

A snapshot of governance

Compliance statement

During the year ended 31 December 2021, we have reported against the UK Corporate Governance Code 2018 (“the Code”) issued by the Financial Reporting Council. The Code can be found at www.frc.org.uk.

We applied each principle and complied with provisions throughout 2021 as required by the Listing Rules, except for Provision 38. Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the wider workforce. As reported in 2020’s Annual Report, we reached an agreement with Stephen Bird that his pension contribution of 20% that was put in place when he became a Director and Chief Executive in April 2009 will contractually change to 8% and be aligned with the UK workforce with effect from 1 January 2023.

Given the length of service and that the original level of contribution was agreed in 2009, the Board considered it reasonable to give a period of transition to adjust this pension contribution.

The Board agrees that the Annual Report taken as a whole is fair, balanced and understandable and gives all stakeholders the information necessary to assess the Group’s business model, strategy and performance. The full report provides the information required for shareholders to assess the Group’s overall performance against its strategy.

Image: Patrick Cheung

Major Board decisions

The major decisions taken by the Board and its Committees during 2021 included:

1. Acquisition of Quasar


2. Acquisition of Lightstream

3. Acquisition of Savage

4. Reinstatement of dividends

5. Enhanced ESG programme

6. External Board evaluation

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The following table outlines where shareholders can find and evaluate how the Company has applied the principles of the Code and where key content can be found in this report:

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Leadership and Company purpose

Board of Directors

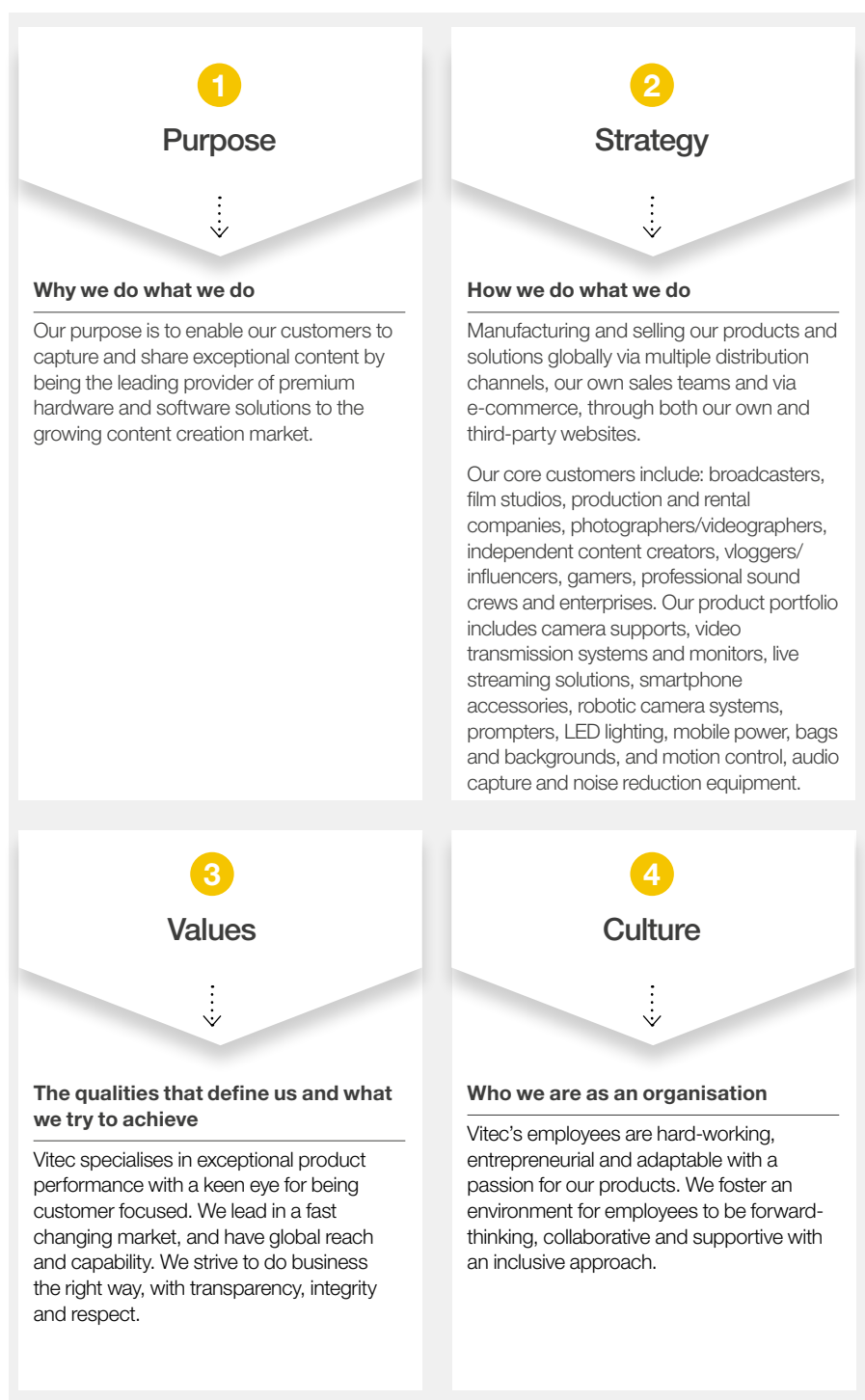
			
	Ian McHoul BSc, ACA	Stephen Bird MA	Martin Green MA, MBA, ACCA
Role	Chairman	Group Chief Executive	Group Finance Director
Appointed to Board	25 February 2019 – tenure of 3 years (Chairman from 21 May 2019)	14 April 2009 – tenure of 12 years and 10 months	4 January 2017 – tenure of 5 years and 1 month
Nationality	British	British	British
Age	62	61	53
Committee membership	Nominations (Chairman)	Nominations	–
Skills and experience	<p>Ian is currently a non-executive director and the Chairman of the Audit Committee of Bellway plc, Young & Co's Brewery PLC and Britvic plc. Ian will be standing down from the Britvic plc Board in May 2022. He was formerly a Non-Executive Director of Wood Group PLC (2017 to 2018) and Premier Foods plc (from 2004 to 2013). He held several roles in his executive career including Chief Financial Officer at Amec Foster Wheeler plc between 2008 and 2017, Group Finance Director at Scottish & Newcastle plc from 2001 to 2008 (Ian was with the business from 1998 in the role of Finance Director for Scottish Courage Ltd), and Finance & Strategy Director, The Intreprenuer Pub Company from 1995 to 1998. Prior to this he held several roles with Foster's Brewing Group and qualified as a Member of the Institute of Chartered Accountants in England and Wales when with KPMG.</p>	<p>Stephen is currently a non-executive director of Headlam plc, having been appointed to that role in September 2021. He was formerly a non-executive director and Senior Independent Director of Dialight plc, standing down from that role in September 2021 and was formerly a non-executive director of Umeco plc. He was responsible for setting up Weir's Oil & Gas Division, part of Weir Group plc, and was its Managing Director until he left to join Vitec in 2009. Prior to this he worked in senior roles at Danaher Corporation, Black & Decker, Unipart Group, Hepworth PLC and Technicolor Group. Stephen has an MA from St John's College, Cambridge.</p>	<p>Martin was appointed to the Board on 4 January 2017 as Group Business Development Director. Martin has been with the Group since April 2003 in a variety of roles and on 10 February 2020 was appointed Group Finance Director. Martin is an ACCA-qualified accountant and began his Vitec career in financial reporting. He has an MA in Law from Trinity Hall, Cambridge, and an MBA from Cranfield School of Management. He trained and qualified as a solicitor with Linklaters & Alliance in the UK. Previously he held corporate development positions at Bunzl plc, at Telecast Communications and worked in investment banking at N M Rothschild.</p>

			
Christopher Humphrey BA, MBA, FCMA	Duncan Penny MA	Caroline Thomson BA, D.Univ	Richard Tyson BSc (Hons), DipM, FRAes
Senior Independent Director	Independent Non-Executive Director	Independent Non-Executive Director and responsible for Employee Engagement	Independent Non-Executive Director
1 December 2013 – tenure of 8 years and 2 months	1 September 2018 – tenure of 3 years and 5 months	1 November 2015 – tenure of 6 years and 3 months	2 April 2018 – tenure of 3 years and 10 months
British	British	British	British
64	59	67	51
Audit (Chairman), Nominations, Remuneration	Audit, Nominations, Remuneration	Audit, Nominations, Remuneration (Chairman)	Audit, Nominations, Remuneration
Chris is Senior Independent Director and Chairman of the Audit Committee of AVEVA Group plc and Non-Executive Chairman of Eckoh plc. He was a non-executive director of SDL PLC from June 2016 to November 2020 and formerly Group Chief Executive Officer of Anite plc, holding that position from 2008 until August 2015. Previously, he was their Group Finance Director between 2003 and 2008. He has held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. He was previously a non-executive director of Alterian plc between 2011 and 2012. He is a Chartered Management Accountant and a Fellow of CIMA.	Duncan was formerly an Executive Director at XP Power having been its Chief Executive from February 2003 to January 2021 and was previously its Finance Director from April 2000 to 2003. Prior to XP Power, Duncan held senior roles with Dell Computer Corporation and LSI Logic Corporation and was an audit manager at Coopers & Lybrand. Duncan has an MA in Chemistry from Oxford University. Duncan Penny will not be seeking reappointment as Director at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.	Caroline is currently Chair of Digital UK, a non-executive director of UKGI and Chair of its Remuneration Committee, and a trustee of Tullie House Gallery in Cumbria. She was formerly Executive Director of English National Ballet where she is now a trustee. Until September 2012 Caroline was Chief Operating Officer at the BBC, serving 12 years as a member of the Executive Board. Caroline received an honorary doctorate from York University in 2013 and was made an honorary Fellow of the University of Cumbria in 2015. From 2016–2019 she was Chair of Oxfam. She is a Fellow of the Royal Television Society, a trustee of The Conversation and of the National Gallery Trust. Caroline is a Deputy Lieutenant for Cumbria.	Richard is currently Chief Executive Officer of TT Electronics plc, holding that position since 2014. He was formerly President of the Aerospace & Security Division of Cobham plc from 2008 to 2014 and a member of their Executive Committee. He was previously responsible for TRW Aeronautical Systems' (formerly part of Lucas Industries) European aftermarket business before joining Cobham plc in 2003 to run its Flight Refuelling Division. Richard is a fellow of the Royal Aeronautical Society and a Governor of St Swithun's Independent School for Girls in Hampshire.

Leadership and Company purpose/continued

Purpose, values and culture

Vitec's purpose is to support our customers by providing premium branded hardware products and software solutions to the growing content creation market. We have a clearly defined strategy to execute this purpose and our values and culture underpin the sustainable delivery of this purpose.



Vitec's culture

Our culture has developed from our values and forms the foundation of our organisation. The key benefits of a strong culture are reflected in our employees' engagement, retention and productivity. The Board reinforces our culture and values through its decisions – including those decisions made on strategy and conduct. It regularly monitors and assesses the culture of the Group via:

- Regular meetings with management and inviting key employees to present at Board and Committee meetings
- Discussing the outcomes of regular employee surveys
- Employee engagement sessions and feedback and insights from these sessions
- Taking on board feedback from key investors and wider stakeholders when shaping policies, procedures and practices throughout the Group
- Reviewing feedback via the Company's whistleblowing service
- Promptness of payment to suppliers
- Training records
- Internal and external auditor findings
- Regular risk and compliance reports from the Group Risk Assurance Manager
- Assessing cultural indicators such as:
 - Management's attitude to risk
 - Compliance with the Group's policies
 - Key performance indicators including health and safety performance, employee retention, engagement and feedback



Our values translate from our qualities and the way in which we, as a Group, think and act and underpin the way we do business – an entrepreneurial approach, acting with integrity at all times and working responsibly with sustainability in mind. Our values are consistently embedded in our operational practices with the guidance of the policies which have been approved by the Board and through oversight from our Operations Executive.

Further information on how the Board factors stakeholders into its decisions can be found on pages 6 to 9.

Alignment of culture with purpose, values and strategy

Having a clear purpose which aligns with our values and with a strategy to back it up, helps to instil confidence in our stakeholders. It helps to explain why we exist, why we do what we do and how we intend to meet our objectives. All employees are encouraged to embrace the Company's culture to ensure our long-term success.

In response to COVID-19, the Group refocused its efforts onto business recovery planning and ensuring its employees were fit, healthy and able to safely return to our facilities. Even as the pandemic began, the Group immediately flexed its working practices to allow those who could work from home, to do so, assisting in any way possible. As outlined on pages 14 to 18, the Group's recovery in 2021 was better than expected and the Group returned to paying dividends in May 2021 as well as announcing three new and highly-complementary acquisitions in the year to 31 December 2021 and the acquisition of Audix in early 2022. The pandemic presented new and exciting opportunities for the Group as more content was consumed than ever, opening the door to new technologies alongside our traditional business model. This was all made possible by our adaptable workforce, guided by our strong management team and Board.

During 2021, the Board received regular feedback on culture including output from employee surveys and also employee engagement sessions with Caroline Thomson as the Non-Executive Director charged with responsibility for employee engagement. This feedback helps to shape the Board and its Committees' thinking and decision-making to ensure that the views of employees are factored into Board decisions.

