SUSTAINABILITY

Sustainability is central to Oxford Instruments, with our purpose, values, strategy and products all aligning around the **positive impact we seek to have on our planet** and the **societies** in which we operate

Through our products and services, we are working to accelerate the breakthroughs that create a brighter future for our world. And through our commitment to operating responsibly, in line with our values, we strive to operate with the highest standards and integrity.

We take a holistic approach to sustainability, ensuring that it is embedded throughout the organisation, from our Board-level Sustainability Committee, joined by all Board members, to our workforce around the world. We also seek to embed principles of sustainability in our interactions with all stakeholders, including customers, supply chain partners and our local communities.

We are committed to building on past progress and continuing to challenge ourselves to go further. Our environmental, social and governance (ESG) strategy focuses on driving positive action across the following areas: progress to net zero and environmental impact; sustainable product stewardship; health and safety; investing in our people; culture and engagement, ethical business practices and regulatory financial compliance. We set out our progress throughout this section.

Environment

For more information / **Pages 35 to 39**

Social

For more information / **Pages 51 to 55**

Governance

For more information / **Pages 56 and 57**

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

Our products contribute toward the following goals:

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

Introduction

We are committed to advancing our positive progress on sustainability each year. This year we have set a new level of ambition, accelerating our emissions reduction targets to reach net zero in Scopes 1 and 2 by 2030. We have also strengthened and re-baselined our data across Scopes 1, 2 and 3, providing a robust foundation from which to address our newly strengthened net zero targets. Our next steps include setting out the detail of our net zero roadmap and developing interim Scope 3 targets. Once complete, we will submit our overall carbon reduction targets to the Science Based Targets initiative (SBTi) to be validated. See opposite for more detail.

We were pleased to report a strong health and safety performance, with no serious accidents in the year, and a continued reduction in minor injuries. We have strengthened our reporting framework to support continuing reductions. Notable highlights of our social programme have included:

- the development and launch of our equity, diversity and inclusion policy;
- the publication of our first ethnicity pay gap reporting in the UK; and
- the launch of new employee impact groups focused on neurodiversity and women's issues.

Our colleagues have completed almost 14,000 training courses and we have launched a new Foundations programme to support high-potential colleagues in their early career. We continue to extend both the number of participants and the range of opportunities offered in our apprenticeship and graduate programmes. On Governance, we have continued to embed responsible practices throughout our global operations and supply chain, driving employee awareness through training and regular communications. For more on our people and governance-centred initiatives, see pages 51 to 57.

Remuneration structures are a key tool to drive sustainability-focused behaviours and positive impacts. This year, we have introduced new sustainability-related performance measures for Executive Directors. For further information, see the Directors' Remuneration Report on pages 120 to 143.

SUSTAINABILITY: ENVIRONMENT

We are **proud of the role our products play** in supporting decarbonisation, and we are committed to **continuing** to **minimise our own environmental footprint**

Strategy and targets

As a Group we have been proactively reducing our own environmental footprint over many years. We embarked on our environmental journey in the early 2000s, with the creation of our first employee-led Go Green teams; since then, we have dramatically reduced our carbon footprint, leaving only a relatively small footprint in our own operations.

In FY22/23 we set near-term targets of a 50% reduction in Scope 1 emissions and a 70% reduction in Scope 2 emissions, both calculated versus our FY18/19 baseline year, and set to be achieved by 2030. As the understanding of our emissions has evolved, we have taken the decision to redefine our baseline year as FY22/23. The data for this year is more mature and robust than in previous years, putting us on a stronger position to enact positive change in the most relevant areas of the business.

As set out opposite, following this rebaselining, the Board and Management Board have made the decision to accelerate our near-term emissions reduction targets. We have now set the target to reach net zero (where we add no incremental greenhouse gases to the atmosphere) across our own operations (Scopes 1 and 2) by 2030. In addition to these targets, we remain committed to delivering net zero emissions across Scopes 1, 2 and 3 by 2045, putting us five years ahead of the UK Government's commitment.

With the work undertaken to reassess our baseline year, we took the decision to delay setting near-term 2030 targets for our Scope 3 emissions. Work has been progressing to refine and improve our data collection techniques and near-term targets will be set in FY24/25. We intend that all our targets will align with, or exceed, the SBTi framework.

Once set, the near- and long-term targets will be sent for validation to SBTi. Through this process we have been incorporating sustainability considerations into our new product development stage gate process, to ensure the ongoing reduction of our products' carbon footprint through energy use, packaging and distribution, as well as increased recyclability and upgradability.

Today, our market-based carbon intensity metric for Scopes 1 and 2 stands at 5.92 tonnes CO_2e per £million revenue. This is an increase from 2.96 tonnes per £million revenue in FY22/23, primarily caused by temporarily losing access to REGO-certified renewable electricity, as described later in this section.

CASE STUDY

Go Green Teams

Go Green is a long-standing employee-led initiative, set up originally at our four UK manufacturing sites to help promote environmental sustainability. The scheme has been extended this year to cover all our major sites internationally with the goal of improving environmental performance and helping the Group to hit its accelerated net zero targets. A total of 14 highly engaged teams have now been set up, covering 24 sites. As well as delivering self-guided projects, teams have been given a workbook of suggested projects to work through, covering topics such as energy, waste, water and travel. Along with helping to identify larger site infrastructure projects, Go Green teams are driving behaviour change projects, helping to educate colleagues Group-wide to make environmentally conscious decisions.

SUSTAINABILITY: ENVIRONMENT continued

Our roadmap to net zero

We have been making significant progress towards achieving net zero across our operations. This has been strengthened this year by announcing our accelerated target to be net zero in our own operations, that is Scope 1 and 2, by 2030. This ambitious target will help us to drive positive change within the business over the coming years. In addition to this work, we will also be working to reduce our Scope 3 emissions to ensure we hit our 2045 net zero target across all Scope 1, 2 and 3 emissions. The steps we will take between now and 2045 include:

- developing a transition plan during FY24/25 to map our pathway to net zero;
- ensuring that all of our sales, service and manufacturing operations, wherever possible, are powered by electricity backed by renewable energy certificates, e.g. Renewable Energy Guarantee of Origin (REGO) scheme in the UK. Where this is not achievable we will look to move from current sites as leases come up for renewal;
- prioritising positive environmental attributes when we are looking for new sales, services or manufacturing facilities;
- looking for opportunities to reduce energy usage at each of our sites. We will continue to use and invest in energy-efficient equipment to help reduce the quantity of energy we purchase;
- early replacement of gas and oil boilers (with the Board setting a target to replace boilers at two UK sites in the next three years (see page 143));
- switching fleet vehicles to electric rather than internal combustion engines; and
- engaging with our supply chain to understand their decarbonisation strategy.

Streamlined Energy and Carbon Reporting (SECR)

We have outlined our emissions and energy usage across the whole Group, accounting for all Oxford Instrument sites. Absolute location-based Scope 1 and 2 emissions increased by 11.6% as a result of a full year reporting at our new Severn Beach site, in addition to increased electricity usage at some of our sites across Asia. Scope 1 emissions have reduced by 35% due to reduced company car and fleet usage. Scope 2 market-based emissions have increased significantly due to supply issues with our renewable energy certificates at the majority of UK sites this year. Our previous electricity supplier is exiting the industrial sector, and as it pulled back from the market, it dropped certain services, such as providing REGO-certified electricity. In response, we negotiated an early exit to our contract and have contracted with a new supplier that can provide REGO-certified electricity long term. Due to the time taken to negotiate and set up these new contracts, six months of electricity was supplied to some UK sites that was not REGO backed. The target to have 100% of UK sites using renewable electricity by April 2024 has now been met.

Progress has been made on moving global sites to use renewable electricity. The new office in Tokyo consolidated two sites and added solar power, water-conservation and energy-saving measures, as well as having been constructed in part from recycled materials. The new site is a 4-star certified DBJ (Development Bank of Japan) green building. We also have an ongoing programme to improve energy efficiency at existing sites. Actions taken during the year have included continuing to replace fluorescent lighting with LED lighting, and optimising heating, ventilation and air-conditioning systems to make them more energy efficient.

