

LETTER FROM THE CHAIRMAN

INTRODUCTION TO GOVERNANCE



James Peters
Chairman

I am pleased to introduce our Governance Report for the financial year ended 31 December 2020. This report provides detailed information on how the Group is managed and the governance, culture and framework under which XP Power operates.

The Board remains committed to high standards of governance across the Group. We have reported against the UK Corporate Governance Code 2018 (the "Code") issued by the Financial Reporting Council and our Governance Report, along with the information in the Strategic and Remuneration Reports, explains how we have applied its principles and provisions. Except for the independence of the Chairman, which we explain on page 99, each principle was applied and provision complied with throughout 2020 as required by the Listing Rules.

The Board considers that the Annual Report taken as a whole is fair, balanced and understandable. It provides the information necessary for Shareholders to assess the Group's position, performance, business model and strategy. The February 2021 Audit Committee meeting confirmed to us that the 2020 Annual Report and Accounts were true and fair, that the work of the external Auditor was effective, and that the process supporting the viability statement was robust. The Board asked the Executive Directors to provide

evidence around the content and process for preparing the 2020 Annual Report and Accounts at our February 2021 Board meeting. Consequently, the Board is able to confirm that the 2020 Annual Report and Accounts taken as a whole are fair, balanced and understandable.

COVID-19

COVID-19 has brought unprecedented challenges to the world and to XP Power. We quickly established the clear priorities of:

1. Ensuring the safety and wellbeing of our people;
2. Keeping our customers supplied with product; and
3. Preserving our cash.

These priorities immediately became the guiding principles of how we managed through 2020. The pandemic resulted in strong demand from our customers who provide critical care equipment to treat COVID-19 patients. This placed significant strain on our supply chain, which itself was constrained due to supply issues early in the pandemic. We were able to respond decisively to get product rapidly flowing to these customers to enable lives to be saved. Our people are very proud of what we were able to achieve in the most challenging of circumstances and we are proud of their outstanding efforts.



READ MORE
ON PAGE 39

"The Board remains committed to high standards of governance across the Group."

PURPOSE AND CULTURE

The role of the Board is to promote the long-term sustainable success of the Company, generating value for Shareholders. In order to achieve this, we have established a clear vision: "To be the first-choice power solutions provider delivering the ultimate experience to our customers and our people", and a clear purpose of "Powering the world's critical systems". We have defined the core values, which shape our culture and contribute to our success, which are: Integrity, Knowledge, Speed, Flexibility and Customer Focus. The Board have reviewed our culture with the Executive Directors and are satisfied that the Company's culture and workforce policies and practices are consistent and align with its purpose, strategy and values.



READ MORE
ON PAGE 95

DIVISION OF RESPONSIBILITIES

It is the responsibility of the Chairman to manage the Board and ensure it is effective. We encourage a culture of openness and debate to ensure all views are heard and taken into consideration. The CEO and CFO ensure that Directors receive accurate, timely, clear and relevant information in order to discharge their duties.

There is clear division of responsibility between the Chairman, who responsible for the management of the Board, and the CEO, who is responsible for the day-to-day running of the Company and execution of our strategy.

STRATEGY

We have deployed a consistent strategy over many years, which we continue to refine, review and constructively challenge as a Board as the business continues to grow and develop. We have reviewed this strategy again in 2020 and made refinements where appropriate. We are pleased to report that we have, again, executed well against our strategy as evidenced by the results we have achieved and progress we have made.



READ MORE
ON PAGES 32 AND 36

WORKFORCE ENGAGEMENT

Workforce engagement has been particularly important in 2020 due to the COVID-19 pandemic. Despite the restrictions on international travel, we have endeavoured to stay close to our employees and support them during this difficult time. We have ensured that our managers take extra time to check in with their teams who are working from home.

Many of our employees have been working from home and we have stayed connected with them through frequent all hands employee meetings over video with questions and answers. We have also conducted a number of employee surveys. Two of these surveys specifically related to COVID-19 and the challenges of working from home.

FUTURE OF XP POWER

We have confidence in our strategy and business model and the Management team in place to execute our strategic plans. The business has performed strongly over a significant period of time despite numerous external challenges. We remain confident and excited regarding the long-term prospects for the future of XP Power.

James Peters
Chairman

2 March 2021

"Our purpose is to power the world's critical systems."