SUSTAINABILITY

Sustainability is central to Oxford Instruments, with our purpose, values, strategy and chosen end markets all aligning around the positive impact we seek to make on our planet and our stakeholders

Through our products and services, we are working to enable a greener, healthier, more connected advanced society. And through our commitment to operating responsibly, in line with our values, we strive to be a good citizen of the planet.

We take a holistic approach to sustainability, ensuring that it is embedded throughout the organisation, from our Board-level Sustainability Committee, on which all Board members sit, to our whole workforce around the world. We also seek to embed principles of sustainability in our interactions with all stakeholders, including customers, supply chain partners and our local communities. In order to align with our ambition to be a leading organisation in the area of sustainability, and adhere to our principles, we focus on the following areas: environment, social and governance (ESG).

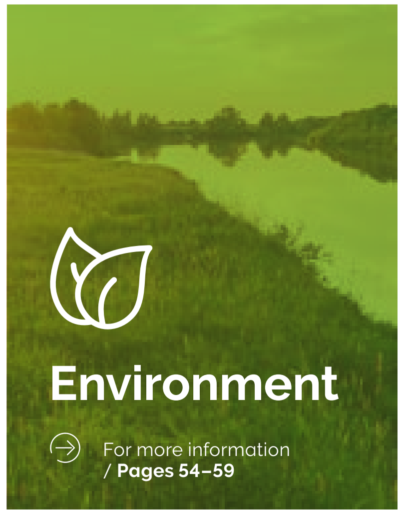
Taking the right actions on sustainability at all levels is critical for us to create the value and positive impact we seek to achieve, and we are committed to building on past progress and continuing to challenge ourselves to go further. We are currently focusing on six strategic initiatives to effect change in our organisation – progress to net zero; environmental impact; operating responsibly; sustainable product stewardship; inclusive culture; and community and connection. These strategic initiatives are underpinned by the ongoing foundations of responsible business which guide our ways of working: environmental progress; ethical business practices; regulatory and financial compliance; health and safety; investing in our people; and culture and engagement. We set out our progress against our ESG strategy throughout this section.

At a global level, the United Nations Sustainable Development Goals provide an ambitious and powerful framework for companies and other organisations to focus their efforts and commitments. We fully support all 17 goals, but have focused our efforts around those goals where we feel most able to have a positive impact.

Our products contribute toward the following goals:

The way we run our business and the actions we take throughout our value chain support the following goals:

In order to align with our ambition to be a leading organisation in the area of sustainability, and to adhere to our principles, we focus on the following areas:



"We will continue to strive to expand both our reporting and the extent and detail of our sustainability targets, in line with our purpose and values."

Sir Nigel Sheinwald
Non-Executive Director and Chair of the Sustainability Committee

Introduction

We are committed to continuing and, where we can, accelerating our positive progress on sustainability each year. A particular area of focus has been the development of our new, ambitious and evidence-based net zero target of 2045, together with interim targets to 2030 for the reduction of our Scope 1 and 2 emissions. Our next steps include setting out the detail of our roadmap to net zero, developing interim targets for our Scope 3 emissions, and assessing the progress made towards our goals. For more detail, see pages 54 to 59.

We have also focused on the social and governance elements of our sustainability agenda,. In particular, we continue to strive for equality, diversity and inclusion, and this year have launched new employee impact groups focused on race and ethnicity, and LGBTQ+ issues. For more on our people and governance-centred initiatives, see pages 72 to 81.

Remuneration structures are a key tool to drive sustainability-focused behaviours and positive impacts. This year, the Sustainability Committee and Remuneration Committee have joined forces to devise new sustainability-related performance measures for Executive Directors, which will be implemented in FY23/24. For further information, see the Directors' Remuneration Report on pages 144 to 173.

As Sir Nigel Sheinwald, Chair of our Sustainability Committee, learned when he joined employees to discuss sustainability, there is widespread support across Oxford Instruments to progress our sustainability agenda across a range of initiatives, from reducing our CO_2 emissions to reconsidering energy usage, and achieving greater ethnic diversity in our workforce. You can read about our progress in 2022/23 throughout this Sustainability Report – and we look forward to going even further in 2023/24.

SUSTAINABILITY: ENVIRONMENT

Whilst we are proud of the positive impact our products make in the world, including their key role in supporting a technology pathway to decarbonisation, we are committed to continuing to minimise our own environmental footprint

Strategy and targets

With our intention to enable a greener society enshrined in our purpose, we have proactively reduced our own environmental footprint over many years. We embarked on our environmental journey in the early 2000s, with the creation of our employee-led Go Green teams; since then, we have dramatically reduced our carbon footprint, leaving only a relatively small footprint in our own operations. Today, our carbon intensity metric for Scopes 1 and 2 stands at 2.89 tonnes per £million revenue – a reduction of 66% versus the 8.5 tonnes per £million intensity ratio for 2019, our baseline year.

23%
reduction in tCO_2e per £million revenue versus 2021/22

6.7%
reduction in tCO_2e emissions versus 2021/22

0.62
tCO_2e per full-time employee (FTE) versus 0.76 tCO_2e per FTE in 2021/22

This year, supported by an in-depth analysis of the components of our emissions footprint, we have taken the significant step of setting new, more ambitious but achievable net zero carbon targets for Oxford Instruments. We are now committed to reaching net zero by 2045 in our own operations (Scopes 1 and 2) and across our supply chain and the use of our products (Scope 3). We will continue to review this ambition and the opportunities that arise as technology becomes more advanced, bringing this date forward if we possibly can. This stretching goal puts us five years ahead of the UK Government's commitment.

As part of our journey to net zero, we are setting challenging medium-term targets of a 50% reduction in Scope 1 emissions and a 70% reduction in Scope 2 emissions, both calculated versus our 2018/19 baseline year, and set to be achieved by 2030. We have set these targets in alignment with the Science Based Targets initiative (SBTi)'s 'well below 2°C' framework, pursuing the 'higher' ambition pathway, rather than the less challenging 'required' pathway. We will now formally submit them to SBTi for verification, approval and official publication. We will report on a market basis (reflecting the specific energy sources we use) where we can, and a location basis (reflecting the average emissions intensity of the grid) where this is not feasible.

The approach that we have taken in setting our targets combines ambition with a foundation rooted in an accepted process, and real-world data. As a company founded on scientific endeavour, we believe in the power of innovation to overcome the challenges faced by our supply chain, the source of most of our Scope 3 emissions. We are actively engaging with our suppliers and customers to seek to understand their routes to net zero (see case study below), and to work with our external sustainability advisers to consider the likely 'greening' timetable of key components. We will use what we learn to set an ambitious but achievable medium-term Scope 3 target in the coming year.

Through this process we have also incorporated sustainability considerations into our new product development stage gate process, to ensure the ongoing reduction of the carbon footprint of our products through energy use, packaging and distribution, as well as increased recyclability and upgradability.

CASE STUDY

Engaging with our supply chain

As with most manufacturing businesses, Scope 3 emissions (those derived from the products and services we purchase, and the use of our products by our customers) constitute the majority of our carbon footprint (98% of the total in 2021/22, when our most recent full Scope 3 assessment was undertaken). Working with our suppliers is therefore critical in order to understand, and then make an active plan to reduce, our Scope 3 emissions. In October 2022, our Chief Executive wrote to the suppliers who represent 80% of our Scope 3 footprint, to open a dialogue about our shared paths to net zero. The ongoing dialogue and information being provided is allowing us to better understand the maturity of environmental commitments across our supply base, and to build a detailed impact map of what we buy, as well as to learn from those who are further advanced on their journey than we are. We are also using this as an opportunity to share insights with and support SMEs who may have less experience in measuring and monitoring their emissions.

SUSTAINABILITY: ENVIRONMENT continued

Our roadmap to net zero

We have already made significant strides towards more sustainable operations over several years, leaving us with a relatively small remaining footprint in Scopes 1 and 2. In the coming year, we will further develop and prioritise our roadmap to net zero. The steps we will take between now and 2045 include:

- ensuring that all of our sales, service and manufacturing operations, wherever possible, are powered by REGO-certified or REGO-equivalent certifications of renewable electricity, looking to move from current sites as leases come up for renewal where this is not achievable;
- seeking environmentally friendly sites when we are looking for new sales, services or manufacturing facilities;
- looking for opportunities to reduce energy usage at each of our sites;
- replacing gas and oil boilers as suitable long-term alternative technologies become available; and
- switching fleet vehicles to electric rather than internal combustion engines.

Despite the reduction of our Scope 3 emissions being more challenging, as set out on page 55, we are proactively engaging with our supply chain, and as our approach matures, suppliers' approaches to decarbonisation will form a key part of our future purchasing decisions. We have also engaged an external sustainability adviser to help us build a data-led roadmap of the likely timeline scenarios for the reduction of the main contributing materials and components within our Scope 3 emissions.

Our progress

Our footprint across our operations has reduced by 6.7% year-on-year in absolute terms, and by 23% year-on-year in terms of our carbon intensity metric (tCO_2e per £million revenue). This indicates that our emissions are moving in the right direction – and, crucially, that although our business is growing, our emissions are not. Part of the reduction we have been able to demonstrate this year stems from our growing understanding of our global operations with a wide variety of leases and associated power arrangements. We continue to purchase REGO-certified renewable electricity for our four primary manufacturing sites in Oxford, Belfast, Bristol and High Wycombe, and are committed to doing so on an ongoing basis. This represents the manufacturing for 83% of our annual revenue.

Energy source	Usage 2022/23	Usage 2021/22
Electricity	11.58 GWh	10.01 GWh
Gas	1.62 GWh	2.43 GWh
Oil	0.59 GWh	0.53 GWh
Purchased district heating and steam	0.22 GWh	0.22 GWh
Propane	0.006 GWh	0.007 GWh
Owned vehicles	0.38 GWh	0.35 GWh
Total	**14.41 GWh**	**14.91 GWh**

When selecting new sites for our operations, we are committed to choosing facilities which are powered by renewable energy wherever possible. This year we have made the decision to consolidate our two Tokyo sites and are set to move to a new, highly sustainable building in summer 2023. With solar power, water-conservation and energy-saving measures, as well as having been constructed in part from recycled materials, the new site is a 4-star certified DBJ (Development Bank of Japan) green building. We also have an ongoing programme to improve energy efficiency at existing sites.

