

Remuneration report

Chair Letter

Dear Shareholders,

On behalf of the HR Committee, I am pleased to present our 2023 Remuneration report.

In 2023, the Supervisory Board installed an HR Committee with specific focus on topics like Selection, Appointment and Remuneration matters. As Chair of this new Committee, I am happy to report on the Remuneration Policies and the execution thereof in 2023.

In 2023, Alfen continued its journey of sustainable profitable growth. The Management Board expressed Alfen's further growth ambitions during the Capital Markets Day in May 2023. Attracting and retaining talent across the board, but specifically at senior and executive level is critical for Alfen's continued success. Therefore, the HR Committee performed a thorough review of executive pay at Management Board level. As a result, we will propose an amended Remuneration Policy to the Annual Meeting of Shareholders of 2024.

The Supervisory Board believes that the reward of the Management Board in 2023 is fair. Although market conditions were challenging, the Management Board did an excellent job in quickly adapting and remaining a long term sustainable and profitable growth focus.

We have structured the report in three sections:

- The first part of this report provides context and insight into factors that shaped remuneration in 2023.
- Secondly, we briefly touch upon the policy which forms the basis for the 2023 outcomes.
- In the final chapter, we dive into the actual 2023 outcomes for the Management Board and the Supervisory Board.

Business highlights

In line with recent years and our sustainable profitable growth ambitions, we believe that the most suitable criteria to measure our business performance is through revenue and adjusted EBITDA. As such these metrics have been used to quantify and reflect our financial performance in both the STI and LTI plans of our executives. It is important to reflect briefly on the stand-alone performance of these metrics prior to evaluating the overall performance and related pay of our executives against the thresholds laid out in this report.

Since our IPO in 2018, Alfen has grown significantly and the context in which we operate has expanded. Alfen's executives have overseen a steady performance above financial targets in the short- and long term. In 2023, Alfen faced the consequences of the challenges in the EV charging market. As a result, Revenues and EBITDA outcomes were under pressure. The Management Board maintained a long term focus, managed costs and achieved growth in the substation and energy storage system business units.

In parallel, we have also moved forward on our non-financial objectives. In 2023, Alfen successfully introduced two new products: The Mobile X and Stedin substation. Over the full year 2023 Alfen reached a significant decline in kgCO₂e per average FTE compared with FY19. Also important cost savings related to purchasing were achieved. Due to the market effects of EV charging, the further internationalization ambitions for 2023 were not met according to plan.

As the company matures, we strive to be equipped with the required talent in both our Management and Supervisory Board to facilitate the next stage(s) of our development, and as such are content with the appointment of Maria Anhalt as a new member of the Supervisory board as per September 19, 2023.

Stakeholder Engagement

Last year, we were content that our shareholders voted to approve our 2022 Remuneration Report at our 2023 AGM as the report received 86.89% of favourable votes. Nevertheless, we continuously aim to improve our understanding of the key challenges around remuneration and the perspectives of various stakeholders involved. Throughout the year we have engaged with various stakeholders, discussing remuneration, societal context and the development of Alfen as a company. In the last months, we have set up additional engagements with amongst others large investors, our Works Council, Eumedion, ISS, Glass Lewis and the VEB addressing our intention to update the Remuneration Policy. These discussions revealed that they were generally supportive and we look back on constructive and effective dialogues, which helped us further finetune the policy.

Looking Forward

We are entering the next phase of our growth in the midst of the global energy transition, where we have set ambitious medium term financial objectives to reflect this. Between 2025 and 2027, we are striving to achieve an annual revenue of at least € 1 billion, and an adjusted EBITDA margin in the range of 15-20%. At the same time, we will strive to maintain an asset light business model, remain at the forefront of technology with business innovative solutions, and simultaneously grow and educate our people.

