



# REMUNERATION POLICY OF TKH GROUP NV FOR EXECUTIVE BOARD MEMBERS

Version 2020

---

## 1 ADOPTION, AMENDMENT AND OPERATION

### 1.1 Adoption

This remuneration policy will be submitted to the General Meeting for adoption, upon proposal of the Supervisory Board on 7 May 2020 and effective per 1 January 2020. This remuneration policy does not materially amend the various remuneration elements and the underlying targets for the Executive Board members in comparison to the previous remuneration policy, adopted by the General Meeting of 2005. The proposed amendments to the remuneration policy have been made to align the remuneration policy with recently implemented legislation in the Netherlands on remuneration policies for Executive Boards of listed companies. As the Company has not yet held an advisory vote on a remuneration report for the Executive Board (as referred to in article 2:135b BW), the Company could not take into account the votes and views of Shareholders on such reports yet. The Company will however take into account any such votes and views in the event of any future amendments to the remuneration policy, all in accordance with this article 1.2.

Adoption of this remuneration policy by the General Meeting upon proposal by the Supervisory Board takes place at every change and in any case at least every four years after its adoption. The Remuneration Committee is responsible for the development of the remuneration policy and making a proposal to the Supervisory Board. The Remuneration Committee has taken best practice provision 3.1.2. of the Code into account.

### 1.2 Amendments

This remuneration policy may only be amended by the General Meeting pursuant to a proposal of the Supervisory Board to which the Remuneration Committee has made a proposal.

All amendments of the remuneration policy shall be accompanied by a description and explanation of (i) all significant changes and (ii) how it takes into account the votes and views of Shareholders on the remuneration policy and remuneration reports since the most recent vote on the remuneration policy by the General Meeting. When the General Meeting does not adopt the proposed amendments to the remuneration policy, the Company shall continue to remunerate in accordance with the existing remuneration policy and practice and shall submit a revised policy for adoption at the following General Meeting.

### 1.3 Operation

The Supervisory Board, based on a proposal by the Remuneration Committee, will have the authority to determine the remuneration of the individual Executive Board members within the scope of this remuneration policy as adopted by the General Meeting. In its annual (remuneration) report, the Supervisory Board will communicate clearly and transparently to the Company's stakeholders how this remuneration policy has been pursued.

---

## 2 OBJECTIVES AND PRINCIPLES OF THE REMUNERATION POLICY

The remuneration policy aims at providing a competitive compensation package to attract, motivate and retain qualified managers for a publicly listed company, while considering the Company's size and unique characteristics. TKH's strategy is directed towards achieving technological leadership with a strong position in seven vertical growth markets. TKH aims to be an attractive employer and to be a solid investment for its shareholders, whereby a socially responsible way of doing business is placed centrally.

This remuneration policy focuses on the long-term value creation of the Group and the sustainability of the Company as a whole, in order to achieve its strategic and operational objectives.

The remuneration policy and business strategy have been aligned through the creation of specific short and long-term targets that link each Executive Board member's remuneration to the success of the Company.

The portion of the LTI (Long Term Incentive) in the total remuneration package and the fact that the members of the Executive Board need to invest in the same number of shares that are allotted as LTI themselves, are important factors to develop values with respect to long-term value creation and continuity of the Company.

In addition, the personal targets as part of the STI (Short Term Incentive) will be related to, and aligned with, the identity, values and mission - as mentioned in the first paragraph of this paragraph- of the Company.

The policy is designed in the context of national and international market trends, statutory requirements, corporate governance best practice, the societal context around remuneration and the interests of the Company's Shareholders and other stakeholders.

The compensation package is measured periodically against market trends using information provided by external experts.

In addition, the internal remuneration ratios are taken into consideration. The compensation package is structured so, that both short- and long-term objectives are maintained. According to the determined targets, the Remuneration Committee makes scenario analyzes with regard to the Short-Term Incentive (STI) and Long-Term Incentive (LTI) to be realized.

The overriding principle of the Company's remuneration policy is to ensure fairness and transparency. Whilst it is important for the Company to reward achievement of growth targets, the remuneration structure has been designed in such a way that Executive Board members are not encouraged to take/stimulate inappropriate risks.

Reference is made to the specific paragraphs below on target setting.

## 3 PEER GROUPS

In order to attract qualified managers for the Executive Board and to retain the current members of the Executive Board for the long-term, the Company takes into account external reference data when determining adequate remuneration levels. A specific reference group (peer group) for the labor market has been defined for this purpose. The focus is on the AMX companies of Euronext Amsterdam, with particular attention being paid to companies that are more or less comparable to the Company in terms of complexity, size and international scope of their business portfolio.

