facilitate any necessary buy-out awards. The new LTIP rules will also provide flexibility for awards to be granted to less senior employees on more flexible terms, for example with or without performance conditions and different vesting periods, to ensure that we can structure awards in line with our peers and retain and compete for talent most effectively below Board level, in what is currently a very challenging international marketplace. We have also added a dilution limit which restricts the issuance of new shares for the purpose of satisfying share awards to 5% of issued share capital over any ten-year period for awards to senior executives. Under the previous plan there was simply a 10% limit for awards under all plans to all employees. The Executive Directors' LTIP awards will always continue to be governed by the shareholder approved Policy.

The Notice of Annual General Meeting, as available at: www.oxinst.com/investors-content/annual-general-meeting, includes further details regarding the new LTIP, and we consider that this aligns to investor guidelines, the UK Corporate Governance Code and market best practice.

Conclusion

The Committee has carefully considered the new Policy, the remuneration outcomes for 2022/23 and the operation of the new Policy for the year ahead, to ensure strong alignment between executive remuneration and the experience of shareholders, employees and our wider stakeholders. We have very carefully managed the remuneration aspects relating to CEO succession to ensure that we have structured the arrangements in line with best practice, to give maximum clarity and to make sure that we have paid no more than necessary to secure a candidate of Richard Tyson's calibre. In what has been a busy year for executive remuneration matters, we have not lost sight of the importance of ensuring that the workforce as a whole has been supported, and we were pleased that a number of actions were taken in this regard. We hope that you will be supportive of the annual advisory vote to approve the Annual Report on Remuneration, the binding vote to approve the new Policy and the vote to approve our new LTIP rules, at our AGM on 19 September 2023.

Alison Wood
Chair of the Remuneration Committee

14 July 2023

Committee membership and attendance

The members of the Remuneration Committee during the financial year and their dates of appointment to the Committee, are as set out below.

Committee membership and attendance

	Date of appointment
Alison Wood (Chair)[1]	8 September 2020
Neil Carson	1 December 2018
Mary Waldner	4 February 2016
Richard Friend	1 September 2014
Nigel Sheinwald	22 September 2021
Reshma Ramachandran[2]	1 September 2022

1. Became a member of the Committee with effect from her appointment to the Board on 8 September 2020 and took up the role of Committee Chair with effect from 26 January 2021.
2. Became a member of the Committee upon joining the Board during the year.

Regular attendees at meetings include the Chief HR Officer and, where appropriate, the Chief Executive and Chief Financial Officer. The Company Secretary is the secretary to the Committee.

For details of attendance at Committee meetings during the financial year, please see the Board and Committee meeting attendance table on page 119.

The biographies of all Committee members are available in the Board biographies section on pages 108 to 110.

Key responsibilities

- Determining the Remuneration Policy for the Executive Directors and senior management.
- Determining the total executive remuneration packages.
- Designing effective performance-related incentive plans aligned to the business strategy and the wider workforce.
- Reviewing the Group's Remuneration Policy periodically.
- Determining the policy for pension arrangements, service agreements, recruitment terms and termination payments.

DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

Link to strategy

The Committee sets stretching performance targets for the annual bonus and performance share plan, that are clearly linked to the strategy and financial performance of the Group.

Annual bonus

Adjusted PBT

Threshold:	£67.5m
Target:	£69.5m
Max:	£73.5m

Actual
£82.0m

Adjusted operating profit margin

Threshold:	17.9%
Target:	18.1%
Max:	18.3%

Actual
18.1%

Cash conversion

Threshold:	82%
Target:	85%
Max:	92%

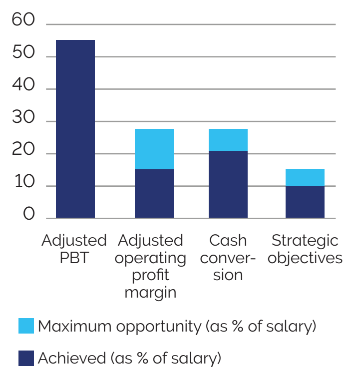
Actual
88.2%

Strategic objectives

Targets based on a range of objectives linked to accelerating growth, operational effectiveness, our sustainability agenda and shareholder engagement.

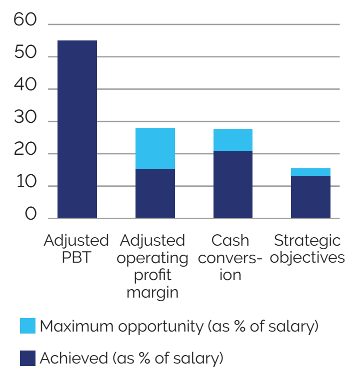
For details see / pages 162–163

Annual bonus FY 2022/23: CEO



For details see / Pages 162–163

Annual bonus FY 2022/23: CFO



For details see / Pages 162–163

LTIP

Earnings per share growth (% CAGR p.a.)

Threshold:	3% p.a. CAGR
Max:	8% p.a. CAGR

Actual (CAGR over 3 years to 31 March 2023)
17.1%

Return on capital employed

Threshold:	24%
Max:	30%

Actual (2022/23)
32.4%

LTIP: Performance Share Plan (Performance period ending FY2022/23)

For details see / Pages 163–164

Executive Directors' remuneration at a glance

Total remuneration payable for 2022/23

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	Total £'000
Ian Barkshire	523	84	58	534	1,033	0	2,232
Gavin Hill	376	27	47	395	806	0	1,651

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

This part of the Directors' Remuneration Report sets out the Group's Remuneration Policy (Policy) for its Directors.

The policy will be subject to a binding shareholder vote at our AGM on 19 September 2023 and the policy, unless changed with shareholders' prior agreement, will continue until the 2026 AGM.

Policy overview

The Policy promotes the delivery of the Group's strategy and seeks to align the interests of Directors, shareholders and other stakeholders. The Committee regularly reviews the link between its incentive structures and strategy to ensure that remuneration packages are appropriate to attract, motivate and retain the high calibre executives that are needed to deliver the Group's strategy.

The company seeks to reward executives fairly and responsibly based on Group performance and their individual contribution. The company has a strategy aimed at delivering significant, balanced and sustainable long-term growth and it is important for motivation and retention that the remuneration of the executives reflects this.

The Committee considers carefully the motivational effects of the incentive structure in order to ensure that it is effective and does not have an unintentional negative impact on matters such as governance, environmental or social issues. More generally, the Committee ensures that the overall Policy does not encourage inappropriate risk-taking.

The Committee's approach to determining, reviewing and implementing the new policy

The Committee sets the remuneration policy for Executive Directors taking into account the Group's strategic objectives, institutional investor and investor representative body views, the UK Corporate Governance Code, market practice and the remuneration policy for the wider workforce. The Committee also takes into account views from management and its independent remuneration consultants who provide the Committee with updates on corporate governance developments and market best practice guidance.

To manage any potential conflicts of interest, the Committee ensures that no individual is involved in discussions regarding their own remuneration arrangements and all changes proposed align to the business's core strategy and values.

The Committee considers implementation of the Policy annually in light of the strategic priorities, the Group's performance, and the wider stakeholder experience, whilst incentive targets are reviewed to check if they remain appropriate or need to be recalibrated.

The Committee considered the following factors when determining the new Policy:

Principle	Committee approach
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• The metrics used in our annual bonus have a direct link to our company KPIs, which are familiar to our shareholders and the workforce. • Performance Shares are linked to our long-term business strategy, familiar to our shareholders and the workforce. • The Remuneration Committee consults with shareholders to explain and clearly set out any proposed changes to the policy and is committed to having an open and constructive dialogue with shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• Our Remuneration Policy is in line with market norms. • The application of the policy is described clearly each year in this report with a clear link between reward and performance.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	• The Committee has ensured that risks are identified and mitigated by: – having discretion to override the formulaic outturn of incentives; and – having robust clawback and malus provisions. • Performance Shares (with holding periods), annual bonus deferral in shares, together with share ownership requirements, including post-employment share ownership requirements, ensure executives are not encouraged to make short-term decisions but to deliver sustainable shareholder returns over the long term for the benefit of all stakeholders.
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 scenario chart on page 157 sets out the potential rewards available to the Executive Directors under three different performance scenarios. • Limits to incentive plans and the basis for the Committee to use discretion are clearly set out.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	• Variable pay comprises the majority of the Executive Directors' packages, with the individual limits and payout for different levels of performance set out in the policy on pages 153 to 155 and the scenario charts on page 157. • The performance conditions are aligned to strategy and the targets are set to be stretching to reward for delivering above-market returns. • The Committee retains discretion to override the formulaic outturns of incentives if the payout does not reflect broader company performance and other factors.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The alignment of metrics to the medium and long-term strategy ensures behaviours consistent with the company's purpose and values are being encouraged. • Clawback and malus provisions discourage behaviours that are not consistent with the company's purpose, values and strategy. • The Committee reviews the wider workforce pay and policies to ensure there is alignment with the Executive Directors' Remuneration Policy and that remuneration is designed to support the company's people-centric culture. There is a broadly consistent cascade of the Policy throughout the senior management team.

