

REMUNERATION COMMITTEE REPORT



The Board continues to be impressed with the resilience of the business across the globe in what has been another challenging year.”

PAULINE LAFFERTY
REMUNERATION COMMITTEE CHAIR

Committee membership



Pauline Lafferty
Chair



Terry Twigger



Polly Williams

Dear Shareholder

This report sets out details of the Directors’ remuneration in 2021 and how the Remuneration Committee anticipates operating the Directors’ Remuneration Policy in 2022. This has been my first full year as Chair of the Remuneration Committee, and it has coincided with some significant leadership changes. Gavin Griggs succeeded Duncan Penny as Chief Executive Officer at the start of the year, and Oskar Zahn joined as Chief Financial Officer from 4 May 2021 and was appointed to the board from 20 May 2021.

The context to the major decisions and activities made in the year

Following the global challenges we all faced in 2020, 2021 was another difficult year. The business continued to face COVID-19 impacts with ongoing cases and lockdowns across many countries – most notably for XP in Vietnam. The business and its people, again, demonstrated their resilience and dedication; the business continued supporting our people and customers, and kept operating throughout the year. The Group was also impacted by the well-documented electronic component shortages and global logistics challenges. Against this backdrop, XP Power has delivered another set of strong results in terms of order growth, profit and cash generation, while continuing to execute on its strategy to ensure it can deliver on its growth ambitions.

The Remuneration Committee met on five occasions during the year.

Members	Attendance
Pauline Lafferty (Committee Chair)	5/5
Terry Twigger	5/5
Polly Williams	5/5

At the 2021 AGM, over 90% of Shareholders supported the Directors’ Remuneration Report, and the Remuneration Committee was grateful for the continued support. We do not take this for granted and we shall continue to engage with our investors on any major pay changes.

XP Power has delivered strong results above 2020, which included the beneficial impact of demand for products required in treating COVID-19 patients. 2021 has seen performance broadly in line with the targets we set under the annual bonus scheme. While the Total Shareholder Return element of the long-term incentive was achieved in full, as XP Power has delivered exceptional returns to Shareholders over the last three years, adjusted EPS performance fell short of the challenging targets set for the business. The Remuneration Committee considered these outturns to be appropriate and did not apply discretion to amend the formulaic outputs in the year.

No employees were furloughed during the year, XP Power did not benefit from any UK Government aid and no COVID-19-related redundancies were made. The business supported its employees through the ongoing pandemic by ensuring the working

environment was safe for everyone and supported those who could work from home. The Vietnamese Government locked down the country from July to October but, due to the commitment of the team, our manufacturing facility continued to produce the critical power conversion solutions that our customers require. 2021 was a challenging time for many of our customers and suppliers, and we worked closely with them to support them through the ongoing pandemic and component shortages that we experienced to maintain our supply chain.

The Company's share price has continued to grow, increasing by 8.7% in the year to 31 December 2021 (representing growth in total Shareholder value of 159% over three years). Dividends were resumed in 2020 and continued to grow in 2021.

Key remuneration decisions for 2021

Annual bonus

The annual bonus for 2021 was based on adjusted profit before tax, adjusted operating cash conversion measured at each quarter-end and the attainment of strategic goals. The details of the financial measures and targets and the achievement against them is shown on pages 112 to 113.

Bonus payments for 2021, as a percentage of maximum, were 73.4%, 68.3% and 64.1% of maximum for Gavin Griggs, Oskar Zahn and Andy Sng, respectively. Oskar's annual bonus was pro-rated for the period of the year he was employed by XP Power. Half the bonuses earned by the Executive Directors are deferred into shares for two years, and clawback provisions may be invoked up to three years after the date of vesting.

The vesting of the 2019 LTIP award

The 2019 awards made under the LTIP will vest based on adjusted EPS growth (for 67% of the award) and relative Total Shareholder Return (for 33% of the award).

- The three-year compound annual growth rate of EPS was 0.7% compared with a target CAGR range was 6%-12%, resulting in zero vesting of the EPS portion of the awards.
- XP Power's relative TSR performance was above the upper quintile, so this portion of the shares vested in full.

The overall percentage of vested shares was 33% of the total award. Half of the shares vest three years after the grant date and the remainder a year later.

The Committee has proactively tracked wage inflation by each market XP Power operates in as it has been clear that inflation levels has been increasing throughout 2021. This has been reflected in the salary increases proposed for April 2022 for all employees.

The pay implications of Board changes

As previously announced, Duncan Penny stepped down as CEO with effect from 31 December 2020 and continued as an Executive Director of the Company until the Annual General Meeting in April 2021. Duncan was eligible to receive an annual bonus for 2021, pro-rated to the period of the year worked. His bonus was in line with the Group plan, based on adjusted profit before tax (50%), adjusted operating cash flow as a percentage of adjusted operating income (25%) and strategic objectives (25%), and 68.3% of the maximum opportunity was delivered. Duncan committed to retain shares, with an after-tax value of 200% of his final base salary for the first year of his leaving and 100% for the second year.

Gavin Griggs succeeded Duncan as CEO with the new salary on his promotion set at £500,000. As disclosed last year, the Committee agreed to review his salary again from 1 April 2022, considering the circumstances at the time and with the intention of moving Gavin closer to market levels for companies of a similar size and scope. The Remuneration Committee has undertaken this review and has agreed to move Gavin's salary to £550,000, an increase of 10%. This level of increase reflects Gavin's development in the role of CEO and his strong performance since appointment, while keeping remuneration modest relative to other listed companies of a similar market capitalisation.

Oskar Zahn was appointed Chief Financial Officer with effect from 4 May 2021 and to the Board with effect from 20 May 2021. His base salary was set at £400,000, approximately 24% above Gavin Griggs' previous base salary in the role. As noted last year, Gavin's salary had been below market levels for a company of this size and scope, and the Remuneration Committee believes the remuneration package for Oskar to be at the appropriate level.

Decisions effective from 2022

As outlined above, Gavin Griggs' base salary will increase by 10% to £550,000 with effect from 1 April 2022. Base salaries for Oskar Zahn and Andy Sng will each increase by 4%. This is in line with the increases made to most employees in the UK and Singapore.

The Committee intends to award performance shares with a face value of 100% of base salary and restricted shares with a face value of 12.5% of base salary to Gavin Griggs and Oskar Zahn. The awards to Andy Sng are 75% of salary and 15% of salary respectively.

The views of our Shareholders are important to us. I hope that you will support the Directors' Remuneration Report. If you have any questions or comments, I can be reached at ir@xppower.com.