Guiding and promoting healthy culture

Vitec's management feel strongly about doing business the right way. The Group has a well-established Code of Conduct that sets out expectations surrounding behaviours in all aspects of how all at Vitec conduct themselves. This is communicated to all employees and is also available to all stakeholders including customers and suppliers. The Code of Conduct is published in all languages commonly spoken in the Group and is available on our website. All senior management are focused on encouraging our employees to behave in line with our values and on promoting the Group's purpose and strategy.

More information on Vitec's culture can be found at:

Vitec's governance framework and corporate governance practices on pages 82 to 88

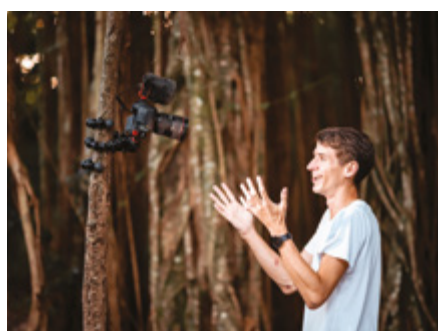
Board decision-making on pages 84 to 85 and 90 to 91

The Group's approach to people, leadership and succession in the Nominations Committee report on pages 95 to 99

Vitec's risk controls in the Audit Committee report on pages 100 to 105

The focus on health and safety, the environment and sustainability across the Group in the Responsible business report on pages 42 to 72 as well as workforce policies to help guide and assist employees on page 88

Vitec's approach to executive remuneration in the Remuneration report on pages 106 to 135.



Leadership and Company purpose/continued

The role of the Board

The Board, as detailed on pages 78 to 79, remained unchanged throughout 2021. Our Board comprises experienced professionals who bring a range of skills, perspectives and industry knowledge to our boardroom. In accordance with the Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and make a meaningful contribution to wider society. Collectively, the Board has high quality experience in the areas of finance, technology, strategy, people management and global commerce which assists us in the implementation of our strategy.

In December 2021, we announced that with effect from 1 May 2022, Erika Schraner will join the Board as an independent Non-Executive Director who will also be a member of the Audit, Remuneration and Nominations Committees. Erika's appointment will strengthen the Board in terms of strong financial, technological and international experience. Erika's qualifications and experience are set out in the 2022 AGM Notice. The Board looks forward to Erika joining in May 2022.

We also announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

To fulfil its duties, the Board has separate roles and a clear division of responsibilities. This is outlined in more detail on page 92. It is the role of the Chairman to manage the Board and to ensure its effectiveness. In conjunction with the Group Chief Executive and the Group Company Secretary, the Chairman ensures all Directors:

- Receive accurate, timely and clear information;
- Actively participate in the decision-making process; and
- That they are kept well informed of all key business developments.

Board agendas are reviewed and agreed in advance by the Chairman and Group Chief Executive facilitated by the Group Company Secretary to ensure each Board meeting is as efficient as possible. All Board members are encouraged to constructively challenge any proposals made by executive management. Apart from the remuneration of Directors there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest during 2021. The Board has a clear policy for dealing with conflicts or potential conflicts of interest. All Directors are reminded at the start of every Board meeting about their duties under section 172 of the Companies Act 2006 including the need to disclose any conflicts of interest. The Group Company Secretary maintains a record of all declared conflicts of interest.

Effective resources and controls

Vitec's Board satisfied itself that the Company purpose is aligned with business practices through a variety of resources, including regular updates from the senior management team via video conference. These key operational updates are discussed by the Board in scheduled Board meetings and ad hoc Board calls as required, such as those surrounding an upcoming acquisition and the important decisions taken leading up to closing a deal.

The Board governance arrangements further support the development and delivery of strategy by ensuring accountability and responsibility for decisions from within the organisation and also by leveraging the skills, knowledge and experience from the Non-Executive Directors. Further information on the skills and experience of all Board members can be found on pages 78 to 79. At all times, the Board are encouraged to express views and opinions, particularly surrounding the operation of the Group or a proposed course of action. No concerns were raised during 2021.

The Board maintains a formal schedule of matters reserved solely for its approval. Such matters relate to decisions on strategy, financing, M&A activity, the risk appetite of the Group and the authorisation of any special capital expenditure above previously set delegated authority limits. The Board is formally required to authorise capital expenditure above the prescribed limits, however the open and flat nature of our organisation means that the Board are always aware of significant projects in the Group.

The Board sets itself clear annual objectives and measures its performance against those objectives on a regular basis. More information on Board performance and effectiveness can be found on page 98.

Board governance

Our governance framework supports strong governance practices across the Group. The Board has overall responsibility for governance in the Group.

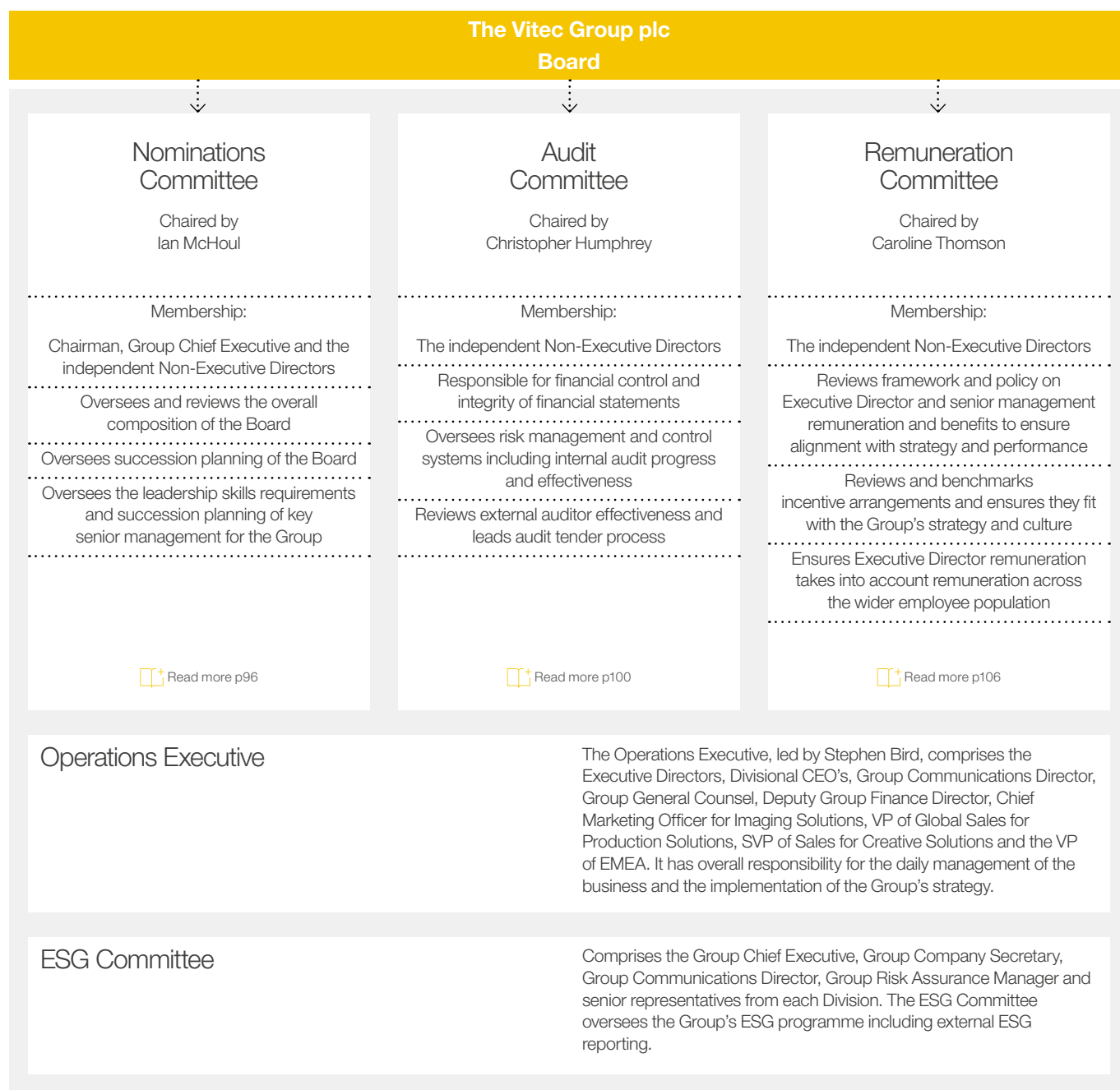
The Board has delegated certain responsibilities to its Nominations, Audit and Remuneration Committees. Further details of the work, composition, role and responsibilities of these Committees are provided in separate reports on pages 96, 100 and 106 respectively. Each of the Committees has clear Terms of Reference which were reviewed by the Committees and the Board during the year. These are available on the Group's website: <https://vitecgroup.com/investors/corporate-governance/governance-framework/>. The performance of each Committee is assessed annually as part of the evaluation process and the results of the external Board and Committee evaluation carried out in late 2021 are explained on page 98.

The governance framework at Vitec is structured as follows:

The Board has a clear schedule of matters reserved to it which is reviewed annually and can be viewed on the Group's website: <https://vitecgroup.com/investors/corporate-governance/governance-framework/>. The schedule of matters reserved to the Board includes matters such as acquisitions and divestment of businesses, declaration of dividends, appointments of new Directors and approval of financial results including budgets and capital expenditure. Further information on the matters reserved for the Board, can be found on page 94. The Board has in turn delegated to the Group Chief Executive certain of its powers to run the operations and business of Vitec. To support this, the Group Chief Executive has established the Operations Executive comprising the Group Chief Executive, Group Finance Director, Group Company Secretary, Group Communications Director and Divisional management. The Operations Executive meets monthly and covers current performance and operational matters including health and safety and other matters. Minutes of all Board and Committee meetings, including the Operations Executive, are prepared by the Group Company Secretary following each meeting.

For the majority of 2021, all Board, Committee and Operations Executive meetings were held by way of video conference to ensure that safety was adhered to given COVID-19. A few meetings were held face-to-face during 2021 where possible and we were able to resume face-to-face meetings from February 2022. Where scheduled Board meetings were held in person in 2021, we resumed our usual pre-Board meeting dinners. These dinners enable Directors to informally discuss current business matters. The Board appreciates this informal environment which creates an opportunity for members of the Operations Executive, other senior management or external advisors to attend to give updates on the business. The Non-Executive Directors continued to hold meetings between themselves following each scheduled Board meeting, either virtually or in person, to raise any issues without senior management present. As Chairman, I feed back to the Group Chief Executive on these discussions and take any actions necessary to address matters raised.

The Directors make use of electronic Board packs which provide fast and secure access to all Board and Committee papers, alongside any other key and confidential updates to enable the running of the business. The Chairman of the Board and the Chairs of each of the Committees set the agendas for all Board and Committee meetings with support from the Group Company Secretary. The information on the business shared with our Board is sufficient to allow effective debate and challenge to management.



The information contained within the Board and Committee packs includes detailed budgets, forecasts, strategy papers, reviews of the Group's financial position, corporate development opportunities and operating performance, and annual and half yearly reports. Each Director receives a detailed monthly report from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group General Counsel, plus a Health and Safety Report. The Board receives further information from time to time as and when necessary. During 2021, the Group Chief Executive, given the recovery of the business from COVID-19, maintained a more regular level of updates to the Board, providing information on the safety of employees, site operations, financial performance and the Company's recovery from the pandemic.

Group Company Secretary

All Directors have access to the advice and services of the Group Company Secretary and any Director may initiate an agreed procedure to seek independent professional advice sought at the Company's expense. Clearance to such advice being sought must be given by the Chairman. No such advice was sought by any Director during the year. The Group Company Secretary's role is to support the Chairman, the Board, its Committees and individual Directors in discharging their duties effectively including governance matters. The Group Company Secretary's appointment and removal is a matter to be considered by the Board.