The Remuneration Committee, supported by external experts, regularly reviews this reference group to ensure that the composition is still appropriate. As an additional assessment of developments that are specific to the industry, a reference group is used that consists of (international) industry peers.

---

Although the external market data provides useful context, it is ultimately the responsibility of the Remuneration Committee and the Supervisory Board to determine remuneration packages at an appropriate level that reflect the specific context and requirements of the Company and the skills and capability of the individual Executive Board members. As such, external market data will be used to inform rather than drive decision-making. The Remuneration Committee evaluates the external market data and recommends adjustments, if necessary, to the Supervisory Board for approval.

## 4 REMUNERATION ELEMENTS

### 4.1 Overview

Pursuant to the remuneration policy, the remuneration of the Executive Board members consists of the following fixed and variable components which are discussed in more detail below:

- a base salary (Total Regular Income: TRI);
- a variable element comprising an annual performance bonus (Short-Term Incentive: STI);
- a long-term bonus scheme entailing a share scheme (Long-Term Incentive: LTI);
- Pension.

In formulating the proposal for the remuneration of the members of the Executive Board, the basis is the external assessment and the adopted remuneration policy.

In accordance with the Code, the Remuneration Committee has taken note of the individual Executive Board members' views regarding the level and structure of their own remuneration when determining it.

The remuneration for the members of the Executive Board is reviewed every three years externally, advised by external experts, and can be adjusted for market tendencies. The remuneration policy is also taken into account in this study with regard to the compliance of the TRI, STI and LTI with the objectives set.

The ratio between fixed pay (TRI), variable pay (STI) and long-term incentive plan (LTI) for the Executive Board members determines the extent to which the targets have been achieved.

In line with the Code, the Company takes into account the internal pay ratios and employment conditions of the employees within the organization when formulating the remuneration policy.

In light of transparency and clarity, the Company applies a methodology to calculate the internal pay ratio. The Company's internal pay ratio is calculated as the average Executive Board member's compensation divided by the average employee compensation (total personnel expenses divided by the average number of FTE). Other elements of the terms of employment have a minor impact on the pay ratio and as such these are not taken into account in the calculation of the pay ratio. They are however, taken into account when evaluating the remuneration levels of Executive Board members. The Remuneration Committee tracks how the ratio changes on an annual basis and take this into consideration when reviewing remuneration levels of the Executive Board members.

The Company believes that the remuneration of the Executive Board members in relation to the remuneration of the other employees should always remain fairly balanced. Furthermore, the Executive Board members are not entitled to any special additional benefits or allowances that are not standardly applied by the Company.

### 4.2 Base Salary (TRI)

Annually, the Remuneration Committee reviews the base salary of the Executive Board members. In principal, the base salary of the Executive Board is adjusted annually, with the collective bargaining agreement for the large-metal sector (FME) serves as guideline.

---

### 4.3 Performance bonus (Short-Term incentive: STI)

Variable remuneration represents an important component of the remuneration package for the Executive Board members. Every year, targets and criteria, on which the performance bonus is based, are set in advance by the Supervisory Board, for which the Remuneration Committee has made a proposal. The amount of the performance bonus is determined by the extent to which targets and criteria are met.

For the financial related targets, an overview of the realized financial figures against the target figures is presented, from which the STI targets can be clearly compared to the results, translated and calculated in the respective remuneration amounts. For the personal targets, which are not all financial targets, a system has been set up to value the realization of each personal target on a scale of 1 to 5. The average score of all personal targets determines the percentage of realization of the personal target share within the STI. On the basis of the foregoing, the Supervisory Board, on a proposal of the Remuneration Committee, will determine the STI remuneration for each Executive Board member. The calculation of the STI is reviewed by the external auditor.

The payment of the STI will be executed after the publication of the annual audited accounts of the Company of the related financial year.

The maximum performance bonus has been set at 60% of the base salary (TRI). The Supervisory Board, on the proposal of the Remuneration Committee, sets the performance bonus amount on the basis of the targets and criteria that have been met.

The realization of 50% of the maximum bonus is based on EBITA-targets and 30% is based on autonomous revenue growth targets. The remaining 20% of the maximum bonus is determined by the realization of strategic targets for the Executive Board as a whole, and personal targets for the individual members of the Executive Board.

Realization 'at target' results in a bonus of 40% of base salary (TRI).

