

# SUSTAINABILITY INTRODUCTION AND PROGRESS UPDATE



Our aim is to be an industry leader in sustainability, with a commitment to reach net zero carbon by 2040.”

GAVIN GRIGGS  
CHIEF EXECUTIVE OFFICER

## Introduction to Sustainability from the CEO

At XP Power, we believe that conducting ourselves in alignment with high stakeholder expectations of our societal and environmental impact makes good business sense. We have a moral obligation to “do the right thing” for our planet and each other, and sustainability is an enabler of good business; using resources more efficiently means we can do more with less, as well as minimising waste.

We have a long history of setting high standards of environmental performance in our industry, whether through our products or manufacturing operations. Our high efficiency green products provide an ongoing commercial opportunity whilst progressing our own sustainability agenda and supporting customers to reduce their own carbon footprint. We continue to invest in our operations, infrastructure, technology and people. This has helped to embed sustainability into the everyday operational fabric of our business, influencing our decisions and actions across the Group, and ultimately making sustainability business as usual. We became the first power converter manufacturer to be admitted into the Responsible Business Alliance, which sets high standards for environmental performance, the treatment of people, health and safety, business ethics and business systems.

Our aim is to be an industry leader in sustainability. We have a proud legacy to build on but remain focused on finding ways to dramatically reduce our impact across the whole value chain to achieve our

commitment to net zero by 2040. Our colleagues contribute in making ours a truly sustainable company, which requires multiple targets and pathways to achieve success. It informs decision making at all levels from operational procedure to investment spend. Building on our innovation and engineering excellence is vital to minimise our carbon footprint while helping our customers to limit their impact. Our factories still provide opportunity to reduce our operations’ carbon footprint through new leaner ways of working to use less resources and create less waste. Logistics and packaging are under review. We’re looking at our products – from increasing energy efficiency to untapped opportunities – which will continue to support our relentless customer focus. We already work with our suppliers, but we need greater understanding of their upstream activities and carbon impact to inform our future decisions and actions.

Sustainability is an integral part of our strategy. At XP Power, we will continue to make a difference and create an environment where we can be the best for our customers, ourselves, and the communities our business and products serve all over the world.

GAVIN GRIGGS  
CHIEF EXECUTIVE OFFICER  
1 March 2022

# OUR SUSTAINABILITY STRATEGY

1

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 [PAGE 56](#) FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

2

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 [PAGE 59](#) FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

3

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 [PAGE 63](#) FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

4

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 [PAGE 71](#) FOR OUR PERFORMANCE AGAINST THIS STRATEGIC PILLAR, METRICS, TARGETS AND PRIORITIES FOR NEXT YEAR

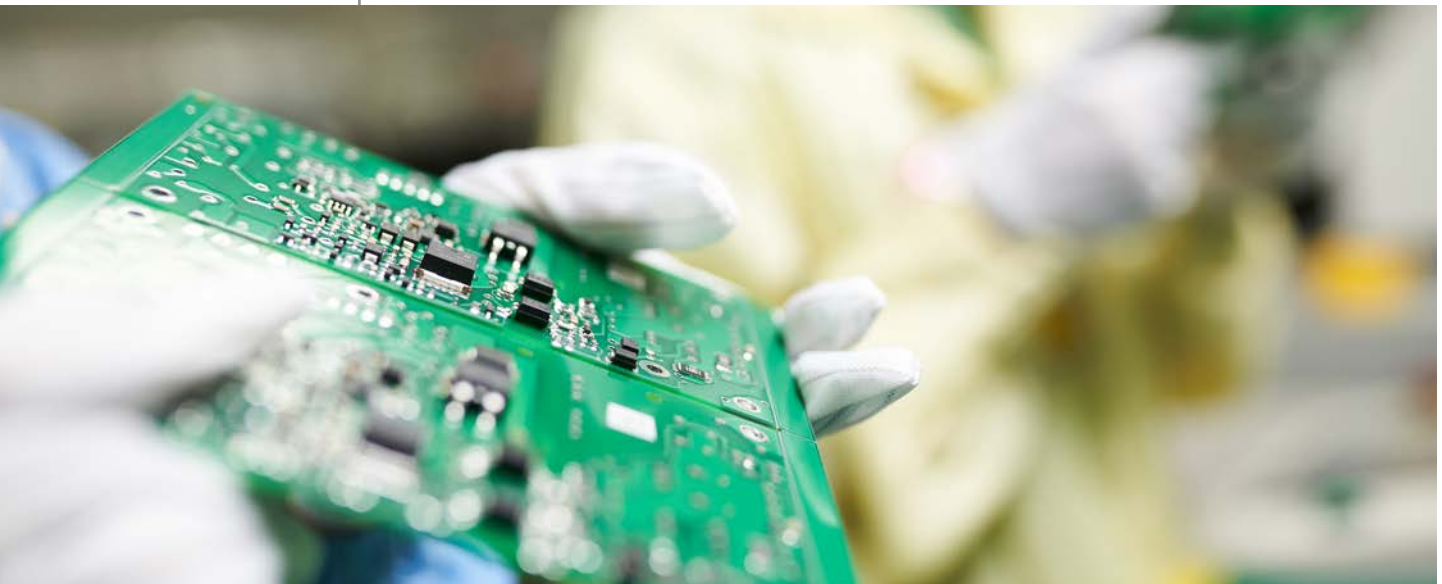
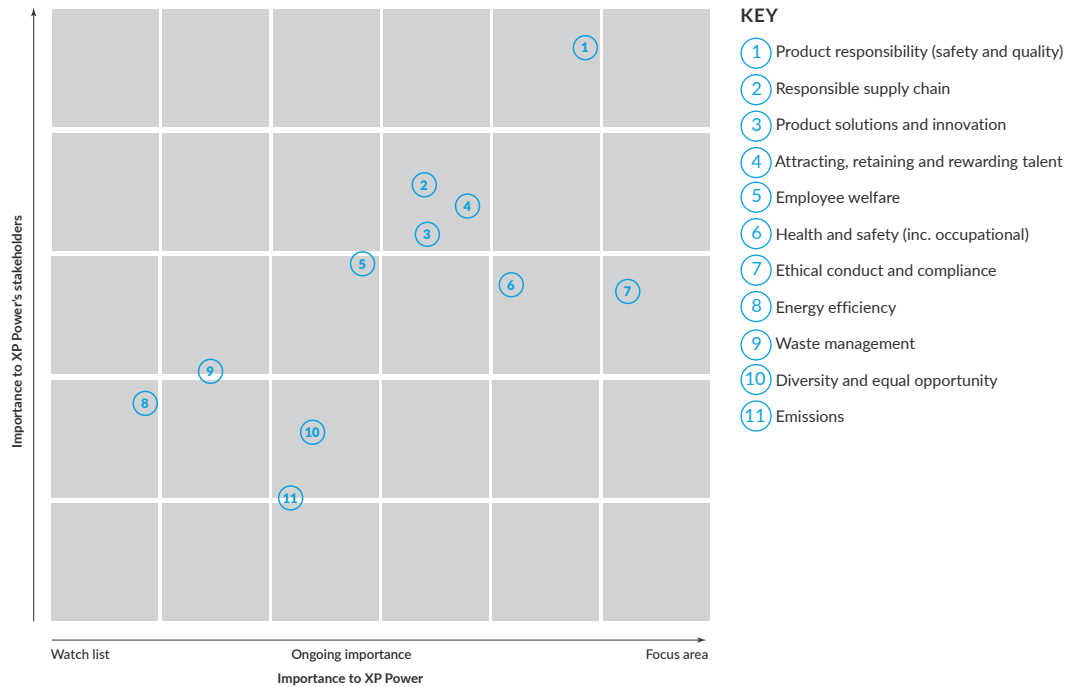
# OUR SUSTAINABILITY STRATEGY CONTINUED

