REMUNERATION COMMITTEE REPORT

ALISON WOOD

Chair of the Remuneration Committee

Committee membership

The current members of the Committee are:

Alison Wood (Chair), Neil Carson, Mary Waldner, Nigel Sheinwald, Reshma Ramachandran and Hannah Nichols.

Changes to Committee membership:

Richard Friend stepped down as a member of the Committee upon his stepping down from the Board on 28 July 2023 and Hannah Nichols joined as member of the Committee upon her appointment to the Board on 1 January 2024.

- For details of attendance at Committee meetings during the financial year, see page 98.
- For the biographies of all Committee members, see pages 86 to 88.

Letter from the Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2024. The report is presented in three sections:

- My annual statement as Chair, summarising the work of the Committee during the year.
- The Directors' Remuneration Policy ('Policy'), which was approved at the 2023 AGM.
- The Annual Report on Remuneration, detailing the remuneration outcomes for the year ended 31 March 2024 and the implementation of the Policy for the year ahead.

Wider employee remuneration

In what has continued to be a busy year on executive remuneration matters, the Committee has been keen to ensure that our wider workforce has continued to receive careful consideration in the wider market and economic contexts. We were pleased to note that base salaries for UK employees would increase 3.8% on average this year, and that the company pays above minimum wage across the world and above the living wage in the UK. We also aim to provide benefits which are above the statutory minimums, where appropriate.

The structure 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.

More generally, to ensure that our workforce is appropriately balanced in relation to gender, ethnicity, neurodiversity, disability 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.

In May 2024 I was delighted to host a session with a number of colleagues from HR roles across the Group, focusing on the alignment of executive remuneration with our wider remuneration structures.

Operation of the Remuneration Policy in 2023/24

Performance for the year ended 31 March 2024 was good, with the company's business model and strategy continuing to drive robust revenue growth, positive book-to-bill and a healthy orders pipeline, and good progress made against strategic initiatives.

The outcome for the 2023/2024 annual bonus scheme was calculated based on a combination of profit before tax, cash conversion, operating profit margin and non-financial strategic targets.

The profit element achieved full payout, but operating profit margin and cash conversion did not achieve the stretching target range. This results in a payout relating to the financial elements of the scheme, of 75% of salary for both the Chief Financial Officer (CFO) and the former Chief Executive Officer (CEO), out of a maximum of 150% of salary. The non-financial strategic targets were based on specific operational improvements, implementation of new business systems and progress in line with the company's sustainability agenda. Having considered each element carefully, we determined achievement of 15% out of 25% of base salary opportunity for the former CEO and the CFO. The overall bonus achieved was therefore 90% of salary for the CFO and former CEO (prior to pro-rating for the former CEO, based on his period of active service during the year). One-third of the annual bonus will be paid in shares, which must be retained for three years.

Awards granted in 2021 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 2024 and achieved a performance level at 95% of maximum, with compound EPS growth of 11.5% per annum. In the final year of the performance period Return on average Capital Employed (ROCE) was 30.5% and therefore achieved a performance level of 100%. As a result of this strong performance, the 2021 PSP grant will vest at 97.5% overall. A two-year holding period applies to the vested award.

Whilst not a performance measure for the 2021 PSP award, we were pleased to note that the company's Total Shareholder Return (TSR) over the three-year PSP performance period was +15.9%, compared to the FTSE 250 Index at -7.4%.

Given the company's good performance during 2023/24 and over the three-year performance period, there has been a robust link between reward and performance, as well as alignment with investor returns. We are satisfied that the Policy has operated as intended and the remuneration outcomes are appropriate, considering the relativities between outcomes for 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 2023/24 incentive outcomes.

Chief Executive Officer succession

Richard Tyson succeeded Ian Barkshire as CEO with effect from 1 October 2023. Details of their remuneration arrangements were provided in the Report and Financial Statements 2023 and further information can also be found in this report.

As he joined part-way through the year, a strategic element for his 2023/2024 annual bonus scheme award was not included for Richard as incoming CEO and instead the other measures were adjusted proportionately.

The payout relating to the financial elements of the scheme, will be 90% of salary (prior to pro-rating for the proportion of the year served in his role). One third of the annual bonus will be paid in shares, which must be retained for three years.

Operation of the Remuneration Policy in 2024/25

We carefully reviewed the recommendations and supporting benchmark data regarding base salary increases for employees. In that context we determined that the base salary for the new CEO and the CFO will increase by 3% from £570,000 to £587,100 and from £400,000 to £412,000 respectively, being, below the average UK workforce increase of 3.8%.

The annual bonus opportunity for 2024/25 will remain at 150% of salary and performance measures will continue to be based on 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 retained for three years.

Awards under the Long-Term Incentive Plan (LTIP) will be at 200% of salary for the CEO and 175% of salary for the CFO. Last year, as part of the Committee's work to review the Policy, we made significant changes to the performance measures for LTIP award. This year, we will retain the same broad mix of measures to provide a rounded overall assessment of performance. The measures for the 2024 grant will therefore be EPS (30%), ROCE (30%), TSR (25%) and two sustainability-related measures (15%).

