INTRODUCTION TO SUSTAINABILITY FROM THE CEO

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Sustainability is an integral part of our strategy. We have invested in our operations, infrastructure, technology, people and communities, and will continue to do so.

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

Sustainability is important to XP Power and all our stakeholders. We have a proud legacy on which to build being the first power converter manufacturer to be admitted into the Responsible Business Alliance, and it remains an integral part of our Company strategy.

First and foremost, sustainability is about 'doing the right thing' for our planet and each other. We have a moral obligation to act now with pace and purpose. This remains our primary motivator. Our biggest focus is on dramatically reducing our impact across the whole value chain from everything we buy, to everything we do and everything we sell, with an emphasis on efficiency and achieving net zero by 2040. To this end, we have signed the letter of commitment with The Science Based Targets initiative (SBTi) and have developed targets that we intend to submit for verification in the first half of 2023. Our net zero pathway will reduce greenhouse gas emissions from our operations, the raw materials used to make our products, and our products in use. It will be an enabler of good business in using resources more efficiently, to do more with less, and act as a guiding principle in refreshing our product portfolio. XP Power has a strong history of innovation and engineering excellence in creating highly efficient products. These provide an ongoing commercial opportunity whilst progressing our own sustainability

agenda and supporting customers to reduce their own carbon footprint. This is a key path to strengthening our market leadership and building our reputation with customers. We have invested in our operations, infrastructure, technology, people and communities, and will continue to do so. This will help to embed sustainability into the everyday operational fabric of our business, influencing all our decisions and actions across the Group. All our colleagues will have a part to play and the shared diversity of thoughts, ideas, experience and skills, in the Group will help embed sustainability as business as usual.

GAVIN GRIGGS
CHIEF EXECUTIVE OFFICER

28 February 2023

OUR SUSTAINABILITY STRATEGY IS TO:

01

Produce quality products that are safe and solve our customers' power problems

Our power converters are the safety critical element of the end application providing the isolation barrier between the end user and the relatively high voltage mains electricity.

LINK TO

Material issues

1, 3

→

SEE **PAGES 62–63** FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

02

Minimise the impact we and our products have on the environment and adopt responsible sourcing practices considering social and environmental impacts

Our sustainable business goal is to be the leader of our industry regarding environmental matters, and to minimise the impact we and our products have on the environment.

LINK TO

Material issues

8, 9, 11

→

SEE **PAGES 64-69** FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

03

Make XP Power a workplace where our people can be at their best, ensuring an environment that is safe, diverse, inclusive and attracts and retains the best talent

Our sustainable business goal is to improve the physical and mental health of our employees, provide them with a safe place to work and to create an environment where our people can be their best.

LINK TO

Material issues

4, 5, 6, 10

→

SEE **PAGES 70–77** FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

04

Uphold the highest standard of business ethics and integrity

Our sustainable business goal is to have zero breaches of our Code of Conduct and uphold the highest standard of ethics and integrity.

LINK TO

Material issues

2, 7

→

SEE **PAGES 78–79** FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

Our sustainability strategy is to:

- produce quality products that are safe and efficient, and solve our customers' power problems;
- minimise the impact we and our products have on the environment;
- adopt responsible sourcing practices while considering social and environmental impacts;
- make XP Power a workplace where our people can be at their best to ensure an environment that is safe, diverse, inclusive, and attracts and retains the best talent; and
- uphold the highest standard of business ethics and integrity.

We have used our materiality analysis results from 2021, which was conducted in 2020 (Annual Report 2021, p54) to focus our sustainability strategy on issues that matter most to the Group from a financial and business purpose perspective, and that impact society and our stakeholders. The material issues we identified shape our sustainability strategy, priorities, approach and reporting. We group our material issues into four areas, aligned to the UN Sustainable Development Goals (SDGs) that are supported by each area.
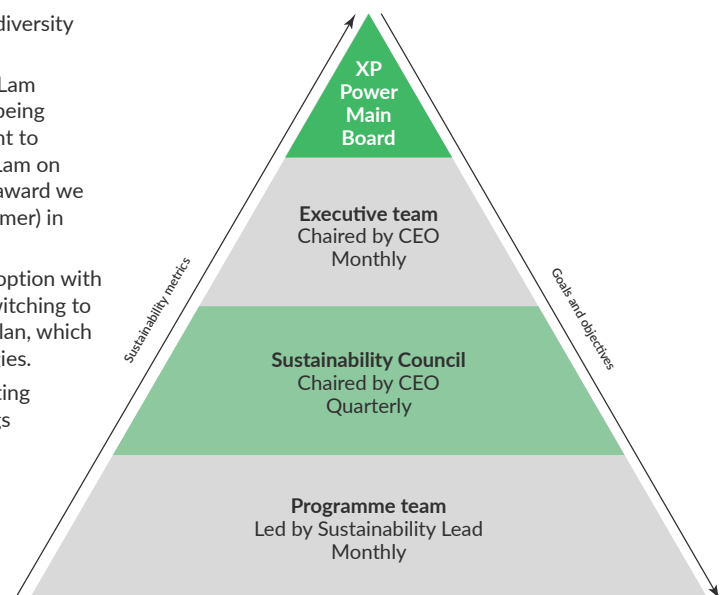
As sustainability is core to the XP Power business strategy, we have a robust structure of sustainability oversight in place. Responsibilities and reporting lines were enhanced this year through the creation of a Sustainable Development Working Group, which sits below the Sustainability Council formed in 2021. The Working Group meets monthly and takes an active role in managing Group sustainability projects and progress. Full details of our sustainability governance model and its responsibilities are outlined in the task force on climate-related financial disclosures (TCFD) Report (page 80).

ACHIEVEMENTS IN PAST 12 MONTHS

- Signed a letter of commitment to the Science Based Targets Initiative (SBTi) and have developed targets for verification for our long-term target of net zero across our value chain for 2040 and interim targets for Scope 1 and 2 and for Scope 3 for 2030 based off a 2022 base year.
- Creation of the Sustainable Development Working Group (see TCFD Report).
- In recognition of our credentials as a responsible and sustainable business, XP Power has maintained its position in the FTSE4Good Index.
- Achieved a C grade in CDP Climate Change (2021: grade D).
- End-to-end carbon footprint methodology established, which includes a full Scope 3 analysis for 2022.
- Enhanced our reporting against the TCFD.
- Creation of Group Supply Chain and Biodiversity policies.
- Received the inaugural ESG award from Lam Research, one of our largest customers, being recognised for our long-term commitment to ESG goals and proactively aligning with Lam on these priorities. This follows the PRISM award we received from ASM (another major customer) in 2021 for sustainability.
- Aligned our employees' default pension option with our ESG values, with our new scheme switching to Standard Life's Sustainable Multi-asset Plan, which invests in responsible investment strategies.
- Shipped XP Green Power products resulting in minimum lifetime CO_2 emission savings of 134,000 tonnes.