Consideration of shareholder views

The Committee considers feedback from shareholders received at each AGM, together with any feedback from additional meetings, as part of any review of Executive Director remuneration. In addition, the Committee engages proactively with shareholders and their proxy advisers where any material changes to the Policy are proposed. As part of the Policy review during FY23, the Committee wrote to 20 of our largest shareholders and the major shareholder representative bodies to consult on the proposed Policy and its operation going forward. Shareholders were invited to provide any feedback they had and were offered the opportunity to discuss the proposals with the Committee Chair.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Changes to the Remuneration Policy

Following a detailed review of the Remuneration Policy (Policy) and shareholder consultation, the following changes are proposed:

Policy element		Details of changes
Pension		The Policy has been updated to reflect that Executive Directors may receive a pension contribution (or cash in lieu) in line with the maximum contribution available to the majority of the UK workforce (currently 6% of salary) instead of a fixed value, of £61,964 and £48,363 for the CEO and CFO, respectively. The Executive Directors' pensions will be reduced and aligned to this rate at the 2023 AGM, the date the new policy applies.
Annual bonus	Quantum	The maximum Policy limit under the annual bonus has increased from 125% to 150% of salary. For FY24, the Executive Directors will receive bonus opportunities of 150% of salary. The threshold and target level are unchanged at 15% of salary and 75% of salary, respectively.
	Deferral	Deferral has been changed such that one-third of any bonus payable will be delivered in shares instead of half of the bonus received above target. The three-year holding period for the deferred shares is unchanged.
Long-Term Incentive Plan (LTIP)	Quantum	The normal Policy limit of 150% of salary and exceptional Policy limit of 200% of salary will be combined such that 200% of salary will become a single limit in all cases other than a recruitment situation, where there will be no limit. This will ensure there is flexibility for buy-out awards, if necessary. For FY24, we intend to grant LTIP awards of 200% of salary for the CEO and on an exceptional basis, the CFO.
	Performance measures	The Policy wording has been amended to allow the flexibility to use non-financial performance measures, such as those based on our sustainability strategy, in the LTIP in addition to the current long-term financial performance and stock market measures.
	Dividend equivalents	The Policy wording has been amended to allow a dividend equivalent payment to continue to accrue beyond the three-year vesting period, over the two-year holding period, if the executive chooses to delay the exercise of the option.
Non-Executive Director (NED) fees		The Policy will allow for the payment of additional fees for NEDs based outside of the UK, in recognition of the additional travel requirements and time commitments required to undertake their role.

Remuneration Policy

The Remuneration Policy (Policy) to be put to shareholder vote at the 2023 AGM is set out in the following table. Explanations of how each element operates and how each part links to the corporate strategy have been provided.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	• To provide a competitive and appropriate level of basic fixed pay to recruit and retain superior talent and avoid excessive risk-taking that might otherwise result from an over-reliance on variable remuneration. • Reflects the experience, performance and responsibilities of the individual.	• Normally reviewed annually with any increase usually effective 1 July. • Takes account of experience, performance and responsibilities as well as the performance of the company, the complexity of the role within the Group and salary increases for employees generally. • Set with regard to market data for comparable positions in similar companies in terms of size, internationality, business model, structure and complexity, including within the industry. • Pay rises typically aligned with or below that of the workforce.	• There is no minimum or maximum annual increase. • Higher increases than the average percentage for the workforce may be appropriate; for example, where an individual changes role or their responsibilities increase, where the complexity of the Group changes, where an individual is materially below market comparators or is appointed on a below-market salary with the expectation that his/her salary will increase with experience and performance.
Benefits	• Provided on a market-competitive basis, aids retention and follows the reward structure for all employees.	• Currently include, but are not limited to, the cost of: – life assurance; – private medical insurance; – company car benefit (car, driver, car allowance, fuel); and/or – overnight hotel accommodation where necessary to enable the executive to carry out his duties efficiently at the Head Office and other company sites. • Executive Directors are also eligible to receive long service awards in line with other employees. • The benefits provided may be subject to amendment from time to time by the Committee within this policy. • Relocation costs and other incidental expenses may be provided as necessary and reasonable. • Benefits are not part of pensionable earnings.	• The value of benefits varies from year to year depending on the cost to the company and is not subject to a specific cap. • Benefit costs are monitored and controlled and represent a small element of total remuneration costs.
Pension	• To contribute towards the cost of living in retirement.	• Company contributions to a money purchase pension scheme and/or salary supplement.	• Pension contributions (or salary supplement in lieu) are aligned to the maximum contribution applying to the majority of the UK workforce, currently 6% of salary.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	• Drives and rewards the successful achievement of targets set at the start of the year with performance normally assessed over a one-year period.	• Performance targets based on the key performance indicators and strategic objectives of the business. • At least 70% of the bonus is based on financial metrics and the balance on non-financial/ strategic metrics. • One-third of any bonus earned will be paid in shares, which are beneficially owned and which must be held by the Executive Director for at least three years. • The Committee may use discretion to override the result of any formula-driven bonus payment. • Clawback and malus provisions apply for misstatement, error, misconduct, corporate failure or reputational damage, or in other circumstances at the discretion of the Committee.	• Up to 15% of salary payable for achieving threshold performance. • 75% of salary at year end payable at target performance. • 150% of salary at year end payable for maximum performance.
Long-Term Incentive Plan (LTIP)	• To incentivise the executives and reward them for meeting stretching long-term targets linked to the business strategy. • To align the Directors' interests with those of shareholders. • Facilitates share ownership to provide further alignment with shareholders.	• Annual awards of Performance Shares with vesting subject to achievement of performance targets. Both the vesting and performance period will normally be over a three-year period. • Awards structured as options may have a zero exercise price or an exercise price equivalent to the par value of an ordinary share. • Awards may be granted in conjunction with a tax-advantaged option granted under the applicable schedule to the LTIP (a Linked Option). This arrangement gives the participant and Group the opportunity to benefit from the tax treatment applicable to tax advantaged options without increasing the pre-tax value of the award delivered to the participant. • The Committee will set targets each year linked to the long-term business strategy and may be based on financial performance, a stock market-based metric and non-financial performance. • Up to 25% of the awards will vest at threshold performance under each performance condition. • Vested awards must be held for a further two years before sale of the shares (other than to pay tax). • The Committee may use discretion to override the result of any formula-driven payment. • Clawback and malus may be applied for misstatement, error, misconduct, corporate failure or reputational damage, or in other circumstances at the discretion of the Committee.	• The maximum award limit is 200% of salary. • If an LTIP award is granted as a Linked Option, the shares subject to the tax-advantaged option to which it is linked will not count towards the award limit. • In a recruitment situation the limit may be exceeded to facilitate a buy-out award (see further details in the Recruitment and promotion policy for Executive Directors section on page 158). • Dividend equivalents may accrue on the LTIP awards over the vesting and holding period and would normally be paid out as shares in respect of the number of shares that have vested.

