

Remuneration report

During the annual general meeting of shareholders of the Company on 8 April 2020 the Shareholders adopted (i) the Company's amended remuneration policy with effect as from 1 January 2020 (the Remuneration Policy) and (ii) the long-term incentive plan for the Management Board. In conformity with paragraph 3.4.2 of the Dutch Corporate Governance Code, the essential elements of the agreements between the Company on one side and Marco Roeleveld and Jeroen van Rossen on the other side are summarised below and the amounts for 2021 are specified.

The Supervisory Board reviewed the remuneration arrangements of the Managing Directors supported by an external advisor, taking both the internal and external perspective into consideration. The rapid growth of Alfen came up as an important factor in both perspectives. The new remuneration policy will be submitted for approval to the General Meeting of Shareholders of Alfen on 7 April 2022 supported by a positive advice from the Works Council.

In 2021 the Company was able to perform in line with its financial guidance and able to realise its planned expansion program. As a consequence, Alfen did not have to apply for governmental support. Therefore, the Supervisory Board will stick to the agreed Short Term and Long Term bonus schemes and approves the cash bonus for 2021, which will result as outcome of the calculation of the KPI's.

The Remuneration Policy and business strategy have been aligned through the creation of specific short and long term targets that link each Managing Director's variable pay to the success of the Company. As such, both the short term and long term incentive plans are linked to the business strategy and accordingly to longer term value creation and sustainability of the Company. Reference is made to the STIP and LTIP paragraphs below on target setting. Variable remuneration is higher when targets are exceeded and no variable remuneration is payable if threshold targets are not met. This helps to ensure the alignment of the Managing Directors' interests with that of the Company's stakeholders and create a true pay-for-performance culture.

Before setting proposed targets the Supervisory Board carried out scenario analyses of the possible financial outcomes of meeting target levels as well as maximum performance levels and how they may affect the total remuneration of the Management Board.

Fixed remuneration

In accordance with the Remuneration policy, the fixed gross remuneration for the Management Board is as follows:

Board Member	Annual base fee as per 1 January 2021
Marco Roeleveld - CEO	€356,000
Jeroen van Rossen - CFO	€277,000

Pensions and other benefits

The Managing Directors will participate in the pension scheme of the industry wide pension fund for Metalektro, whereby the pensionable compensation is capped in line with the Dutch fiscal regime. Other benefits are a company car and participation in a collective health insurance plan. The Company has also arranged a Director liability insurance for the members of the Management Board.

Notice period

The management agreements for the Managing Directors are entered into for an indefinite term. The notice period for the Managing Directors is three months and for Alfen N.V. six months.

Severance payment

In line with current employment arrangements, the maximum severance payment, applicable to the Management Board members, is one year base pay in the proceeding financial year. No severance payment will be paid if the agreement is terminated earlier at the request or in the event of a seriously negligent behaviour of the Director. No such severance payments were made in 2021.

The variable remuneration

The variable remuneration consists of a short-term incentive ("STI") and a long-term incentive ("LTI").

STI Plan Summary

- The STI allows Managing Directors to receive annual awards in cash;
- The 'at target' amount of the STI is 10% of the annual base fee with a bandwidth of 5-15%, whereby the performance conditions, weighting and bonus percentages for 2021 are set out below;
- A one-year performance period applies.

STI performance KPI's for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	35 %	10.58 %	3.70 %
	Adjusted EBITDA	35 %	10.92 %	3.83 %
Non-financial performance conditions	Strategy and organisational structure	15 %	10.00 %	1.50 %
	Footprint reduction	15 %	15.00 %	2.25 %
STI 2021		100 %		11.28 %

The revenues and other income in 2021 amount to €249.7 million. The on target bonus was set on €246.8 million thus resulting in a bonus of 10.58%. The adjusted EBITDA in 2021 amounts to €36.8 million. The on target bonus was set on €35.5 million thus resulting in a bonus of 10.92%. The strategy and organisational structure update is evaluated by the Supervisory Board as an on target performance, resulting in a bonus of 10%. With regard to the footprint reduction the maximum bonus of 15% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2021 amounts to €40 thousand (2020: €30 thousand).

STI performance KPI's for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	35 %	10.58 %	3.70 %
	Adjusted EBITDA	35 %	10.92 %	3.83 %
Non-financial performance conditions	Procurement	15 %	15.00 %	2.25 %
	Strategy and organisational structure	15 %	10.00 %	1.50 %
STI 2021		100 %		11.28 %

The revenues and other income in 2021 amount to €249.7 million. The on target bonus was set on €246.8 million thus resulting in a bonus of 10.58%. The adjusted EBITDA in 2021 amounts to €36.8 million. The on target bonus was set on €35.5 million thus resulting in a bonus of 10.92%. The strategy and organisational structure update is evaluated by the Supervisory Board as an on target performance,

resulting in a bonus of 10%. With regard to procurement the maximum bonus of 15% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2021 amounts to €31 thousand (2020: €26 thousand).

LTI Plan Summary

- The LTI allows Managing Directors to receive annual conditional awards of performance shares, i.e. fully paid ordinary shares in the capital of the Company;
- The value of the 'at target' number of performance shares is 40% of the annual base fee at the start of the performance period with a bandwidth of 30-50% taking into account the value of a fully paid ordinary share in the capital of the Company, based on the average closing share price of the last three trading days of the preceding year, at the start of the performance period;
- A three year performance period applies;
- Dependent on the actual achievement of the performance criteria after the three years performance period and, subject to continued engagement, the Managing Directors will be granted an unconditional award of performance shares;
- In case the performance shares are unconditionally granted, an additional holding period applies for one year.

