Governance

CHAIR'S OVERVIEW

We recognise that the Board's fundamental role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Neil Carson
Chair

Governance highlights

- Announced the forthcoming retirement of Chief Executive Ian Barkshire and the appointment of Richard Tyson as his successor
- Reshma Ramachandran joined the Board as a Non-Executive Director, effective 1 September 2022
- Agreed our ultimate net zero target of 2045, with interim targets to 2030 in respect of both Scope 1 and 2 emissions
- Developed a new Directors' Remuneration Policy, which is proposed for shareholder approval at our AGM on 19 September 2023
- Gained meaningful insights though our comprehensive programme of employee engagement activity

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Governance Report for the year ended 31 March 2023. This report describes our governance structures and procedures, summarises the work of our Board and its Committees during the year and illustrates how our responsibilities have been discharged. We recognise that the Board's fundamental role is to promote the long-term sustainable success of the company and the Group, generating value for shareholders and contributing to wider society. To achieve this, we strive to ensure that we implement and follow good governance practices and that our Board's composition encompasses the necessary skills, knowledge and experience to provide effective leadership.

Board composition and succession planning

One key area of focus for the Board has been composition and succession planning. Our Nomination Committee keeps under continuous review the composition of the Board and its Committees and, as noted in the Report and Financial Statements 2022, we were at that time pursuing the imminent appointment of a further female Non-Executive Director with specific capabilities and experience of value to the Board. As a result, we were delighted to appoint Reshma Ramachandran as a Non-Executive Director on 1 September 2022. Reshma's experience of working in multi-cultural teams and geographies, combined with her strong engineering credentials and business acumen, is an excellent fit, in line with the company's strategy.

On 13 April 2023 we announced the forthcoming retirement, with the agreement of the Board, of Chief Executive Ian Barkshire, who will leave after seven years as Chief Executive and more than 25 years with the company. Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. The company is working with Richard and TT Electronics 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 ensure a smooth transition of leadership. The Board is thankful for the tremendous contribution Ian has made. He leaves the business stronger than ever, and can look back on his long career with Oxford Instruments with immense pride. We are delighted that Richard Tyson will be joining us to lead us through the next phase of our growth. With his record of success and his wealth of expertise in high-technology innovation and global manufacturing, Richard is ideally suited to undertake this role.

After having served on the Board for almost nine years, Professor Sir Richard Friend will not be standing for re-election and will step down as a Non-Executive Director of the company with effect from 28 July 2023. Sir Richard has made a significant impact, not least due to his depth of technical expertise, and we sincerely thank him for the contribution he has made during his time as a Director.

For further information regarding our approach to Board composition and diversity, please see pages 122 to 127. Further details of the work of the Nomination Committee can be found on pages 128 to 132.

Sustainability

Upon the establishment of our Sustainability Committee last year, we made sure to focus on developing a firm foundation for its future work, including creating the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans. From this strong foundation, the Committee has made excellent progress across many areas of its remit, with a particular highlight being the development and confirmation of our ultimate net zero target of 2045 and interim targets to 2030 in respect of both our Scope 1 and 2 emissions.

For more information, see our dedicated Sustainability report which is available on pages 52 to 81 and our standalone Sustainability Report which can be found on our website in our sustainability section: www.oxinst.com/sustainability. Further details of the work of the Sustainability Committee can be found on pages 141 to 143.

New Directors' Remuneration policy

During the year our Remuneration Committee reviewed the Directors' Remuneration policy and have considered, amongst other things, the overall competitiveness of the package and the mix of performance measures used, including the use of sustainability-related metrics and targets. We have engaged with our major shareholders and other key stakeholders in developing the new Directors' Remuneration policy which is proposed for shareholder approval at our AGM on 19 September 2023.

For further detail regarding the new Directors' Remuneration policy and the work of the Remuneration Committee, see pages 144 to 173.

Employee engagement

Whilst we give due consideration to the interests of all of our key stakeholders, we were delighted to participate in our comprehensive programme of employee engagement activity this year, as we strongly believe that this strengthens the Board's understanding of employees' perspectives. We aim to meet with employees across a broad range of roles, sites and stages in their career. This year our wide-ranging programme included sessions focused on sustainability, executive remuneration, insights gained from the annual employee survey and site visits by various Non-Executive Directors to Andor Technology in Belfast, Plasma Technology in Yatton, and Imaris in Zurich.

After each of these events, the Board discussed, as a specific agenda item at the next Board meeting, the insights gained and determined any appropriate actions, which has in turn shaped more meaningful consideration of employees as a key stakeholder. We very much look forward to participating in our comprehensive programme of engagement activity for 2023/24.

To find out more about our approach to stakeholder engagement, please see the Engaging with our stakeholders section on pages 32 to 33 and the How we engage with our stakeholders section on pages 112 to 117.

Annual General Meeting

The 2023 Annual General Meeting (AGM) of Oxford Instruments plc will be held at Tubney Woods, Abingdon, Oxfordshire OX13 5QX at 11.00am on Tuesday 19 September 2023.

Further details, including the resolutions to be proposed to our shareholders, can be found in the Notice of Meeting which has been sent to our shareholders and which is also available on our website at: www.oxinst.com/investors-content/annual-general-meeting. The result of the votes on the resolutions put forward at the AGM will be publicly announced to the stock exchange and published on our website as soon as possible following the conclusion of the meeting.

I will be available at the AGM and will be very happy to take any questions you may have regarding the operation of the Board during the year.

Neil Carson
Chair

14 July 2023

BOARD OF DIRECTORS

A Audit and Risk Committee Member
R Remuneration Committee Member
N Nomination Committee Member
S Sustainability Committee Member
C Chair of Committee

Neil Carson
Chair

Appointed to the Board: December 2018
Executive/Non-Executive: Non-Executive
Independent: No[1]

Skills and experience:
Neil is a former FTSE 100 chief executive. After completing an engineering degree, Neil joined Johnson Matthey in 1980 where he held several senior management positions in the UK and the USA, before holding the role of Chief Executive Officer from 2004 to 2014. He has a broad industrial outlook and a highly commercial approach with a practical perspective on business. He provides valuable insight based on his former executive position and operational experience and brings a track record of strong operational exposure, familiarity with capital-intensive business and a first-class international perspective on driving value in complex environments and this experience makes him particularly well suited to serving as Chair of the Board. Neil was awarded an OBE for services to the chemical industry in 2016.

Neil's previous non-executive roles include serving as Chairman of TT Electronics plc, Deputy Chairman of TI Fluid Systems plc and as a Non-Executive Director of Paypoint plc and Amec Foster Wheeler plc.

External appointments:
Non-Executive Director, member of the Safety, Environment and Sustainability Committee and Chair of the Remuneration Committee of Shell plc.

Director of The Goldsmiths' Company Charity.

Committee Membership
N R S

1. Neil was independent upon appointment to the Board, in line with provision 10 of the UK Corporate Governance Code 2018.

Ian Barkshire
Chief Executive

Appointed to the Board: November 2015
Appointed Chief Executive: May 2016
Executive/Non-Executive: Executive
Independent: No

Skills and experience:
Ian has worked for Oxford Instruments since 1997 in a number of senior leadership roles, including Managing Director, Divisional Head, Group Technical Director and Chief Operating Officer, before taking up the role of Chief Executive in May 2016. Throughout his career, he has driven growth in high-technology and innovative companies across a broad range of end markets. In his time at Oxford Instruments he has been involved in developing the Group's strategy, acquisition and the direct leadership of a number of the individual operating businesses.

Ian's previous roles include Senior Principal Scientist at GEC Marconi Materials Technology and Research Fellowships at the University of York. He holds a BSc and DPhil in physics from the University of York, is a Chartered Physicist, a Member of the Institute of Physics and a Fellow of the Royal Academy of Engineering.

External appointments:
Member of the National Quantum Technologies Programme Strategic Advisory Board.

Committee Membership
None

Gavin Hill
Chief Financial Officer

Appointed to the Board: May 2016
Executive/Non-Executive: Executive
Independent: No

Skills and experience:
Gavin holds a BA in Economics and Agricultural Economics from the University of Exeter. He is a Chartered Accountant and an Associate Member of the Association of Corporate Treasurers.

Gavin served as Group Finance Director of Synergy Health plc from April 2010 until its successful combination with STERIS Corporation on 3 November 2015. He previously served as Corporate Finance Director of Serco Group plc and has also worked in a variety of regional, corporate and treasury roles with Syngenta AG and AstraZeneca plc. The Board believes that Gavin's ongoing appointment as a Director remains important to the company's success due to the expertise which he brings.

External appointments:
Non-Executive Director and Chair of the Audit Committee of BMT Group Limited.

Committee Membership
None

Alison Wood
Senior Independent Director

Appointed to the Board: September 2020
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Alison holds a BA in Engineering, Economics and Management from the University of Oxford and an MBA from Harvard Business School. Her background is in leading business development, M&A and strategic planning across blue-chip UK companies, particularly in the defence sector. She was formerly the Global Director for Corporate Development & Strategy at National Grid plc and before that, Group Strategic Development Director for BAE Systems plc. She is a highly experienced Non-Executive Director and committee chair, with her experience being particularly well suited to her role as Chair of Oxford Instruments' Remuneration Committee.

Alison's previous roles include serving as Senior Independent Director and Remuneration Committee Chair of Costain Group PLC and the British Standards Institute, a Non-Executive Director and Remuneration Committee Chair of Cobham plc and Capricorn Energy PLC (formerly Cairn Energy PLC)., Senior Independent Director of e2v plc and a Non-Executive Director of both BTG plc and THUS plc.

External appointments:
Non-Executive Director and Chair of Galliford Try Holdings plc.

Non-Executive Director and Chair of the Remuneration Committee of TT Electronics plc.

Non-Executive Director and Chair of the Remuneration Committee of the British Standards Institute (non-listed).

Committee Membership
R A N S

Sir Nigel Sheinwald
Non-Executive Director

Appointed to the Board: September 2021
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Sir Nigel previously served as a British diplomat and has deep knowledge of international politics, strategy, regulation and communication. He holds an MA from Balliol College, University of Oxford, where he is now an Honorary Fellow. He joined the Diplomatic Service in 1976 and served in Brussels, Moscow, Washington and in a wide range of policy roles in London. He served as British Ambassador to the United States (2007-12) and European Union (2000-03) and as Foreign Policy and Defence Adviser to the Prime Minister (2003-07). Since leaving the Diplomatic Service in 2012 he has served on a wide range of corporate and not-for-profit boards. The extensive range of skills and experience that he brings, along with his commitment to Oxford Instruments' sustainability agenda, is a good fit with the Group's requirements and particularly benefit his role as Chair of the Sustainability Committee.

Sir Nigel was previously a Non-Executive Director and Chair of the Safety, Environment and Sustainability Committee at Royal Dutch Shell plc (now Shell plc).

External appointments:
Non-Executive Director of Invesco Ltd.

Senior Adviser to Tanium, a cyber-security company.

Senior Adviser to the Universal Music Group.

Chair of the Royal Institute of International Affairs (Chatham House).

Visiting Professor at King's College, London.

Committee Membership
S A N R

Professor Sir Richard Friend
Non-Executive Director

Appointed to the Board: September 2014
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Professor Sir Richard is in the Department of Physics at the University of Cambridge and has considerable experience both within academia and also the world of business. He has pioneered the physics, materials science and engineering of semiconductor devices made with carbon-based semiconducting polymers. His expertise is reflected in the insights and constructive challenges he brings to the boardroom.

Professor Sir Richard is a Fellow of the Royal Society and of the Royal Academy of Engineering and a Foreign Member of the US National Academy of Engineering and he has previously served as a council member of The Engineering and Physical Sciences Research Council.

External appointments:
Director of Research at the University of Cambridge, and a Fellow of St. John's College.

Non-Executive Director of Cambridge Photon Technology Limited.

Non-Executive Director of Eight19 Limited.

Non-Executive Director of Helio Display Materials Limited.

President and Trustee of the Cambridge Society for the Application of Research.

Committee Membership
A N R S

BOARD OF DIRECTORS continued

Mary Waldner
Non-Executive Director

Appointed to the Board: February 2016
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Mary is the Chief Financial Officer of Lloyd's Register, the global professional services company specialising in engineering and technology for the maritime industry. She holds an MA in physics from the University of Oxford and is a Fellow of the Chartered Institute of Management Accountants. She has a broad range of experience in a variety of sectors and an excellent track record of delivery throughout a number of senior financial roles with major public limited companies, which particularly benefits her role as Chair of the Audit and Risk Committee.

Mary was previously the Group Finance Director of Ultra Electronics Holdings plc, the Director, Group Finance at QinetiQ Group plc and Group Financial Controller of 3i Group plc. Prior to this, Mary held a number of senior roles at British Airways, General Motors and Vauxhall Motors.

External appointments:
Chief Financial Officer of Lloyd's Register.

Non-Executive Director of Senior plc.

Committee Membership
A N R S

Reshma Ramachandran
Non-Executive Director

Appointed to the Board: September 2022
Executive/Non-Executive: Non-Executive
Independent: Yes

Skills and experience:
Reshma has most recently worked as the Senior Vice President & Group Head of Transformation at Adecco Group AG, a Swiss listed international talent solutions and advisory company. She has also previously held senior roles at ABB Ltd, Alstom Power (a General Electric company) and Accenture Management Consulting. She holds a bachelors' and master's degree in Technology and is an alumnus of the Indian Institute of Technology Madras, India. Additionally she holds a masters' degree in business administration from the S.P. Jain Institute of Management & Research, India. Reshma has over 20 years of experience. She is an engineer by background and has led large-scale, multi-cultural teams and budgets as well as developing internal collaboration and customer focus.

External appointments:
Non-Executive Director of ISS A/S.

Committee Membership
A N R S

Sarah Harvey
Company Secretary

Sarah became the Company Secretary in August 2021. She is an Associate of the Chartered Governance Institute. Before joining Oxford Instruments, Sarah held company secretarial roles at intu properties plc, HSBC Holdings plc, BP plc and PwC Legal LLP.

A Audit and Risk Committee Member
N Nomination Committee Member
R Remuneration Committee Member
S Sustainability Committee Member
C Chair of Committee

Changes to the Board and its Committees
During the financial year and up to the date of signing of the Report and Financial Statements, the composition of the Board changed as follows:

- Reshma Ramachandran was appointed as a Non-Executive Director on 1 September 2022.

BOARD LEADERSHIP AND COMPANY PURPOSE

Effective Board

The primary function of the Board is to promote the long-term sustainable success of the Group, to generate and preserve value and to contribute to wider society. Our Board equips itself to achieve this by utilising good governance practices and it comprises Directors who possess the necessary skills, knowledge and experience to provide effective leadership.

The Board's approach to governance is explained throughout this Governance Report, on pages 105 to 178, and each Director's biographical information is set out in the Board biographies on pages 108 to 110.

Purpose, strategy and stakeholders

Our core purpose is to support our customers in addressing some of the world's most pressing challenges, enabling a greener, healthier, more connected advanced society.

The Board is responsible for establishing our purpose. It is also responsible for setting the strategy which will deliver in line with the purpose, and which is underpinned by our values, culture and how we do business.

For more information on our purpose, see pages 8 and 9 and for more information on our strategy, see pages 34 and 35.

