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MEMBERS EXECUTIVE BOARD



J.M.A. (ALEXANDER) VAN DER LOF MBA (1958)
CHAIRMAN EXECUTIVE BOARD, CEO

Alexander van der Lof started his career in 1985 at TKH subsidiary B.V. Twentsche Kabelfabriek (TKF) and held various management positions, most recently as Commercial Director. In addition to his career at TKF, Mr. Van der Lof was Company Secretary of TKH Group for a number of years. In 1998, Mr. Van der Lof became a member of the Executive Board of TKH Group and Chief Financial Officer. Since 2001 he has been chairman of the Executive Board and Chief Executive Officer (CEO) of TKH Group.

Mr. Van der Lof is responsible for the business segment Building Solutions.



E.D.H. (ELLING) DE LANGE MBA (1965)
MEMBER EXECUTIVE BOARD, CFO

Elling de Lange has been employed at TKH since 1998, first as a member of the Board of C&C Partners in Poland. In 2002, he became Financial Director of the Chinese cable production companies TFO and ZTC and CEO of those companies in 2003. Since 2006, Mr. de Lange has also been responsible for the Dutch - Chinese cable production companies. Mr. De Lange has been a member of the Executive Board and Chief Financial Officer (CFO) of TKH Group since 2008. Before he joined TKH Group, he served in several international management positions at Ballast Nedam.

Mr. De Lange is responsible for the business segment Telecom Solutions.



H.J. (HARM) VOORTMAN MSc (1966)
MEMBER EXECUTIVE BOARD

Harm Voortman joined TKH's subsidiary VMI Holland B.V. in 2004, where he held various management positions, including that of Commercial Director. In 2010, Mr. Voortman was appointed CEO for VMI Group and in 2015 he also joined the Management Board of TKH. In 2018, Mr. Voortman was appointed member of the Executive Board of TKH Group. Before his career at TKH Group, Mr. Voortman worked in various R&D and management positions at among others Shell and Stork.

Mr. Voortman is responsible for the business segment Industrial Solutions.

MEMBERS SUPERVISORY BOARD



**A.J.P. (ANTOON)
DE PROFT** MSc
BELGIAN NATIONALITY
1960

CHAIRMAN

- 2014 first appointment
- 2022 end of term limit

Chairman Selection and Appointments Committee

POSITION

- CEO & President Septentrio Satellite Navigation

ANCILLARY POSITIONS

- Chairman Executive Board IMEC
- Chairman Executive Board Quest For Growth
- Managing Director ADP Vision



**J.M. (MEL)
KROON** MBA
DUTCH NATIONALITY
1957

VICE-CHAIRMAN

- 2017 first appointment
- 2021 end of term limit

Member Selection and Appointments Committee
Member Audit Committee

POSITION

- Former Chairman Executive Board TenneT Holding B.V.

ANCILLARY POSITIONS

- Chairman Supervisory Board Attero B.V.
- Chairman Supervisory Board Eneco Groep N.V.

OTHER POSITIONS

- Non-Executive Board Member Urenco Ltd & UCN B.V.
- Chairman Supervisory Board Energyworx B.V.
- Member Advisory Board LVNL
- Member Supervisory Board KVSA B.V.
- Member Advisory Board Groenleven B.V.
- Advisor Improved/Drake Star B.V.
- Advisor Mitsubishi Corporation



**C.W. (CARIN)
GORTER**
DUTCH NATIONALITY
1963

MEMBER

- 2017 first appointment
- 2021 end of term limit

Member Remuneration Committee
Member Audit Committee

POSITION

- Owner Carin Gorter Advies & Toezicht
- Former Senior Executive Vice President, Head Group Compliance, Security & Legal – ABN AMRO

ANCILLARY POSITIONS

- Member Supervisory Board Coöperatie TVM U.A.
- Member Supervisory Board Basic Fit N.V.
- Member Supervisory Board DAS Holding N.V.
- External member Audit Committee Ministry of Justice & Security
- Member Supervisory Board NTS



**P.P.F.C. (PHILIP)
HOUBEN**
DUTCH NATIONALITY
1950

MEMBER

- 2009 first appointment
- 2021 end of term limit

Chairman Audit Committee

POSITION

- Former Chairman of the Executive Board Wavin NV

ANCILLARY POSITIONS

- Chairman Supervisory Board N.V. HVC



**R.L. (ROKUS)
VAN IPEREN**
DUTCH NATIONALITY
1953

MEMBER

- 2011 first appointment
- 2022 end of term limit

Chairman Remuneration Committee

POSITION

- Former president & CEO of Canon Europe Ltd. / Senior Managing Executive Officer Canon Inc.
- Former Chairman Executive Board OCÉ NV