PAULINE LAFFERTY

REMUNERATION COMMITTEE CHAIR

1 March 2022

REMUNERATION AT A GLANCE

Context to major decisions and activities in the year

- Absolute share price performance / relative TSR against the FTSE 250
- Profits/revenue performance
- Operating cash conversion performance
- Rising wage inflation



SEE [PAGE 110](#) FOR MORE INFORMATION

Key remuneration decisions for 2021 and 2022

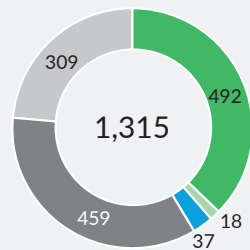
- up to 73.4% of the maximum annual bonus opportunity was paid for 2021.
- 33% of shares vested under the 2019 LTIP.
- Executive Directors' base salaries will increase between 4% and 10% from 1 April 2022.



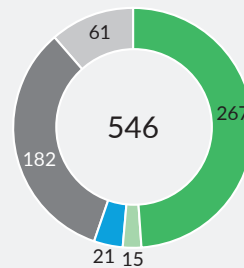
SEE [PAGE 111](#) FOR MORE INFORMATION

Total Remuneration receivable for Executive Directors (£'000)

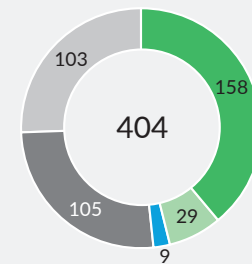
GAVIN GRIGGS



OSKAR ZAHN¹



ANDY SNG



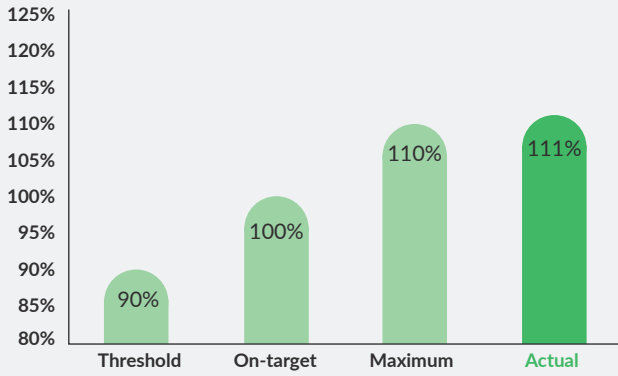
● Base salary ● Benefits ● Pension ● Annual bonus ● Long-term incentives

¹ Oskar Zahn was appointed CFO with effect from 4 May 2021 and to the Board with effect from 20 May 2021. Total remuneration for Oskar in 2021 reflects pay for the portion of the year in which he was an Executive Director.



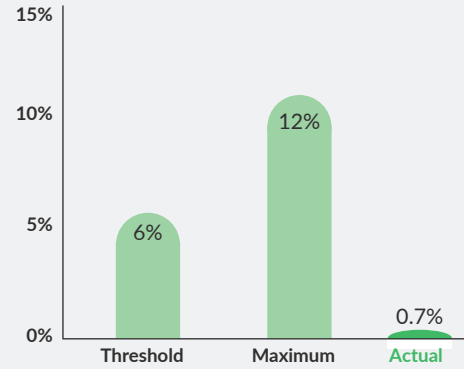
ACHIEVEMENT OF PERFORMANCE CONDITIONS UNDER THE 2021 ANNUAL BONUS

ADJUSTED OPERATING CASH CONVERSION (25%)

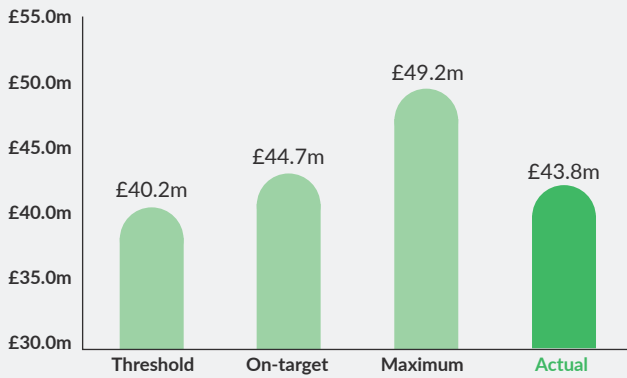


ACHIEVEMENT OF PERFORMANCE CONDITIONS UNDER THE 2019 LONG-TERM INCENTIVE AWARDS

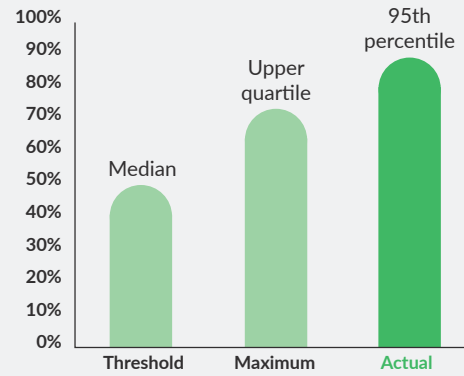
EPS COMPOUND ANNUAL GROWTH (67%)



ADJUSTED PROFIT BEFORE TAX (50%)



TSR (33%)



Andy Sng's adjusted profit before tax targets are set with reference to divisional, rather than Group, performance. Performance against these targets resulted in 16.6% of maximum becoming payable for this element of his annual bonus.



SEE [PAGE 115](#) FOR MORE INFORMATION



SEE [PAGE 117](#) FOR MORE INFORMATION

REMUNERATION COMMITTEE REPORT CONTINUED

Annual report on remuneration

Single total figure of remuneration

The table below shows the total remuneration receivable for each Executive Director with respect to the financial year ended 31 December 2021 and December 2020, respectively.

£'000		Salary/fees	Benefits ⁴	Pension	Total fixed pay	Annual bonus ⁵	Long-term incentives ^{6,7}	Total variable pay	Total
Executive Directors									
Gavin Griggs ¹	2021	492	18	37	547	459	309	768	1,315
	2020	314	23	23	360	321	455	776	1,136
Duncan Penny ²	2021	137	2	11	150	93	341	434	584
	2020	438	4	30	472	441	592	1,033	1,505
Oskar Zahn ³	2021	267	15	21	303	182	61	243	546
	2020	-	-	-	-	-	-	-	-
Andy Sng	2021	158	29	9	196	105	103	208	404
	2020	149	38	10	197	137	149	286	483
Chair and Non-Executive Directors									
James Peters	2021	60	3	-	63	-	-	-	63
	2020	58	2	-	60	-	-	-	60
Pauline Lafferty	2021	55	-	-	55	-	-	-	55
	2020	48	-	-	48	-	-	-	48
Polly Williams	2021	50	-	-	50	-	-	-	50
	2020	51	-	-	51	-	-	-	51
Terry Twigger	2021	60	-	-	60	-	-	-	60
	2020	56	-	-	56	-	-	-	56

¹ Gavin Griggs was appointed CEO with effect from 1 January 2021. Total remuneration for Gavin in 2020 reflects pay for his previous role of CFO.