In the near term, we will continue to purchase renewable energy certificates to reduce our market-based Scope 2 emissions. In the longer term we will explore further development of onsite generation and power purchase agreements (PPAs) and pursue energy efficiency opportunities.

We report our emissions and energy intensity as tonnes CO_2e/£m revenue and kWh/£m revenue. Emissions intensity has increased 5.5% this year, while energy intensity has increased 3.6%.

	GHG emissions (tCO_2e)					
	2024			2023		
	UK	Global (exc. UK)	Group total	UK	Global (exc. UK)	Group total
Scope 1 fugitive emissions (tCO_2e)	1	1	2	–	49	49
Scope 1 combustion emissions (tCO_2e)	372	51	423	571	41	612
Total scope 1 (tCO_2e)	373	52	425	571	89	660
Scope 2 location-based (tCO_2e)	2,315	803	3,118	1,874	641	2,515
Scope 2 market-based (tCO_2e)	1,715	647	2,362	–	656	656
Total Scope 1 + 2 location-based (tCO_2e)	2,688	855	3,543	2,445	730	3,175
Total Scope 1 + 2 market-based (tCO_2e)	2,088	699	2,786	571	745	1,316
Upstream Scope 3 (tCO_2e)	–	–	64,857	–	–	59,199
Downstream Scope 3 (tCO_2e)	–	–	31,371	–	–	29,853
Total Scope 3 (tCO_2e)	–	–	96,228	–	–	89,052
Total Scope 1, 2 & 3 location-based (tCO_2e)	–	–	99,771	–	–	92,227
Total Scope 1, 2 & 3 market-based (tCO_2e)	–	–	99,014	–	–	90,368
Scope 1 + 2 location based GHG emissions intensity ratio (per Group turnover) £m	–	–	7.53	–	–	7.14
	Energy consumption (kWh)					
Total renewable fuels consumption (kWh)	0	0	0	0	0	0
Liquid fuel (diesel, petrol, fuel oil)	662,253	12,706	674,959	1,388,935	–	1,388,935
Gaseous fuel (natural gas)	1,091,919	261,036	1,352,955	1,240,159	223,210	1,463,369
Total non-renewable fuels consumption (kWh)	1,754,172	273,742	2,027,914	2,629,094	223,210	2,852,304
Total fuels consumption (kWh)	1,754,172	273,742	2,027,914	2,629,094	223,210	2,852,304
Consumption of purchased or acquired electricity renewable (kWh)	6,485,154	395,202	6,880,356	9,689,500	64,317	9,753,817
Consumption of purchased or acquired electricity non-renewable (kWh)	4,695,603	1,893,110	6,588,713	–	1,843,949	1,843,949
Consumption of self-generated non-fuel renewable energy (solar) (kWh)	–	255,139	255,139	–	–	–
Total electricity consumption (kWh)	11,180,757	2,543,450	13,724,207	9,689,500	1,908,266	11,597,766
Consumption of purchased or acquired heating, steam and cooling non-renewable (kWh)	–	252,243	252,243	–	153,520	153,520
Consumption of purchased or acquired heating, steam and cooling renewable (kWh)	–	64,967	64,967	–	66,852	66,852
Total renewable energy consumption (kWh)	6,485,154	715,307	7,200,461	9,689,500	131,169	9,820,669
Total non-renewable energy consumption (kWh)	6,449,775	2,419,094	8,868,869	2,629,094	2,220,679	4,849,773
Total energy consumption (kWh)	12,934,929	3,134,402	16,069,330	12,318,594	2,351,848	14,670,442
% renewable electricity from total electricity	58%	16%	50%	100%	3%	84%
Energy Intensity ratio (per Group turnover) £m	–	–	34,161	–	–	32,990

1. This section has been prepared for the reporting period of 1 April 2023 to 31 March 2024. We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's Streamlined Energy and Carbon Reporting (SECR) requirements.

   Our energy consumption and emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol ('GHG Protocol'), Revised Edition and the Environmental Reporting Guidelines, including the SECR guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven greenhouse gases (GHGs) covered by the Kyoto Protocol.

   We report on Scopes 1 and 2 GHG emissions, as well as select Scope 3 emissions, providing a detailed breakdown of the Group's emissions by type and intensity measurement.

   In our calculations, we have taken into account instances where sites generate their own renewable electricity or purchase electricity backed by contractual instruments, such as Renewable Energy Guarantee Origin (REGO). Consistent with the Greenhouse Gas Protocol, we regularly review our reporting procedures in response to changes in business structure, calculation methodologies, and data accuracy and availability. Consequently, we have restated our Scope 1 and 2 2023 emissions data to reflect updated emissions factors and data availability.

   For Scope 1 emissions, we have utilised emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 (provided by the Department for Environment, Food and Rural Affairs (DEFRA)). Scope 2 emissions, calculated using the GHG Protocol location-based method, have been determined using country-specific emission factors from the International Energy Agency (IEA) and DEFRA for UK sites. For Scope 2 emissions calculated using the GHG Protocol market-based method, we have used residual mix emission factors from the Association of Issuing Bodies (AIB) 2022 where applicable. In cases where residual mix emission factors were not available, we employed country-specific emission factors from the International Energy Agency (IEA) in accordance with GHG Protocol guidelines.

SUSTAINABILITY: ENVIRONMENT continued

Scope 3 emissions

During the year we re-calculated our Scope 3 emissions using data from FY22/23 and then updated our footprint for this year. Our evaluation confirmed that our value chain emissions are significantly greater than our operational carbon footprint, with our Scope 3 emissions accounting for 97.2% of our total emissions.

We calculated all applicable Scope 3 categories for our carbon footprint, with five categories not applicable to our business. In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data.

Due to recognised inherent uncertainties in calculating Scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose any restatements in a timely and transparent manner. Below is a description of our most material scope 3 categories for our 2023/24 Scope 3 base year footprint.

Purchased goods and services (57.2% of Scope 3) – We use purchase data by spend of raw materials, components and services. As this was our first evaluation of our purchased goods and services we have used a 'spend-based' approach which allocates emissions to an amount spent on specific commodities. While this method contains a certain degree of uncertainty, it provides a view of our hotspots in our supply chain emissions.

As more granular data becomes available we will refine this methodology and look to incorporate supplier-specific emissions.

Use of sold products (32.3% of Scope 3) – We calculate the lifetime energy use for representative products of our key product ranges, using our annual sales volume, average power use per product and estimated hours in use over life. Emissions factors for our key sales regions are applied to this data.

Upstream transportation and distribution (3.3% of Scope 3) – All inbound, intragroup and outbound logistics paid for by the Group are mapped against the transportation mode, weight and distance travelled to calculate emissions on a well-to-wheel basis.

Category	Description	Status	FY23/24 Scope 3 emissions (tCO_2e)	FY22/23 Scope 3 emissions (tCO_2e)
1	Purchased goods and services	Relevant, calculated	**55,029**	50,505
2	Capital goods	Relevant, included in category 1	**–**	–
3	Fuel- & energy-related activities	Relevant, calculated	**395**	296
4	Upstream transportation and distribution	Relevant, calculated	**3,150**	4,327
5	Waste generated in operations	Relevant, calculated	**13**	11
6	Business travel	Relevant, calculated	**4,825**	2,704
7	Employee commuting	Relevant, calculated	**1,445**	1,353
8	Upstream leased assets	Not relevant, not applicable	**–**	–
	Upstream emissions		**64,857**	59,199
9	Downstream transportation and distribution	Relevant, calculated	**326**	314
10	Processing of sold products	Not relevant, not applicable	**–**	–
11	Use of sold products	Relevant, calculated	**31,034**	29,529
12	End-of-life treatment of sold products	Relevant, calculated	**11**	11
13	Downstream leased assets	Not relevant, not applicable	**–**	–
14	Franchises	Not relevant, not applicable	**–**	–
15	Investments	Not relevant, not applicable	**–**	–
	Downstream emissions		**31,371**	29,853
	Total Scope 3		**96,228**	89,052

Environmental legislation

As a Group, we are committed to ensuring compliance with all environmental legislation in the countries where we operate. No environmental fines or penalties have been placed on the Group in the last three years.