ANCILLARY POSITIONS

- Chairman Supervisory Board Prinses Maxima Centrum pediatric oncology for children



**A.M.H. (MARIEKE)
SCHÖNINGH** MBA
DUTCH NATIONALITY
1963

MEMBER

- 2020 first appointment
- 2024 end of term limit

Member Remuneration Committee

POSITION

- SHV Energy – member Managing Board & COO

ANCILLARY POSITIONS

- Member Supervisory Board - Hogeschool Zuyd (till 31/12/2020)

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board supervises the way in which the Executive Board shapes and implements the strategy in order to achieve the defined objectives of the company and its affiliated businesses. In performing this task, the Supervisory Board is guided by financial, commercial, operational and governance information and focuses on the interests of all of the company's stakeholders. The Supervisory Board provides the Executive Board with advice. It oversees the Executive Board's relationship with stakeholders, including shareholders. The Supervisory Board is governed by by-laws, which include rules covering such matters as its working method, tasks, decision-making and competencies.

MEETINGS DURING THE YEAR UNDER REVIEW

The 2020 reporting year was an eventful one because of the COVID-19 pandemic. In close consultation with the Executive Board, it was decided early on in the outbreak to increase the frequency of meetings so that the Supervisory Board could be accurately informed about the possible effects of COVID-19 on TKH and its operating companies.

During the year under review, five additional meetings were held in addition to the five regular meetings. Also in the reporting year, there were two closed meetings.

From mid-March, most meetings were virtual. During the year under review, there were no subjects on the agenda that could potentially give rise to conflicts of interest. The discussion of the financial statements took place in the presence of the external auditor. In preparation for the meetings, as well as to discuss ongoing matters that arose during the year, the chair of the Supervisory Board maintained frequent contact with the chairman of the Executive Board. The Supervisory Board fulfills its tasks of supervising

and advising the Executive Board based both on agenda items that recur at every meeting as well as on specific subjects that are relevant for discussion at a certain moment.

COVID-19

The year under review was dominated by the outbreak of the COVID-19 pandemic and its effects on staff and their health, the organization, activities and results of TKH. Due to a global distribution of TKH's operations and locations, COVID-19 was an important point of attention throughout the year. The Board was frequently informed about the situation at the operating companies and the health situation of the employees. In order to respond quickly to the impact of COVID-19, the Executive Board at an early stage prepared a scenario analysis for best-, medium- and worst-case situations and their impact on the results as well as the financial position. The Supervisory Board was involved in the analyses and informed of the current situation early on.

Because of the COVID-19 restrictions associated with assembly, during the run-up to the General Meeting the way

in which this meeting could take place, as well as its desired timing, was discussed on several occasions. Due to the emergency legislation introduced by the Dutch government, the General Meeting took place on the original date, albeit in modified, virtual form. In addition, in the run-up to the General Meeting, the dividend proposal was once again re-examined. The Board concluded, partly on the basis of the scenario analyses performed, that in view of the information then available concerning the impact of COVID-19 and TKH's solid financial foundation, there was no reason to adjust or withdraw the dividend proposal.

In the opinion of the Supervisory Board, the fact that the Executive Board anticipated the significantly changed market conditions at an early stage by taking various cost reduction measures and by limiting investment levels where possible demonstrates good leadership and entrepreneurship.

Due to COVID-19 restrictions on meeting and travel, there were no physical company visits to operating companies by the entire Board during the year under review. Company visits provide the Supervisory Board with an opportunity to gain further insight into the activities of TKH, technological developments and organizational capability, in addition to the culture aspect. In order to nevertheless organize a contact moment with the local management of an operating company, during the year under review, the management of VMI by means of a virtual connection gave a 'deep dive' presentation about the technology and market potential of the INDIVION: the medicine dosing and distribution system developed and produced in-house. The breakthrough by means of a large-scale roll-out of the INDIVION technology

in the US and the repeat order for INDIVION from a Swedish customer confirmed its potential.

STRATEGIC TRANSFORMATION PROGRAM

The 'Simplify & Accelerate' strategy program, which aims to take TKH to the next stage in terms of activities with higher organic growth and above-average margins, while simultaneously reducing the complexity of the activities by disposing of some of them with lower potential for organic growth and margins, was also a recurring topic of discussion during the year under review. At each meeting, the progress of the program was explained using defined action plans. In the first months, the divestment program was implemented through the sale of ZTC, the Chinese cable production activities of copper data communication cables, and of Cruxin, the Dutch system integration activities. Due to the COVID-19 situation, it was decided during the year under review to give a lower priority to the other intended divestments. The focus on achieving the medium-term goal of an ROS of at least 15% and the related actions were a recurring topic in the meetings.