The EPS measure will require compound annual growth of between 2% and 8% over three years and the ROCE measure will be based on a target range of 26%-30%. 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 target range for the EPS growth measure has reduced slightly from the ranges applying to prior years' awards. This recognises the relatively high 2023/24 profit baseline from where the growth is measured over the next three years. It also takes into account higher corporation tax which means that EPS growth is forecast to be materially flatter than PBT. Finally, this takes into account the more challenging market conditions that we anticipate. Similarly, the target range for the ROCE measure has also been reduced slightly, albeit the Committee recognises that it is still sector leading. We are satisfied that these target ranges are appropriately stretching in light of both the business plan and market outlook, as well as the grant levels under the Policy and anticipate that we should be able to revert to target ranges more in line with historic norms from next year.

The sustainability targets are aligned to our long-term strategy and will require (i) a continued significant reduction in our Scope 1 and Scope 2 emissions by way of completing at least two of our site heating infrastructure projects and (ii) achievement of improvements in female representation in leadership positions.

Non-Executive Directors' (NED) fees

The fees of the Chair and NEDs will increase by 3%. This is consistent with the base salary increase for the Executive Directors and is below the average increase across our UK workforce.

Conclusion

We hope that you will be supportive of the annual advisory vote to approve the Annual Report on Remuneration at our AGM on 25 July 2024.

ALISON WOOD

Chair of the Remuneration Committee

10 June 2024

REMUNERATION COMMITTEE REPORT continued

Key responsibilities

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 key responsibilities of the Committee include:

- determining the Remuneration Policy for the Executive Directors and senior leadership;
- considering and determining the components and total remuneration packages for the Executive Directors;
- determining the Policy for pension arrangements, service agreements, recruitment terms and termination payments for Executive Directors;
- designing effective performance-related incentive plans aligned, for Executive Directors and senior leaders, to the business strategy and the wider workforce;
- approving the structure and targets for all performance-related remuneration plans for executives as well as the overall payments made under such plans; and
- reviewing and noting Remuneration Policy and trends across the Group and considering the Executive Directors' remuneration within this context.

Committee composition

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. 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 2024.

Meetings

The Remuneration Committee holds a minimum of two meetings annually, as required under its terms of reference, and this year held seven meetings. Standing attendees at meetings may include the Chief Executive Officer, 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 performance review

During the year, an internal performance review 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 pages 102 to 103. The review found that the Committee functions effectively and that matters are dealt with in a thoughtful and rigorous manner.

Committee advisers

Korn Ferry was the Committee's independent remuneration consultant during the year and continues with this appointment in 2024/25. 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. The Committee is satisfied that the advice it received from Korn Ferry for the year ended 31 March 2024 was objective and independent.

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 £95,591 (excluding VAT).

DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

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. The outcomes in respect of the financial year ended 31 March 2024 are as set out below.

Annual bonus

Adjusted PBT

Threshold:	£82.4m
Target:	£84.4m
Max:	£86.4m

Actual
£86.6m

Cash conversion

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

Actual
64%

Adjusted operating profit margin

Threshold:	18.0%
Target:	18.2%
Max:	18.3%

Actual
17.1%

Strategic objectives

Targets based on a range of objectives linked to operational effectiveness, business systems and our sustainability agenda.

For details see / pages 133 and 134

LTIP

Earnings per share growth (% CAGR pa)

Threshold:	4% pa CAGR
Max:	12% pa CAGR

Actual (CAGR over 3 years to 31 March 2024)
11.5%

Return on capital employed

Threshold:	24%
Max:	30%

Actual 2023/24
30.5%

For details see / page 135

Executive Directors' remuneration at a glance

Total remuneration payable for 2023/24

	Base salary £'000	Benefits £'000	Pension £'000	Annual bonus £'000	LTIP £'000	Other £'000	Total £'000
Richard Tyson[1]	285	13	15	256	N/A	823	1,392
Ian Barkshire[1]	269	27	26	246	646	5	1,219
Gavin Hill	395	24	32	360	503	0	1,314

1. On 1 October 2023, Richard Tyson succeeded Ian Barkshire as Chief Executive Officer.

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 was 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. The complete approved Policy can be found in the Directors' Remuneration Report in the Report and Financial Statements 2023, which is available on our website at www.oxinst.com/investors-content/financial-reports-and-presentations

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 carefully considers 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 considered the following factors described below when determining the new Policy. For details of how we will implement the Policy for 2024/25, see pages 142 to 143.

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 129 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 and the scenario charts within this Directors' Remuneration Report. • 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 implementation 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.

Remuneration Policy

Element of pay: Base salary

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A) continued

Element of pay: Benefits

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

Element of pay: Pension

Purpose and link to strategy	Operation	Maximum opportunity
• 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 employer contribution applying to the majority of the UK workforce, currently 6% of salary.

Element of pay: Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

Element of pay: Long-Term Incentive Plan (LTIP)

Purpose and link to strategy	Operation	Maximum opportunity
• 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 130). • 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: All-employee share schemes

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A) continued

Element of pay: Shareholding guideline

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

Element of pay: Non-Executive Director (NED) fees

Purpose and link to strategy	Operation	Maximum opportunity
• 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.

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.