² Duncan Penny stepped down as CEO with effect from 31 December 2020 and stood down as an Executive Director on 20 April 2021. Total remuneration for Duncan in 2021 reflects pay for the portion of the year in which he was an Executive Director.

³ Oskar Zahn was appointed CFO with effect from 4 May 2021 and to the Board with effect from 20 May 2021. Total remuneration for Oskar in 2021 reflects pay for the portion of the year in which he was an Executive Director.

⁴ Benefits include life insurance, private medical cover, housing allowance in China for Andy Sng, and car allowance.

⁵ The value of the annual bonus represents performance over the relevant financial year: 50% of the pay out was deferred into shares. Further details of the annual bonus, including performance measures, actual performance and bonus pay outs, can be found on page 115.

⁶ The value of long-term incentives for 2021 represents (i) the performance-based awards granted on 16 March 2019 with performance measured over three financial years to 31 December 2021, based on the three-month average share price to the year-end of £51.6148 and dividend equivalents payable to this date, (ii) for Gavin Griggs and Andy Sng, the value at grant of the Restricted Share awards granted on 3 March 2021 based on a grant price of £51.80, and (iii) for Oskar Zahn, the value at grant of the Restricted Share awards granted on 10 May 2021 based on a grant price of £49.85. The values shown for Gavin Griggs, Duncan Penny and Andy Sng include the impact of share price growth and dividend equivalent payments on the March 2019 LTIP equal to £142,000, £197,000 and £51,000, respectively. The value of the March 2019 LTIP will be updated in next year's Directors' Remuneration Report to reflect the updated share price and dividend equivalent payments. Further details of the LTIP, including performance measures, actual performance and vesting, can be found on page 117. Further details of the 2021 RSP can be found on pages 118-119.

⁷ The value of long-term incentives for 2020 represents (i) for Gavin Griggs, the performance-based awards granted on 1 November 2017 with performance measured over three financial years to 31 December 2020, (ii) for Duncan Penny and Andy Sng, the performance-based awards granted on 16 May 2018 with performance measured over three financial years to 31 December 2020, and (iii) the value at grant of the Restricted Share awards granted on 22 April 2020 based on a grant price of £30.90. The November 2017 LTIP vested 50% on 31 December 2020 and 50% on 31 December 2021 and the value of these awards reflects the share prices on vesting of £46.90 and £51.00, respectively and final dividend equivalent payments. The May 2018 LTIP vested 50% on 16 May 2021 and will vest 50% on 16 May 2022 and the value of these awards reflects the share price on vesting of £48.65 for 50% of the awards and the three-month average share price to the year-end of £51.6148 for the remaining 50% of the award, and dividend equivalents payable to this date.

Notes to the single total figure table

BASE SALARY IN THE YEAR ENDED 31 DECEMBER 2021

Executive Directors' base salaries are reviewed by the Remuneration Committee with effect from 1 April each year and when an individual changes position or responsibility. Changes in Executive Directors' base salaries during the year are:

	Base salary from 1 April 2020	Base salary from 1 April 2021	Percentage increase
Gavin Griggs ¹	£323,000	£500,000	+54.8%
Duncan Penny ²	£450,000	£450,000	–
Oskar Zahn ³	–	£400,000	–
Andy Sng	S\$265,225	S\$300,000	+13.1%

¹ Gavin Griggs was appointed as CEO with effect from 1 January 2021. His base salary for 2020 reflects pay for his previous role of CFO.

² Duncan Penny stepped down as CEO with effect from 31 December 2020 and stood down as an Executive Director on 20 April 2021. Duncan was not eligible for a salary increase with effect from 1 April 2021.

³ Oskar Zahn was appointed as CFO with effect from 4 May 2021, with a base salary of £400,000.

CHAIR'S AND NON-EXECUTIVE DIRECTORS' FEES

Fees for the Chair and the Non-Executive Directors were reviewed and, subject to Shareholder approval, in accordance with the Singapore Companies Act 1967, an additional fee for extra responsibility will be payable from 1 April 2022, no other fee increases are recommended. There has been no change in fees during the year.

	Fee from 1 April 2021	Fee from 1 April 2022
Chair's fee	£60,000	£60,000
Base fee	£50,000	£50,000
Additional fee for chairing a Committee	£5,000	£5,000
Additional fee for acting as Senior Independent Director	£5,000	£5,000
Additional fee for extra responsibility*	–	£5,000

* Extra responsibilities include acting as designated NED for workforce engagement or as board representative on an executive committee.

Due to the current Chair's shareholding, James has agreed to take the same fee as the Senior Independent Director, which, from April 2021, was £60,000. This remains materially below the fees for the Chair of other UK-listed companies of a similar size.

PENSIONS IN THE YEAR ENDED 31 DECEMBER 2021

Executive Directors' pension contributions are aligned to those offered to all XP Power employees in their respective countries of employment. This is 8% of base salary for UK Executive Directors and 6% of base salary for Any Sng, who is based in Singapore.

ANNUAL BONUS IN THE YEAR ENDED 31 DECEMBER 2021

The maximum annual bonus opportunity in 2021 was 125% of base salary for the CEO and 100% of base salary for other Executive Directors. This table summarises performance against the Group performance targets set by the Remuneration Committee for the year.

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
Adjusted profit before tax ¹	50%	£40.2m	£44.7m	£49.2m	£43.8m	23.3% ¹
Adjusted operating cash conversion ²	25%	90%	100%	110%	111%	25%
Strategic objectives	25%	See below				20%-25%
Total			Gavin Griggs			73.4%
			Oskar Zahn			68.3%
			Andy Sng			64.1%

¹ Andy Sng's adjusted profit before tax targets are set with reference to divisional performance, and the targets are commercially sensitive. Performance against these targets resulted in 16.6% of maximum becoming payable for this element of his annual bonus.

² Calculated as adjusted operating cash flow as a percentage of adjusted operating profit measured at the end of each quarter and the average performance taken. This is to ensure cash conversion is an ongoing focus throughout the year. The full-year adjusted operating cash conversion was 111%.

³ Duncan Penny's annual bonus was structured in line with the annual bonus plan for other Executive Directors, with 25% based on the assessment of his performance against the same strategic objectives set for Gavin Griggs, together with ensuring an orderly handover. He achieved 20% of the maximum 25% for strategic objectives and received a bonus pro-rated for the period worked.

REMUNERATION COMMITTEE REPORT CONTINUED

The table below summarises the strategic team objectives for the CEO and CFO in the year.