Actions taken during the year have included continuing to replace fluorescent lighting with LED lighting, optimising heating, ventilation and air-conditioning systems and rebalancing some electrical systems to improve efficiency.

Building on the continued strong engagement of our employees with environmental issues, we have continued to empower our Go Green teams across our sites to help us further embed sustainability initiatives throughout the Group. The support of our employees, combined with our focused efforts, has enabled us to make excellent progress in continuing to understand and manage our CO_2 emissions, and to educate each other, while continuing to reduce the amount of waste products generated at our manufacturing sites and facilities.

For more information on our progress, please see our TCFD statement progress roadmap on page 60.

Streamlined Energy and Carbon Reporting (SECR)

We have a statutory duty to report greenhouse gas emissions as tonnes of carbon dioxide equivalent (tCO_2e). Our chosen carbon intensity measure of energy use is tCO_2e per £million revenue), since this metric is best suited to a company like ours which is growing both organically and by acquisition. We report in line with the requirements of SECR, as set out in the UK Companies Act 2006 (Strategic Report and Directors Report) Regulations; our full SECR report can be found on our website www.oxinst.com and our abbreviated reporting is on page 58.

CASE STUDY

A new facility for Plasma Technology

Part of our commitment to sustainability includes taking positive action to minimise the environmental footprint of any new facilities and offices we take on.

Our new £70 million purpose-built semiconductor fabrication facility at Severn Beach, near Bristol, UK, which is set to open by the end of the current financial year, is a good example of this approach.

This larger, state-of-the-art manufacturing facility includes increased clean room space, which requires high power density, and would typically be environmentally controlled by gas boilers – and indeed the first plans for the site included gas boilers as standard. We successfully challenged the site's developers to source an all-electric heating solution, which will be powered by renewable energy. The building has been designed to meet the 'Very good' specification through BREEAM, the leading certification system for sustainable buildings. Eight electric vehicle charging points have been installed, with capacity to expand as adoption grows, and a solar array provides part of the site's power requirements. We are also exploring the potential for wind energy on site.

SUSTAINABILITY: ENVIRONMENT continued

Scope 1, Scope 2 and relevant Scope 3 greenhouse gas emissions (GHG)

	2022/23		2021/22		
Type of emissions	tCO_2e	% of total	tCO_2e	% of total	% difference in emissions
Direct (Scope 1)	603.4	47.0%	560.6	40.7%	+8%
Indirect (Scope 2) (market-based)	681.5	53.0%	817.0	59.3%	-17%
Indirect (Scope 2) (location-based)	2,511.9		2,803.5		-10%
Scope 1 and 2 (market-based) total	1,285.0	100.0%	1,377.6	100.0%	-6.7%
Total gross emissions (tCO_2e) (market-based)	1,285.0		1,377.6		-6.7%
Intensity ratio (market-based): Scope 1 & 2 tCO_2e per GBP £m turnover	2.89		3.75		-23%
Energy consumption used to calculate Scope 1 and 2 emissions kWh	14,409,374		14,317,185		+0.6%

Our total carbon footprint for April 2022 to March 2023 is as follows:

Type of emissions	Activity	Emissions (tCO_2e)	% of total
Direct (Scope 1)	Natural gas	296.6	23.0%
	Gas oil	162.8	12.7%
	Propane	1.3	0.1%
	Owned vehicles Petrol Diesel	 52.1 42.1	 4.1% 3.3%
	Refrigerant	48.5	3.8%
	Subtotal	603.4	47.0%
Indirect energy (Scope 2)	Purchased non-renewable electricity	673.6	52.4%
	Purchased renewable electricity	0.0	0.0%
	Purchased district heating and steam	8.0	0.6%
	Subtotal	681.6	53.0%
Total emissions (tCO_2e)			1,285.0
Energy consumption used to calculate emissions (kWh)			14,409,374
Intensity ratio: Tonnes of gross CO_2e per million GBP turnover			2.89

Business travel

As part of our commitment to reduce our environmental footprint, we are continuing to map and better understand our Scope 3 indirect emissions across the Group. These include business travel, where we are increasingly able to source granular data on distances travelled. Our strategy is to minimise the amount of travel undertaken, in particular by finding new ways to connect with customers (with customer service and sales currently our biggest sources of travel emissions), including increasing digital and remote service and expanding regional teams to bring them closer to our customers (see pages 50–51). We will continue to progress both the extent of our reporting and, most important, to take the tangible steps needed to reduce our footprint.

We have identified that our teams in the UK, USA, China and Japan undertook around 16.8 million km of air travel in FY2022/23, with the air travel carbon equivalent to 2,704.4 tCO_2e. This significant rise versus the prior year (2022: 6.0 million km), primarily reflects our deepening understanding of the amount of travel undertaken, but has also been impacted by the opening up of international travel routes as Covid-19 lockdown restrictions eased, particularly in Asia (a key market for the Group). When considered against an intensity metric (km travelled per £m of Group revenue), the number of kilometres travelled is trending around 16% below pre-Covid-19 levels (2019/20: 44,934km per £m revenue; 2022/23: 37,756km per £m revenue).

Air travel 2022/23	=	16,790,212 km (2021/22: 5,980,961 km)
Carbon equivalent	=	2,704.4 tCO_2e (2021/22: 947.5 tCO_2e)

Environmental directives

As a Group, we are committed to ensuring compliance with all environmental legislation in the countries where we operate. This includes European directives such as:

- Waste Electronic and Electrical Equipment (WEEE) Directive – compliance achieved in the UK by membership of B2B Compliance – an authorised compliance body. Other compliance bodies are contracted for our European operations;
- Restriction on the use of Hazardous Substances (RoHS) regulations;
- Registration, Evaluation, Authorisation of Chemicals (REACH) Directive;
- European Waste Framework Directive. This requires the company to enter data on parts and products that may contain Substances of Very High Concern (SVHC) into a database being set up by the European Chemical Agency (ECHA). This is known as the SCIP database and businesses are currently engaged in determining what should be entered into the database to ensure compliance.

Water and waste

While we measure our water usage, the level is minimal and not material, so has been excluded from this report. We have also excluded our use of hydrofluorocarbons. Our four primary manufacturing sites in the UK, generating 83% of Group revenue, are sending zero waste to landfill; our waste is recycled either directly or indirectly, for example general waste is used to generate electricity at dedicated incinerator sites.

SUSTAINABILITY: TCFD STATEMENT

Task Force on Climate-Related Financial Disclosures (TCFD) Statement for the year ended 31 March 2023

Introduction

Mitigating, adapting and responding to the impacts of climate change is central to our strategy, both in terms of how we operate our business, and in terms of the positive contribution we make towards a greener world through our products and services.

We have made it a core priority over many years to reduce the environmental impact of our operations. By 2018/19, our baseline year for carbon target measurement, we had already reduced our carbon intensity ratio (the most consistent metric in a growing company like ours) by nearly 70%, from 27.5 tCO_2e per £million revenue in 2013/14, our first year of reporting, to 8.5 tCO_2e per £million revenue. This was achieved through transformations within our business, including energy efficiency programmes and investments such as switching to LED lighting. This year's report shows that our strong progress continues, with our carbon intensity ratio now at 2.89 tCO_2e per £million revenue – a 66% reduction since 2018/19. A further area of focus and action has been the reduction of waste sent to landfill from our manufacturing processes and facilities (see table below), with all four UK manufacturing sites now classified as sending zero waste to landfill.

We are committed to maintaining our progress, and this year have set ambitious decarbonisation targets, as set out below. We have also continued to focus on working with our supply chain to reduce our extended carbon footprint, and on developing our understanding of the climate-related risks we face and the opportunities arising from the changing climate. Crucially, our commitment to sustainability, while led by the Board, is embedded throughout our organisation, and is central to our purpose: to enable a greener, healthier, more connected advanced society.

Progress roadmap

A snapshot of our journey so far, our progress during the latest financial year and our action plan for the year ahead, are summarised in the table below. Our environmental reporting on pages 54 to 59 of this report sets out our progress in further detail.

Prior to FY22/23	Progress during FY22/23	Focus for FY23/24
• Established a 'Go Green' committee at each key manufacturing site to deliver a local environment agenda and promote positive behaviours. • Invested in sustainable infrastructure and renewable technology, including the energy-efficient design of our new Plasma Technology facility. • Converted three manufacturing sites to achieve zero waste to landfill, with the business units on these sites representing approximately 60% of Group revenue in FY22/23. • Confirmed our aspiration to reach net zero carbon emissions ahead of 2050. • Produced our first report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2022. • Sourced certified renewable electricity for all of our UK manufacturing sites.	• Worked with the Board and Sustainability Committee to develop our abatement strategy and to consider the offsetting options for residual emissions. • Set new, ambitious targets to reach net zero carbon emissions by 2045. • Set interim targets for our remaining Scope 1 and 2 emissions (a 50% reduction in Scope 1 and a 70% reduction in Scope 2 by 2030 versus 2018/19 baseline). • Maintained 100% renewable electricity across our UK manufacturing activities, with the applicable business units representing approximately 83% of Group revenue in FY21/22. • Reduced our CO_2 emissions by 55% from 2,844 tCO_2e to 1,285 tCO_2e, between FY18/19 and FY22/23. • Further reduced the volume of waste to landfill by adopting a zero waste to landfill approach at our Belfast manufacturing site, ensuring that four sites representing 83% of Group revenue in FY22/23 send no waste to landfill. • Reviewed our position with the Science Based Targets initiative (SBTi) and agreed to work through SBTi process. • Completed full Scope 1 and 2 emissions assessment and calculation for the latest financial year and for 2018/19 baseline year; completed baseline assessment for Scope 3 emissions.	• Submit interim and long-term carbon reduction targets for validation through the Science Based Targets initiative (SBTi). • Complete full Scope 3 emissions assessment and continue engagement with key suppliers. • Set out our roadmap to net zero for Scope 1, 2 and 3 emissions. • Progress contracting of renewable electricity across our non-UK sites. • Assess which are the most relevant climate impact reporting frameworks for Oxford Instruments and adopt as appropriate. • Continue to build on our quantitative climate scenario analysis as part of TCFD alignment. • Extend our rollout of Go Green teams to non-manufacturing sites.