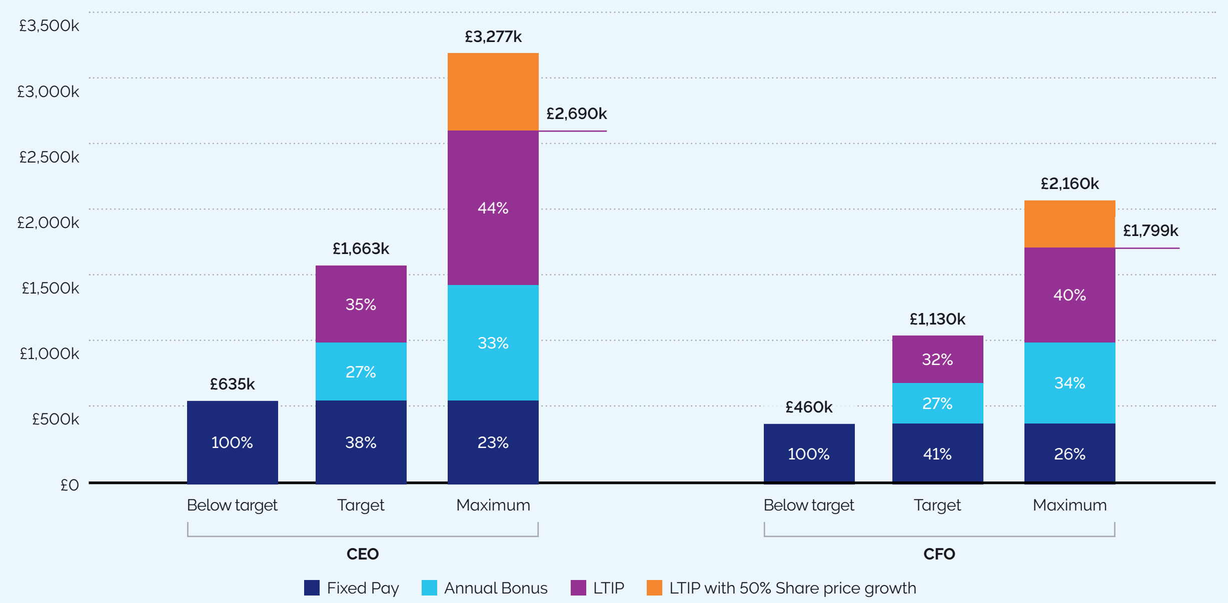
Legacy arrangements

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 FY24/25 (see page 130 for assumptions).

Remuneration scenarios



DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy (A) continued

Assumptions for charts on page 129:

- Fixed pay comprises salary levels as at 1 July 2024, pension of 6% of salary and the value of benefits received in 2023/24.
- 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 CEO and 87.5% of salary for the CFO.
- The maximum level of bonus is 150% of salary and the maximum LTIP award level is 200% of salary for the CEO and 175% 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.

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 (ie 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
Richard Tyson	1 October 2023	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 will 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
Mary Waldner	4 February 2016	None	2024 AGM
Alison Wood	8 September 2020	None	2026 AGM
Sir Nigel Sheinwald	22 September 2021	None	2024 AGM
Reshma Ramachandran	1 September 2022	None	2025 AGM
Hannah Nichols	1 January 2024	None	2026 AGM

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B)

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

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
Richard Tyson[6]	2024	285	13	15	256	N/A	823	313	1,079	1,392
	2023	–	–	–	–	–	–	–	–	–
Ian Barkshire[7]	2024	269	27	26	246	646	5	327	892	1,219
	2023	523	84	58	534	936	0	665	1,470	2,135
Gavin Hill	2024	395	24	32	360	503	0	451	863	1,314
	2023	376	27	47	395	731	0	450	1,126	1,576
Total	2024	949	64	73	862	1,149	828	1,091	2,834	3,925
	2023	898	111	105	929	1,667	1	1,115	2,596	3,711

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. For Ian Barkshire this also includes provision of a driver to allow him to make best use of his commuting time, which accounted for £23,086 up to 1 October 2023, when he stepped down as Chief Executive Officer, and £30,782 for the year to 1 December 2023 when he ceased to be in active service (2023: £70,716) 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 up to 18 September 2023 was calculated as 14% of base salary earned on 1 April 2020 and from 19 September 2023 was calculated as 6% of current base salary. 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 annual bonus for the year to 31 March 2024 and would usually be paid in the July 2024 payroll. Of the total bonus amounts payable, £85,500, £109,200 and £120,000 will be paid in shares for Richard Tyson, Ian Barkshire and Gavin Hill, 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 5 July 2021. The value has been determined using the average share price over the three months to 31 March 2024, £21.5587. Further details of these calculations are set out on page 135. The value of the prior year awards has been restated using the share price on the vesting date of 25 September 2023 of £21.75, giving a total vested award value, including dividend equivalents, of £936,338 (before restatement £1,032,876) for Ian Barkshire and £730,822 (before restatement £806,156) for Gavin Hill.
5. The company operates a Share Incentive Plan (SIP) which is open to all UK permanent staff employed for at least six months. For Ian Barkshire and Gavin Hill, 'Other' is the value of matching SIP shares attributable to the year, as they both 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 £130 and £360 each of matching shares for Ian Barkshire and Gavin Hill, respectively.
6. For Richard Tyson, who took up the role of CEO with effect from 1 October 2023, the figure stated in 'Other', is the value of the buy-out award in relation to his pro-rated FY23 bonus from his previous employer. This buy-out award is based on the FY23 performance achieved against the original financial and ESG targets at TT Electronics plc which resulted in an outcome of 92% of maximum. The bonus is payable 70% in cash and 30% in Oxford Instruments plc's shares which must be held for two years in line with the policy at TT Electronics plc. This figure also includes the vested value of the buy-out award in respect of his 2021 LTIP award from TT Electronics plc, further details of which are set out later in this report.
7. Ian Barkshire retired from his role as CEO and from the Board with effect from 1 October 2023, he then remained in active service until 1 December 2023 before serving the remainder of his notice period on garden leave until 11 April 2024. The figures disclosed above relate to his time as a Director and the remainder of his remuneration is disclosed on page 139. In addition to the value explained at footnote 5 above, the figure stated within 'Other' in respect of Ian also comprises an amount of £6,708.50, by way of a reimbursement payment in respect of the immaterial disbenefit resulting from the conversion of the awards from nil-cost options to nominally priced options of £0.05 per share, during the prior financial year ended 31 March 2023.