	Gavin Griggs	Oskar Zahn	Performance assessment in 2021
To deliver XP Power's strategic priorities in the right way	✓✓✓	✓✓	<ul style="list-style-type: none"> Strong performance against customer sampling and new business won both were above targets. Group design wins targets exceeded in 2021 CO₂ emission savings of 128,000 tonnes from revenue from Green products which exceeded targets for 2021 Relaunched Sustainability Council and enhanced Health and Safety processes Due Diligence and completion of FuG and Guth acquisitions
Leadership of the global ERP roll out for implementation	✓✓✓	✓✓	<ul style="list-style-type: none"> Project on track to go live in H1 2022 despite significant challenges
Review XP strategy to establish requirements to deliver long term, sustainable growth. Ensure the strategic priorities of the Group are effectively executed	✓✓	✓✓	<ul style="list-style-type: none"> Completed as agreed Good progress made on target metrics, routes to market and supply chain Due diligence complete and acquisitions announced 31 January 2022
Global Supply Chain management throughout 2021 to maximise supply to customers with stock levels optimised	✓✓	✓✓	<ul style="list-style-type: none"> Extensive engagement with customers and suppliers to manage during the ongoing industrywide global supply chain challenges Review strategy for future requirements covering business case and design work and execution resulting in increased capacity and resilience and Asia 3 site Global sea freight at 59.3% vs 60% target
Assess and build a world-class finance function that adds value: ensuring cross functional collaboration; insightful reporting and improving speed and accuracy of forecasting; and optimising the management of inventory across the Group.	n/a	✓✓	<ul style="list-style-type: none"> Recruited high potential talent into key roles Established with relevant internal and external stakeholders including Board, leadership team, investors and bankers Ownership and delivery of 2022 plan Ongoing inventory management
People, new organisational design and strengthening of senior leadership "bench"	✓✓	n/a	<ul style="list-style-type: none"> Assessment of all senior leaders and training and development needs identified and addressed

✓✓✓ = Exceeded ✓✓ = Met ✓ = Partially Met

On the basis of the Committee's holistic and systematic assessment of the CEO's performance against each of the objectives, the Committee decided he should receive the maximum payment for this element of bonus. His contribution has been excellent through the most difficult circumstances.

The CFO joined in May 2021 and quickly established as a key member of the Board and Leadership team. Of particular note was the leadership of the recent acquisitions through due diligence to completion. Overall, his contribution has been strong and it is proposed that he receives an on target payment for this element of his bonus, pro-rated for the period worked.

Andy Sng's strategic performance objectives are set with reference to divisional performance and are more sensitive than the Group objectives. The Remuneration Committee acknowledge his leadership, particularly supporting the ongoing customer dialogue. His strategic objectives largely reflected the priorities set out above for Gavin Griggs and Oskar Zahn.

Duncan Penny was eligible to receive an annual bonus for 2021, pro-rated for the period worked. His annual bonus was structured in line with the other Executive Directors, with 25% linked to strategic objectives. 80% of the maximum opportunity was delivered on strategic performance objectives.

The Remuneration Committee carefully considered whether these outturns were appropriate and, reflecting on performance achieved in the year, the Committee did not apply its discretion to amend the formulaic outputs in the year. Half of the 2021 annual bonuses for Executive Directors (with the exception of Duncan Penny) are deferred in shares for two years.

LONG-TERM INCENTIVE AWARDS VESTED OR DUE TO VEST WITH RESPECT TO PERFORMANCE IN THE YEAR ENDED 31 DECEMBER 2021

2019 LTIP awards

The 2019 LTIP awards granted on 16 March 2019 were measured over three financial years from 1 January 2019, based two-thirds on compound annual EPS growth and one-third on TSR compared with companies in the FTSE 250 index excluding investment trusts. Awards were granted to Gavin Griggs, Duncan Penny and Andy Sng over shares worth 97%, 57% and 40% of salary, respectively. The table below summarises performance against the performance targets.

	Weighting	Threshold (25%)	Maximum (100%)	Actual	% achieved
EPS growth	67%	6%	12%	0%	0%
TSR	33%	Median	Upper quintile	Above upper quintile	100%
Total					33%

Half of the shares under this award vested on 16 March 2022, and half will vest on 16 March 2023.

	Date of grant	Type of award	Number of shares awarded	% vesting	Dividend equivalent payments per share ¹	Number of shares vested or due	Value of shares vested or due to vest ¹
Gavin Griggs	16 March 2019	Nominal-cost options	13,659	33.33%	2.20	4,553	£244,973
Duncan Penny	16 March 2019	Nominal-cost options	19,024	33.33%	2.20	6,341	£341,176
Andy Sng	16 March 2019	Nominal-cost options	4,878	33.33%	2.20	1,626	£87,487

¹ The value of long-term incentives represents LTIP awards that vest with respect to performance periods ending during the year. As these awards were not due to vest until March 2022, the value of these has been estimated using the average share price in the last three months of 2021, being £51.6148, and an estimate of dividend equivalents.

SCHEME INTERESTS AWARDED IN THE YEAR ENDED 31 DECEMBER 2021

The following awards were granted to Executive Directors in 2021:

	Date of grant	Plan	Type of award	Face value of award ³	Number of shares awarded	End of performance period
Gavin Griggs	3 March 2021	LTIP 2017 ¹	Nominal-cost options	£499,974	9,652	31/12/2023
	3 March 2021	RSP 2020 ¹	Nominal-cost options	£62,471	1,206	n/a
	4 March 2021	DBP 2017 ¹	Nil-cost options	£160,684	3,102	n/a
Oskar Zahn	10 May 2021	LTIP 2017 ²	Nominal-cost options	£399,996	8,024	31/12/2023
	10 May 2021	RSP 2020 ²	Nominal-cost options	£59,970	1,203	n/a
Andy Sng	3 March 2021	LTIP 2017 ¹	Nominal-cost options	£99,974	1,930	31/12/2023
	3 March 2021	RSP 2020 ¹	Nominal-cost options	£14,970	289	n/a
	4 March 2021	DBP 2017 ¹	Nil-cost options	£68,687	1,326	n/a

¹ 2021 awards were granted under the LTIP 2017, RSP 2020 and DBP 2017 to Gavin Griggs and Andy Sng based on the share price for 3 March 2021, being £51.80.

² 2021 awards were granted under the LTIP 2017 and RSP 2020 to Oskar Zahn based on the share price for 10 May 2021, being £49.85.

³ The face value of the award has been calculated using the share price of each award stated in Note 1 and 2.

LONG-TERM INCENTIVE MEASURES AND TARGETS

The performance targets for the 2020 and 2021 LTIP awards are summarised below.

		2020 award (67% EPS and 33% TSR)	2021 award (67% EPS and 33% TSR)
Earnings Per Share	Operation	Cumulative EPS over three financial years	Cumulative EPS over three financial years
	Threshold (25% vest)	523.4p	576.7p
	Maximum (100% vest)	586.0p	645.9p
Total Shareholder Return	Operation	Relative TSR compared with that for the constituents of the FTSE 250 index (excluding investment trusts)	Relative TSR compared with that for the constituents of the FTSE 250 index (excluding investment trusts)
	Threshold (25% vest)	Median (50th percentile)	Median (50th percentile)
	Maximum (100% vest)	Upper quintile (80th percentile)	Upper quintile (80th percentile)

Awards of restricted shares that were granted to Executive Directors in 2021 are not subject to performance conditions on vesting.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

A shareholding guideline applies to Executive Directors, which requires them to build and maintain a shareholding equal to 200% of base salary. The guideline will continue to apply in full for one-year post-cessation, with 50% of the guideline level (100% of base salary) applying for a second year. Deferred bonus shares, Restricted Shares, vested Share Options and LTIP shares that are still in their holding period will be counted against these requirements on a net of tax basis.