Compliance Statement

As we are a premium listed company, we have reported on a 'comply-or-explain' basis against the TCFD framework. This Report and Financial Statements contains our full TCFD disclosures. A copy can also be found in the sustainability section of our website: oxinst.com/sustainability.

In line with the requirements of the Financial Conduct Authority's Listing Rule 9.8.6(8)R, we note that while our disclosures in respect of the financial year ended 31 March 2023 are full and transparent and cover all the areas required by TCFD, there are some areas where we need to make further progress in order to meet its recommendations and recommended disclosures in full. The below table summarises our consistency per the disclosures made in this report, together with cross-references to the various sections of our Report and Financial Statements where additional relevant information can be found.

In determining whether our climate-related financial disclosures were consistent with the TCFD recommendations and recommended disclosures, we undertook a detailed assessment of those disclosures, supported by external advisers, which considered the applicable guidance referenced under Listing Rules 9.8.6B to G.

TCFD pillar	Recommended disclosure	Consistency	Disclosure location
Governance: Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	●	Pages 62–63
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	●	Pages 62–63, 70
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	●	Pages 64–69, 101
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.[1]	●	Page 70, 101
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.[2]	●	Page 64
Risk management: Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	●	Pages 70–71
	b. Describe the organisation's processes for managing climate related risks.	●	Pages 70–71
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	●	Pages 70, 94
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.[3]	●	Pages 70–71
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	●	Page 58
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	●	Pages 70–71

● Indicates internal assessment of full consistency with recommended disclosures.

● Indicates internal assessment of partial consistency with recommended disclosures. We are fully committed to achieving full consistency with the recommended disclosures and will continue to work towards this over the coming year. The gaps we have identified in our disclosures are set out below.

1. The impacts of climate-related risks and opportunities are not yet fully integrated across the required areas; we will seek to do this as our understanding deepens.
2. We have not yet carried out a complete climate assessment against a full range of scenarios. See page 64 for further details.
3. The metrics we have used do not yet extend to the full range of risks and opportunities arising. Please see pages 70 to 71 for further details.

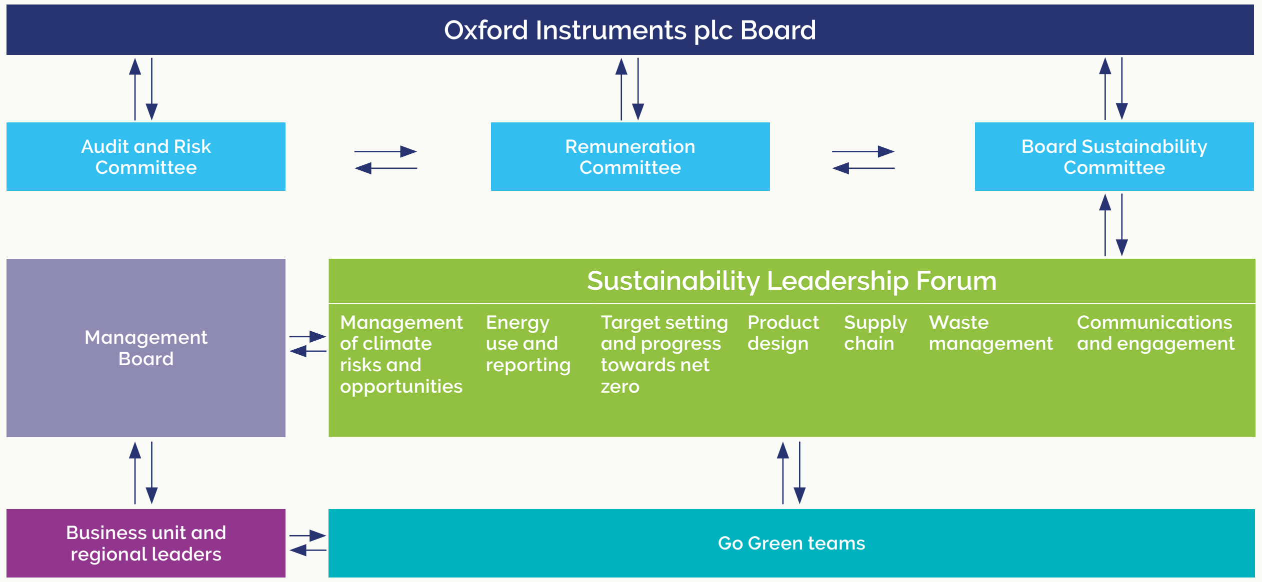
SUSTAINABILITY: TCFD STATEMENT continued

Governance

To successfully evaluate and respond to the challenges and opportunities posed by climate change, we recognise the importance of embedding knowledge of climate change issues across the business, supported by effective governance. Our governance around climate-related risks and opportunities is set out below.

The Board has ultimate responsibility for the oversight of climate change-related issues and is supported by its Committees (primarily the Sustainability Committee, the Audit and Risk Committee and the Remuneration Committee), the Management Board, the Sustainability Leadership Forum, set up in 2022, and the wider senior leadership team. However, climate change-related considerations are embedded throughout our governance structure, and at every level across the organisation, as set out in the graphic and explained in more detail below.

Climate-related governance framework



Note to graphic: Arrows indicate two-way transfers of information and guidance between forums.

The Board provides overall strategy and direction on climate-related risks and opportunities, and environmental strategy, including overseeing progress to net zero targets, and assesses how these are being managed.

The Board's Sustainability Committee, comprising all the Non-Executive Directors (see Committee Report, pages 141 to 143), holds a broad remit including accountability for assessing and reporting to the Board on progress against the environmental strategy, targets and metrics, and meets at least three times a year. The Audit and Risk Committee provides oversight and governance in relation to climate change-related risks and opportunities, which are managed operationally by the Management Board and Sustainability Leadership Forum, while the Remuneration Committee is responsible for setting and overseeing climate change-related remuneration incentives, together with any other sustainability-related incentives.

The Sustainability Committee in turn provides strategic guidance and oversight to the management-level Sustainability Leadership Forum (SLF), which is chaired by the Chief Executive. Representatives of the SLF attend Sustainability Committee, and a positive two-way dialogue between the two bodies fosters exchanges of information and insights. The SLF, set up in 2022, meets at least quarterly, and is primarily responsible for detailed development of strategy, together with the assessment, management and tactical delivery of the environmental remit.

Its membership includes functional heads and subject matter experts, who lead workstreams on:

- the management of climate risks and opportunities;
- energy use and reporting;
- development of target setting and progress towards net zero;
- product design;
- supply chain;
- waste management and recycling; and
- communications and engagement.

Committee members also lead liaison with an external consultant on climate, energy and progress to net zero.

A key part of the SLF's remit, working in collaboration with the Management Board, is to foster two-way engagement with business units, regional leadership and Go Green teams to drive and accelerate Oxford Instruments' progress towards net zero and our management of climate risks and opportunities.

Progress in the year

The Directors have considered climate-related matters throughout the year, with such matters forming part of the discussions in a range of areas including the company's strategy. The primary focus for the Board and Sustainability Committee in relation to climate during the year has been to obtain a detailed understanding of the actions required to decarbonise our operations and mitigate the impact of climate risk. The Committee has used this information to set ambitious but achievable decarbonisation targets, while developing its understanding of the Science Based Targets initiative (SBTi) and exploring our potential targets with reference to this framework. This is in line with the duties delegated to the Sustainability Committee by the Board, through its formal terms of reference. It is anticipated that progress against these goals will be considered as appropriate at Sustainability Committee meetings going forward.

During the year, the Sustainability Committee has held dedicated sessions with the Chief Executive, Management Board and external consultants. Outside formal meetings, the Chair of the Sustainability Committee and Chief Executive worked directly with various members of the wider management team and external consultants and reported back to the Board regarding the insights gained into recommended actions and targets.

As set out on pages 54 to 59, this process has culminated in setting our 2045 ambition to reach net zero for Scope 1, 2 and 3 emissions, as well as medium-term targets for Scopes 1 and 2. With the sponsorship and support of the Chief Executive, a working group of the Sustainability Leadership Forum has initiated detailed engagement with supply chain partners representing 80% in value terms of the goods and services we purchase, in order to deepen our understanding of the decarbonisation pathway for Scope 3 category 1 emissions. We have also commissioned external research to support our understanding.

With external support, we are establishing a detailed roadmap towards our net zero carbon emissions targets, and will submit both our targets and our roadmap to SBTi for validation in 2023/24.

To support our progress towards net zero, the Remuneration Committee has considered and intends to implement measures which recognise the importance of our decarbonisation activity, within future long-term incentive structures, as reported on pages 146 to 147.

Through its quarterly Audit and Risk Committee meetings, the Board has also considered the Group's wider climate-related risks and opportunities and liaised with the Head of Internal Audit and Risk to fully understand the methodologies used to determine these. One of its focus areas during the year was the integration of the process for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group into the wider enterprise risk management processes. This included the adoption of a standardised methodology for performing climate risk assessment.

The Board and its Committees will, through continued education and sharing of information, aim to stay abreast of developments concerning climate change and other environmental issues.

SUSTAINABILITY: TCFD STATEMENT continued

Strategy

We recognise that climate-related risks and opportunities could have a significant impact on our business model and strategy, both positive and negative.

Recognition of the risks and opportunities relating to climate change is inherent in our purpose – to enable a greener, healthier, more connected advanced society – and our business strategy, particularly in terms of the end markets and applications we address (see Market context, pages 28 to 29, and Strategy, pages 34 to 35). We are increasingly embedding climate change-related considerations into strategy, including the following areas:

- Services strategy, where we are extending digital service offerings to reduce the amount of travel to customers and building remote connectivity into our products to facilitate remote diagnostics.
- Supply chain, where we are carrying out engagement in order to set and achieve appropriate Scope 3 emissions reduction targets.
- Product development, where we are embedding sustainability criteria into our stage gate processes in order both to limit our Scope 1 and 2 emissions and to support customers in reducing their own emissions.