PRIORITIES FOR 2023

- We intend to submit our emissions reduction targets for verification by the Science Based Targets Initiative (SBTi) in the first half of 2023.
- Develop and publish our net zero transition plan aligned to the Transition Plan Taskforce (TPT) draft standards.
- Further embed sustainability throughout the Group's strategic decisions.
- Continue to enhance the Group's ISO 14001 coverage to include our sites at FuG, Gloucester and High Bridge.
- All Sustainable Development Working Group members to complete the Cambridge Institute for Sustainability Leadership course in 2023.
- Set new performance targets for our material topics.

Pyramid diagram (top to bottom): XP Power Main Board; Executive team — Chaired by CEO, Monthly; Sustainability Council — Chaired by CEO, Quarterly; Programme team — Led by Sustainability Lead, Monthly. Left side label: Sustainability metrics. Right side label: Goals and objectives.

1. SUSTAINABLE PRODUCTS

How this strategic pillar links to the UN SDGs

This aligns with UN SDG 9 "Industry, innovation and infrastructure" in promoting sustainable industrialisation, and UN SDG 12 "Responsible consumption and production" in the efficient use of natural resources.

We have embedded sustainability, specifically carbon reduction, reduction via efficiency and component count, into our New Product Introduction (NPI) processes and will be setting internal targets in this area this year. Such innovation is by its nature commercially sensitive and so we will not be disclosing these specific targets externally, however they will form a key part of our SBTi commitment to achieving net zero emissions across the value chain by 2040.

Estimated lifetime savings from XP Green Power products

One of our biggest contributors to reduction in CO_2 emissions is from adoption of our XP Green Power products, which have high efficiency and low standby power. The CO_2 emission savings from these products consistently exceed our scope 1 and 2 CO_2 emissions combined. XP Green Power products consume less electricity than the average power converter both while powering the load and when on standby and not powering the customers' applications. A power converter operating at 90% efficiency wastes less than half of a power supply operating at 80% efficiency. Consequently, the savings in energy and, therefore, CO_2 emissions of the lifetime of the product are very compelling.

To achieve these efficiency gains requires more higher cost components and complex circuits, but the return on investment of a higher efficiency product can be captured in consumption of electricity with full payback on electricity costs usually within the first year of use. Therefore, we continue to promote and encourage the use of these high-efficiency products and anticipate that the trend for higher efficiency products will continue in the electronics industry. These legislative requirements are projected to extend across various industries from consumer equipment to the healthcare and industrial markets we serve.

We introduced 8 XP Green Power product families in 2022. The estimated lifetime savings[1] from the XP Green Power products that we have shipped during 2022 is 134,000 tonnes CO_2.

[1] In estimating these savings, we have assumed the following:
- XP Green Power product efficiency of 90% versus average power converter efficiency of 80%.
- The power converter will run for eight hours a day, five days a week, 50 weeks a year, for seven years, in the customers' equipment.
- The customer will run the power converter at 75% of its rated power; and
- 1kWh of electricity produces 0.418kg of CO_2.

Boosting innovation

Our ambition is to be an industry leader on sustainability – this also includes our products. We were the first to introduce greener, safer converters and we believe that we have the broadest product portfolio in our industry. Product design is our customers' top material impact and scored even higher than customer experience and satisfaction. Our R&D investment is a key part of the Group's strategy, with particular focus on energy efficiency and delivering to our clients' needs in RF, High Voltage, Low Voltage and Low Power.

This year, we undertook a full lifecycle analysis of our products. This has enabled us to better understand our carbon footprint and start to look at ways to reduce our embedded emissions in purchased goods and use phase emissions, which are the two biggest sources of our scope 3 emissions. To have a sustainable business, we need to be more deliberate in developing low carbon products and solutions that solve our customers' power problems, within the balance of cost and efficiency. Our engineers bring ideas, skills and innovation to reducing energy usage for our customers, and we integrate sustainability into our product design as new materials and components become available. We consider and respond to environmental issues throughout every stage of our product lifecycle, and our high-efficiency products play a role in helping the economy move to a low-carbon future. Our new product design process considers:

- **Energy efficiency** – We have consistently led the industry in developing high-efficiency XP Green Power products, in the industrial and medical sectors, which consume and therefore use less electricity in both powering the application or on standby. This results in significantly reduced CO_2 emissions over the lifetime of the customers' equipment, which is often seven to ten years.
- **Novel materials** – Wherever possible, we introduce novel materials into our higher-end products, like ultra-efficient silicon carbide devices. We have also used new semiconductor components for the control of our power supplies, which allow soft switching to reach very high-efficiency rates and low standby power ratings. Future developments in power transistor technology are expected to allow significant reduction in the size of power converters and increase their efficiency in some applications. We use over 4,000 key materials and components within our products such as Power FET, IGBT and ceramic capacitors which enable us to produce durable and quality products and will investigate opportunities to reduce component count.

- **Product lifecycle management** – Our design processes consider the complete product lifecycle of our power conversion products from the outset, and we aim to always extend the useful product life where possible. The characteristics of a product that make it more energy efficient also increases its reliability and useful lifetime – highly efficient products run cooler, which increases the lifetime of key components that are sensitive to heat, such as electrolytic capacitors. Efficient products also avoid the need for an electromechanical fan to exhaust the waste heat – one of the most unreliable components of a traditional power conversion system.

- **Hazardous substances** – We avoid the use of hazardous substances in our products, facilitating their recycling at the end of their lifetime and reducing their impact on the environment.

- **Low-carbon manufacturing** – As well as designing our products so they are highly efficient, we also consider the manufacturing process. Traditionally, products undergo testing (burn-in) after manufacture to eliminate early failures by running them under stress. When we burn-in our products, we recycle the power in the manufacturing facility to significantly reduce our carbon footprint. Burn-in cycles are monitored and reduced based on the defect data, further reducing CO_2 emissions.

- **Product safety** – A power converter is a safety critical part of any electrical system or application as it provides the isolation barrier between the end-user and the potentially lethal high voltage mains electricity. An example of this is a main powered drug delivery system which connects directly to a patient and relies on the safety isolation within our power supply to keep the patient safe. All of our products come under the remit of our ISO 9001 registration.

Responsible sourcing and supply chain

It is important that our suppliers apply the same principles of value, transparency and respect as we do. We require all suppliers to adhere to our Code of Conduct and our Supply Chain Policy, which covers diversity, modern slavery and human trafficking, health and safety, business integrity and ethics, environment and sustainability. Our supplier qualification and ongoing audit programme reviews supplier compliance with our Code of Conduct and Supply Chain Policy, and we will disengage with suppliers who do not meet these standards. XP Power's Code of Conduct and Supply Chain Policy are available at corporate.xppower.com/sustainability/environment. In addition, we will expand our engagement with suppliers and component distributors in managing our upstream emissions as part of our net zero plan.