Element of pay	Purpose and link to strategy	Operation	Maximum opportunity
All-employee share schemes	• To encourage employee share participation.	• The company may from time to time operate tax-approved share schemes (such as the HMRC-approved Share Incentive Plan (SIP)) for which Executive Directors could be eligible. • The SIP is open to all UK permanent staff.	• The schemes are subject to the limits set by tax authorities.
Shareholding guideline	• To further align Executive Directors' interests with shareholders'.	• The Committee has established shareholding guidelines which encourage the Executive Directors to build and retain a holding of company shares equivalent to 200% of base salary. • Until the guideline is met, Executive Directors are expected to retain or acquire shares equivalent to the value of 50% of the net amount realised from exercise/vesting of share awards as appropriate after allowing for tax payable. • Post cessation of employment there will be a requirement to retain the lower of the level of shareholding at that time, or 200% of base salary, for two years (unless by genuine exception e.g. serious ill health). At the Committee's discretion, shares which have been purchased voluntarily may be excluded, so as not to discourage further self-purchases.	• Not applicable.
Non-Executive Director (NED) fees	• To remunerate the Chair and NEDs. The fees may be in the form of cash or shares.	• Normally reviewed annually. • Determined and reviewed taking into account time commitment, experience, knowledge and responsibilities of the role as well as market data for similar roles in other companies of a similar size and/or business to Oxford Instruments. • NEDs based outside the UK may receive additional fees taking into account additional travel and time commitment associated with their role. • Out-of-pocket expenses including travel may be reimbursed by the company in accordance with the company's expenses policy including tax thereon grossed up as appropriate.	• There is no prescribed maximum or maximum annual increase.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Differences in the Remuneration Policy of the Executive Directors and general employees

There are no material differences in the structure of remuneration arrangements for the Executive Directors and senior management population, aside from quantum and participation levels in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside of senior management, the company aims to provide remuneration structures for employees which reflect a competitive market, as well as business and personal performance. The Committee is regularly apprised of the remuneration policy throughout the company to ensure that decisions regarding executive pay are considered in the round. This includes, for example, consideration of salary increases awarded to the wider workforce when determining increases for the Executive Directors.

The objectives and targets for all employees are cascaded through the organisation each year to ensure alignment with the company strategy. Bonus plans for the workforce are broadly designed to incorporate the same performance measures as those for the Executive Directors. The structure of senior management bonuses and LTIPs broadly reflect those of the Executive Directors, with some measures being Group-wide and others specific to their remit. For certain senior employees below this level, share incentives are utilised in order to support retention within key management roles or specific knowledge and skills that are important to the company.

Subject to shareholder approval of our new LTIP at our AGM on 19 September 2023, we intend to make future awards in the form of Restricted Shares, which will be subject to continued service. The alignment and any differences are explained to the workforce at the time that objectives and targets are set.

Whilst employees were not consulted directly on the design of the Policy, the Chair engaged with them during the year regarding the processes for setting, and the key components of, executive remuneration, plus how this aligns with wider company pay policies. In devising the Policy, the Committee took into account the remuneration policy for the wider workforce and market data, to help ensure an appropriate cascade of remuneration across the business.

Choice of performance measures and approach to setting targets

The Committee selects financial and non-financial or strategic measures for the annual bonus that are key performance indicators for the business over the short term. For the long-term incentives, it will select a combination of measures that provide a strong focus on the outcomes of the company strategy together with sustainable improvements in long-term profitability and shareholder return.

The Committee sets appropriate and demanding targets for variable pay in the context of the company's trading environment and strategic objectives. The targets for the annual bonus plan will be set each year with reference to the company's budget, business and strategic plan. The Committee reviews the performance conditions and targets for awards under the LTIP each year prior to awards being made, taking account of the company's internal financial planning, market forecasts and the business environment.

Discretion retained by the Committee in operating its incentive plans

The Committee may adjust the formula-driven outturn for an annual bonus or LTIP performance condition if it considers the quantum to be inappropriate in light of wider company performance or overall shareholder experience. Any such use of discretion would be detailed in the Annual Report on Remuneration (Part B) and in the Annual Statement of the Committee Chair.

The Committee operates the Group's incentive plans according to their respective rules and in accordance with HMRC rules, where relevant. To ensure the efficient administration of these plans, it may apply certain operational discretions, including:

- selecting the participants in the plans;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments;
- determining the extent of vesting based on the assessment of performance;
- determining 'good leaver' status and, where relevant, the extent of vesting in the case of the share-based plans;
- where relevant, determining the extent of vesting in the case of share-based plans in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- the annual review of weighting of performance measures and setting targets for the annual bonus plan and discretionary share plans from year to year.

The Committee may adjust the targets and/or set different measures and alter weightings for existing annual bonus plans and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve their original purpose and the varied conditions are no less difficult to satisfy than the original conditions. Any changes, and the rationale for those changes, will be set out clearly in the Annual Report on Remuneration in respect of the year in which they are made.

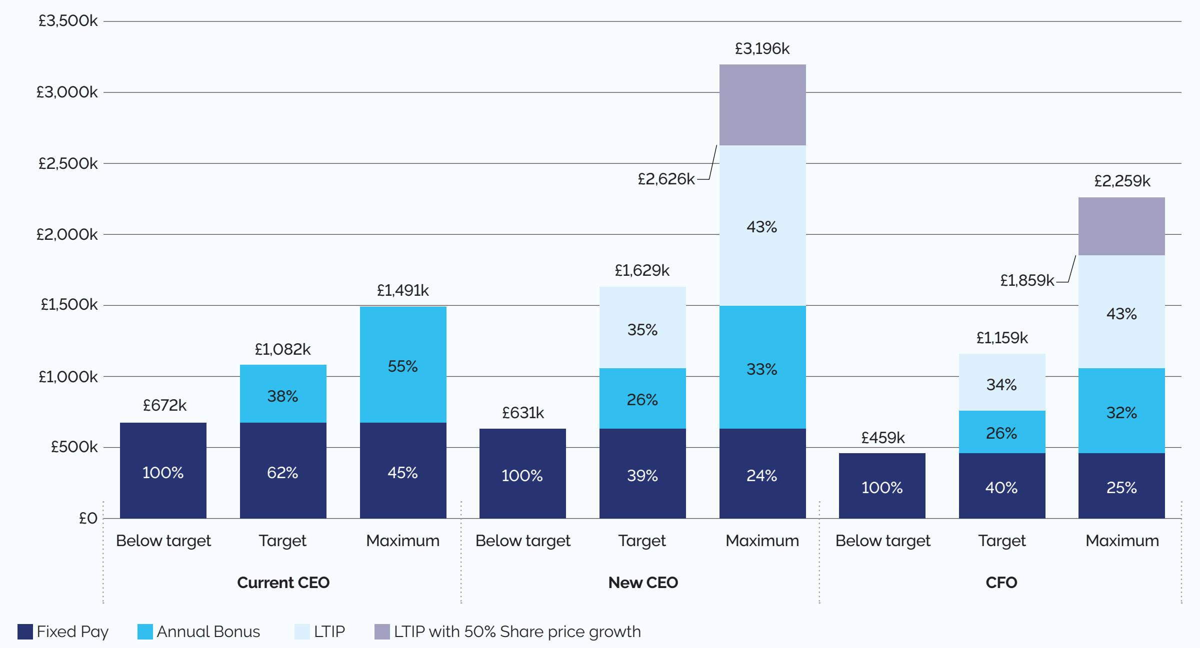
Legacy arrangements

In approving this Directors' Remuneration Policy, authority is given to the company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting or exercise of past share awards) that have been disclosed to and approved by shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration scenarios for Executive Directors

The charts below show the level of remuneration potentially payable to Executive Directors under different performance scenarios for the financial year 2023/24 (see notes for assumptions).

Remuneration scenarios



Assumptions for charts above:

- Fixed pay comprises salary levels as at 1 July 2023 for the current CEO and CFO, and salary on appointment for the new CEO, pension of 6% of salary, effective from the 2023 AGM for the current CEO and CFO, and the value of benefits received in 2022/23 (an estimate is included for the new CEO).
- The on-target level of bonus is 75% of salary.
- The on-target level of vesting under the LTIP is taken to be 50% of the face value of the award at grant, i.e. 100% of salary for the new CEO and the CFO (reflecting the exceptional grant to be made in 2023). The current CEO will not receive an LTIP award for 2023.
- The maximum level of bonus is 150% of salary and the maximum LTIP award level is 200% of salary for the new CEO and will also, exceptionally for the grant to be made in FY24, be 200% of salary for the CFO.
- To show the impact of potential share price growth on the value of an Executive Director's package, the impact of share price growth of 50% on the LTIP is used.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A)

Recruitment and promotion policy for Executive Directors

In setting total remuneration levels and in considering quantum for each element of the package for a new Executive Director, the Committee takes into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The company seeks to align the remuneration package with the Policy approved by shareholders. Salary is provided at such a level as required to secure the most appropriate candidate. For new appointments, base salary and total remuneration may be set initially at below normal market rates on the basis that it may be increased once expertise and performance has been proven and sustained.

Specific variable remuneration performance targets can be introduced for an individual where necessary for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year in which he or she joined the Board.

