



Smart Connectivity systems

# Corporate Governance

TKH Group N.V., a public limited liability company under Dutch law, applies the two-tier board regime. The management of the company is delegated to the Executive Board under the supervision of the Supervisory Board. The general powers of the Executive Board derive from legislation and regulations, and are laid down in TKH's articles of association. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure of TKH and compliance with the Dutch Corporate Governance Code ("Code").

The Dutch Corporate Governance Code was revised and published on December 20, 2022. This Code applies to the financial year beginning on or after January 1, 2023. The revised Code has been discussed within the Executive Board and Supervisory Board, and the changes compared to the previous Code have been implemented. For example, the issue of stakeholder engagement has been re-evaluated and an amended policy has been published on the website.

TKH applies the principles and best practice provisions of the Code and attaches great value to the Code. In a few cases, TKH deviates from the Code; the reasons for each of these deviations are described below.

## Term of appointment of the Executive Board

The terms of appointment for the current CEO and CFO are not limited to the four-year term prescribed by the Code. TKH takes the position that contractual agreements made in the past cannot be modified, that existing employment contracts should be respected, and that the limitation of the appointment is not appropriate. It should be noted, however, that performance is assessed annually and the term of appointment is evaluated on an ongoing basis.

However, the maximum four-year term of appointment does apply to the third member of the Executive Board. A maximum term of four years also applies to newly appointed members of the Executive Board, and the best practice provision is applied in such cases.

## Share plan

There is a share plan for the Executive Board, but no share option scheme. The share plan involves a financial contribution by the Executive Board as the individual members have to purchase the same number of shares as they are awarded within the framework of the plan. Because this involves a financial contribution from Executive Board members, it has been determined that the shares must be held for at least three years. Additionally, as this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board believes that it is reasonable and fair to adhere to a term of three years, and not a term of five years.

## Internal Audit function

TKH has an Internal Audit function, but the position of this department has not been fulfilled completely independently

in accordance with the Code. The Internal Audit team has been expanded in early 2024, which will further strengthen its independent position. According to best practice provision 1.3.2 of the Code, the functioning of the internal audit function should be assessed at least every five years by an independent third party. The evaluation of the Internal Audit function is conducted internally on a yearly basis. The external evaluation is scheduled for 2025.

### General Meeting of Shareholders

A General Meeting of Shareholders is held annually. Extraordinary General Meetings are held as often as the Executive Board or Supervisory Board deems desirable and also as often as shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, request the Executive Board or Supervisory Board in writing to do so, specifying the items to be discussed. With regard to invoking a response time concerning proposals for fundamental strategy changes, TKH has applied the legal provision in Article 2:114b of the Dutch Civil Code with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is to ensure that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are safeguarded.

### Depository receipts of shares

Stichting Administratiekantoor TKH Group (“TKH Trust Foundation Office”) holds ordinary shares in the company. In exchange for these shares, TKH Trust Foundation Office issues depositary receipts for those shares. The voting rights to the shares are vested in TKH Trust Foundation Office. Upon request, TKH Trust Foundation Office will authorize the holders of depositary receipts to vote for the shares for which the holder holds depositary receipts at

a General Meeting specified in the proxy, to the exclusion of TKH Trust Foundation Office. The authorization is unrestricted and is therefore not subject to any exchange-ability limit. TKH Trust Foundation Office is not required by law (article 2:118a of the Dutch Civil Code) to grant the proxy, and may withdraw a proxy that has been given if a) a hostile public offer is announced or made (or is expected to be made), b) one or more persons possess at least 25% of the depositary receipts and/or shares, or c) in the opinion of TKH Trust Foundation Office, the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. In the event of one of these scenarios, TKH Trust Foundation Office must notify the holders of depositary receipts and explain the reasons behind their actions. The company considers the issue of depositary receipts for shares as an important measure to protect the interests of shareholders, holders of depositary receipts and other stakeholders. This means that the company’s intellectual property and its commercial interests are protected, which is also important for sustainable long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended to be used as a protective measure, TKH expressly chooses to take this form of protective measure and acts in accordance with the applicable law in Article 2:118a of the Dutch Civil Code. This is in derogation of the principle of the Code.

TKH Trust Foundation Office exercises the rights attached to the shares in such a way that the interests of the company, its associated businesses, and all its stakeholders are protected to the greatest extent possible, instead of focusing primarily on the interests of the holders of depositary receipts, as defined in best-practice provision 4.5.5 of the Code. The TKH Trust Foundation Office thus

exercises its voting right in line with legal provision Article 2:118a of the Dutch Civil Code. In the General Meeting of Shareholders, the Board of TKH Trust Foundation Office may, on request, issue a statement of its intended voting conduct. A detailed explanation of TKH’s Corporate Governance structure can be found on the TKH website.