Conflict minerals

We support initiatives and regulations to avoid the use of any "conflict minerals", which originate from mining operations in the Democratic Republic of the Congo (DRC) and adjoining countries. These involve tantalum, tin, tungsten and gold. We only purchase our electronic components from reputable sources, and purchases of materials such as solder are only purchased from vendors who are on the Conformant Smelter & Refiner Lists. We also obtain information from our suppliers concerning the origin of the metals used in the manufacture of our products. This way, we can assure our stakeholders that we are not knowingly using conflict minerals in our products. Our supply chain organisation is responsible for the qualification and ongoing monitoring of our suppliers. We can confirm that 100% of our products' minerals come from suppliers that have been verified as conflict-free. XP Power's policy on conflict minerals is set out at xppower.com/company/policies.

In 2022, XP Power were honoured with the 2022 Supplier Excellence Award by Lam Research.
XP Power was one of 13 receivers of an award this year, for demonstrated success across four categories: Scaling, Resiliency, Rapid Prototype Materials Performance, and Environmental, Social and Governance. We were the sole recipient of Lam Research's first Environmental, Social and Governance Award and recognised as an "extension of Lam's guiding principle to act with purpose for a better world", and "excellence in commitment to strong ESG goals and proactive aligning with Lam on these priorities". Lam Research is a valued customer and a leading global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. Like us, they are strong advocates of sustainability and have enhanced their products and manufacturing operations to help combat climate change.

13 CLIMATE ACTION

How this strategic pillar links to the UN SDGs

Taking urgent action to combat climate change aligns with UN SDG 13 "Climate action".

XP Power recognises the significance of climate change, and we aim to reduce our climate impact across all our operations through managing and reducing our carbon emissions. In 2021, we announced our ambition for net zero. Having signed the letter of commitment with The Science Based Targets initiative (SBTi) in 2022, we intend to submit targets for verification in the first half of 2023. This will reaffirm our long-term target of net zero across our value chain by 2040 and introduce interim targets for 2030 which we will publish once validated. Further details of our pathway to net zero will be included in our transition plan, which aim to develop following our target validation.

Our commitment to transparency includes the regular public disclosure of our carbon emissions, collaboration with CDP Climate Change, and reporting against the TCFD recommendations (page 80), which includes details of our oversight, risk assessment and strategy of climate-related issues.

Managing environmental performance

The Group has a comprehensive environmental policy, as well as an internationally accredited Environmental Management System (ISO 14001) at seven (58%) of our 12 sites, which include our main production centres and accounts for around 84% of the Group's employees. The change in coverage of our ISO 14001 certification is due to the closure of our Jackson, CA site as well as our design centre in Southern California not supporting certification due to the nature of the site having a low environmental impact. Amongst other issues, our ISO 14001 certified management system includes our handling of waste and hazardous materials. Compliance is ensured through our internal audit process together with external assessments by our registrar, British Standards Institution (BSI). The Group has not had any environmental fines in the last 12 months (2021: nil).

We will strive to improve our environmental performance by:

- As a minimum, complying with all relevant environmental legislation and regulations as they relate to each location and community we operate.
- Employing best practices to maximise the efficient use of resources to minimise waste and prevent pollution.
- Minimising the impact we and our products have on the environment.
- Focusing on promoting an environment of continuous improvement and risk mitigation through identifying objectives and setting measurable goals.
- Considering and responding to environmental issues through all phases of our product lifecycle.

- Communicating our environmental policy and objectives to our suppliers and employees, and encourage their participation in environmental best practices. Our environmental policy is available at corporate.xppower.com/sustainability/environment.

Energy and greenhouse gas emissions

We measure our CO_2 emissions in accordance with the internationally recognised Greenhouse Gas (GHG) Protocol and our metrics include scope 1, 2 and now scope 3 emissions. We have made minor revisions to our previously reported emissions and energy use figures and allocation and have revised certain preliminary grid and emissions factors. All of our scope 1, scope 2 and scope 3 (Purchased good and services, Fuel- and energy-related activities, Upstream Transportation and distribution, Business travel, Employee commuting and Use of sold products) Greenhouse Gas (GHG) Emissions have been verified in accordance with requirements of 'Limited Assurance' procedures by Intertek Assuris for the fiscal year 2022. The verification was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3410.

The table below outlines our emissions and energy usage across the whole Group accounting for all XP Power sites. The figures include full year data for both FuG and Guth sites that were acquired on 31st January 2022, which will enable a year-on-year comparison for 2023 and future years.

Absolute scope 1 and 2 emissions increased 9% and absolute energy consumption increased 13%, in part due to the purchase of FuG and Guth. Excluding both FuG and Guth sites, our absolute scope 1 and 2 emissions increased 6% and absolute energy consumption increased 7% due to an increase in output from our manufacturing sites across the Group, more employees returning to office spaces to work following the lifting of remaining restrictions on COVID-19 and ongoing growth in headcount.

Both emissions and energy intensity are reported as tonnes CO_2e/£m revenue and kWh/£m revenue. Our overall emissions intensity increased 9% this year. Our energy intensity has decreased 6% this year on the back of general energy efficiency measures and the incorporation of more efficient sites. While no new projects and improvements were implemented in the 2022 financial year, XP Power continues to identify opportunities for energy improvement.

Emissions and energy

	FY22			FY21			FY20		
	UK	Global (excl UK)	Group Total	UK	Global (excl UK)	Group Total	UK	Global (excl UK)	Group Total
Intensity measure									
Group turnover £m	–	–	290.4	–	–	240.3	–	–	233.3
GHG Emissions (tCO_2e)									
Total Scope 1 (tCO_2e)	25.7	314.5	340.2	1.9	210.4	212.3	2.1	186.5	188.6
Scope 2 location based (tCO_2e)	26.4	6,442.3	6,468.8	28.7	6,001.2	6,029.9	28.8	5,908.9	5,937.8
Scope 2 purchased heat and steam (tCO_2e)	–	12.3	12.3	–	18.1	18.1	–	5.4	5.4
Total Scope 2 (tCO_2e)	26.4	6,454.7	6,481.1	28.7	6,019.3	6,048.0	28.8	5,914.3	5,943.1
Total scope 1 + 2 (tCO_2e)	52.2	6,769.1	6,821.3	30.6	6,229.7	6,260.3	31.0	6,100.8	6,131.7
Upstream Scope 3 (tCO_2e)	–	–	178,929.9	–	–	505.1	–	–	569.0
Downstream Scope 3 (tCO_2e)	–	–	496,038.2	–	–	–	–	–	–
Total scope 3 (tCO_2e)	–	–	674,968.1	–	–	505.1	–	–	569.0
Total scope 1, 2 & 3 (tCO_2e)	–	–	681,789.4	–	–	6,765.4	–	–	6,700.8
Scope 1 + 2 GHG Emissions Intensity ratio (per Group turnover) £m	–	–	23.5	–	–	21.6	–	–	26.3
Energy consumption (kWh)									
Total renewable fuels consumption (kWh)	–	–	–	–	–	–	–	–	–
Diesel	–	117,962	117,962	–	155,906	155,906	–	35,401	35,401
Gas	142,066	1,135,890	1,277,956	10,672	511,866	522,538	11,710	589,214	600,924
Propane	–	376,693	376,693	–	374,741	374,741	–	374,741	374,741
Total non-renewable fuels consumption (kWh)	142,066	1,630,545	1,772,612	10,672	1,042,513	1,053,185	11,710	999,356	1,011,066
Total fuels consumption (kWh)	142,066	1,630,545	1,772,612	10,672	1,042,513	1,053,185	11,710	999,356	1,011,066
Consumption of purchased or acquired electricity renewable	–	125,669	125,669	–	–	–	–	–	–
Consumption of self-generated non-fuel renewable energy (solar)	30,116	34,009	64,125	23,506	37,266	60,772	3,347	39,604	42,951
Consumption of purchased or acquired electricity non-renewable	136,657	11,537,308	11,673,965	135,191	10,749,647	10,884,838	123,725	10,668,213	10,791,938
Total electricity consumption (kWh)	166,773	11,696,986	11,863,759	158,697	10,786,913	10,945,610	127,072	10,707,817	10,834,889
Consumption of purchased or acquired heating	–	72,266	72,266	–	106,030	106,030	–	31,221	31,221
Total renewable energy consumption (kWh)	30,116	159,678	189,794	23,506	37,266	60,772	3,347	39,604	42,951
Total non-renewable energy consumption (kWh)	278,723	13,240,119	13,518,842	145,863	11,898,190	12,044,053	135,435	11,698,790	11,834,225
Total energy consumption (kWh)	308,839	13,399,797	13,708,636	169,369	11,935,456	12,104,825	138,782	11,738,394	11,877,176
% renewable electricity from total electricity	18%	1%	2%	15%	0%	1%	3%	0%	0%
% grid electricity from total electricity	82%	99%	98%	85%	100%	99%	97%	100%	100%
Energy Intensity ratio (per Group turnover) £m	–	–	47,206	–	–	50,374	–	–	50,909