Flexibility is retained to offer additional cash and/or share-based payments on appointment in respect of deferred remuneration or benefit arrangements forfeited on leaving a previous employer (i.e. a buy-out award). The Committee would look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the remuneration forfeited, performance conditions, attributed expected value and the time over which they would have vested or been paid. Such awards may be made under the terms of the LTIP (which, when combined with a normal annual LTIP award, may exceed the 'normal' 200% of salary limit per annum) or as permitted under the Listing Rules.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to continue to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the company will meet certain relocation, legal and any other incidental expenses as appropriate.

Executive Directors' service contracts and policy on cessation of employment

Details of the service contracts of the Executive Directors, available for inspection at the company's registered office and at the company's AGM, are as follows:

	Contract date	Unexpired term of contract
Ian Barkshire	11 May 2016	12-month rolling contract
Gavin Hill	9 May 2016	12-month rolling contract

Details of contractual terms and the policy on cessation of employment are summarised in the table below. Payments to departing Directors can only be made in line with this shareholder-approved Policy:

Contractual provision	Detailed terms
Notice period	12 months by the company or by the Director.
Termination payment	A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. For termination in other circumstances, the company has a right to pay salary in lieu of the notice period (or part thereof) if it so determines. In addition, any statutory entitlements in connection with the termination would be paid as necessary, and, at the Committee's discretion if deemed necessary and appropriate, outplacement, legal fees and settlement of claims or potential compensation claims.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service based on the satisfaction of performance conditions and payable at the normal time, along with vesting for outstanding share awards or deferred bonus shares (in certain circumstances – see below).
Change of control	No Executive Director's contract contains additional provisions in respect of a change of control. Any applicable share plan rules address the treatment of unpaid and unvested awards.

Any share-based entitlements granted to an Executive Director under the company's share plans will be determined based on the relevant plan rules. The default treatment for existing awards is that any unvested awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. Under the LTIP (and PSP), awards to good leavers will vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and normally be scaled back to reflect the proportion of the original vesting period or performance period actually served. In the event of a good leaver there would be no early release from a post-vest holding period (again, unless by genuine exception, for example, serious ill health). The Committee has discretion in exceptional circumstances to disapply time pro-rating, to measure performance to, and vest awards at, the date of cessation. Vesting at cessation would be the default position where a participant dies. Deferred bonus shares are beneficially owned by the executive from the time of the bonus payment, so are not at risk of forfeiture (other than in relation to clawback).

Non-Executive Directors

For the appointment of a new Chair or Non-Executive Director, the fee arrangements would be in accordance with the approved Remuneration Policy in place at the time.

Non-Executive Directors are appointed under letters of appointment for fixed terms of three years; however, in line with governance best practice, the company proposes all Directors for annual re-election by shareholders at the AGM. Their appointment can be terminated without notice and with no compensation payable on termination, other than accrued fees and expenses.

	Date of appointment	Notice period	Unexpired term
Neil Carson	1 December 2018	Rolling six months	2024 AGM
Professor Sir Richard Friend	1 September 2014	None	2023 AGM
Mary Waldner	4 February 2016	None	2024 AGM
Alison Wood	8 September 2020	None	2023 AGM
Sir Nigel Sheinwald	22 September 2021	None	2024 AGM
Reshma Ramachandran	1 September 2022	None	2025 AGM

The financial information in this part of the report has been audited where indicated.

The Remuneration Committee (unaudited)

The Remuneration Committee (the Committee) is responsible for recommending to the Board the remuneration packages for Executive Directors and has oversight of the pay, bonus and share incentive strategy for the Group's executive management. The Chair and the Executive Directors are responsible for determining the remuneration of the Non-Executive Directors, and the Remuneration Committee, in the absence of the Chair, is responsible for determining the remuneration of the Chair.

The role of the Committee includes:

- considering and determining the Remuneration Policy for the Executive Directors;
- within this agreed policy, considering and determining the various elements and total remuneration packages of each Executive Director of the company;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans;
- reviewing and noting remuneration policy and trends across the Group and considering the Executive Directors' remuneration within this context; and
- determining the policy for pension arrangements, service agreements, recruitment terms and termination payments to Executive Directors.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

The members of the Committee are appointed by the Board and currently comprise all the independent Non-Executive Directors: Alison Wood, Richard Friend, Mary Waldner, Nigel Sheinwald, Reshma Ramachandran and the Chair of the Board, Neil Carson. Alison Wood has held the role of Chair of the Committee since 26 January 2021 and has significant prior remuneration committee experience, in particular, chairing remuneration committees at other listed companies and is sufficiently experienced to undertake this role in line with Provision 32 of the UK Corporate Governance Code 2018.

The Chief Executive, Chief Financial Officer and the Chief HR Officer and other executives are invited to attend Committee meetings as deemed appropriate. No Executive Director is present when the Committee is determining his or her own remuneration.

The Committee acts within its agreed written terms of reference (which are published on the company's website: www.oxinst.com/investors) and complies with the provisions of the UK Corporate Governance Code regarding remuneration.

The performance of the Committee is reviewed at least once a year as part of the Board evaluation process, and during the financial year was reviewed as part of an internally facilitated Board evaluation.

During the year, the Committee fulfilled its duties, as set out in the Committee's terms of reference, in line with the normal annual cycle of remuneration-related matters. As noted in the Report and Financial Statements 2022, the Board recognised that during the financial year ended 31 March 2022 it had not complied with the Code where it had not completed dedicated workforce engagement regarding executive remuneration. Alison Wood as Chair of the Remuneration Committee, was delighted to host an in-depth session with a group of employees in July 2022, post the publication of the 2022 Directors' Remuneration Report. The session focused on explaining the work of the Remuneration Committee, the context within which it operates, the processes for setting and the key components of executive remuneration, plus how this aligns with wider company pay policies in place.

Korn Ferry was the Committee's independent remuneration consultant during the year and continues with this appointment in 2023/24. Korn Ferry is appointed by the Committee to provide advice on all aspects of executive remuneration as required by the Committee.

Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. During the year, Korn Ferry had discussions with the Committee Chair on remuneration matters relevant to the company and on how best its team can work with the Committee to meet the company's needs.

Fees are charged predominantly on a time spent basis. The total fees paid to Korn Ferry for the advice provided to the Committee during the year were £95,463 (excluding VAT).

During the year Korn Ferry also provided executive search-related services to the company, through a separate part of the business. The Committee was comfortable that the controls in place at Korn Ferry do not result in the potential for any conflicts of interest to arise.

Directors' remuneration (audited)

The remuneration paid to the Directors during the year under review and the previous year is summarised in the tables below:

Executive Director		Salary £'000	Benefits[1] £'000	Pension[2] £'000	Annual bonus[3] £'000	Long-term incentive awards[4] £'000	Other[5] £'000	Total fixed £'000	Total variable £'000	Total £'000
Ian Barkshire	**2023**	**523**	**84**	**58**	**534**	**1,033**	**0**	**665**	**1,567**	**2,232**
	2022	488	67	58	464	1,010	0	613	1,474	2,087
Gavin Hill	**2023**	**376**	**27**	**47**	**395**	**806**	**0**	**450**	**1,201**	**1,651**
	2022	358	23	46	343	788	0	427	1,131	1,558
Total	**2023**	**898**	**111**	**105**	**929**	**1,839**	**1**	**1,115**	**2,768**	**3,883**
	2022	846	90	104	807	1,798	1	1,040	2,605	3,645