Leadership and Company purpose/continued

Key Board activities in 2021

The Board during 2021 had six scheduled Board meetings and seven short notice meetings to deal with specific business matters. At each scheduled Board meeting several standard items of business are covered including minutes of previous meetings, matters arising, progress against agreed Board objectives, Group Chief Executive's report (including health and safety performance), Group Finance Director's report and Group Company Secretary's report. Other specific business covered at meetings in 2021 included the following:

2021 Board meetings		2021 Board meetings	
January	Short notice meeting – 25 January 2021 Financial and Risk Management Update on the financial outturn for 2020 Operational Update on Production Solutions Potential acquisition of Quasar	May	Scheduled meeting – 5/6 May 2021 ESG 2021 AGM and voting results ESG programme update Strategy Blue Sky strategy session Financial and Risk Management Trading update Operational Progress on Quasar and Lightstream acquisitions Lease extensions for Group head office site and Teradek's Irvine site in US Production Solutions business update
February	Scheduled meeting – 23 February 2021 ESG Review and approve the 2020 Annual Report & Accounts, 2021 AGM Notice, Going Concern and Viability Statement and an update on the Company's ESG programme Strategy Update on Group's overall strategy and potential new product development and acquisitions Financial and Risk Management 2020 year-end financial results Recommend final dividend for shareholder approval Capital expenditure for Production Solutions aktiv Fluid Head; Litepanels Gemini light and Anton/Bauer battery Capital expenditure for Imaging Solutions for low loading Long John Silver lighting stand and Junior Crank stand Repayment of £50 million borrowing under the COVID Corporate Finance Facility and £1.2 million of UK Government furlough funds Operational Creative Solutions update including the proposed acquisition of Lightstream Further details on the proposed acquisition of Quasar Lease extension for Imaging Solutions Ashby-de-la-Zouch site	June	Scheduled meeting – 22/23 June 2021 Strategy Review of Group and Divisional strategy Financial and Risk Management Trading update People Employee survey results Creative Solutions retention award Employee Benefit Trust funding approved to purchase and hold shares for long-term incentive plans Operational Renewal of 2021/2022 insurance programme
March	Short notice meeting – 18 March 2021 Strategy Update on Group strategy Financial and Risk Management Trading update Operational Update on the proposed acquisition of Lightstream Lease to buy agreement for Feltre site in Italy	August	Scheduled meeting – 10 August 2021 ESG Update on Group renaming project ESG programme update 2021 external Board evaluation process and timing Financial and Risk Management H1 2021 financial results and interim dividend review and approval Capital expenditure proposals for Productions Solutions for flowtech fibre cell and robotics platform Investec corporate broker presentation and update People Approval of 2021 Sharesave Scheme invitation Operational Update on the proposed acquisition of Savage Patent enforcement action and associated legal spend
April	Short notice meeting – 1 April 2021 Financial and Risk Management Trading update People Employee Benefit Trust funding to purchase and hold shares for long-term incentive plans Operational Approval of the acquisitions of Quasar and Lightstream	September	Short notice meeting – 15 September 2021 Financial and Risk Management Renewal of HSBC overdraft facility

2021 Board meetings		2021 Board meetings	
October	Short notice meeting – 7 October 2021 ESG Consideration of response to FCA consultation on diversity Financial and Risk Management Trading update Operational Updates on proposed acquisitions of Savage and Audix and associated funding	November	Short notice meeting – 8 November 2021 Financial and Risk Management Trading update Operational Acquisition of Savage and approval of associated funding Short notice meeting – 25 November 2021 Strategy/Operational Creative Solutions update Update on proposed acquisition of Audix
	Scheduled meeting – 13 October 2021 ESG Cyber security update Update on Group renaming project Strategy Update on potential M&A opportunities Financial and Risk Management Intercompany debt restructuring proposal Operational Updates from Production Solutions and Creative Solutions Update on proposed acquisitions of Savage and Audix and associated funding	December	Scheduled meeting – 13-14 December 2021 ESG External Board evaluation output Update on Group renaming project Chairman and Non-Executive Directors' fee approval Board objectives review for 2021 and setting objectives for 2022 Strategy Update on potential M&A opportunities Financial and Risk Management Trading update and intercompany debt restructuring update Approval of 2022 budget Operational Updates from Imaging Solutions and Creative Solutions Progress on integration of Lightstream Update on proposed acquisition of Audix

Attendance at 2021 Board and Committee meetings

	Board		Audit		Remuneration		Nominations	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Number of meetings	6	7	4	0	3	2	4	0
Directors:								
Ian McHoul	6	7	–	–	–	–	4	0
Christopher Humphrey	6	7	4	0	3	2	4	0
Duncan Penny	6	7	4	0	3	2	4	0
Caroline Thomson	6	7	4	0	3	2	4	0
Richard Tyson	6	7	4	0	3	2	4	0
Stephen Bird	6	7	–	–	–	–	4	0
Martin Green	6	7	–	–	–	–	–	–

Leadership and Company purpose/continued

Shareholder engagement

Meeting with shareholders

Vitec has an active and open dialogue with our shareholders and their views are regularly sought on key issues such as strategy, governance, and financial performance. They are an important source of capital, without whom Vitec could not grow and invest in future success. The Board receives a monthly shareholder analysis report from our corporate broker which records movements in the shareholder register and also notes when investor engagement has occurred and any notable views expressed.

There is a comprehensive investor relations programme in place to provide all shareholders with regular updates on operational and financial performance, including regular market announcements, presentations, face-to-face meetings with investors, roadshows, the AGM and the upkeep of a detailed investor relations section on the Group website.

During 2021, with progress on recovery of the business from the impact of COVID-19, the Board increased communication with investors to ensure they remained informed and supportive of all key business decisions as to how the business continued its recovery.

Investor meetings and roadshows

During 2021, the Board engaged with numerous institutional investors both virtually and face-to-face. These were often centred around major events such as the 2020 Full Year results or 2021 Half Year results and were attended by the Group Chief Executive, Group Finance Director and Group Communications Director.

The Chairman additionally met with several shareholders during 2021 to hear their views first-hand.

Annual General Meeting ("AGM")

The 2021 AGM was held as a closed meeting at our Richmond head office, due to the government's stay at home measures and following the ICSA guidance. Shareholders were not permitted to attend in person but could choose to be represented by the Chairman of the meeting to act as their proxy. Shareholders were invited to submit any questions they had in writing so that written responses could be given. All resolutions at the 2021 AGM were passed with a majority of votes in favour. The detailed outcome of resolutions at the 2021 AGM is available on our website under "Corporate Governance". We are planning for our 2022 AGM to be held in person at 11:00am on Tuesday, 17 May 2022 at The Academy of Medical Sciences, 41 Portland Place, London W1B 1QH. Any changes to these arrangements will be announced via the Regulatory News Service ("RNS"). We will ensure that all necessary measures are taken to enable the AGM to proceed safely. We value the opportunity to meet with our shareholders at the AGM and hope that we will be able to do so on 17 May 2022. Voting at the AGM is carried out by way of a poll. We encourage shareholders, however, to submit their votes by proxy ahead of the AGM to ensure their views are received in advance.

The Board, in the event of a 20% or more vote against a resolution at a General Meeting of shareholders, would consider that a material level and would seek to engage with shareholders to understand the nature of concerns raised by the against votes and what actions, if any, should be taken to address such concerns.

At the 2021 AGM, an against vote just below 20% was given to the Remuneration report resolution. Despite this falling below the 20% threshold for engagement, the Board and Remuneration Committee have taken concerns

raised by some shareholders into account in relation to Directors' remuneration in 2021 and 2022.

Annual Report

The Annual Report is available to all shareholders. It is published in March each year. Through electronic communication initiatives, we aim to make our Annual Report as accessible as possible. Shareholders can opt to receive a hard copy in the post or can download PDF copies via email or from our website. Additionally, if a shareholder holds their shares via a nominee account and encounters difficulty receiving the Annual Report via their nominee provider, they are welcome to contact the Group Company Secretary to request a copy.

Corporate website

The Vitec website, www.vitecgroup.com, has a dedicated investor section which includes all of our Annual Reports, results presentations, and our financial and dividend calendar for the upcoming year. The website also outlines our business strategy and model, product portfolio, Company announcements and has a detailed section covering our ESG activities.

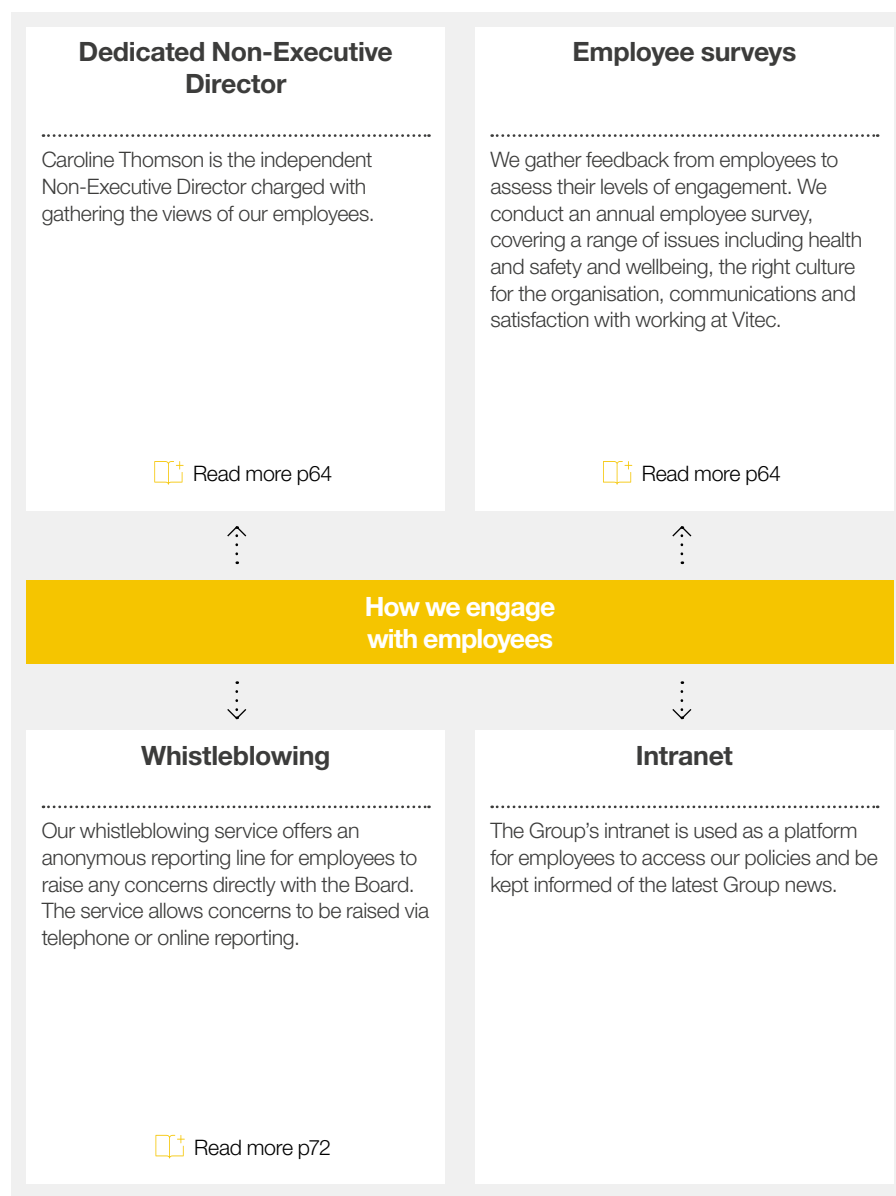
Senior Independent Director

If shareholders have any concerns, which the normal channels of communication to the Group Chief Executive, or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Christopher Humphrey, is available to address them. He can be contacted via email at info@vitecgroup.com.



Employee engagement

We have an experienced, diverse and dedicated employee base. They are Vitec's greatest asset and are critical to our success. Our highly-skilled employees are incentivised and motivated to help contribute to successfully delivering our strategy, performance and strong reputation. In order to reach all employees, the Board utilises a combination of formal and informal engagement methods as set out below, the principal method as defined by the Code being engagement with a Non-Executive Director:



In October 2021, Caroline Thomson, the independent Non-Executive Director tasked with employee engagement, carried out a series of meetings with over 30 employees from the Production Solutions Division based at our Bury St Edmunds, Shelton and Cartago sites. This entailed employees being able to raise questions and comment on a range of issues arising from working at Vitec. The session covered topics such as:

- The main risks arising from, and following, COVID-19
- Employees' views on how the Company handled the pandemic
- Working from home and the Company's flexibility
- Working conditions and equipment
- Remuneration and employee benefits (which is then fed back to the Board which then uses this information when deciding upon executive remuneration and benefits)
- Employees' opinions on the business and any new ideas.

Feedback on these sessions was then given by Caroline Thomson to the Board, Divisional CEO and Divisional HR Director to ensure that the views of employees are known and are being taken into account. This feedback helps to shape and develop the Board's decision-making and to address any issues. An example of this was the feedback received on how quickly the Company adapted to allowing employees to work from home and continuing to listen to its employees by adapting its working practices to allow a greater degree of flexible working. This is the fourth year of holding such dedicated sessions and we consider it an important feature in ensuring that employees are able to raise issues that are important to them. We will plan on holding similar such sessions in future years. Further information on Caroline Thomson's employee engagement process can be found on pages 64.

A combination of our high level of employee satisfaction as shown through annual employee surveys and interaction with Caroline Thomson illustrates that our employee engagement programme is strong. The programme is valued by employees and the Board and Caroline Thomson is exceptional at engaging with employees across the Group from all levels in the organisation and across multiple countries.

Leadership and Company purpose/continued

Workforce policies

Policies, procedures and training

The Board and Operations Executive review and approve all key policies and practices which could impact Vitec's workforce and influence their behaviours. All policies are carefully drafted to ensure they reflect and support the Group's purpose, values and strategy. This includes the Group's Code of Conduct and its additional policies relating to health and safety, anti-bribery and corruption, modern slavery, data protection and whistleblowing. Furthermore, training sessions are arranged on these topics on a regular basis for employees to attend. Further information on Vitec's key compliance policies can be found on page 72. The policies are published on the Group's intranet, with some included in the employee handbook. The Group's Code of Conduct will be relaunched to all employees in June 2022 and will also be provided to all third parties such as suppliers and customers over a certain financial value.

As part of Vitec's ESG programme, we review the integrity surrounding our supply chain, including all suppliers, agents and distributors, including a review of agreements and contractual terms prohibiting bribery and expressly requiring parties to comply with the Group's Code of Conduct. We also vet our supply chain for reputational risk issues using the NAVEX Risk Rate software package that screens for adverse media, sanctions and politically connected persons. Further detail is given on the Company's website and in Responsible business on page 72.