Water and waste

Water withdrawal and waste data has been collected across the Group from sites with independent water supplies and direct control of their waste collection services. This includes all the primary UK manufacturing sites, which account for 83% of Group revenue.

Some of our operations are in regions with high or extremely high levels of water stress. However, water is not seen as a material risk due to the low volume we consume. In total the Group recorded 10,553 m^3 of water withdrawal.

UK sites are sending zero waste to landfill; our waste from these sites is either recycled or used to generate electricity at energy from waste facilities. We are committed to reducing the quantity of hazardous waste we produce.

Total waste – treatment	kg	% split of waste
Recycled	**82,903**	**38.9%**
Landfill	**12,656**	**5.9%**
Energy from waste	**117,743**	**55.2%**
Total	**213,302**	

Hazardous vs non-hazardous	kg	% split of waste
Hazardous	**615**	**0.3%**
Non-hazardous	**212,687**	**99.7%**
Total	**213,302**	

Our Tubney manufacturing site and head office is set in acres of woodland

SUSTAINABILITY: TCFD STATEMENT

Task Force on Climate-related Financial Disclosures (TCFD) Statement for the year ended 31 March 2024

Introduction

In tandem with our net zero commitment, this report addresses our climate governance and describes how we integrate climate risks and opportunities into our risk management, strategic planning, and decision-making, in line with our ambition to achieve net zero emissions across Scopes 1 and 2 by 2030, and across Scopes 1, 2 and 3 by 2045.

As a global manufacturer of high-technology products, mitigating, adapting and responding to the impacts of climate change is central to our strategy, both in terms of how we operate our business, and in terms of the key role our products and services play in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. This year we have updated our climate-related risk and opportunity assessment, taking into account their impact under various timeframes and scenarios to gain a deeper understanding.

Compliance statement

For clarity around compliance of the following information with the TCFD framework, and requirements arising from Listing Rule 9.8.6R(8), we consider our disclosure to be consistent with all TCFD recommendations and recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures' (2017) and the additional guidance as set out in the 2021 Annex, 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' and with the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as shown in the TCFD cross reference and disclosure consistency summary below.

TCFD pillar	Recommended disclosure	Disclosure location
Governance: Disclose the organisation's governance around climate-related risks and opportunities	**a.** Describe the Board's oversight of climate-related risks and opportunities.	Pages 41 and 42
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 41 and 42
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	**a.** Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 44 to 49
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Page 50
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 50
Risk management: Disclose how the organisation identifies, assesses, and manages climate-related risks	**a.** Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 42 and 43
	b. Describe the organisation's processes for managing climate-related risks.	Page 43
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 43
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	**a.** Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 50
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Pages 35 to 39
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 35 to 39, 50

Governance

Board level

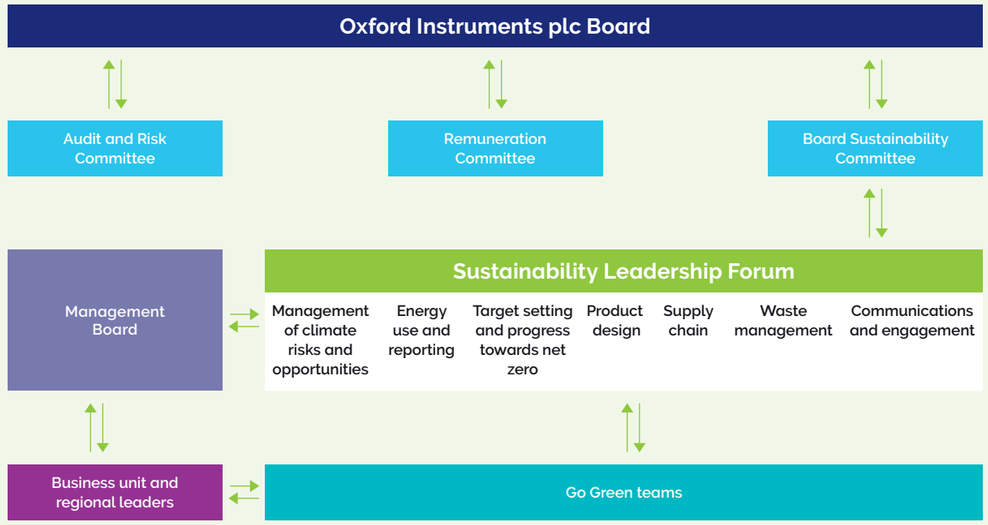
The Board of Directors has ultimate responsibility for the oversight of climate change-related issues and is supported by its Committees (primarily the Sustainability Committee, the Audit and Risk Committee and the Remuneration Committee), the Management Board, the Sustainability Leadership Forum, and the wider senior leadership team. Climate change-related considerations are embedded throughout our governance structure, and at every level across the organisation, as set out in the graphic and explained in more detail below. The Board engages regularly with a range of external advisers and internal subject matter experts on environmental legislation, decarbonisation and climate risk.

The Group's environmental strategy and the management of climate-related risks and opportunities is set and directed by the CEO and Management Board. Any major capital expenditure, including climate-related initiatives such as solar arrays or energy efficiency upgrades to sites, is approved by the CEO and CFO and, if required, the Board.

The Board, through its Sustainability Committee (comprising all the Non-Executive Directors), provides oversight and governance over environmental strategy, including monitoring progress to net zero targets through its review of emissions data, and assessing how these are being managed. The Sustainability Committee meets at least three times a year.

The Audit and Risk Committee provides oversight and governance in relation to climate change-related risks and opportunities, while the Remuneration Committee is responsible for setting and overseeing climate change-related remuneration incentives, together with any other sustainability-related incentives. The current climate-related executive remuneration objectives can be found on pages 142 and 143. The Sustainability Committee in turn provides strategic guidance and oversight to the management-level Sustainability Leadership Forum (SLF) primarily through the attendance of relevant SLF members at the Committee's meetings.

Climate-related governance framework



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

SUSTAINABILITY: TCFD STATEMENT continued

Management level

The SLF is a cross-functional forum, chaired by the Chief HR Officer, with a remit across the full spectrum of sustainability, including environment, social and governance. It holds responsibility for environmental issues at a management level, including climate-related risks and opportunities and the delivery of the Group's environmental strategy. Representatives of the SLF attend Sustainability Committee as required to share strategic updates, and seek the Board's input on them. The SLF meets at least quarterly, and is primarily responsible for detailed development of strategy, together with the assessment, management and tactical delivery of the environmental remit.

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

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

SLF members lead liaison with external consultant CEN-ESG on climate, energy and progress to net zero. In addition, members monitor the KPIs outlined in the Metrics and Target section on page 50.

A key part of the SLF's remit, working in collaboration with the Management Board, is to foster two-way engagement with business units, regional leadership and Go Green teams to drive and accelerate Oxford Instruments' progress towards net zero and our management of climate risks and opportunities. This year our Go Green initiative (see page 35) has expanded to 14 global sites to help Oxford Instruments drive progress towards its 2030 net zero target for Scopes 1 and 2, and its 2045 overall net zero target through projects relating to energy, waste, water and travel.

Risk Management

Our process for identifying and assessing climate-related risks.

As a principal risk, climate-related risks and opportunities are identified and assessed in line with Oxford Instruments' processes for wider enterprise risk management. This allows the importance of climate-related risks and opportunities to be compared with other risks and opportunities. All physical and transition risk categories (current and emerging) outlined by the TCFD are considered by Oxford Instruments, regardless of whether they occur within our operations, upstream or downstream of the Group. Our approach to identifying and assessing risks and opportunities is set out in detail in the Risk Management section on pages 70 to 78 of the Annual Report 2024.

Relevant risks and opportunities are identified with help from external consultants, CEN-ESG, and involve collaboration with key internal stakeholders such as senior management, legal and regulatory, product management and health and safety functions. As part of this process, we carry out horizon scanning to identify potential threats, particularly regulatory changes, and any emerging risks and opportunities, which allows for better preparedness to support decision making. We consider climate-related risks and opportunities across the short, medium and long term, with these timeframes defined on page 43.