To ensure that it fulfils its obligations to its shareholders and wider stakeholders, the Board actively engages with these groups in order to understand their needs and how delivery of our strategy impacts and delivers value for them.

For more information on our approach to shareholder and stakeholder engagement, see pages 32 to 33 and 112 to 117.

CORPORATE GOVERNANCE STATEMENT
for the year ended 31 March 2023

This Corporate Governance Statement, along with the Governance Report as a whole, details how the Group has applied the principles and complied with the relevant provisions of the UK Corporate Governance Code 2018 (the Code) and other relevant requirements to which it is subject, such as the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules, during the financial year ended 31 March 2023.

This Corporate Governance Statement, as required by the Disclosure Guidance and Transparency Rules, forms part of the Directors' Report and has been prepared in line with the Code, which can be found on the website of the Financial Reporting Council at www.frc.org.uk. The structure of the Governance Report largely aligns with the structure of the Code in order to most effectively demonstrate how its principles have been applied.

During the financial year ended 31 March 2023, the Board considers that it has complied with the provisions of the Code.

As noted in the Report and Financial Statements 2022, the Board recognised that during the financial year ended 31 March 2022 they had not complied with the Code where they 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 remuneration and the key components of executive remuneration, plus how this aligns with wider company pay policies in place.

Whilst the specific disclosures required by Disclosure Guidance and Transparency Rule 7.2 are covered in more depth throughout the Report and Financial Statements, by way of reference, they can be found as follows:

- A description of the main features of our internal control and risk management systems in relation to the financial reporting process can be found on pages 94 to 96.
- Share capital information can be found in the Directors' Report on page 176.
- Details of the composition of the Board and its Committees can be found on pages 108 to 110.
- Our Board diversity policy is described on pages 131 to 132.

Board approval of the Corporate Governance Statement

This separate Corporate Governance Statement is approved by the Board and signed on behalf of the Board by its Chair and Company Secretary.

Neil Carson
Chair

Sarah Harvey
Company Secretary

14 July 2023

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HOW WE ENGAGE WITH OUR STAKEHOLDERS

The Board is committed to developing its understanding of the views of its key stakeholders

Our approach to engagement

On pages 112 to 117 we have described our key stakeholder groups, the value of each group to the company, the issues which matter most to them and how we engage with them, focusing on our activity over the past year. The Board is committed to developing its understanding of the views of its key stakeholders. As noted earlier in this Report and Financial Statements, in some instances the Board engages directly with stakeholders, but there is also significant engagement by senior management and throughout the company. The Board receives reports and updates on such engagement, and the views and feedback gathered from stakeholders are used to inform discussion and decision-making.

For a snapshot of our key stakeholders see / **Pages 32-33**

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement	Board decisions where stakeholders were considered
Customers Our Horizon strategy places our customers at the centre of everything we do. Customer intimacy is key not only to helping us identify additional opportunities to deliver increased value to our customers, but to the long-term growth of our business.	• Excellent customer support and engagement throughout the buying cycle. • High-quality products and technical expertise. • Products which deliver value and help to meet their objectives. • Remote access and continuity of supply during disruption.	• The Executive Directors and senior management frequently host direct meetings with key customers from around the world, both virtually and in person at our sites. These meetings provide meaningful opportunities to understand first hand, at a senior level of the organisation, how we can enhance our offering to customers by shaping our understanding of their current and future needs. • The Board considers feedback from these meetings, together with, for example, outputs from our heightened customer intimacy such as customer trends.	• Continuing to invest in R&D allows us to deliver cutting-edge products and services. Insights gained from customer intimacy are instrumental in helping to determine where investment should be made. • Through deep knowledge of our target market segments and the challenges faced by customers, we have changed the way we communicate with prospective and existing customers, more clearly identifying the value our products can add. • Our portfolio focuses on areas where our key enabling technologies are driving long-term success. This allows us to help customers to accelerate their applied R&D, increase productivity in high-tech manufacturing and make ground-breaking discoveries. • Insights from customers help us to align our innovation and product development initiatives to their strategic roadmaps, so we can create differentiated products and solutions which provide significant value. • We have accelerated the transformation of our service offering with digital connectivity helping to maintain productivity through remote access and service. As highlighted in the operational review on pages 38 to 51, investment in our regional service teams and embedding remote digital support capabilities ensures improved customer response times and reduced travel.	Continued investment in high-quality products and technical expertise is key to the long-term growth of the business and is in firm alignment with the company's strategy, which the Board sets and supports. See our Horizon strategy **on pages 34-35.**
Employees Our employees are the foundation of our business success, and we have a responsibility to support their health, wellbeing and development. A highly capable, diverse workforce also enables us to better understand our customers and markets. Building an organisation with a broad range of perspectives and experiences increases our ability to innovate, to make the right decisions and to exceed our customers' expectations.	• Understanding how they contribute to our strategy and success. • Development and progression opportunities. • Health, safety and wellbeing. • Equality, diversity and inclusion. • Clarity of expectation on how recognition and remuneration structures align with accountabilities.	• The Board was delighted to participate in a comprehensive programme of employee engagement activity this year. The wide-ranging programme included sessions focused on sustainability, executive remuneration, insights gained from the annual employee survey and site visits by various Non-Executive Directors to Andor Technology in Belfast, Plasma Technology in Yatton, and Imaris in Zurich. • We have significantly re-energised and restructured our approach to connecting with our employees, with regular Chief Executive town halls for all employees, and sessions held at business unit and regional level, together with a lively and active intranet and Group-wide email communications on key strategic initiatives. An annual engagement survey tracks employee sentiment. • During the year, we launched Career Pathways, an initiative aiming to better facilitate and promote employee mobility within the organisation and throughout their careers. • We continue to promote our 'Push for Zero' health and safety programme.	• The Board discusses the insights and actions from all of its employee engagement activity. This continues to foster meaningful consideration of employees as key stakeholders. The Board will be participating in an extensive programme of engagement activity during 2023/24. • The Remuneration Committee reviewed the wider workforce remuneration landscape and related policies, including the decision to award higher than normal pay review percentages, acceleration of the annual pay review from July to April 2022 and a one-off payment to eligible employees with salaries below a certain threshold. It ensured alignment between current practice and the long-term strategic goals of the company and took these into account when setting Executive Director and Management Board remuneration, and when developing the new Directors' Remuneration Policy which is to be brought for shareholder approval at the 2023 AGM. • Wider employee feedback captured through our 2022 Group-wide engagement survey indicates that 78% of respondents are positively engaged, up 1% from our last full survey in 2020, while 72% feel included and valued. Communication from senior management, particularly on how colleagues can contribute to Horizon, was identified as an area for development, which is being addressed through regular town hall briefings and more frequent email and intranet communications. • The number of safety observations reported by employees has increased, in part due to our efforts to promote observation reporting. This means that remedial actions can be taken to prevent accidents from happening. • The Sustainability Committee considered our maturing approach and internal targets and measures relating to equality, diversity and inclusion.	Decisions relating to our social sustainability agenda, from health, safety and wellbeing to investment in our people. See the Sustainability Report **on pages 52-81** and the Sustainability Committee Report **on pages 141-143.** Setting Executive Director and Management Board remuneration, and development of the new Directors' Remuneration Policy. See the Directors' Remuneration Report **on pages 144-173.**

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement	Board decisions where stakeholders were considered
Shareholders Generating value for shareholders is part of the Board's fundamental role, alongside promoting the long-term sustainable success of the company and the Group and contributing to society. Our goal is to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital.	• Current and future financial performance. • Communication and engagement. • Sustainability.	• We actively engage with shareholders throughout the year to ensure they understand the performance of the business. • Our ongoing programme of dialogue includes numerous shareholder meetings and roadshows, which are facilitated alongside the publication of the Report and Financial Statements and full-year and half-year results announcements. • During the year, the Chair, Senior Independent Director, Remuneration Committee Chair and Executive Directors all directly engaged with a range of shareholders, including both virtual and in-person meetings at our sites. Key topics included the company's financial results, strategy and the new Directors' Remuneration Policy. • Appointed an IR specialist to increase the bandwidth available to meet and inform a broader range of new shareholders.	• The Board as a whole receives updates regarding the nature and outcome of meetings and engagement by certain Directors with the company's shareholders. This feedback helps the Board to shape the strategy which enables the company to deliver shareholder returns through profitable, sustainable growth with strong cash conversion and efficient use of capital. • Our Remuneration Committee engaged with and considered the feedback of our major shareholders and other key stakeholders when developing the new Directors' Remuneration policy which is proposed for shareholder approval at the 2023 AGM. Their feedback proved particularly insightful in helping to shape the proposed sustainability-related performance metrics for Executive Director remuneration.	Developing and delivering against our strategy. See our Horizon strategy **on pages 34–35.** Development of the new Directors' Remuneration Policy. See the Directors' Remuneration Report **on pages 144–173.** Decisions relating to our wider sustainability agenda, from diversity and inclusion to setting net zero targets. See the Sustainability Report **on pages 52-81** and the Sustainability Committee Report **on** pages 141–143.
Suppliers Our supply chain plays a vital role in supporting sustainable growth and efficiency across the business. It is imperative that we attain the highest quality products and service for our customers, whilst also striving to enhance the efficiency of the business and to reduce risk. Engaging with our supply chain is also crucial in the development and delivery of our net zero commitment.	• Long-term partnerships. • Visibility of the wider supply chain, so that they can best forecast future requirements. • Strong relationships built on trust and respect.	• Throughout the year the Board received regular updates regarding the industry-wide supply chain challenges and the ongoing work to mitigate the impacts of these challenges. • It is crucial to provide our suppliers accurate forward visibility in order to align our customers' requirements with our total supply capabilities. We share the output from our sales and operations planning process with them, and we have dedicated Category Managers to help reduce risk and improve efficiency. We must ensure our extended supply chain adheres to our strict environmental compliance, whilst challenging them to provide improvements to quality. Our key suppliers are encouraged to become part of our new product introduction process, allowing them to add value to our process.	• As part of our operational excellence programme, we have continued to work to strengthen our supply chain through executing a procurement strategy focused on leveraging our scale and building long-term strategic relationships with fewer suppliers, which has enabled us to mitigate the industry-wide supply chain challenges. • It is essential to ensure we attain the highest quality and service for our customers while enhancing the efficiency of our business and reducing risk. As a result, we aim to develop strong working partnerships with our suppliers. • This year, we have begun a comprehensive programme of engagement on suppliers' routes to net zero, led by the Chief Executive, with the suppliers representing 80% of our supply chain spend. • We have continued to develop our supplier due diligence and audit procedures. We have a zero-tolerance approach to all forms of modern slavery, including servitude, forced, bonded and compulsory labour and human trafficking and we expect our suppliers to adopt the same approach.	Developing and delivering against our operational excellence programme. Decisions relating to the environmental and governance strands of our sustainability agenda, from supply-chain responsible sourcing to human rights and modern slavery. See the Sustainability Report **on pages 52–81** and the Sustainability Committee report **on pages 141–143.**
Local communities Striving to meet our purpose in alignment with our values enables us to support the development of stronger communities and have a positive environmental and social impact.	• The environment. • Local small businesses. • Schools and colleges within their region. • Volunteering opportunities. • Charitable donations. • The appearance and tangible impact of our sites and operations.	• We actively engage in locally focused activities that make our communities and environments a better place to live and work. • We are committed to empowering students with an understanding of the working world and the range of career opportunities that choosing STEM subjects could open up, so we facilitate school visits, work experience programmes and industrial postdoctoral placements. • We aim to support the small, independent businesses near our sites. • We help our employees to support their local communities through charitable donations. • We aim to be considerate neighbours in all aspects of how we operate, but in particular, we recognise the importance of the appearance and tangible impact of our sites and operations.	• We operate 'Go Green' committees at many of our sites to deliver a local environment agenda and promote positive behaviours amongst peers. They are focused on finding innovative ways to improve our environmental impact. • Many of our people are keen to share their expertise and to make a difference to the people and organisations that are close by, and we encourage them to get involved through volunteering schemes. We operate a 'Volunteer time-off' programme for eligible employees which offers many benefits, including increasing the positive impact we have in our communities, boosting employee morale and enhancing team bonding. • We have facilitated collections of contributions to local food banks and fundraising activity for local charities. • In response to the devastating earthquakes in Turkey and Syria, the Board agreed to match employee charitable donations made to the International Red Cross or UNICEF, with a total of £11,860 being raised. • We take active steps to minimise traffic noise and congestion and are committed to minimising emissions. Our sites and grounds are well maintained and sensitive to the local environment and wildlife.	Decisions relating to our wider sustainability agenda, from community impact to supporting next-generation talent. See the Sustainability Report **on pages 52–81** and the Sustainability Committee Report **on pages 141–143.**

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Stakeholder and why we value them	What matters to them	How we engage	Outcomes of our engagement	Board decisions where stakeholders were considered
Society Through our stated purpose – to enable a greener, healthier, more connected advanced society – we are committed to making a positive impact on the world through our solutions and services. Our purpose underpins our wholehearted commitment to playing our part in creating a sustainable future throughout our operations, and by behaving as a responsible business.	• Protecting and enhancing the environment. • Addressing the impacts, risks and opportunities arising from climate change. • The development of new and affordable vaccines and treatments for diseases. • Fostering a more connected world. • Enabling advances in technology.	• We use our market intimacy to develop new products and services in pursuit of our purpose. • We engage directly with universities, governments and leading companies to explore and develop new ideas, and to support productivity. • Our Sustainability Committee elevates oversight of the Group's sustainability agenda to Board level, with a specific focus on considering our approach to climate change, amongst other things.	• We have developed a number of new products and services through the year, as set out in Purpose in action on pages 10 to 17, and in the operational review on pages 38 to 51, with further innovations set for release over the coming year. • We have developed a tracker to monitor the relative proportions of revenue generated in pursuit of the four key elements of our purpose: greener, healthier, more connected, advanced. • Our Sustainability Committee has made excellent progress across many areas of its remit with a particular highlight being the development and confirmation of our ultimate net zero target of 2045 and interim targets to 2030 in respect of both our Scope 1 and 2 emissions.	See our Sustainability Report **on pages 52–81.** Information on the work of the Sustainability Committee can be found **on pages 141–143.** See the case study **on page 116** on the development of our net zero targets.

PRINCIPAL DECISION CASE STUDY

Board commitment to reach net zero by 2045

A key decision made during the year was the setting of new, ambitious targets in relation to carbon emissions. Building on the positive work already carried out in previous years to reduce emissions, the Board (through the Sustainability Committee) has set the goal of reaching net zero carbon emissions across the Group, its operations and its supply chain by 2045. The detail underpinning this goal, together with the interim targets set for Scope 1 and 2 emissions, is set out in the Sustainability Report (pages 52 to 81) and the TCFD statement (pages 60 to 71).