We also consider financial implications of risks and opportunities using our Group and business risk reporting.

We consider climate-related risks and opportunities across the short, medium and long term, with these timeframes defined, in line with our overall risk framework, as:

Impact time horizon	Year from	Year to	Duration
Short term	2023	2030	<10 years
Medium term	2030	2050	10-30 years
Long term	2050	2100	30+ years

Likelihood

Likelihood	Description
Highly unlikely	< 10% likelihood that the risk/opportunity will occur with 2°C/4°C climate change
Low	10%-20% likelihood that the risk/opportunity will occur with 2°C/4°C climate change
Moderate	20%-50% likelihood that the risk/opportunity will occur with 2°C/4°C climate change
Highly likely	> 50% likelihood that the risk/opportunity will occur with 2°C/4°C climate change

Climate scenario analysis

Qualitative work, to further develop our understanding of the potential impact on our business of climate-related physical and transition risks and opportunities considering a range of climate change scenarios, is ongoing. We have not yet undertaken specific scenario analysis and so are not able to report on the key input assumptions, analytical methods or outcomes. We are working to determine the appropriate methodology and modelling tools to be used to extend this exercise. We note that the approach may comprise stakeholder engagement and the prioritisation of climate-related risks and opportunities which may require deeper analysis via quantitative modelling. This work will ultimately support our understanding of the resilience of our low carbon transition plan under different climate change scenarios.

The outcomes from further climate scenario analysis will be considered as part of our process for the assessment of climate change-related risks and will support our future climate-related financial planning.

The climate-related risks and opportunities we have identified over the short, medium and long term.

Climate-related risks and opportunities are characterised in the terms set out below.

Physical risks	Transition risks
Physical risks stemming from geo-environmental location events, including severe weather events (acute), or long-term changes (chronic) in climatic conditions can cause severe damage and disruption to companies' operations and supply chain and generate increased product prices. **Acute physical risks** – Those that are event-driven, including increased severity of extreme weather events, such as increased heatwaves, droughts, fires, storms, cyclones, hurricanes or floods. **Chronic physical risks** – Longer-term shifts in climate patterns (e.g. sustained higher temperatures or rainfall patterns) that may cause sea level rise or chronic heatwaves.	With increasing scrutiny of company climate change-related strategies, and as global net zero target-setting continues, we are seeing market-related, regulatory and reputational risks develop. **Technology risk** – Technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system can have a significant impact on organisations. **Market risk** – Whilst the circumstances in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products and services, as climate-related risks and opportunities are increasingly considered. **Policy** – Policies that attempt to curb or constrain actions that contribute to the adverse effects of climate change or that seek to promote adaptation to climate change. **Legal actions** – Recent years have seen an increase in climate-related litigation being brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organisations. **Reputational risk** – Arising from stakeholder perceptions of an organisation's environmental credentials, including any contribution to, or detraction from, the transition to a lower-carbon economy.

We have carried out a high-level assessment of the climate-related physical risks relating to our four key manufacturing sites in the UK: our Head Office at Tubney Woods, near Oxford (NanoScience); Andor Technology in Belfast; Oxford Instruments High Wycombe (NanoAnalysis and Magnetic Resonance) and Oxford Instruments Plasma Technology, which currently operates from Yatton in North Somerset and is soon to move to new premises at Severn Beach (see page 57). These sites represent more than 80% of our operations in terms of revenue.

All four sites are at low (1% a year) or very low risk (less than 0.1% a year) from river, sea and surface water flooding, based on published Environment Agency data and internal risk assessments, and therefore we do not currently consider that any flood risk mitigation is required.

All manufacturing sites are required to consider the potential impact of climate-related risks as part of their business continuity plans and implement appropriate mitigating actions when required. Our head office site, including the NanoScience manufacturing facility, is surrounded by woods, and the facilities team works with the adjacent landowner (the Forestry Commission) to manage the risks associated with the physical environment. As part of our ongoing work relating to climate change-related risks, Internal Audit has been instructed to review existing business continuity plans during FY23/24 in order to identify potential opportunities for improvement.

Over the coming financial year, we plan to carry out an assessment to cover our key remaining global sites. We also consider climate risk when identifying new sites, such as our new offices in Tokyo, as described on page 56.

The climate-related risks and opportunities we see as most material for Oxford Instruments are set out on the following pages. Below, we set out our assessment of the financial impact should these arise.

SUSTAINABILITY: TCFD STATEMENT continued

Impact

Rating	Financial impact (risk or opportunity)	Transitional (2°C change)	Physical (4°C change)
Severe	More than £5m	• Complete relocation of manufacturing • Significant change in supplier base • Change in technology due to supply constraints	• Relocation of facilities due to flood, excess heat or wildfires • Potential for product obsolescence plus new markets and opportunities as the paradigm shift required to deal with extremes of climate change drives the emergence of new or disruptive technologies (e.g. the hydrogen economy) that previously might not have been commercially viable
Major	£2m – £5m	• Investment in infrastructure required, for example in relation to additional cooling, water supply or power • Significant change in supplier base	• Increased severe weather causing continued disruption • Multiple changes in supplier • Loss of customers due to global changes
Significant	£1m – £2m	• Relocation of sales offices to another country • Changing of suppliers	• Investment in infrastructure required, for example in relation to additional cooling, water supply or power • Significant change in supplier base
Notable	£250k – £1m	• Additional investment infrastructure to manage global change	• Relocation of sales offices to another country • Changing of suppliers
Insignificant	Less than £250k	• Minor relocation of personnel • Update of company fleet to electric vehicles	• Relocation of sales offices within same country • Changing of minor suppliers

The risks and opportunities which we consider to be most material for us at present are set out below.

Climate-related risks

Acute physical risks

	Context	Risk impact	Time horizon	Likelihood	Magnitude of impact	Impact area	Current risk controls
Severe event disrupts global supply chains	Flooding and/or other natural disasters linked to climate change could lead to shortages in the global availability of key components.	Supply chain disruption leading to higher prices or shortages of raw materials. Impact on increased cost of sales or, in the extreme, disruption to production until normal supply resumes or alternatives can be found.	*Medium term*		*Significant*	*Operations*	Long-term supply agreements with key suppliers can mitigate short-term price volatility. Business interruption insurance provides a degree of cover in the event that supply chain issues cause significant disruption to production.
Severe event causes existing customers to relocate operations	Flooding and/or other natural disasters linked to climate change could cause customers to relocate from areas that are particularly affected by the physical impact of climate change.	Unforeseen relocations may lead to a short-term hiatus in demand. As a Group we may need to adapt and relocate operations ourselves to meet the revised geographical profile of demand.	*Medium term*		*Notable*	*Service operations*	Strategic review of logistics, supply chain, manufacturing, and service operations.
Extreme weather impacts operations	Disruption to manufacturing operations due to loss of infrastructure arising from wildfires or other physical damage related to climate change. Particularly relevant for operations in California.	Potentially ranging from short-term disruption to operations if employees are unable to access facilities (e.g. due to road closures), to major disruption in the event of a total loss of the manufacturing facilities.	*Medium term*		*Notable to severe*	*Operations and customers*	Business continuity plans and global business interruption insurance.
Extreme weather impacts global logistics capacity	Logistics disruption due to extreme weather events, or loss of infrastructure due to rising water levels (reduced airport and port capacity).	Increased competition for limited transport options drives up the price of transport, affecting both goods in and goods out.	*Medium term*		*Notable*	*Operations and customers*	Strategic review of logistics, supply chain, manufacturing, and service operations.

Likelihood key

- Highly unlikely
- Low
- Moderate
- Highly likely

Time horizon key

- Short term
- Medium term
- Long term

SUSTAINABILITY: TCFD STATEMENT continued

Climate-related risks

Transition risks

	Context	Risk impact	Time horizon	Likelihood	Magnitude of impact	Impact area	Current risk controls
Component obsolescence due to regulatory changes (Policy and legal)	Ban on critical materials or production processes in either our own operations and/ or our supply chain as a result of regulatory changes.	Rise in material prices for switching to compliant products or disruption to production if unable to react in sufficient time.	*Short term*		*Significant*	*Operations*	We have product compliance processes in place to manage this type of change in the regulatory environment, with oversight and support from the Group Head of Quality. We use existing processes to meet Restriction of Hazardous Substance (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) requirements, which remain appropriate to manage future changes in standards.
Regulatory (Policy and legal)	The need to mitigate and adapt to the impacts of climate change is driving rapid regulatory change across the globe.	Failure to keep pace with environmental legislation and reporting requirements.	*Medium term*		*Significant*	*Operations*	We have dedicated internal risk, legal and environmental management resource, as well as investing in external consultancy, to ensure that we are aware of, and remain compliant with, legislation. Our adoption of ISO 14001 accreditation at our four UK manufacturing sites at Belfast, Bristol, High Wycombe and Oxford supports our mitigation of climate risk.
Price inflation from decarbonisation (Market)	Global supply chains implementing more expensive production methods and/ or changes in raw materials in order to reduce CO_2 emissions.	Increased material cost of sales leading to reduced margins without increases in selling price.	*Short term*		*Significant*	*Operations*	Product Development and Strategic Sourcing teams identify and evaluate viable alternatives in materials and processes and work closely with key suppliers to deliver supply chain solutions.
Reputation and investability (Market)	Companies' approach to mitigating and adapting to the impacts of climate change is now a key factor in customers' and shareholders' purchasing and investment decisions.	Failure to decarbonise and address climate impacts at sufficient pace, leading to loss of shareholders and customers, and reputational damage.	*Medium term*		*Significant*	*Customers, shareholders, society*	Board-level scrutiny and oversight, and an organisation-wide focus on addressing the risks and opportunities arising from climate change, together with a focus on impact reporting, wider communications and stakeholder engagement.

