DIRECTOR'S REMUNERATION POLICY

The Directors' Remuneration Policy (the "Policy") is subject to a binding shareholder vote at XP Power's AGM on 18 April 2023 and, if approved, will apply from this date. The intention is that the Policy will apply for a period of at least three years.

The Policy was reviewed and approved by the Remuneration Committee. As part of the review process, the Committee sought the views of other Board members, Executives and the external advisers, as well as our larger shareholders and shareholder advisory bodies. This feedback was considered by the Committee, who then made decisions independently.

There are no material changes proposed in the Policy from the previous version, which was approved at the AGM in 2020.

The information in this section of the Directors' Remuneration Report is not subject to audit.

How our remuneration policy links to the UK Corporate Governance Code

When the proposed 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	• Our Directors' Remuneration Policy is transparent and clearly articulated in the Annual Report. There are no material changes from the previous version of the Policy so it is already well understood internally and externally.
Simplicity	• The Committee believes that the executive remuneration arrangements are market standard, straightforward and well understood by both participants and Shareholders.
Risk	• 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 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	• Executives' incentives are subject to individual participation caps. An indication of the range of outcomes in the packages is provided on page 121. • 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	• 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	• Pay and policies cascade down the organisation to ensure they are fully aligned with the XP Power culture.

The policy table

The objectives of the Remuneration Policy are to:

- reward employees and Executives appropriately for the work they do (base salary);
- provide market competitive remuneration packages to enable retention or recruitment (base salary plus benefits);
- incentivise the employees and Executives to perform at their best consistently (bonus/long-term incentive plan/restricted share plan);
- align Shareholders' and senior management's interests (bonus in shares, long-term incentive plan/restricted share plan and shareholding guidelines); and
- retain key staff (long-term structures with delayed vesting).

The following table provides a summary of the key components of the remuneration package. Other than minor clarifications to explain the operation of our incentives, there are no material changes to the prior policy table. We also provide more detailed disclosure around the default leaver provisions attaching to our incentives in a new separate section following the main policy table:

PURPOSE	OPERATION	OPPORTUNITY	APPLICABLE PERFORMANCE MEASURES
BASE SALARY			
To help recruit, retain and motivate high-performing Executives. Reflects the individual experience, role and importance of the Executive Director to the business.	Base salaries are set by the Remuneration Committee and normally reviewed annually. Increases are effective from 1 April, although increases may be awarded at other times if the Remuneration Committee considers it appropriate. A market benchmarking exercise will be undertaken periodically as determined by the Remuneration Committee to ensure that base salary remains around the median of the market level for roles of a similar nature, and to reflect the individual's skills, experience and performance.	Base salaries are reviewed annually. Increases will not normally exceed the range of increases awarded to other employees within the Group. The Remuneration Committee may also increase a Director's salary if there is a change in the scope of their role, the scale or complexity of the business or if significant changes to market practice arise, which the Remuneration Committee believes justifies a further increase in base salary.	n/a
BENEFITS			
To help recruit, retain and motivate high-performing Executives. To provide market competitive benefits.	Benefits are set by the Remuneration Committee and reviewed annually. Benefits currently received by the Directors include: • Paid holidays • Life insurance • Private medical cover • Housing allowance • Car allowance Other allowances provided to the wider workforce may also be provided.	The Company provides a range of market-benchmarked benefits. The costs of these benefits may change year-on-year due to external costs. The Remuneration Committee has flexibility to provide benefits that would typically have been available to an Executive Director in an overseas jurisdiction when recruiting from outside of the UK.	n/a
ANNUAL BONUSES			
Align interests of Executive Directors and Shareholders in the short and medium terms.	The annual bonus scheme participation levels (including maximum opportunities) are determined by the Remuneration Committee following the end of the year, based on performance achieved against the performance metrics set. Awards are split equally between (i) cash and (ii) shares vesting after two years, subject to continued employment or good leaver status. Amounts equivalent to any dividends or Shareholder distributions made in respect of awards at vesting, are paid at the discretion of the Remuneration Committee. The Remuneration Committee has the power to reduce unpaid annual bonuses and clawback bonuses already paid on a net basis in circumstances set out below this table.	Up to 125% of base salary for CEO and up to 100% for other Executive Directors. Executive Directors will receive 25% of the maximum award for threshold performance and 50% for on-target performance.	Specific targets and weightings may vary according to strategic priorities and may include: • Financial performance; • Attainment of personal, operational, and strategic objectives; and • Weighting will focus on Group financial performance.