The following grants, comprising of Ordinary Shares in the Company, have been made under this plan:

Board Member	Grant date	Number of Awards Granted *	Grant date fair value	Exercise price
CEO - Marco Roeleveld	8 April 2020	7,848	€24.55	Nil
CEO - Marco Roeleveld	29 April 2021	1,752	€68.75	Nil
CFO - Jeroen van Rossen	8 April 2020	5,935	€24.55	Nil
CFO - Jeroen van Rossen	29 April 2021	1,363	€68.75	Nil

* At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between 0% realisation and 125% realisation.

The LTI grants for the financial year 2021 and 2020 are subject to the following selection of performance conditions as determined by the Supervisory Board:

LTI performance KPI's for the CEO and CFO (i.e. under the long-term incentive plan)		Weight
Financial performance conditions	Revenues and other income	32,50%
	Adjusted EBITDA percentage	32,50%
Non-financial performance conditions	Internationalisation	11,67%
	HSE evaluation	11,67%
	Footprint reduction and CO2 emissions	11,67%

Please note that the realisation of the LTI grant of 2021 and 2020 will be based on the outcome of financial year 2023 and 2022, respectively, and thus cannot be determined yet.

Total remuneration

The total remuneration of the Management Board, split by component and presented in relative proportion between fixed and variable remuneration is as follows:

In EUR '000	M. Roeleveld - CEO		J. van Rossen - CFO	
	2021	2020	2021	2020
Salaries and wages	356	322	277	242
Short-term incentive plan	40	30	31	26
Social security contributions	18	16	16	14
Pension contributions (DC)	21	19	17	15
Share-based payments	88	52	67	39
Other	34	21	27	18
Total	557	460	435	354
Percentage of variable remuneration	23%	18%	23%	18%

Internal pay ratio

(In EUR '000)	2021	2020
Management Board compensation		
Salaries and wages	633	564
Short-term incentive plan	71	56
Social security contributions	34	30
Pension contributions (DC)	38	34
Share-based payments	155	91
Total	931	775
Average number of FTE's	2	2
Average compensation	466	388
Employee compensation		
Salaries and wages	33,905	29,090
Social security contributions	4,906	3,930
Pension contributions (DC)	3,500	2,835
Share-based payments	486	411
Total	42,797	36,266
Average number of FTE's	634	569
Average compensation	68	64
Internal pay ratio	6.9	6.1

The Remuneration policy for the Management Board takes into account the pay ratio within the organisation. The Alfen internal pay ratio is calculated by dividing the average total Management Board compensation by the average employee compensation. The average employee compensation is based on the total personnel cost (defined as salaries and wages, social security contributions, pension contributions and share-based payment costs) and the average number of FTE's excluding the Management Board (see also Note 9, Note 11 and Note 15 of the Consolidated Financial Statements)⁵.

The internal pay ratio increased from 6.1 in 2020 to 6.9 in 2021 as a result of the remuneration policy for the Management Board as adopted in the AGM of April 2020.

5-year comparison

(in EUR '000)	2021		2020		2019		2018	
	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)
Revenue and other income	249,679	32 %	189,010	32 %	143,169	41 %	101,893	n/a
Adjusted EBITDA *	36,845	51 %	24,374	68 %	14,525	301 %	3,623	n/a
Average Management Board compensation	466	20 %	388	44 %	269	3 %	262	n/a
Average employee compensation **	68	6 %	64	3 %	62	15 %	54	n/a

* Adjusted EBITDA in 2018 is excluding IFRS 16 as this standard was not yet adopted by the Company.

** 2019 and 2018 are adjusted for comparison purposes.

As Alfen was listed on 22 March 2018 the 5-year comparison of average compensation and business performance started in 2018. The business performance of Alfen is related to the strategy of profitable growth. The suitable criteria to measure the business performance are defined as growth in revenue and other income as well as growth in adjusted EBITDA.

Benchmark analysis remuneration policy

In 2021 the Supervisory Board asked an external agency to assess a benchmark analysis of the existing remuneration policy of the Management Board. Based on this input and that of various stakeholders, the Supervisory Board will present an adjusted remuneration policy to the Annual General Meeting in April 2022.

Remuneration information for the Supervisory Board

The remuneration of the Supervisory Board is not dependent on the company's results. The members will not receive ordinary shares or rights to ordinary shares as remuneration.

The total remuneration of the members of the Supervisory Board is shown below:

In EUR '000	2021	2020
H. ten Hove	50	50
E.Q. van der Arend - Date of discharge: 6 July 2020	—	15
D.W.E. Riefel - Date of discharge: 6 July 2020	—	—
W.W.M. Ackermans - Date of entry 6 July 2020	40	20
E.M. Oudenbroek - Date of entry 6 July 2020	40	20
Total	130	105

No options have been awarded to the Supervisory Board, nor any loans, advances or guarantees.

⁵ In light of transparency and clarity, Alfen applies a methodology to calculate the internal pay ratio that is IFRS-driven and thus is linked to Alfen's Notes to the Consolidated Financial Statements