This table summarises the Directors' beneficial interests (including that of their connected persons) in the Company's shares:

	Beneficially owned shares at 31 December 2020 ¹	Beneficially owned shares at 31 December 2021 ²	Interest in share awards			Shareholding guideline (% of salary)	Shareholding guideline met?
			Subject to performance measures	Not subject to performance measures	Vested but unexercised		
Executive Directors							
Gavin Griggs	-	-	20,105	10,639	12,684	200%	N
Duncan Penny	106,990	49,990	14,563	18,153	55,038	200%	Y
Oskar Zahn	-	-	8,024	1,203	-	200%	N
Andy Sng	24,000	24,000	5,166	6,873	2,744	200%	Y
Chair and Non-Executive Directors							
James Peters	1,254,279	1,004,279	-	-	-	n/a	n/a
Terry Twigger	-	-	-	-	-	n/a	n/a
Polly Williams	-	-	-	-	-	n/a	n/a
Pauline Lafferty	-	-	-	-	-	n/a	n/a

¹ Oskar Zahn was appointed as CFO with effect from 4 May 2021 and joined the Board with effect from 20 May 2021. The beneficially owned shares shown for Oskar represent his shareholding at the date of appointment.

² Duncan Penny stepped down as CEO with effect from 31 December 2021 and stood down as an Executive Director on 20 April 2021. The beneficially owned shares shown for Duncan represent his shareholding at the 20 April 2021. Duncan confirmed that he will retain shares equal to 200% of his final base salary for one year commencing on the date he stood down as an Executive Director and that he will retain shares equal to 100% of his final base salary for a second year.

The table below summarises the outstanding share awards for Gavin Griggs:

Date of grant	Exercise price	Interest as at 31/12/20	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/21	Vesting date	Expiry date
2017 LTIP								
01/11/17	£0.01	8,000	-	-	-	8,000	31/12/20	31/12/22
16/03/19	£0.01	13,659	-	(9,106)	-	4,553	16/03/22	16/03/24
22/04/20	£0.01	10,453	-	-	-	10,453	22/04/25	22/04/26
03/03/21	£0.01	-	9,652	-	-	9,652	03/03/26	03/03/27
2020 RSP								
22/04/20	£0.01	1,307	-	-	-	1,307	22/04/25	22/04/26
03/03/21	£0.01	-	1,206	-	-	1,206	03/03/26	03/03/27
Deferred Bonus								
02/03/18	-	515	-	-	-	515	31/12/19	-
06/03/19	-	4,349	-	-	-	4,349	31/12/20	-
04/03/20	-	471	-	-	-	471	28/02/22	-
04/03/21	-	-	3,102	-	-	3,102	26/02/23	-

The table below summarises the outstanding share awards for Duncan Penny:

Date of grant	Exercise price	Interest as at 31/12/20	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 20/04/21	Vesting date	Expiry date
2012 Share Options								
23/02/16	£15.425	39,800	-	-	-	39,800	23/02/20	23/02/26
2017 LTIP								
30/05/17	£0.01	5,127	-	-	-	5,127	30/05/20	30/05/22
16/05/18	£0.01	11,200	-	(1,042)	-	10,158	16/05/21	16/05/23
16/03/19	£0.01	19,024	-	-	-	19,024	16/03/22	16/03/24
22/04/20	£0.01	14,563	-	-	-	14,563	22/04/25	22/04/26
2020 RSP								
22/04/20	£0.01	1,820	-	-	-	1,820	22/04/25	22/04/26
Deferred Bonus								
02/03/18	-	3,975	-	-	-	3,975	31/12/19	-
06/03/19	-	6,057	-	-	-	6,057	31/12/20	-
04/03/20	-	657	-	-	-	657	28/02/22	-
04/03/21	-	-	4,526	-	-	4,256	26/02/23	-

This table summarises the outstanding share awards for Oskar Zahn:

Date of grant	Exercise price	Interest as at date of joining	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/21	Vesting date	Expiry date
2017 LTIP								
10/05/21	£0.01	-	8,024	-	-	8,024	10/05/26	10/05/27
2020 RSP								
10/05/21	£0.01	-	1,203	-	-	1,203	10/05/26	10/05/27

This table summarises the outstanding share awards for Andy Sng:

Date of grant	Exercise price	Interest as at 31/12/20	Granted in the year	Forfeited in the year	Exercised in the year	Interest as at 31/12/21	Vesting date	Expiry date
2012 Share Options								
23/02/16	£15.425	60	-	-	-	60	23/02/20	23/02/26
2017 LTIP								
30/05/17	£0.01	855	-	-	(855)	-	30/05/20	30/05/22
16/05/18	£0.01	2,857	-	(266)	-	2,591	16/05/21	16/05/23
16/03/19	£0.01	4,878	-	(3,252)	-	1,626	16/03/22	16/03/24
22/04/20	£0.01	3,236	-	-	-	3,236	22/04/25	22/04/26
03/03/21	£0.01	-	1,930	-	-	1,930	03/03/26	03/03/27
2020 RSP								
22/04/20	£0.01	405	-	-	-	405	22/04/25	22/04/26
03/03/21	£0.01	-	289	-	-	289	03/03/26	03/03/27
Deferred Bonus								
06/03/19	-	1,389	-	-	-	1,389	31/12/20	-
04/03/20	-	1,931	-	-	-	1,931	28/02/22	-
04/03/21	-	-	1,326	-	-	1,326	28/02/23	-

The closing share price of the Company's shares at 31 December 2021 was £51.00 (31 December 2020: £46.90) and the price range fluctuated between £46.30 and £57.00 over the financial year.

REMUNERATION COMMITTEE REPORT CONTINUED

PAYMENTS TO PAST DIRECTORS

No payments were made to former directors in the year, other than to Duncan Penny as disclosed in the single total figure table on page 114. Duncan has continued to support the business as an employee. He received a total of £37,500 during the financial year in relation to this employment and not to services as a Director.