1. Benefits comprise provision of a car or car allowance, health insurance, life assurance, overnight hotel accommodation where necessary to carry out duties at the Head Office of the company and, for Ian Barkshire, provision of a driver to allow him to make best use of his commuting time. For the year to 31 March 2023, the provision of a driver accounted for £70,716 (2022: £57,141) of the total benefits for Ian Barkshire.
2. Each Executive Director is entitled to receive a contribution to a money purchase pension scheme for a fixed value, which is calculated as 14% of base salary earned on 1 April 2020. Where the contractual pension contribution exceeds the annual or lifetime allowance, any balancing payment is made by the company as a cash allowance which, in line with the policy for all UK employees, is paid net of employer's national insurance contributions.
3. Annual bonus represents the full annual bonus for the year to 31 March 2023 and would usually be paid in the July 2023 payroll. Of the amounts disclosed, £68,142.86 and £54,696.41 will be paid in shares for the CEO and CFO, respectively, which must be held for three years, as per the policy.
4. Long-term incentive awards are those awards where the vesting is determined by performance periods ending in the year under review and therefore reports the value of the PSP award granted on 23 September 2020. The value has been determined using the average share price over the three months to 31 March 2023, £24.1422. Further details of these calculations are set out on pages 163 to 164. The share price used on grant of the 2020 PSP award was £15.80 and the total face value at grant of the vested number of shares is £663,900 for the CEO and £518,177 for the CFO. On vesting (based on an average share price for the last three months of the financial year) the share price was £24.1422, giving a total vested award value of £1,014,431 for the CEO and £791,768 for the CFO. The value of the PSP award that has been attributable to share price growth is, therefore, £350,531 and £273,591 for the CEO and CFO, respectively. Dividend equivalents have been added to arrive at the total figure included in the table above. The value of the prior year awards has been restated using the share price on the vesting date of 15 July 2022 of £20.40, giving a total vested award value, including dividend equivalents, of £1,009,739 (before restatement £1,067,394) for the CEO and £788,113 (before restatement £833,100) for the CFO.
5. The company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. 'Other' is the value of matching SIP shares attributable to the year. In 2022/23, Ian Barkshire and Gavin Hill participated in the SIP up to the maximum extent permitted by HMRC. The company offers a 1:5 match for partnership shares purchased by employees and this amounted to £360 each of matching shares for Ian Barkshire and Gavin Hill. For clarity, this figure has been restated for 2021/22 (2022: £360, rounded up to £1,000) now based upon rounding conventionally, therefore to nil, which in turn impacts and leads to the restatement of the Total fixed amount for 2021/22.

Non-Executive Director		Fees £'000	Benefits £'000	Total £'000
Neil Carson	**2023**	**194**	**–**	**194**
	2022	186	–	186
Richard Friend	**2023**	**54**	**–**	**54**
	2022	52	–	52
Mary Waldner	**2023**	**62**	**–**	**62**
	2022	60	–	60
Alison Wood	**2023**	**70**	**–**	**70**
	2022	64	–	64
Nigel Sheinwald[1]	**2023**	**62**	**–**	**62**
	2022	30	–	30
Reshma Ramachandran[2]	**2023**	**32**	**4**	**36**
	2022	–	–	–
Total	**2023**	**474**	**4**	**478**
	2022	444	–	444

1. Nigel Sheinwald was appointed as a Non-Executive Director and Chair of the Sustainability Committee effective 22 September 2021.
2. Reshma Ramachandran was appointed as a Non-Executive Director effective 1 September 2022.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Details of annual bonus earned in year (audited)

As in previous years, the Committee set stretching performance targets for the annual bonus which are clearly linked to the strategy and financial performance of the Group. The targets set and the achievement against them are set out in the table below.

	Percentage of salary payable			Targets				
Measure	Threshold	On target	Maximum	Threshold	On target	Maximum	Actual	Payout % of salary
Adjusted PBT	7.5%	30%	55%	£67.5m	£69.5m	£73.5m	£82.0m	55%
Adjusted operating profit margin	3.75%	15%	27.5%	17.9%	18.1%	18.3%	18.1%	15%
Cash conversion	3.75%	15%	27.5%	82%	85%	92%	88.2%	20.7%
Strategic objectives	–	15%	–	–	–	–	See below	CEO 10% CFO 13%
								CEO 100.7% CFO 103.7%

The non-financial strategic objectives were set at the start of the year. Performance against them is set out below. The Committee in its review noted that good progress has been made this year in new product development, operational improvement and a broader range of shareholder engagement activities. Although considerable effort has gone into acquisition analysis and balancing the revenue cycle, the Board were not completely satisfied on the outcomes delivered, resulting in a reduced award against some of the non-financial objectives. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives	Weighting	Achievements toward objectives/performance	
Accelerate growth by: ● progressing the development of significant new "blue & red" products that enable us to access expanded/targeted market opportunities; and ● through targeted acquisition.	1/3	● New product development progressed and successful product launches to plan. Significant acquisition progress in year but no acquisitions completed in year.	3 out of 5
Work with the business MDs to address the cyclical drivers that put throughput strain on the business with a view to smoothing revenue over the year, reducing revenue peaks in P6 and P12 by 30% from prior year.	1/3	● Significant progress made in planning and pipeline management. However, ongoing supply chain disruption resulted in throughput challenges which impacted revenue peaks.	2 out of 5
Complete the analysis phase of the sustainability agenda and agree a comprehensive set of sustainability targets and action plans with the Board.	1/3	● Thorough analysis completed and targets and action plans agreed with the Board.	5 out of 5
Total	**100%**		**10% out of 15%**

CFO objectives	Weighting	Achievements toward objectives/performance	
Complete a Group-wide operational strategy review to drive operational effectiveness and margins, addressing challenges in supply chain and resource. Present recommendations to the Board on a one-to-three-year operations improvement plan that will get the business to 20% margin.	1/3	● Operational strategy review completed and a series of operational improvement projects agreed with the Board, resourced and well underway in year.	5 out of 5
Accelerate growth by: ● progressing the development of significant new "blue & red" products that enable us to access expanded/targeted market opportunities; and ● through targeted acquisition.	1/3	● New product development progressed and successful product launches to plan. Significant acquisition progress in year but no acquisitions completed in year.	3 out of 5
Deliver a step change in shareholder engagement by appointing an IR specialist to increase the bandwidth available to meet and inform a broader range of new shareholders with the aim of expanding the shareholder base.	1/3	● New resource appointed and a series of new shareholder engagement activities in progress.	5 out of 5
Total	**100%**		**13% out of 15%**

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2023, are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2022/23 (% of salary)[1]	Actual bonus payable for 2022/23 (% of maximum)	Actual bonus payable[1,2] for 2022/23
Ian Barkshire	75%	125%	100.7%	80.56%	£533,786
Gavin Hill	75%	125%	103.7%	82.96%	£395,120

1. Bonus is calculated on salary as at 31 March 2023.
2. Of the amounts disclosed, £68,142.86 and £54,696.41 will be paid in shares for the CEO and CFO, respectively, which must be held for three years, as per the policy.

Long-term incentive plans (audited)

The performance targets, performance against them and the resulting value in respect of the long-term incentive awards where vesting is determined by a performance period ending in 2022/23 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 23 September 2020 for the performance period ending in the year under review and actual performance achieved against them were as follows:

50% of the award is based on EPS measured over a three-year performance period starting 1 April 2020:

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Performance level	EPS growth over three years	% of award that will vest
Below threshold	Less than 3% per annum	0%
Threshold	3% per annum	25%
Between threshold and maximum	3% to 8% per annum	25%-100%
Maximum	8% per annum and above	100%
Actual EPS	112.7p	
Actual growth achieved over the period (per annum)	**17.1%**	**100%**

50% of the award is based on the company's return on capital employed in the final year of the three-year performance period[1]:

Performance level	ROCE[1] for the final year of the performance period	% of award that will vest
Below threshold	Less than 24%	0%
Threshold	24%	25%
Between threshold and maximum	Between 24% and 30%	25%-100%
Maximum	30% per annum and above	100%
Actual ROCE achieved in 2022/23	**32.4%**	**100%**

1. ROCE is calculated as Earnings Before Interest and Tax (EBIT)/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles (£71.2m), and capital employed (£219.5m) is defined as documented in the Finance Review on pages 91 and 92.

Based on the performance against targets, the PSP awards will vest on 23 September 2023 as follows:

	Date award granted	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value[1] of shares vesting (£'000)	Number of shares awarded as dividend equivalent[2]	Value[1] of shares vesting including dividend equivalent (£'000)
Ian Barkshire	23 September 2020	42,019	100%	42,019	1,014	764	1,033
Gavin Hill	23 September 2020	32,796	100%	32,796	792	596	806

1. As the awards vest after the date of this report, value has been calculated using the average mid-market closing price of the company's shares over the three-month period ending 31 March 2023, £24.1422. This will be restated for the actual value on vesting in next year's report.
2. Dividend equivalents have been calculated based on dividends paid up until the date of this report. If dividends are payable between the date of this report and the vesting date, additional dividend equivalents will be awarded and the value will be updated in next year's report.
3. The Committee has reviewed whether there has been any form of windfall gain caused by the award having been granted in the year of the Covid-19 pandemic and has concluded that this has not been the case. The Remuneration Committee Chair's Statement explains the Committee's assessment in this regard.