Conflicts of interest

Vitec has a clear Conflicts of Interest Policy that sets out how any conflicts of interest are to be reported and to be managed, including a conflicts of interest register documenting all declared conflicts of interest. Each Director is required to declare any conflict of interest arising on any matter. The Articles of the Company dictate how any such conflicts are to be managed, including that in the event of a conflict of interest and it having been declared, the Board may authorise the conflicted Director to participate in discussions and the decisions relating to that matter. It is confirmed that no such conflicts arose in 2021.

Workforce remuneration policies

The Board operates the Remuneration Policy approved by shareholders for Executive Directors remuneration via the Remuneration Committee. The Remuneration Committee while carrying out its duties has overall oversight of the wider workforce remuneration practices. Vitec's competitive remuneration policies and practices are designed to attract, retain and motivate employees at all levels. They are intended to be clear and simple and to align with our strategy and our corporate culture.

Whistleblowing

It is part of our culture that all employees are encouraged to identify and speak up against any malpractices and wrongdoings occurring within the organisation which fall short of our high standards of operating and in conflict with our Code of Conduct.

Vitec's whistleblowing procedures are operated in conjunction with NAVEX which enables any employee or third party who feels the normal reporting channels are not appropriate or trustworthy, to report on any issues around alleged wrongdoing or other Code contraventions confidentially and anonymously.

Details of the whistleblowing service are included in our employee handbook, on our website and on posters around all our sites. All communication is translated into local languages where necessary.

All reports are notified to the Group Chief Executive, the Group Company Secretary and the Chairman of the Audit Committee and are investigated independently by senior management who are not connected to the report. The outcome of an investigation is reported to the Chairman of the Audit Committee and remedial action taken where necessary. The Board is notified of all whistleblowing reports and the outcome of investigations. During 2021, there were two whistleblowing reports that were related to HR matters. Each matter underwent a thorough investigation and corrective actions were taken with oversight of the Audit Committee Chairman and involving Divisional management as appropriate.

The whistleblowing service will be re-communicated to all employees in mid-2022.



Leadership and Company purpose/continued

Major decisions:

The following major decisions were taken by the Board and its Committees during 2021:



1.

Acquisition of Quasar

In April 2021 we acquired Quasar for up to \$6.1 million. Quasar designs and develops a range of market-leading innovative linear LED lighting solutions for cine-style applications.

[Read more p17](#)

2.

Acquisition of Lightstream

In April 2021, we acquired Lightstream for an expected total cost of \$35.9 million. Lightstream develops cloud-based live production software to enable content creators, particularly gamers, to enrich their live video streams.

[Read more p18](#)



3.

Acquisition of Savage

In November 2021, we acquired Savage for up to \$57.3 million. Savage is a global market leader in backgrounds for the growing professional studio photographic market.

[Read more p18](#)



4.

Reinstatement Of Dividends

Following The Suspension Of Dividends In 2020 Due To The Impact Of Covid-19, The Board Reinstated The Payment Of Dividends With The Payment Of A Final Dividend In May 2021.

[Read More](#) p13 and 34

5.

ESG programme

In 2021 we enhanced our ESG programme establishing a cross-Divisional ESG Committee with an increased focus on ESG reporting, setting clear objectives and targets and will publish a detailed ESG report in April 2022.

[Read more](#) p42 to 72

6.

External Board evaluation

The Board underwent an external evaluation in 2021 led by Lintstock – an independent advisory firm with extensive experience in listed company Board evaluations. This was the first external evaluation since 2017.

[Read more](#) p98



Division of responsibilities

Board roles and the division of responsibilities

There is clear division of responsibilities for the Board between Executive and Non-Executive Director roles, providing a framework for accountability and oversight. The roles of Group Chief Executive and Chairman are separately held and their responsibilities are well-defined, set out in writing and regularly reviewed by the Board. The Chairman is responsible for the leadership of the Board and the Group Chief Executive manages and leads the business and its operations.

Non-Executive



Ian McHoul

Chairman of the Board and Chairman of the Nominations Committee

- Responsible for the effective operation of the Board and ensuring it is well-balanced to deliver the Group's strategic objectives
- Foster an ethical culture that promotes transparency, open debate and challenge
- Ensures that the Board constructively plays a part in the development of strategy
- Ensures effective engagement between the Board and all stakeholders.



Christopher Humphrey

Senior Independent Director and Chairman of the Audit Committee

- Acts as a "sounding board" for the Chairman in all matters of governance
- Acts as an independent point of contact in the Group's whistleblowing procedures
- Acts as the Chairman if the Chairman's position is in any way conflicted
- Available to shareholders if they have concerns that have not been resolved through normal channels of communication with the Company
- As Chairman of the Audit Committee, leads the work of the Committee in connection with the integrity of financial reporting and risk management.



Caroline Thomson

Designated Non-Executive Director for Employee Engagement and Chair of the Remuneration Committee

- Attends key employee and business events
- Monitors the effectiveness of employee engagement programmes and surveys
- Provides regular updates to the Board on employee engagement matters and any issues
- As Chair of the Remuneration Committee, leads the work of the Committee in connection with Directors' remuneration.

Independent Non-Executive Directors

- Give constructive challenge and advice to the Executive Directors, assisting in development of strategy and monitoring performance
- Act with the highest levels of integrity and governance and help to ensure this culture is promoted within the Group
- Oversee and set levels of remuneration for key senior management
- Oversee development of succession planning for key management and executive roles
- Review integrity of financial reporting
- Ensure that financial and risk appetite and mitigating controls are appropriate and robust.



All Non-Executive Directors bring independent character and judgement to Vitec's strategy, the performance of the Group, the adequacy of resources and standards of conduct.

Ian McHoul
Chairman

Executive



Stephen Bird
Group Chief Executive

- Provides clear and visible leadership across the Group
- Informs the Chairman and Board of strategic and operational issues facing the organisation
- Executes the Group's strategy and commercial objectives and implements decisions of the Board and its Committees
- Ensures that the corporate culture is set from the top
- Manages the Group risk profile and ensures actions are compliant with the Board's risk appetite
- Leads Investor Relations activities – engaging with shareholders
- Leads the Group's ESG programme.



Martin Green
Group Finance Director

- Supports the Group Chief Executive in developing and implementing strategy
- Provides financial and risk control leadership to the Group and guides the Group's business and financial strategy
- Responsible for financial planning and analysis, financial reporting and tax and treasury functions
- Oversees the capital structure of the Group
- Engages with key stakeholders alongside the Group Chief Executive.



Jon Bolton
Group Company Secretary and HR Director

- Secretary to the Board and its Committees
- Ensures compliance with Board procedures
- Provides advice on regulatory and governance matters to the Board and senior management
- Oversees the Company's governance framework and programme
- Responsible for Group HR, employee share schemes, Group insurance programme and pensions.

Senior management/Divisional CEOs

- Help support the Group Chief Executive in developing and executing strategy
- Manage, motivate and develop employees
- Develop business plans in collaboration with the Board
- Oversee the daily activities throughout the Group
- Ensure that the policies and procedures developed and set by the Board are communicated and adopted across the Group
- Help to foster the Group's culture throughout the organisation.

Division of responsibilities/continued

Board roles and the division of responsibilities/continued

Role and independence of Non-Executive Directors

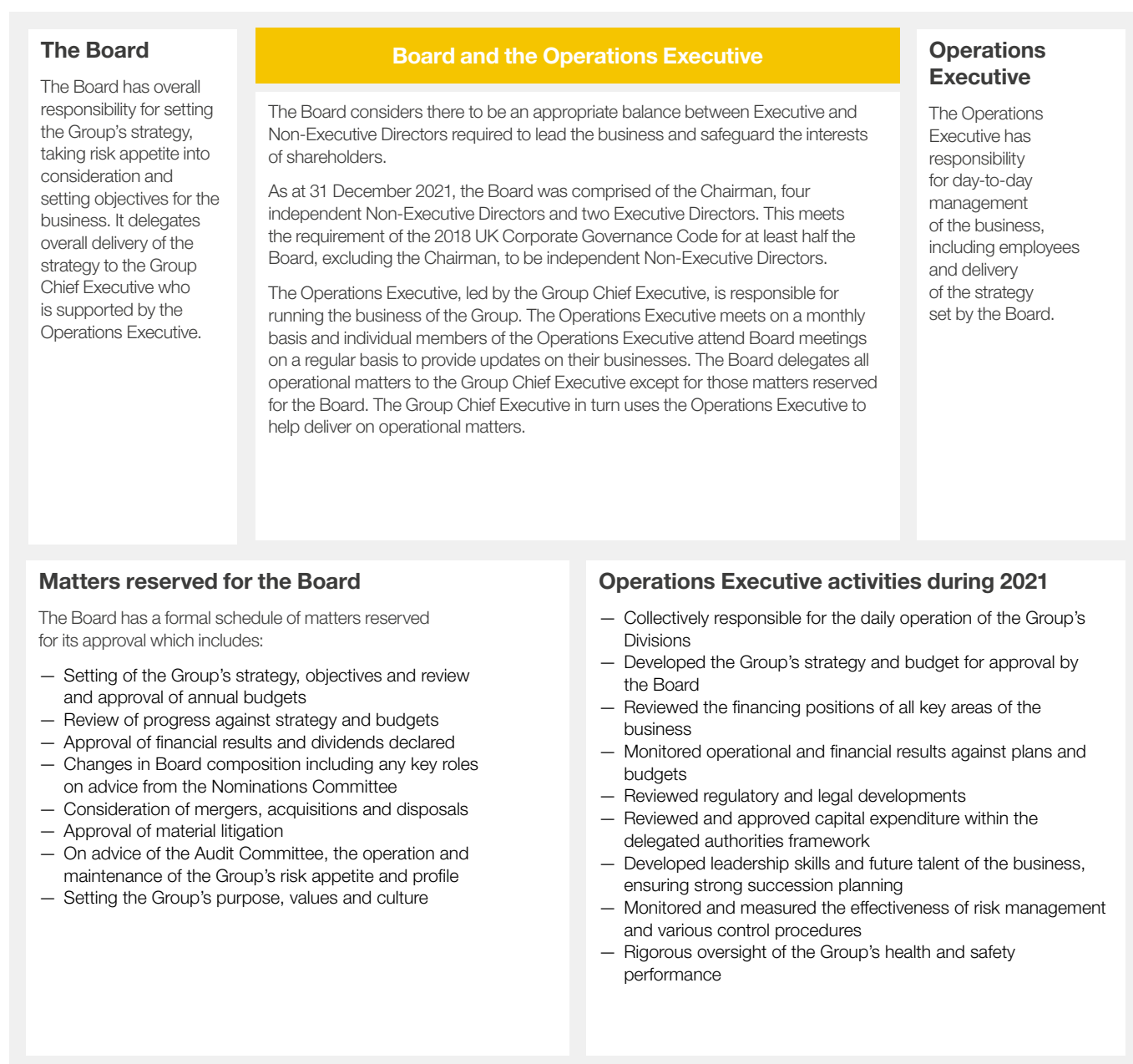
All Non-Executive Directors bring independent character and judgement to Vitec's strategy, the performance of the Group, the adequacy of resources and standards of conduct. The Board as a whole considers that Ian McHoul, Christopher Humphrey, Duncan Penny, Caroline Thomson and Richard Tyson are independent in accordance with the recommendations of the 2018 UK Corporate Governance Code. Except for Christopher Humphrey and Caroline Thomson, each of these Non-Executive Directors' tenure on the Board is less than six years and as outlined on page 95 and 97. The process is being led by the Chairman each year of ensuring that the performance of each Director is objectively appraised. The 2021 external Board evaluation as detailed on page 98 covers the performance assessment of each Director.

The Board announced on 20 December 2021 that Erika Schraner will be appointed as an independent Non-Executive Director of the Company with effect from 1 May 2022.

We also announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

Relationship between the Board and Operations Executive

The following diagram illustrates the dynamic between the Board and Operations Executive and the responsibilities they are each tasked with:



Composition, succession and evaluation

Overview

The Nominations Committee is responsible for monitoring the Board, its Committees and Vitec's senior management to ensure that they have the right balance of skills, knowledge and experience to lead the Group effectively, both now and in the longer term.

Nominations Committee

The Nominations Committee comprises the following members:

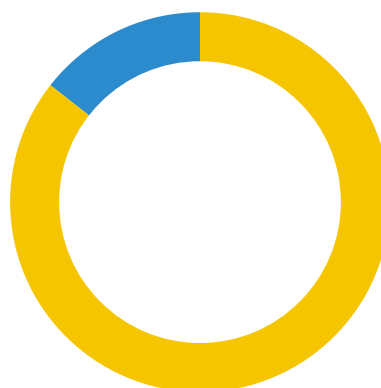
Ian McHoul (Chairman)

Stephen Bird, Christopher Humphrey, Caroline Thomson, Richard Tyson and Duncan Penny

Role of the Nominations Committee:

- Oversee the composition of the Board (including size, skills, knowledge, experience and diversity), ensuring that it remains appropriate and making any recommendations to the Board regarding any changes
- Lead the process regarding appointments to the Board, including the role of the Chairman
- Succession planning for the Board (including Committee Chairs) and senior management including recruitment, talent development and identification of potential candidates internally or externally and making such recommendations to the Board.