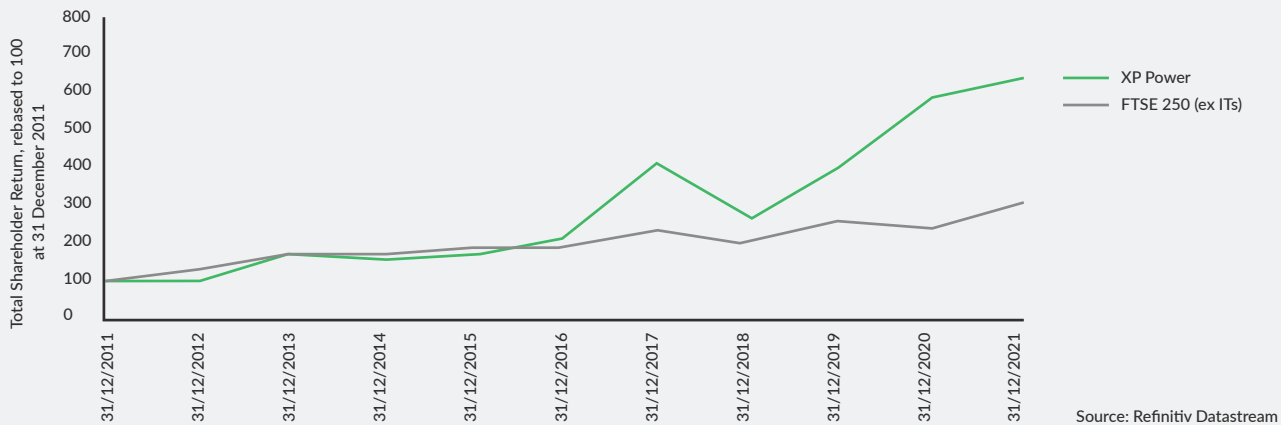
PAYMENTS FOR LOSS OF OFFICE

Duncan Penny stepped down as CEO on 31 December 2020 and stood down from the Board with effect from 20 April 2021. Duncan received his base salary, benefits and pension as CEO until he stood down from the Board. As disclosed on page 116, Duncan received an annual bonus for 2021, pro-rated for the period he was an Executive Director.

All outstanding awards remain subject to performance conditions and vesting periods as they apply for as long as Duncan continues to be an employee.

ASSESSING PAY AND PERFORMANCE

This chart shows the Total Shareholder Return for XP Power since 31 December 2011 compared with that of the FTSE 250 (excluding investment trusts), rebased at 100.



This table shows total remuneration, annual bonus outturn and long-term incentive outturn for the CEO over the same period.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 ¹
CEO total remuneration (£'000)	£274	£271	£271	£310	£800	£531	£684	£562	£1,357	£1,315
Annual bonus (% of maximum)	0%	0%	0%	15%	27%	100%	71%	11%	98%	73%
Long-term incentives (% of maximum)	n/a	n/a	n/a	n/a	81%	n/a	n/a	80%	81%	33%

¹ Duncan Penny stepped down as CEO with effect from 31 December 2020. Gavin Griggs was appointed CEO with effect from 1 January 2021.

CONTEXT FOR DIRECTORS' REMUNERATION

While the Remuneration Committee has not engaged directly with employees on how Executive remuneration aligns with the wider pay policy, the Board has engaged with employees more widely through employee focus groups as outlined on page 90. The Remuneration Committee Chair acts as the designated Non-Executive Director for employee engagement and, to the extent employees wish to discuss executive pay, they are encouraged to ask questions on this and any other topics at these focus groups.

ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND EMPLOYEES

The table below shows the percentage change in salary, taxable benefits and annual bonus earned between 2019 and 2020 and between 2020 and 2021 in respect of each Director, compared to that of the average employee (excluding employees in China and Vietnam, where there has been significant salary inflation).

		Percentage change between 2019 and 2020			Percentage change between 2020 and 2021		
		Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus
	Average employee	4%	3%	670%	8%	139%	(33%)
Executive Directors	Gavin Griggs ¹	10%	(2%)	938%	57%	(22%)	43%
	Duncan Penny ²	10%	3%	923%	(69%)	(50%)	(79%)
	Oskar Zahn ³	-	-	-	-	-	-
	Andy Sng	1%	(9%)	6%	6%	(24%)	(23%)
Non-Executive Directors	James Peters	15%	1%	-	3%	50%	-
	Terry Twigger	25%	-	-	7%	-	-
	Polly Williams	27%	-	-	(2%)	-	-
	Pauline Lafferty	1338%	-	-	15%	-	-

¹ Gavin Griggs was appointed CEO with effect from 1 January 2021. The percentage change between 2020 and 2021 compared his pay as CEO with his pay as CFO.

² Duncan Penny stepped down as CEO with effect from 31 December 2020 and stood down as an Executive Director on 20 April 2021.

³ Oskar Zahn was appointed as CFO with effect from 4 May 2021, so no year-on-year comparison is possible.

CEO PAY RATIO

The table below shows the ratio of the CEO's total remuneration to that of the lower quartile, median and upper quartile UK employee and for the CEO.

Year	Method ¹	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021	Option A	40 : 1	25 : 1	15 : 1
2020	Option A	50 : 1	31 : 1	18 : 1
2019	Option A	21 : 1	13 : 1	7 : 1

¹ Option A was selected because it is the best reflection of the underlying data. Because a large portion of the CEO's pay is variable, the pay ratio is heavily dependent on the outcomes of variable pay plans and, in the case of long-term share-based awards, share price movements.

The year-on-year difference in the ratio of the CEO's pay to the pay of UK employees is principally explained by the variable pay outturns paid in 2020 which were higher than those paid in 2021. Annual bonus and long-term incentives make up a significant proportion of Executive remuneration while it is only a relatively low proportion of total pay for the wider workforce.

The table below shows the total pay and benefits, and the salary component for the employees who sit at each of the three quartiles in 2021.

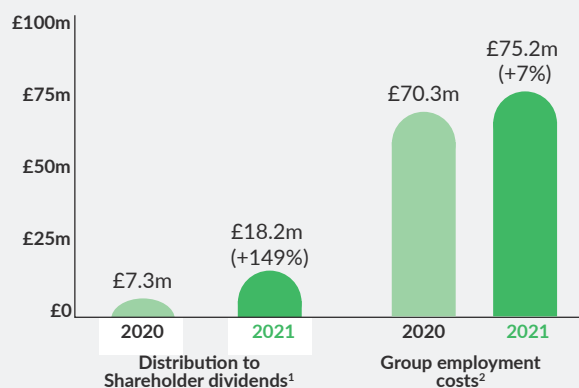
Year	Total pay and benefits	Salary component of total pay
25th percentile	£32,801	£27,509
50th percentile	£53,138	£46,690
75th percentile	£87,833	£78,409
Chief Executive	£1,315,000	£492,000

The ratio of the CEO's pay to the median pay of employees in the UK is a function of XP Power's pay, reward and progression policies for the Company's UK employees and indeed for all XP Power's employees. The Company aims to pay all employees, including the CEO, in accordance with both its values, a desire to pay for performance, internal relativities and the appropriate external market reference points.