Performance Share Plan awards made in the year and outstanding share incentive awards (audited)

Awards made under the PSP on 20 June 2022 were as follows:

	Date award granted	Total number of shares granted	Percentage of salary	Face value of award at grant date	Share price on day before award date	Vesting date
Ian Barkshire	20 June 2022	40,979	150%	£802,369	£19.40	20 June 2025
Gavin Hill	20 June 2022	29,456	150%	£576,748	£19.40	20 June 2025

The awards are nominally priced options of £0.05 and are subject to two performance conditions measured over a three-year period commencing 1 April 2022. One half of each award is subject to a performance condition based on the company's compound annualised earnings per share (EPS) growth. The other half of each award is subject to a performance condition based on the company's return on capital employed in the final year of the performance period.

Vesting of 50% of the award is based on EPS measured over a three-year performance period starting 1 April 2022 as follows:

Performance level	EPS growth over three years	% of award that will vest
Below threshold	Less than 4% per annum	0%
Threshold	4% per annum	25%
Between threshold and maximum	4% to 10% per annum	25%-100%
Maximum	10% per annum and above	100%

Vesting of the other 50% of the award is based on return on capital employed (ROCE) for the final year of the three-year performance period starting 1 April 2022 (being the 2024/25 financial year):

Performance level	ROCE for the final year of the performance period	% of award that will vest
Below threshold	Less than 26%	0%
Threshold	26%	25%
Between threshold and maximum	Between 26% and 32%	25%-100%
Maximum	32% per annum and above	100%

As at 31 March 2023, the outstanding options for Ian Barkshire and Gavin Hill under the PSP[1] were as follows:

Name	Scheme	31 March 2023	Granted	Exercised	Lapsed	Dividend equivalents[1]	1 April 2022	Exercise price[2]	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Ian Barkshire	PSP	67,998					67,998	£0.05	£9.58	25/09/17	25/09/20	24/09/27
	PSP	66,172					66,172	£0.05	£10.10	03/07/18	03/07/21	02/07/28
	PSP	49,497				1,178	48,319	£0.05	£14.00	15/07/19	15/07/22	14/07/29
	PSP[3]	42,019					42,019	£0.05	£16.24	23/09/20	23/09/23	22/09/30
	PSP	32,468					32,468	£0.05	£23.80	05/07/21	05/07/24	04/07/31
	PSP	40,979	40,979				—	£0.05	£19.40	20/06/22	20/06/25	19/06/32
Gavin Hill	PSP	53,071					53,071	£0.05	£9.58	25/09/17	25/09/20	24/09/27
	PSP	51,646					51,646	£0.05	£10.10	03/07/18	03/07/21	02/07/28
	PSP	38,633				920	37,713	£0.05	£14.00	15/07/19	15/07/22	14/07/29
	PSP[3]	32,796					32,796	£0.05	£16.24	23/09/20	23/09/23	22/09/30
	PSP	23,338					23,338	£0.05	£23.80	05/07/21	05/07/24	04/07/31
	PSP	29,456	29,456				—	£0.05	£19.40	20/06/22	20/06/25	19/06/32

1. Dividend equivalents are awarded on PSP shares vesting, for the period to vesting, in respect of the actual number of shares vesting.
2. During the financial year ended 31 March 2023 the Remuneration Committee agreed that those awards outstanding under the PSP, both vested and unvested, which had been granted as nil-cost options, would be converted to nominally priced options of £0.05 per share. For the Executive Directors, a reimbursement payment will be made in respect of the immaterial disbenefit (i.e. the difference between £0 and £0.05 per share), at the point at which any award vests or for those awards which have already vested, at the earlier of when they exercise their options or when future vesting activity is scheduled to take place. Upon any such payment being made, this will be disclosed and explained in the Single Figure Table as an item of 'Other remuneration'.
3. The performance conditions relating to this award have been tested and have exceeded maximum vesting.

The market price of the shares at 31 March 2023 was £25.05 (2022: £21.10) and the range during the year was £17.20 - £26.25 (2022: £17.60 - £26.80).

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Performance conditions for outstanding, unvested awards which are not stated elsewhere in this report are described below:

PSP	50% of award	50% of award
5 July 2021[2]	EPS growth – 4% p.a. (25% vesting) to 12% p.a. (100% vesting)	ROCE[1] in the final year of the performance period – 24% (25% vesting) to 30% (100% vesting)

1. ROCE is calculated as EBIT/capital employed where EBIT is adjusted operating profit less amortisation of acquired intangibles, and capital employed is defined as documented in the Finance Review on page 91.
2. Three-year performance period commencing 1 April prior to date of grant.

Dilution limits (unaudited)

The company's current share plan rules provide that overall dilution through the issuance of new shares for employee share schemes should not exceed an amount equivalent to 10% of the company's issued share capital over a ten-year period. Under the company's new Long-Term Incentive Plan rules which are to be proposed at the Annual General Meeting on 19 September 2023 for shareholder approval, a further limit will be implemented whereby overall dilution through the issuance of new shares for employee share schemes pursuant to awards to Executive Directors and other senior executives should not exceed an amount equivalent to 5% of the company's issued share capital over a ten-year period. The SIP scheme only uses market-purchased shares.

The Committee monitors the position prior to making awards to ensure that the company remains within the applicable limit. As of the date of this report, the company's utilisation is under 2%.

Shareholding requirements (audited)

The Executive Directors are required to build and retain a shareholding in the company equivalent in value to 200% of basic salary. Until the requirement is met, the Executive Directors are expected to retain or purchase shares equivalent to the value of 50% of the net amount realised on exercise of long-term incentive awards after allowing for tax payable. The value of vested but unexercised PSP awards may count towards the shareholding level, calculated at the net of tax value.

Directors' shareholdings as at 31 March 2023 are shown in the table below.

	Beneficially owned shares	Share option awards (PSP) vested but unexercised	Percentage of salary held in shares under shareholding guideline[1]	Guideline met as at 31 March 2023	Share option awards (PSP) unvested and subject to performance[2]
Ian Barkshire	3,152	183,667	474%	Yes	115,466
Gavin Hill	2,707	143,350	517%	Yes	85,590
Neil Carson	8,000	-	-	N/A	-
Richard Friend	0	-	-	N/A	-
Mary Waldner	1,000	-	-	N/A	-
Alison Wood	0	-	-	N/A	-
Nigel Sheinwald	0	-	-	N/A	-
Reshma Ramachandran	0	-	-	N/A	-

1. The tax rate used to determine the net value of the vested PSP awards is 47%. Shares valued using the market price of the shares on 31 March 2023: £25.05.
2. Award granted in September 2020 will vest in full in September 2023. Awards granted in July 2021 and June 2022 remain subject to performance conditions.

Pension arrangements

Executive Director pension arrangements (audited)

Executive Directors can decide to contribute to a pension plan of their choice. The company contributes a fixed amount, calculated as 14% of base salary paid in year to 31 March 2020. Only base salary is pensionable. Where the company's pension contribution exceeds the annual allowance, a balancing payment is paid by the company to the Director, which is taxed as income. In line with the policy for all UK employees, this cash payment is reduced by 12.12% to cover employer's national insurance costs.

During the year, the company contributed £4,000 (2022: £4,000) into the company's Group Personal Pension Plan in respect of Ian Barkshire and £4,000 (2022: £4,000) into a personal defined contribution plan in respect of Gavin Hill. Balancing payments of £54,454 to Ian Barkshire and £42,501 to Gavin Hill (net of employer's national insurance contributions) were paid as cash.

Ian Barkshire is a deferred member of the defined benefit pension scheme and is no longer accruing benefits in the scheme. In accordance with the rules of the scheme, his deferred benefits are subject to increases in line with statutory revaluation. The transfer value of his accrued benefits at 31 March 2023 was £700,298 (2022: £1,219,549). The normal retirement age applicable to Ian under the scheme, is 65 and as he will retire in April 2024, no additional benefits will be provided.

Effective 19 September 2023, the date of the 2023 AGM, the pension contribution for Executive Directors will reduce to 6% of salary, which is the maximum percentage amount payable to the majority of the UK workforce.

Payments to past Directors and for loss of office (audited)

There were no payments to Directors for loss of office or any payments to past Directors.

