

## 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 2020 are indicated.

In 2020 the Company was able to maintain and realize its financial guidance and able to realize 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 2020 which will result as outcome of the calculation of the KPI's. We also will increase the basic salary for the CEO and the CFO per 1 January 2021, as approved in the AGM of 2020.

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:

<b>Board member</b>	<b>Annual base fee as per 1 January 2020</b>	<b>Annual base fee as per 1 January 2021</b>
Marco Roeleveld - CEO	€320,000	€356,000
Jeroen van Rossen - CFO	€242,000	€277,000

## Pension 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 payed 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 2020.

## 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 2020 are set out below;
- A one-year performance period applies.

STI performance KPI's 2020 for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	35%	8.07%	2.82%
	Adjusted EBITDA	35%	12.39%	4.34%
Non-financial performance conditions	New product introductions	15%	-%	-%
	Footprint reduction	15%	15.00%	2.25%
				9.41%

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2020 amounts to € 30 thousand (2019: n/a).

STI performance KPI's 2020 for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	35%	8.07%	2.82%
	Adjusted EBITDA	35%	12.39%	4.34%
Non-financial performance conditions	Procurement	15%	15.00%	2.25%
	Working capital management	15%	8.55%	1.28%
				10.69%

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2020 amounts to € 26 thousand (2019: n/a).

### 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 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 grant, comprising of Ordinary Shares in the Company, has 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
CFO - Jeroen van Rossen	8 April 2020	5,935	€24.55	Nil

\* At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between nil (at 0% realisation) and 17,229 (at 125% realisation).

The LTI grant for the financial year 2020 is subject to the following selection of performance conditions as determined by the Supervisory Board:

LTI performance KPI's 2020 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 2020 will be based on the financial year 2022 outcome.

### 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	
	2020	2019	2020	2019
Salaries and wages	322	250	242	210
Short-term incentive plan	30	-	26	-
Social security contributions	16	14	14	14
Pension contributions (DC)	19	37	15	13
Share-based payments	52	-	39	-
Other	21	19	18	21
<b>Total</b>	<b>460</b>	<b>320</b>	<b>354</b>	<b>258</b>
<b>Percentage of variable remuneration</b>	<b>18%</b>	<b>n/a</b>	<b>18%</b>	<b>n/a</b>

## Internal pay ratio

In EUR '000	2020	2019 *
<b>Management Board compensation</b>		
Salaries and wages	564	460
Short-term incentive plan	56	-
Social security contributions	30	28
Pension contributions (DC)	34	50
Share-based payments	91	-
<b>Total</b>	<b>775</b>	<b>538</b>
Average number of FTE's	2	2
<b>Average compensation</b>	<b>388</b>	<b>269</b>
<b>Employee compensation</b>		
Salaries and wages	29,090	23,169
Social security contributions	3,930	3,098
Pension contributions (DC)	2,835	2,103
Share-based payments	411	488
<b>Total</b>	<b>36,266</b>	<b>28,858</b>
Average number of FTE's	569	462
<b>Average compensation</b>	<b>64</b>	<b>62</b>
<b>Internal pay ratio</b>	<b>6.1</b>	<b>4.3</b>

\* Adjusted for comparison purposes

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 10, Note 12 and Note 16 of the Consolidated Financial Statements)<sup>7</sup>.

The internal pay ratio increased from 4.3 in 2019 to 6.1 in 2020 as a result of the new remuneration policy for the Management Board as adopted in the AGM of April 2020.

<sup>7</sup> 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.

## 5-year comparison

In EUR '000	2020		2019		2018	
	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)
Revenue and other income	189,010	32%	143,169	41%	101,893	n/a
Adjusted EBITDA *	24,375	68%	14,525	301%	3,623	n/a
Average Management Board compensation	388	44%	269	3%	262	n/a
Average employee compensation **	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 2019 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 has presented the new remuneration policy to the Annual General Meeting in April 2020 and the AGM adopted the new policy. In 2020 no benchmark analysis has been performed.

## Remuneration information for the Supervisory Board

The remuneration of the Supervisory Board may not be 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	2020	2019
H. ten Hove	50	50
E.Q. van der Arend - Date of discharge: 6 July 2020	15	30
D.W.E. Riefel - Date of discharge: 6 July 2020	-	-
W.W.M. Ackermans - Date of entry: 6 July 2020	20	-
E.M. Oudenbroek - Date of entry: 6 July 2020	20	-
<b>Total</b>	<b>105</b>	<b>80</b>

Almere, 16 February 2021

The Supervisory Board

**Henk ten Hove (Chairman), Eline Oudenbroek, Willem Ackermans**