REMUNERATION COMMITTEE REPORT CONTINUED

RELATIVE IMPORTANCE OF SPEND ON PAY

This chart illustrates the relative importance of spend on pay compared to Shareholder dividends paid.



¹ Refer to Financial Statements – Note 9 for more details.

² Group employment costs includes Directors' remuneration. Refer to Financial Statements – Note 5 for more details.

ADVICE RECEIVED IN THE YEAR

During the year, FIT Remuneration Consultants LLP ("FIT") provided advice to the Company with respect to the Executive Directors' remuneration. FIT provides no other services to the Remuneration Committee, has no further connection with the Company or individual Director and is a signatory to the Remuneration Consultants Group's Code of Conduct. The fees paid by the Company to FIT in the year was £51,250 excluding VAT. On this basis, the Remuneration Committee satisfied itself that the advice of FIT was objective and independent.

VOTING ON REMUNERATION

The table below sets out voting in respect of the approval of the Directors' Remuneration Policy at the Annual General Meeting on 21 April 2020 and the Directors' Remuneration Report at the Annual General Meeting on 20 April 2021.

	Meeting	Votes for	% of votes for	Votes against	% of votes against	Votes withheld
Approval of Directors' Remuneration Policy	21 April 2020	11,125,326	79.15%	2,930,138	20.85%	299,852
Approval of Directors' Remuneration Report	20 April 2021	11,656,814	90.5%	1,218,147	9.5%	192

We continue to engage with our Shareholders on executive remuneration and seek to strike the right balance of interest among all our Shareholders.

HOW OUR REMUNERATION POLICY LINKS TO THE UK CORPORATE GOVERNANCE CODE

When the current Remuneration Policy was developed, the Committee was mindful of the UK Corporate Governance Code and considers that the executive remuneration framework continues to appropriately address the following factors:

FACTORS	HOW THESE ARE ADDRESSED
Clarity	<ul style="list-style-type: none"> Our Directors' Remuneration Policy, approved by Shareholders in April 2020, was transparent and clearly articulated in the Annual Report.
Simplicity	<ul style="list-style-type: none"> The Committee believes that the executive remuneration arrangements are market standard, straightforward and well understood by both participants and Shareholders.
Risk	<ul style="list-style-type: none"> The Committee's approach to target setting seeks to discourage inappropriate risk-taking through a blend of Shareholder return, financial and non-financial objectives. Our current Remuneration Policy contains appropriate discretion to mitigate potential risks, we operate bonus deferral and post-cessation shareholding requirements. Malus and clawback provisions also apply to the annual bonus plan, LTIP and RSP.
Predictability	<ul style="list-style-type: none"> Executives' incentives are subject to individual participation caps. An indication of the range of outcomes in the packages is provided on pages 114 to 117. Deferred bonus and LTIP awards provide alignment with the share price and their values will depend on share price at the time of vesting.
Proportionality	<ul style="list-style-type: none"> A clear link exists between individual awards, delivery of strategy and our long-term performance. Our policy contains appropriate discretion by the Committee to not reward poor performance.
Alignment to culture	<ul style="list-style-type: none"> Pay and policies cascade down the organisation to ensure they are fully aligned with the XP Power culture.

The Committee will review and ensure that our new policy continues to adhere to these principles.

REMUNERATION COMMITTEE REPORT CONTINUED

Implementation of the Directors' Remuneration Policy in 2022

This table summarises the key components of the Directors' Remuneration Policy as approved by Shareholders at the AGM on 21 April 2020, and how the Committee intends to implement the Policy in 2022. The full Directors' Remuneration Policy is available in the 2020 Directors' Remuneration Report and is available on our website at xppower.com.

COMPONENT	SUMMARY OF POLICY	OPERATION IN 2022
Base salary	<p>Base salaries are reviewed annually. Increases will not normally exceed the range of increases awarded to other employees within the Group.</p> <p>The Remuneration Committee may also increase a Director's salary should there be a change in the scope of their role, the scale or complexity of the business or if significant changes to market practice arise.</p>	<p>The Remuneration Committee undertook its regular review of Executive Directors' base salaries, with increases due to take effect from 1 April 2022.</p> <ul style="list-style-type: none"> Gavin Griggs' base salary will increase from £500,000 to £550,000 (an increase of 10%) Andy Sng's base salary will increase from S\$300,000 to S\$312,000 (an increase of 4%) Oskar Zahn's base salary was set at £400,000 on his appointment as CFO from 4 May 2021. Oskar Zahn will increase to £416,000 (an increase of 4%).
Benefits	Benefits are set by the Remuneration Committee and reviewed annually.	Benefits include life insurance, private medical cover, housing allowance in China for Andy Sng and car allowance.
Pensions	Executive Directors' pension contributions are in line with pension benefits offered to the XP Power workforce in the relevant geography, which is currently 8% in the UK.	Gavin Griggs and Oskar Zahn each receive a pension contribution of 8% of base salary. Andy Sng receives a pension contribution of 6% of salary, in line with the pension benefits offered to employees in Singapore.
Annual bonuses	<p>The maximum bonus opportunity is 125% of base salary for the CEO and 100% for other Executive Directors. 50% of any annual bonus is deferred in shares, which vest after two years subject to continued employment.</p> <p>Specific targets and weightings may vary according to strategic priorities and may include:</p> <ul style="list-style-type: none"> Financial performance Attainment of personal and strategic objectives 	<p>For 2022, the maximum bonus opportunity will be capped at 125% of salary for the CEO and 100% for other Executive Directors, with on-target payouts of 50% of maximum.</p> <p>Bonuses will continue to be based on a combination of financial and strategic performance measures. The precise targets are considered commercially sensitive and so the targets are not disclosed prospectively. The targets and performance achieved against these will be published in next year's Annual Report on Remuneration. The performance measures that will apply are:</p> <ul style="list-style-type: none"> Adjusted profit before tax (50%) Adjusted operating cash flow as a percentage of adjusted operating income (25%) Strategic objectives (25%) <p>Andy Sng's strategic performance objectives are set with reference to divisional performance and largely reflect the priorities set out for Gavin Griggs and Oskar Zahn.</p>