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.

### Materiality assessment

We aim to address issues that matter most to our Company, from a financial and business purpose perspective, and the impact on society and our stakeholders. The material issues we identified by engaging with our stakeholders shape our sustainability strategy, priorities, approach and reporting. The findings enable us to focus on areas that will improve our impact on the wider world whilst allowing our business to prosper.



**SUSTAINABILITY ROADMAP**

**ACHIEVEMENTS IN PAST 12 MONTHS**

- Relunched our Sustainability Council and workstream leads, reinforcing our internal sustainability structure
- Senior management/Board sustainability training to raise our internal capability and develop the next stage of our strategy
- Won the inaugural supplier sustainability award “Sustainability PRISM Award-Supply Chain” from ASM International, one of our valued customers
- Maintained safety of employees whilst ensuring the full functioning of our key plant in Vietnam
- Updated our sustainability engagement for current and prospective employees, through enhanced website and onboarding materials
- Reported to Task Force on Climate-related Financial Disclosures (TCFD) for the first time, including integrating climate-related risk assessment into the Group’s overall risk management framework
- Shipped XP Green Power products resulting in minimum lifetime CO<sub>2</sub> emission savings of 128,000 tonnes (versus target 120,000 tonnes)

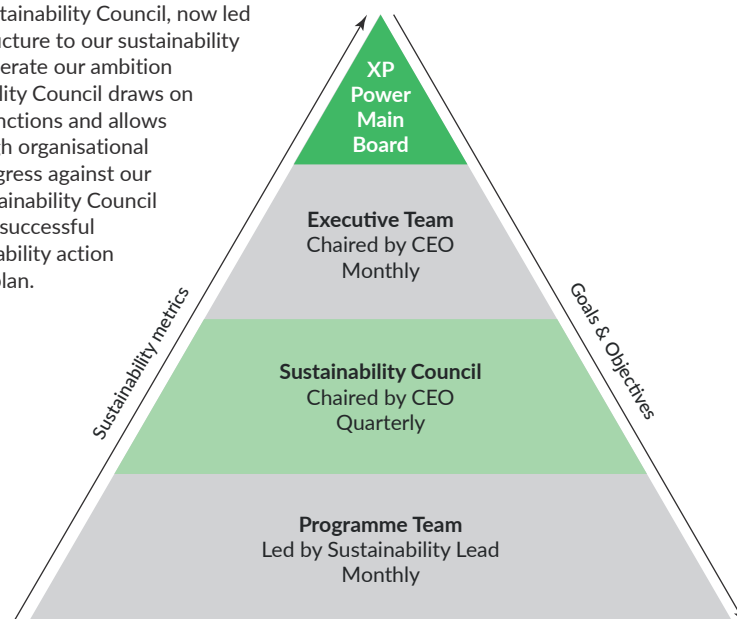
**PRIORITIES GOING FORWARD**

- Determine our full carbon footprint, including our Scope 3 emissions
- Enhance our understanding or carbon in product through lifecycle analysis
- Develop our net zero action plan and submit our targets to Science Based Targets Initiative (SBTi)
- Further ESG data and disclosure enhancements (e.g. reporting to SASB requirements)
- Expand the coverage of our Environmental Management System (ISO 14001) across more sites in the Group
- Review core business processes for opportunities to embed sustainability
- Communicate our sustainability objectives across the Group, further engage employees and set clear expectations