Generally, transition risks are considered at a macro level by the Group in collaboration with internal stakeholders and senior management, while physical risks are typically more granular and therefore more relevant at a business unit and site level. Any new regulatory requirements are implemented as they arise, and further actions taken as appropriate. During the year we carried out a site-level physical climate risk assessment using Munich Re's Location Risk Intelligence tool, which provides a geospatial natural hazard risk assessment and evaluation, to improve our operational risk assessment.

As with all other Group risks, climate risks and opportunities are assessed on a 4x5 matrix, which incorporates an assessment of both Likelihood (Highly Unlikely to Highly Likely) and Impact (Insignificant to Severe[1]). The financial impact of a risk is defined below.

Financial Impact[2]

Insignificant	Notable	Significant	Major	Severe
Financial impact of 250k	Financial impact of 250k–£1m	Financial impact of £1m–£2m	Financial impact of £2m–£5m	Financial impact of > £5m

1. Likelihood is a measure of the risk occurrence while impact is a measure of the combination of financial, reputational and compliance impacts. Impact is a combination of financial, reputational and compliance impact.
2. Materiality limits are set in line with the Group's financial statement materiality levels. Last year Group financial materiality was £3.68m based on 5% of profit before tax.

Through this assessment, risks are assigned a Risk Score and classified as either Low, Moderate, High or Significant. Risks that are classified as High or above are reported to the Group for further assessment. This process allows prioritisation of risks and ensures that the significance and scope of climate-related risks are considered in relation to non-climate-related risks.

Climate-related risks scored as High or above are reflected in the Group risk register which is reported to the Audit and Risk Committee on a quarterly basis. Risks below this threshold are still monitored and considered for future review.

The decision to tolerate, transfer or treat a risk is determined by the outcome of the Risk Score; higher scoring risks need to be managed to bring the risk impact back in line with the Group's appropriate risk appetite. Action plans for each risk are outlined in the risk register including mitigating actions and who is responsible for these actions.

Additional information regarding each risk and opportunity has been elaborated upon, including an assessment of their implications, including but not limited to financial and reputational implications, strategic responses, associated costs, and the variability within climate-related scenarios, where feasible.

This detailed analysis, coupled with evaluations of impact and likelihood, facilitates the determination of appropriate risk responses, such as mitigation, acceptance, or control. Consequently, resources can be allocated effectively to address the most consequential climate-related impacts, while other risks necessitate additional scrutiny or are deemed acceptable within the Group's customary risk tolerance.

Strategy

Climate-related risks and opportunities

Our approach to managing climate-related risks and leveraging opportunities is incorporated into our business strategy. This year we have performed a new climate scenario assessment of climate-related risks and opportunities. Two separate climate risk assessments have been carried out to reflect the contrast between transitional and physical climate risks.

Both these risk assessments involved a Group-wide review of operations and value chain to gain an understanding of how climate can impact our revenue, assets and other aspects of our company. An external consultant, CEN-ESG, was engaged to facilitate engagement with key stakeholders within the Group such as procurement, product development and senior management in tandem with horizon scanning of external industry risks and a desktop review of other climate initiatives.

Transition risks and opportunities

The TCFD defines transition risks in four categories (Policy and Legal, Market, Technology, and Reputation) and transition opportunities in five categories (Resource Efficiency, Energy Source, Products & Services, Markets and Resilience). These categories were considered as part of the transition risk assessment. Risks and opportunities identified in these categories were ranked, with only the most significant being reported below. Short, medium and long-term time horizons defined below were used as part of this assessment to identify the impact of climate on our business strategy.

Impact time horizon	Year from	Year to	Rationale
Short term	2024	2027	In line with the existing risk management time horizon and specific business plan strategy.
Medium term	2027	2035	Encompasses Oxford Instruments' near-term emission targets.
Long term	2035	2050	Encompasses the Group's net zero by 2045 target, the UK Government's net zero by 2050 target and the useful life of the organisation's assets.

The following International Energy Agency climate scenarios have been used to perform scenario analysis on our transition risks and opportunities.

- **Net Zero 2050 (NZE)**: a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. This scenario meets the requirement for a 'below 2°C' scenario and is used as a positive climate pathway. NZE also informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi).
- **Stated Policies Scenario (STEPS):** representing projections based on the current policy landscape and is used as a base case pathway. Global temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability.

SUSTAINABILITY: TCFD STATEMENT continued

Transition risks and opportunities

Transition risks identified

Significant risk/opportunity Report to Group

High risk/opportunity Report to Group

Moderate risk/opportunity Do not report to Group mitigation plan expected to be in place

Low risk/opportunity Do not report to Group

Risk	Risk description	Risk type	Potential impact on the business	Response/actions we are taking and how they are managed	KPIs	NZE scenario 2027	NZE scenario 2035	NZE scenario 2050	STEPS scenario 2027	STEPS scenario 2035	STEPS scenario 2050	Scenario Implications
Current and emerging environmental regulation and increasing reporting requirements	Increased exposure to environmental regulation – such as regulation on Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS).	Policy and legal	Rise in material prices for switching to compliant products or disruption to production if unable to react in sufficient time. Could also result in component/ process obsolescence.	We have product compliance processes in place to manage the regulatory environment. We use existing processes to meet Restriction of Hazardous Substance (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) requirements, which remain appropriate to manage future changes in standards. Further, our new product development process considers environmental regulation.	• Frequency of horizon scanning for new regulation	Moderate	High	High	Low	Moderate	High	The pace and magnitude of regulation would increase more substantially under NZE – but no foreseen long-term change in risk exposure between NZE and STEPS given our mitigation processes.
	The global regulatory landscape for ESG issues is changing rapidly. Failure to keep up with emerging regulation could increase costs of compliance.	Policy and legal	Penalties for non-compliance with regulation. Further, cost of compliance could increase through being late to address regulation.	Oxford Instruments has dedicated internal risk, legal and environmental management resource, as well as investing in external consultancy, to ensure that we are aware of, and remain compliant with, legislation. Further, we implement any new regulatory requirements as they arise. Our certified ISO 14001 systems at our four UK manufacturing sites support our mitigation of climate risk.	• Percentage of sites with ISO 14001 certification	Moderate	High	High	Low	Moderate	High	The pace and magnitude of regulation would increase more substantially under NZE – but no foreseen long-term change in risk exposure between NZE and STEPS given our mitigation processes.
Price inflation in the value chain	Value chain exposure to carbon pricing impacts. Globally, there is an increase in carbon pricing mechanisms – both policy and market instruments – for example Carbon Border Adjustment Mechanism (CBAM) within the UK and the EU. Our suppliers may be exposed to carbon pricing within their own operations.	Policy and legal	Potential of higher supply chain costs through increased raw material prices.	Our target is to achieve net zero emissions by 2045. We are in the process of assessing our Scope 3 emissions – including supply chain. This will be an essential input into the development of our net zero target, transition plan and ability to identify key levers to reduce supply chain emissions. We are also engaging with our key suppliers on their carbon footprint to identify our carbon hotspots and mechanisms to reduce this.	• Scope 3 – category 1, 4 emissions • Global carbon prices	Moderate	High	Net risk = zero; company plans to be net zero by 2045	Low	Moderate	Net risk = zero; company plans to be net zero by 2045	Exposure is likely to be greater under NZE due to the higher cost of carbon and increased global implementation of carbon pricing mechanisms.
	Global supply chains are implementing more expensive production methods and changing raw materials to facilitate decarbonisation, although the extent to which increased costs will be passed on is largely unknown.	Market	Potential of higher supply chain costs.	Oxford Instruments maintains close relationships with key suppliers. Product Development and Strategic Sourcing teams identify and evaluate viable alternatives in materials and processes and work closely with key suppliers to deliver supply chain solutions.	• Percentage of supply chain spend with decarbonisation dialogue • Percentage of suppliers engaged to collect emissions data	Moderate	High	High	Low	Moderate	High	Change is more rapid under NZE compared with STEPS. Pricing implications under NZE are also more significant.
Increasing stakeholder, regulatory and reporting expectations	Key stakeholders are demanding sustainability performance from Oxford Instruments.	Reputation	Reputational damage that could result in loss of customers and shareholders and reduced access to capital.	Board-level scrutiny and oversight, and an organisation-wide focus on addressing the risks and opportunities arising from climate change, together with a focus on impact reporting, wider communications and stakeholder engagement. Plans to develop a transition plan will also reduce exposure to this risk.	• Rating agency scores	Low	High	High	Low	Moderate	High	Higher expectations of stakeholders in short to medium term under NZE. Oxford Instruments' emissions targets will even out risk exposure under both scenarios in the medium to long term.