Climate-related opportunities

	Context	Opportunity impact	Time horizon	Likelihood	Magnitude of impact	Impact area	How we are capitalising
Investment in R&D required for decarbonisation (Transition: Technology)	Product innovation will be required to decarbonise the economy. It will entail significant expenditure on research and development into new materials, technologies, and new ways of working.	Due to the requirement for decarbonisation, demand for Oxford Instruments' products and services may increase. Product innovation as a result of decarbonisation may help reduce operating costs, e.g. through remote delivery services.	*Short term*		*Significant*	*Customers, shareholders, society*	Our products and services play a key role in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. Our enabling technologies, such as materials analysis solutions and semiconductor equipment, help customers address these challenges.
Geopolitical uncertainty and resource competition (Transition: Regulatory)	Geopolitical tensions may arise from climate change, leading to increased requirement for local development and manufacturing capacity in the growing markets of Semiconductor & Communications and Quantum Technology.	Increased demand for enabling technologies resulting in an increased market opportunity for our business.	*Short term*		*Significant*	*Shareholders*	We continue to invest in our product portfolio to assist our customers in delivering their global and regional roadmaps and supporting sufficient manufacturing capacity by location.
Accelerated customer adoption of remote services solutions (Transition: Market)	As the Group and its customers seek to reduce the emissions arising from their activities, the non-financial business case for remote service solutions will become increasingly compelling.	Increased demand for remote service, training, analytics and diagnostic solutions, enabling a faster response, higher-quality customer experience and more efficient deployment of personnel with in-demand skills such as service engineers, applications specialists, etc.	*Short term*		*Significant*	*Customers, service employees, the company*	Designing remote connectivity into our products and building business system infrastructure to enable remotes service capabilities.
Migration from fossil fuels to renewable energy (Transition: Market)	The path to net zero requires migration from fossil fuel energy to renewables (e.g. from internal combustion engine vehicles to electric vehicles). The speed of change is likely to be accelerated by geopolitical supply concerns over fossil fuels.	Increased demand for our products and services that enable the development of more efficient battery technology and highly efficient energy conversion devices.	*Short term*		*Significant*	*Shareholders, customers, society*	Increased investment in key enabling technologies such as analytical instruments and semiconductor equipment that are key in the transition to renewables.

SUSTAINABILITY: TCFD STATEMENT continued

The impact of climate-related risks and opportunities on our businesses, strategy and financial planning.

We consider climate change to be a principal risk for Oxford Instruments, but also a source of material opportunity, given our focus on enabling a greener society and the end markets we serve. Our assessment is based on having evaluated key climate-related risks and opportunities, including understanding the potential impact of each in terms of its time horizon, likelihood and magnitude, and the stakeholders or areas of the business that may be affected.

During FY 22/23, we have worked to prioritise the actions needed to mitigate these risks and capitalise on the opportunities, basing this on their impact and ease of implementation. We are now focusing on integrating these actions into our strategy, product development roadmap and financial planning.

Risk management

Our process for identifying and assessing climate-related risks.

We define risk as uncertain events which could have an adverse impact on the Group's business model, financial performance, liquidity or reputation. Our approach to identifying and assessing risks and opportunities is set out in detail in the Risk Management section on pages 94 to 99 of the Report and Financial Statements 2023.

Throughout the year we maintained a separate process for the identification and assessment of climate change-related risks, distinct from the wider enterprise risk management process, although the results of the assessments are now integrated into the businesses' quarterly risk reporting framework. This process is adapted to ensure that the nuances required by the TCFD reporting framework are captured and that climate change-related opportunities are highlighted.

When assessing climate-related risks, we consider both the impact and likelihood of occurrence across short, medium and long-term impact time horizons, as defined above, and consistent with our wider organisational risk framework. This provides an inherent risk score which is then used to rank our risks.

Climate-related risks and opportunities

Our process for the assessment and management of climate-related risks and opportunities across all business units and regions mirrors the process that the Group uses for wider enterprise risk management (see pages 94 to 96). Risks and opportunities are evaluated against a scoring matrix of likelihood and impact. Likelihood considers the probability of the risk or opportunity occurring, whilst impact evaluates the magnitude of the potential consequences, whether in financial, reputational or other terms.

The guidance used when assessing impact and likelihood are as set out below and the ratings are aligned to those used as part of our wider enterprise risk management process.

Climate risk assessment is carried out on a quarterly basis ahead of being reported to the Board via its Audit and Risk Committee. As with wider enterprise risks, the Board as a whole is responsible for determining how risks are to be managed.

Our processes for identifying climate-related risks include granular assessments from individual businesses and region, combined with a Group-level review, particularly through horizon-scanning for regulatory changes. This is carried out by the legal and regulatory, product management and health and safety functions. Further, internal assessments are complemented by input from external advisors. New regulatory requirements are implemented as they arise and any further actions taken as appropriate.

Metrics and targets

We currently use a range of metrics to help us to track our progress across a number of climate-related and sustainability-related areas. This includes assessment of our electricity consumption, Scope 1 and 2 emissions in line with the Greenhouse Gas Protocol methodology, water and waste, the use of hydro fluorocarbons and the impact of transport. Please see the environment section of our Report and Financial Statements on pages 54 to 59 for further information, and for an abridged version of this year's SECR reporting, the primary means by which we report our impact.

As set out in the environment section (pages 54 to 59), we are committed to reaching net zero carbon emissions (where we add no incremental greenhouse gases to the atmosphere) against Scopes 1, 2 and 3 by 2045, in line with a 'well below 2° scenario'. We are further committed to monitoring and calculating our carbon footprint in line with industry standards. We have set our interim targets at a 50% reduction in Scope 1 emissions by 2030 and a 70% reduction in Scope 2 emissions by the same date, both against a 2018/19 baseline. During the year we have worked with an external consultant to validate our assessment of our Scope 1 and 2 emissions, and the carbon footprint of our baseline year (2018/19). In the coming financial year, we will submit our Scope 1, 2 and 3 targets and roadmap to the Science-Based Targets initiative for validation.

Our footprint for Scope 1 and 2 emissions is calculated and reported in absolute numbers against our baseline year; we also use an intensity metric (tonnes of CO_2 equivalent per £ revenue) in order to help contextualise our performance as our business grows.

We are committed to working with our supply chain to reduce our Scope 3 emissions, the largest element of our environmental footprint. We have begun engagement with our top 80 suppliers (see page 55) and have also commissioned external research into the decarbonisation pathway for key components, to inform our interim target setting for Scope 3 emissions and ensure that, while ambitious, it is evidence based and achievable. We anticipate being in a position to set interim targets in 2023/24. Overall, we consider ourselves partially compliant with the recommended disclosures on cross-industry targets and metrics. To drive behaviours in line with our focus on reducing GHG emissions, a new measure is being incorporated into remuneration objectives for Executive Directors. The measure (see page 174) will require continued reductions in our Scope 1 and Scope 2 emissions. Over the coming year, we will give consideration to further metrics and targets in line with the TCFD recommended disclosures.

We are also developing metrics to measure the positive impact that our portfolio provides in enabling a greener, healthier, more connected advanced society. Assessing our progress towards reaching these targets will then form a crucial part of the future work of the Sustainability Committee.

Social:

We believe that businesses have a valuable contribution to make in the development of societies that enable their members to thrive

Our responsibility to our employees

We are dedicated to being a truly sustainable organisation and are keenly aware of our responsibility to our employees, the communities that we impact and the generations to come. By listening to our stakeholders (see pages 112 to 117) and taking action now, we are resolute in ensuring that we have a positive impact on the world around us.

We work hard to create a progressive business culture, keeping pace with rapid social change, and seeking to stay ahead of the curve on our key sustainability themes, while remaining respectful of the cultures of the countries that we operate in.

Our social sustainability agenda

Our social sustainability agenda comprises six key subject areas, as follows, where we have established strategies to support us in achieving our ambitions and targets:

- Culture, values and engagement
- Equality, diversity and inclusion
- Health, safety and wellbeing
- Investment in our people
- Next-generation talent
- Community impact.

Culture, values and engagement

Our purpose – to enable a greener, healthier, more connected advanced society – and our values, set out below, drive our approach to doing business, and help us build an open and inclusive culture, where colleagues feel able to share their views in a two-way dialogue with senior leaders. The Chair and Non-Executive Directors have regular informal meetings directly with staff at which a wide range of current workforce issues are discussed, and we hold regular Chief Executive town halls to which all employees are invited, and where they are encouraged to ask questions of the Chief Executive and senior leadership. Similar meetings are held by all business units, and by our regional teams based around the world. We also gather our people's views annually through our global engagement survey, monitoring a range of cultural KPIs and taking action on any opportunities for improvement at business unit, regional and Group level. Our overall engagement score was 78% (up 1%), comparing favourably with external benchmarking by Gallup indicating an average engagement rating of 21% globally across a range of sectors.

Our values

Inclusive
By seeking out different perspectives and diverse collaboration, we deliver better solutions and lasting success.

Innovative
Through our knowledge, expertise and focused curiosity, we create new possibilities for ourselves and for our customers.

Trusted
We build successful, long-term relationships based on accountability, integrity and respect.

Purposeful
We care, and our passion and commitment drive positive change in the world.

Equality, diversity and inclusion

We are committed to creating a diverse and inclusive culture right across Oxford Instruments, creating a sense of equality and belonging.

In everything we do, we seek to develop and sustain a supportive and collaborative working environment where difference is recognised, valued and celebrated, and where all our people feel able to be open about their own unique identity.

Equality, diversity and inclusion are important for all our people and society as a whole; however, we also recognise that we operate in 17 countries around the world in which the legislative frameworks and cultural landscapes vary hugely. In each of the countries in which we operate, we aim to be ahead of the curve in our equality, diversity and inclusion targets, and our working practices, but will ensure that we are not in conflict with legislative frameworks. We are pleased that 83% of respondents to our recent engagement survey feel everyone is treated with respect at Oxford Instruments, and that more than three quarters feel we strive for a diverse mix of employees, but cognisant that there is no room for complacency.

We have identified several key areas of focus, including gender, ethnicity, disability, sexual orientation and gender identity, pursuing a range of initiatives to recruit from a diverse pool of talent, and to support our existing workforce. We have joined Business in the Community and the Business Disability Forum as part of our continual drive to improve our awareness and understanding of research and best practice in diversity and inclusion for businesses. We also engage in externally run schemes offering internships and career opportunities in our diversity and inclusion focus areas. During the year, employees have launched impact groups focusing on race and ethnicity and LGBTQ+ issues; these have been enthusiastically adopted by both members and allies of each community. In the coming year, our plans include the launch of a women's group and a neurodiversity group.