**Sustainability governance**

Addressing sustainability is core to our business strategy so we have a robust structure of sustainability oversight and risk management in place. Full details of our sustainability governance model and its responsibilities are outlined in the TCFD report (page 73). At the highest level, the Board of Directors has ultimate oversight of, and responsibility for, our sustainability strategy. Our Non-Executive Director and Chair of the Remuneration Committee, Pauline Lafferty, supports the Board in this function and brings considerable sustainability experience. ESG engagements with the Board have been a particular theme this year with external input providing the Board with feedback from auditors, investors and sustainability experts.

This year, we established our Sustainability Council, now led by our CEO, to provide more structure to our sustainability management, which should accelerate our ambition within the Group. The Sustainability Council draws on senior expertise across Group functions and allows us to prioritise our impact through organisational workstreams and to monitor progress against our plans across the Group. The Sustainability Council is tasked with the formation and successful delivery of the XP Power sustainability action plan and, within this, the action plan.



# OUR SUSTAINABILITY STRATEGY

## 01: SUSTAINABLE PRODUCTS



### How this strategic pillar links to the UN SDGs

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

### Business KPIs

New XP Green Power product introductions, CO<sub>2</sub> estimated lifetime savings from XP Green Power products.

- 2021: 24 product families; 128,000 tCO<sub>2</sub>e
- Target (year): 15 product families (2021);, 120,000 tCO<sub>2</sub>e (2021).

### Estimated lifetime savings from XP Green Power products

One of our biggest contributors to reduction in CO<sub>2</sub> emissions is from adoption of our XP Green Power products, which have ultra-high efficiency and low standby power. The CO<sub>2</sub> emission savings from these products consistently exceed our Scope 1 and 2 CO<sub>2</sub> emissions combined. These XP Green Power products are our high-efficiency products, which consume less electricity while powering the load and on standby mode when compared to the average power converter.

To achieve these efficiency gains requires a greater number of higher cost components and more complex circuits. XP Green Power products also have functionality that enables them to consume less energy when on standby mode while not powering the customers' application. The return on investment of a higher efficiency product can be captured in terms of consumption of electricity. The full payback on electricity costs is usually within the first year of use. Therefore, we continue to promote and encourage the use of these high-efficiency products. We anticipate that the trend in the market through demand and legislation for higher efficiency products is expected to 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.

The estimated lifetime savings from the XP Green Power products that we have shipped during 2021 is 128,000 tonnes CO<sub>2</sub>. In estimating these savings, we have assumed the following:

- An average power converter is 80% efficient (XP Green Power products are generally around 90% efficient).
- 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.
- 1kWh of electricity produces 0.418kg of CO<sub>2</sub>.

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<sub>2</sub> emissions of the lifetime of the product are very compelling.

### Boosting innovation

Our ambition is to be an industry leader on sustainability and that includes our products. We were the first to introduce greener, safer converters with efficiency rates of 95%, and we believe that we have the broadest and most up-to-date product portfolio in our industry. To have a sustainable business, we need to continue to develop products and solutions that are innovative and solve our customers' power

problems. 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 delivering to our clients' needs in RF and high-power, high-voltage product and energy efficiency. We are also undertaking a full lifecycle analysis of our products, from raw materials to transport, to better understand our carbon footprint and where we can make improvements.

Our engineers bring ideas, skills and innovation to reducing energy usage for our customers, and we continue to 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. We integrate sustainability into our product design as follows:

- 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, waste less electricity. This is while powering the application or while on standby mode. This results in significantly reduced CO<sub>2</sub> emissions over the lifetime of the customers' equipment, which is often seven to eight years. We estimate that our high-efficiency products shipped in 2021 alone will reduce CO<sub>2</sub> emissions by over 128,000 tonnes over their lifetime of use.
- Novel materials – Wherever possible, we have introduced 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.
- Product lifecycle management – Our design processes consider the complete product lifecycle of our power conversion products from the outset. The characteristics of a product that make it more energy efficient also increase 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 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<sub>2</sub> 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. A drug delivery system is an excellent example where a steel needle could be inserted into a vein of a patient, directly connected to the mains via a conducting solution containing the drug, passing through the drug delivery machine, connected to the mains via the power converter. All our products are 100% tested for isolation using a high voltage. In addition, all our medically approved products are 100% tested for mains leakage current to ensure their absolute safety. All XP Power products come under the remit of our ISO 9001 registration.

In 2021, XP Power won the inaugural 2021 Sustainability PRISM Award – Supply Chain from ASM International in the category of Sustainability Leadership. We were selected from a deep portfolio of distinguished suppliers and recognised for outstanding contributions in this area via projects integrating sustainable methods (PRISM). ASM is a valued customer and a leading global supplier of semiconductor process equipment for wafer processing. Like us, they are strong advocates of sustainability and have enhanced their products and manufacturing operations to help combat climate change.