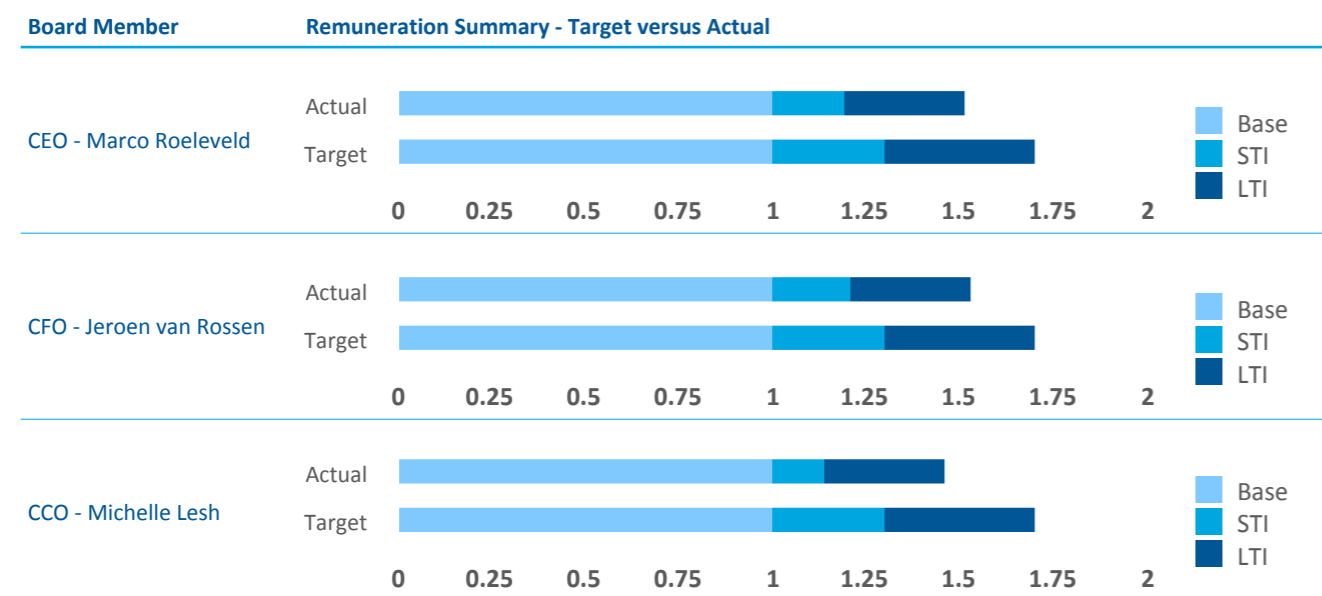
Against this background, we have evaluated the current remuneration policy and the Supervisory Board has initiated a full review of the remuneration policy, involving external advice. The purpose of the review was to draft a new fit-for-purpose remuneration policy that reflects Alfen's current profile and has the flexibility to evolve as the company grows if – and only if – the ambitious goals are met. The new Remuneration Policy will be submitted at the 2024 AGM and further details about the intended changes can be found in AGM agenda and appendices.

Kind regards,

Jeanine van der Vlist

Chair of the HR Committee

Total Remuneration at a glance



Policy at a glance

Remuneration element	Description	Strategic role
Base	Fixed cash payments intend to attract and retain executives of the highest caliber and to reflect their experience and scope of responsibilities.	Rewards performance of day to day activities.
STI	Variable (cash) bonus incentive of which achievement is tied to specific financial and non-financial targets derived from the company's (annual) strategic plan.	The STI allows the company to apply focus on short-term business critical goals and drive behavior.
LTI	Variable equity incentive of which achievement is tied to targets reflecting long-term stakeholder value creation.	This enhances the pay-for-performance narrative and aligns recipients with the shareholder experience.
Pension and other benefits	Pension and benefits offered intend to contribute to the attraction and retention of executives, encourage long-term saving and planning for retirement.	

The HR Committee believes remuneration to be a strategic instrument to support the long-term (business) strategy and interests of the company, allowing to create focus and alignment of interests through pay-for-performance.

In addition to fixed remuneration, specific short- and long-term targets 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. 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.

During the annual general meeting of shareholders of the Company on 7 April 2022 the Shareholders adopted (i) the Company's amended remuneration policy for the Management Board with effect as from 1 January 2022 (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 and the Managing Directors are summarized below and the amounts for 2023 are specified.

Actual 2023 outcomes

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 2023	Annual base fee as per 1 January 2022	Percentage of Change
Marco Roeleveld - CEO	432,000	392,000	10 %
Jeroen van Rossen - CFO	366,000	332,000	10 %
Michelle Lesh - CCO	324,000	294,000	10 %

LTI		Weight	Threshold	Target	Max	Actual	Result
Financial	Revenues and other income	32.50%	315.0	393.9	472.8	504.5	50 %
	Adjusted EBITDA	32.50%	14 %	17 %	20 %	11.3 %	— %
Non-financial	Internationalisation	11.67%	40 %	45 %	55 %	42 %	34 %
	HSE evaluation	11.67%	6	8	10	10	50 %
	Footprint reduction and CO2	11.67%	(3)%	(9)%	(15)%	(60)%	50 %
LTI - Total realisation percentage							31.9 %

Please note that the realisation of the LTI grant of 2023 and 2022 will be based on the outcome of financial year 2025 and 2024, respectively, and thus cannot be determined yet.