In reaching its decision, the Sustainability Committee assessed a wide range of evidence, projections and external benchmarking, as well as hearing from the Group's external sustainability adviser and internal subject matter experts. The Committee's members considered all the views and needs of key stakeholder groups, reflecting employees' and local communities' strong appetite for positive action, and our wider responsibility to society, and balancing this against the challenge of imposing ambitious targets on our supply chain, where decarbonisation pathways are not always clear. The Committee also reflected that customers' expectations on emissions reductions are shifting and accelerating, and that setting a higher level of ambition, while potentially adding cost in the short term, will protect our interests in the future. For their part, shareholders are increasingly setting an expectation on companies such as ours to take robust action to mitigate and address the risks, opportunities and impacts of climate change, up to and including the embedding of related targets in executive remuneration structures, as we are doing.

Weighing up all these groups' priorities, and mindful of both the financial costs of taking action and the potential reputational and financial risks of taking an insufficiently ambitious approach, the Committee settled upon the agreed targets as achieving the optimal balance between ambition and evidence-based assessment of feasibility.

SECTION 172(1) STATEMENT

During the year to 31 March 2023, the Board of Directors has acted to promote the long-term success of the company for the benefit of its shareholders, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006, being:

a. The likely consequences of any decision in the long term.
b. The interests of the company's employees.
c. The need to foster the company's business relationships with suppliers, customers and others.
d. The impact of the company's operations on the community and the environment.
e. The desirability of the company maintaining a reputation for high standards of business conduct.
f. The need to act fairly between members of the company.

Further information which demonstrates how the Board has had regard to these matters can be found in the preceding, How we engage with our stakeholders section on pages 112 to 117.

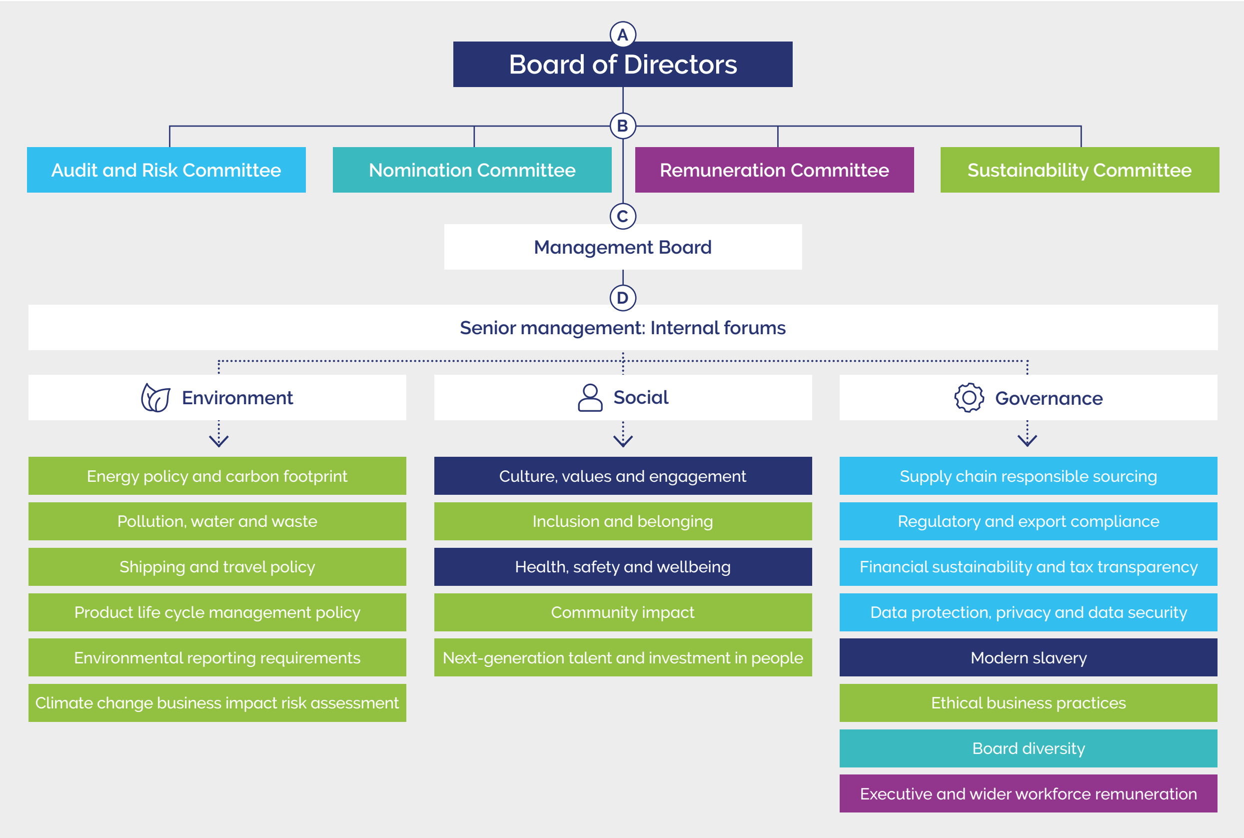
Additional information demonstrating how the Board has had regard to the factors set out in Section 172(1) of the Companies Act 2006

Matters per Section 172(1)(a) to (f) of the Companies Act 2006	Key example(s)	Page number
Consequences of any decision in the long term	Our purpose-led approach	8–9
	Our strategy	34–35
	Risk management	94–101
Interests of employees	Employee engagement	112–113
	Our purpose-led approach	8–9
	Sustainability	52–81
Fostering business relationships with suppliers, customers and others	Engagement with suppliers	114–115
	Engagement with customers	112–113
	Supply chain practices	79–80
Impact of operations on the community and the environment	Sustainability	52–81
	Purpose in action	10–17
Maintaining a reputation for high standards of business conduct	Our purpose-led approach	8–9
	Compliance	79
	Anti-bribery and anti-corruption	79
	Human rights and modern slavery	80
	Privacy and data protection	80–81
	Data security	80–81
	Whistle-blowing	138
	Export Control Policy	79
Acting fairly between members	Shareholder engagement	114–115
	Shareholder information	174

DIVISION OF RESPONSIBILITIES

Our governance structure

The below structure summarises our approach to governance throughout the organisation. The Board is ultimately responsible for having oversight of and providing leadership to the Group. Our governance structure demonstrates how the Board is supported in carrying out its responsibilities. It is particularly supported by its Committees, the Management Board and the work of various internal forums led by senior management.



(A) Board of Directors

- The role of the Board is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society
- Responsibilities of the Board are documented within its schedule of reserved matters which form part of its governance reference materials; these are reviewed and amended by the Board periodically
- Delegates certain matters to its Committees and the day-to-day running of the business to the Executive Directors and Management Board
- Collectively responsible for engagement with the workforce

(B) Board Committees

- These comprise Non-Executive Directors and meet the independence requirements set out in the UK Corporate Governance Code 2018
- Four dedicated Committees: Audit and Risk, Nomination, Remuneration and Sustainability
- A summary of the key responsibilities of each Committee is set out in their respective reports included within this Report and Financial Statements
- Responsible for a range of matters specifically delegated by the Board, as set out in their respective terms of reference, which are reviewed on an annual basis and can be found on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary

(C) Management Board

- Responsible for the day-to-day running of the business of the Group, where delegated by the Chief Executive
- Focuses on Group-wide performance, strategy and risk management
- Meets at least monthly

(D) Senior management: Internal forums

- Report to the Management Board either directly or indirectly
- Lead internally on delivering the objectives delegated by management as well as workstreams which encompass our sustainability strategy

Responsibilities of the Chair, Chief Executive and Senior Independent Director

The responsibilities of the Chair, Chief Executive and Senior Independent Director are documented within the Board's governance reference materials which are reviewed and amended by the Board on a periodic basis. A high-level summary of these responsibilities is set out below.

Chair

- Leads the Board
- Promotes high standards of governance and ensures the Board is effective in directing the company
- Ensures that the Board has effective decision-making processes and applies appropriate challenge to major proposals
- Sets the agenda of the Board
- Facilitates participation and engagement by all Directors in meetings

Chief Executive

- Day-to-day running of the business of the Group
- Leads the Management Board
- Proposes and implements the strategy

Senior Independent Director

- Acts as a sounding board to the Chair and supports delivery of their objectives
- Leads the evaluation of the Chair on behalf of the other Directors
- Available to the company's shareholders

Directors' continuous development and access to advice

The Chair is responsible for ensuring that all of the Directors are appropriately briefed on matters arising at Board meetings and that they have full and timely access to accurate and relevant information. To enable the Board to discharge its duties, all Directors receive sufficient information, including briefing papers distributed in advance of their meetings. The Committees of the Board have access to sufficient resources to discharge their duties, including external advisers and access to internal resources and personnel.

Where they judge it to be necessary to discharge their responsibilities, Directors may obtain independent professional advice at the company's expense. All Directors also have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

For information regarding the development activities undertaken by the Board during the year, see the Board professional development section on page 124.

Board and Committee meetings and attendance

The table below sets out the number of meetings attended by each Director during the year ended 31 March 2023, of those which they were required and eligible to attend.

This includes all customary, scheduled meetings, however, the Directors also joined occasional ad hoc meetings during the year. The Directors also held a number of meetings without the Executive Directors present, both with and without the external auditor in attendance. As noted in the Committee reports included within this Report and Financial Statements, Directors who are not members of the respective Committees may be invited to join meetings as regular or ad hoc attendees.

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Neil Carson	7/7	N/A	4/4	6/6	6/6
Ian Barkshire	7/7	N/A	N/A	N/A	N/A
Gavin Hill	7/7	N/A	N/A	N/A	N/A
Alison Wood	7/7	4/4	4/4	6/6	6/6
Mary Waldner	7/7	4/4	4/4	6/6	6/6
Professor Sir Richard Friend	7/7	4/4	4/4	6/6	6/6
Sir Nigel Sheinwald	7/7	4/4	4/4	6/6	6/6
Reshma Ramachandran[1]	4/4	3/3	2/2	4/4	4/4

1. Appointed to the Board on 1 September 2022.

DIVISION OF RESPONSIBILITIES continued

Board priorities during the year

The table below summarises some of the highlights from the Board's key areas of focus and discussion during the financial year. For more information regarding the key areas of focus for the Committees of the Board, please see their respective reports as included within this Report and Financial Statements.

Strategy and performance	• Annual dedicated strategy review session • Regular reviews of business development activities and acquisition proposal pipeline
Finance, reporting, risk management, and controls	• Monitored progress against the 2022/23 financial plan and reviewed and approved the 2023/24 financial plan • Approved the Report and Financial Statements, half-year results and trading updates • Considered and approved the proposed interim and final dividend payments • Monitored the successful integration of the processes for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group into the wider enterprise risk management processes
Operations	• Received regular operational updates • Monitored performance and provided challenge in key areas within operations, including health and safety, operational excellence, human resources, innovation and business development
Leadership and people	• Assessed current composition of the Board including tenure, skills, experience and diversity characteristics, in order to inform the approach to future Board composition • Continued focus on organisational capability and succession planning within senior leadership teams and across the organisation • Appointment of Reshma Ramachandran as a Non-Executive Director • After the company's financial year-end, we announced the forthcoming retirement, with the agreement of the Board, of Chief Executive Ian Barkshire, and that Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. It is intended that Ian will continue as Chief Executive until Richard joins
Governance	• Review and modification of Directors' Remuneration Policy, including engagement and consultation with major shareholders and other key stakeholders • Participated in annual Board effectiveness review • Consideration of views of key stakeholders and impact of decisions on them, including reviews of shareholder feedback as collated by external advisers • Dedicated workforce engagement activities, including site visits and sessions with a wide range of employees across the Group • Regular meetings without the Executive Directors present, both with and without the external auditor in attendance
Sustainability and climate-related matters	• Development of net zero target of 2045, with interim targets to 2030 in respect of both Scope 1 and 2 emissions • Monitoring progress against the targets and measures which aim to advance certain aspects of the social and governance pillars of our sustainability strategy • Oversight of the Group's sustainability-related narrative reporting and external disclosures, including our first Task Force on Climate-Related Financial Disclosures Statement, an enhanced, integrated Sustainability Report and our first standalone Sustainability Report

Stakeholder engagement

The Board is committed to developing its understanding of the views of its key stakeholders. As noted earlier in this Report and Financial Statements, in some instances the Board engages directly with stakeholders, but there is also significant engagement by senior management and throughout the company. The Board receives reports and updates on such engagement and the views and feedback gathered from stakeholders are used to inform discussion and decision-making. Please see pages 32 and 33 regarding Engaging with our stakeholders and pages 112 to 117 regarding How we engage with our stakeholders for more information, including the Board's Section 172(1) statement.

Board independence

At the conclusion of the financial year, the Board comprised eight Directors, including the Chair (who was considered independent upon appointment to the Board), five Non-Executive Directors (all of whom were considered by the Board to be independent upon annual assessment), and two Executive Directors (being the Chief Executive and Chief Financial Officer). The Board is therefore compliant with the recommendation of the UK Corporate Governance Code 2018, that it should comprise at least 50% independent Non-Executive Directors, excluding the Chair. The Committees of the Board also remained compliant with the recommendations of the Code during the year and further information regarding their membership can be found within the respective Committee reports included within this Report and Financial Statements.

External commitments

The Board is mindful of the time commitment required by the Non-Executive Directors in order to effectively fulfil their duties. Prior to appointment, prospective Directors provide details regarding other roles and significant commitments which may impact their ability to commit to the company. All Directors keep the Board informed regarding proposed external appointments or significant commitments as they arise, with Chair approval required prior to taking on any additional external appointment and commitments monitored to ensure that each Director has sufficient time to fulfil their obligations. Each Director's biographical information and significant time commitments are set out in the Board biographies on pages 108 to 110. Changes to Directors' commitments during the year are noted in the below table.

Conflicts of interest

The Companies Act 2006 states that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if permitted by the company's Articles of Association – and the company's Articles of Association do allow for this.

Directors are required to disclose conflicts and potential conflicts to the Chair and the Company Secretary as and when they arise. When a Director takes on additional external commitments, they will discuss the potential position with the Chair and confirm that, as far as they are aware, there are no conflicts of interest. During the year, none of the Directors declared to the company any actual or potential conflicts of interest between any of his or her duties to the company and his or her private interests and/or other duties, except for the Executive Directors, who hold the position of Director of the company as well as acting as director of a number of Group subsidiary companies. The system for monitoring potential Director conflicts remained effective throughout the period.

Change in Directors' commitments

The table below sets out the changes to the external appointments of the Directors which took effect or were confirmed during the financial year and up to the date of signing the Report and Financial Statements.

Director	Change in commitment	Effective date of change
Alison Wood	Appointed as Chair of Galliford Try Holdings plc.	21 September 2022
	Resigned as Non-Executive Director and Chair of the Remuneration Committee of Capricorn Energy PLC (formerly Cairn Energy PLC).	24 January 2023
	Resigned as Senior Independent Director of the British Standards Institute (non-listed).	1 February 2023
Gavin Hill	Appointed as Non-Executive Director and Chair of the Audit Committee of BMT Group Limited.	19 April 2023
Ian Barkshire	Appointed as a member of the National Quantum Technologies Programme Strategic Advisory Board.	1 November 2022
Reshma Ramachandran	Resigned as Senior Vice President & Group Head of Transformation at Adecco Group AG.	1 February 2023
	Appointed as Non-Executive Director of ISS A/S	13 April 2023

COMPOSITION, SUCCESSION AND EVALUATION

Appointments to the Board

The Nomination Committee is responsible for leading the process for appointments to the Board and its standard process when making new appointments to the Board is as set out below.