Specific commendations included:

- Our strong commitment to integrating sustainability into our overall strategy and operations. ASM cited our admittance into the Responsible Business Alliance as the first power converter manufacturer back in 2012 (formerly the EICC). This is in addition to our environmental policy, our internationally accredited environmental management system and our continued collaboration with CDP.
- Our green power products that deliver high efficiency conversion with low standby power, which we continually develop to reduce energy usage for our customers in support of their sustainability agendas.
- Our innovative burn-in production process that reduces the time and recycles the electricity we use to test our products. Annually, this conserves 560MWh and stops over 230 tonnes of CO<sub>2</sub> being released into the atmosphere.



OUR SUSTAINABILITY STRATEGY

01: SUSTAINABLE PRODUCTS **CONTINUED**

**Responsible sourcing**

It is important that our suppliers apply the same principles of value, transparency and respect as we do. We require our suppliers to adhere to our Code of Conduct, 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 we will disengage with suppliers who do not meet these standards. XP Power's Code of Conduct is available at [xppower.com/company/policies](http://xppower.com/company/policies).

**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 customers and ourselves 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. XP Power's policy on conflict minerals is set out at [xppower.com/company/policies](http://xppower.com/company/policies).



## OUR SUSTAINABILITY STRATEGY

# 02: ENVIRONMENTAL LEADERSHIP



### How this strategic pillar link to the UN SDGs

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

### Business KPIs

CO<sub>2</sub> intensity metric.

- 2021: 28.9kg CO<sub>2</sub>/£'000 of revenue (2020: 29.5kg\*\* CO<sub>2</sub>/£'000 of revenue)
- Target (year): 22.3kg CO<sub>2</sub>/£'000 of revenue (2025)

\*\* restated

We are focused on finding ways to reduce our impact across the whole value chain to achieve our commitment of net zero by 2040. By net zero, we mean reducing our Scope 1, 2, and 3 emissions to zero, or to a residual level where any residual emissions are neutralised through the permanent removal and storage of an equivalent amount of carbon from the atmosphere. That means minimising the impact we and our products have on the environment. Since 2009, we have reduced our carbon emissions per unit of revenue by 35%. We want to get our net zero plan right and will undertake further analysis in 2022 to allow us to develop a meaningful pathway for reducing our Scope 1, 2 and 3 emissions.

Our commitment to transparency includes the regular public disclosure of our carbon emissions, collaboration with CDP and, for the first time ever, we have published our TCFD report (page 73), which includes details of our oversight, risk assessment and strategy of climate-related issues.

We want to set the standard for green business practices in our industry. Wherever possible, we look to embed sustainability initiatives at our sites to reduce our carbon impact. These include water reduction initiatives, solar panels on multiple sites, introducing low-energy T6 or LED lighting, EV charging stations, and recycling the electricity we use to burn-in our products during testing. Our manufacturing facility near Ho Chi Minh, Vietnam, is one of the most environmentally friendly in the industry, with recycled burn-in energy, high-efficiency insulation and air conditioning, low-flush toilets, and rainwater capture and reuse. It was the first building in Vietnam to be accredited with the BCA Gold Mark+ relating to its environmental performance. Across all sites, we recycle our paper and packaging, and the minimal waste created during our manufacturing process is also recycled for reuse. Any chemicals used for cleaning are disposed of safely by certified professionals.

### Managing environmental performance

The Group has a comprehensive environmental policy, as well as an internationally accredited Environmental Management System (ISO 14001) at 10 (83%) of our 12 sites, which include our main production centres and accounts for around 90% of the Group's energy use. 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.

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.
- Focusing on promoting an environment of continuous improvement and risk mitigation through identifying objectives and setting measurable goals.
- Considering and respond 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 [xppower.com/company/policies](http://xppower.com/company/policies).

### Energy and greenhouse gas emissions

We measure our CO<sub>2</sub> emissions in accordance with the internationally recognised Greenhouse Gas (GHG) Protocol and our metrics include Scope 1 and 2 emissions. We have made minor revisions to our previously reported emissions and energy use figures in relation to updated grid and emissions factors. Our Scope 3 CO<sub>2</sub> emissions represent estimated CO<sub>2</sub> emissions from air travel and paper usage only. We are developing our data and a deeper understanding of Scope 3 emissions and will report in due course.