* Materiality limits are set in line with the Group's financial statement materiality levels. Last year Group financial materiality was £3.68m based on 5% of profit before tax.

SUSTAINABILITY: TCFD STATEMENT continued

Transition risks and opportunities continued

Transition opportunities identified

Significant risk/opportunity Report to Group
High risk/opportunity Report to Group
Moderate risk/opportunity Do not report to Group mitigation plan expected to be in place
Low risk/opportunity Do not report to Group

Opportunity	Opportunity description	Opportunity type	Potential impact on the business	Response/actions we're taking and how they are managed	KPIs	NZE scenario 2027	NZE scenario 2035	NZE scenario 2050	STEPS scenario 2027	STEPS scenario 2035	STEPS scenario 2050	Scenario Implications
Investment in R&D for a low-carbon economy	The transition to a low-carbon economy requires significant investment in R&D for more sustainable technologies. Innovation and development in technology areas such as batteries are critical for the transition to a low-carbon economy.	Products and services	Increased revenue	Our products and services play a key role in the technology pathway to enable the transition from fossil fuels to a low-carbon economy. Our enabling technologies, such as materials analysis solutions, efficient power switching, and semiconductor equipment, help customers address these challenges.	• Low-carbon market segments growth • Industry investment in low-carbon R&D	Moderate	High	Significant	Low	High	High	Under NZE, there is significant investment in renewables and alternative technologies. Slower change under STEPS.
	In-house R&D and our new product development process has the potential to address the need for products with sustainability credentials, e.g. energy-efficient products.	Products and services	Increased revenue	Our new product development process takes environmental considerations into account. Developments in our semiconductor equipment are implicitly geared towards energy efficiency as well as our water-saving alternative to the standard chemical mechanical planarization (CPM) process used to create a smooth surface on semiconductor wafers.	• Internal R&D investment • Scope 3 category 11, 12 emissions	Moderate	Moderate	High	Low	Low	Moderate	Under NZE, there is significant investment in renewables and alternative technologies. Slower change under STEPS.
	Proactive collaboration with suppliers to drive low-carbon innovation helps improve the sustainability credentials of our product portfolio.	Products and services	Increased revenue	We have been working with key suppliers to embed material and energy efficiencies into the products we purchase.	• Number of suppliers carbon data obtained from Scope 3 – category 1, 11 emissions	Low	Moderate	Moderate	Low	Low	Moderate	Under NZE, more significant investment in renewables and alternative technologies. Slower change under STEPS.
Services that facilitate the reduction of carbon emissions and deliver value for customers	Remote Services Solutions is a developing service across the Group. This service area not only provides an area for growth but also allows for reduction of emissions in our own operations and for our customers.	Products and services	Increased revenue and decreased transport cost and emissions	Almost all our products are already shipped with remote connectivity and we are building business system infrastructure to enable remote service capabilities.	• Revenue from remote services	High	High	High	Moderate	High	High	Slightly increased exposure under NZE due to additive effect of organisation seeking carbon reduction opportunities.
	Local sourcing and strategic placement of services delivers efficiency to customers and allows Oxford Instruments to reduce logistics travel.	Resource efficiency	Decreased transport cost and emissions	We are engaging in strategic building of capabilities and services to deliver efficiency to customers. Load optimisation in logistics is also part of this strategy. We continue to look for opportunities in this area.	• Scope 3 – category 4, 9 emissions	Low	Low	Moderate	Low	Low	Moderate	Slightly increased exposure under NZE due to additive effect of organisation seeking carbon reduction opportunities.
Operational energy and carbon reductions	Obtaining renewable electricity through renewable electricity certificates (RECs) and power purchase agreements (PPAs) reduces reliance on local grid and helps to reduce Scope 2 emissions as an interim measure whilst exploring opportunities to reduce energy usage.	Energy source	Reduced costs and Scope 2 emissions. Renewable electricity can also provide operating cost savings and reduce operational exposure to carbon pricing.	Our current renewable energy programme utilises REGO-certified or REGO-equivalent certifications of renewable electricity. We make use of solar arrays on our Severn Beach and Scotts Valley manufacturing sites, along with our Tokyo office. We are investigating adding additional renewable generation capacity to suitable sites.	• Scope 2 market-based emissions • Percentage of renewable electricity out of total electricity	Low	Moderate	Moderate	Low	Low	Low	Greater availability of supply under NZE. STEPS lags slightly, reduced availability of REC.
Resource efficiency	Internally Oxford Instruments can implement resource efficiency programmes to improve waste, water use and energy savings.	Resource efficiency	Reduced costs and emissions	Group-wide, we are continually looking for opportunities to embed resource efficiency into our operations. Opportunities can be small, such as reducing waste or water usage, or part of larger capital projects, e.g. replacement of boilers at our Tubney head office and manufacturing site, and all-electric heating at our new site in Severn Beach. We seek to invest in long-term, alternative technologies as they become suitable and economically feasible.	• Scope 1 and Scope 2 (location-based) emissions • Total waste • Total water	Low	Moderate	Moderate	Low	Low	Low	Greater exposure under NZE due to more investment in resource efficient products and services.

SUSTAINABILITY: TCFD STATEMENT continued

Physical risks

The frequency of physical climate-related impacts is expected to increase in the future through an increased frequency and severity of extreme weather events. Oxford Instruments has used Munich Re's Location Risk Intelligence tool to assess the Group's sites and key suppliers' current and future risk exposure to climate-related disruptions. Sites have been assessed for both acute and chronic physical risks, including potential risks such as drought stress, tornados, storms, sea level rise and flooding events among other hazards.

Particular attention has been paid to the four UK manufacturing sites (Severn Beach, Tubney Woods, High Wycombe and Belfast) as they contribute roughly 80% of Group revenue. Due to the nature of physical climate-related risks manifesting more over the long term, different time horizons have been used from those used to assess the transition risks and opportunities. These are: 2030 (short term), 2050 (medium term) and 2100 (long term).

The following scenarios have been used for the physical risk assessment:

- **RCP 2.6** is an optimistic scenario whereby atmospheric concentrations of greenhouse gases lead to a global temperature rise of less than 2°C by the end of the century relative to the pre-industrial period (1850–1900).
- **RCP 8.5** is a pessimistic high emissions scenario, consistent with a future with no policy change to reduce emissions and leading to a global temperature rise of around 4°C by 2100.