PURPOSE	OPERATION	OPPORTUNITY	APPLICABLE PERFORMANCE MEASURES
PENSIONS			
Provide a basic pension benefit that would be expected for the position.	Percentage of base salary paid into a defined contribution scheme.	In line with pension benefits offered to the wider workforce in the relevant geography, which is currently 8% in the UK and 6% in Singapore.	n/a
SHARE-BASED INCENTIVES			
Align the interests of Executive Directors and Shareholders in the long term. Incentivise long-term value creation.	Share-based incentives are made up of a Long-Term Incentive Plan (LTIP) that was approved at the 2017 AGM, and a Restricted Share Plan (RSP) that was approved at the 2020 AGM.	The normal maximum award level under share-based incentive plans is 150% of base salary or such higher amount as the Remuneration Committee in its absolute discretion may determine, up to a maximum of 200% of base salary. The 200% cap is restricted to exceptional circumstances only.	
	LTIP awards may be made in the form of conditional share awards, nil or nominal cost options. The LTIP also provides for awards to be structured as stock appreciation or phantom rights, which may be suitable for awards granted in overseas jurisdictions. Performance is typically measured over three financial years starting with the year of date of grant, or any longer period as the Remuneration Committee may decide. An award will be subject to a two-year holding period.	25% of a LTIP award will vest for threshold performance.	Specific targets and weightings may vary according to strategic priorities at the start of each performance period and may include: • Financial performance (such as EPS) • Value creation (such as TSR) • Strategic objectives Weighting is expected to focus on Group financial and value creation performance measures.
	RSP awards may be granted without performance conditions. Restricted share awards normally vest five years from the date of award.	Up to a maximum of 15% of base salary may be granted as restricted shares without performance conditions. In calculating value against 150% of salary limit for share-based incentives, the value of restricted share awards will be multiplied by two to reflect that they do not have performance conditions attached.	
	Clawback: The Remuneration Committee has the discretion to claw back some or all awards granted under share-based incentive plans by reducing unvested awards or requiring the return of the net value of vested awards to the Company in circumstances set out below this table. Amounts equivalent to any dividends or Shareholder distributions made in respect of awards at vesting, are paid at the discretion of the Remuneration Committee.		

PURPOSE	OPERATION	OPPORTUNITY	APPLICABLE PERFORMANCE MEASURES
SHAREHOLDING (MINIMUM)			
Align the interests of Executive Directors and Shareholders in the long term.	To build a minimum shareholding equivalent to two years' salary. Directors have a period of five years from appointment to achieve this.	n/a	n/a
POST EMPLOYMENT SHAREHOLDING			
Align the interests of Executive Directors and Shareholders in the long term.	Post cessation, Executive Directors must hold shares equivalent to 200% of salary for the first year and 100% of salary for the second year or, if their holding is lower than this at cessation, the value of their holding at the point of cessation. The Committee will ensure the application of this requirement through a signed agreement with the Executive. Shares that have been, or are in future, purchased by Executives will not be subject to restrictions on sale. Deferred bonus shares in their deferral period and vested LTIP awards that are still in their holding period will be counted against the percentage requirement on a net of tax basis.	n/a	n/a
NON- EXECUTIVE DIRECTORS' FEES			
Fees are set at a level that is sufficient to attract, motivate and retain quality Non- Executive Directors.	Fees are reviewed periodically. The Board (excluding the Non-Executive Directors) are responsible for setting Non-Executive Directors' fees. Non-Executive Directors are not entitled to participate in the Group's incentive plans.	The total amount of Non-Executive Directors' fees shall not exceed that approved by Shareholders at a General Meeting (currently £600,000 in accordance with the Articles).	n/a