During the year under review, the Executive Board reported frequently on the progress of the ongoing integration projects. In the third quarter it was decided to initiate a further integration of the parking and security organization. A further topic of discussion was the implementation of the integration of the cable production activities in the Netherlands, which was largely completed in the fourth quarter.

REGULAR MEETINGS

Repeating agenda items, concerning such issues as financial developments, the progress of the 'Simplify & Accelerate' strategy program, technological, organizational and market developments as well as Investor Relations, are discussed at each regular meeting. Where applicable, the chairman of a relevant committee of the Board provides an

explanation of the most important findings of each meeting. Moreover, during the present reporting year, the COVID-19 situation was a common thread running through all meetings. The contents of the press releases were discussed with the full Supervisory Board prior to their publication.

Using the 'strategic score-card', each meeting discussed the progress of (strategic) initiatives and business developments, including the order book, the competitive field in which TKH operates, the possible business risks and the way in which these risks are managed. In this context, the Board was also frequently informed of the progress of innovation projects. The fact that the investments in innovations - despite the COVID-19 situation - bore fruit in the year under review and enabled TKH to grow in a number of core markets is, for the Supervisory Board, confirmation of the chosen strategic growth path. Upon input from the Executive Board, the Supervisory Board has discussed and approved the proposal for a share buy-back program.

The Supervisory Board is informed of the progress of sustainability initiatives and developments at least once a year. Last year, specific attention was paid to the increasing relevance of non-financial information focused on ESG themes (environment, social and governance) and its alignment with existing sustainability themes, including climate change. Sustainability is an integral part of (strategic) business decisions and is thus completely embedded in the TKH organization.

CLOSED MEETINGS

The Supervisory Board met twice in the absence of the Executive Board. The most important consultation topics were:

- Explanation by the Remuneration Committee of the remuneration policy for the Executive Board and

TOPICS OF SUPERVISORY BOARD MEETINGS IN 2020

Q1

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Investments and disposals.
- Supervisory Board committees.
- Explanation of audit report.
- AGM preparation / dividend proposal.

Q2

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Investments and disposals.
- Supervisory Board committees.
- Preparation for AGM.

Q3

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Supervisory Board committees.

Q4

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Supervisory Board committees.
- Share buy-back program.
- Budget & Investment Plan 2021.
- HR update.
- CSR update.
- Deep Dive Industrial Care: Indivion.

Supervisory Board and of the remuneration proposal for the Executive Board.

- Evaluation of the performance of the Supervisory Board, its committees and individual members.
- Composition of the Supervisory Board and its committees – formal nominations for reappointments to the Supervisory Board to the AGM 2020.

CULTURE AND ORGANIZATION

TKH has an enterprising culture with a focus on technological development and a proactive approach to the market. Given its decentralized organizational structure, responsibilities are assigned far down in the organization. The Executive Board sets the example and provides guidance on the proper norms and values within the organization. In order to supervise the culture aspect, the Supervisory Board makes company visits to, for example, obtain insight into the state of affairs in the organization and the management of risks by means of discussions with and presentations by local management. Due to the COVID-19 situation, no company visits with the full Board took place during the year under review. Individual members of the Supervisory Board did, however, make some company visits.

Consultation with the Central Works Council also represents an important assessment element in the field of culture. Due to COVID-19, consultations between the Supervisory Board and Central Works Council have been postponed to 2021. TKH applies different methods and systems to identify and manage risks. Possible risks, as well as the risk-management systems, are discussed on a regular basis with the Executive Board and openness about risks is encouraged.

HR developments are discussed at least once a year with the Executive Board with attention being paid to Management Development, employee satisfaction as well as current HR topics. During the year under review, the

relevance of health and safety to TKH and its employees was reaffirmed, partly due to the vulnerable situation that arose worldwide because of COVID-19. The Supervisory Board pays considerable attention to safety within the organization. Accidents and near-accidents are reported by means of safety indicators, for example. In the year under review, the Executive Board also made ISO 45001 certification mandatory for those operating companies where an increased security risk may be an issue. For the Supervisory Board, this is confirmation that safety has been defined as one of the top priorities within the organization, in order to increase safety awareness in the organization and to allow employees to take responsibility for this.