Board gender diversity



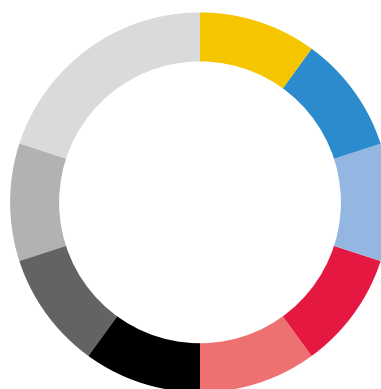
● Male: 6
● Female: 1

Board tenure



● 0-5 years: 3
● 5-7 years: 2
● 7 years +: 2

Board skills and experience



● International commercial experience
● Technology
● B2B and B2C markets
● Broadcast and photographic experience
● Marketing
● Finance and accounting
● Manufacturing
● Listed company best practice
● ESG

Composition, succession and evaluation/continued

Nominations Committee Chairman's letter



Dear Shareholder

The purpose of this report is to highlight the role that the Nominations Committee plays in monitoring the Board's balance of skills, knowledge and experience and to provide the diversity of thinking and perspective required to provide effective leadership.

Succession planning

An important area of work for the Nominations Committee is succession planning around the Board and senior management of the Group. We aim to have a talented management team with the right skills, diversity and experience to sustainably grow the business. In 2021, the Board received an update on talent and succession plans across the senior management teams in the Group's three Divisions. The Board and its Committees get regular exposure to the senior management team to see and hear first-hand from our executive talent.

The Nominations Committee further oversaw the recruitment of Erika Schraner who will join the Board as an independent Non-Executive Director on 1 May 2022 following a thorough induction process. Erika is highly financially literate, has a strong understanding of manufacturing and supply chain issues, particularly in technology companies, brings software and M&A experience and has a global outlook with much of her career spent in Silicon Valley, US. Her appointment strengthens the skills and diversity on the Board.

Diversity and inclusion

The Board considers the issue of diversity for every appointment. The objective is to ensure that the Board appoints the best person for every role and to optimise the collective Board strength. As part of this, the Board has adopted the following policy on diversity and inclusion.

Vitec recognises the importance of a fully diverse and inclusive workforce in the successful delivery of its strategy. The effective use of all the skills and talents of our employees is encouraged and this extends to potential new employees. It is essential that the best person for the job is selected regardless of race, gender, religion, age, sexual orientation, physical ability or nationality. Vitec is fully committed to equal opportunity where talent is recognised. The Board will keep under regular review the issue of diversity including at Board and senior management level and throughout the entire workforce, taking into account, among other things, Lord Davies' review, Women on Boards, the Hampton-Alexander review, FTSE Women Leaders and the Parker and McGregor-Smith reviews on ethnic diversity. We will report upon this issue annually in our Annual Report. Our Diversity & Inclusion Policy is available on our website: <https://vitecgroup.com/responsibility/our-people>.

The Responsible business section on page 66 contains further information on diversity, including the disclosure of gender diversity statistics at all levels across the business in accordance with the requirements of the Companies Act 2006.

Engagement with key stakeholders

We engaged over the year, with shareholders on our ESG (Environment, Social and Governance) programme, including on diversity at Board level. We used the feedback received to help shape our meeting agendas and discussion points in the Committee meetings.


Committee performance

The performance of the Committee was considered through the annual Board evaluation process, which in 2021 was the subject of an external review. From the responses provided, it was concluded that the Nominations Committee was operating effectively.

Ian McHoul

Chairman of the Board and Nominations Committee Chairman
28 February 2022

Key activities of the Nominations Committee

	Page
Board succession and appointment process of new Non-Executive Director	 96 and 97
Performance of the Nominations Committee	 96
Board composition	 78 to 79
Diversity and inclusion	 96
Board and Committee evaluation	 98

Board skills, knowledge and experience

Each Director brings a complementary set of skills and diversity to the Board, having served in companies of varying size, complexity and market sector. When combined, these skills give the Board the comprehensive skillset required to deliver the strategic objectives of the Group and to ensure its continued success. More insight into the Board's overall composition, skills, knowledge and performance was drawn from the 2021 external Board evaluation. Further detail can be found on page 98. The Nominations Committee continues to monitor Board structure and succession plans, including internal talent development and succession plans of senior management below Board level. During 2021, Nicola Dal Toso succeeded as CEO of our Production Solutions Division. Nicola previously ran the operations for the Imaging Solutions Division for several years and was a clear successor to lead the Production Solutions Division.

During 2021, the Nominations Committee, led by Ian McHoul, continued to review plans around Board succession for both Executive and Non-Executive Directors. This culminated with the announcement that Erika Schraner will join the Board as an independent Non-Executive Director on 1 May 2022 following an induction period. More information about Erika can be found in the 2022 AGM Notice. The Nominations Committee continues to assess succession around the Board, Operations Executive and other senior management with regular updates on talent and also meeting with key talent.

Appointments

Under the Company's Articles, the Board has the power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, subject to a maximum number of 15 Directors. Any Director so appointed holds office only until the next AGM and shall then put themselves forward to be reappointed by shareholders. Notwithstanding the appointment of Erika Schraner to the Board with effect from 1 May 2022, the current Board comprises a Chairman, Group Chief Executive, Group Finance Director and four independent Non-Executive Directors. Details of their appointment are set out below:

Chairman or Non-Executive Director	Appointment date	First renewal of term	Second renewal of term	Subsequent renewal of term
Ian McHoul (Chairman)	25 February 2019	25 February 2022	25 February 2025	Annually from 25 February 2026 onwards
Christopher Humphrey	1 December 2013	1 December 2016	1 December 2019	Renewed tenure to 1 December 2022
Duncan Penny	1 September 2018	1 September 2021	1 September 2024	Annually from 1 September 2025 onwards
Caroline Thomson	1 November 2015	1 November 2018	1 November 2021	Annually from 1 November 2022 onwards
Richard Tyson	2 April 2018	2 April 2021	2 April 2024	Annually from 2 April 2025 onwards
Executive Director	Appointment date	Term		
Stephen Bird (Group Chief Executive)	14 April 2009	Appointed under a service contract		
Martin Green (Group Finance Director)	4 January 2017	Appointed under a service contract		

The Chairman and the other Non-Executive Directors are appointed for an initial period of three years which, with the approval of the Nominations Committee and the Board, would normally be extended for a further three years. If it is in the interests of the Company to do so, appointments of the Chairman and Non-Executive Directors may be extended beyond six years, with the approval of the Nominations Committee, the Board and the individual Director concerned, subject to annual election by shareholders.

Under the Company's Articles, each Director is required to stand for annual reappointment at every AGM. The annual renewal of terms for a Non-Executive Director will take into account ongoing performance, continuing independence and the needs and balance of the Board as a whole. The explanatory notes in the Notice of Meeting of the AGM state the reasons why the Board believes that the Directors proposed for re-election should be reappointed.

The Company announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

Composition, succession and evaluation/continued

Director induction

Upon appointment, each Director is provided with an extensive, tailored induction to the Group. This includes meeting with all senior head office and Divisional management, meeting the Company's main external advisors including Deloitte and Investec and visits to the key operational facilities in the Group. The Group Company Secretary coordinates this induction process. Erika Schraner will have such an induction to the Group ahead of joining the Board on 1 May 2022.

Board training

Ongoing training for new and existing Directors is available on request. Directors receive details of relevant training and development courses from both the Group Company Secretary and from the Company's advisors. Any requests for training are discussed at Board or Committee meetings and we ensure that each Director has the required skills and knowledge to enable them to operate efficiently on the Board. The Group Company Secretary maintains a register of training undertaken by Directors to facilitate this discussion. During 2021 the Board collectively received training sessions on product technology, cyber security, investor relations, ESG matters and the broadcast and photographic markets as well as accounting and legal updates from the Company's external auditor and legal advisor. The Board also receives regular written updates on governance, regulatory and financial matters as they are published.

Time commitments

All Directors demonstrated strong time commitment to their roles on our Board and Committees and attended all scheduled and short notice meetings during 2021. The Directors have also given careful consideration to their external time commitments to confirm they are able to devote an appropriate amount of time to their roles on our Board and Committees. The Nominations Committee reviews on an ongoing basis Directors' time commitments and confirms that they are fully satisfied with the amount of time each Director devoted to the business.

Board and Committee evaluation 2021

An external Board evaluation was facilitated in 2021 by Lintstock. Lintstock are an independent third party organisation which specialises in Board evaluations and holds no connection with the Company or any individual Director. The external evaluation was postponed from 2020 due to COVID-19 and the need for the Board to focus on recovery of the business from the pandemic. The 2021 external Board evaluation involved a series of questionnaires prepared by Lintstock and completed by each member of the Board covering the Board, its Committees (Audit, Remuneration and Nominations), the Chairman and individual Directors. Once completed, Lintstock followed up with interviews with each Director to review questionnaire responses and to delve deeper into responses given. All Directors participated in the process over several weeks and the output was reported on at the December 2021 Board meeting.

The 2021 external Board evaluation found the following:

- The Directors have sustained strong relationships throughout the period of remote working due to COVID-19. Board processes, information and support are to a high standard and there is a clear understanding of the priorities for the business which are being addressed.
- Critical strategic issues are being considered and the Board has a strong foundation to devote full attention to these issues.
- The Board benefits from a strong range of skillsets, although further consideration on diversity should be given.
- There is a strong understanding of shareholder views.
- The Board monitors employee sentiment and culture – which is positively rated.
- Meetings are well structured, very constructive, open and well managed by the respective Chairs of the Board and Committees. Focus of meetings on key topics is good and Board packs are of a good standard and governance is strong.
- Risk management is strong, and the Board is responding well to emerging issues such as ESG and cyber security.
- Priorities for change are clearly identified and form the cornerstone of agreed Board objectives for 2022.

Areas to focus on:

- Reflect on opportunities for improving oversight of the Group's developing ESG programme.
- Consider further refinements to the overall Board and Committee meeting process.
- The feedback on diversity was taken into consideration and the Board took action with the recent recruitment of a new Non-Executive Director, Erika Schraner.
- Board succession.

The Board will carry out an internal evaluation in 2022 and report on that in the 2022 Annual Report and Accounts.

Board performance against 2021 Board objectives

The Board annually sets itself objectives against which to measure its own performance and effectiveness and to remain focused on the key issues facing the Group. These objectives are tracked during the year and progress reported on at each scheduled Board meeting. The following table sets out the agreed Board objectives for 2021 and progress made throughout the year.

2021 Board objective	Progress during 2021
Financial Recovery of the business in 2021 post COVID-19 – achieving 2021 budget and ensuring the business was on target to recover to pre-COVID levels by 2022.	<ul style="list-style-type: none"> – The Board considered the 2020 full year results including outlook for 2021 and kept under review the Group's financial performance and recovery plans during 2021 – Based on the strong recovery throughout the year, repaid the UK Government's furlough scheme funds and COVID Corporate Finance Facility – In May 2021, resumed the payment of dividends to shareholders – Reviewed the Group's 2022 budget – Delivered a strong financial outturn for 2021 with several upgrades issued during 2021
Strategy Review overall portfolio of businesses and strategic direction for the Group with a focus on Creative Solutions.	<ul style="list-style-type: none"> – Received high-level updates on strategy throughout the year for the Group and individual Divisions – Blue Sky strategy session resumed in May 2021 covering the overall Group strategy including Creative Solutions deep dive – Strategy update session held at the December 2021 meeting – Successful acquisitions of Quasar, Lightstream and Savage in 2021, and Audix in early 2022
Board and senior management succession planning Review succession plans for Board and senior management including development plans and ensuring that potential successors are exposed to the Board.	<ul style="list-style-type: none"> – Received updates on Board and senior management succession along with talent and succession plans throughout the Group – Nicola Dal Toso appointed as CEO Production Solutions, succeeding Alan Hollis – Following a detailed review of the Board, Erika Schraner was recruited as an independent Non-Executive Director with effect from 1 May 2022
Creative Solutions Creative Solutions – subject to COVID-19, the Board to visit Creative Solutions (Irvine, US) in 2021 to see the business, meet its people and review the risks and opportunities around the business.	<ul style="list-style-type: none"> – A physical visit to the Creative Solutions business in the US did not progress due to COVID-19 restrictions, however Nicol Verheem updated the Board on the Creative Solutions Division
ESG (Environmental, Social and Governance) Develop the Group's ESG programme with increased disclosure and clarity. Ensure that the Company responds in a timely manner to wider changes to corporate governance including, but not limited to, TCFD.	<ul style="list-style-type: none"> – Received regular updates on the development of the Group's revised ESG programme and initiatives – Established an ESG Committee which met regularly throughout the year and reported to the Board. The ESG Committee is comprised of the Group Chief Executive, Group Company Secretary, Group Communications Director, Group Risk Assurance Manager and senior representatives of each Division – Oversaw the work of Inspired ESG who helped develop the ESG and TCFD disclosures for year end reporting and the 2021 Annual Report and Accounts – Expanded ESG reporting for 2021 that will culminate in a standalone ESG report to be published in April 2022

The Board has set itself several objectives for 2022, mainly driven from the output of the external Board evaluation in 2021. These will be reported on in the 2022 Annual Report.