STRATEGIC REPORT

2. ENVIRONMENTAL LEADERSHIP CONTINUED

Scope 3 emissions

This year we conducted our first full assessment of our value chain emissions. This evaluation confirmed that our value chain emissions are many times greater than our operational carbon footprint, with our largest scope 3 category being emissions associated with the use phase of our products, followed by embedded carbon in our purchased goods with transportation-related emissions being a distant third. The data has helped us identify our carbon hotspots and we are developing an internal decarbonisation roadmap and scope 3 targets aligned to SBTi criteria to manage our value chain emissions going forward.

- **Use of sold products (73% of scope 3)** – For our most material category, the energy "used" by our products relates to the electrical energy lost by our power units through e.g., heat or noise as defined by their efficiency profile. We have calculated the lifetime energy waste for our key product ranges, taking into account sales volume, average power in range, efficiency profile and hours in use. International Energy Agency (IEA) 2022 emissions factors for our key sales regions were then applied to this data to calculate emissions across the assumed lifetime of the products.

- **Purchased goods and services (25% of scope 3)** – We used component level purchase data, by quantity and/ or weight, to map our component categories and then applied lifecycle assessment based emissions factors for representative components. Spend-based analysis was used for less than 5% of the category's emissions, where representative products could not be identified.

- **Upstream transportation and distribution (1% of scope 3)** – All inbound, intragroup and outbound logistics under the Group's control were mapped against mode, weight and transportation distance to calculate emissions based on Department for Environment Food and Rural Affairs (DEFRA) weight.distance factors. It is not always possible to distinguish outbound transportation paid for by the Group or by customers, so categories 4 and 9 should be considered in aggregate.

Category	Status	FY22 tCO_2e
1. Purchased goods and services	Relevant, calculated	167,275
2. Capital goods	Not relevant, immaterial	n/a
3. Fuel-and-energy-related activities (not included in Scope 1 or 2)	Relevant, calculated	2,190
4. Upstream transportation and distribution	Relevant, calculated	6,254
5. Waste generated in operations	Not relevant, immaterial	n/a
6. Business travel	Relevant, calculated	517
7. Employee commuting	Relevant, calculated	2,694
8. Upstream leased assets	Not relevant, not applicable	n/a
Total Upstream Scope 3		**178,930**
9. Downstream transportation and distribution	Not relevant, not applicable	n/a
10. Processing of sold products	Not relevant, immaterial	n/a
11. Use of sold products	Relevant, calculated	496,038
12. End-of-life treatment of sold products	Not relevant, immaterial	n/a
13. Downstream leased assets	Not relevant, not applicable	n/a
14. Franchises	Not relevant, not applicable	n/a
15. Investments	Not relevant, not applicable	n/a
Total Downstream Scope 3		**496,038**
Total Scope 3		**674,968**

Water

We have a low water intensity in operations, and water is not used in the design, manufacture or services of our products. However, in recognition of water being a finite resource, we consider water management throughout Group activities, and we try to limit water use and employ best practices to reduce its usage in all our facilities. This includes rainwater capture and reuse in our Vietnam facility, installing water-saving appliances and deployment of reduced flush toilets in our facilities. Our water withdrawal is tracked and monitored as one of our key environmental metrics across the business. Although water is not a material issue to XP Power, we undertook a water risk assessment using the WRI Aqueduct Tool to understand which sites may be at risk of water stress[2]. Only our design centre in Southern California is located in an area of extremely high-water stress, but this site's activities exclusively pertain to R&D and therefore has minimal water requirements and other environmental impacts.

Our water policy is to:

- Employ best practices to maximise the efficient use of water and minimise pollution and waste;
- Regularly review and report on the water use of our facilities and activities;
- Commit to continuous improvement in responsible water management through identifying objectives and setting measurable goals;
- Involve and educate employees, contractors and customers in our water use programmes;
- Engage with suppliers to encourage their participation in responsible water management best practices; and
- Disengage with any suppliers who may be found to be negligent or non-compliant with responsible water management and who do not aggressively implement corrective actions. Our water policy is also available at xppower.com/company/policies.

[2] Assessed using the World Resources Institute's (WRI) Aqueduct Water Risk Atlas tool. Areas of extremely high-water stress, according to the WRI definition, are areas where human demand for water exceeds 80% of resources

Freshwater withdrawal (m^3)

	FY22	FY21	FY20
UK	**1,024.9**	544.5	568.3
Germany	**2,268.7**	46.0	46.7
China	**12,785.4**	9,615.0	10,930.0
USA	**6,529.4**	5,427.3	5,743.3
Vietnam	**35,887.0**	37,430.0	26,141.0
Singapore	**2,084.7**	–	–
Global (excl UK)	**59,555.2**	**52,518.3**	**42,861.0**
Group Total	**60,580.1**	**53,062.8**	**43,429.3**
Water Intensity ratio (per Group turnover) £m	**208.6**	220.8	186.2
Water Intensity ratio (per employee)	**23.4**	**23.8**	**20.6**

The table above outlines freshwater withdrawal from all XP Power sites. The figures include full year data for both FuG and Guth sites that were acquired on 31st January 2022, which will enable a year-on-year comparison for 2023 and future years.