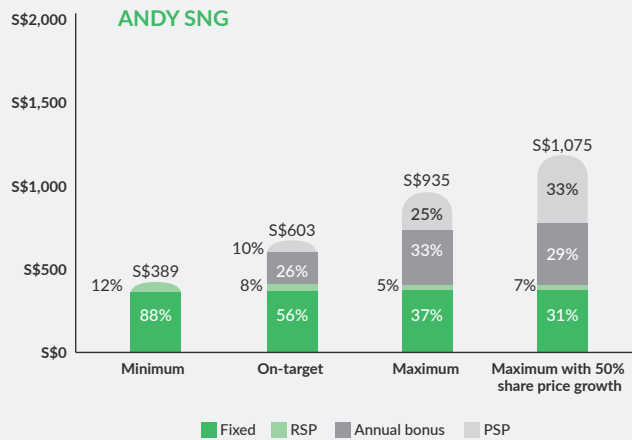
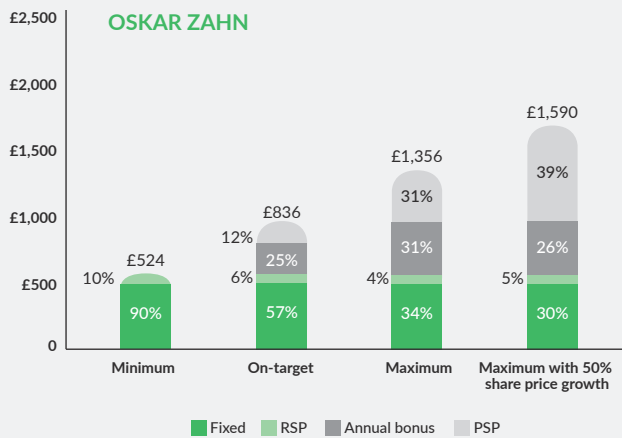
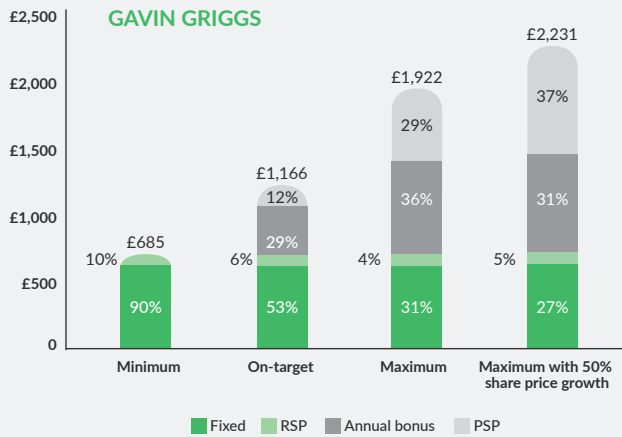
COMPONENT	SUMMARY OF POLICY	OPERATION IN 2022																								
Long-term incentive plan (LTIP)	<p>The LTIP is made up of a Performance Share Plan (PSP) and a Restricted Share Plan (RSP).</p> <p>The normal maximum award level under the LTIP is 150% of base salary or up to 200% of base salary in exceptional circumstances. Up to a maximum of 15% of base salary may be granted as restricted shares without performance conditions. In calculating value against the LTIP limit, the value of restricted share awards will be multiplied by two to reflect that they do not have performance conditions attached.</p> <p>PSP performance is typically measured over three financial years starting with the year of date of grant. RSP awards may be granted without performance conditions.</p>	<p>In 2022, the Remuneration Committee anticipates granting the following awards:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>PSP award (% of salary)</th> <th>RSP award (% of salary)</th> </tr> </thead> <tbody> <tr> <td>Gavin Griggs</td> <td>100%</td> <td>12.5%</td> </tr> <tr> <td>Oskar Zahn</td> <td>100%</td> <td>12.5%</td> </tr> <tr> <td>Andy Sng</td> <td>75%</td> <td>15.0%</td> </tr> </tbody> </table> <p>The PSP awards will vest subject to a combination of (i) cumulative diluted adjusted EPS performance and (ii) TSR performance compared with the TSR of companies in the FTSE 250 excluding investment trusts, both measured over three financial years. The performance targets are:</p> <table border="1"> <thead> <tr> <th>Cumulative diluted adjusted EPS (67% of maximum)</th> <th>TSR vs FTSE 250 ex investment trusts (33% of maximum)</th> <th>Vesting</th> </tr> </thead> <tbody> <tr> <td>650.2 pence per share or above</td> <td>Upper quintile (80th percentile) or above</td> <td>100%</td> </tr> <tr> <td>580.5 pence per share</td> <td>Median (50th percentile)</td> <td>25%</td> </tr> <tr> <td>Below 580.5 pence per share</td> <td>Below median</td> <td>No vesting</td> </tr> </tbody> </table> <p>Vesting between threshold and maximum will be measured on a straight-line basis.</p>	Name	PSP award (% of salary)	RSP award (% of salary)	Gavin Griggs	100%	12.5%	Oskar Zahn	100%	12.5%	Andy Sng	75%	15.0%	Cumulative diluted adjusted EPS (67% of maximum)	TSR vs FTSE 250 ex investment trusts (33% of maximum)	Vesting	650.2 pence per share or above	Upper quintile (80th percentile) or above	100%	580.5 pence per share	Median (50th percentile)	25%	Below 580.5 pence per share	Below median	No vesting
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REMUNERATION COMMITTEE REPORT CONTINUED

ILLUSTRATION OF THE APPLICATION OF THE DIRECTORS' REMUNERATION POLICY (UPDATED)

The charts below give an indication of the level of remuneration that would be received by each Executive in accordance with the approved Directors' Remuneration Policy, updated for 2022.

All figures are shown in thousands.



The charts above illustrate the value of the remuneration package for each Executive in 2022, under four scenarios:

- Minimum: Fixed pay (consisting of base salary, benefits and pension) and full vesting under the RSP
- On-target: Fixed pay, full vesting under the RSP, on-target outturn under the annual bonus (50% of maximum) and threshold vesting under the PSP (25% of maximum)
- Maximum: Fixed pay, full vesting under the RSP, maximum outturn under the annual bonus and full vesting under the PSP
- Maximum (with 50% share price growth): As shown in the "maximum" scenario, with 50% share price appreciation assumed for the RSP and PSP

The fixed elements of remuneration are as follows (on an annualised basis):

Position	Name	Base salary	Benefits	Pension	Total fixed pay
Chief Executive Officer	Gavin Griggs	£550,000	£21,800	£44,000	£615,800
Chief Financial Officer	Oskar Zahn	£416,000	£22,500	£33,300	£471,800
Executive Vice President, Asia	Andy Sng	S\$312,000	S\$11,400	S\$18,700	S\$342,100

DIRECTORS' CONTRACTS

The Executive Directors' contracts run for an indefinite period, with the Company being able to terminate the contracts without cause giving 12 months' notice. When a Director is terminated without cause, the Director is entitled to a termination payment of 12 months of basic pay. Directors' service contracts are available for inspection at the Annual General Meeting of the Company. Directors are able to terminate the contracts giving 12 months' notice.

The Non-Executive Directors' contracts run for an indefinite period, with the Company being able to terminate the contracts without cause giving 12 months' notice. If the Shareholders do not re-elect a Non-Executive Director, or they are retired from office under the Articles, their appointment terminates automatically, with immediate effect and without compensation. In accordance with the Code, Non-Executive Directors will not serve more than nine years. Non-Executive Directors are not entitled to share option awards, long-term incentive plans or pensions.