Audit, risk and internal control

Overview

The Audit Committee fulfils a vital role in the Group's governance framework, providing valuable independent oversight of the Group's financial reporting, system of internal controls to safeguard shareholders' investments and the Company's assets and employees. Furthermore, it oversees the relationship with the external auditor to assess their effectiveness and to annually assess their independence and objectivity.

Audit Committee

The Audit Committee comprises solely of independent Non-Executive Directors of the Company namely:

Christopher Humphrey (Chairman),

Duncan Penny, Richard Tyson and Caroline Thomson

Other members of the Board, Operations Executive and other senior management, Group Risk Assurance Manager and the Company's external auditor, Deloitte, attend meetings of the Audit Committee by invitation only.

Role of the Audit Committee
Financial reporting <ul style="list-style-type: none"> Ensures the financial integrity of the Group through the regular review of its financial processes and performance Reviews and approves the financial statements in the Annual Report and Accounts, and that the Annual Report, taken as a whole, is fair, balanced and understandable and complies with all applicable UK legislation and regulation as necessary Advises the Board on the Group's viability and going concern status Reviews the appropriateness of accounting policies and practices Ensures that the Group has appropriate risk management and internal controls, through the oversight of the internal audit function Oversees the preparation of TCFD disclosures
External audit <ul style="list-style-type: none"> Manages the relationship with the external auditor, reviewing the scope and terms of its engagement and monitors its performance through regular effectiveness reviews Reviews and monitors the objectivity and independence of the external auditor, including provision of non-audit services
Financial risks <ul style="list-style-type: none"> Oversees and reviews controls relating to financial risks and risks relating to finance IT systems (including cyber security) Reviews the operational effectiveness of key controls in place to manage financial risks
Governance and best practice <ul style="list-style-type: none"> Keeps up to date with developments regarding control environments through updates from the external auditor Keeps in touch with investor and shareholder sentiments through updates and advice from the Company's brokers Ensures that an appropriate whistleblowing service is in place for employees and third parties Oversees third-party reputational risks and anti-bribery procedures

Audit Committee Chairman's Letter



Dear Shareholder

The role that the Audit Committee plays in monitoring the Company's financial integrity, control framework and governance is imperative. The following report is intended to provide shareholders with an insight into how key topics are considered during the year and how the Committee discharged its responsibilities.

During 2021, the Audit Committee has focused on several key issues as the business has continued its recovery from the impact of COVID-19. In early 2021, the Committee was focused on the financial reporting and disclosures tied to the 2020 Annual Report to ensure that they were fair, balanced and understandable. This was additionally challenging given the need for remote working in early 2021, however the Committee, Operations Executive and the Company's external auditor, Deloitte, reached the conclusion that the 2020 financial statements were true and fair of the state of the Group and had been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards.

The Committee further oversaw the risk management of the Group in 2021. Apart from the normal operational risks subject to the annual risk management review process, the business was exposed to increasing risks from stretched supply chains, component shortages and increasing risk around cyber security. The Committee has reviewed the Operations Executive's response to these emerging risks and is satisfied that appropriate mitigation is being taken.

The Financial Reporting Council carried out a thematic review of our Alternative Performance Measures disclosures tied to the 2020 Annual Report in mid-2021. That review found that:

- Our APM disclosures were highlighted as examples of good practice in three specific instances in the FRC's public report
- A small number of APM disclosures have been brought to our attention so that changes can be made to the Company's 2021 Annual Report and Accounts if the matters are material and of relevance to the Company's financial reporting
- The FRC does not intend to take any further action and so no substantive response from Vitec is required

Review of material issues and managing the relationship with the external auditor

Under my remit, the Audit Committee has a key role in checking that the Group's narrative reporting provides a fair, balanced, and understandable assessment of the Group's position and prospects and establishing that the financial statements offer a fair and true view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues.

We also considered, on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with legislation and regulations. No concerns arose out of this review.

Further details of the main activities and information on the other significant issues that the Committee considered during the year can be found on page 102.

Engagement with key stakeholders

While I did not need to meet with shareholders or other stakeholders during the year, I remain available to do so should the need arise and will be present at the Company's AGM on Tuesday, 17 May 2022 to answer any questions from our shareholders.

Climate change

The Group has set up an ESG Committee to review our effectiveness and controls in matters relating to Environment, Social and Governance across the business. This Committee reports to the Board on a regular basis and the Audit Committee has oversight of reporting on TCFD (Task Force on Climate Related Financial Disclosures) and management of risks tied into climate change. You can read more on our ESG programme on pages 42 to 72.

2021 Annual Report

After reviewing the reports from management and following discussions with the external auditor, the Committee is satisfied that:

- The external auditor remains independent and objective in their work
- The financial statements have appropriately addressed any key estimates and judgements and
- That the correct and appropriate accounting policies for all Divisions had been adopted.

Committee performance and effectiveness

The performance of the Committee was considered through the annual Board evaluation process, which in 2021 was the subject of an external review. From the responses provided, I am pleased to report that the Audit Committee was found to be operating effectively. Additionally, the quality of the papers and presentations by management, the level of challenge by the Audit Committee and Deloitte and the quality of discussions held, gives the Committee further comfort and assurance that it is performing its role effectively. A number of suggestions for areas to focus on have been incorporated into the Committee's 2022 objectives. These objectives are set annually, the progress of which is reviewed at every Committee meeting and will be reported on in the 2022 Annual Report and Accounts.

Christopher Humphrey
Audit Committee Chairman
28 February 2022

Audit, risk and internal control/continued

How the Committee operates

The Audit Committee is composed solely of independent Non-Executive Directors who collectively have a wide range of skills and experience including finance and accounting, leadership, and technology. Christopher Humphrey, as a Chartered Management Accountant and Fellow of CIMA, satisfies the requirement of having appropriate and relevant financial experience. Page 79 sets out his full biographical details.

The schedule of Audit Committee meetings is built around the key dates in the financial reporting and audit cycle. During the year, the Committee met on four scheduled occasions, in February, June, August and December. The Committee met in February 2021 to review the 31 December 2020 year end results and Annual Report and Accounts.

Forward planning of agenda items guides the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Company.

The Committee received information in advance of its meetings from management and from the external auditor including the main audit report. The Committee meets privately with the external auditor at least annually and received feedback from management when considering areas for review.

Christopher Humphrey also maintains close contact with the Group Finance Director, Group Chief Executive and members of the senior Audit team at Deloitte. These meetings inform the work of the Committee by identifying key areas of focus and emerging issues.

The Committee regularly invites the external audit lead partner, David Halstead, the Chairman of the Board, the Group Chief Executive, the Group Finance Director and the Deputy Group Finance Director to its meetings.

Meetings of the Committee are held in advance of the main Board meetings to allow the Committee Chairman to provide a report on the key matters discussed to the Board, and for the Board to consider any recommendations made. All of this, along with ongoing challenge debate and engagement, allows the Committee to discharge its responsibilities effectively.

Key activities of the Audit Committee and review of the year

Audit Committee meetings held in 2021

23 February 2021	23 June 2021	9 August 2021	13 December 2021
Financial and narrative reporting			
<ul style="list-style-type: none"> Received the accounting presentation and judgemental issues report, and the report on going concern for the full year ended 31 December 2020 Recommended the approval of the 2020 Annual Report and Accounts, agreeing when taken as a whole is fair, balanced and understandable Reviewed the letters of representation issued to the external auditor for the full year results prior to being agreed by the Board 	<ul style="list-style-type: none"> Tax and interest rate hedging update 	<ul style="list-style-type: none"> Received the accounting presentation and judgemental issues report, and the report on going concern for the half year ended 30 June 2021 Reviewed the letters of representation issued to the external auditor for the half year results prior to being agreed by the Board Tax and interest rate hedging update 	<ul style="list-style-type: none"> Tax and Treasury updates
External audit			
<ul style="list-style-type: none"> Received a full year report from the external auditor on the 2020 financial statements and accounting disclosures 	<ul style="list-style-type: none"> Presented the 2021 half year audit plan Presented update on Task Force for Climate related Financial Disclosures to be reported on in the 2021 Annual Report and Accounts Considered an update on potential audit fees for 2021 	<ul style="list-style-type: none"> Received half year report from the external auditor on the 2021 half year financial statements and accounting disclosures Approved the audit fees for 2021 	<ul style="list-style-type: none"> Received the final planning report on the 2021 external audit Considered the 2021 year end process to date by the external auditor
Governance			
<ul style="list-style-type: none"> Agreed the disclosure of the 2020 Audit Committee report 		<ul style="list-style-type: none"> Draft response to BEIS consultation paper relating to restoring trust in audit and corporate governance 	<ul style="list-style-type: none"> Update on whistleblowing, third-party reputational risk management and anti-bribery and corruption programme ESG programme update including preparation of TCFD disclosures Approved Committee objectives for 2022
Risk management and internal control			
<ul style="list-style-type: none"> Reviewed the principal and operational risks identified across the Group Update on cyber security Approved the 2021 internal audit programme 	<ul style="list-style-type: none"> Risk assurance update against the 2021 risk assurance programme Update on cyber security 	<ul style="list-style-type: none"> Half year review and progress against agreed 2021 risk assurance programme Update on cyber security 	<ul style="list-style-type: none"> Risk assurance update against 2021 risk assurance programme and agreed the risk assurance and internal audit programme for 2022 Received full year report of internal audit activity in 2021, internal audit plans for 2022 and status of Vitec's key controls Update on cyber security

Risk management and control

The Board delegates responsibility to the Audit Committee for oversight of the Group's system of internal controls to safeguard shareholders' investments and the Company's assets. As part of its responsibility, the Audit Committee formally reviews the effectiveness of the Group's internal controls twice a year. There are systems and procedures in place for internal controls that are designed to provide reasonable control over the activities of the Group and to enable the Board and Audit Committee to fulfil their legal responsibility for the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities.

This approach provides reasonable assurance against material misstatement or loss, although it is recognised that as with any successful company, business and commercial risks must be taken and enterprise, initiative and the motivation of employees must not be unduly stifled. It is not our intention to avoid all commercial risks and judgements in the course of the management of the business.

The Board has completed a robust assessment of the Company's emerging and principal risks and has adopted a risk-based approach to establishing the system of internal controls. The application and process followed by the Board in reviewing the effectiveness of the system of internal controls during the year were as follows:

- Each business unit is charged with the ongoing responsibility for identifying the existing and emerging risks it faces and for putting in place procedures to monitor and manage those risks. This includes climate change risks identified at a site level.
- The responsibilities of senior management in each business unit to manage existing and emerging risks within their businesses are periodically reinforced by the Operations Executive.
- Major strategic, operational, financial, regulatory, compliance and reputational risks are formally assessed during the annual long-term business planning process around mid-year. These plans and the attendant risks to the Group are reviewed and considered by the Board.
- Large financial capital projects, property leases, product development projects and all acquisitions and disposals require advance Board approval.
- The process by which the Board reviews the effectiveness of internal controls has been agreed by the Board and is documented. This involves regular reviews by the Board of the major business risks of the Group, including emerging risks, together with the controls in place to mitigate those risks. In addition, every business unit conducts a self-assessment of its internal controls. Every year, the results of these assessments are reviewed by the Group Risk Assurance Manager who provides a report on the status of internal controls and internal controls self-assessment to the Group Finance Director and the Chairman of the Audit Committee. The Board is made aware of any significant matters arising from the self-assessments. The risk and control identification and certification process is monitored and periodically reviewed by Group financial management.
- A register of risks facing the Group, as well as each individual business, and an evaluation of the impact and likelihood of those risks is maintained and updated regularly by the Group Risk Assurance Manager. The Group's principal risks and uncertainties and mitigation for them are set out on pages 36 to 41 of this Annual Report and this includes consideration of risks relating to climate change.

The Board has established a control framework within which the Group operates. This contains the following key elements:

- Strategic planning process identifying key actions, initiatives and risks to deliver the Group's long-term strategy.
- Organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.
- Defined expenditure authorisation levels.

- Operational review process covering all aspects of each business conducted by the Operations Executive on a regular basis throughout the year.
- Comprehensive system of financial reporting including weekly flash reports, monthly reporting, quarterly forecasting and an annual budget process. The Board approves the Group budget, forecasts and strategic plans. Monthly actual results are reported against prior year, budget and latest forecasts, and are circulated to the Board. These forecasts are revised where necessary but formally at least once every quarter. Any significant changes and adverse variances are reviewed by the Group Chief Executive and Operations Executive and remedial action is taken where appropriate. Group tax and treasury functions are coordinated centrally. There is regular cash and treasury reporting to Group financial management and monthly reporting to the Board on the Group's tax and treasury position.

This system has been in place for the year under review and up to the date of approval of the Annual Report.

The Board carries out a periodic assessment of the Group's risk appetite, which includes the identification of the risk thresholds against each organisational objective. Key elements of the risk appetite (for example, our commitment to innovation, compliance and sustainability practices) are summarised in the overview section of the Principal risks and uncertainties.