Significant risk/opportunity Report to Group

High risk/opportunity Report to Group

Moderate risk/opportunity Do not report to Group mitigation plan expected to be in place

Low risk/opportunity Do not report to Group

Physical risks identified

Opportunity	Opportunity description	Opportunity type	Potential impact on the business	Response/actions we're taking and how they are managed	KPIs	2.6 Scenario 2030	2.6 Scenario 2050	2.6 Scenario 2100	8.5 Scenario 2030	8.5 Scenario 2050	8.5 Scenario 2100	Scenario Implications
Flooding	One manufacturing site is projected to be a Zone 50 (2% chance each year of a flood event) site under all future scenarios from 2030 onwards. A further manufacturing site is located in a Zone 100-year return period for storm surges (1% chance of occurring each year).	Acute	Increased costs and decreased revenue through decreased manufacturing output, delayed production times and damage to site infrastructure, equipment, or inventory.	Oxford Instruments' sites are insured for asset/property damage as well as business interruption. Each site has a business continuity plan and emergency response measures in place to deal with significant events. At our new Severn Beach facility, the building was constructed on a 1.5m raised platform to mitigate flooding risk exposure.	• Number of days operations are disrupted due to flooding events • Revenue loss from site disruption • Insurance premiums	Low	Low	Moderate	Low	Low	Moderate	Minimal change in exposure between RCP2.6 and 8.5.
Wildfire	One manufacturing site is currently at a high-risk level and projected to remain high against future scenario projections. A further manufacturing site increases from medium to high risk across all projections including the most optimistic scenario by 2030.	Acute	Increased costs and decreased revenue through disrupting manufacturing output such as road closures, evacuation orders, restricted access, or damage to site infrastructure.	Oxford Instruments' sites are insured for asset/property damage as well as business interruption. Each site has a business continuity plan and emergency response measures in place to deal with significant events.	• Number of days operations are disrupted due to fire events • Revenue loss from site disruption • Insurance premiums	Low	Low	Moderate	Low	Low	Moderate	Increased exposure under RCP8.5, particularly in the long-term 2100 projections.
Supplier disruption from extreme weather	Increasing extreme weather events can cause supply chain disruptions or site shutdowns. Analysis indicates low physical risk for our key suppliers currently. However, two of our key suppliers are at increasing risk of river flooding and sea level rise across both scenarios in the long term.	Acute	Decreased revenue	Business interruption insurance provides a degree of cover in the event that supply chain issues cause significant disruption to production.	• Number of days our operations are disrupted due to supply chain issues resulting from extreme weather events	Low	Low	Moderate	Low	Low	Moderate	Minimal change in exposure between RCP2.6 and 8.5.

SUSTAINABILITY: TCFD STATEMENT continued

Impact on strategy and financial planning

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

Although there is not a dedicated climate-related R&D budget, our existing R&D expenditure incorporates climate change. Our products are designed to address our structurally growing markets in advanced materials development and semiconductors, which both have a key role to play in decarbonisation and addressing the impacts of climate change. In terms of the direct impact of our products, considerations are incorporated into the Group's New Product Development process, to ensure the ongoing reduction of the carbon footprint of our products through energy use, packaging and distribution, as well as increased recyclability and upgradability. In addition to R&D considerations, the costs of planned climate initiatives are included within each business unit's annual budget plans of capital expenditure requests. For example, when purchasing new offices and manufacturing sites we always take environmental considerations into the procurement process.

Resilience of the organisation's strategy to climate change

The scenarios used in our climate scenario analysis are explained in more detail above. They have been selected to provide contrasting scenarios which allow us an understanding of how resilient the Group is under different situations and temperature pathways. Our identified climate-related risks and opportunities, and action plans to address these, highlight that in aggregate our overall climate risk exposure is moderate. We believe, given our current mitigation plans, that we can incorporate climate risks into our business-as-usual activities and that the Group is financially resilient to climate change. Therefore, we do not currently envisage any additional significant capital expenditure or changes to business strategy as a result of climate change that sits outside of our normal planning. Please see page 156 of our financial statements where the impacts of climate have been considered.

The outputs of the scenario analysis we have carried out can be found on pages 43 to 49. The limitations of this scenario analysis are:

- scenarios often only provide high level global and regional forecasts;
- not all risks are easily subject to scenario analysis;
- scenario analysis requires analysis of specific factors and modelling them with fixed assumptions;
- impacts are to be considered in the context of the current financial performance and prices;
- impacts are modelled to occur in a linear fashion when, in practice, dramatic climate-related impacts may occur suddenly after tipping points are breached;
- the analysis considers each risk and scenario in isolation when, in practice, climate-related risks may occur in parallel as part of a wider set of potential global impacts; and
- carbon pricing is informed by the Global Energy Outlook 2023 report from the International Energy Agency.

Metrics and targets

Climate-related metrics

We disclose our Scope 1, 2 and 3 emissions in line with the Greenhouse Gas (GHG) Protocol A Corporate Accounting and Reporting Standard, with additional guidance from the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions. This covers the accounting and reporting of the seven greenhouse gases covered by the Kyoto Protocol. An operational control approach was adopted, with all material emissions sources reported.

We also disclose a wide range of metrics to help us to track our progress across a number of climate-related and sustainability-related areas. This includes electricity consumption, GHG emissions intensity and water and waste usage. The specific metrics used to track our climate-related risks and opportunities are identified on pages 37 to 39. Please see the environment section, pages 35 to 39 for further information, and for this year's SECR reporting, the primary means by which we report our progress and track our impact.

Climate-related targets

As set out in the environment section, we are committed to reaching net zero carbon emissions (where we add no incremental greenhouse gases to the atmosphere) against Scopes 1, 2 and 3 by 2045. This year we are also pleased to announce further ambition on our Scope 1 and 2 net zero targets, with a new target to be net zero in Scopes 1 and 2 by 2030. In the coming months we are planning on setting ambitious Scope 3 targets and also to have our Scopes 1, 2 and 3 targets validated by the SBTi. We subsequently also plan to publish a net zero plan that will detail our costed actions to achieve these targets.

SUSTAINABILITY: SOCIAL

Social: We believe that businesses have a valuable contribution to make to society

We are acutely aware of our responsibility to our employees, the communities that we impact and the generations to come.

Our social sustainability agenda

Our social sustainability agenda comprises six key subject areas, as follows:

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

Culture, values and engagement

We strive to create an open, inclusive and values-driven culture, where colleagues feel able to share their views in a two-way dialogue with senior leaders.

Our Chief Executive Officer and the leaders of our business units and regional teams based around the world hold regular in-person and virtual briefing meetings where employees are encouraged to, and do, ask a wide range of questions. The Board discusses current workforce issues regularly with management, and meets a broad range of employees, for example at site visits by the Chair and Non-Executive Directors. We also gather our people's views annually through our global engagement survey, monitoring a range of cultural KPIs and taking action on opportunities for improvement at business unit, regional and Group level.

Our overall engagement score in our 2023 global survey, completed by 86% of employees, was maintained at 78%, comparing favourably with external benchmarking[1].

This year, we have carried out an extensive piece of engagement work led by Chief Executive Officer Richard Tyson and the Management Board, focused on our culture and ways of working (see page 95). Informed by employee focus groups, this has resulted in a new articulation of how we work together, which will support the delivery of our strategy (see pages 10 to 15 and 22 to 23). Both the strategy and the ways of working (summarised below) have been rolled out to all employees via a global roadshow led by the Chief Executive Officer, and are being fully integrated via leadership interactions with teams and ongoing internal communications.

Our ways of working

- We start with the customer
- We succeed by being focused
- We make and keep our promises
- We work together as one team
- We help and trust each other to succeed

Our values

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

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

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

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

1. Gallup 2023 research indicating an average global engagement rating of 23% across a range of sectors www.gallup.com/394373/indicator-employee-engagement.aspx

SUSTAINABILITY: SOCIAL continued

Equity, diversity and inclusion

We are committed to creating a diverse and inclusive culture. We use the term equity, rather than equality, as not everyone is starting from the same place, has the same challenges or requires the same level of support. Equity, therefore, refers to giving everyone what they need to be successful, and reflects our focus on equality of outcomes. At Oxford Instruments, we want to encourage everyone to achieve their potential by actively 'levelling the playing field' wherever needed. We seek to develop and sustain a supportive and collaborative working environment where difference is recognised, valued and celebrated. However, we also recognise that we operate in 17 countries around the world in which the legislative frameworks and cultural landscapes vary hugely. In each of the countries in which we operate, we aim to be ahead of the curve in our equity, diversity and inclusion targets, and our working practices, but will ensure that we are not in conflict with legislative frameworks.

Our approach to equity, diversity and the prevention of discrimination is overseen by the Board Sustainability Committee. Our global Equity, Diversity and Inclusion policy, covering 100% of our operations, and publicised to all colleagues via our intranet, sets out our expectations in this area, www.oxinst.com/corporate-content/diversity-and-inclusion.

We have identified several key areas of focus, including gender, ethnicity, disability and sensitive medical conditions, family responsibilities, sexual orientation and gender identity, pursuing a range of initiatives to recruit from a diverse pool of talent, and to support our existing workforce. We have joined Business in the Community (BITC) and the Business Disability Forum as part of our continual drive to improve our awareness and understanding of best practice in diversity and inclusion for businesses. In 2024, we signed up to the BITC Race at Work charter to underline our commitment to improving equity of opportunity in the workplace. We also engage in externally run schemes offering internships and career opportunities in our diversity and inclusion focus areas.