Use of discretion

The Company's incentive plans including the annual bonus scheme, share option scheme, LTIP and RSP will be operated within the rules of the relevant scheme, together with all applicable laws and regulations. The Remuneration Committee may operate the discretion contained in the relevant plan in order to facilitate its administration and operation. Discretion includes (but is not limited to):

- who is invited to participate or receive awards, the size and timing of awards or payments;
- the setting of appropriate performance measures and targets from year to year, and any adjustment of these considering market conditions;
- the annual review of performance against targets for the determination of bonuses and awards;
- the determination of vesting and performance periods; and
- the treatment of leavers, and discretion when dealing with adjustments for corporate events (such as changes in control, rights issues, de-mergers, acquisitions etc).

Annual bonus documentation and the LTIP, subject to shareholder approval, will contain provisions to give the Committee the ability to apply discretion to adjust any formulae and workings to reduce vesting levels to ensure pay-outs fully and properly reflect overall performance and Shareholder experience and in response to exceptional negative events.

Performance measures and targets

The Company's incentive plans use a range of performance measures linked to the business strategy and key priorities at the time. Measures and weightings will be described in the respective Directors' Remuneration Report. Performance targets will be challenging yet achievable, and will require stretching out-performance to achieve the maximum. Annual bonus targets will usually be disclosed when they are no longer commercially sensitive. LTIP targets will usually be disclosed on a prospective basis where possible.

Malus and clawback

Annual bonus documentation, the LTIP and RSP, will contain provisions to give the Committee the ability to apply malus and clawback provisions. These allow the Committee to determine, in its absolute discretion, that an unvested award or bonus award (or part of an award) may not be permitted to vest or that the level of vesting is reduced in certain circumstances or payment back of some or all of an award is required after vesting. Where the Committee acts fairly and reasonably to determine within a period not exceeding three years from the determination of an award that:

- a serious breach of the Company's code of ethics has arisen; or
- a serious health and safety issue has occurred; or
- the award holder has participated in or was responsible for conduct that has resulted in significant losses to the Group; or
- the award holder has failed to meet appropriate standards of fitness and propriety resulting in a material negative effect on the Group; or
- the award holder has committed material wrongdoing or has breached the terms of their employment contract in such manner as would result in a potentially fair reason for dismissal; or
- there was a material error in determining whether an award should be made, in determining the size or nature of the award or the extent to which it has vested,

it may require any unvested awards held by the award holder to lapse in whole or in part immediately, and/or may require the award holder to repay the Company the after-tax value of some or all vested awards received during that period, in such form as they may determine.

Malus and clawback will continue to apply to any awards held by leavers and those vesting in connection with corporate events/changes in control. The Committee has the right to apply the malus provision to an individual or on a collective basis. It shall also (acting reasonably and in good faith) determine the amount or award subject to clawback.

Legacy commitments

The Committee reserves the right to honour any legacy remuneration arrangements including those made under a previously approved Directors' Remuneration Policy.

Approach to Executive recruitment

In the event of the recruitment of a new Executive Director, the Remuneration Committee would consider the structure and levels of the remuneration for existing Directors and prevailing market practice, together with the skills and value it believed the new Director would bring to the Company. It is therefore expected that a new Director's package would include the same elements as existing Directors and the maximum level of variable remuneration for annual bonus and LTIP would be capped as it is for existing Executive Directors. Depending on the timing of any appointment, the performance measures and targets used for incentive purposes may differ from existing Executive Directors for the first performance cycle. The Committee may agree to meet any relocation expenses or other benefit arrangements if considered in the best interests of Shareholders. In addition, the Remuneration Committee will have discretion to make payments or awards to buy out incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above, and may exercise the discretion available under Listing Rule 9.4.2R if necessary to do so. In doing so, the Remuneration Committee will seek, to the best possible extent, to do no more than match the fair value of the awards forfeited, considering the applicable performance conditions, likelihood of those conditions being met and proportion of the applicable vesting period remaining. Where an Executive Director appointment is an internal candidate, the Remuneration Committee will honour any pre-existing remuneration obligations or outstanding variable pay arrangements that relate to the individual's previous role. The Remuneration Committee retains the discretion to offer appropriate remuneration outside the standard policy where an interim appointment is made to fill an Executive role on a short-term basis or where exceptional circumstances require that the Chair or a Non-Executive Director takes on an Executive function.