We aim to reduce our water withdrawal per employee over time, and this year overall freshwater withdrawal per employee decreased 2%. Absolute freshwater withdrawal increased 14% in 2022. This was in part due to the Group acquiring two new sites in Germany, Guth and FuG, the first year of reporting of water withdrawal at our Singapore site and the return to normal production processes in our Chinese sites post COVID-19. Excluding Guth, FuG and Singapore sites, absolute water consumption increased 7% due to an increase in output from our manufacturing sites and ongoing growth in headcount.

2. ENVIRONMENTAL LEADERSHIP CONTINUED

Waste management

Our manufacturing processes produce relatively little waste, but we are committed to reducing both non-hazardous and hazardous waste where possible across all of our operations. One major source of waste is the excess solder from the wave solder machines, so-called "solder dross". This is recycled into new solder and reused by our operations. In 2022, we sent 12.3 tonnes of solder dross for recycling and received back 8.9 tonnes of recycled solder, which is a 72% recovery rate. We use certain chemicals to clean flux from printed circuit boards, which is cleaned using activated carbon. We dispose of these chemicals and the containers they are delivered in through a certified, licensed professional third party who safely disposes of these. In 2022 we had zero reportable spills. Our paper, other packaging and e-waste is collected by recycling providers. The Group recycled 417 tonnes (2021: 315 tonnes) of paper and packaging during the year.

The tables below outline waste generation and treatment from our sites in China and Vietnam, which account for 72% of the Groups employees.

Waste generation (tonnes)	FY22	FY21	FY20	FY19
Hazardous waste	7.0	7.4	1.9	5.1
Non-hazardous waste	150.9	150.8	161.5	99.2
Total waste	157.9	158.2	163.4	104.2
Hazardous waste intensity ratio (per Group turnover) £m	0.02	0.03	0.01	0.52

Waste treatment/disposal (tonnes)	FY22	FY21	FY20	FY19
Hazardous waste recycled	–	–	–	–
Hazardous waste incinerated	7.0	7.4	1.9	5.1
Hazardous waste sent to landfill	–	–	–	–
Non-hazardous waste recycled	90.4	108.8	123.1	87.8
Non-hazardous waste incinerated	–	–	–	–
Non-hazardous waste sent to landfill	60.5	42.0	38.4	11.4
Solder sent for internal recycling	12.3	8.8	9.2	6.1
Recycled waste (solder) received and used	8.9	4.7	5.6	2.5
Internal rate of recovery of solder (%)	72%	53%	61%	41%
Solder dross disposed*	1.9	1.6	2.8	1.3
Total waste recycled	90.4	108.8	123.1	87.8
Total waste incinerated	7.0	7.4	1.9	5.1
Total waste sent to landfill	60.5	42.0	38.4	11.4
Total waste non-recycled	67.5	49.4	40.4	16.5
Total waste	157.9	158.2	163.4	104.2

*transferred to treatment contractor for recycling

|	FY22	FY21	FY20	FY19
Total Group paper and packaging recycled (tonnes)	416.7	314.7	300.9	269.4

Biodiversity

We understand the importance the natural environment plays in preserving biodiversity and wherever possible we are committed to protecting the environment. XP Power is committed to protecting biodiversity and minimising the potential negative impact that our business may have on the natural environment. We recognise that climate change, deforestation, land degradation and water pollution each pose a severe threat to the sustainability of important ecosystems, and that business and industry sometimes contribute to these negative effects. Our biodiversity policy is also available at corporate.xppower.com/sustainability/environment.

3. PEOPLE AND WORKPLACE
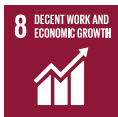
How this strategic pillar links to the UN SDGs

This aligns with UN SDG 3 "Good health and wellbeing", 5 "Gender equality", 8 "Decent work and economic growth", and 10 "Reduced inequalities".

At XP Power, health and safety is of paramount importance to us as a responsible employer. We strive to safeguard the health, safety and wellbeing of all our people (including contractors), whether working on site or working from home. Our health and safety programme is driven from the top, with the Board having ultimate responsibility. Health and safety is managed locally but coordinated globally, benefitting from shared experience. Our corporate health and safety framework below defines those responsible and accountable for health and safety at each of our key sites. The procedure also defines the minimum standards required at each key site, which can be summarised as follows:

- Risk assessments based on the activities performed at each site, which are reviewed and updated annually;
- An annual internal audit of the health and safety processes at each site to ensure they are in line with the corporate procedure;
- Health and safety metrics are recorded covering incidents and near misses, and these are reported and analysed. The Board reviews these metrics at each Board meeting;
- Metrics relating to walkthrough safety audits, fire drills and update of risk assessments are recorded and monitored; and
- Consideration is given at each site to ergonomics, laboratory and electrical safety, legal requirements, use of chemicals, use of equipment and tools, facility preparedness and evacuation, and slips, trips and falls.

We are committed to maintain a healthy and safe working environment to minimise the number of occupational accidents, diseases and illnesses, and ultimately achieve an accident-free workplace. We encourage our people to look out for each other to keep us all safe. We have enhanced health and safety through improved product racking, use of health and safety consultants, advisers and auditors. XP Power's Health and Safety Policy is available on our website at xppower.com/company/policies.

Board of Directors
Reviews health and safety performance

CEO
Responsible for health and safety programme at XP Power

Site leaders across 17 different sites
Responsible for health and safety at the site and that appropriate resources are available

Site health and safety representatives
Responsible for day-to-day health and safety programme through a cross-functional team

We provide all our employees with health and safety training appropriate to their role. The number of employees trained on health and safety standards within 2022 are:

	FY22	FY21
Europe	268	82
Asia	2,030	1,444
US	232	237
Global	**2,530**	**1,763**

Safety performance

We report all health and safety incidents, including near misses, whether they resulted in lost time, and we actively encourage the reporting of near misses so we can learn from these events. Our incident rate is calculated as the total number of incidents divided by the average number of employees expressed as incidents per 1,000 employees. Our target is to have an incident rate of zero.

In 2022, we had 13 health and safety incidents (2021: 19), including one near misses (2021: 4). Of these, nine incidents (2021: 9) resulted in lost time, with a total lost time of 48 days (2021: 119 days) resulting in a reduction in our Lost-time Incident Rate (LTIR)[1] to 0.31 (2021: 0.76). Zero incidents resulted in death of any employees or contractors in 2022 (2021: zero). We continue to review all accidents and near misses to ensure we learn from them and make improvements to keep all employees safe from harm or injury. The figures in the table below cover 100% employees and contractors.

Health and safety incidents

	FY22	FY21	FY20	FY19	FY18
Asia	2	3	10	7	6
Europe	3	3	0	3	8
US	8	13	12	11	3
Global	**13**	19	22	21	17
Average number of permanent employees	2,590	2,229	2,108	1,859	1,972
Incident rate per 1,000 employees	5.02	8.5	10.4	11.3	8.6
LTIR[1]	0.31	0.76	0.87	0.57	–

[1] Lost-time Incident Rate (LTIR) is defined as total number of lost time incidents in a year, divided by the total number of hours worked, multiplied by 200,000. We define a lost time incident as an incident that occur when a worker sustains a lost time injury that results in time off from work, or loss of productive work.