2021  
28.9kg  
TARGET FOR  
2025 22.3KG



## OUR SUSTAINABILITY STRATEGY

02: ENVIRONMENTAL LEADERSHIP CONTINUED

## Emissions &amp; Energy

	FY21			FY20			FY19		
	UK	Global (excl UK)	Total	UK	Global (excl UK)	Total	UK	Global (excl UK)	Total
Intensity measure									
Group turnover £m	-	-	240.3	-	-	233.3	-	-	199.9
GHG Emissions (tCO <sub>2</sub> e)									
Total Scope 1 (tCO <sub>2</sub> e)	<b>1.9</b>	<b>229.6</b>	<b>231.5</b>	2.1	191.9	194.1	-	12	12
Total Scope 2 location based (tCO <sub>2</sub> e)	<b>34</b>	<b>6,166.4</b>	<b>6,200.4</b>	31.1	6,092.4	6,123.5	58	5,321.0	5,379.0
Purchased goods and services (non-production related)	<b>2.1</b>	<b>491</b>	<b>493.1</b>	2.4	546.9	549.3	152.9	180.8	333.7
Business travel	<b>10</b>	<b>2</b>	<b>12</b>	17	2.7	19.7	85.7	196.6	282.3
Total Scope 3 (tCO <sub>2</sub> e)	<b>12.1</b>	<b>493</b>	<b>505.1</b>	19.4	549.7	569	238.6	377.4	616
Total Scope 1, 2 and 3 (tCO <sub>2</sub> e)	<b>48</b>	<b>6889</b>	<b>6937</b>	52.6	6834	6886.6	296.6	5710.4	6007
GHG emissions intensity ratio (per Group turnover) £m	-	-	<b>28.9</b>	-	-	29.5	-	-	30
Energy consumption (kWh)									
Total renewable fuels consumption (kWh)	-	-	-	-	-	-	-	-	-
Diesel	<b>0</b>	<b>155,906</b>	<b>155,906</b>	0	35,401	35,401	0	44,450	44,450
Gas	<b>10,672</b>	<b>617,896</b>	<b>628,568</b>	11,710	620,435	632,145	9,671	840,112	849,783
Propane	<b>0</b>	<b>374,741</b>	<b>374,741</b>	0	374,741	374,741	0	456,321	456,321
Total non-renewable fuels consumption (kWh)	<b>10,672</b>	<b>1,148,543</b>	<b>1,159,215</b>	11,710	1,030,577	1,042,287	9,671	1,340,883	1,350,554
Total fuels consumption (kWh)	<b>10,672</b>	<b>1,148,543</b>	<b>1,159,215</b>	11,710	1,030,577	1,042,287	9,671	1,340,883	1,350,554
Consumption of purchased or acquired electricity renewable	-	-	-	-	-	-	-	-	-
Consumption of self-generated non-fuel renewable energy (solar)	<b>23,506</b>	<b>37,266</b>	<b>60,772</b>	3,347	39,604	42,951	1,862	43,644	45,506
Consumption of purchased or acquired electricity non-renewable	<b>135,191</b>	<b>10,749,647</b>	<b>10,884,838</b>	123,725	10,668,213	10,791,938	150,511	9,907,011	10,057,522
Total electricity consumption (kWh)	<b>158,697</b>	<b>10,786,913</b>	<b>10,945,610</b>	127,072	10,707,817	10,834,889	152,373	9,950,655	10,103,028
Total renewable energy consumption (kWh)	<b>23,506</b>	<b>37,266</b>	<b>60,772</b>	3,347	39,604	42,951	1,862	43,644	45,506
Total non-renewable energy consumption (kWh)	<b>145,863</b>	<b>11,898,190</b>	<b>12,044,053</b>	135,435	11,698,790	11,834,225	160,182	11,247,894	11,408,076
Total energy consumption (kWh)	<b>169,369</b>	<b>11,935,456</b>	<b>12,104,825</b>	138,782	11,738,394	11,877,176	162,044	11,291,538	11,453,582
% renewable electricity from total electricity	<b>15%</b>	<b>0%</b>	<b>1%</b>	3%	0%	0%	1%	0%	0%
% grid electricity from total electricity	<b>85%</b>	<b>100%</b>	<b>99%</b>	97%	100%	100%	99%	100%	100%
Energy intensity ratio (per Group turnover) £m			<b>50,374</b>			50,909			57,297

Until we set our net zero targets, the Group retains its target of a 3% annual reduction in our CO<sub>2</sub> emissions intensity metric (2021: -2% year on year). Actions to achieve this would include the reduction in burn-in times for mature products, reduction of air freight to use more sea and rail, evaluation of packaging and further site efficiency initiatives including high-efficiency HVAC systems and water appliances, more solar panels, power purchase agreements and smart meters.

### Third-party verification

Intertek has performed independent third-party verification over all Scope 1 and Scope 2 Greenhouse Gas (GHG) Emissions global operation's data disclosed in this report for the financial year ending 31 December 2021. The limited assurance engagement was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) for 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and International Standard on Assurance Engagements (ISAE) 3410 for 'Assurance Engagements on Greenhouse Gas Statement assurance standards. Based on the process and procedures conducted, Intertek has concluded there is no evidence that the GHG emissions assertion is not materially correct; is not a fair representation of the GHG emissions data; and information is not prepared in accordance with WRI GHG Protocol Corporate Accounting and Reporting Standard, v3.51 (2004).

### Water

We have a low water intensity in operations, and we do not operate in any regions with high water stress. Water is not used in the design, manufacturing or services of our products. However, in recognition of water being a finite resource, we consider water management throughout all activities of the Group, and we try to limit water use and employ best practices to reduce its usage in our facilities. This includes rainwater capture and reuse in our Vietnam facility, installing water-saving appliances and the 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.

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.
- 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](http://xppower.com/company/policies).

### Freshwater withdrawal (m<sup>3</sup>)

	FY21	FY20	FY19	FY18
UK	544.5	568.3	456.8	461.0
Germany	46.0	46.7	26.4	76.3
China	9,615.0	10,930.0	8,784.0	15,537.0
USA	5,427.3	5,743.3	2,566.8	1,099.2
Vietnam	37,430.0	26,141.0	18,663.0	22,432.0
Global (excl UK)	52,518.3	42,861.0	30,040.2	39,144.5
Group total	53,062.8	43,429.3	30,497.1	39,605.6
Water intensity ratio (per Group turnover) £m	220.8	186.2	152.6	203.0

We aim to reduce our water withdrawal per employee by 3% per annum. Excluding Vietnam, freshwater withdrawal per employee decreased by 16% and 10% in absolute terms for the Group in 2021. Water withdrawal in Vietnam increased 42% in 2021 as over 200+ operators stayed on site at the premises to support production during the period of Vietnam's movement controls and lockdown, with water usage increasing as a result of water requirements for the operators' personal use.