External audit

Deloitte were appointed in May 2018, following a formal tender process. At the 2021 AGM, shareholders reappointed Deloitte as the external auditor of the Group for the year ended 31 December 2021 and authorised the Audit Committee to fix the external auditor's remuneration. The current lead audit partner, David Halstead, is in the fourth year of his term.

Audit independence and fees

The Committee reviews reports on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements. Deloitte has confirmed its independence as external auditor of the Company in a letter addressed to the Directors. The fees payable for 2021 and previous years are as follows:

	2021	2020	2019	2018
Fees payable to Deloitte for the audit of the Company's financial statements	£0.6m	£0.2m	£0.1m	£0.1m
Fees payable to Deloitte for audit of subsidiaries	£0.7m	£0.5m	£0.5m	£0.4m
Fees related to corporate finance transactions	£nil	£nil	£nil	£0.2m

Review by the FRC's Audit Quality Review Team

The FRC's Audit Quality Review Team ("AQRT") monitors the quality of audit work of certain UK audit firms through annual inspections of a sample of audits and related procedures at individual audit firms. During 2021, the AQRT reviewed Deloitte's audit of the Group's financial statements for the year ended 31 December 2020 as part of its annual inspection of audit firms. Deloitte discussed with the Audit Committee the findings from the AQRT which indicated that there were no significant areas of concern.

Audit, risk and internal control/continued

External auditor effectiveness

The effectiveness of the external auditor and the audit process is assessed by the Committee, meeting the audit partner and senior audit managers regularly through the year. Annually, the Committee assesses the qualifications, expertise, resources and independence of the Group's external auditor, as well as the effectiveness of the audit process through discussion with the Group Finance Director and Deputy Group Finance Director. The Chairman of the Committee also meets with the Deloitte lead partner.

Every couple of years, a detailed survey is performed of all employees who have interacted with the external auditors; the main purpose being to identify opportunities to improve the audit process. We review the output of the audit process, as presented to the Audit Committee, to ensure that there is a clear logical planning and scoping process. This allows the Audit Committee to ascertain that all areas of audit risk are being addressed.

The Audit Committee will continue to review the effectiveness and independence of the external auditor each year. Vitec complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services, and it is the Group's intention to put the audit out to tender at least every ten years. The external audit was last tendered in 2017-2018 following which the external auditor changed from KPMG to Deloitte and there are no current plans to retender the services of the external auditor.

Internal audit

The Group Risk Assurance Manager conducted several internal audits and additional assurance reviews during 2021, the details of which were presented to the Audit Committee. The internal audits included reviews of the appropriateness and effectiveness of controls within the Group including, but not limited to: purchasing and payments; sales and cash collection; inventory management; accounting and reporting; human resources and IT processes. An internal audit plan for 2021 was prepared and agreed with the Audit Committee at its February 2021 meeting and progress against the internal audit plan was tracked throughout the year.

Non-audit services

As required by the Code, the Audit Committee has a formal policy governing the engagement of our external auditor, Deloitte, to supply non-audit services and to assess the threats of self-review, self-interest, advocacy, familiarity and management. Written permission must be obtained from the Chair of the Audit Committee before the external auditor is engaged for any non-audit work. The policy ensures that any non-audit work provided by Deloitte does not impair their independence or objectivity and is divided into two parts:

Excluded Services	Appropriate Services
Include:	With approval from the Group Finance Director and Chair of the Audit Committee, these include:
— Internal accounting or other financial services	— Accounting advice in relation to acquisitions and divestments
— Design, development or implementation of financial information or internal control systems	— Corporate governance advice
— Internal audit services or their outsourcing	— Defined audit related work and regulatory reporting
— Forensic accounting services	— Reporting accountant services
— Executive or management roles and functions	— Compliance services
— IT consultancy	— Transaction work (M&A and divestments)
— Litigation support services and other financial services such as broker, financial advisor or investment banking services.	— Fairness opinions and contribution reports

During 2021, the non-audit services policy was followed with no exceptions. During 2021, £0.1 million (2020: £0.1 million) was paid to Deloitte in respect of non-audit work compared to an audit fee of £1.3 million (2020: £0.9 million). This non-audit work mainly comprised the review of the half yearly financial statements.

2021 Annual Report and Accounts – fair, balanced and understandable

The Committee provides assurance to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position performance, business model and strategy. The Committee concentrated its review of the full year results on the financial statements only and the process which underpinned the drafting of the Viability Statement. The content of the financial statements and the Viability Statement were reviewed by the Committee at the February 2022 meeting. The Board as a whole are responsible for preparing the Annual Report and Accounts. The Committee reported to the Board that based on its review of the evidence, it was satisfied that the Annual Report and Accounts, taken as whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Significant accounting issues

Significant accounting issues and judgements are identified by the finance team, or through the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 31 December 2021 are set out below:

Significant accounting issues	How was it addressed
Going concern	The Committee considered whether it was appropriate to prepare the financial statements on the going concern basis. It was noted that there was significant covenant headroom at 31 December 2021, and, on the basis of stress testing performed on the Group's financial forecasts, covenants were not expected to be breached through to the end of 2024 which is the time period over which the viability review is completed. It was further noted that there was sufficient headroom over committed lending facilities, with undrawn amounts left on the RCF under each scenario each month through to at least February 2023 (12 months from the date of signing the financial statements). Management therefore concluded it was appropriate to prepare the financial statements on the going concern basis. The external auditor also presented their assessment. The Committee concurred with management's assessment.
Working capital valuation	The Committee critically reviewed the carrying value of the Group's working capital. This took into account management's assessment of the appropriate level of provisioning including collectability of receivables and inventory obsolescence throughout the year and with special emphasis on the 2021 year-end process. Management presented to the Committee the experience of bad debts during 2021, and the debtor concentration and days outstanding. With regard to inventory, the gross levels held by inventory type, the provisions recorded against obsolescence, and inventory days analysis were also presented to the Committee. In addition, the external auditor presented their findings with regard to the key audit testing over working capital covering all the major locations. The Committee concurred with management's assessment of the Group's working capital position.
Provisions and liabilities	The Committee considered the judgemental issues relating to the level of provisions and other liabilities. The more significant items include pensions and taxation. For each area management presented to the Committee the key underlying assumptions and key judgements and, where relevant, the range of possible outcomes. The external auditor also presented on each of these areas and their assessment of these judgements. The Committee has used this information to review the position adopted in terms of the amounts charged and recorded as provisions, acknowledging the level of subjectivity that needs to be applied.
Restructuring costs	The Committee considered the validity of restructuring costs that were included in adjusting items in 2021. In total, integration and restructuring costs of £0.9 million were incurred in 2021, which mainly related to a strategic project in Imaging Solutions and Production Solutions to rebalance the allocation of resources from offline to online to enable growth, reduce operating costs and improve margins. The external auditor presented their findings with regard to key audit testing over restructuring costs. The Committee agreed with management's accounting and disclosures.
Capitalisation of development costs	The Committee considered whether the development costs capitalised during the year complied with IAS 38. Management presented a list of the key projects that had been capitalised, along with an assessment of future profitability to support the value on the Balance Sheet. The external auditor also presented their findings. The Committee agreed with management's accounting treatment and related disclosures.

Significant accounting issues	How was it addressed
Acquired intangibles	The Committee critically reviewed management's assessment of acquired intangible assets tested for impairment and the recognition of acquired intangible assets from acquisitions completed in 2021. The external auditor also presented their assessment. The Committee concurred with management's assessment.

Audit Committee objectives

The following table sets out the agreed Audit Committee objectives for 2021 and an assessment of progress against each.

2021 Audit Committee objective	Progress during 2021
Track progress on the Group's cyber security initiatives	The Committee received regular updates on key cyber security initiatives during 2021 from the Group Risk Assurance Manager and Group Head of IT and Security. Examples of progress included the rollout of two factor authentication, implementation of patching solutions, cyber essential plus accreditation, external assessment of security, dark web monitoring and user awareness training.
Business continuity – evolve learnings from events such as COVID-19 and Brexit to ensure and improve the robustness of the organisation	Key learnings from the pandemic have been taken and reflected in updated business continuity plans and the transition of the UK under Brexit out of the European Union has been mitigated with no material impact upon the business or operations.
Treasury strategy with focus on interest rate hedging	Regular updates provided to the Committee throughout 2021 by the Group Treasury Manager. Implemented an interest rate and FX hedging policy.
Tax strategy with focus on Group financing and impact on the Group's tax rate	Regular updates provided to the Committee throughout 2021 by the Group Head of Tax. The Group's Effective Rate of Tax (ETR) has been appropriately managed in 2021.
Oversight of Group R&D programme	Updates given on major R&D projects including associated spend, timescales and progress against key milestones. The Committee is satisfied that resources for R&D are adequately monitored.

Remuneration report

Annual statement by Caroline Thomson,
Chairman of the Remuneration Committee



Our senior leadership team has worked tirelessly throughout 2021 to drive recovery and to deliver an exceptional financial performance for our shareholders and wider stakeholders. This has resulted in the Committee being able to award bonus payments to the Executive Directors and senior leadership team that are entirely merited.

Dear Shareholder

Vitec's Remuneration report for 2021 comprises three separate sections:

- Section 1 – my annual statement setting out the work of the Remuneration Committee in 2021 and priorities for 2022
- Section 2 – a summary of the Directors' Remuneration Policy ("the Policy") that was approved by shareholders at the May 2020 AGM and sets out the Company's Policy on Directors' remuneration covering the period through to May 2023. A new Policy will need to be put to shareholders for approval in 2023
- Section 3 – the 2021 Annual Report on Remuneration sets out the remuneration paid to Directors in 2021 as well as details of how the Committee intends to implement our Policy for 2022. Shareholders will have the opportunity for an advisory vote on the Directors' Remuneration report (excluding the Directors' Policy) at the 2022 AGM.

The Committee in 2021 focused on ensuring that the implementation of the Remuneration Policy supported the recovery of the business from the full impact of COVID-19. Notably this included setting an appropriate bonus plan targets for 2021 and for long-term incentives that drove management to recover and grow the business as quickly as possible. There was an increased level of concern expressed by fewer than 20% of votes cast at the 2021 AGM on the 2020 Remuneration report. The Committee is, however, confident that it has got the issue of executive remuneration right, with the business recovering faster than expected and real growth being delivered with exciting acquisitions including Quasar, Lightstream, Savage and Audix. Shareholders have seen in 2021 a material growth in shareholder value with the Company's market capitalisation growing from £420 million at the start of 2021 to £658.6 million at the end of 2021 as well as the reintroduction of dividends that were suspended in 2020. At the same time, we have acted on shareholders' feedback in respect of the level of 2022 LTIP awards and performance measures.

The Remuneration Committee has taken the UK Corporate Governance Code provisions into account with the Remuneration Policy and the operation of that Policy for executive remuneration. Notably the Committee has operated the Policy with simplicity of structure in mind and continues to ensure that remuneration outcomes are predictable, aligned with the experience of stakeholders in the Company and also drive the right behaviours and culture in the Company.

2021 performance – business context

2021 saw a continuing acceleration in the recovery of the business from the impact of COVID-19 with increasing confidence as the year progressed. Despite some challenges including travel restrictions and component shortages, the Group's financial performance has significantly improved in 2021, with several upgrades issued during the year, a strong recovery in the Company's share price – rising from £9.17 at the start of 2021 to £14.20 at 31 December 2021 and the reintroduction of dividends for our shareholders. We have achieved an excellent outcome for 2021 with Group profit before tax of £42.4 million and revenue of £394.3 million.

In the first half of 2021, the recovery in the business enabled the Company to repay all of its borrowings under the Bank of England's COVID Corporate Finance Facility as well as to repay all money taken from the UK furlough scheme. We have remained very mindful of the safety and wellbeing of all our employees throughout 2021 and an all-employee survey in mid-2021 showed that our people are well engaged, feel safe at work and are motivated to work for Vitec.

Our increasing confidence in the recovery of the business and growth opportunities have further been shown by several exciting acquisitions – Lightstream and Quasar in April 2021, Savage in November 2021 and Audix in January 2022. These acquisitions fit excellently into our growth strategy and bring great new talent and exciting products into the Group.

Our senior leadership team has worked tirelessly throughout 2021 to drive this recovery and to deliver an exceptional financial performance for our shareholders and wider stakeholders. This has resulted in the Committee being able to award bonus payments to the Executive Directors and senior leadership team that are entirely merited. Our Remuneration Policy and its operation in 2021 has delivered an outcome that is fully aligned with our stakeholders' interests and their experience of investing in the Company.

Remuneration outcomes for 2021 performance

At the start of 2021, given continuing uncertainty and risk around the recovery of the business, the Committee did not give any salary or fee increases to the Directors. This was against the context of general salary increases across the wider workforce of 2.2%. For 2022, all the Directors will receive an increase in salaries and fees of 3% which is in line with the general increase given to the wider workforce and reflects our increasing confidence around the recovery of the business. It is also reflective of the need to offer a competitive remuneration package that attracts, retains and motivates our talent.

We also set financial targets for the 2021 Annual Bonus Plan that we believed set the right balance between being challenging and realistic given the context and impact of COVID-19. The senior leadership team has driven recovery and growth in the financial performance of the Group that has resulted in bonus pay-outs for 2021 at near maximum levels. The 2021 Annual Bonus Plan was tied to the 2021 budget and focused on delivery of profit, cash conversion and stretching personal objectives. Details on the Annual Bonus Plan and assessment of personal objectives are on page 120 to 121 of this report. To ensure that bonus payments are aligned with shareholders' interests, the Executive Directors will be required to defer 50% of their 2021 bonus into shares held for three years in the Deferred Bonus Plan.