Returning to normal post-COVID-19 (2022)

Throughout the year, COVID-19 restrictions have eased and we have returned to more normal working practices. However, we have continued to monitor the ongoing situation across all our global sites. We have adapted our business based on learnings from the pandemic to continue with hybrid working in certain locations. Where relevant, we have considered the recommendations of local authorities where we operate. At our China sites, the zero-COVID policy presented operational challenges and we worked very closely with local authorities to ensure that operational disruption was kept to an absolute minimum.

Health and wellbeing

We encourage our employees to have active lifestyles and we provide facilities and programmes designed to improve their wellbeing. These include the provision of sports facilities (e.g., basketball courts, football pitches and shower facilities at sites) and the facilitation of group events (e.g., softball leagues, yoga sessions and five-a-side football leagues). In keeping with our focus to create an environment where people can be their best and our commitment to improve the mental wellness of our teams, we gave an additional "Wellness"day off for all employees at a time convenient for each location through the year.

We also operate a comprehensive Employee Assistance Programme (EAP), which provides a complete support network that offers confidential expert advice and compassionate guidance 24/7, online and by phone, in the relevant language, covering a wide range of issues and resources for our employees and their families.

Our people

We look after our employees, support their training and development, recognise cultural differences, respect their human rights and promote a fair working environment with equal opportunities for all. As a global business, we capitalise on our cultural differences and strive to make XP Power a fulfilling place to work.

3. PEOPLE AND WORKPLACE CONTINUED

Engagement

Our vision is to deliver the ultimate experience for our stakeholders. Through workforce engagement, the views of our employees are heard at Board level and are considered in Board discussions and decision making. Pauline Lafferty is the designated Non-Executive Director responsible for workforce engagement and, as a former Chief People Officer, is passionate about employee engagement.

We use several methods to engage with our people but derive high value from our Gallup engagement survey, which was first conducted in 2020 and is used to drive further employee programmes and enhancements to our engagement and retention. In 2022, we again had excellent survey participation rates across the workforce of 92% (2021: 93%), which we want to maintain. This year, our engagement has decreased albeit to a still strong score of 3.83 out of 5.00, putting XP Power at the 31st percentile in the Gallup database. We acknowledge the decrease in our levels of engagement year-on-year which is also reflected in increased voluntary turnover figures below, particularly in North America. This region has been widely reported as experiencing exceptionally high attrition, 'The Great Resignation' during 2022 and unfortunately XP is among many businesses which have seen the impact of this. The increase in Asia attrition rate from 2021 to 2022 is a result of rapid expansion of the Vietnam plant, where some new entrants to manufacturing found initial training to meet our performance standards challenging. However, the survey still highlighted our organisation remains resilient and has a strong foundation of engagement across the businesses. We still see a clear sense of respect, ethics and integrity across employees and we aim to address the issues highlighted in the survey to improve our manager interaction to enhance our score in future years.

Full-time employee voluntary turnover percentage (%)

		2022	2021
Europe	Total average number of employees	338	154
	Voluntary Leavers	27	17
	Voluntary Turnover	8.0%	11.1%
Asia	Total average number of employees	1,781	1,606
	Voluntary Leavers	811	602
	Voluntary Turnover	45.5%	37.5%
US	Total average number of employees	472	411
	Voluntary Leavers	91	48
	Voluntary Turnover	19.3%	11.7%
Global	Total average number of employees	2,590	2,171
	Voluntary Leavers	929	667
	Voluntary Turnover	35.9%	30.7%

Labour

We are committed to fair treatment of our employees, and our goal is to pay competitively and reward exceptional performance. All employees are paid fair salaries and other terms of conditions of employment as appropriate. We recognise that a work/life balance is important and, where appropriate, we offer flexible working arrangements to allow employees to balance their work with their other priorities. As a Group, we also aim to eliminate excessive working hours and respect national legislation and industry referenced standards on maximum working hours.

Diversity and inclusion

Becoming a truly diverse and inclusive company is not only the right thing to do, but also crucial to helping us grow our business, innovate, attract and retain talent, and engage the people who buy our products. Different experiences, views and opinions allow us to explore more options when considering decisions, which we believe generates better outcomes for the business and our stakeholders. We operate globally and recognise the cultural differences that may exist in the countries we do business in. A diverse workforce reflects our markets and will help us succeed in those markets. We are committed to non-discrimination and offer equal opportunities in all our employment practices, procedures and policies. We operate an externally hosted whistleblowing hotline, which enables our employees to report any concerns or violations relating to discrimination or any other aspect of our Code of Conduct. When we hire or promote someone, we choose the best candidate irrespective of age, race, national origin, disability, religion, gender, gender reassignment, sexual preference, social background, political opinion, marital status or membership/non-membership of any trade unions. We apply the same standards when selecting business partners. The Board has oversight of the Company's Diversity Policy, which is also available on our website at corporate.xppower.com/about-us/corporate-governance. Our Diversity Policy is embedded in our Code of Conduct.

We aim to:

- create an environment where individual differences and the contributions of all team members are recognised and valued;
- create a working environment that promotes dignity and respect for every employee;
- not tolerate any form of intimidation, bullying or harassment, and to discipline those that breach this policy;
- make training, development and progression opportunities available to all employees;
- promote equality in the workplace, which we believe is good management practice and makes sound business sense;
- encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures; and
- regularly review all our employment practices and procedures so that fairness is always maintained.

The Group is supportive of flexible working such as working from home, part-time and flexible hours according to the requirements of the position. The Group employs contract and temporary workers across many locations to fill local requirements, sometimes for short periods. This is particularly the case in our manufacturing facilities globally, to ensure we are meeting our customer requirements. Many of our temporary staff choose to become permanent employees.

Number and percentage (%) of contract or temporary workers to total employees

		FY22	FY21
Europe	Total average number of employees	376	169
	Average number of permanent employees	338	154
	Average number of temporary or contract employees	38	15
	Percentage of temporary or contract employees to permanent	10.1%	8.9%
Asia	Total average number of employees	2,706	2,337
	Average number of permanent employees	1,781	1,606
	Average number of temporary or contract employees	925	731
	Percentage of temporary or contract employees to permanent	34.2%	31.3%
US	Total average number of employees	524	450
	Average number of permanent employees	472	411
	Average number of temporary or contract employees	52	39
	Percentage of temporary or contract employees to permanent	9.9%	8.7%
Global	Total average number of employees	3,605	2,956
	Average number of permanent employees	2,590	2,171
	Average number of temporary or contract employees	1,015	785
	Percentage of temporary or contract employees to permanent	28.2%	26.6%

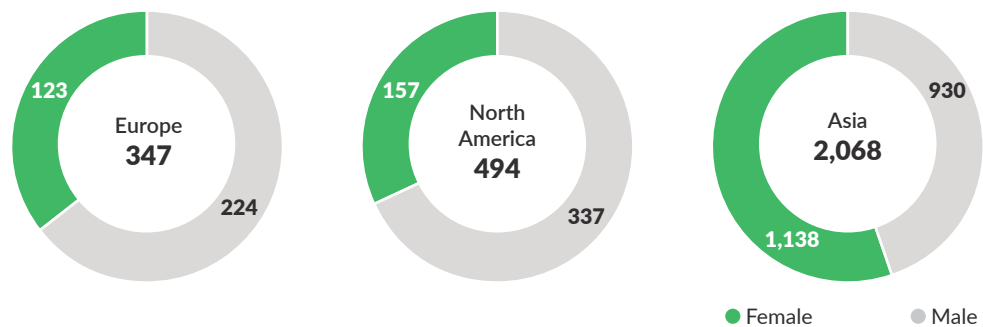# 3. PEOPLE AND WORKPLACE CONTINUED

In the UK, for employees with more than two years of service, we pay maternity or adoption leave for three months at 100% of salary compared to the statutory six weeks at 90% of salary. We also provide two weeks of paid paternity leave at 100% of salary compared to statutory paternity leave of two weeks at £151 or 90% of usual pay if lower.