We are committed to eliminating our gender pay gap. We are only required to report in the UK, where the gap currently stands at 7.5% (mean) but are monitoring, measuring and taking action globally. We continue to build on the work we have done so far to establish balanced shortlists in our recruitment processes, only engaging executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity. Our inclusive approach to recruitment includes the use of technology to ensure that the language used in job advertisements is free from gender bias. We have introduced e-learning for hiring managers, including a course on unconscious bias, and have also carried out training on interview and selection techniques, reaching some 40 managers in 2021/22.

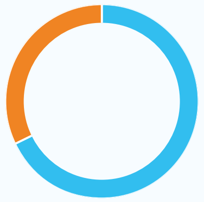
SUSTAINABILITY: SOCIAL continued

Equality, diversity and inclusion continued

We have introduced a permanent hybrid working policy as a result of our learning throughout the pandemic which helps employees to better balance their work and personal commitments.

Following the reconfiguration of our internal employee data portals to include the Office for National Statistics ethnicity categories, some 70% of employees globally have provided data on their ethnicity. We are now beginning to use this data to help to ensure that our processes and pay are fair and equitable with respect to race and ethnicity, as well as the characteristics on which we have had full data for several years.

New employees in FY22/23 by gender



■ Male 68%
■ Female 32%

Gender split

	Male	Female
Global Oxford Instruments	74%	26%
Plc Board	62%	38%
Management Board	86%	14%
Managers	79%	21%
Employees	72%	28%

Gender split by region

	Male	Female
UK	77%	23%
Europe	69%	31%
Asia	70%	30%
America	70%	30%

Targets:

Objective	Target (with date if applicable)	Progress to date
Balanced shortlists for recruitment	100%	End of 2022/23: 83%
Ethnicity representation on the Board	By end of 2022/23: 1 person of colour	Following the appointment of Reshma Ramachandran as Non-Executive Director in September 2022, we have met this target
Women on the Board	By end of 2023/24: 40% women	With three of eight positions now held by women, we have exceeded the 33% target set by the Hampton-Alexander Review. and will meet the FTSE Women Leaders target of 40% of Board members being female when Professor Sir Richard Friend steps down from the Board in July 2023
Women as a proportion of senior leadership	By end 2025: 40% women	Currently 31%
Women as a proportion of total Oxford Instruments population	By end 2029/30, 30% women	Currently 26%

Health, safety and wellbeing

We are committed to achieving a high standard of health and safety for anyone involved in, or affected by, our activities. We strive to provide a safe workplace and working environment for all employees wherever they work.

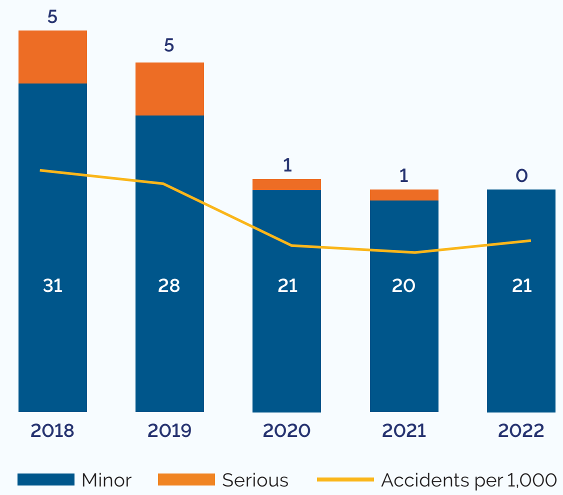
Our approach is based on the ongoing identification and control of risk. We focus on preventative measures to remove hazards before they can escalate into accidents or near misses. We apply safe working practices supported by structured health and safety management systems, that are externally audited where appropriate. We maintain ISO 45001 occupational health and safety certification at our four primary manufacturing sites, representing 83% of revenue. Each area of the business undergoes a health and safety audit at least every three years.

We have broadly maintained our overall accident frequency trend downwards, with no serious accidents in 2022, and a small increase in minor accidents. Our health and safety record compares favourably with industry benchmarks. However, there is no room for complacency, and health and safety is a priority at all our sites worldwide. We continue our Push for Zero programme, with the objective of a sustained reduction in accident levels across the Group. We record accidents and safety observations on our SHIELD health and safety software platform, and take corrective action to prevent recurrence.

Our new six-step strategic framework for health and safety will be rolled out globally in 2023/24

Health and safety five-year performance*

*calendar year measure



We take a holistic approach to wellbeing, and firmly believe employees and their families deserve to have access to the right mental health support to help them feel their best in a supportive culture. We aim to give people the tools to keep themselves, their colleagues and their families healthy; we encourage them to access support when it's needed, and we empower people with long-term mental health issues or a disability to thrive in work.

We continue to support our team of Mental Health First Aiders and provide independent and confidential digital platforms and services that employees can access wherever they are based in the world.

We are also committed to supporting colleagues experiencing tough times in their personal lives, whether through family commitments, illness or bereavement, taking a bespoke approach to each individual's circumstances.

Target:

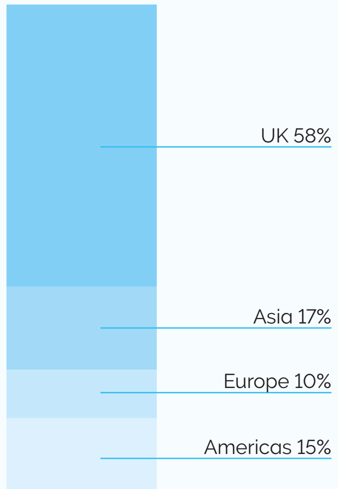
Objective	Target	Comments
Serious accidents	Zero	No employees should experience a serious accident at work
Accident frequency rate	Continuous improvement	Push 4 Zero aims to reduce the accident rate year-on-year

SUSTAINABILITY: SOCIAL continued

Employee turnover rates:

Year	Turnover
2022/23	9%
2021/22	11%
2020/21	6%
2019/20	7%
2018/19	10%
2017/18	12%

Geographical spread of employees
(at the end of FY 22/23)



Investing in our people

Our people and their capabilities are core to what makes us a great company. We want our employees to be successful, to realise their full potential and to be able to make a difference. We are committed to being the company where the best people in our sector want to work, and we offer high-quality, stable employment and flexible careers with favourable conditions and pay. We offer a broad range of career development opportunities across technical, commercial, operational and business support functions.

We provide a range of opportunities for our employees to gain knowledge, skills and experience to achieve individual and organisation goals. This includes challenging assignments, learning from colleagues and targeted training. Our talent management processes attract talented people and develop their capabilities to meet our current and future business needs. We integrate these processes within our business planning cycle.

We continue to strengthen our Oi Academy, which offers development programmes, core skills training courses and extensive e-learning opportunities. We also offer a broad range of secondments, career breaks, apprenticeships and support towards external qualifications. This year, three cohorts have undertaken our bespoke Oi Leadership programme, which brings together high-potential candidates from across the Group and covers a wide range of topics including interviewing skills, self-development, developing others, and managing remote teams.

We have developed indicative Career Pathways to deliver career mapping for all roles across the Group, allowing employees to utilise this information to review potential career pathways of interest to them across technical or functional leadership, business leadership and specialist versus generalist routes. We have a robust system of regular feedback, embedded through our annual performance development review process for all employees, which also encompasses career development with a focus on training opportunities.

We are committed to building the skills that society needs now and in the future by investing, over the long term, in our people.

Next-generation talent

We take our responsibility towards developing the next-generation workforce seriously and are committed to inspiring the next generation of scientists, engineers and business people by showing them the difference they can make in the world, and by providing work experience and employment skills and development opportunities.

For us, this begins in schools, colleges and learning institutions, where we equip and encourage our employees around the world to take any opportunity they can to talk to young people about careers in our industry. We partner with universities and post-graduate schools to help students understand the range of careers available in a technology company, supporting this with work experience and engagement with employees from a broad range of backgrounds (see page 32). A popular benefit we offer all employees is the offer of work experience to family members between the ages of 16 and 25.

We remain committed to providing structured apprenticeships, sponsorships, internships, early career jobs and graduate programmes. We intentionally reach out to attract a diverse range of people and those from untapped talent pools, ensuring we are inclusive and accessible.