#### Target setting

The Supervisory Board, at its discretion, will set goals, their respective weights and targets for the respective performance year, in alignment with the Company's strategy and the overall structure, and weighing of both financial and non-financial areas as well as personal targets. In doing so, the Supervisory Board may respond in an agile way to changed business needs and/or strategy adjustments in a changing environment. Thereby, the Supervisory Board shall consider the following:

- Targets must be derived from the Company's strategy;
- Focus on objectives instrumental to achieving long-term value creation;
- Historical performance, business outlook and circumstances;
- Stakeholders expectations.

Whereas financial and non-financial targets focus on the realization of overall strategic business objectives and sustainability aspirations, personal targets shall concern the specific role of the individual member within the Executive Board.

Within the personal targets, the Company's mission, identity and ESG (Environment, Social and Governance) targets will be covered as well as important strategic subjects for the coming year.

As a result of the above, it is ensured that the STI contributes to the Company's strategy, the long-term interests of the Company and sustainability of the Company.

The Supervisory Board has the discretionary power to recover from the Executive Board members the variable remuneration granted that is based on incorrect (financial) data. In line with the claw-back legislation, payment of the variable remuneration to the members of the Executive Board takes place subject to the condition of the correctness of the relevant (financial) data.

---

#### 4.4 Share scheme (Long-Term Incentive: LTI)

An annual share scheme which provides for a long-term bonus scheme is in force in connection with long-term targets. It aligns the interests of the members of the Executive Board to that of Shareholders. Subject to the determination of the Remuneration Committee and approval of the Supervisory Board, the scheme enables members of the Executive Board to acquire shares free of charge in return for which the members of the Executive Board are required to invest for their own account in the same number of shares for the price quoted on the stock exchange at that moment.

The development of ROS (Return on Sales) and ROCE (Return on Capital Employed) related to the pre-formulated objectives as well as the share price development over the past three years in comparison to the, for the Company relevant AMX-index, may result in a share allotment.

The focus within the Company's strategy is on an increase of the ROS and ROCE through growth of the activities related to high-end technologies where relative high margins can be achieved. The ROS and ROCE are important criteria to follow the execution of the differentiation power that the Company is developing with the technology base of the Group and the ongoing transformation towards achieving the ROS and ROCE targets. Further, the development of the share price of the Company in relation to the AMX index of Euronext Amsterdam is an important confirmation of the appreciation of the Shareholders of the strategy and have alignment from the Executive Board with the goals of long-term shareholders. Through the own investment of Executive Board members in the same number of shares as allotted, in the framework of the LTI, a substantial value is invested by each Executive Board member through which risks are carefully managed and still an entrepreneurial spirit is in place to create long-term value.

The LTI sets a maximum allotment at factor 2.7 of the base salary (TRI). After the publication of the audited annual figures, the allotment of the shares is determined based on the average closing price of the three trading days from the moment of publication of the annual figures, and are acquired soon thereafter.

##### LTI grant and holding period

The shares in question are to be held as a long-term investment and may not be transferred for a period of three years after their respective allotment. The share plan involves a financial compensation for the Executive Board since the individual members must buy the same number of shares as the number that are awarded 'free of charge' within the framework of the LTI. Due to this financial compensation for the members of the Executive Board, it is stipulated that the shares must be held for at least three years, given that this scheme requires a private investment obligation of the individual members of the Executive Board.

The Executive Board has a share purchase scheme in place and no option scheme. Option rights that might exist for an Executive Board member from the period before he became an Executive Board member can be vested according to the option scheme and respective exercise periods.

The calculation of the LTI is reviewed by the external auditor.

## 5 PENSION

The Remuneration Committee supervises that Executive Board members' pension is in line with generally accepted standards and ensures that it is compatible with the pension schemes available for similar posts. In addition, the pension arrangements include the right to benefit in the case of poor health or invalidity and a widow's and orphan's pension in the event of death subject to conditions similar to those applicable to participants in the collective pension fund. More information on pensions is included in the financial statements of the annual report of the Company.

---

## **6 CONTRACTUAL ARRANGEMENTS**

### **6.1 Employment contract**

Executive Board members are engaged on the basis of a employment contract. Members of the Executive Board who joined the Company before 1 January 2011 have been appointed for an indefinite period of time. Members of the Executive Board appointed after 1 January 2011 are appointed for four years. The members of the Executive Board are appointed by the General Meeting upon a binding nomination of the Supervisory Board.