During the year, employees have launched a women's group and a neurodiversity group; these join existing impact groups focused on race and ethnicity and LGBTQ+ issues and have been enthusiastically adopted by both members and allies of each community. During the year we have successfully piloted new inclusive leadership training, with a wider roll out planned for 2024/25.

We are committed to eliminating our gender pay gap. We monitor, measure and take action globally,. Our external data reporting is focused on our UK workforce and is published in our Gender and Ethnicity Pay Gap Report www.oxinst.com/corporate-content/gender-pay-report. The gap for our Oxford Instruments Nanotechnology Tools entity in the UK, representing 758 employees in 2023, currently stands at 10.4% (median).

We are also committed to addressing the gender balance of our workforce, with targets of 30% female employees overall by 2030 and 40% female leadership by the end of 2025. A particular area of focus is on increasing the diversity of our management board, which is being actively addressed.

We continue to build on the work we have done so far to establish balanced recruitment shortlists (that is, shortlists including candidates from groups which are underrepresented in our workforce, including women). We only engage executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity.

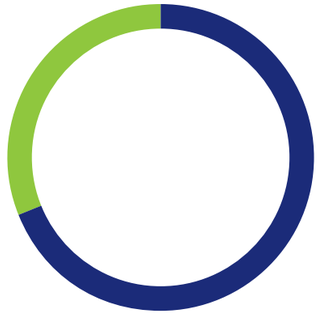
Our inclusive approach to recruitment includes the use of technology to ensure that the language used in job advertisements is free from gender bias. We operate a hybrid working policy which helps employees to balance work and personal commitments. We also offer support and, where appropriate, special leave, for those with caring needs for dependents.

Following the reconfiguration of our internal employee data portals to include the Office for National Statistics ethnicity categories, some 90% of UK employees and 78% of employees globally have provided data on their ethnicity. This year, for the first time, we have reported on our UK ethnicity pay data. This indicates that 10% of our UK workforce identify as being part of an ethnic minority group, and that on average, these colleagues are paid slightly more than their peers (1.4% mean and 1.7% median).

We are committed to using this data to help to ensure that our processes and pay are fair and equitable with respect to race and ethnicity, as well as the characteristics on which we have had full data for several years. The Parker Review recommends that we devise and work towards a specified target for the percentage of our senior management team to be from ethnic minorities by the end of 2027. As an international company, we recognise the importance of ensuring we have strong ethnically diverse leadership role models and a diverse decision-making team that reflects our customer base and the communities in which we operate.

CEO Richard Tyson makes his Pride pledge

New employees in FY23/24 by gender



This year we have taken steps to broaden the ethnic diversity of our wider senior leadership team which, as of the date of the Annual Report, comprises 14 persons, of whom 14% are Asian. There are 102 direct reports of this team, of whom 22% identify as belonging to an ethnic minority group. In that context, we will be seeking to maintain and improve the ethnic diversity of this cohort (ie, our wider senior leadership team and their direct reports) on a year-on-year basis, within a target range of 20% to 25%.

Our Gender and Ethnicity Pay Gap Report provides more information on all these areas: www.oxinst.com

Gender split

	Male	Female
Global Oxford Instruments	73%	27%
Plc Board	50%	50%
Management Board	92%	8%
Managers	76%	24%
Employees	72%	28%

Gender split by region

	Male	Female
UK	77%	23%
Europe	68%	32%
Asia	68%	32%
America	69%	31%

Targets:

Objective	Target (with date if applicable)	Progress to date
Balanced shortlists for recruitment	100%	End of 2023/24: 82%
Ethnic minority representation on the Board	1 person of colour	Met
Women on the Board	By end of 2023/24: 40% women in line with FTSE Women Leaders target	Met
Women as a proportion of senior leadership	By end 2025: 40% women	34% (2023: 31%)
Women as a proportion of total Oxford Instruments population	By end 2029/30: 30% women	Currently 27% (2023: 26%)

Three cohorts undertook the Oxford Instruments Leadership Programme during the year

Team-building at the Foundations early careers programme

SUSTAINABILITY: SOCIAL continued

Health, safety and wellbeing

We are **committed to fostering a healthy, safe and productive work environment** for our entire workforce, and to driving continuous **improvement** in our health and safety (H&S) performance.

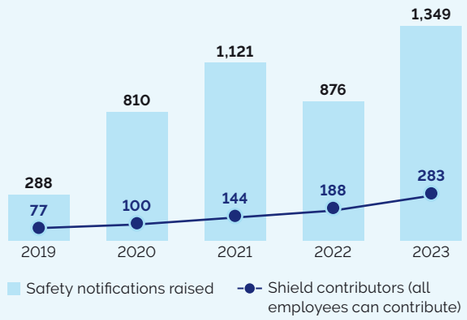
The Board is responsible for oversight of our approach to H&S, supported by the Sustainability Committee.

Our six-step strategic framework, rolled out in 2023/24, supports continuous improvement via six key areas of management.

Overall, our management approach is based on the ongoing identification and control of risk. We focus on preventative measures to remove hazards before they can escalate into accidents or near misses.

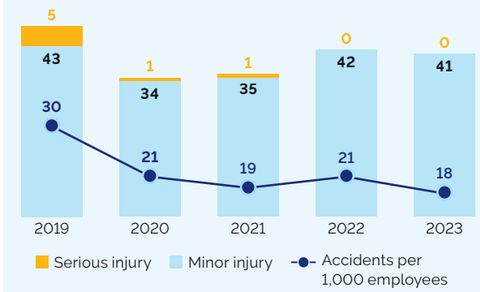
Recognising that our entire workforce has a role to play in creating a safe working environment, this year we have enhanced the Shield incident reporting system through which we record, manage and monitor accidents and safety observations, and to which all employees have access. The system has supported our improved performance since its introduction in 2019.

Increasing health and safety awareness



We have achieved our objective of increasing H&S awareness and reducing the actual number and severity of incidents. Our accident frequency trend remains on a downward trajectory, with no serious incidents and a decrease in minor accidents reported in 2023. There have been no employee or contractor fatalities in the five-year reporting period from 2019 to 2023. While our H&S performance compares favourably with industry standards, we remain vigilant and prioritise global safety through our Push for Zero initiative, which aims for a sustained reduction in accidents over time.

Health and safety five-year performance



Our structured H&S management systems, subject to external audits as required, underpin our commitment to safe work practices. At our primary manufacturing facilities in the UK, representing 83% of revenue, we maintain ISO 45001 certification. The effectiveness of our management systems is further supported by a robust internal audit programme across all operational domains.

During the 23/24 financial year more than 1,000 employees have received H&S training. This figure comprises training renewals and onboarding of new joiners. This year, we have launched an Institution of Occupational Safety and Health (IOSH)-accredited training programme globally, across all business units and regions. Over a 24-month period, training will be provided to executive team members and eligible members of our management, production and services workforce, further enhancing their H&S competency and awareness.

We support our employees and their families by providing an increasing range and number of opportunities to enhance their wellbeing, including readily accessible support services on a wide range of topics from financial wellbeing to mental health and health assistance programmes.

We strive to empower individuals coping with mental health challenges or disabilities to thrive in their professional roles, encouraging colleagues to seek assistance when needed, via our team of Mental Health First Aiders and through the provision of independent and confidential digital platforms and services, accessible to employees globally.

We are proud to support our local community groups and charities alongside being inclusive of our people and culture through the celebration of events and achievements.

Employee turnover rates

Year	Turnover
2023/24	**12%, of which 9% was voluntary**
2022/23	11%, of which 9% was voluntary
2021/22	14%, of which 11% was voluntary
2020/21	8%, of which 6% was voluntary
2019/20	15%, of which 7% was voluntary
2018/19	14%, of which 10% was voluntary

Employee numbers

	Full time	Part time	Contract workers
2023/24	**2,090**	**144**	**69**
2022/23	1,894	134	86
2021/22	1,662	126	70
2020/21	1,518	107	100
2019/20	1,448	114	70

All employees are guaranteed a fair salary and other employment benefits in accordance with their role and responsibilities. We ensure compliance with minimum wage legislation and strive to offer competitive compensation packages suitable for each position and our business needs.