## OUR SUSTAINABILITY STRATEGY

## 02: ENVIRONMENTAL LEADERSHIP CONTINUED

**Waste management**

Our manufacturing processes produce relatively little waste, but we are committed to reducing waste where we can. 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 2021, we sent 8.8 tonnes of solder dross for recycling and received back 4.7 tonnes of recycled solder, which is a 53% 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 disposes of these materials safely. Our paper, other packaging and e-waste is collected by recycling providers. The Group recycled 315 tonnes (2020: 301 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 80% of the Group.

Waste generation (tonnes)	FY21	FY20	FY19
Hazardous waste	7.4	1.9	5.1
Non-hazardous waste	150.8	161.5	99.2
Total waste	158.2	163.4	104.2
Hazardous waste intensity ratio (per Group turnover) £m	0.66	0.70	0.52

Waste treatment/disposal (tonnes)	FY21	FY20	FY19
Hazardous waste recycled	-	-	-
Hazardous waste incinerated	7.4	1.9	5.1
Hazardous waste sent to landfill	-	-	-
Non-hazardous waste recycled	108.8	123.1	87.8
Non-hazardous waste incinerated	-	-	-
Non-hazardous waste sent to landfill	42.0	38.4	11.4
Solder sent for internal recycling	8.8	9.2	6.1
Recycled waste (solder) received and used	4.7	5.6	2.5
Internal rate of recovery of solder (%)	53.1%	60.8%	41.2%
Solder dross disposed*	1.6	2.8	1.3
Total waste recycled	108.8	123.1	87.8
Total waste incinerated	7.4	1.9	5.1
Total waste sent to landfill	42.0	38.4	11.4
Total waste non-recycled	49.4	40.4	16.5
Total waste	158.2	163.4	104.2

\*Transferred to treatment contractor for recycling

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

Our Environmental Committee is responsible for our environmental policy (available at [xppower.com/company/policies](http://xppower.com/company/policies)) including waste management. Our manufacturing processes produce relatively little waste.

# OUR SUSTAINABILITY STRATEGY

## 03: PEOPLE AND WORKPLACE

### Response to COVID-19 (2021)

At XP Power, health and safety during COVID-19 continues to be of paramount importance to us as a responsible employer. We strive to safeguard the health, safety and wellbeing of our people (including contractors), whether working on site or working from home. With the pandemic continuing to impact our people, workplaces and practices during the year, we continued to operate with control measures, identified through our risk assessments, to ensure the safety and wellbeing of our people. Considering the recommendations of the local authorities in countries in which we operate, we employed measures such as:

- Social distancing and working from home wherever possible;
- Compulsory wearing of face masks;
- Sanitisation of hands and feet at the entrance to the site;
- Temperature checks and monitoring before entering the site;
- Sanitisation of any vehicles entering the site;
- Regular deep cleans and regular sanitisation of surfaces in the facilities; and
- Restrictions on any visitors to the facilities.

In addition, in Vietnam over 200+ operators stayed on site to support production during the period of lock down. We continue to monitor the situation with the virus and the feedback we receive from our colleagues.

### Safety first

Safety is important at XP Power. Our health and safety programme is driven from the top, with the Board having ultimate responsibility. Our corporate health and safety framework below clearly 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 health and safety incidents and near misses and these are reported and analysed. The Board of Directors review these health and safety 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.



### How this strategic pillar links to the UN SDGs

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

\*change in measurement basis (see below)

### Business KPIs

Reduce the annual lost time from health and safety incidents through implementing best practice in training, incident reporting, audits and risk assessments

- 2021: 119 lost days (2020: 62 lost days)
- Target (year): zero days (2021)

Gallup Employee Engagement score

- 4.20/5.00; (2020: 3.91/5.00)
- Target (year): 4.18 (2021)

Proportion of women in management roles

- 19%\* (2020: 31%)
- Target (year): 35% (2022)



## OUR SUSTAINABILITY STRATEGY

# 03: PEOPLE AND WORKPLACE CONTINUED

We are committed to maintain a healthy and safe working environment to minimise the number of occupational accidents 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 expenditure on 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](http://xppower.com/company/policies).

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 2021 are:

	2021
Europe	82
Asia	1,444
US	237
<b>Global</b>	<b>1,763</b>

### 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 as well 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 2021, we had 19 health and safety incidents (2020: 22), including four near misses (2020: 2). Of these, nine incidents (2020: 10) resulted in lost time, with total lost time of 119 days (2020: 62 days) largely related to a single incident (leg fracture), which resulted in 90 lost days. Zero incidents resulted in death of any persons in 2021 (2020: 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

	2021	2020	2019	2018	2017	2016
Asia	3	10	7	6	9	6
Europe	3	0	3	8	9	2
US	13	12	11	3	14	5
<b>Global</b>	<b>19</b>	<b>22</b>	<b>21</b>	<b>17</b>	<b>32</b>	<b>13</b>
Average number of employees	2,229	2,108	1,859	1,972	1,953	1,506
Incident rate per 1,000 employees	8.5	10.4	11.3	8.6	16.4	8.6
LTIR*	0.76	0.87	0.57			

\* 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





## 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). The restrictions on gatherings associated with COVID-19 have reduced our ability to hold these events to the same degree, but we are keen to resume them once we can safely do so. In lieu, XP Power provided a paid Health and Wellness Day in the fourth quarter for employees, in recognition of our commitment to our people, to ensure their health and wellbeing is of top priority.