Director appointment process

Evaluate Board composition and determine required capabilities of proposed appointee	Evaluate the Board's skills, experience, independence, diversity and knowledge and utilise this to develop a specification which reflects the role and specific capabilities required.
Advertise role and determine long list of potential candidates	Advertise the role using open advertising (unless confidential) and by instructing external executive search consultants with the necessary expertise. Identify long list of potential candidates based on, amongst other things, experience, capabilities, merit and diversity.
Refine short list of potential candidates and complete interviews	Determine short list and invite the potential candidates to complete a formal interview process. Interview process to be facilitated by various Board members but specifically the Chair, Chief Executive and senior management, as appropriate.
Consideration and approval by Nomination Committee	Nomination Committee to consider the short-listed candidates and feedback from interview process from both interviewers and interviewee. Determine the preferred candidate and recommend their appointment to the Board for approval.
Consideration and approval by Board	Board to consider and if thought fit, approve the proposed appointment of the preferred candidate. Market announcement made in accordance with regulatory requirements.

CASE STUDY

Appointment and induction of Reshma Ramachandran as Non-Executive Director

Reshma Ramachandran was appointed to the Board with effect from 1 September 2022 and, since joining, has undertaken a full and formal induction, tailored to her individual needs and based on her experience and background.

Tailored induction

The tailored induction programme encompassed a comprehensive overview of the Group. The programme comprised a number of elements, with highlights including:

- Paired with Mary Waldner, an experienced Non-Executive Director who has served on the Board for over seven years, with Mary acting as a mentor and to support Reshma with swiftly becoming familiar with the organisation as well as the Board and its operation.
- One-to-one sessions with the Executive Directors to gain an in-depth understanding of the business, strategy and financial overview.
- Sessions with all members of the Management Board, to develop an understanding of their roles and responsibilities, including those specifically relating to the Horizon strategy.
- Site visits to Tubney Woods (NanoScience and Head Office), High Wycombe (NanoAnalysis and Magnetic Resonance), Belfast (Andor Technology) and Zurich (Imaris).
- Legal training session with the company's UK corporate counsel regarding the obligations of a UK listed company and its directors, with a focus on the regulatory framework for UK listed companies, directors' duties and the UK Corporate Governance Code and related obligations.
- Meetings with various functional and regional heads including the Company Secretary, General Counsel, Director of Communications, Risk Assurance and Group International Trade Compliance Manager, Group Director of Accountancy Tax and Treasury, Group Health, Safety and Environment Manager, Head of Strategic Sourcing & Operational Excellence Programme Director, Group IT Director and the heads of the regional offices in China, Germany, Japan and the US.
- Introductions to the company's key advisers including its auditor, UK corporate counsel, remuneration consultant and environmental sustainability adviser.

Q&A with Reshma Ramachandran

Q: What attracted you to take up the role of Non-Executive Director at Oxford Instruments plc?

A: Every aspect of modern life is impacted by the power of technology, science and data. It's a huge privilege to take up this role at Oxford Instruments, given its position as a research leader with such an impressive history of innovation. It's also very exciting to join a company which can have an immense impact across such a range of sectors as we support our customers in addressing some of the world's most pressing challenges, and follow our purpose: to enable a greener, healthier, more connected advanced society.

Q: Which element of your induction process did you enjoy most and why?

A: I've very much enjoyed my visits to some of our manufacturing facilities – and in particular, the opportunity they've given me to meet a broad range of people across the Group. I gained a truly meaningful sense of our strategy in action, as well as a better understanding of our opportunities and the risks we face, by hearing a range of different perspectives on Oxford Instruments' story.

Q: Which aspects of your previous experience do you feel are particularly beneficial to your new role?

A: Having begun my career on the shop floor, I moved into a series of senior engineering and transformation-focused roles across a range of geographies. This combination of hands-on operational experience and the more strategic, future-facing roles I've held is very beneficial to my role as Non-Executive Director, particularly when assessing progress against our strategy, whilst looking to the future.

COMPOSITION, SUCCESSION AND EVALUATION continued

Director re-election

In line with best practice and the company's Articles of Association, all Directors are required to retire from office at each AGM, in order to be proposed for re-election by the company's shareholders should they wish to continue in their role. At the company's 2022 AGM, all current Directors were reappointed by shareholders with majority votes ranging from 94.16% to 99.99%. All Directors will retire and seek re-election at the 2023 AGM apart from Reshma Ramachandran, who was appointed as a Director by the Board with effect from 1 September 2022 and who will stand for shareholder election for the first time, and Professor Sir Richard Friend who has served on the Board for almost nine years and in line with best practice regarding tenure and independence, will not stand for re-election, as he will step down from the Board with effect from 28 July 2023.

Having considered the performance and contribution of each of the Directors, the Board remains satisfied that they are operating effectively and continue to demonstrate commitment to their roles. The Board will therefore recommend the election or re-election of all Directors at the AGM. Ian Barkshire will continue in his role until Richard Tyson joins as Director. As noted on page 106, the company is working with Richard and TT Electronics plc, his current employer, to agree the date he will commence in the role.

The biographical information of each Director, along with the reasons for their respective election or re-election, can be found on pages 108 to 110. More information regarding the Board and the Director evaluation process is set out on page 125. The initial appointment dates of each Director and their tenure up to the date of the approval of this Report and Financial Statements are set out below.

Director	Appointed
Neil Carson	1 December 2018
Alison Wood	8 September 2020
Professor Sir Richard Friend	1 September 2014
Mary Waldner	4 February 2016
Sir Nigel Sheinwald	22 September 2021
Reshma Ramachandran	01 September 2022
Ian Barkshire	10 November 2015
Gavin Hill	9 May 2016

Board induction programme

The Chair and Company Secretary are responsible for ensuring that all Directors receive a full, formal and tailored induction upon joining the Board. Whilst our induction programme will be tailored based on the needs, experience and background of the individual Director, it will ensure that they gain a comprehensive understanding of the Group through activities including: one-to-one sessions with the Executive Directors, sessions with all members of the Management Board, visits to our sites, meetings with various functional and regional heads, and the opportunity to meet with a range of employees across the business.

The case study on page 123 provides an illustration of our induction programme in practice, following the appointment of Reshma Ramachandran as a Director during the financial year.

Board professional development

The Board and Committees receive dedicated training and information on matters relevant to the Group's business, including operational and technological briefings and updates on legal, regulatory and governance developments. During the year, training and updates were provided by the company's remuneration adviser and external counsel, as well as internal subject matter experts.

For more information regarding our approach to Directors' continuous development and access to advice, please see page 119.

Board composition

The Board, via the Nomination Committee, keeps under continuous review its composition and that of its Committees. Their review considers the balance of the Directors' skills and experience as well as their tenure, independence, time commitment and diversity.

We noted in the Report and Financial Statements 2022 that the Board was progressing a formal process to appoint a further female Director and that it intended to make such further appointment in light of the future needs of the Board in terms of skills and experience as well as diversity characteristics, in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. This culminated in the appointment of Reshma Ramachandran on 1 September 2022. For further information regarding Reshma's appointment and induction, see page 123.

As announced on 13 April 2023, Chief Executive Ian Barkshire is to retire, with the agreement of the Board, and Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. The Board is working with Richard and TT Electronics 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 ensure a smooth transition of leadership. For more information please see the Nomination Committee report on page 128 to 132 and the Remuneration Committee report on pages 144 to 173.

Annual Board evaluation

The Board recognises the need continually monitor and improve its performance. It carries out internal or externally facilitated Board effectiveness evaluations annually, in order to obtain feedback to help to improve its effectiveness.

External Board evaluation 2021/22: Progress

The Board engaged Round Governance Services to complete an externally facilitated evaluation during the previous financial year. This generated recommendations which the Board agreed to implement. In line with its dedicated action plan, during the year the Board:

- Considered diversity in its work on succession planning, particularly gender and ethnicity per of the FTSE Women Leaders Review and Parker Review. The Board has met the recommendation of the Parker Review to include at least one Director of colour by the end of 2024, further to the appointment of Reshma Ramachandran on 1 September 2022.
- Considered succession planning at senior management level and continued to build relationships with individuals identified as potential successors.
- Considered and worked to improve the gender balance of senior leadership, having endorsed the target for 40% of senior leadership roles to be held by women by 2025.
- Received briefings on matters relevant to the Group's business, including legal developments and operational updates.
- Delivered the ongoing workforce engagement plan, meeting with a broad range of employees at various levels and roles across the Group, globally.

Internal Board evaluation 2022/23: Process

This year, the Board opted to complete an internally facilitated evaluation. The process included:

- Discussions between the Chair and the Company Secretary to agree the scope of the evaluation and focus areas.
- Online questionnaire issued to and completed by all Directors.
- Evaluation report prepared and findings discussed by the Chair and Company Secretary.
- Aggregated feedback and proposed actions shared with and discussed by the Board.
- Board discussed and agreed actions to be implemented.

Internal Board evaluation 2022/23: Outcomes and actions

The internal Board effectiveness evaluation concluded that the Board and its Committees function well and that all individual Directors contribute meaningfully and demonstrate commitment to their roles. The Board developed and agreed an action plan for the year ahead, highlights from which include:

- Discuss in further detail when reviewing and developing its strategy, the macro backdrop impacting the Group including the economic, political and technological landscape.
- Focus on Non-Executive Director succession, particularly in light of Professor Sir Richard Friend stepping down as a Non-Executive Director on 28 July 2023 and the anticipated departure in due course of Mary Waldner in line with best practice in relation to her tenure and independence.
- Continue to progress the workforce engagement programme by increasing the number of Board site visits and sessions hosted in person, increasing access to non-UK based and high potential employees, and by discussing a wider range of subjects with a larger number of staff.
- Facilitate more Director development opportunities across a range of topics including carbon reduction, sustainability, intellectual property and the legal landscape.

COMPOSITION, SUCCESSION AND EVALUATION continued

Board skills, experience and diversity characteristics

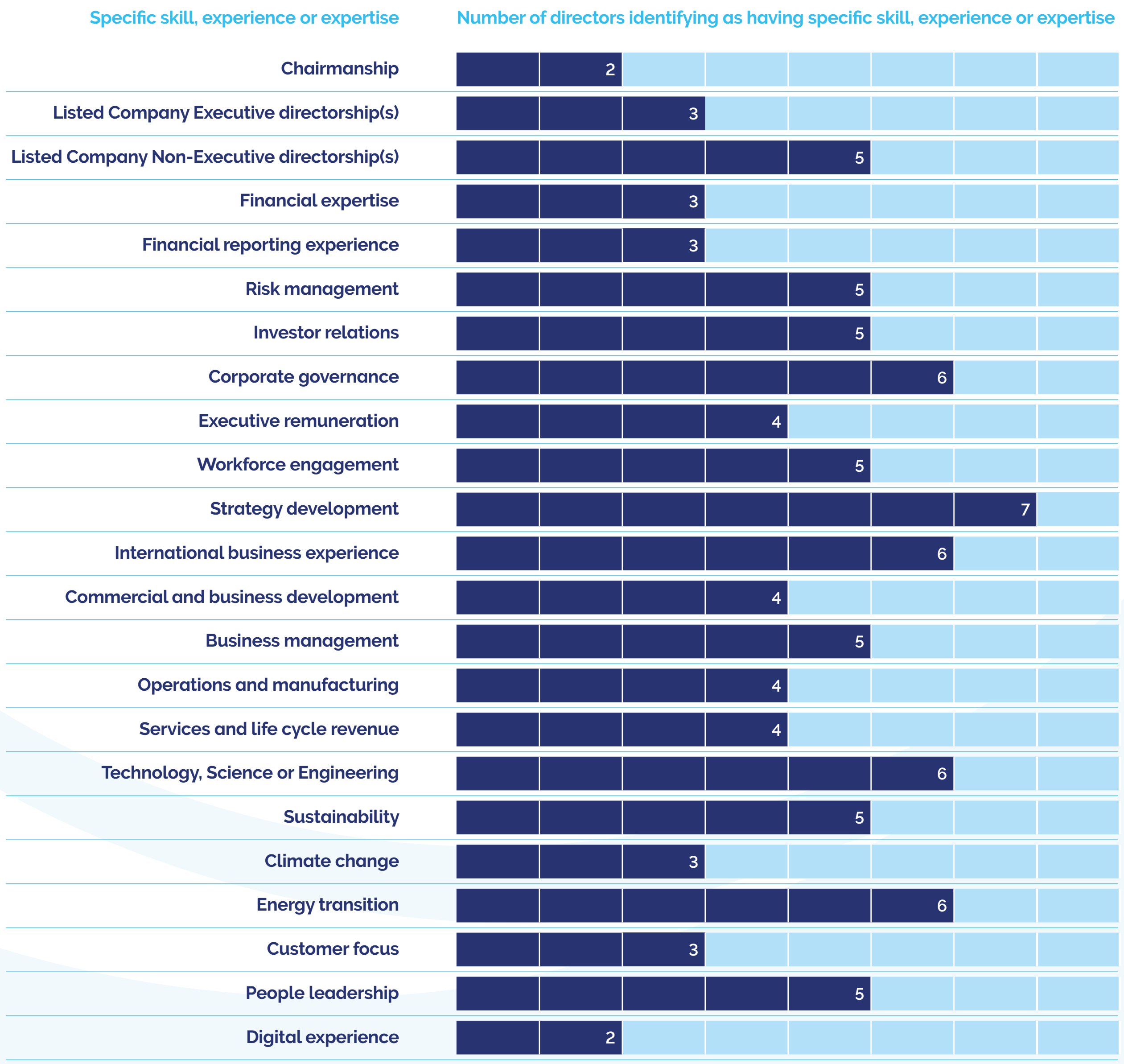
The Board is committed to promoting diversity and inclusion, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense and including gender, religious and ethnic diversity, disability, sexual orientation, social and economic backgrounds, age and cognitive and personal strengths, is an important factor in Board and, indeed, operational effectiveness.

During the year, the Directors participated in a process to identify their own skills, experience and diversity characteristics. The results of this process are set out below and on the page opposite and have been used to help assess the future needs of the Board, particularly in determining the ideal attributes of prospective appointees to the Board.

The Board diversity policy and our plans and progress in line with the recommendations of the FTSE Women Leaders Review and the Parker Review, respectively, are described in the Nomination Committee Report on pages 128 to 132.

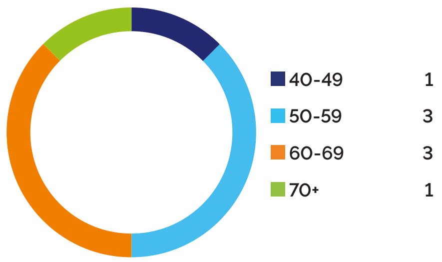
For more information regarding our approach to equality, diversity and inclusion across the Group, please see our Sustainability Report on pages 52 to 81.