We have undertaken analysis based around gender representation to help understand our gender pay gap, including an equal pay assessment. We report our UK gender pay gap even though we have fewer than 250 employees in the UK and are, therefore, exempt from gender pay gap reporting. We are committed to eliminating any form of discrimination.

UK gender pay gap – 2022

	FY22					FY21		FY20	
	Male	Female	Total	Male	Female	Male	Female	Male	Female
Lower quartile pay band	10	20	30	33%	67%	38%	62%	40%	60%
Lower middle quartile pay band	10	20	30	33%	67%	36%	64%	58%	42%
Upper middle quartile pay band	21	9	30	70%	30%	70%	30%	77%	23%
Upper quartile pay band	23	7	30	77%	23%	74%	26%	92%	8%

Employees by gender and region as at 31 December 2022

Europe **347** — Female 123, Male 224

North America **494** — Female 157, Male 337

Asia **2,068** — Female 1,138, Male 930

● Female   ● Male

Gender diversity statistics

	Male	Female	Total	Male	Female
Board	5	4	9	56%	44%
Executive Management	5	2	7	71%	29%
Management	83	18	101	82%	18%
All other	1,403	1,398	2,801	50%	50%
Total	1,496	1,422	2,918	51%	49%

XP Power is committed to meeting the recommendations of the FTSE Women Leaders and Parker Review. Women now make up 44% of our Board, including roles such as chair of the Remuneration Committee, Senior Independent Director, Chair of Audit Committee and Designated Director for Workforce Engagement. The composition of our Board meets the recommendations set by the Parker Review Committee and the FTSE Women Leaders (formerly the Hampton-Alexander review).

Talent and career management

With a wealth of talented individuals working across the business, we recognise the importance of supporting and developing the skills, knowledge and experience of our teams. From a more structured onboarding process which ensures managers identify a day-one buddy and build a detailed initial training plan, to career conversations as part of the annual review process, we are committed to promoting training and career development.

Developing our talent is key to our ongoing success and is a key leadership responsibility, with line managers identifying their high potential employees, creating opportunities for further development and supporting internal progression. Talent management and succession planning for the Executive Directors and Senior Leadership team is reviewed and discussed at Board level. Personalised people and organisation plans aligned to the attainment of the Group's strategy are agreed with all our executive leaders, and our people leaders (with more than four direct reports) receive a people leadership programme with particular emphasis on employee engagement, and the need for clarity of expectations to drive high performance.

Our online learning management system was rolled out to all employees in 2021 and in 2022 this has allowed us to roll out further training in new systems and processes, such as S4HANA and Our Management System, as well as compliance training. This tool is also used for onboarding new employees and for training on new information technology tools such as our various cybersecurity applications. Our training statistics are outlined below.

It is our policy that all employees receive regular feedback on their performance, captured in an annual performance review meeting where agreed objectives, aligned with key business priorities are set for the year ahead. All non-production employees participated in this process during 2022, with those directly employed in production roles evaluated against standard operating procedures to ensure they continue to deliver to required quality standards. We operate various bonus schemes and all non-sales commissioned employees are eligible to participate in either our general or executive bonus scheme. The overall bonus pools are determined by the level of adjusted profit before tax and operating cash conversion. Individual bonuses are then allocated based on individual performance. We also have several spot recognition award schemes which are occasionally given to teams rather than individuals to recognise and promote collaboration. As well as recognition schemes, we also provide healthcare benefits and life assurance according to the customs in the regions we operate.

We had a total of 20 apprenticeships in 2022 and run apprenticeship programmes in areas such as finance, human resources, information technology and logistics. We have seen a rise in training time per employee in 2022 due to increased usage of our Learning Management System (Litmos), the provision of English classes every Monday and Wednesday at our FuG site and a real focus on production and R&D training at our High Bridge site.

Average training time (in days) per employee

		FY22	FY21
Asia	Average number of permanent employees	338	154
	Total hours worked in year	8,192	2,101
	Hours per employee	24.3	13.7
	Days per employee	3.0	1.7
Europe	Average number of permanent employees	1,781	1,606
	Total hours worked in year	25,292	14,426
	Hours per employee	14.2	9.0
	Days per employee	1.8	1.1
US	Average number of permanent employees	472	411
	Total hours worked in year	10,318	747
	Hours per employee	21.9	1.8
	Days per employee	2.7	0.2
Global	Average number of permanent employees	2,590	2,171
	Total hours worked in year	43,802	17,273
	Hours per employee	16.9	8.0
	Days per employee	2.1	1.0

3. PEOPLE AND WORKPLACE CONTINUED

Freedom of association

We allow our employees to freely associate with any relevant unions, but only our employees in Vietnam are members of the local union. The number and percentage of employees covered by collective agreements is:

		FY22	FY21	FY20
Asia (Vietnam)	Average number of permanent employees	1,781 (1,495)	1,606 (1,089)	1,483 (1,024)
	Average number of employees covered by collective agreements	1,406 (1,406)	1,063 (1,063)	939 (939)
	Percentage of employees covered by collective agreements	79.0% (94.0%)	66.2% (97.7%)	63.3% (91.6%)
Europe	Average number of permanent employees	338	154	153
	Average number of employees covered by collective agreements	0	0	0
	Percentage of employees covered by collective agreements	0.0%	0.0%	0.0%
US	Average number of permanent employees	472	411	397
	Average number of employees covered by collective agreements	0	0	0
	Percentage of employees covered by collective agreements	0.0%	0.0%	0.0%
Global	Average number of permanent employees	2,590	2,171	2,033
	Average number of employees covered by collective agreements	1,406	1,063	939
	Percentage of employees covered by collective agreements	54.3%	49.0%	46.2%

Community partnerships

We believe that we should give back to the communities we work in as they make up an integral part of our lives. All employees are encouraged to get involved in environmental and community activities. We allow every employee to take a day's paid leave to contribute to a charitable or worthy cause in the community.