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.

## Engagement

Our vision is to deliver the ultimate experience for our customers and for our people. Through workforce engagement, the views of our employees are heard at the 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 last year. In 2021, we again had excellent survey participation rates across the workforce of 93% (2020: 94%), which is used to drive further employee programmes and enhancements to our engagement. In 2020, we scored a respectable 3.91 out of 5.00, placing us at the 38th percentile rank in the Gallup database, which is notably better than companies of a similar size. This year, our engagement has meaningfully increased by +0.29 to 4.20 out of 5.00, putting XP Power at the 59th percentile in the Gallup database. The survey highlighted that our biggest cultural strength as an organisation is a strong sense of respect, ethics and integrity. We believe this to be the bedrock of a strong culture. We have seen similar improvement in our voluntary turnover figures:

### Full-time employee voluntary turnover percentage (%)

		2021	2020	2019
Asia	Average employees	1,606	1,483	1,265
	Voluntary leavers	602	670	528
	Voluntary turnover	37.5%	45.2%	41.7%
Europe	Average employees	154	153	161
	Voluntary leavers	17	11	17
	Voluntary turnover	11.0%	7.2%	10.6%
US	Average employees	411	397	408
	Voluntary leavers	48	56	28
	Voluntary turnover	11.7%	14.1%	6.9%
Global	Average employees	2,171	2,033	1,834
	Voluntary leavers	667	737	573
	Voluntary turnover	30.7%	36.3%	31.2%

## OUR SUSTAINABILITY STRATEGY

03: PEOPLE AND WORKPLACE CONTINUED**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 power solutions. Different experiences, views and opinions allow us to explore more options when considering decisions, which we believe results in 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 truly diverse workforce reflects our markets and will help us succeed in those markets. We will not tolerate any form of discrimination. We are committed to equality of opportunity in all our employment practices, procedures and policies. When we hire or promote someone, we choose the best candidate irrespective of age, race, national origin, disability, religion, gender, gender reassignment, sexual preference, marital status or membership/non-membership of any trade unions. We apply the same standards when selecting business partners. The Board of Directors has oversight of the Company's diversity policy, which is also available on our website at [xppower.com/company/policies](http://xppower.com/company/policies). 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;
- to create a working environment that promotes dignity and respect for every employee;
- to not tolerate any form of intimidation, bullying or harassment, and to discipline those that breach this policy;
- to make training, development and progression opportunities available to all staff;
- to promote equality in the workplace, which we believe is good management practice and makes sound business sense;
- to encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures; and
- to 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. 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**

		2021
Asia	Average employees	1,606
	Number of temporary or contract employees	199
	Percentage of temporary or contract employees to permanent	12.4%
Europe	Average employees	154
	Number of temporary or contract employees	15
	Percentage of temporary or contract employees to permanent	9.7%
US	Average employees	411
	Number of temporary or contract employees	39
	Percentage of temporary or contract employees to permanent	9.5%
Global	Average employees	2,171
	Number of temporary or contract employees	253
	Percentage of temporary or contract employees to permanent	11.7%

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 some analysis based around gender representation to help understand our 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. It should be noted that one in three of the women in the lower quartile pay band work part time, which explains their over representation in this quartile.

In 2021, we changed the basis of our recording of management roles from using direct reports to the Executive Leadership team to using job sizes, which has disproportionately impacted the ratio of females recorded in management roles. 45% of our UK workforce are female.

### UK Gender Pay Gap – 2021

	2021					2020		2019	
	Male	Female	Total	Male	Female	Male	Female	Male	Female
Lower Quartile Pay Band	11	18	29	38%	62%	40%	60%	40%	60%
Lower Middle Quartile Pay Band	10	18	28	36%	64%	58%	42%	58%	42%
Upper Middle Quartile Pay Band	19	8	27	70%	30%	77%	23%	77%	23%
Upper Quartile Pay Band	23	8	31	74%	26%	92%	8%	92%	8%

### Employees by gender and region as at 31 December 2021

	Male	Female	Total
Europe	101	65	166
North America	327	148	475
Asia	767	932	1,699
<b>Total</b>	<b>1,195</b>	<b>1,145</b>	<b>2,340</b>

### Gender Diversity Statistics

	Male	Female	Total	Male	Female
Board	5	2	7	71%	29%
Executive Management	5	2	7	71%	29%
Management	65	13	78	83%	17%
All other	1,120	1,129	2,249	50%	50%
<b>Total</b>	<b>1,195</b>	<b>1,146</b>	<b>2,341</b>	<b>51%</b>	<b>49%</b>



OUR SUSTAINABILITY STRATEGY

03: PEOPLE AND WORKPLACE CONTINUED

**Talent and career management**

Developing our talent is key to our ongoing success and is the responsibility of our Chief People Officer. We have implemented and rolled out an online learning management system to all employees. This has greatly improved the delivery of training to our employees in local languages and allows us to track and report on the training statistics of all our people, including Code of Conduct 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 on the following page. Training hours per employee in US was lower than the Group average, due to lower annual requirements for the roles. 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.