All employees, regardless of location, are entitled to legally required benefits such as annual leave, sick leave, maternity leave and standard working hours. A number of employee benefit changes have been implemented over the last year to improve the competitiveness, attractiveness and cost-effectiveness of our total remuneration propositions. These include the doubling of the potential award under the growth incentive plan available to all employees not in another bonus scheme to £1,000 (or equivalent). We also have achieved Living Wage accreditation in the UK. In addition, all UK-based employees have access to our Share Incentive Plan scheme after six months' service. Furthermore, in compliance with UK regulations, all UK employees have the option to enrol in our workplace pension scheme.

Investing in our people

Our people and their capabilities are core to what makes us a great company. We are committed to being the company where the best people in our sector want to work, and to training our people and enabling their career development and employability.

We provide a range of opportunities for our employees across technical, commercial, operational and business support functions to gain knowledge, skills and experience. This includes challenging assignments, learning from colleagues and targeted training. Colleagues have completed almost 14,000 online training courses in FY23/24, pursuing more than 750 different courses.

We continue to strengthen our Oi Academy, which offers development programmes, core skills training courses and e-learning opportunities. We also offer a broad range of secondments, career breaks, apprenticeships and support towards external qualifications.

This year, three cohorts (35 employees) have undertaken our bespoke Oxford Instruments Leadership programme, which brings together high-potential candidates from across the Group and covers a wide range of topics including interviewing skills, self-development, developing others and managing remote teams. We have delivered Management Essentials training to 61 managers Group-wide, and relaunched programmes focused on Project Management Fundamentals and Project Leadership. We have also piloted a new Foundations programme for emerging talent, designed to give aspiring leaders a variety of tools and techniques to allow them to work effectively as they progress their career at Oxford Instruments.

We have a robust system of regular feedback. 100% of our employees have undergone an evaluation process in the year, embedded through our annual performance review, which also encompasses career development with a focus on training opportunities.

Next-generation talent

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

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

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

Community impact

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

Our network of Go Green teams (see page 35) drives action to be more environmentally friendly, both as a business and as individuals.

When we arrange gifts, celebrations, events and activities for our teams we aim to support the small, independent businesses near our sites. We also participate in a range of charity outreach activities, including raffles, marathon sponsorships, pub quizzes and coffee mornings.

SUSTAINABILITY: GOVERNANCE

Governance: Upholding high ethical standards

Inclusive, innovative, trusted and purposeful

We are wholly committed to conducting our business responsibly and holding ourselves to high ethical standards. Our strong values (see page 51) underpin everything we do; from how we work with each other and our customers to how we trade with suppliers. Every representative of Oxford Instruments is expected to behave in a way which is consistent with these values.

Our approach to governance is summarised in our Code of Conduct, which is updated regularly, issued to all new joiners and communicated regularly to existing employees. All colleagues, customers and suppliers also have round-the-clock access to our widely publicised and independent whistleblowing hotline, Safecall (www.safecall.co.uk/en/clients/oxinst/), should they encounter any behaviour not in keeping with our ethical standards.

Our governance sustainability agenda comprises eight key areas

Our overarching governance sustainability agenda, set out below, is overseen by our Board Sustainability Committee, (see pages 117 to 119); with the exception of anti-bribery and anti-corruption, sanctions, export control and customs, and financial sustainability and tax transparency, which are overseen by the Audit and Risk Committee (see pages 110 to 116).

1 Anti-bribery and anti-corruption

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

The key principles we expect everyone to follow include not offering or accepting bribes or improper payments; not improperly influencing any individual; and not participating in any kind of corrupt business activity, either directly or through a third party. To help our employees understand what is expected of them we have developed a comprehensive training course, refreshed this year, which all new joiners must complete to pass their probationary period, and which all employees must retake annually; we also maintain a detailed policy document, www.oxinst.com/investors-content/compliance/anti-bribery-and-corruption.

No one has been dismissed during FY23/24 as a result of having committed bribery.

2 Sanctions, export control and customs

We review our Sanctions Policy regularly (most recently in May 2024) to align with UN, UK, EU and US sanctions.

We are committed to adhering to both the letter and the spirit of export controls governing our activities, and engage regularly with the UK Government's Export Control Joint Unit and its equivalents in other jurisdictions. In response to geopolitical shifts, we have pivoted our regional focus towards less sensitive applications and customers in China this year, and exited the quantum market in the country.

3 Inside information and share dealing

As a listed company on the London Stock Exchange, Oxford Instruments and its employees must comply with the relevant laws relating to inside information and share dealing, including the UK Market Abuse Regulation, as well as our internal Share Dealing Policy. We ensure that there are adequate procedures, systems and controls in place to identify, manage and disclose inside information and also support our employees and anyone working on our behalf with understanding their obligations.

4 Supply chain responsible sourcing

We operate our business in compliance with all applicable laws and regulations and expect our suppliers to do the same. The overarching standards we expect from our suppliers, covering all operations, are set out in our Supplier Quality Manual, which incorporates our Code of Conduct for Representatives and Suppliers, www.oxinst.com/assets/uploads/documents/OI_COC_REPS_SUPPLIERS.pdf.

In addition, as part of our supplier contracts, suppliers are required to warrant that they and their sub-contractors will comply with all applicable laws, statutes, regulations and codes relating to modern slavery, anti-bribery and anti-corruption, and Oxford Instruments' Supplier Quality Manual, which incorporates our Code of Conduct for Representatives and Suppliers.

We are committed to avoiding the use of controversial materials and proactively eliminating the use of so-called 'conflict minerals', i.e. minerals sourced from mines in the Democratic Republic of Congo and adjoining countries which support or fund conflict from products and the supply chain. Our conflict minerals policy covers all operations. We undertake due diligence on our key suppliers and expect them, in turn, to conduct due diligence on their own supply chain to help eliminate the use of conflict minerals.

Our online supplier portal allows us to store and audit our key supplier documents and has been extended and updated in 2024 to collect information on product environmental compliance, quality and sustainability.

5 Human rights and modern slavery

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain. We take a zero-tolerance approach to all forms of modern slavery, including servitude, forced bonded and compulsory labour, and human trafficking. We require our suppliers to guarantee the applicable national statutory minimum living wage.

Bespoke training is mandatory for relevant employees to help them recognise where there may be risks of modern slavery and human trafficking within our business and our supply chains.

We have an established Whistleblowing Procedure for employees to report any concerns, and further guidance is also made available in our Global Human Rights Policy. In addition, we have extended the availability of our Whistleblowing hotline to all our suppliers and representatives.

Our global Code of Conduct sends a clear message to our employees, business partners, investors and other stakeholders about our business principles and ethics.

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

6 Intellectual property and confidentiality

Our intellectual property (IP) is one of our most important assets; it is key to our success in the market and enables us to secure and maintain a competitive advantage. We have comprehensive policies and procedures in place to protect it, including templates, guidance and training for colleagues. We continue to protect our inventions, brand and designs through the use of registered IP rights. In the year we filed a number of new priority patent applications.

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

7 Data protection, data privacy and data security

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

Our marketing teams work closely with our legal teams to ensure our marketing activities are compliant with the European General Data Protection Regulation (GDPR), UK GDPR and related privacy legislation in other territories. We have invested in high-quality CRM and marketing business systems infrastructure that have enabled us to enhance our security and controls.

Our legal team develops compliance programmes around the world to ensure we can respond quickly to any changes made in the data protection legislation and guidance from regulators.

This year we reduced our internal IT vulnerabilities significantly as a result of upgrading or decommissioning approximately 100 IT systems globally. We also conducted several phishing exercises and rolled out mandatory training for individuals who were identified as requiring additional assistance.

8 Financial sustainability and tax transparency

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

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

Our Group Tax Strategy is available on our website at oxinst.com.