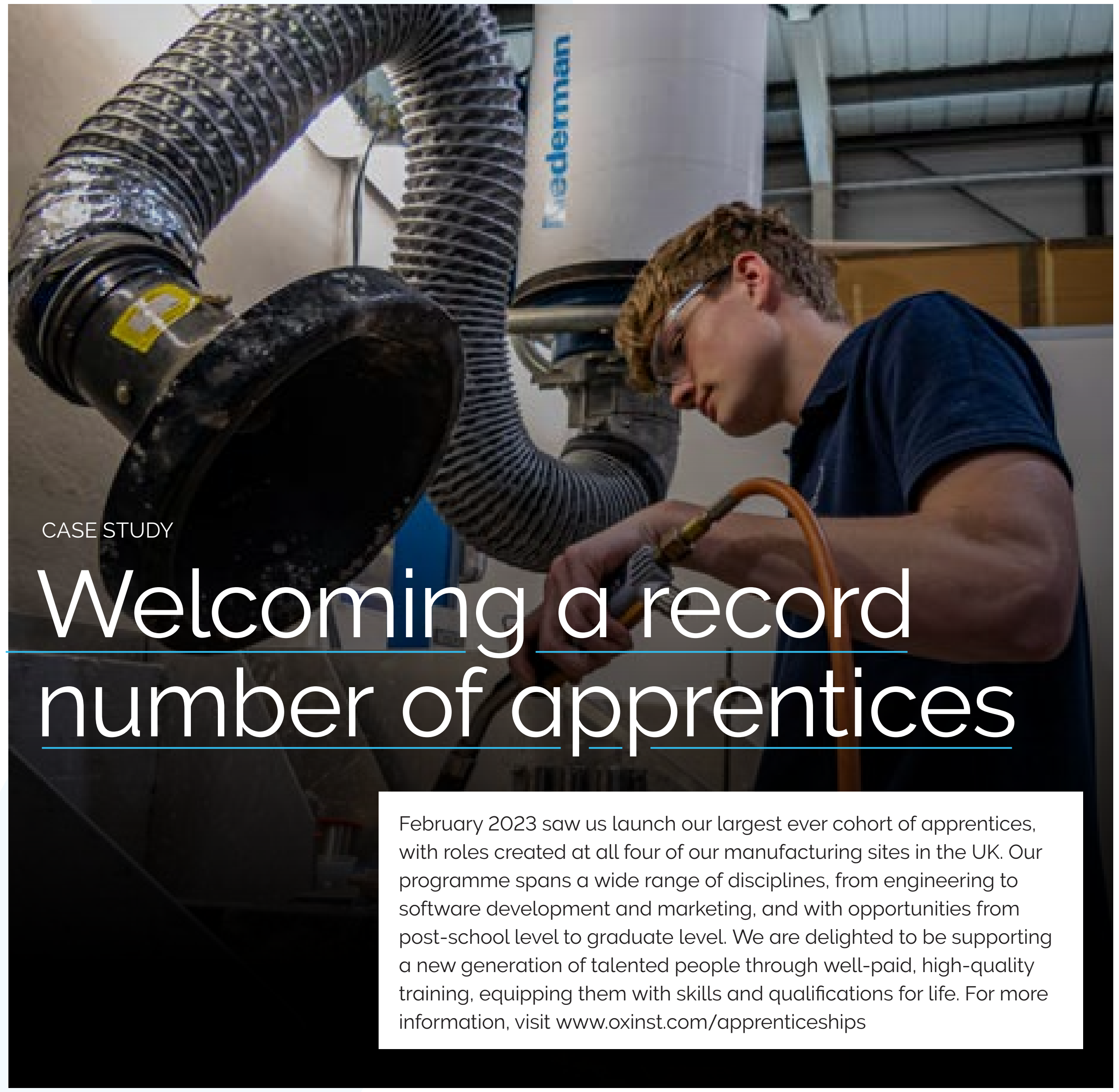
Community impact

We actively engage in locally focused activities that make our communities and environments a better place to live and work. All employees are offered up to two paid volunteering days a year to share their professional or practical skills in the community; we also participate in charity outreach programmes and offer sponsorship of local community events.

Our network of Go Green teams help us look at better ways to be more environmentally friendly, both as a business and as individuals. We have taken steps to minimise traffic noise and congestion around our sites and remain committed to minimising emissions from our own activities, as set out on pages 54 to 59. We have appointed a new senior manager to lead our environmental sustainability activity.

When we arrange gifts, celebrations, events and activities for our teams we aim to support the small, independent businesses near our sites.

During the year, across our sites, we organised a number of activities that supported our local businesses. This included bringing a barber on site, running exercise classes, and dog walks. We also participated in a range of charity outreach activities, including raffles, marathon sponsorships, pub quizzes and coffee mornings.



CASE STUDY

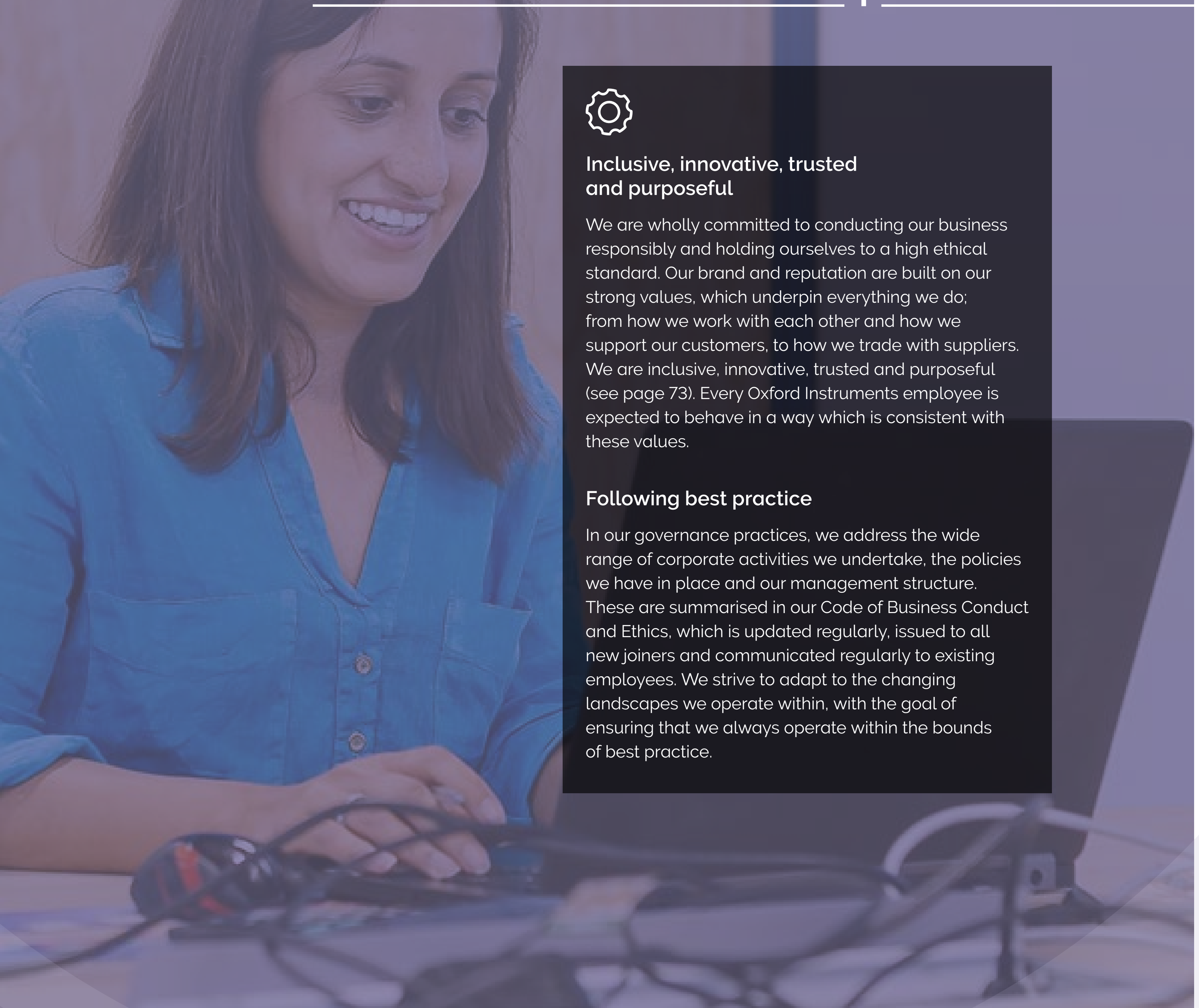
Welcoming a record number of apprentices

February 2023 saw us launch our largest ever cohort of apprentices, with roles created at all four of our manufacturing sites in the UK. Our programme spans a wide range of disciplines, from engineering to software development and marketing, and with opportunities from post-school level to graduate level. We are delighted to be supporting a new generation of talented people through well-paid, high-quality training, equipping them with skills and qualifications for life. For more information, visit www.oxinst.com/apprenticeships

SUSTAINABILITY: GOVERNANCE

Governance:

We are committed to upholding high ethical standards; we all want to work for a company of which we can be proud



Inclusive, innovative, trusted and purposeful

We are wholly committed to conducting our business responsibly and holding ourselves to a high ethical standard. Our brand and reputation are built on our strong values, which underpin everything we do; from how we work with each other and how we support our customers, to how we trade with suppliers. We are inclusive, innovative, trusted and purposeful (see page 73). Every Oxford Instruments employee is expected to behave in a way which is consistent with these values.

Following best practice

In our governance practices, we address the wide range of corporate activities we undertake, the policies we have in place and our management structure. These are summarised in our Code of Business Conduct and Ethics, which is updated regularly, issued to all new joiners and communicated regularly to existing employees. We strive to adapt to the changing landscapes we operate within, with the goal of ensuring that we always operate within the bounds of best practice.

Our governance sustainability agenda comprises eight key areas.

Anti-bribery and anti-corruption

When dealing with business partners, suppliers and customers, or when engaging with public officials, we expect our employees to act in a transparent and fair manner. We choose our business partners and suppliers carefully and avoid working with anyone who does not meet and adhere to the same high standards.

The key principles we expect everyone to follow include not offering or accepting bribes or improper payments; not improperly influencing any individual; and not participating in any kind of corrupt business activity, either directly or through a third party. To help our employees understand what is expected of them we have developed a comprehensive training course which all new joiners must complete to pass their probationary period, and which all those in relevant roles must retake regularly; we also maintain a detailed policy document.

Adherence to our due diligence procedure for the onboarding of third-party agents and distributors continues to be regularly audited, and training is delivered by our Group Legal team to all new Finance Directors and Contract Managers.

Sanctions, export control and customs

We review our Sanctions Policy regularly to confirm compliance with UN, UK, EU and US sanctions; and following Russia's invasion of Ukraine have exceeded the scope of international sanctions by imposing a Group-wide ban on any transactions involving Russia and Belarus.

We have adapted our processes to respond to changes in UK legislation relating to export controls, which became effective in May 2022, and which had the effect of formally extending military end-use controls to China (including Macau and Hong Kong) beyond military organisations to encompass the police, intelligence services and similar organisations and entities that supply them.

During the year the Group Export Compliance team has standardised operating procedures for all UK businesses, including enhanced due diligence around identification of end users in China, and has instigated quarterly compliance audits. To date these audits have indicated 100% compliance with procedure.

Dissemination of inside information to the market, and share dealing

We take steps to ensure our compliance with the obligations arising from the Listing Rules, Disclosure Guidance and Transparency Rules, the Criminal Justice Act 1993 and the UK Market Abuse Regulation ('MAR') in relation to the dissemination of inside information to the market, which includes our share dealing policy and procedures.

We ensure that there are adequate procedures, systems and controls: (i) to identify inside information and ensure that any inside information identified is properly considered by the Directors and, where necessary, disclosed to the market promptly; (ii) to enable the Directors to assess whether the company can delay disclosure to the market; (iii) to restrict access to inside information to those who need to know it; (iv) to monitor compliance with our obligations under MAR, including the detailed record-keeping requirements; and (v) to ensure that the Financial Conduct Authority is notified of any delayed disclosure on announcement of the inside information to the market.