Non-Executive Director		Fees £'000	Benefits £'000	Total £'000
Neil Carson	2024	204	–	204
	2023	194	–	194
Richard Friend[1]	2024	42	–	42
	2023	54	–	54
Mary Waldner	2024	66	–	66
	2023	62	–	62
Alison Wood	2024	76	1	77
	2023	70	–	70
Nigel Sheinwald	2024	66	–	66
	2023	62	–	62
Reshma Ramachandran[2]	2024	57	1	58
	2023	32	4	36
Hannah Nichols[3]	2024	14	–	14
	2023	–	–	–
Total	2024	525	2	527
	2023	474	4	478

1. Richard Friend stepped down as a Non-Executive Director effective 28 July 2023.
2. Reshma Ramachandran was appointed as a Non-Executive Director effective 1 September 2022.
3. Hannah Nichols was appointed as a Non-Executive Director effective 1 January 2024.

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. Note that Ian Barkshire's annual bonus is pro-rated for the period of his active service, up to 1 December 2023. Richard Tyson's annual bonus is pro-rated from the date of his appointment, of 1 October 2023.

	Targets			Percentage of salary payable – Ian Barkshire (subject to pro-rating) and Gavin Hill			Percentage of salary payable (subject to pro-rating) – Richard Tyson				Payout % of salary (pro-rating applied)		
Measure	Threshold	On target	Maximum	Threshold	On target	Maximum	Threshold	On target	Maximum	Actual	Ian Barkshire	Gavin Hill	Richard Tyson
Adjusted profit before tax	£82.4m	£84.4m	£86.4m	7.5%	37.5%	75%	9%	45%	90%	£86.6m	50%	75%	45%
Adjusted operating profit margin	18.0%	18.2%	18.3%	2.5%	12.5%	25%	3%	15%	30%	17.1%	0%	0%	0%
Cash conversion	82%	85%	92%	2.5%	12.5%	25%	3%	15%	30%	64.0%	0%	0%	0%
Strategic objectives	–	–	–	2.5%	12.5%	25%	–	–	–	15%	10%	15%	–
											60%	90%	45%

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

The non-financial strategic objectives were set at the start of the year. Details of the objectives and an assessment as to their achievement are set out below:

CEO objectives (Previous CEO, Ian Barkshire)	Weighting	Achievements toward objectives/performance	
Delivery of targeted operational improvement outcomes.	8/25	• Good progress including margin improvement through high-quality outsourcing, implementation of a new commodity strategy for a notable proportion of spend and considerable lead time reductions.	6 out of 8
As regards business systems, complete ERP implementations in respect of two major sites during the year.	8/25	• Implementation at one major site was successfully completed, albeit with some disruption to operations. Implementation at the other major site was not completed.	2 out of 8
Deliver substantive progress against each of the core drivers of improvement within our sustainability agenda.	9/25	• Good progress delivered, with the launch of the Go Green programme, new renewable energy contracts secured, updates to NPI processes and launch of employee impact groups, amongst other things.	7 out of 9
Total	**100%**		**15% out of 25%**

CFO objectives (Gavin Hill)	Weighting	Achievements toward objectives/performance	
Delivery of targeted operational improvement outcomes.	8/25	• Good progress including margin improvement through high-quality outsourcing, implementation of a new commodity strategy for a notable proportion of spend and considerable lead time reductions.	6 out of 8
As regards business systems, complete ERP implementations in respect of two major sites during the year.	8/25	• Implementation at one major site was successfully completed, albeit with some disruption to operations. Implementation at the other major site was not completed.	2 out of 8
Deliver substantive progress against each of the core drivers of improvement within our sustainability agenda, including embedding related reporting into financial processes in a revised financial model.	9/25	• Good progress delivered, with the launch of the Go Green programme, new renewable energy contracts secured, updates to NPI processes and launch of employee impact groups, amongst other things.	7 out of 9
Total	**100%**		**15% out of 25%**

The on-target and maximum bonus potentials for the Executive Directors, as well as the amounts actually payable for the year ended 31 March 2024, are set out below.

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2023/24 (% of salary)[1]	Actual bonus payable for 2023/24 (% of maximum)	Actual bonus payable[1,2] for 2023/24
Richard Tyson[3]	37.5%	75%	45%	60%	£256,500
Ian Barkshire[4]	50%	100%	60%	60%	£327,600
Gavin Hill	75%	150%	90%	60%	£360,000

1. Bonus is calculated on salary as at 31 March 2024.
2. Of the amounts disclosed, £85,500, £120,000 and £109,200 will be paid in shares to Richard Tyson, Gavin Hill and Ian Barkshire, respectively, which must be held for three years, as per the policy.
3. For Richard Tyson, the above represents the Oxford Instruments element of his annual bonus, for which the quantum has been pro-rated based on his appointment date of 1 October 2023. In addition to this and as explained in more detail on page 132, Richard also received a pro-rated annual bonus in respect of what he would have received at his previous employer and based on its performance, by way of his buy-out package upon joining the company.
4. Ian Barkshire's annual bonus is pro-rated for the period of his active service, up to 1 December 2023. The bonus in relation to the period of the year Ian Barkshire was CEO is shown in the Directors' remuneration table (£245,700) and the bonus in relation to the period of active service is shown in the payments to past directors section (£81,900).