All our employees receive annual performance evaluations. 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 and have a CEO award, which is made annually for each region and globally to individuals who have gone significantly beyond what is expected of them. These awards are sometimes 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 two apprenticeships in 2021 and run apprenticeship programmes in areas such as finance, human resources, information technology and logistics.



## Average training time (in days) per employee

		2021
Asia	Average employees	1,606
	Total hours of training	14,426
	Training hours per employee	9.0
	Training days per employee	1.1
Europe	Average employees	154
	Total hours of training	2,101
	Training hours per employee	13.6
	Training days per employee	1.7
US	Average employees	411
	Total hours of training	747
	Training hours per employee	1.8
	Training days per employee	0.2
Global	Average employees	2,171
	Total hours of training	17,274
	Training hours per employee	8.0
	Training days per employee	1.0

## 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:

		2021	2020	2019
Asia (Vietnam)	Average number of employees	1,606 (1,089)	1,483 (1,024)	1,265 (647)
	Average number of employees covered by collective agreements	1,063 (1,063)	939 (939)	619 (619)
	Percentage of employees covered by collective agreements	66.2% (97.6%)	63.3% (91.7%)	48.9% (95.7%)
Europe	Average number of employees	154	153	161
	Average number of employees covered by collective agreements	-	-	-
	Percentage of employees covered by collective agreements	0.0%	0.0%	0.0%
US	Average number of employees	411	397	408
	Average number of employees covered by collective agreements	-	-	-
	Percentage of employees covered by collective agreements	0.0%	0.0%	0.0%
Global	Average number of employees	2,171	2,033	1,834
	Average number of employees covered by collective agreements	1,063	939	619
	Percentage of employees covered by collective agreements	49.0%	46.2%	33.8%



## OUR SUSTAINABILITY STRATEGY

# 03: PEOPLE AND WORKPLACE CONTINUED

### Community partnerships

We believe that we should give back to the communities where we work 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 paid day's leave to contribute to a charitable or worthy cause in the community.

XP Power has a community relations team with representatives at all sites. In 2021, we achieved what we had planned with improved outcomes and engagement from previous years. This is a significant achievement considering the continued impact of COVID-19 on the business and the business demands our employees are supporting.

Our activities in 2021 included:

- Our Global Coat and Food Drive: Employees were encouraged to donate new or used coats, and canned and non-perishable foods, which were distributed to food banks and shelters. The Group organised kerbside pick-up of donations from employees working from home.
- Earth Week Global: During April, the business held Earth Week, which saw various initiatives including collection and recycle of unwanted electronics and batteries, a social-distanced litter pick, plant-based lunches for employees and local area planting activities.

- Gloucester Chili Cook Off and Fundraiser: Our Gloucester site held a 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 donation of much needed school supplies for local schools in our Back to School drive in July to September.
- Contributions from Movember across six sites in the Group, harnessing the power of the moustache to change the face of men's health.

The Group made cash donations to local charities totalling £14,291 in 2021 (2020: £1,490).

2021 marked the third year of collaboration between XP Power Singapore and Food Bank Singapore to give back to society by packing and doing door-to-door distribution of food bundles to low-income and underprivileged households. Despite the threat of the new Omicron variant, December saw our team of 21 volunteers visit over 200 households with volunteers from Beyond Social Services, a charity dedicated to helping children and youths from less privileged backgrounds break away from the poverty cycle.



## OUR SUSTAINABILITY STRATEGY

# 04: ETHICS AND COMPLIANCE

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 99.8%. 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 be comfortable to bring any concerns forward 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. Called "Speak Up", it 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 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
- 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. There were no whistleblowing reports in 2021. In 2020 there was one whistleblowing report that could not be substantiated after thorough investigation. In 2019, an incident involving collusion between two employees and a supplier was investigated by a third party and resulted in the individuals being summarily dismissed from the Company.

### Anti-bribery and corruption

It is XP Power's 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. 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.

We use our online learning management system, which was rolled out worldwide in 2020, to manage and monitor the training of our employees. Our Code of Conduct was refreshed in 2020 and all employees were required to complete relevant training and acknowledge that they understand the Code. The Board of Directors is ultimately responsible for compliance with all aspects of our Code of Conduct. There were no instances of bribery or corruption in 2021 that executive management or the Board were aware of.

### Modern slavery

XP Power supports 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: [xppower.com/company/policies](http://xppower.com/company/policies). Any abuse of human rights would be acted upon immediately and appropriate action taken. All our employees are trained on our modern slavery policy through the annual online Code of Conduct training.



### 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.

### Business KPIs

Employees completed ethics training %; zero breaches of our Code of Conduct.

- 2021: 99.8%; zero
- Target (year): Same targets for 2022



OUR SUSTAINABILITY STRATEGY

04: ETHICS AND COMPLIANCE CONTINUED



**Human rights**

Human rights are at the heart of sustainable business. XP Power is 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. The policy can be found here: [xppower.com/company/policies](http://xppower.com/company/policies). 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 also 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.

XP Power believe that its tax activities should adhere to the spirit and the letter of all relevant tax laws and

regulations where it operates. 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.

XP Power 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 31 October 2021).

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.