As detailed earlier in this report, Ian Barkshire is expected to retire from his role as CEO and from the Board during 2023/2024. An overview of the treatment of Ian's remuneration for 2023/24 and for the duration of his notice period is set out below:

- Ian will receive salary, benefits and pension for the duration of his notice period; however the benefit provision of a driver will cease at the end of active employment.
- Ian will be eligible to participate in the 2023/24 annual bonus plan for the period of his active service during the year and this will be payable at the usual time based on performance and in line with the new policy subject to shareholder approval at the 2023 AGM, payable in cash and deferred shares.
- Ian will not be eligible to receive an LTIP award for 2023/24.
- Ian will be treated as a good leaver in respect of his unvested LTIP awards and these will continue subject to a time pro-rata reduction to the end of his notice period, the achievement of performance conditions and vesting at the normal time. The two-year post-vesting holding periods continue to apply for these awards.
- In line with the policy, Ian will be subject to the post-cessation shareholding requirement which requires him to retain a shareholding on cessation, equivalent to 200% of base salary, for two years (unless by genuine exception, e.g. serious ill health). The two-year period is effective from the end of his notice period.

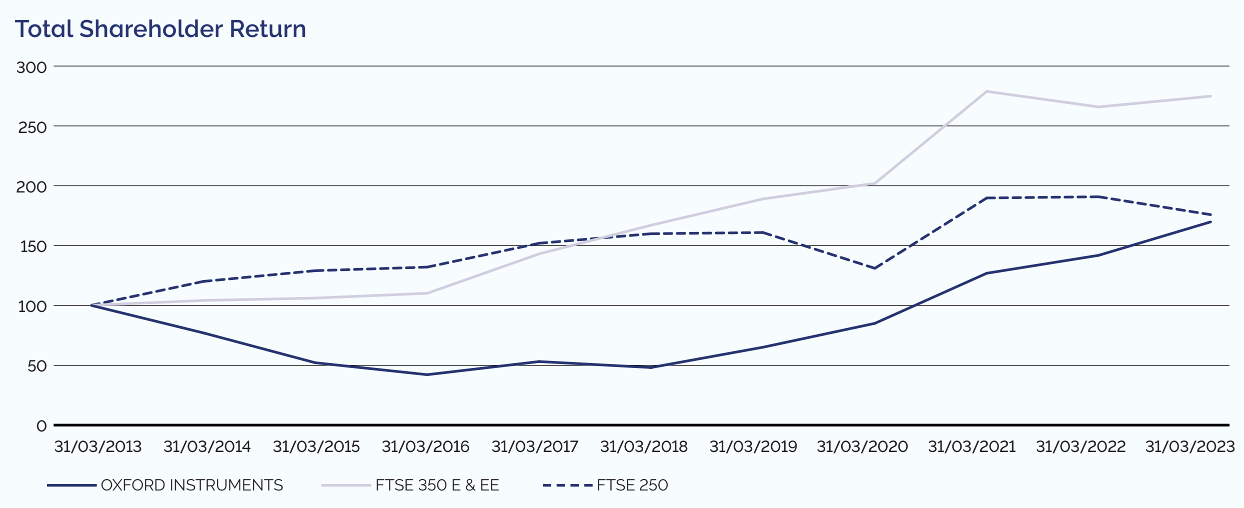
Full details of his remuneration for the duration of his notice period will be included in next year's report.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2023 the total shareholder return (TSR) on a holding of the company's ordinary shares compared with the TSR of an equivalent value invested in the FTSE 250 and FTSE 350 Electronic and Electrical Equipment indices. These indices have been chosen as they are considered to be the most appropriate comparator groups for the company. TSR has been calculated by reference to the relevant share price for each constituent company assuming dividends are reinvested.



This graph shows the value, by 31 March 2023, of £100 invested in Oxford Instruments plc on 31 March 2013 compared with the value of £100 invested in the FTSE 250 and FTSE 350 Electronic and Electrical Equipment indices. The other points plotted are the values at intervening financial year ends.

The total remuneration of the CEO over the last ten years is shown in the table below. The annual bonus payout and PSP vesting level as a percentage of the maximum opportunity are also shown.

				2017[1]							
Year ending 31 March	2014	2015	2016	DJF	IRB	2018	2019	2020	2021	2022	2023
Total remuneration (£'000)	1,179	579	743	64	620	791	1,957	1,967	2,244	2,087	2,232
Annual bonus outcome (%)	15.0%	7.5%	38.6%	0%	56.3%	63.7%	94.4%	62.9%	100%	74.2%	80.56%
ESOS vesting (%)	100%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SELTIS/PSP[2] vesting (%)	100%	0%	0%	0%	N/A	N/A	92.8%	100%	100%	100%	100%

1. 2016/17 financial year: remuneration shown separately for Jonathan Flint (DJF) who was CEO from 1 April to 11 May 2016 and Ian Barkshire (IRB) who was CEO from 12 May 2016 to 31 March 2017.
2. Executive Directors were last granted ESOS (market value share options) and SELTIS (nil-cost options) in June 2014. PSP awards have been granted after June 2014 as the long-term incentive.

Ratio of Chief Executive pay to that of employees

The Chief Executive to employee pay ratio for 2022/23 and prior financial years is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2022/23	A	66.2:1	49.4:1	36.8:1
2021/22	A	65.3:1	48.5:1	36.3:1
2020/21	A	72.6:1	55.0:1	39.8:1
2019/20	A	62.5:1	47.8:1	33.3:1

The pay for the CEO and the employees at the percentiles for the 2022/23 ratio are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£522,500	£31,075	£42,399	£56,180
Total pay	£2,231,539	£33,669	£45,143	£60,614

The ratios have been calculated in accordance with Option A under the relevant regulations, as this is the most statistically accurate method. The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentile, calculated based on full-time equivalent pay data for the full financial year to 31 March 2023. All UK employees employed at the end of the financial year who had worked the full year have been included, part-time employees have been included and pay has been converted to a full-time equivalent number by calculating total part-time pay and grossing up to the full-time equivalent for the role. Accordingly, any employees that left the company or joined during the year have been excluded.

The calculations use the pay for Ian Barkshire as disclosed in the single figure table. The pay for all UK employees comprises salary, benefits, pension and annual bonus payments due for 2022/23. None of the employees at the percentiles received share awards.

The CEO pay ratio has remained broadly consistent with prior year, as a result of similar outcomes under the incentive plans for 2022/23 compared to prior year, whilst employee pay has increased at all three percentiles for this year.

As the Committee is regularly apprised of the remuneration policy throughout the company to ensure that decisions in relation to executive pay are considered in the round, the Committee is satisfied the pay of the employees identified for the quartiles appropriately reflects the employee pay structure in each quartile and the resulting pay ratios are consistent with the pay, reward and progression policies in place for all employees.

Percentage change in the remuneration of the Directors (unaudited)

The table below shows the percentage change in each of the Director's salaries, taxable benefits and annual bonus earned between 2019/20 to 2022/23 compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

	2021/22 to 2022/23			2020/21 to 2021/22			2019/20 to 2020/21		
Directors as of 31 March 2023	Salary % change[2]	Benefits % change	Bonus % change[3]	Salary % change	Benefits % change	Bonus % change	Salary % change	Benefits % change	Bonus % change
Ian Barkshire	7.1	24.5	15.0	15.0	30.1	2.8	-3.6	-41.3	62.1
Gavin Hill	5.0	18.8	15.3	8.5	2.3	-2.8	-4.1	8.2	57.1
Neil Carson	4.3	–	–	8.0	–	–	-4.3	–	–
Richard Friend	4.3	–	–	8.0	–	–	-3.4	–	–
Mary Waldner	3.8	–	–	8.3	–	–	-3.8	–	–
Alison Wood[4]	9.3	–	–	N/A	–	–	N/A	–	–
Nigel Sheinwald[5]	N/A	–	–	N/A	–	–	N/A	–	–
Reshma Ramachandran[6]	N/A	N/A	–	N/A	–	–	N/A	–	–
Average employee pay[1]	10.3	9.01	-4.7	4.24	-8.4	-23.1	-0.7	-6.7	7.0

1. Average employee includes all UK employees in service on 31 March 2023 for the 2021/22 to 2022/23 comparison, but excludes those who were on maternity leave, long-term sick leave and those who started or ended employment within the period.
2. The average pay increase across all employees in the UK in 2022/23 was 10.3%.
3. The value of the average employee bonus for the year ended 31 March 2023 (to be paid in July 2023) was not known at the time the Report and Financial Statements were approved and consequently the number included is management's best estimate of the bonus that will be paid.
4. Alison Wood joined the Board on 8 September 2020.
5. Nigel Sheinwald joined the Board on 22 September 2021.
6. Reshma Ramachandran joined the Board on 1 September 2022.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Relative importance of the spend on pay

The following table shows the Group's employee costs relative to dividends:

	Year ended 31 March 2023	Year ended 31 March 2022	% change
Employee costs (£m)	146.4	115.5	26.75%
Dividends (£m)	10.6	10.4	1.92%

Statement of shareholder voting (unaudited)

The resolution to approve the Directors' Remuneration Policy was passed at the 2020 AGM and received the following votes from shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Directors' Remuneration Policy	46,549,719	1,849,350	96.2	3.8	4,842

The resolution to approve the Annual Report on Remuneration at the 2022 AGM received the following votes from shareholders:

Resolution	Votes for	Votes against	% for	% against	Votes marked as abstain
To approve the Annual Report on Remuneration	45,101,685	712,185	98.45	1.55	3,021

How the policy will be applied in 2023/24 (unaudited)

Base salaries

With effect from 1 July 2023, the salary of the CEO will increase by 3% from £530,000 to £545,900 and the salary of the CFO will increase by 5% from £380,970 to £400,000. These increases are below and in line with the average increase awarded across the UK workforce.