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 2024/25 are as follows:

Performance Share Plan (PSP)

The performance targets which applied to the awards made on 5 July 2021 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 2021:

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 12% per annum	25%–100%
Maximum	12% per annum and above	100%
Actual EPS	109.0p	
Actual growth achieved over the period (per annum)	**11.5%**	**95%**

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 2023/24	**30.5%**	**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 (£269.2m) is defined as documented in the Finance Review on page 68.

Based on the performance against targets, the PSP awards will vest on 5 July 2024 as follows:

	Date award granted	Total number of shares granted	Reduction due to pro-rating for good leaver	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	5 July 2021	32,468	2,488	97.5%	29,230	630	723	646
Gavin Hill	5 July 2021	23,338	N/A	97.5%	22,755	491	563	503

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 2024, £21.5587. 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.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

Long-Term Incentive Plan awards made in the year and outstanding share incentive awards (audited)

Richard Tyson joined the company as Chief Executive Officer on 1 October 2023. On 14 November 2023, he was granted two awards of nominally priced options of £0.05 under the LTIP which comprise the buy-out arrangements to replace the 2021 and 2022 LTIP awards from his previous employer, TT Electronics plc, which lapsed in connection with his joining the company. The awards will vest based on the achievement of the original TT Electronics plc performance targets and they will accrue dividend equivalents. A two-year post-vesting holding period applies to all awards. With regards to his forfeited 2023 TT Electronics plc LTIP award, Richard did not receive a replacement award in the same way as his other forfeited LTIP awards, but instead received an award under the Oxford Instruments LTIP in 2023, further details of which are set out below.

The buy-out awards made to Richard Tyson under the LTIP during the financial year ended 31 March 2024, and details relating to their vesting where applicable, are as follows:

	Date award granted	Total number of shares granted	Face value of award at grant date	Share price on day before award date	Vesting date	Percentage of award vesting	Number of shares vesting	Value[1] of shares vesting (£'000)	Number of shares awarded as dividend equivalent	Value[1] of shares vesting including dividend equivalent (£'000)
Richard Tyson	14 Nov 2023	27,872	£572,770	£19.24	16 Mar 2024	43.91%	12,237	255	1,284	281
		30,975	£636,536	£19.24	14 Mar 2025	N/A	N/A	N/A	N/A	N/A

1. Calculated based on the share price on the 18 March 2024 of £20.80 (being the closest date to the vesting date).

Awards made in the ordinary course under the LTIP during the financial year ended 31 March 2024 were as set out below. As noted in last year's report, and for the reasons set out therein, the Committee determined that the 2023/24 LTIP award for Gavin Hill should be based on 200% of salary, on an exceptional basis.

	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
Gavin Hill	25 Sept 2023	36,697	200%	£798,160	£21.80	31 July 2026
Richard Tyson	14 Nov 2023	53,023	200%	£1,089,623	£19.24	31 July 2026

The awards are nominally priced options of £0.05 and are subject to the following performance conditions:

Performance measure	Weighting	Performance targets
Earnings Per Share (EPS)	30%	4% pa (25% vesting) to 10% pa (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.

As at 31 March 2024, the outstanding options for Richard Tyson, Ian Barkshire and Gavin Hill under the PSP and LTIP[1] were as follows:

Scheme	31 March 2024	Granted	Exercised	Lapsed	Dividend equivalents[1]	1 April 2023	Exercise price[2]	Share price on date of grant	Date of grant	Earliest exercise	Latest exercise
Richard Tyson											
LTIP[3]	13,521	27,872		15,635	1,284	–	£0.05	£20.55	14/11/23	16/03/24	15/03/31
LTIP[3]	30,975	30,975				–	£0.05	£20.55	14/11/23	14/03/25	13/03/32
LTIP	53,023	53,023				–	£0.05	£20.55	14/11/23	31/07/26	13/11/33
Ian Barkshire[4]											
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					49,497	£0.05	£14.00	15/07/19	15/07/22	14/07/29
PSP	43,050				1,031	42,019	£0.05	£16.24	23/09/20	23/09/23	22/09/30
PSP[5]	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					38,633	£0.05	£14.00	15/07/19	15/07/22	14/07/29
PSP	33,601				805	32,796	£0.05	£16.24	23/09/20	23/09/23	22/09/30
PSP[5]	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
LTIP	36,697	36,697				–	£0.05	£21.75	25/09/23	31/07/26	24/09/33

1. Dividend equivalents are awarded on vesting of PSP and LTIP awards, for the period to vesting, in respect of the actual number of shares vesting.
2. During the prior 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 (ie 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 awards granted to Richard Tyson with vesting dates in 2024 and 2025 comprise the buy-out arrangements which replace Richard's 2021, 2022 and 2023 LTIP awards from his previous employer, TT Electronics plc, which lapsed in connection with his joining the company.
4. Ian Barkshire's outstanding awards will be treated in line with good leaver status under the relevant share plan rules and as such, will be pro-rated to the date of his cessation of employment. The total gain received by Ian Barkshire on the exercise of share options during the year was £3,216,553.
5. The performance conditions relating to this award have been tested and have vested at 97.5%.