Executive 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' basic pay. Directors' service contracts are available for inspection at the AGM of the Company. Directors can terminate the contracts giving 12 months' notice.

The Executive Director may, at the discretion of the Committee, remain eligible to receive a bonus award for the financial year that they cease to be an employee in, if the Committee has decided that good leaver terms should apply. Any such bonus will be determined by the Committee considering time in employment and performance. Any deferred bonus and share-based incentives will be subject to the leaver terms in the respective plan rules.

The Committee may determine it appropriate to provide reasonable outplacement support to a departing Executive Director, the reimbursement of legal advice at the expense of the Company and any payments required by statute.

Leaver provisions

The table below outlines the treatment of outstanding share awards under the short and long-term incentive plans for "good" and "bad" leavers, and in circumstances where the Company undergoes a change of control. A "good" leaver will generally mean an Executive Director who ceases to be an employee for any of the following reasons: death, retirement, injury or disability, the employing company ceasing to be part of the Group, redundancy, or any other reason, subject to Remuneration Committee discretion. A "bad" leaver will generally mean any leaving scenario that is not provided for under the good leaver definition.

TYPE OF LEAVER	DBP	LTIP	RSP
Good leaver	Where a participant ceases to be an employee before the end of the deferral period, awards will vest in full on the date of cessation.	Where a participant ceases to be an employee during the first three years of the performance period, the number of shares vesting will be subject to a pro-rata reduction by reference to relevant performance achievement, and the period elapsed between the award date and date of cessation, unless the Remuneration Committee determines the reduction is not appropriate. Shares will vest at the end of the vesting period (five years from grant) or such earlier date as the Remuneration Committee determines. Where a participant ceases employment after the first three years of the performance period, no pro-rating will apply but awards will vest on the fifth anniversary of the grant of the award unless the Remuneration Committee exercises its discretion to permit earlier vesting.	Where a participant ceases to be an employee during the first three years of the restricted period, the number of shares vesting will be subject to a pro-rata reduction by reference to the period elapsed between the award date and the date of cessation, unless the Remuneration Committee determines the reduction is not appropriate. Shares will vest at the end of the vesting period (five years from grant) or such earlier date as the Remuneration Committee determines. Where participants cease employment after the first three years of the restricted period, no pro-rating will apply but awards will vest on the fifth anniversary of the grant of the award unless the Remuneration Committee exercises its discretion to permit earlier vesting.
Bad leaver	Where a participant ceases to be an employee before the end of the deferral period, awards will lapse in full on the date of cessation. The Committee retains discretion to override this rule in whole or in part except in circumstances where the participant is dismissed for reason of misconduct.	Where a participant ceases to be an employee during the first three years of the performance period, all outstanding shares will lapse immediately on cessation. Where participants cease employment after the first three years of the performance period, awards will vest on the fifth anniversary of the grant of the award or such earlier date as the Committee may determine, except in circumstances where the participant is dismissed.	Where a participant ceases to be an employee during the first three years of the restricted period, all outstanding shares will lapse immediately on cessation. Where participants cease employment after the first three years of the restricted period, awards will vest on the fifth anniversary of the grant of the award or such earlier date as the Committee may determine, except in circumstances where the participant is dismissed.
Change of control	On a change of control of the Company during the deferral period, awards will vest in full on the date of the event.	On a change of control of the Company prior to the vesting date of an LTIP award (the fifth anniversary of grant), an award will vest on the date of the event and the Remuneration Committee has the discretion to determine the number of shares vesting by assessing the achievement of the relevant performance conditions and apply a pro-rata reduction based on the proportion of the performance period elapsed at the time of the event, unless it determines a pro-rata reduction is not appropriate.	On a change of control of the Company prior to the vesting date of an RSP award, an award will vest on the date of the event over such number of shares as the Committee determines, considering the time elapsed since the grant date and any other factors considered relevant.