### **6.2 Notice period**

Termination of an employment contract is subject to a notice period of 3 months for the Executive Board member and 6 months for the Company. The termination of the employment contract from the side of the Company can be effected when the annual General Meeting does not re-appoint the respective member of the Executive Board after the four years period when this is applicable or when the Supervisory Board decides that based on performance or other reasons the employment contract needs to be ended.

### **6.3 Severance arrangement**

In accordance with best practice provision 3.2.3, the compensation for dismissal of a member of the Executive Board is a maximum of one year's salary (TRI). A severance payment will not be paid if the contract is terminated prematurely on the initiative of the member of the Executive Board or if the member has acted seriously culpable or negligent.

### **6.4 Claw-back**

The Supervisory Board has the discretionary power to recover from the Executive Board the variable remuneration granted that is based on incorrect (financial) data. In line with the claw-back legislation, payment of the variable remuneration to the members of the Executive Board takes place subject to the condition of the correctness of the relevant (financial) data.

A claw-back arrangement is in place and concerns the possibility (1) to revise an incentive if (unaltered) payment of the incentive would be unreasonable and unfair, and (2) to claw back an incentive, if payment took place on the basis of incorrect information on the fulfilment of the incentive goals or on the conditions for payment of the incentive.

### **6.5 Change of control**

There is no change of control clause included in the employment contract of the members of the Executive Board.

### **6.6 Non-compete**

For Executive Board members, non-compete and non-soliciting arrangements are in place in the employment contract whereby the severance payments does not apply.

### **6.7 Personal loans**

The Company grants no personal loans or guarantees to Executive Board members.

## **7 DEVIATION**

The Supervisory Board may, upon proposal of the Remuneration Committee, deviate (temporarily) from the remuneration policy if exceptional circumstances provide valid reasons to do so. Deviations shall be aligned with the main objectives of the policy applying a consistent approach. A deviation from this policy shall ultimately be terminated as per the moment that a new remuneration policy is adopted.

Exceptional circumstances shall cover only situations in which the derogation from the remuneration policy is necessary to serve the strategy, long-term interests and sustainability of the Company as a whole or to assure its viability.

---

In case of internal promotions, commitments made prior to the appointment as Executive Board member may continue to be honored as new remuneration arrangements apply. In international settings, flexibility is retained to tailor benefits to the circumstances.

## **8 POLICY REVIEW**

In establishing this policy, the Supervisory Board has considered the external environment in which the Company operates, legislation and best practice recommendations of the Code, competitive market practice and the guidance issued by organizations representing institutional shareholders. Finally, as explained under paragraph 2 of this policy, the Company is mindful of the social context of remuneration for its Executive Board members. This remuneration policy has been designed with these views in mind and the Supervisory Board has received confirmation from its external experts that this remuneration policy, both in approach and results, is generally aligned with the prevailing views about executive compensation of society comprising the major countries in which the Company is operating. The Company has consulted stakeholders about the remuneration policy.

---

## ANNEX: DEFINITIONS

The following terms have the meaning as defined below:

<b>Business</b>	the Company's business and the business of the Group (groepsmaatschappijen);
<b>BW</b>	Dutch Civil Code (Burgerlijk Wetboek);
<b>Code</b>	Dutch Corporate Governance Code;
<b>Company</b>	TKH Group N.V.;
<b>EBITA</b>	EBITA result before interest, taxes, impairments and amortization;
<b>Executive Board</b>	the Executive Board of the Company;
<b>General Meeting</b>	the corporate body that consists of shareholders and all other persons with meeting rights, or the meeting in which the shareholders and all other persons with meeting rights assemble;
<b>Group</b>	the Company and all entities included in the group (groep, within the meaning of article 2:24b BW) headed by it;
<b>LTI</b>	Company's long-term incentive program;
<b>Remuneration Committee</b>	Remuneration Committee of the Supervisory Board;
<b>ROCE</b>	(Return On Capital Employed) being the EBITA for the last twelve months divided by capital employed at the beginning of the period plus capital employed at the end of the period divided by two;
<b>ROS</b>	(Return on Sales) EBITA divided by total revenues as a percentage;
<b>Shareholder</b>	holders of ordinary shares and/or depository receipts of Shares in the Company;
<b>Shares</b>	a fully paid ordinary share in the capital of the Company with a nominal value of € 0.25 per share;
<b>STI</b>	Company's short-term incentive program;
<b>Supervisory Board</b>	the Supervisory Board of the Company; and
<b>TRI</b>	Total Regular Income.