The revenues and other income in 2023 amount to €504.5 million. The maximum bonus was set on €472.8 million thus resulting in a bonus of 50%. The adjusted EBITDA percentage in 2023 amounts to 11.3%. The threshold bonus was set on 14.0% thus resulting in a bonus of 0%. The revenue outside of the Netherlands as percentage of the overall revenue is 42%. The on target bonus was set on 45% thus resulting in a bonus of 34%. The HSE item is evaluated by the Supervisory Board as an above target performance, resulting in a bonus of 50.00%. With regard to the footprint reduction the maximum bonus of 50.00% is achieved.

Marco Roeleveld

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 1,752 the LTI bonus for 2023 amounts to 1,397 shares.

Jeroen van Rossen

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 1,363 the LTI bonus for 2023 amounts to 1,087 shares.

Michelle Lesh

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 638 the LTI bonus for 2023 amounts to 509 shares. Please note that LTI bonus is 50% based on the start date of 1 July 2021.

Outstanding LTI grants

The LTI grants for the financial year 2023 and 2022 are subject to the following selection of performance conditions as determined by the Supervisory Board:

LTI performance KPI's for the Management Board (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%

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 of two years applies.

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	29 April 2021	1,752	€68.75	Nil
CEO - Marco Roeleveld	26 April 2022	1,818	€82.54	Nil
CEO - Marco Roeleveld	25 April 2023	2,042	€74.70	Nil
CFO - Jeroen van Rossen	29 April 2021	1,363	€68.75	Nil
CFO - Jeroen van Rossen	26 April 2022	1,539	€82.54	Nil
CFO - Jeroen van Rossen	25 April 2023	1,736	€74.70	Nil
CCO Michelle Lesh	22 July 2021	638	€80.25	Nil
CCO Michelle Lesh	26 April 2022	1,363	€82.54	Nil
CCO Michelle Lesh	25 April 2023	1,532	€74.70	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.

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		M. Lesh - CCO	
	2023	2022	2023	2022	2023	2022
Salaries and wages	432	392	366	332	324	294
Short-term incentive plan	83	150	77	133	45	118
Social security contributions	14	16	15	14	16	13
Pension contributions (DC)	26	23	21	18	19	16
Share-based payments	86	211	72	165	60	56
Other	8	25	14	13	15	13
Total	649	817	565	675	479	510
Percentage of variable remuneration	26%	44%	26%	44%	22%	34%

Internal pay ratio

In EUR '000	2023	2022
CEO compensation		
Salaries and wages	432	392
Short-term incentive plan	83	150
Social security contributions	14	16
Pension contributions (DC)	26	23
Share-based payments	86	211
Total	641	792
Average number of FTE's	—	—
Average compensation	641	792
Employee compensation		
Salaries and wages	56,380	45,233
Social security contributions	9,058	6,978
Pension contributions (DC)	6,652	4,637
Share-based payments	968	784
Total	73,058	57,632
Average number of FTE's	941	786
Average compensation	78	73
Internal pay ratio	8.2	10.8

Pay Ratio

The internal Pay ratio is an important factor for remuneration of the Management Board. The Alfen internal (CEO) pay ratio is calculated by dividing the CEO 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 CEO (see also Note 9, Note 11 and Note 15 of the Consolidated Financial Statements).

The internal pay ratio decreased from 10.8 in 2022 to 8.2 in 2023 as a result of below target compensation for the LTI 2021 and the STI 2023.

Although the pay ratio is reflective of our current situation, we do note that it is relatively low compared to other manufacturing / industrial companies in The Netherlands.

5-year comparison

(in EUR '000)	2023		2022		2021		2020		2019	
	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)
Revenue and other income	504,477	15 %	439,876	76 %	249,679	32 %	189,010	32 %	143,169	41 %
Adjusted EBITDA	57,070	(28)%	79,370	115 %	36,845	51 %	24,374	68 %	14,525	301 %
CEO compensation	641	(19)%	792	51 %	523	19 %	439	46 %	301	3 %
Average employee compensation	78	7 %	73	7 %	68	6 %	64	2 %	63	15 %

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.

Notice Period

The management agreements for the CEO and CFO are entered into for an indefinite term. The management agreement for the CCO is up to and including the AGM of 2026. The notice period for the Managing Directors is three months and for the Company six months.

Severance Payment

Based on contracts concluded before the IPO in 2018, the maximum severance payment for the current CEO and CFO is one year base pay in the proceeding financial year. For the CCO and future appointments of Board Members the maximum severance payment is six months of the 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 2023.

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	2023	2022
H. ten Hove	60	50
W.W.M. Ackermans	47	40
J. van der Vlist	47	4
M. Anhalt - Date of entry: 19 September 2023	13	—
E.M. Oudenbroek - Date of discharge: 6 April 2023	10	40
Total	177	134

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