Our activities in 2022 included:

- Sunnyvale participated in XP Power's Q4 Community Outreach, with our collection donated to Joey's Toy Drive.
- XPSG Cycling team cycled all round Singapore and raised more than SGD$10,000 for Food Bank Singapore.
- In aid of the Ukraine crisis, our UK employees donated non-perishable food items.
- We offered our Singapore employees massages from the visually handicapped with donations collected in aid of the Singapore Association of Visually Handicapped.
- Our Gloucester site held an additional charity event in aid of The Open Door, an organisation that provides food security and household stability to children, families and seniors in Essex County, MA. Through XP Power's support, The Open Door has been able to provide an online ordering system that vastly improves choice and access to the service, and biodegradable containers to help reduce waste.

The Group and our employees made donations to local charities totalling £8,563.4 in 2022 (2021: £14,291).

4. ETHICS AND COMPLIANCE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

How this strategic pillar links to the UN SDGs

This aligns with UN SDG 16 "Peace, justice and strong institutions" through internationally promoting of the rule of law and reducing corruption and bribery in all forms.

It is the Company's policy to conduct all business in an honest and ethical manner. The first of our five core values is "Integrity" and this is, therefore, embedded into our culture. It is also embedded into our Code of Conduct and the policies outlined in the following sub-sections. To ensure awareness and understanding of our Code of Conduct, we use our learning management system to monitor all employees on their annual training on the Code of Conduct and its contents. Employee compliance with the annual Code of Conduct training is 72%. The Group also relies on its general financial controls, authority matrix, general management oversight and review of financial and other reporting. In addition, we have an independent whistleblowing service available to employees who do not feel able to raise issues of concern to their line manager or their superior. The Audit Committee is responsible for monitoring, and compliance matters are regularly reviewed by the Board of Directors.

Whistleblowing

XP Power is committed to an environment where open, honest communications are the expectation. Employees should feel comfortable bringing forward any concerns where they believe violations of policies or standards have occurred, in the secure knowledge that they will be taken seriously and there will be no adverse repercussions when they have acted in good faith. This is embedded into our Code of Conduct. We operate an internal, well publicised, confidential whistleblowing programme administered through an independent third party, which is available 24/7. "Speak Up" runs in every country we operate in, and in their chosen language. This guarantees that employees' experiences of legal or ethical misconduct will be heard and acted upon quickly wherever it occurs within the business. Concerns can be raised through a website or by phone, on an anonymous basis and in any chosen local language. The Company protects employees who are whistleblowers from any detrimental treatment resulting from any whistleblowing, providing they acted in good faith.

Our whistleblowing policy encourages our employees to report issues where they have a reasonable belief that:

- our Code of Conduct has been breached such as an incident of discrimination
- a criminal offence has been committed, is being committed, or is likely to be committed
- a person has failed, is failing, or is likely to fail to comply with a legal obligation
- a miscarriage of justice has occurred, is occurring, or is likely to occur
- the health and safety of any individual has been, is being or is likely to be endangered
- the environment has been, is being or is likely to be damaged /or
- information to show any matter falling within any one of the above categories has been, is being or is likely to be deliberately concealed

A whistleblowing report is automatically distributed to the Chair of the Audit Committee by the independent third-party provider, where it is reviewed and assigned to management or an independent third party for further investigation and response as required. Whistleblowing is a scheduled agenda item at Audit Committee meetings. The Company is committed to taking appropriate action regarding all qualifying disclosures that are upheld. In 2022 there was one whistleblowing reports and in 2021 there were no whistleblowing reports.

Anti-bribery and corruption

It is our policy to conduct all business in an honest and ethical manner. We will not accept or give bribes or other means of inducement to obtain improper advantage. The Company takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly and with integrity in all business dealings and relationships, and enforces effective systems to counter bribery. Our policy on anti-bribery and corruption is embedded in our Code of Conduct, which all employees receive annual training on. Last year, 100% of employees received training on anti-bribery and corruption. Our Code of Conduct's section on bribery and corruption is detailed and includes numerous examples, so employees can clearly understand what is acceptable and unacceptable. The requirements of our Code of Conduct are communicated to our suppliers, and they are required to comply with its provisions. There were no instances of bribery or corruption in 2022 that executive management or the Board were aware of.

Modern slavery

We support the Modern Slavery Act 2015, and this is explicitly included within our Code of Conduct. We do not engage in any form of slavery or human trafficking activities, and we are strongly against any offences of slavery, servitude forced labour and/or human trafficking. We have also adopted a corporate policy, which has been communicated to all employees through our Code of Conduct, and is supported by all levels of the organisation. The policy can be found here: corporate.xppower.com/about-us/corporate-governance. Any abuse of human rights will be acted upon immediately and appropriate action taken. All employees are trained on our Modern Slavery Policy through the annual online Code of Conduct training.

Human rights

Human rights are at the heart of sustainable business. We are committed to respecting human rights in accordance with international human rights principles including the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. We can confirm that there were no reported incidents of human rights violations during the past year. The policy can be found here: corporate.xppower.com/about-us/corporate-governance. Training on human rights is included in our annual online Code of Conduct training.

Information systems and technology

The Group considers that it has appropriately robust and secure information technology (IT) systems while acknowledging that no IT system can be absolutely secure. The Group IT Director is responsible for the integrity and security of the IT systems and communications network. The Group has processes in place for penetration testing, data back-up and recovery, and there are various processes, software and hardware in place to prevent data security breaches and unauthorised access to the Group's systems and data. The Group holds regular cybersecurity training and awareness to ensure that our employees remain alert to threats.

Tax transparency

The Group is committed to compliance with all applicable tax laws and regulations in all areas it operates in or is required to make filings. All required tax filings are made accurately and on time with the relevant authorities. It is the Group's policy to not engage in any aggressive tax planning or tax avoidance schemes.

We believe that our tax activities should adhere to the spirit and the letter of all relevant tax laws and regulations where we operate. We are committed to a transparent and open approach to reporting on tax. Our policy, as part of our governance framework, is to file all tax returns on time, and to pay tax as it falls due.

The Group has a low-risk tolerance for uncertain tax positions where it operates. We do not undertake any aggressive or unreasonable tax planning schemes for the purpose of tax avoidance, and broadly aim to align tax payments to revenue generation. We do not knowingly help others avoid their tax obligations.

We prohibit tax avoidance through transfer pricing. All intra-group transactions are required to be priced on an arm's length basis in accordance with the Group's internal transfer pricing policies, which reflect internationally accepted transfer pricing standards and local tax laws. We commit to not transfer value created to low tax jurisdictions and not use tax structures intended for tax avoidance. We do not operate in countries considered as partially compliant or non-compliant according to the OECD tax transparency report, or in any countries blacklisted or grey listed by the EU for tax avoidance and harmful tax practices (as at 14 February 2023), apart from Vietnam, where our site is based due to availability of suitable labour and not located to tax purposes.

Our commitments on taxation are implemented through a system of procedures and controls in place across the Group. Tax is a regular agenda item for the Audit Committee, which meets at least four times a year, and reports to the main Board. Tax compliance risks are managed through the Group's governance framework, overseen by the Audit Committee, and supported by the CFO.

Government contracts

The Group has no direct relationships where it sells products or services to any government entity.