Board skills and experience

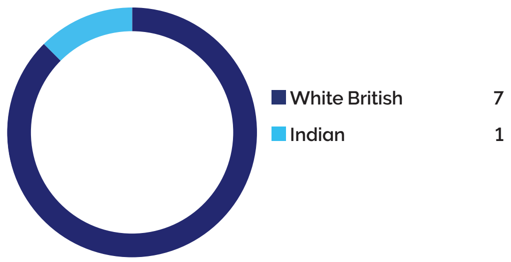


Board diversity characteristics

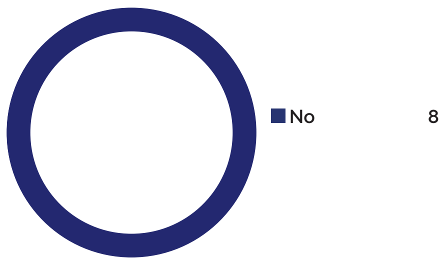
Age



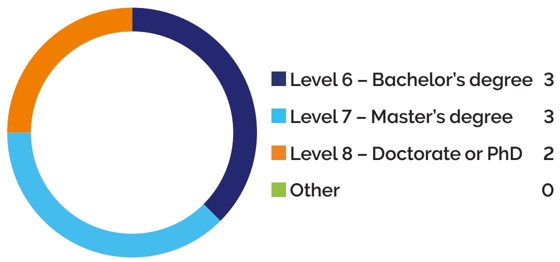
What is your ethnic group?



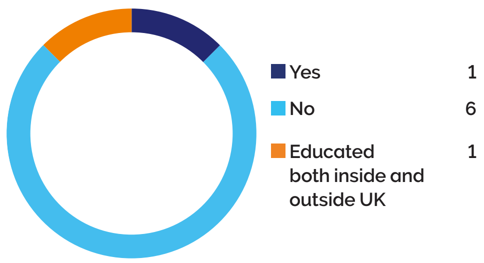
Do you consider yourself to have a disability defined by the Equality Act 2010?



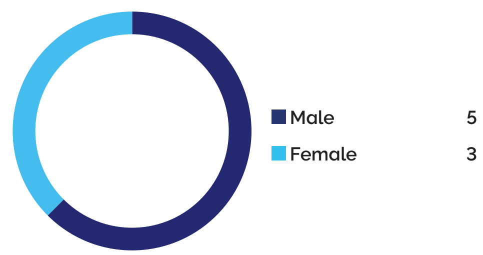
What is your highest level of educational attainment?



Were you educated outside of the UK?



Board Gender Diversity



NOMINATION COMMITTEE REPORT

Neil Carson
Chair of the Nomination Committee

"The Committee recognises the importance of the company's strategic priorities and the main trends and factors affecting its long-term success and future viability when pursing board succession planning and recruitment."

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2023.

The Committee has enjoyed a busy year, with a particular focus on succession planning, Executive and Non-Executive Director recruitment. These activities placed an emphasis on the future leadership needs within the wider organisation and considered succession beyond the Board.

After pursuing a thorough search process, we were delighted to recommend that the Board appoint Reshma Ramachandran as a Non-Executive Director with effect from 1 September 2022. The Committee felt that Reshma's experience of working in multi-cultural teams and geographies, combined with her strong engineering credentials and business acumen, would prove an excellent fit with the company's strategy. Since joining the Board, Reshma has completed a tailored induction programme, which you can read more about on page 123. Further details regarding our Director appointment process can also be found on page 122.

We have also kept under review our approach to diversity, particularly in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. We remain committed to meeting the targets and recommendations set out in these reviews, at Board level, for senior management and throughout the organisation. Whilst we have not yet met the target for at least 40% Board members to be women, as recommended by the FTSE Women Leaders review, this target will be surpassed on 28 July 2023 upon Richard Friend stepping down as a Director, at which point the Board will comprise 43% female representation. We are pleased to have met the recommendation of the Parker Review, for the Board to include at least one Director of colour by the end of 2024, further to the appointment of Reshma Ramachandran on 1 September 2022, and the recommendation of the FTSE Women Leaders Review to have at least one woman in one of four specified senior roles by the end of 2025, as Alison Wood currently serves as our Senior Independent Director. Our Board diversity policy and our plans and progress in line with the recommendations are explained on pages 131 to 132.

A particularly important piece of work for the Committee this year has been the completion of the recruitment process for a new Chief Executive. As announced on 13 April 2023, Ian Barkshire will be retiring after seven years as Chief Executive and more than 25 years with the company, and Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor. As noted in the market announcement made at that time, we are working with Richard and TT Electronics 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 ensure a smooth transition of leadership. We are very thankful for the tremendous contribution Ian has made. He leaves the business stronger than ever, and can look back on his long career with Oxford Instruments with immense pride. We are delighted that Richard Tyson will be joining us. With his record of success and his wealth of expertise in high technology innovation and global manufacturing companies, Richard is ideally placed to undertake this role.

For more detail regarding our work on Chief Executive succession planning and recruitment, please see pages 130 to 131.

You can also read more about the remuneration arrangements applicable to Ian's retirement and upon Richard joining the Board, in the Directors' Remuneration Report on pages 144 to 173.

As noted earlier in the Report and Financial Statements 2023, having served on the Board for almost nine years, Professor Sir Richard Friend will not be standing for re-election and will step down as a Non-Executive Director of the Company with effect from 28 July 2023.

I will be available at the AGM to answer any questions you may have regarding the work of the Committee.

Neil Carson
Chair of the Nomination Committee

14 July 2023

Committee membership and attendance

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

Members

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

1. Became a member of the Committee upon joining the Board during the year.

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

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board.
- Ensure plans are in place for orderly succession to Board and Management Board positions, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future.
- Review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected.
- Ensure that, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them.
- Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- Review annually the time required from Non-Executive Directors.
- The Committee shall also make recommendations to the Board concerning: changes needed to the succession planning process, if required; suitable candidates as new Directors and succession for existing Directors; membership of the Audit and Risk, Remuneration and Sustainability Committees; the reappointment of Non-Executive Directors at the conclusion of their specified term of office; the re-election by shareholders of Directors; any matters relating to the continuation in office of any Director at any time; and the appointment of any Director to executive or other office.

NOMINATION COMMITTEE REPORT continued

Committee membership, skills and experience

In line with the Committee's terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee comprises a majority of independent Non-Executive Directors and is chaired by the Chair of the Board, Neil Carson.

During the financial year, the membership of the Committee changed as noted previously, with Reshma Ramachandran becoming a member of the Committee upon joining the Board on 1 September 2022.

Meetings

The Nomination Committee holds a minimum of one meeting annually, as required under its terms of reference, and this year held four scheduled meetings and three ad hoc meetings. Regular attendees at meetings include the Chief Executive, Chief Financial Officer and Chief HR Officer, where appropriate. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an internal evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on page 125. The review found that the Committee functions effectively and that matters are dealt with appropriately.

How the Committee spent its time during the year ended 31 March 2023

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2023 and which are summarised on page 129. Whilst these responsibilities guide the operation of the Committee and shape its agenda, it will also consider other matters as requested by the Board and as relevant to its remit.

The key activities and areas of focus for the Committee during the year are as set out below.

- Reviewed the Board's composition and future needs, bearing in mind in particular the current tenure, skills, experience and diversity characteristics of the Directors.
- Reviewed the succession plans for Board and Management Board positions.
- Continued to consider our approach to diversity, particularly in light of the recommendations of the FTSE Women Leaders Review and the Parker Review.
- Completed the recruitment process for a new Non-Executive Director, resulting in the appointment of Reshma Ramachandran, effective 1 September 2022.
- Completed the recruitment process for a new Chief Executive. We announced on 13 April 2023 that Ian Barkshire will be retiring after seven years as Chief Executive and more than 25 years with the company, and that Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor.

Board composition and succession planning

As noted in the Report and Financial Statements 2022, the Board agreed during the previous financial year that it would be appropriate to appoint a further female Non-Executive Director to the Board to bring new skills and experience as well as diversity characteristics, in light of the recommendations of the FTSE Women Leaders Review and the Parker Review. This culminated in the appointment of Reshma Ramachandran on 1 September 2022. See page 122 for further information regarding the Committee's appointment process and page 123 for details regarding Reshma's appointment and induction experience. The Nomination Committee engaged Russell Reynolds, an executive search agency, to assist with this appointment. The company and the Directors have no other connection with Russell Reynolds.

The Nomination Committee keeps under continuous review the composition of the Board and its Committees. We take seriously our responsibility for Board effectiveness and continuity and the need to conduct a continuous and proactive process of planning and assessment, in the context of the company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the company.

As explained on page 106, the Board announced on 13 April 2023 that Ian Barkshire will be retiring after seven years as Chief Executive and more than 25 years with the company, and that Richard Tyson, currently Chief Executive Officer at global electronics company TT Electronics plc, has been appointed as Ian's successor.

Richard's appointment was subject to a rigorous selection process, borne of the company's well developed succession plans. The Director appointment process detailed on page 122 was followed, except that open advertising was not utilised as it was not appropriate in these circumstances. The interview process in particular, gave each of the Committee members a meaningful opportunity to carefully assess the experience and capabilities of the potential candidates. The Committee ensured that the insights gained by each of its members were carefully considered in coming to a conclusion regarding their preferred candidate and we are delighted that Richard Tyson will be joining us to lead us through the next phase of our growth.

Alison Wood, our Senior Independent Director and Chair of the Remuneration Committee also serves as a Non-Executive Director of TT Electronics plc, where Richard is currently the Chief Executive. Whilst not obliged to do so, she prudently decided to recuse herself from all decision-making in relation to Richard's appointment, both at Oxford Instruments plc and TT Electronics plc.

The Nomination Committee engaged Korn Ferry's executive search consultancy to assist with this process. Korn Ferry also act as an advisor to the Remuneration Committee and information regarding their fees for serving in this capacity are set out on page 160.

In addition to reviewing Board composition, the Nomination Committee oversees the succession plans for the Management Board and has regular opportunities to meet with the Management Board and other members of the wider senior leadership through their attendance at Board meetings to report on their respective business areas or functions and through workforce engagement activities.

Board diversity

The Board is committed to promoting diversity and inclusion, both on the Board and throughout the Group. The Board recognises that diversity, construed in its broadest sense is an important factor in Board and, indeed, operational effectiveness. The Board's diversity policy considers a range of characteristics, namely age, disability, social and educational backgrounds, as well as gender and ethnicity, and includes a commitment to increasing female and ethnic representation on the Board and throughout the wider organisation.

At the end of the financial year, the Board had 37.5% female representation as well as ethnically diverse representation with one of our Board colleagues being a person of colour. The composition of our Board therefore met both the recommendations of the Hampton-Alexander Review (33% female representation) and the Parker Review (at least one Director of colour by the end of 2024), but did not yet meet the recommendations of the FTSE Women Leaders Review (40% female representation by the end of 2025).

The Board is committed to meeting the recommendations of the FTSE Women Leaders Review, to have 40% female representation and aims to reach this goal by March 2025 (in line with the end of our financial year) but no later than the end of 2025. To achieve and maintain this ambition, the Board's plan is as follows:

- As noted earlier in this report, after having served on the Board for almost nine years, Professor Sir Richard Friend will not be standing for re-election and will step down as a Non-Executive Director of the company with effect from 28 July 2023. Upon Professor Sir Richard's departure, our Board will comprise seven Directors – three female and four male – reflecting 43% female representation.
- Anticipating the departure of Mary Waldner as Director in line with best practice in relation to her tenure and independence, as she will have served on the Board for nine years by February 2025, we recognise that we will need to take active steps in order to maintain our aspired female representation on the Board.

We have already met the recommendation of the FTSE Women Leaders Review to have at least one woman in the role of Chair or Senior Independent Director, and/or in the Chief Executive or Chief Financial Officer role by the end of 2025, as Alison Wood currently serves as our Senior Independent Director, having taken up this role post the conclusion of the AGM on 21 September 2021. Nevertheless, we will continue to keep this under review as part of our succession planning responsibilities.

For information regarding our approach to diversity within the wider organisation, please see our Sustainability Report on pages 73 to 74.

Any future appointments to the Board will continue to be based on merit and objective criteria to ensure that the best individuals are considered and appointed to the role. Wherever possible, the search pool will be extensive and where an executive search consultancy

NOMINATION COMMITTEE REPORT continued

is used, we will only engage with those firms that have adopted the Voluntary Code of Conduct for Executive Search Firms.

Diversity of individuals on the Oxford Instruments plc Board and executive management

In accordance with the UK Financial Conduct Authority's Listing Rule 9.8.6 R (9) the Board confirms that as of 31 March 2023, Oxford Instruments plc:

- Had not yet met the target for at least 40% of the Board to comprise women. As explained on page 131, this target will be surpassed shortly, on 28 July 2023, at which point the Board will include 43% female representation.
- Had met the remaining targets set out in that rule with (i) Alison Wood holding the role of Senior Independent Director and a woman therefore holding one the specified senior positions on the Board (Chair, Chief Executive, Senior Independent Director or Chief Financial Officer); and (ii) Reshma Ramachandran being of an Asian background, meaning that the Board included at least one Director from a minority ethnic background. There have been no changes to the Board since 31 March 2023 which would affect the company's ability to meet these targets.

In accordance with Listing Rule 9.8.6 R (10) the below tables provide data as of 31 March 2023 regarding the gender identity or sex and the ethnic background of both the Oxford Instruments plc Board and the executive management team, its Management Board. Our approach to collecting this data was two-fold. For our Directors, we asked that they complete a questionnaire regarding their skills, experience and diversity characteristics, including their gender identity or sex and their ethnic background. For our Management Board, we collated this data from our employee records, which they have provided on a voluntary basis understanding that it may be used for disclosure purposes, as well as 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.

Gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62.5%	3	4	80%
Women	3	37.5%	1	1	20%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	87.5%	4	5	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	1	12.5%	–	–	–
Black/African/ Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

AUDIT AND RISK COMMITTEE REPORT

Mary Waldner
Chair of the Audit and Risk Committee

"During the year, the Committee focused not only on the integrity of the Group's financial reporting activities, but also the procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives."

Dear Shareholder,

I am delighted to present the Report of the Audit and Risk Committee for the year ended 31 March 2023. We have continued to play an important role as part of the Group's governance framework, monitoring the integrity of the financial statements of the company and providing oversight and challenge across the financial reporting processes and internal control environment.

During the year, the Committee's work focused particularly on the Group's approach to several key areas of governance whilst continuing to deliver its core remit. Specific areas of focus included:

- Delivery of the internal audit plan across a broad range of key risk areas.
- Monitoring the successful integration of the processes for identifying, evaluating, and reporting on climate-related risks and opportunities across the Group into the wider enterprise risk management processes and the detailed assessment of key risks using a standardised methodology, as performed by the business units across the Group.
- Considering the procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. This included making a minor amendment to the Group's approach to risk management by updating the scoring matrix for key risks at Group level and amending the bandings for the estimated impact of a risk arising, albeit risks continued to be categorised in a matrix based on the expected likelihood of the risk arising and their estimated impact.
- As Chair I also had several discussions with the CFO and the Group Head of Risk, Assurance and Trade Compliance regarding the Group's investigation into compliance issues in China. These discussions covered the scope and outcome of the investigation and the remedial actions taken.
- Reviewing a letter received from the Financial Reporting Council (FRC), regarding the company's inclusion in their thematic review of the business combination disclosures for a sample of annual reports and accounts with periods ending between 31 December 2021 and 31 March 2022. There were no matters which the FRC wished to raise with the company, and we noted the observations set out in their report regarding the outcomes of their review.
- The review of papers and supporting calculations and data relating to the significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2023.