The market price of the shares at 28 March 2024 was £21.25 (2023: price on 31 March 2023 was £25.05) and the range during the year was £17.12–£28.55 (2023: £17.20–£26.25).

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

PSP	50% of award	50% of award
20 June 2022[2]	EPS growth – 4% pa (25% vesting) to 10% pa (100% vesting)	ROCE[1] in the final year of the performance period – 26% (25% vesting) to 32% (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 68.
2. Three-year performance period commencing 1 April prior to date of grant.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

Dilution limits (unaudited)

The company's Long-Term Incentive Plan rules which were approved by shareholders at the Annual General Meeting on 19 September 2023, 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. They also provide that 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 uses only market-purchased shares.

The company monitors the position prior to making awards to ensure that it 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 and LTIP awards may count towards the shareholding level, calculated at the net of tax value.

Directors' shareholdings (and those of any persons closely associated) as at 31 March 2024 are shown in the table below.

	Beneficially owned shares	Share option awards vested but unexercised	Percentage of salary held in shares under shareholding guideline[1]	Guideline met as at 31 March 2024	Share option awards unvested and subject to performance[2]
Richard Tyson	0	13,521	27%	No	83,998
Ian Barkshire[3]	4,744	92,547	209%	Yes	73,447
Gavin Hill	4,014	176,951	520%	Yes	89,491
Neil Carson	24,000	–	–	N/A	–
Mary Waldner	1,000	–	–	N/A	–
Alison Wood	0	–	–	N/A	–
Nigel Sheinwald	0	–	–	N/A	–
Reshma Ramachandran	0	–	–	N/A	–
Hannah Nichols	0	–	–	N/A	–
Richard Friend[4]	0	–	–	N/A	–

1. The notional tax rate used to determine the net value of the vested share awards is 47%. Shares valued using the market price of the shares on 28 March 2024: £21.25.
2. Award granted in July 2021 will vest at 97.5% in July 2024. Awards granted in June 2022, September 2023 and November 2023 remain subject to performance conditions.
3. Ian Barkshire will be subject to the post-cessation shareholding obligations as set out in the Policy.
4. Richard Friend stepped down as a Non-Executive Director effective 28 July 2023.

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, which up to 18 September 2023, was calculated as 14% of base salary paid in year to 31 March 2020. With effect from the AGM held on 19 September 2023, the pension contribution for Executive Directors reduced to 6% of salary, which is the maximum percentage amount payable to the majority of the UK workforce. 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 and in respect of the periods in which they served as Directors of the company, respectively, the company contributed £5,001 (2023: £4,000) into the company's Group Personal Pension Plan for Ian Barkshire, £10,000 (2023: £4,000) into a personal defined contribution plan for Gavin Hill. Balancing payments of £20,828 to Ian Barkshire, £22,293 to Gavin Hill and £15,027 to Richard Tyson (net of employer's national insurance contributions) were paid as cash.

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

During the year no payments were made to Directors for loss of office.

Ian Barkshire retired from his role as CEO and from the Board with effect from 1 October 2023, he then remained in active service until 1 December 2023 before serving the remainder of his notice period on garden leave until 11 April 2024.

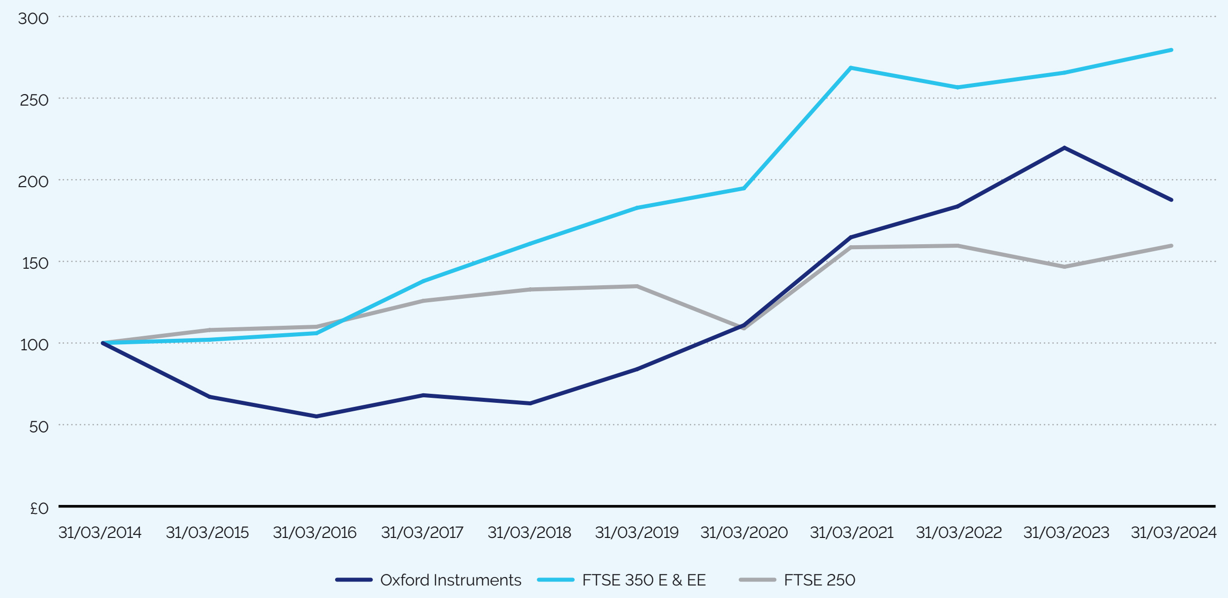
An overview of the treatment of Ian's remuneration for 2023/24 and for the duration of his notice period is set out below:

- Ian received salary, benefits and pension for the duration of his notice period; however the benefit provision of a driver ceased at the end of his active employment. In respect of the period post his retirement as CEO, he received salary of £273,000, benefits of £11,950 and pension of £16,146 (broken down as a contribution of £5,000 into the company's Group Personal Pension Plan and £11,146 as a balancing payment).
- Ian was eligible to participate in the 2023/24 annual bonus plan for the period of his active service and this will be payable at the usual time based on performance, payable in cash and deferred shares, as detailed on pages 133 and 134. The value of the bonus payable in respect of his period of active service post stepping down as CEO, is £81,900.
- Ian was not eligible to receive an LTIP award for 2023/24.
- Ian is 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.

Performance graph and CEO's remuneration (unaudited)

The graph below shows for the ten years ended 31 March 2024 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.

Total Shareholder Return



DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

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

			2017[1]								2024[3]	
Year ending 31 March	**2015**	**2016**	**Jonathan Flint**	**Ian Barkshire**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Ian Barkshire**	**Richard Tyson**
Total remuneration (£'000)	579	743	64	620	791	1,957	1,967	2,244	2,087	2,135	1,219	1,392
Annual bonus outcome (%)	7.5%	38.6%	0%	56.3%	63.7%	94.4%	62.9%	100%	74.2%	80.56%	60%	60%
ESOS vesting (%)	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SELTIS/PSP/LTIP[2] vesting (%)	0%	0%	0%	N/A	N/A	92.8%	100%	100%	100%	100%	97.5%	N/A

1. 2016/17 financial year: remuneration shown separately for Jonathan Flint who was CEO from 1 April to 11 May 2016 and Ian Barkshire 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 were granted from June 2014 to June 2022. LTIP awards have been granted since September 2023.
3. 2023/24 financial year: remuneration shown separately for Ian Barkshire who was CEO from 1 April 2023 to 1 October 2023 and Richard Tyson who was CEO from 1 October 2023 to 31 March 2024.

Ratio of Chief Executive Officer pay to that of employees

The Chief Executive Officer to employee pay ratio for 2023/24 and prior financial years is set out below:

Financial year	Method	25th percentile	50th percentile	75th percentile
2023/24	A	76.8:1	57.7:1	42.6:1
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 aggregated payments made in respect of both of the CEOs who served during the year, and the employees at the percentiles for the 2023/24 ratio are set out below:

	CEO	25th percentile	50th percentile	75th percentile
Salary	£554,000	£32,076	£42,699	£57,312
Total pay	£2,610,426	£34,001	£45,261	£61,326

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 2024. 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 aggregated pay for Richard Tyson and 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 2023/24 and includes certain remuneration elements which were specific to the terms of their joining the company or their retirement, respectively. None of the employees at the percentiles received share awards.

The CEO pay ratio has increased this year. This is largely as a result of the change of CEO during the year, with Ian Barkshire stepping down and Richard Tyson taking up the role with effect from 1 October 2023. The calculation includes the pro-rated annual bonus and the full LTIP FY21 award for Ian Barkshire, as well as certain elements of Richard Tyson's buyout package, being the replacement LTIP award which vested in March 2024 and the buyout of his TT electronics annual bonus for 2023 – as well as his pro-rated Oxford Instruments plc annual bonus. 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 2023/24 compared to that for the average UK-based employee of the Group (on a per capita full-time equivalent basis).

Directors during the year ended 31 March 2024	2022/23 to 2023/24 % change			2021/22 to 2022/23 % change			2020/21 to 2021/22 % change			2019/20 to 2020/21 % change		
	Salary[9]	Benefits	Bonus[10]	Salary	Benefits	Bonus	Salary	Benefits	Bonus	Salary	Benefits	Bonus
Richard Tyson[1]	N/A	N/A	–	N/A	N/A	–	N/A	–	–	N/A	–	–
Ian Barkshire[2]	N/A	N/A	–	7.1	24.5	15.0	15.0	30.1	2.8	-3.6	-41.3	62.1
Gavin Hill	5.2	-13.7	-8.9	5.0	18.8	15.3	8.5	2.3	-2.8	-4.1	8.2	57.1
Neil Carson	5.0	–	–	4.3	–	–	8.0	–	–	-4.3	–	–
Richard Friend[3]	N/A	N/A	–	4.3	–	–	8.0	–	–	-3.4	–	–
Mary Waldner	7.0	–	–	3.8	–	–	8.3	–	–	-3.8	–	–
Alison Wood[4]	8.6	100	–	9.3	–	–	N/A	–	–	N/A	–	–
Nigel Sheinwald[5]	7.0	–	–	N/A	–	–	N/A	–	–	N/A	–	–
Reshma Ramachandran[6]	N/A	N/A	–	N/A	N/A	–	N/A	–	–	N/A	–	–
Hannah Nichols[7]	N/A	N/A	–	N/A	N/A	–	N/A	–	–	N/A	–	–
Average employee pay[8]	1.73	-11.0	-29.3	10.3	9.01	-4.7	4.24	-8.4	-23.1	-0.7	-6.7	7.0

1. Richard Tyson joined the Board on 1 October 2023.
2. Ian Barkshire stepped down from the Board on 1 October 2023.
3. Richard Friend stepped down from the Board on 28 July 2023.
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.
7. Hannah Nichols joined the Board on 1 January 2024.
8. Average employee pay includes all UK employees in service on 31 March 2024 for the 2022/23 to 2023/24 comparison, but excludes those who were on maternity leave, long-term sick leave and those who started or ended employment within the period.
9. The average pay increase across all employees in the UK in 2023/24 was 6.97%.
10. The value of the average employee bonus for the year ended 31 March 2024 (to be paid in July 2024) was not known at the time the Annual Report was approved and consequently the number included is management's best estimate of the bonus that will be paid.