The Remuneration Committee has the discretion to permit acceleration of vesting and to disapply pro-rating.

Non-Executive Directors' contracts

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-based incentives or pensions.

Shareholder consultation

The Remuneration Committee's policy is to consult with major Shareholders on significant decisions on Executive remuneration. The development of this Policy was subject to consultation with Shareholders and proxy agency advisers. Feedback from any engagement is considered by the Committee on a timely basis.

More generally, the Committee is kept updated on the latest guidance from the proxy agency and major institutional Shareholders.

Statement of consideration of employment conditions elsewhere in the Company

Pay and conditions throughout the Group are considered when setting the remuneration policy. The Committee will be regularly informed of remuneration trends and issues throughout the workforce and keeps this in mind when determining the Policy for Executive Directors.

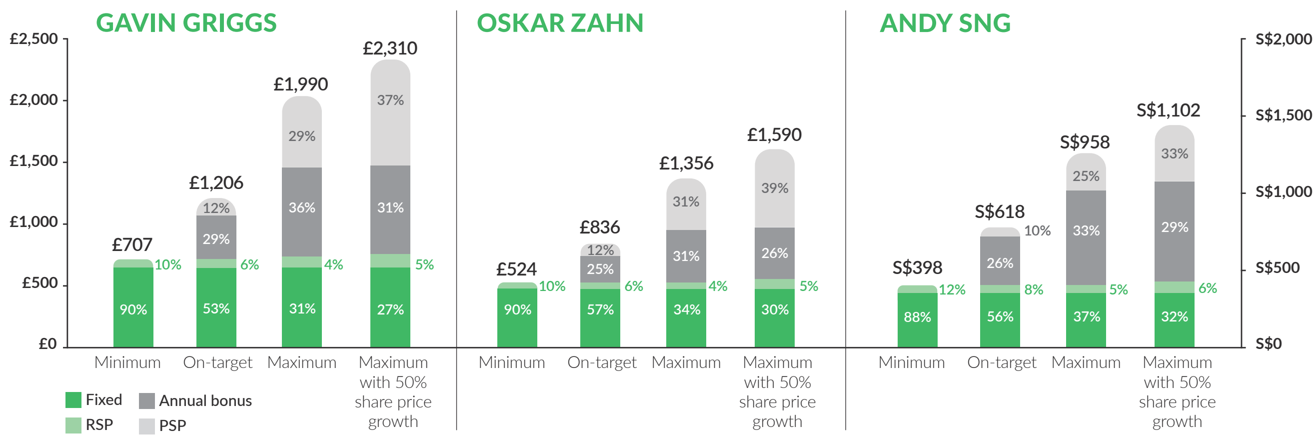
Fixed pay is set for wider employees in a similar way to that for the Executive Directors, albeit in some locations pay is subject to local regulatory compliance. The use of incentive pay will vary across the business and any performance measures used will reflect the nature of the specific role and its location.

The Remuneration Committee does not consult directly with other employees when setting Executive Director remuneration. However, the Chair of the Remuneration Committee is also the designated Non-Executive Director responsible for workforce engagement and has conducted several activities that have included the opportunity to discuss executive remuneration with employees.

Illustration of the application of the Directors' remuneration policy

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

All figures are shown in thousands.



The charts above illustrate the value of the remuneration package for each Executive in 2023, 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 LTIP (25% of maximum)
- Maximum: Fixed pay, full vesting under the RSP, maximum outturn under the annual bonus and full vesting under the LTIP
- Maximum (with 50% share price growth): As shown in the "maximum" scenario, with 50% share price appreciation assumed for the RSP and LTIP

For the purposes of the charts above, the fixed elements of remuneration are as follows (on annualised basis):

Position	Name	Base salary (effective April 2023)	Benefits (as per FY22)	Pension	Total fixed pay
Chief Executive Officer	Gavin Griggs	£570,000	£21,800	£44,000	£635,800
Chief Financial Officer	Oskar Zahn	£416,000	£22,500	£33,300	£471,800
Executive Vice President, Asia	Andy Sng	S$320,000	S$11,400	S$18,700	S$350,100