Long Term Incentive Plan ("LTIP") awards made in 2019 to Executive Directors did not achieve threshold performance conditions based on EPS growth and TSR performance. Accordingly, the 2019 LTIP award will lapse on the third anniversary of the award on 8 March 2022. This is the second consecutive year where the LTIP has not vested and reflects the experience of our shareholders during the respective performance periods.

A key decision of the Remuneration Committee in 2021 related to the award of LTIPs and setting of associated performance conditions. Due to the continuing challenges faced by the Operations Executive team in recovering the business as well as the need to set stretching targets for the EPS performance condition, the Committee felt that an award representing 200% of base salary was merited. The Committee considered that an award at this level, given the uncertainties of the pandemic, would drive Executive Directors to focus on value-creating activities and reward and retain them over the next few years when the Committee expect the scale of the commercial challenges and demands on the executive team to be great. The 2021 LTIP award was structured so that 33% was tied to TSR performance over a three-year period commencing 1 January 2021 compared to a comparator group comprising the constituents of the FTSE 250 Index (excluding financial services companies and investment trusts). 67% of the 2021 LTIP award is tied to a challenging adjusted basic EPS* performance corridor over the same three-year period with threshold set at 60 pence and stretch set at 100 pence for the financial year 2023 and with a straight-line progression between each point. Given the uncertainties around the pandemic and recovery of the business, the Committee considered that this was an appropriately challenging hurdle. Any shares vesting under the 2021 LTIP to the Executive Directors will be subject to a further two-year holding period aligning with shareholders' long-term interests. When determining the vesting level of this award, the Remuneration Committee will also take into account ROCE performance for the Company. The Committee retains full discretion to reduce the vesting outcome taking into account underlying business performance.

Some shareholders expressed concern about the structure of the 2021 LTIP award and just under 20% of votes cast were against the 2020 Annual Remuneration report. The Committee has listened to this feedback and will therefore ensure that LTIP awards for 2022 will revert to a pre-COVID-19 level representing 125% of salary.

The performance conditions tied to the 2022 LTIP have been set at a level to only reward strong performance that is aligned with shareholders' interests.

The Committee approved Restricted Share Plan ("RSP") awards in 2021 for key talent in the Group, excluding the Executive Directors and Operations Executive members. The RSP delivers shares over a three-year period to retain and incentivise talent to deliver on strategic growth initiatives.

As outlined in last year's Remuneration report, we agreed with Stephen Bird in 2021 to amend his pension contribution and to align it with the wider UK workforce. Stephen currently receives a pension contribution representing 20% of annual salary and this was contractually put in place when he was recruited in 2009 and was aligned with the market at that time. In light of changing sentiment to Directors' pension contributions, the Remuneration Committee and Stephen have agreed that this will reduce to 8% with effect from 1 January 2023. We felt that this period of transition was appropriate given the period of service and was right in the circumstances. The Committee is clear that any new Director will have a pension contribution that is aligned with the wider UK workforce which is currently 8%.

The Remuneration Committee and I are entirely satisfied that the Company's Remuneration Policy has continued to operate as intended, in terms of the Company's performance and the quantum of remuneration paid to the Directors in 2021. The exercise of discretion has not been required.

Governance and performance of the Remuneration Committee in 2021

The Remuneration Committee comprises the following membership:

- Caroline Thomson – Chairman
- Richard Tyson, Christopher Humphrey and Duncan Penny

All members of the Remuneration Committee are independent Non-Executive Directors of the Company.

The Remuneration Committee has been delegated by the Board responsibility to set the remuneration framework for the Group Chief Executive, other Executive Directors and members of the Operations Executive. As Chairman of the Committee, I lead this process with the support of the other Committee members. During 2021, we invited the Chairman of the Board, Ian McHoul, Group Chief Executive, Stephen Bird, Group Finance Director, Martin Green and Group Company Secretary, Jon Bolton to attend meetings and to give input unless they were conflicted in a particular matter. To further support the Committee in its duties, the Committee uses the support and services of FIT Remuneration Consultants, who provide independent advisory services on executive remuneration and wider market remuneration issues.

In my role as Chairman of the Remuneration Committee, I am available to shareholders to discuss matters relating to Directors and senior executive remuneration. During 2021 I engaged with several shareholders in the run-up to the 2021 AGM and vote on the 2020 Annual Remuneration report.

Remuneration report/continued

The Remuneration Committee held three scheduled meetings in 2021 and two meetings at short notice at which all members of the Committee attended. Apart from normal business such as Directors' duties and conflicts of interest, minutes of previous meetings, matters arising and tracking progress against agreed Committee objectives for 2021 the following specific business was covered at each meeting:

January 2021 – short-notice meeting – covered a review of 2020 personal objectives performance for Executive Directors and Operations Executive members; 2021 Annual Bonus Plan structure update; and 2021 pay rises – the meeting agreed that due to the impact of COVID-19 and the recovery of the business that none of the Directors would receive any increase in salary or fees for 2021 in contrast to the wider workforce receiving increases at a general level of 2.2%.

February 2021 – approved the 2020 Annual Remuneration report submitted to the 2021 AGM; approved the outcome of the 2020 Annual Bonus Plan; determined the outcome of 2018 LTIP awards against performance measures; considered the outline structure of 2021 LTIP awards and associated performance conditions; approved the final structure of the 2021 Annual Bonus Plan; and approved personal objectives for the Executive Directors for 2021.

March 2021 – short-notice meeting – approved the final detail of 2021 LTIP awards.

October 2021 – update on executive remuneration trends provided by FIT Remuneration Consultants; update on 2021 Annual Bonus Plan; and TSR performance report update.

December 2021 – 2021 Annual Bonus Plan update; proposed pay rises for 2022 for Executive Directors and Operations Executive members; outline 2022 LTIP awards and proposed structure; and 2022 Annual Bonus Plan – proposed structure.

Minutes of each meeting are prepared by the Group Company Secretary and circulated to Committee members following each meeting.

The Remuneration Committee annually sets itself objectives and in 2021 it set the following ones and has measured progress against each:

2021 Remuneration Committee objectives	Progress during 2021
1. 2021 Incentives – ensure that suitably stretching performance conditions for the LTIP and Annual Bonus Plan are adopted which drive performance and the right behaviours.	2021 LTIP awards and Annual Bonus Plan adopted for 2021 have driven performance and recovery of the business and are incentivising and retaining senior leadership to grow the business.
2. Ensure that the 2020 Annual Remuneration report submitted to the 2021 AGM complies with best practice in terms of clear disclosures on Directors' remuneration and is approved by shareholders at the 2021 AGM.	The 2020 Annual Remuneration report was approved by just over 80% of shareholders voting at the 2021 AGM. Disclosures in the 2020 Remuneration report were compliant with regulations and covered all elements of remuneration including the 2020 annual bonus.
3. Ensure that 2021 personal objectives for Executive Directors are suitably stretching, SMART and that performance against them is clearly reported with appropriate detail.	Personal objectives for 2021 were set focusing on delivering the recovery of the business from the impact of COVID-19 and securing long-term growth for the business. Detail of the personal objectives is set out on page 121 of this Report and assessment around each is given.
4. Continue to assess the performance of FIT Remuneration Consultants following the 2021 AGM and considering support given to the Annual Remuneration report submitted to shareholders at that meeting.	FIT Remuneration Consultants continued to give support to the Remuneration Committee throughout 2021 with input and guidance on the 2020 Remuneration report and associated disclosures, setting of awards including the Annual Bonus Plan and Long Term Incentive Plan including associated performance conditions, giving updates on market practice and emerging governance around Directors' remuneration.
5. Ensure that key employees are retained through the setting of appropriate remuneration packages tied to the delivery of key strategic objectives.	The setting of the 2021 Annual Bonus Plan and the 2021 LTIP award with associated performance conditions have incentivised management to drive the recovery and growth of the business. The combination of the Annual Bonus Plan and LTIP provide the right balance of short- and long-term incentives to incentivise and retain key talent. This is demonstrated by the fact that the senior team is stable and focused on growing the business.
6. Monitor employee engagement throughout the Group by visiting sites (either in person or virtually), ensuring that the Committee has a thorough understanding of employee issues including remuneration.	As part of a regular pattern of consultations across the business, Caroline Thomson held several employee engagement sessions covering employees in the Production Solutions Division in 2021 enabling the first-hand views of employees to be given. These sessions covered a range of issues including employee remuneration and benefits. The all-employee survey conducted in mid-2021 also enabled all employees to give feedback on employee issues and gave further confidence that employees across the Group feel valued, well engaged and motivated working for the Company. The output of employee engagement sessions and the all-employee survey were shared with the Board and Divisional senior leadership teams and have helped to shape the Remuneration Committees' application of the Company's Remuneration Policy for executive remuneration.

Apart from the process of setting itself objectives and measuring progress against each, the Remuneration Committee was also subject in 2021 to an externally facilitated evaluation conducted by Lintstock. Lintstock is an independent external consultant who specialise in Board evaluations. They have no other connection with the Company or any Vitec Board member. The evaluation involved a questionnaire to each Committee member followed up with an interview to discuss the detail of the questionnaire. The output from the 2021 Remuneration Committee evaluation included:

- The performance of the Remuneration Committee and its members was rated highly.
- Remuneration Committee meetings are well run with a rigorous cycle of business followed and the Committee coped well with the disruption caused by COVID-19.
- Information provided to the Remuneration Committee was to a high standard.
- The Remuneration Committee is mindful of the need to keep informed of changes in market sentiment and to keep informed around the expectations of shareholders.
- The Remuneration Committee believes the existing Remuneration Policy is well aligned with the Group's strategic priorities and strikes the right balance between short-term and long-term performance.
- The performance of the Remuneration Committee's advisor was rated highly.
- Priorities for 2022 were clearly identified and would form the basis of Committee objectives for 2022.

Implementation of Policy for 2022

Given the strength of recovery during 2021 and also to reflect the need to retain, motivate and incentivise Executive Directors, and general market inflation, the Committee has agreed that base salaries for the Executive Directors will increase in line with the general increase for the wider workforce by 3%.

Fees paid to the Chairman and Non-Executive Directors have also been increased by 3% in 2022 to reflect time commitments, market practice and that no increase was given in 2021 (no increase has been given for the Chairman since his appointment in 2019).

The 2022 Annual Bonus Plan has been designed to ensure that it motivates Executive Directors to deliver against challenging targets for 2022 based on the continued recovery of the business following the pandemic. Its structure retains the same combination of financial targets (Group adjusted profit before tax* and adjusted operating cash flow* generation) and personal objectives as used in 2021 and is tied to delivery of the 2022 budget. Given the continuing risks around 2022 and the importance of cash generation, the 2022 Annual Bonus Plan is structured so that Profit and Cash Conversion measures are independently assessed. Financial targets and personal objectives for the 2022 Annual Bonus Plan, against which actual performance will be measured, will be disclosed in the 2022 Remuneration report.

The Committee intends that the LTIP awards for 2022 will continue to be based on the Company's EPS and TSR performance ranked against a comparator group. The EPS performance condition, representing 67% of the award, will be set with a threshold adjusted basic EPS* compound annual growth target of 100 pence and a stretch of 130 pence measured over a three-year performance period commencing 1 January 2022 and using the adjusted basic EPS* of 69.9 pence for 2021 as the base for growth. 33% of the award will be measured using the Company's TSR performance compared to the constituents of the FTSE 250 index (excluding financial services companies and investment trusts). As before we will also operate a ROCE underpin on the 2022 LTIP award. The Committee believes that this combination of performance measures will challenge and incentivise management to deliver sustainable growth for shareholders and only deliver value should that growth be achieved. The 2022 LTIP award will revert to its pre-pandemic level for the Executive Directors representing 125% of base salary.

Committee priorities for 2022

The Committee in 2022 will focus on the following matters:

- Securing shareholder approval at the 2022 AGM for the 2021 Annual Remuneration report.
- Ensuring that the 2022 Annual Bonus Plan drives performance and rewards sustainable growth in the Company and is set against appropriate financial targets.
- Granting LTIP awards in 2022 with stretching EPS and TSR performance conditions.
- Preparation of a new Policy Report ahead of submission to shareholders for approval at the 2023 AGM. As part of this, the Committee will consult with major shareholders on the proposed structure of a new Policy Report in the second half of 2022.
- Tied into the new Directors' Remuneration Policy, preparing new rules and the framework for a new Long Term Incentive Plan that will also be submitted to shareholders for approval at the 2023 AGM.

Annual General Meeting

We will be putting the Remuneration report covering Directors' remuneration paid in 2021 to the Company's shareholders for an advisory vote at the 2022 AGM. I encourage all shareholders to vote in favour of this resolution. I will attend the AGM and be open to answering questions on the Annual Remuneration report either at the meeting itself or ahead of the AGM should any shareholder wish to contact me at info@vitecgroup.com.

Caroline Thomson

Chairman, Remuneration Committee
28 February 2022

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to aid the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary on pages 201 to 203.