

Remuneration committee

TERMS OF REFERENCE

Reference to: “the Committee” shall mean the Remuneration Committee
 “the Board” shall mean the Board of Directors
 “the Company” shall mean XP Power Limited
 “the UK Corporate Governance Code” or “the Code” shall mean the 2018 UK
 Corporate Governance Code

1. Membership

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Remuneration Committee. The Committee shall be made up of at least three independent non-executive directors. The Chair of the Board may also serve on the Committee as an additional member if they were considered independent on appointment as Chair but may not chair the Committee.
- 1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive, Chief People Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate but shall not be present when their own remuneration is being discussed.
- 1.3. Appointments to the Committee shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members (other than the Chair of the board, if they are a member of the Committee) remain independent.
- 1.4. Following a recommendation of the Nomination Committee, the Board shall appoint the Committee Chair who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chair of the Board shall not be Chair of the Committee.

2. Secretary

- 2.1. The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of meetings

- 4.1. The Committee shall meet at least twice a year and at such other times as the Chair of the Committee shall require.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the Chair of the Committee or at the request of the Chair of the Board or any of the Committee members.
- 5.2. Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6. Minutes of meetings

- 6.1.** The Secretary shall minute the proceedings and resolutions of all formal Committee meetings, including the names of those present and in attendance.
- 6.2.** Draft minutes of Committee meetings shall be agreed with the Committee Chair and then circulated promptly to all members of the Committee and the Chair of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists, or, exceptionally, it would be inappropriate to do so in the opinion of the Chair of the Committee.

7. Engagement with shareholders

- 7.1.** The Committee Chair should be available to attend the annual general meeting in person or by phone to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

8. Duties

The Committee shall:

- 8.1.** determine and agree with the Board the framework or broad policy for directors' remuneration and setting remuneration for the Company's Chair, the executive directors and senior management, including the other members of the Executive Committee, in accordance with the Principles and Provisions of the Code. The remuneration of non-executive directors shall be a matter for the Chair and the executive members of the Board within the limits set in the Articles of Association; No director or manager shall be involved in any decisions as to their own remuneration;
- 8.2.** establish remuneration schemes that promote long-term shareholding by executive directors that support alignment with long-term shareholder interests and a formal policy including mechanisms for enforcement in respect of post-employment shareholding;
- 8.3.** design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances;
- 8.4.** when determining remuneration policy and practices, consider the Code's requirements in respect of clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;
- 8.5.** in determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to attract and retain executive management of the quality required to run the Company successfully and to ensure that executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Company, having regard to views of shareholders and other stakeholders;
- 8.6.** review the ongoing appropriateness and relevance of the directors' remuneration policy;
- 8.7.** oversee the operation of the Company's performance-related pay schemes as they relate to the executive directors and the senior management team, including the approval of the design, determining targets, approval of the total annual payments made under such schemes and the vesting of any equity awards;
- 8.8.** determine the policy for, and scope of, pension arrangements for each executive director and other senior management;
- 8.9.** ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company;
- 8.10.** within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director, the Company Chair, and other members of the Executive Committee including bonuses, incentive payments and share options or other share awards. This also includes the selection of financial, non-financial and strategic measures, the exercise of independent judgement and discretion when determining remuneration awards and consideration of company and individual performance, and wider circumstances including the experience of stakeholders;

- 8.11. be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee, and to obtain up-to-date information about remuneration in other companies. The Committee shall have full authority to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company to help it fulfill its obligations;
 - 8.12. review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for executive directors and other members of the Executive Committee and the performance targets to be used;
 - 8.13. review the remuneration arrangements and remuneration related policies of the workforce (as defined by the Remuneration Committee) and the alignment of incentives and rewards with culture and take these into account when setting executive directors' remuneration;
 - 8.14. oversee any major changes in employee benefits structures throughout the Company or Group;
 - 8.15. agree the policy for authorising claims for expenses from the directors; and
 - 8.16. work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly.
- 9. Reporting responsibilities**
- 9.1. The Committee Chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
 - 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary.
 - 9.3. The Committee shall provide a description of its work in the annual report in line with the requirements of the UK Corporate Governance Code.
 - 9.4. The Committee shall also ensure that provisions regarding disclosure of information as set out in applicable regulation and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the Company's Annual Report and put to shareholders for approval at the AGM as necessary.
 - 9.5. If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the Company or individual directors.
- 10. Other matters**
- The Committee shall:
- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required;
 - 10.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 10.3. give due consideration to all relevant legal requirements, the provisions of the UK Corporate Governance Code and published guidelines or recommendations, including guidelines published by major institutional investors and their representative bodies, on the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate;
 - 10.4. at least annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
 - 10.5. make these terms of reference available on the Company's website.
- 11. Authority**
- 11.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
 - 11.2. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Approved by the Board of Directors of XP Power Limited on 29 February 2024