The salary of our new CEO on appointment has been set at £570,000, which reflects our view of mid-market positioning based on comparable positions in similar companies in terms of size, industry, structure and complexity. The total fixed pay of salary, benefits and pension for the new CEO upon his appointment, will be lower than for the current CEO.

Benefits and pension

Benefits will be in line with those received in 2022/23 for the current CEO and CFO and will be in line with policy for the new CEO. Pension will be £61,964 and £48,363 for the current CEO and CFO, respectively, until the date of the 2023 AGM and will then be 6% of salary thereafter, which is the maximum percentage amount payable to the majority of the UK workforce. Pension will be 6% of salary for the new CEO from appointment.

Annual bonus

The maximum opportunity under the annual bonus plan for 2023/24 will be 150% of base salary for both the current CEO, new CEO and CFO. The current CEO's bonus will be pro-rated based on the period of active service for the year. As explained in the Chair's letter, the new CEO's bonus will be pro-rated for the period from appointment. One third of the bonus payable will be delivered in shares subject to a three-year holding period.

A combination of financial (83.3%) and non-financial strategic (16.7%) metrics will be used to determine the level of payment under the annual bonus for the CEO and CFO as detailed in the table below:

Measure	Weighting as a % of maximum
Profit (£m)	50%
Adjusted operating profit margin (%)	16.7%
Cash conversion (%)	16.7%
Strategic objectives	16.7%

For the CEO and CFO, the non-financial strategic objectives are linked to operational improvement, business system upgrades and our sustainability agenda. The Committee has ensured that the sustainability-related targets are not duplicative of those to be used for the Long-Term Incentive Plan awards.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include matters which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Annual Report on Remuneration.

Long-term incentive awards in respect of the financial year

The 2023/24 LTIP awards will be over shares with a market value at grant of 200% of salary for the new CEO and also, on an exceptional basis, for the CFO. The new CEO's award will not be pro-rated to reflect his date of appointment as the award is in lieu of his March 2023 LTIP award that was forfeited from his previous employer. The current CEO will not receive an LTIP award.

Vesting will be subject to the performance conditions as set out below measured over a three-year performance period commencing 1 April 2023. Further to the policy review, we concluded that it was appropriate to add a performance condition based on TSR with 25% weighting. We are also pleased to add two non-financial performance measures for the first time, drawn from our sustainability strategy and based on (i) stretching targets to reduce our Scope 1 and 2 carbon emissions and (ii) significant improvement in female representation in leadership positions. Overall we believe that this broader mix of performance conditions, measuring different aspects of company performance, provides a strong and rounded assessment of the success of the business performance, strategy and purpose, over the period.

The growth range for the EPS measure has remained consistent with that set for last year's awards, however, it is referenced off a significantly higher FY23 EPS baseline, requiring a step change in profitability performance by FY26. The target range for the ROCE measure has increased and will require improvement on an already strong ROCE position. We are satisfied that these target ranges are appropriately stretching in light of both the business plan and market outlook, as well as the increased grant levels under the new policy.

The newly added TSR measure will require significant stock market outperformance from what is currently an all-time-high market value for the company.

The sustainability measure will require (i) significant reduction in our Scope 1 and 2 emissions in line with our ambitious plan to reduce these by 50% and 70%, respectively, by 2030 and (ii) significant improvement in female representation in leadership positions. These are currently two key focus areas within our broader sustainability agenda, where we have clear targets set for 2026 and so they are particularly appropriate to assess in line with the three-year LTIP award cycle. In future years we will seek to broaden emissions targets to include Scope 3, and we may also use other long-term targets from our broader sustainability agenda for discrete elements of the LTIP.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

Performance measure	Weighting	Performance targets
Earnings Per Share (EPS)	30%	4% p.a. (25% vesting) to 10% p.a. (100% vesting) CAGR over three financial years measured from the 2022/23 financial year end EPS.
Return on Capital Employed (ROCE)	30%	30% in the final year of the performance period (2025/26 financial year) (25% vesting) to 34% (100% vesting).
Relative Total Shareholder Return (TSR)	25%	Median (25% vesting) to Upper quartile (100% vesting) over three financial years commencing with the 2023/2024 financial year relative to the companies comprising the FTSE 250 Index (minus Investment Trusts) at the start of the performance period.
Sustainability – emissions reduction	7.5%	2% reduction of absolute Scope 1 and 2 emissions in the final year of the performance period (2025/26 financial year) (25% vesting) to 9% (100% vesting).
Sustainability – percentage of females in senior leadership positions	7.5%	35% in the final year of the performance period (2025/26 financial year) (25% vesting) to 40% (100% vesting). The current percentage of females in senior leadership positions is 31.9%. Senior leadership is defined as Leadership Committee, their direct reports and key decision makers.

New CEO - Replacement awards in respect of awards forfeited from previous employment

The new CEO will be granted buy-out awards following his appointment as CEO to replace awards forfeited from his previous employment on leaving. An overview of the awards to be granted is provided below, with further details to be provided in next year's report once the awards have been granted.

Richard Tyson will forego his FY23 annual bonus for the period of time worked at his previous employer during FY23. He will also forfeit outstanding LTIP awards. In line with our recruitment policy and as part of the discussions regarding Richard joining, the Committee agreed to replicate the FY23 bonus foregone and LTIP awards being forfeited as closely as possible, taking into account the nature of the deferred remuneration forfeited, the performance conditions, the expected value and the time over which they would have vested or been paid.

As such, the FY23 annual bonus foregone at his previous employer will be payable, on a pro-rated basis up to the date his employment ceases and on the basis that the original financial targets are achieved, subject to the same cash and deferred shares mix as per the policy at his previous employer.

Richard's forfeited 2021 and 2022 LTIP awards will be replaced with equivalent awards granted under the Oxford Instruments LTIP, based on the value of the forfeited shares on the date of leaving his previous employer. These awards will vest on the same date as his original 2021 and 2022 TT Electronics plc LTIP awards would have vested, subject to the original performance conditions and will be subject to two-year post-vesting holding periods. Clawback will also apply, if circumstances at his former employer give rise to clawback at that company. With regards to his forfeited 2023 TT Electronics plc LTIP award, Richard will not receive a replacement award in the same way as his other forfeited LTIP awards, but will instead receive an award under the Oxford Instruments LTIP in 2023 which is subject to the performance conditions set out above.

We have ensured that all of the buy-out arrangements are strictly like-for-like and are no more than necessary to ensure Richard's successful recruitment.

Non-Executive Directors' fees

The Committee and the Board, as appropriate, have reviewed the fees for the Chair and Non-Executive Directors as part of the policy review and have concluded that the fee levels lag market competitive rates. Accordingly, in line with the general workforce, the basic fees for the Chair and the Non-Executive Directors will increase by 5% for 2023/24, effective from 1 July 2023, with higher increases for the Senior Independent Director and Committee Chairs.

	2022/23	2023/24	% increase
Board Chair	£196,636	£206,467	5%
Additional fee for Deputy Chair	£5,202	£5,202	0%
Basic fee	£54,675	£57,408	5%
Additional fee for Senior Independent Director	£7,803	£10,000	28.16%
Additional fee for Committee Chair	£7,803	£10,000	28.16%

Note: The fees shown for 2022/23 and 2023/24 are the annual rates as at 1 July 2022 and 1 July 2023, respectively.

Approval

This report was approved by the Committee on 14 July 2023 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 19 September 2023.

Alison Wood
Chair of the Remuneration Committee

14 July 2023