We maintain and update a secure list of anyone who has access to inside information, whether on a regular or occasional basis, and ensure that anyone working on our behalf or on our account does the same. We ensure that those on the list are aware of and acknowledge the legal and regulatory duties required of them while on the list.

The Company Secretariat is responsible for ensuring compliance in this area.

Supply chain responsible sourcing

We operate our business in compliance with applicable laws and regulations and we expect our suppliers to do the same. Our expectations are set out in our Code of Conduct for Representatives and Suppliers, which is available on our website: www.oxinst.com.

In addition, we endeavour to include a provision within our purchase contracts with suppliers, whereby suppliers are asked to warrant that they and their sub-contractors will comply with all applicable laws, statutes, regulations and codes relating to modern slavery, anti-bribery and anti-corruption, and Oxford Instruments' Code of Conduct for Representatives and Suppliers.

We use an approved vendor list for the supply of continuous-use production materials, which is managed by Group Strategic Sourcing. All key suppliers on this list must complete a governance questionnaire via an online supplier portal, to confirm their compliance with our Code of Conduct for Representatives and Suppliers, together with applicable legislation. In the year we have focused on ensuring that we have up-to-date governance questionnaires for all key suppliers.

SUSTAINABILITY: GOVERNANCE continued

We are committed to sourcing our supplies responsibly and supporting global efforts to eliminate the use of so-called 'conflict minerals', sourced from mines which support or fund conflict. We undertake due diligence on our key suppliers and expect them, in turn, to conduct due diligence on their own supply chain to help eliminate the use of conflict minerals.

Our online supplier portal allows us to store and audit our key supplier documents and is being extended to collect information on product environmental compliance, quality and sustainability. During the year our Group Strategic Sourcing team has worked closely with WITec to align their policies and processes with the rest of the Group.

Human rights and modern slavery

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain. We take a zero-tolerance approach to all forms of modern slavery, including servitude, forced bonded and compulsory labour, and human trafficking.

Bespoke training is mandatory for relevant employees to help them recognise where there may be risks of modern slavery and human trafficking within our business and our supply chains. The training has recently been updated to specifically reference the International Labour Organisation's 11 indicators of forced labour and explains how they can be used to help identify victims of modern slavery.

We have an established Reporting a Business Malpractice Procedure for employees to report any concerns, and further guidance is also made available in our Global Human Rights Policy. We encourage employees to use both documents in their due diligence of suppliers.

In addition, our global Code of Business Conduct and Ethics, referenced on pages 78 and 81, sends a clear message to our employees, business partners, investors and other stakeholders about our business principles and ethics.

Our Board Sustainability Committee, chaired by Sir Nigel Sheinwald (see pages 141 to 143), provides a direct overview of our Environmental, Social, and Governance ('ESG') agenda. Modern Slavery prevention is one of the eight key areas under the Governance section of the ESG agenda and accordingly has the full focus of the Sustainability Committee.

Our Corporate and Social Responsibility Forum has helped to develop a 'Supplier Portal' which provides an online tool to help us better undertake and audit supplier due diligence.

Our Anti-Slavery and Human Trafficking Statement is updated annually and can be found both on our website and on the Government's Modern Slavery Statement Registry.

Intellectual property and confidentiality

Our intellectual property (IP) is one of our most important assets; it is key to our success in the market and enables us to secure and maintain a competitive advantage. We have comprehensive policies and procedures in place to protect our IP.

We continue to protect our inventions, brand and designs through the use of registered IP rights. In the year we filed a number of new priority patent applications.

As the basis for protecting our trade secrets we have in place a well established process for preparation, review and signing of all confidentiality agreements. All employees are able to download a standard set of templates, along with guidance and training on how to complete these templates on our internal SharePoint pages.

Oxford Instruments often collaborates with third parties on projects which generate new IP, further enhancing our product offerings to our customers. In these situations, we will not use any IP without it first being legitimately acquired or licensed.

Data protection, data privacy and data security

Our global privacy standard sets out the principles that guide our approach to handling personal information, and all employees are required to undertake mandatory training on data protection.

We continue to run training sessions to ensure that marketing lead generation and other marketing activities are compliant with the European General Data Protection Regulation ('GDPR'), UK GDPR and related privacy legislation in other territories. Over the year our legal team has worked closely with our marketing and IT teams, providing data protection support on projects including the rollout of a new global CRM system and service portal, and changes in IT software providers.

From September 2022, a change in the law resulted in the need to use a new UK version of the standard contractual clauses to govern our cross-border transfers of personal data outside the UK. We have commenced a project to update existing contracts between our subsidiaries within the Group and also with third party suppliers and partners before the end of the grace period in March 2024. Similar legislation and guidance regarding cross-border transfer of personal data outside of China has recently been released and we are reviewing our data protection compliance programme in China to ensure we are ready for these changes before the end of the grace period later this year.

We continue to stay on top of developing compliance programmes around the world to ensure we can respond quickly to any changes made in the data protection legislation. During the year, we worked with local lawyers in Japan to update policies and procedures following amendments to the local data protection regime, and have also delivered a compliance programme covering regional data protection changes in the US.

Financial sustainability and tax transparency

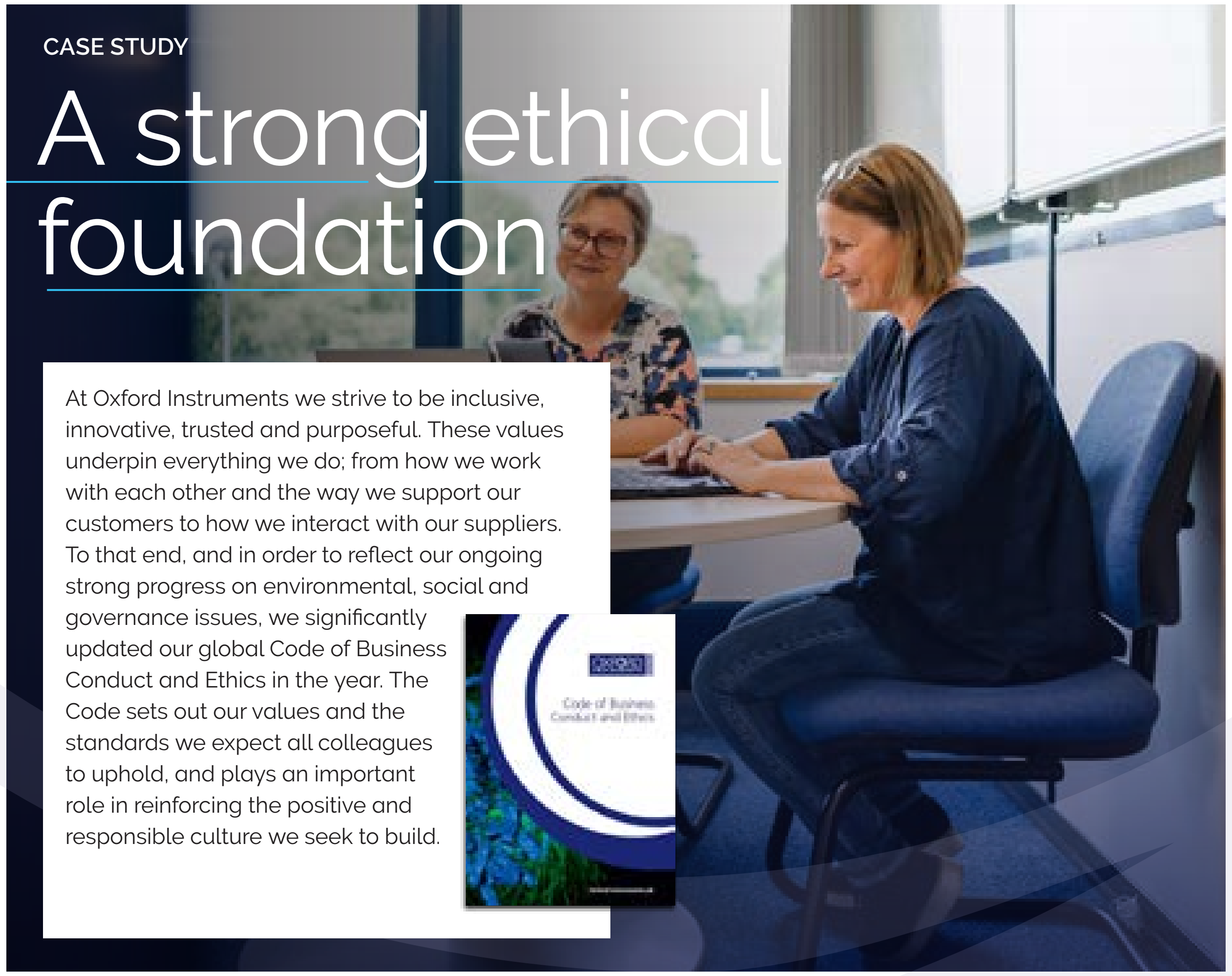
The Group continues to maintain a focus on cash generation to ensure we are financially stable and we have published our policy within the Sustainability section of our website.

We manage our tax affairs in accordance with the following objectives:

- ensuring compliance with all relevant tax law in all jurisdictions in which the Group operates whilst managing the associated tax costs in a manner that is consistent with our Code of Business Conduct and Ethics and its attitude to commercial risk;
- seeking to maintain stable effective and cash tax rates which reflect the geographic markets in which we operate, and the Group's tax attributes, such as brought-forward losses and special deductions such as for research and development; and
- ensuring that all communication with tax authorities is conducted in a transparent and professional manner.

CASE STUDY

A strong ethical foundation



At Oxford Instruments we strive to be inclusive, innovative, trusted and purposeful. These values underpin everything we do; from how we work with each other and the way we support our customers to how we interact with our suppliers. To that end, and in order to reflect our ongoing strong progress on environmental, social and governance issues, we significantly updated our global Code of Business Conduct and Ethics in the year. The Code sets out our values and the standards we expect all colleagues to uphold, and plays an important role in reinforcing the positive and responsible culture we seek to build.