AUDIT AND RISK COMMITTEE REPORT continued

During the next financial year, the Committee plans to retain a focus on assessing the level of assurance provided over key financial controls whilst also addressing a range of risk-based audit areas to include trade compliance reviews, a data security review and a fraud risk review focusing on the principal manufacturing entities in particular. The Committee will also begin to consider the plans of the internal audit function, in order to implement recommendations arising from developments in the reform of the UK's corporate governance, audit and reporting regime, as more precision regarding its scope and the associated timeline are published.

Should you have any questions or comments regarding the work of the Committee, I would be delighted to hear from you.

Mary Waldner
Chair of the Audit and Risk Committee

14 July 2023

Committee membership and attendance

The members of the Audit and Risk Committee during the financial year and their dates of appointment to or resignation from the Committee, are as set out below. All members of the Committee are considered to be independent.

Members

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

1. Became a member of the Committee upon joining the Board during the year.

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

- Monitor the integrity of the Financial Statements of the company and Group and review and report to the Board on significant financial reporting issues and judgements.
- Review statements relating to financial performance and narrative reporting, including any climate-related financial disclosures.
- Review the company's internal control and risk management systems.
- Review the arrangements relating to compliance, speaking up and fraud.
- Monitor and review the effectiveness of the company's internal audit function.
- Advise the Board on the appointment, reappointment and removal of the external auditor, agree their terms of engagement and monitor their independence and objectivity.
- Review the effectiveness of the external audit process.
- Develop and implement the policy on the engagement of the external auditor to supply non-audit services.

Committee membership, skills and experience

In line with the requirements of the UK Corporate Governance Code and the Committee's terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary, the Committee comprises independent Non-Executive Directors and, as a whole, has competence relevant to the sector in which the Company operates. Mary Waldner, the Committee Chair, has specific, recent and relevant financial experience as the Chief Financial Officer of Lloyd's Register, is a Fellow of the Chartered Institute of Management Accountants and has also held a number of senior executive financial roles with major public companies.

During the financial year, the membership of the Committee changed as noted above, with Reshma Ramachandran becoming a member of the Committee upon joining the Board on 1 September 2022.

Meetings

The Audit and Risk Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held four meetings. Regular attendees at meetings include the Chief Executive, Chief Financial Officer, Group Financial Controller, Head of Risk, Assurance and Trade Compliance, and BDO LLP, our external auditor. Other attendees who attend as required include the Chair and members of senior management. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on page 125. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

AUDIT AND RISK COMMITTEE REPORT continued

How the Committee spent its time during the year ended 31 March 2023

Structured programme of activities

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2023.

The Committee sets a structured programme of activities for the year, as developed from its terms of reference and including standing items for its consideration at certain meetings. In addition, it considers specific risk areas identified for detailed review in light of the evolving risk environment, assurance activities relating to key non-financial areas such as new product innovation, IT and cyber-security, people and health and safety, and any other matters that arise during the year.

The main areas considered at each Committee meeting during the year are set out below.

Matters considered	June 2022	September 2022	November 2022	January 2023
Half-year and full-year Financial Statements including appropriateness of accounting policies, representation letters, associated narrative reporting (Report and Financial Statements) and market announcements	●		●	
External auditor Year-end Audit Report and Interim Review Report	●		●	
Significant accounting estimates and judgements	●		●	
Going concern	●		●	
Viability Statement	●			
Group risk register, including climate-related risks and opportunities	●	●	●	●
Principal risks and uncertainties	●		●	
Adequacy of internal control environment including internal control framework and risk management processes	●			
Internal audit update (specific theme addressed at each meeting, per the internal audit plan for the financial year)	●	●	●	●
Internal audit plan				●
Effectiveness of internal audit function				●
External auditor strategy for year-end audit				●
External auditor terms of engagement and fees				●
External auditor independence and objectivity	●			●
Effectiveness of external audit process		●		
Non-audit services carried out by external auditor	●			●
Litigation register	●		●	
Systems and controls for detecting fraud and the prevention of bribery and corruption	●			
Whistleblowing arrangements				●
Committee effectiveness review	●			
Committee terms of reference				●
Committee members and external auditor closed meeting	●	●	●	●

Financial Statements and reporting

During the year, the Committee continued to monitor the financial reporting process of the Group. As part of the year-end reporting process the Committee reviewed in detail this Report and Financial Statements in respect of the year ended 31 March 2023 and concluded that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy. The Board recognises the important role which the Committee plays in making such assessments.

Significant Audit and Risk Committee judgements and estimates during the financial year ended 31 March 2023

The Committee considered reports from management on accounting policies, current accounting issues and the key judgements and estimates in relation to this Report and Financial Statements. It assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by management. Summary information is set out below relating to the significant judgements and estimates considered by the Committee in relation to the Financial Statements for the year ended 31 March 2023 and how these issues were addressed.

Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is recognised using principles-based criteria with the timing of recognition dependent on fulfilment of the performance conditions in the customer contract. The Group applies prescriptive rules relating to revenue recognition that are appropriate to both products and services. Through the application of IFRS 15 principles, revenue recognition is less subjective than prior to its implementation, although revenue cut-off remains an area of audit focus. The Committee has received no reports of any significant error in revenue recognition.

UK defined benefit pension scheme

Under IAS 19, the Group is required to recognise any difference between the net present value of the pension scheme's liabilities and the fair value of its assets as at 31 March 2023 in the balance sheet as either a pension scheme asset or deficit. IAS 19 also requires the Group to appoint an external actuary to value its obligations to members of its defined benefit pension scheme at each reporting date. The actuary is also required to recommend suitable assumptions for use in the preparation of the valuation. The Group has appointed Aon Hewitt (the pension scheme's actuary) to perform bi-annual valuations on its behalf for accounting purposes. The assumptions recommended by the actuary are largely consistent with the prior year with the exception of the discount rate used which has increased from 2.8% to 4.8%, reflecting changes in the macroeconomic environment. The net present value of the scheme's liabilities decreased by £74.9m during the year, largely due to remeasurement gains arising from the change to the discount rate. The scheme's investment manager, Schroders Solutions, provided a valuation of the scheme assets in line with current market practice relating to the valuation of investment assets, the methodology for which has not changed since the prior year.

As disclosed in Note 25 to the Financial Statements, the actuarial surplus for the UK scheme has decreased from £51.7m in the prior year to £26.4m at 31 March 2023. This arises from the decrease in scheme liabilities of £74.9m and an aggregate decrease in the scheme's assets of £100.2m. This arises primarily from negative investment returns on gilts due to changes in interest rates, offset by company contributions of £12.2m, less benefits paid (£12.3m) and administrative costs. As set out on page 93 of the Finance Report, it is the scheme's actuarial valuation review, rather than the accounting basis that determines the level of cash payments made by the Group into the scheme.

Provisions for intellectual property claims

The Group faces potential exposure to third-party claims in relation to alleged intellectual property infringement. The Committee obtains management reports and analysis on potential claims twice a year. The Committee has reviewed the information and explanations provided by management relating to the provisions for intellectual property claims that have been recognised in the Financial Statements. This also covers claims for which no provision has been recognised. The external auditor has also reported on intellectual property provisions.

As at 31 March 2023, the value of the provisions recognised in the Financial Statements for such claims is £0.6m which is not material. However, this remains an area of significant accounting judgement and estimation. The Committee has verified that the approach and calculations performed to estimate the level of provisions required is reasonable and is consistent with the prior year. The Committee recognises that the final determination in any specific case is likely to vary from the amount provided. However, when considered in aggregate, the Committee considers that no adjustment to the provisions is required.

AUDIT AND RISK COMMITTEE REPORT continued

Adjusted profit and EPS

The Group applies adjustments to the statutory definition of profit and EPS to present adjusted profitability and earnings, as the Board considers that they present a clearer picture of the financial performance of the Group. These adjustments are set out at Note 1 to the Financial Statements. For the year ended 31 March 2023, the aggregate sum of the adjustments to operating profit was £8.1m. The largest item in value terms was the amortisation charge relating to capitalised intangible assets of £9.3m (2022: £9.5m). The Group recognised gains of £3.0m (2022: loss of £6.4m) arising from the mark-to-market impact of currency hedging contracts. The only other adjustment in the year greater than £0.5. relates to an impairment charge of £0.8m (2022: nil), relating to capitalised development costs. The Committee has reviewed Group reports setting out the nature of the adjustments and the methodologies used to calculate them and as a result concluded that adjustments have been applied consistently. Further, the Committee is satisfied with disclosure of these adjusting items in the 2023 Financial Statements.

Misstatements

The Committee received reports from Group management that they were not aware of any material misstatements or immaterial misstatements that had been made with the intent of achieving a particular presentation in the Financial Statements. The Committee also reviewed BDO's report on unadjusted audit differences and these were discussed during the Committee meeting in June 2023.

On the basis of its review and those discussions, the Committee concluded that the unadjusted differences were not material to the Financial Statements and therefore no adjustment was required. The Committee also concluded that the external auditor had fulfilled its duties with diligence and with an appropriate level of professional scepticism.

Viability and Going Concern Assessment and Statements

The Committee and the Board reviewed the Viability and Going Concern Statements as presented in more detail on pages 102 to 104.

The Committee reviewed the Viability Assessment, which was based upon consideration of the Group's current financial position and the potential impact of certain of its principal risks and uncertainties on future performance. It performed a review of the scenario analyses prepared by management in the Viability Assessment and concluded that the Group would be able to continue in operation and meet its liabilities as they fall due over the next three years.

In addition, the Committee noted that there were no material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern over the period of at least 12 months from the date of approval of the Financial Statements and concluded that it was appropriate to continue to adopt the going concern basis of accounting.

Whistleblowing

Employees can report concerns of non-compliance, ethical issues or malpractice via an independent and confidential reporting route. Reports can be made anonymously if required and are covered by the Group's Whistleblowing Policy which provides for protected disclosure. The Group recognises the importance of other reporting channels such as via line management and HR. Further, a reporting route to the Senior Independent Director is also available. Employees are informed of the reporting channels through the Code of Business Conduct and Ethics. Irrespective of the reporting channel used, the Group operates a formal protocol for the independent investigation of reports which is overseen by the Chief HR Officer and Services Director and Group Compliance.

The Committee performs an annual review of the Whistleblowing Policy and receives a summary report into the outcome of investigations during the year. It also receives a report from management on its activities in this area. The latest report and review took place in January 2023 and all matters raised in the year-to-date had been resolved.

Internal control

The Committee oversees the internal control framework on behalf of the Board. In June each year, it undertakes an annual review of the effectiveness of the internal control environment, comprising the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. To support this review, the Committee liaised with the Head of Risk, Assurance and Trade Compliance and considered the internal and external audit reports presented. In respect of the financial year ended 31 March 2023 and up to the date of the approval of this Report and Financial Statements, the Committee concluded that the required standards had been met and noted that during the financial year, it had received no reports in the year about concerns of possible improprieties in matters of financial reporting.

Risk management

The key risk management activities performed by the Group are described on pages 94 to 101.

The Committee reviews the Group risk register, which now includes climate change-related risks and opportunities, at each meeting and uses these, supplemented by reports from management, the external auditor and other subject matter experts, to assess the approach taken to identify and mitigate the risks faced by the Group.

The Committee will continue to carefully review risk reporting and the associated risk management activities during the year ahead, in particular, aiming to develop and enhance its approach to the consideration of climate-related risks and opportunities as well as the broader landscape of emerging risks.

For more information regarding our approach to risk management see pages 94 to 101.

Internal audit function

The internal audit function is led by the Head of Risk, Assurance and Trade Compliance, who is a regular attendee at Committee meetings. Its purpose is to provide assurance regarding the effectiveness of internal controls through regular reviews and the provision of reports to the Committee. Once finalised, all internal reports are also shared with the external auditor. The Head of Risk, Assurance and Trade Compliance has direct access to the Chair of the Board and the Chair of the Committee, to help safeguard independence from the executive and accountability to the Committee.

Internal audit plan

The annual internal audit plan was presented to the Committee at its meeting in January 2023. It comprises audits which assess the effectiveness of internal financial controls, to be performed on a rotational basis across operational business units and the principal regional offices and, complementing this, the programme also includes risk-based audit areas which are proposed or recommended by a combination of the Committee and management. Following due consideration, the Committee approved the proposed annual internal audit plan.

Effectiveness review

The Committee has a responsibility to carry out an annual assessment of the effectiveness of the internal audit function. As part of its assessment in respect of the financial year ended 31 March 2023, the Committee liaised with the Head of Risk, Assurance and Trade Compliance, reviewed and assessed the annual internal audit plan, reviewed the results of the internal auditor's work, considered whether the quality, experience and expertise of internal audit remains appropriate for the business and reviewed the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function. The Chair also held a one-to-one meeting with the Head of Risk, Assurance and Trade Compliance in March 2023 to discuss key risk areas in advance of the new financial year.

Following due consideration, the Committee agreed that the internal audit function had remained effective.

External auditor

The Committee has principal responsibility for managing the relationship with the external auditor, including assessing its performance, effectiveness and independence and making recommendations to the Board regarding its reappointment, removal and terms of engagement, including all fees.

BDO LLP was reappointed as external auditor at the 2022 Annual General Meeting, having been initially selected to undertake this role with effect from the financial year ended 31 March 2021 following a competitive tender process. In line with the current requirement to complete a tender for audit services every ten years, the Committee intends to conduct a tender process ahead of the financial year ended 2031. This remains subject to the outcome of the Committee's annual assessment of the performance, effectiveness and independence of the incumbent external auditor. The Committee regularly meets with the external auditor, both with and without the Executive Directors or members of the management team present, to discuss any appropriate matters in a frank and open manner.

Audit strategy

BDO LLP presented its proposed audit strategy and plan for the financial year ended 31 March 2023 to the Committee at its meeting in January 2023. The suggested strategy had been informed through feedback from various stakeholders including the Committee Chair, Chief Financial Officer and Group Financial Controller. The proposal included details of the recommended scope, materiality, fees and timelines plus the principal areas of audit risk and the anticipated approach for addressing such. Following due consideration, the Committee approved BDO LLP's proposed audit strategy and plan.

AUDIT AND RISK COMMITTEE REPORT continued

Effectiveness review

The Committee has a responsibility to review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

As part of its assessment in respect of the financial year ended 31 March 2022, the Committee considered reports from BDO LLP and feedback from key members of the Group's finance team. The assessment noted that BDO LLP's increased familiarity with the Group and individual business units had led to a smoother audit than the prior year. When issues did arise, BDO LLP reacted appropriately and pragmatically. Following due consideration, the Committee agreed that the audit had been effective.

In line with the Committee's structured programme of activities, an assessment of the effectiveness of the audit for the financial year ended 31 March 2023 is expected to be carried out in September 2023.

Independence and objectivity

The Committee should assess on an annual basis the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

To make this assessment, the Committee obtains confirmation from the external auditor regarding whether it considers itself to remain independent and also satisfies itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.