Relative importance of the spend on pay

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

	Year ended 31 March 2024	Year ended 31 March 2023	% change
Employee costs (£m)	155.4	146.4	6.15%
Dividends (£m)	11.4	10.6	7.55%

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration (B) continued

Statement of shareholder voting (unaudited)

The resolution to approve the Directors' Remuneration Policy was passed at the 2023 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	43,129,297	862,318	98.04	1.96	4,077

The resolution to approve the Annual Report on Remuneration at the 2023 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	41,577,906	670,985	98.41	1.59	1,746,801

How the Policy will be applied in 2024/25 (unaudited)

Base salaries

With effect from 1 July 2024, the salary of the CEO will increase by 3% from £570,000 to £587,100 and the salary of the CFO will increase by 3% from £400,000 to £412,000. These increases are below the average increase awarded across the UK workforce.

Benefits and pension

Benefits will be in line with the Policy and with those received in 2023/24. Pension contributions will be 6% of salary, which is the maximum percentage amount payable to the majority of the UK workforce.

Annual bonus

The maximum opportunity under the annual bonus plan for 2024/25 will be 150% of base salary for both the CEO and CFO. 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 and progressing the new strategic plan, amongst other things.

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 2024/25 LTIP awards will be over shares with a market value at grant of 200% of salary for the CEO and 175% for the CFO.

Vesting will be subject to the performance conditions as set out below measured over a three-year performance period commencing 1 April 2024. We believe that the mix of performance conditions will provide a strong and rounded assessment of the success of the business performance, strategy and purpose, over the period.

The target range for the EPS growth measure has reduced slightly from the ranges applying to prior years' awards. This recognises the relatively high 2023/24 profit baseline from where the growth is measured over the next three years. It also takes into account higher corporation tax which means that EPS growth is forecast to be materially flatter than PBT. Finally, this takes into account the more challenging market conditions that we anticipate. Similarly, the target range for the ROCE measure has also been reduced slightly, albeit the Committee recognises that it is still sector leading. We are satisfied that these target ranges are appropriately stretching in light of both the business plan and market outlook, as well as the grant levels under the Policy and anticipate that we should be able to revert to target ranges more in line with historic norms from next year.

The TSR measure will require significant stock market outperformance.

The sustainability measures will: (i) support significant reduction in our Scope 1 and 2 emissions through requiring the completion of our intended site heating infrastructure projects at two of our major UK manufacturing sites, which will represent a notable reduction, estimated at between 17% and 21%; and (ii) achievement of an improvement in female representation in leadership positions. The Committee notes that the range is the same as the target range set for last years' award. However, this remains a stretching target and it is important that there is sustained achievement against it, rather than encouraging a spike in a single year. During the year, we plan to broaden the scope of our diversity measure in the wider organisation and will therefore consider the appropriateness of these when developing the targets for next year's LTIP award.

Performance measure	Weighting	Performance targets
Earnings Per Share (EPS)	30%	2% pa (25% vesting) to 8% pa (100% vesting) CAGR over three financial years measured from the 2023/24 financial year end EPS.
Return on Capital Employed (ROCE)	30%	26% in the final year of the performance period (2026/27 financial year) (25% vesting) to 30% (100% vesting).
Relative Total Shareholder Return (TSR)	25%	Median (25% vesting) to Upper quartile (100% vesting) over three financial years commencing with the 2024/2025 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%	Make progress towards achieving our accelerated Scope 1 and 2 net zero targets of 2030, by completing two of our site heating infrastructure projects. 1 project completed by the final year of the performance period (2026/27 financial year) (50% vesting) to 2 projects completed (100% vesting).
Sustainability – percentage of females in senior leadership positions	7.5%	35% in the final year of the performance period (2026/27 financial year) (25% vesting) to 40% (100% vesting). Senior leadership is defined as Leadership Committee, their direct reports and key decision makers.

Non-Executive Directors' fees

The Committee and the Board, as appropriate, have reviewed the fees for the Chair and Non-Executive Directors and in line with the Executive Directors, they will increase by 3% for 2024/25, effective from 1 July 2024.

	2023/24	2024/25	% increase
Board Chair	£206,467	£212,661	3%
Additional fee for Deputy Chair	£5,202	£5,358	3%
Basic fee	£57,408	£59,130	3%
Additional fee for Senior Independent Director	£10,000	£10,300	3%
Additional fee for Committee Chair	£10,000	£10,300	3%

Note: The fees shown for 2023/24 and 2024/25 are the annual rates as at 1 July 2023 and 1 July 2024, respectively.

Approval

This report was approved by the Committee on 10 June 2024 and has been approved subsequently by the Board for submission to shareholders at the Annual General Meeting to be held on 25 July 2024.

ALISON WOOD
Chair of the Remuneration Committee
10 June 2024