During the financial year, the Committee made this assessment in both June 2022 and January 2023, in addition to again assessing in June 2023. In June 2022 and January 2023, the Committee was comfortable that BDO LLP remained independent and objective. In June 2023, the Committee noted that BDO LLP had identified a breach of the FRC's Ethical Standard, through the provision of services by BDO LLP, Singapore to Oxford Instruments Private Limited in 2021 and 2022. Upon identifying this breach, the provision of such services was immediately terminated. BDO LLP completed an investigation to understand the circumstances of the breach, with the outcome of this exercise being that it has enhanced the applicable processes and procedures to prevent future breaches of this nature occurring. In this context and noting the financially immaterial nature of the breach, with the prohibited services incurring under £1,000 in fees, the Committee remained comfortable that BDO LLP remained independent and objective.

Non-audit services

The Committee oversees the company's formal policy regarding the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited Financial Statements. During the financial year, the Committee approved the provision of non-audit services by BDO LLP amounting to £8k, which when considered in light of the audit fees amounting to £792k, represented a non-audit fee to audit fee ratio of 1:104.9 or 0.94% of the total fees payable to the auditor and its associates. A further illustration of this comparison can be seen in the following table.

Audit and non-audit fees for the financial year ended 31 March 2023

	Fees	Proportion
Audit fees	£792k	93.51%
Audit-related assurance services	£47k	5.55%
Non-audit services	£8k	0.94%
Total fees payable to the auditor and its associates	£847k	100%

See Note 4 on page 204 of the Financial Statements for further information regarding the external auditor's remuneration.

Statement of Compliance with the Competition and Markets Authority (CMA) Order

The company confirms that it has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 (Article 7.1), including with respect to the Audit and Risk Committee's responsibilities for agreeing the audit scope and fees and authorising non-audit services.

Reappointment of external auditor

BDO LLP has expressed its willingness to continue as auditor of Oxford Instruments plc and separate resolutions will be brought to the Oxford Instruments plc 2023 AGM, proposing BDO LLP's reappointment as auditor and to authorise the Board, through the Committee, to negotiate and agree its remuneration.

SUSTAINABILITY COMMITTEE REPORT

Nigel Sheinwald
Chair of the Sustainability Committee

"We believe that our sustainability ambition is a competitive differentiator for us as the energy transition, environmental awareness and societal changes advance."

Dear Shareholder,

I am pleased to present the report of the Sustainability Committee for the year ended 31 March 2023, our first full year in operation since the Committee was established in late 2021.

The Committee has enjoyed a busy year, covering a broad range of topics including the strategy and governance structure which will support delivery of the company's sustainability programme; the environmental, social and governance aspects of our remit, including health and safety; ethical business practices, and our intention to seek validation of our net zero ambition from the Science-Based Targets initiative.

A particular focus and highlight of the Committee's work this year has been the development of the company's ultimate net zero target of 2045 and interim targets to 2030 in respect of both Scope 1 and 2 emissions. We are particularly pleased that our efforts to carry out a detailed analysis enabled us to create targets founded on a strong base of evidence. Our focus will now shift to 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, read our Sustainability Report on pages 52 to 81.

We spent time appraising the social and governance elements of the company's sustainability agenda. The Committee considered in particular the advancing approach and internal targets and measures relating to equality, diversity and inclusion and was pleased to emphasise its support for the ongoing social initiatives being undertaken and developed to drive change within the Group.

We also reviewed the changes to our approach and the external landscape impacting our sustainability governance agenda and assessed the company's approach towards ensuring ethical business practices remain embedded. As part of our annual health and safety review, we were reassured to note that as part of the company's 'Push for Zero' health and safety programme, the number of safety observations reported by employees has increased, expanding our opportunity to implement remedial actions to prevent accidents. Further detail can be found in our Sustainability Report on pages 52 to 81.

We recognise the importance of utilising remuneration structures to promote and drive the behaviours and positive impacts we desire for the Group, and embraced the opportunity to support the work of the Remuneration Committee to help devise appropriate sustainability-related performance measures. These will be implemented for the awards made to Executive Directors during FY2023/24. For further information, see the Directors' Remuneration Report on pages 144 to 173.

As part of the Board's ongoing programme of employee engagement activity, I was delighted to host a session with a group of employees, aiming to gain an insight into workforce sentiment generally, as well as their perception of our wider sustainability agenda. The attendees spanned a broad range of roles, including product development, marketing, finance, operations, supply chain and sales, and all were members of the Go Green Team at High Wycombe, one of our primary manufacturing sites.

SUSTAINABILITY COMMITTEE REPORT continued

I gained some very meaningful insights which I was able to share with my colleagues on the Board; it was apparent that there is a strong employee appetite for progressing our sustainability agenda across a range of initiatives which matter to them, from reducing our CO_2e emissions to reconsidering energy usage, and achieving greater ethnic diversity within the organisation.

In conjunction with the Board, we are pleased to have published our second Task Force on Climate-Related Financial Disclosures Statement, as set out on pages 60 to 71, our integrated Sustainability Report, which is available on pages 52 to 81 and our standalone Sustainability Report, which can be found on our website at: www.oxinst.com/sustainability. 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. We aim to be ambitious and believe that our commitment to sustained competitive financial and operational results is both consistent with, and underpinned by, delivering on our responsibilities to society, our stakeholders and workforce.

I will be available at the AGM to answer any questions you may have regarding the work of the Committee. Should you have any queries, I would be very happy to hear from you.

Nigel Sheinwald
Chair of the Sustainability Committee

14 July 2023

Committee membership and attendance

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

Current members

	Date of appointment
Nigel Sheinwald (Chair)	22 September 2021
Neil Carson	2 November 2021
Alison Wood	2 November 2021
Mary Waldner	2 November 2021
Richard Friend	2 November 2021
Reshma Ramachandran[1]	1 September 2022

1. Became a member of the Committee upon joining the Board during the year.

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

- Review all sustainability-related narrative reporting and external disclosures, including, but not limited to, those relating to the Greenhouse Gas Protocol, Streamlined Energy and Carbon Reporting Regulations, Sustainable Development Goals or the Task Force on Climate-Related Financial Disclosures.
- Determine the guiding principles to be used when setting targets in relation to the Group's sustainability goals and implementation plans.
- Oversee the Group's ongoing activities and progress in relation to the three key elements of its sustainability agenda, broadly comprising environmental, social and governance-related matters, as follows:
  - Environmental: consider and recommend to the Board for approval, sustainability-related targets, including environmental targets and timescales; review the company's progress towards decarbonisation of energy use globally; and consider and recommend to the Board for approval, the methodology to be used for achieving net zero.
  - Social: review any relevant policies and approve targets set in respect of the following areas: equality, diversity, inclusion and belonging; health, safety and wellbeing; investing in our people; next-generation talent; and community impact.
  - Governance: review any relevant policies and approve targets set, in respect of the following areas: anti-bribery and anti-corruption; sanctions, export control and customs; dissemination of inside information to the market and share dealing; supply chain responsible sourcing; human rights and modern slavery; intellectual property and confidentiality; data protection, data privacy and data security; and financial sustainability and tax transparency.
- Review on a regular basis that the highest ethical standards and concern for human rights are embedded in the company across its global operations.

Committee membership, skills and experience

In line with its terms of reference, which are available on our website at: www.oxinst.com/investors-content/advisers-and-company-secretary the Committee comprises a majority of independent Non-Executive Directors. Nigel Sheinwald, the Committee Chair, brings a wealth of skills and experience, particularly from his time as Chair of Shell plc's equivalent Sustainability Committee.

During the financial year, the membership of the Committee changed as noted previously, with Reshma Ramachandran becoming a member of the Committee upon joining the Board on 1 September 2022.

Meetings

The Sustainability Committee holds a minimum of three meetings annually, as required under its terms of reference, and this year held six meetings. Standing attendees at meetings include the Chief Executive, Chief Financial Officer and Chief HR Officer. Other members of senior management may also attend as required. The Company Secretary is the secretary to the Committee.

Committee effectiveness review

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and the Board Committees. More information can be found on page 125. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

How the Committee spent its time during the year ended 31 March 2023

The responsibilities of the Committee are set out in its terms of reference, which were last updated in January 2023 and which are summarised on page 142. Whilst these responsibilities guide the operation of the Committee and shape its agenda, it will also consider other matters as requested by the Board and as relevant to its remit.

The key activities and areas of focus for the Committee during the year are as set out below.

- Developed and endorsed the company's ultimate net zero target of 2045 and interim targets to 2030 in respect of both Scope 1 and 2 emissions.
- Supported the Remuneration Committee with developing appropriate sustainability-related performance measures to be implemented for the awards made to Executive Directors during FY2023/24.
- Received updates from the Chief Executive, management and an external consultant, regarding climate-related matters, including an in-depth session regarding the Task Force on Climate-Related Financial Disclosures.
- Considered and supported management's proposal to seek validation from the Science-Based Targets initiative.
- Assessed the strategy and governance structure which will support delivery of the company's sustainability agenda.
- Reviewed the company's approach to ensuring ethical business practices remain embedded throughout all that we do.
- Considered the annual review of social matters forming part of the company's sustainability agenda, noting in particular the maturing approach and internal targets and measures relating to equality, diversity and inclusion. Emphasised its support for the ongoing social initiatives being undertaken and developed to drive change within the Group.
- Noted the annual review of progress in line with the company's sustainability governance agenda, in particular regarding any recent or anticipated changes to either the approach or the external landscape impacting the key elements of this agenda.
- Considered the annual health and safety review and endorsed updates to the company's health and safety policy for Board approval.
- Reflected on the ways in which the Committee could keep up to date with the wider sustainability landscape so that its work and decisions can be delivered on a highly informed basis, and agreed that suitable external attendees should be invited to present on relevant topics at future Committee meetings.
- Post year-end, reviewed and recommended to the Board for approval, the sustainability-related narrative reporting and external disclosures, comprising the Task Force on Climate-Related Financial Disclosures Statement as set out on pages 60 to 71 of this report, our dedicated integrated Sustainability Report and our standalone Sustainability Report which can be found on our website at: www.oxinst.com/sustainability.

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

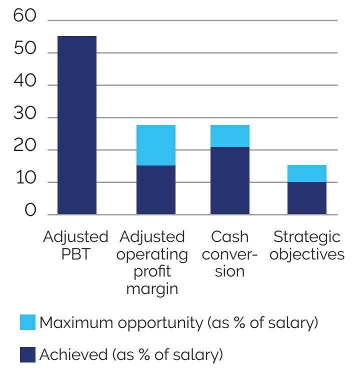
Threshold:	82%
Target:	85%
Max:	92%

Actual
88.2%

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

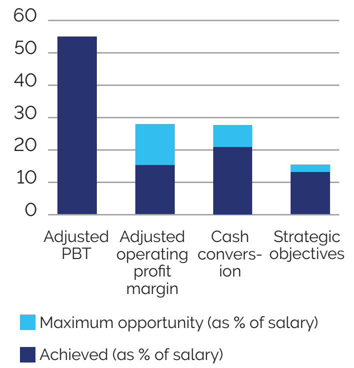
For details see / **pages 162–163**

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

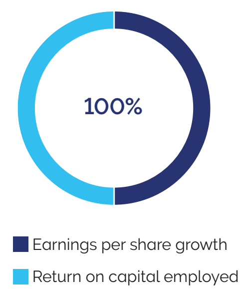
Actual (CAGR over 3 years to 31 March 2023)
17.1%

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.

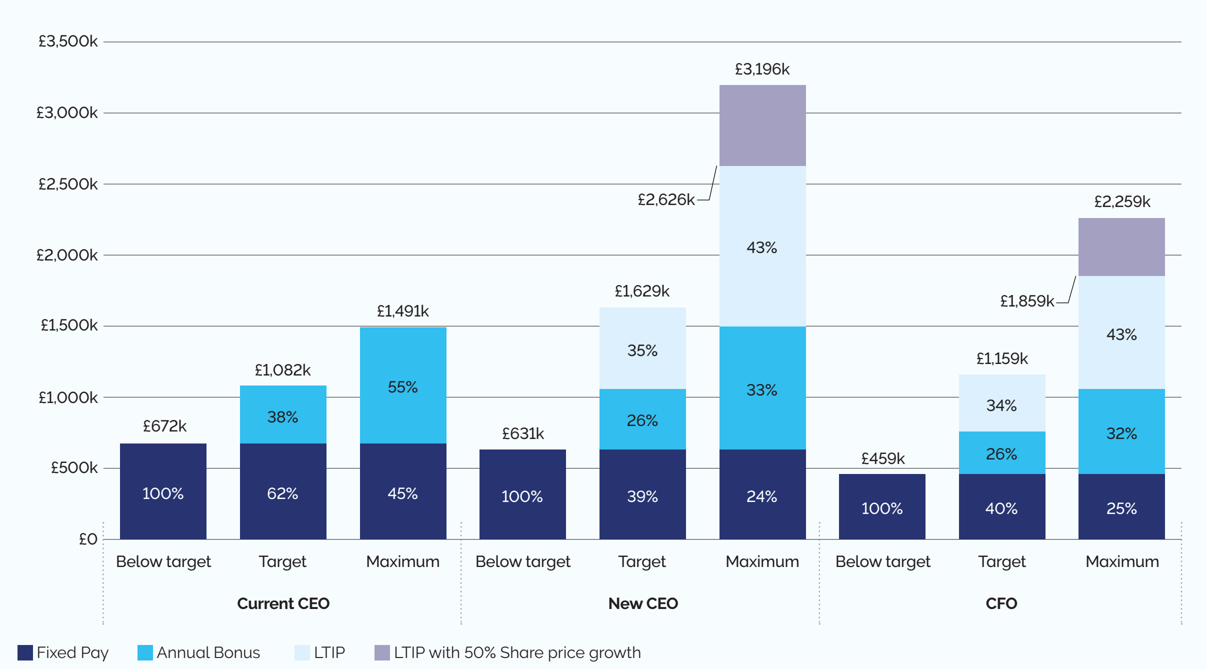
The Committee may adjust the targets and/or set different measures and alter weightings for existing annual bonus plans and share-based awards only if an event occurs which causes the Committee to reasonably consider that the performance conditions would not without alteration achieve their original 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).



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.

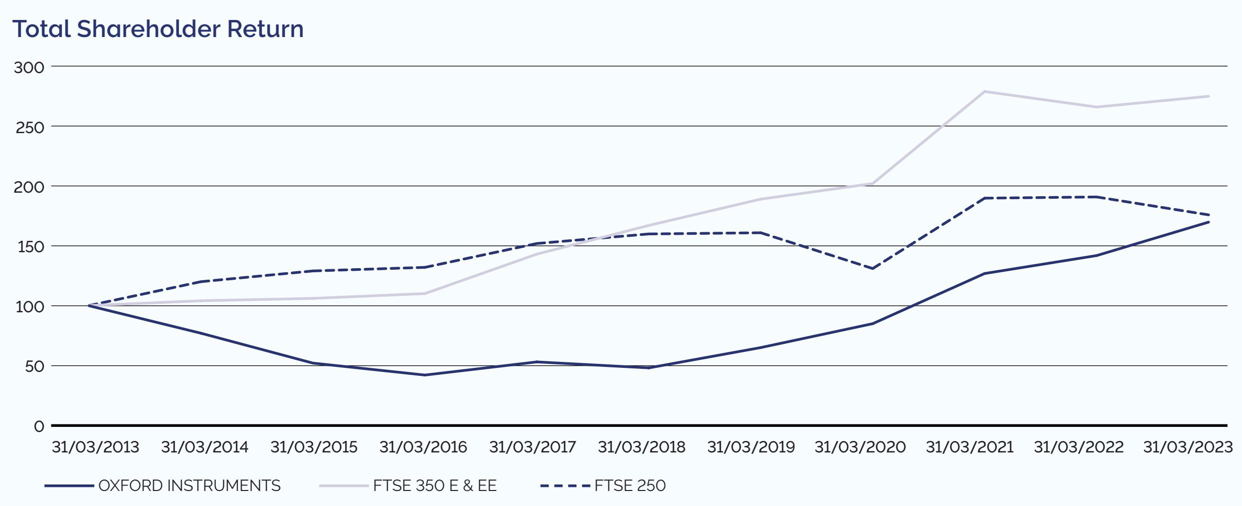
Full details of his remuneration for the duration of his notice period will be included in next year's report.

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

SHAREHOLDER INFORMATION

Financial calendar[1]

13 June 2023	Announcement of preliminary results
3 August 2023	Final dividend ex-dividend date
4 August 2023	Final dividend record date
19 September 2023	Annual General Meeting
21 September 2023	Final dividend DRIP election date
12 October 2023	Final dividend payment date
14 November 2023	Announcement of half-year results
30 November 2023	Interim dividend ex-dividend date
01 December 2023	Interim dividend record date
19 December 2023	Interim dividend DRIP election deadline
12 January 2024	Interim dividend payment date
31 March 2024	Financial year-end

1. Please note that the above dates are subject to change.

Analysis of share register at 31 March 2023

	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued share capital
By type of shareholder				
Individual	1,522	76.99	3,849,217	6.67
Institutions and others	455	23.01	53,863,291	93.33
By size of shareholding				
1-500	1,190	60.19	202,334	0.35
501-1,000	224	11.33	169,521	0.29
1,001-10,000	298	15.07	941,442	1.63
10,001-100,000	167	8.45	6,238,259	10.81
100,001-500,000	73	3.69	16,714,669	28.96
Over 500,000	25	1.27	33,446,283	57.96
Total	**1,977**	**100.00**	**57,712,508**	**100.00**

Annual General Meeting 2023

The 2023 Annual General Meeting of Oxford Instruments plc will be held at Tubney Woods, Abingdon, Oxfordshire OX13 5QX at 11.00am on Tuesday 19 September 2023.

Further details can be found in the Notice of Meeting which has been sent to our shareholders and which is also available on our website at: www.oxinst.com/investors-content/annual-general-meeting

Shareholder enquiries

Please contact Link Group, our Registrar, using the below details, for all enquiries regarding your shareholding, including updating your address or other contact details, direct dividend payments, merging duplicate shareholder accounts and amending your communication preferences.

Online:
www.signalshares.com

To register to use this site, will need your Investor Code (IVC) which can be found on your share certificate.

By telephone:
+44 (0) 371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am-5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email:
shareholderenquiries@linkgroup.co.uk

By post:
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company Information

Company name:
Oxford Instruments plc

Company number:
00775598

Registered office address:
Tubney Woods, Abingdon,
Oxon
OX13 5QX

Type:
Public Limited Company

Website:
www.oxinst.com

Auditor:
BDO LLP

DIRECTORS' REPORT

The Directors present their Report and the Financial Statements of Oxford Instruments plc for the year ended 31 March 2023.

Principal activity and business reviews

Oxford Instruments plc (OI plc) is the ultimate holding company of a group of subsidiary undertakings (the Group) which provides high-technology products and systems to the world's leading companies and scientific research communities. The Directors of OI plc are required to set out in this report a true and fair view of the business of the Group during the financial year ended 31 March 2023, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information which fulfils these requirements includes the Operations Review on pages 38 to 51, the Finance Review on pages 82 to 93 and the report on Sustainability on pages 52 to 81, which are incorporated in this report by reference. The operations, the strategic review, the risk management disclosures, the viability statement, the research and development activities and likely future prospects of the Group are reviewed in the Strategic Report on pages 1 to 104.

Results and dividends

The results for the year are shown in the Consolidated Statement of Income on page 188. The Directors recommend a final dividend of 14.9p per ordinary share, which together with the interim dividend of 4.6p per ordinary share is a total of 19.5p per ordinary share for the year (2022: 18.1p per ordinary share). Subject to shareholder approval, the final dividend will be paid on 12 October 2023 to shareholders registered at close of business on 4 August 2023.

Risks and uncertainties

The Board exercises proper and appropriate corporate governance across the Group. It ensures that there are effective systems of internal controls in place to manage shareholders' interests and the Group's assets, including the assessment and the management of the risks to which the businesses are exposed, and to monitor and manage the compliance with all the legal requirements that affect the Group's worldwide business activities. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Executive Directors report to the Board on changes in the business and in the external environment which may affect the risks which the Group faces. The Executive Directors also provide the Board with financial information at each Board meeting. Key performance indicators are reviewed periodically.

There are a number of risks and uncertainties which may have a material effect on the Group. These are described in Principal Risks on pages 97 to 101.

Directors

Biographies of all the Directors at the date of this report, including Non-Executive Directors, are set out on pages 108 to 110. During the year ended 31 March 2023 there was one change to the Board, with Reshma Ramachandran joining as a Non-Executive Director on 1 September 2022.

Directors' conflicts of interest

The Companies Act 2006 allows Directors of public companies to authorise conflicts and potential conflicts of interest, where appropriate. Only Directors with no interest in the matter under consideration may participate in the relevant decision and in doing so they must act in a way which they consider in good faith will be most likely to promote OI plc's success. A conflicts policy has been drawn up, which is reviewed as appropriate, and a register of conflicts and potential conflicts is maintained.

Directors' interests

The beneficial interests of the Directors in OI plc's share capital, all in fully paid up shares at 31 March 2023, are shown below.

Details of share options for the Executive Directors are shown in the Remuneration Report on page 165.

	31 March 2023 Shares	31 March 2022 Shares
Ian Barkshire	3,152	1,995
Neil Carson	8,000	8,000
Richard Friend	–	–
Gavin Hill	2,707	1,738
Mary Waldner	1,000	1,000
Alison Wood	–	–
Nigel Sheinwald	–	–
Reshma Ramachandran	–	n/a

No Director was beneficially interested in the shares of any subsidiary company at any time during the year.

In the year to 31 March 2023, no Director had a material interest in any contract of significance with OI plc or any of its subsidiaries. As of 14 July 2023, there were no changes to the above shareholdings apart from for Ian Barkshire and Gavin Hill, who each participate in the Oxford Instruments Share Incentive Plan and since the year-end had each increased their beneficial holding by 28 shares.

DIRECTORS' REPORT continued

Insurance cover and Directors' indemnities

For a number of years, the Group has purchased insurance to cover its Directors and Officers against their costs in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings. In addition, to the extent permitted by UK law, the Group indemnifies its Directors and Officers for liabilities arising from such proceedings.

Neither the insurance nor the indemnity provides cover for situations where the Director has acted fraudulently or dishonestly.

Share capital

OI plc only has one class of share capital, which comprises ordinary shares of 5p each. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share.

The full rights and obligations attaching to OI plc's ordinary shares, as well as the powers of the Directors, are set out in OI plc's Articles of Association, a copy of which is available on OI plc's website. These can also be obtained from Companies House or by contacting the Company Secretary.

During the year to 31 March 2023, the Board issued 58,053 new shares (2022: 193,002) following the exercise of options under OI plc's share option schemes. At 31 March 2023, the issued share capital of OI plc was 57,712,508 ordinary shares of 5p each. No shares in OI plc were acquired by the company itself during the year (2022: nil). Details of the share capital and options outstanding as at 31 March 2023 are set out in Notes 23 and 11, respectively, to the Financial Statements.

At this year's Annual General Meeting, the Directors propose to renew the authorities granted to them at last year's AGM to:

- allot ordinary shares up to an aggregate nominal value of one-third of OI plc's issued share capital and, where full pre-emption rights are applied, up to an aggregate nominal value of two-thirds of OI plc's issued share capital;
- allot ordinary shares up to an aggregate nominal value of 10% of OI plc's issued share capital without first offering them to existing shareholders; and
- buy back up to 10% of OI plc's issued share capital.

Shareholders will be requested to renew these authorities at the AGM, details of which are set out in the Notice of the Meeting.

Research and development

Information on the research and development activities of the Group can be found on pages 22 to 23 and 204.

Branches

Subsidiaries of the company have established branches in a number of different countries in which they operate.

Substantial shareholdings

The following are beneficial interests of 3% or more (where the holding is direct), or of 5% or more (where the holding is indirect), which have been notified to OI plc, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of OI plc's issued ordinary share capital, the only class of voting capital, at 4 July 2023:

	Direct/ indirect	Shares '000	% of total
Columbia Threadneedle Investments	Indirect	6,417,246	11.12
BlackRock Inc	Indirect	4,990,217	8.65
Artemis Fund Managers	Indirect	3,453,590	5.98
Lady KA Wood and the Estate of the late Sir MF Wood	Direct/ indirect	2,903,030	5.03

Tax strategy

The Group's tax strategy supports the strategic objectives of the Group and applies equally to both UK and non-UK taxes and to all forms of tax. The Group pays a significant amount of tax to national and local governments, including taxes on employment, corporate taxes on profits, customs and excise duty on purchases, withholding taxes and environmental taxes. We also administer VAT and similar sales taxes charged to our customers and withholdings on payments made to our employees. The Group's tax strategy is published on the Group's website at www.oxinst.com/investors-content/tax-strategy.

Payment of suppliers

The Group does not follow a standard payment practice but agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms.

Charitable donations

During the year, the Group made charitable donations of £5,590 (2022: £38,877).

Political donations

During the year, the Group made no political donations (2022: nil).

Fixed assets

Whilst the market value of some fixed assets may differ from book value, the Directors believe that the differences are not material.

Disclosure of information to auditor

Pursuant to Section 418(2) of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which OI plc's auditor is unaware; and each Director has taken all the steps that he or she might reasonably have been expected to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that OI plc's auditor is aware of that information.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 19 September 2023 is set out in a letter to shareholders together with explanatory notes relating to the resolutions.

External auditor

A resolution to reappoint BDO LLP as auditor for the financial year 2022/23 was passed at the 2022 Annual General Meeting and a resolution to reappoint them as auditor for the financial year 2023/24 will be proposed at the 2023 Annual General Meeting on 19 September 2023.

Change of control arrangements

There are a number of agreements that take effect, alter or terminate upon a change of control of OI plc following a takeover, such as banking agreements and OI plc share plans. On a change of control, OI plc's committed credit facilities may be cancelled by lenders by giving not less than three days' notice. It is also possible that pension plan funding arrangements would need to be changed following a change of control if that resulted in a weakening of the employer covenant.

Corporate governance

The Board reviews its work on corporate governance in the Governance Report on pages 105 to 173. Pages 112 to 117 include details of how we engage with our stakeholders and page 117 includes our statement in accordance with Section 172(1) of the Companies Act 2006.

Financial risk management

Details of the Group's financial risk management objectives and policies, including the exposure to price, credit and liquidity risk, are set out in Note 21 to the Financial Statements.

Employees

The Board recognises that its employees are fundamental to the Group's success. The Group's aim is to ensure there are equal opportunities for all employees and that there is an inclusive culture where differences are valued and people are given the environment in which they can do their best work. The Sustainability Report on pages 52 to 81 further describes how diversity and inclusion is managed within Oxford Instruments.

It is the policy of Oxford Instruments plc to give full and fair consideration to applications for employment from disabled persons; to continue, wherever possible, the employment of members of staff who may become disabled; and to ensure that suitable training, career development and promotion of disabled persons takes place.

For further information regarding employee engagement, please see How we engage with our stakeholders on page 112 to 117.

Greenhouse gas emissions

To meet the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, CO_2 emissions are reported on as part of our reporting on greenhouse gas emissions in Sustainability on page 58.

Material events

There were no material events since the year end to report.

DIRECTORS' REPORT continued

Non-financial information statement

The table below explains where relevant non-financial information can be found within this report, further to the Financial Reporting Directive requirements contained in Sections 414CA and 414CB of the Companies Act 2006. Where appropriate, details on where additional information on these matters can be found, have also been included.

	Key policies and procedures	Information within this report	Additional information
Environmental matters	Health and Safety Policy Group Energy Policy Environmental Policy Supplier Due Diligence and Audit Procedures	Sustainability Committee Report: pages 141 to 143 Task Force on Climate-Related Financial Disclosures (TCFD) Statement: pages 60 to 71	www.oxinst.com/corporate-content/sustainability www.oxinst.com/CBCE www.oxinst.com/corporate-content/supplier-and-partner-engagement
Employees	Health and Safety Policy Working at Oxford Instruments Policy Leaving Oxford Instruments Policy IT Infrastructure and Use Policy Conflicts of Interest Policy Business Travel Policy Crisis Management Policy Reward and Recognition Policy Performance Management Policy Opportunity and Career Policy Dissemination of Price Sensitive Information	Engaging with our stakeholders: pages 32 and 33 How we engage with our stakeholders: pages 112 and 113 Board Leadership and Company Purpose: page 111 Sustainability Committee Report: pages 141 to 143	www.oxinst.com/corporate-content/health-and-safety www.oxinst.com/CBCE www.oxinst.com/corporate-content/employees www.oxinst.com/corporate-content/diversity-and-inclusion www.oxinst.com/careers
Social matters	Export Control Policy Privacy Policy Code of Business Conduct and Ethics Group Sanctions Policy Global Marketing Policy Group Export Controls	Community engagement: page 114 and 115 Sustainability Committee Report: pages 141 to 143	www.oxinst.com/corporate-content/privacy www.oxinst.com/CBCE www.oxinst.com/investors-content/compliance/group-export-controls-policy
Human rights	Global Human Rights Policy Modern Slavery Statement Gender Pay Report Privacy Policy	Ethics – human rights: page 80	www.oxinst.com/corporate-content/human-rights-policy www.oxinst.com/corporate-content/modern-slavery www.oxinst.com/corporate-content/gender-pay-report www.oxinst.com/corporate-content/privacy
Anti-bribery and corruption	Anti-bribery and Anti-corruption Policy Reporting a Business Malpractice Policy Share Dealing Policy Supplier Code of Conduct Conflicts of Interest Policy Supplier Due Diligence and Audit Procedures	Ethics – anti-bribery and corruption: page 79 Supplier engagement: pages 114 and 115	www.oxinst.com/CBCE
Additional disclosures: **– Business model** **– Principal risks** **– Non-financial KPIs**	Group Tax Strategy	Investment case: pages 26 and 27 Business Model: pages 30 and 31 Strategy: pages 34 and 35 KPIs: pages 36 and 37 Principal Risks: pages 97 to 101 Audit and Risk Committee Report: pages 133 to 140	www.oxinst.com/investors-content/compliance/group-tax-strategy www.oxinst.com/investors-content/compliance/group-tax-strategy

The Directors' Report is approved by the Board and signed on its behalf by

Sarah Harvey
Company Secretary

14 July 2023