COMPOSITION AND DIVERSITY

The Supervisory Board is composed in such a way that the knowledge, experience and insights relating to live topics at TKH, as well as the markets and activities relevant to TKH, are well represented. Each member of the Supervisory Board possesses the specific expertise necessary to fulfill this role and carry out this task. The effectiveness of the Board is determined by the team composition in terms of knowledge and competencies as well as the mutual cooperation. Continuity in the composition is of great value, also in view of the Board's integral accountability for the consideration of various (strategic) interests, directed towards long-term value creation. The Supervisory Board therefore basically applies a maximum term of office of 12 years, in accordance with the Code, whereby an evaluation takes place annually during the (self-)evaluation, as well as prior to each reappointment, to determine whether the profile for the composition of the Supervisory Board is up-to-date and whether the match between the expertise, competencies and performance of the candidate in question is correct.

The Supervisory Board aims for diversity in its composition in terms of age, gender, background, expertise, occupational experience and nationality, taking account of the statutory requirements. The above-mentioned elements are also included in the profile drawn up by the Supervisory Board. In terms of composition, the Supervisory Board complies with the transitional quota with respect to a balanced distribution of at least 1/3 women and at least 1/3 men, insofar as these seats are distributed among natural persons. The Board supports the view that diversity contributes to objective and sound decision-making. However, diversity is not only considered important in terms of gender, but also in the available expertise, competencies and background. The composition of the Supervisory Board is such that the members are able to operate critically and independently of one another, the Executive Board and any particular interests. In the opinion of the Supervisory Board, all Supervisory Board members meet the requirements for independence as referred to in best-practice provisions 2.1.7. up to 2.1.9. of the Dutch Corporate Governance Code (the 'Code').

The Supervisory Board has - partly for practical reasons - designated one or more vertical growth markets to each of the members as their area of attention. As a result, extra attention will be given to the design of supervision of developments, potential risks and dilemmas in these growth markets.

Mr. P.P.F.C. Houben will resign at the end of the AGM of May 6, 2021 in accordance with the schedule of retirement. Due to the expiry of the maximum mandated term of office of 12 years set out in the articles of incorporation, Mr. Houben is not eligible for reappointment. In the context of safeguarding knowledge and continuity within the Board, the succession of Mr. Houben has already been provided for in 2020 through the appointment of Ms. A.M.H. Schöningh MBA as per the 2020 General Meeting of Shareholders.

Mr. Houben has fulfilled with great commitment and dedication during a period of 12 years the role of member of the TKH Supervisory Board as well as chairman of the Audit Committee. The Board and the company have benefited from his extensive professional knowledge in the financial field and his wide-ranging managerial experience at listed companies as well as in an international context. The Supervisory Board expresses its sincere thanks for this.

At the end of the General Meeting of Shareholders on May 6, 2021, Mr. J.M. Kroon MBA and Ms. C.W. Gorter will step down in accordance with the schedule of retirement. According to the regulations of the Supervisory Board and the articles of incorporation of TKH, both may be reappointed for a further period of four years. Mr. Kroon and Ms. Gorter have indicated that they are available for reappointment. The Supervisory Board has discussed the reappointment of Mr. Kroon and Ms. Gorter and the members are of the unanimous opinion that their knowledge and experience are in line with the desired expertise set out in the Supervisory Board's profile and have considerable added value for the Board.

INTRODUCTION PROGRAM

An introduction program is in place for new members of the Supervisory Board, taking into account the expertise and know-how that the relevant member represents within the Board. The introduction program partly focuses on the general strategy, the financial reporting and the organizational structure. On the basis of company visits, among other things, the core technologies and commercial themes are explained, which also concerns the continuing education of members of the Supervisory Board. During the year under review, an introduction program applied due to Ms. Schöningh's accession to the Supervisory Board. This included company visits with respect to Tire Building and Industrial Care activities, subsea connectivity systems and

CEDD/AGL solutions. An introduction to TKH's Fibre Optic Networks activities was also given by means of a virtual meeting.

CONTACT WITH THE CENTRAL WORKS COUNCIL

The Supervisory Board maintains annual contact with the Central Works Council about the TKH strategy and about topics that are of current interest within the individual Works Councils, such as mutual cooperation between operating companies. Unfortunately, due to the COVID-19 situation, it was not possible to hold a physical meeting during the year under review. In the context of the Central Works Council's (strengthened) right of recommendation, when there are vacancies on the Supervisory Board, dialog is entered into regarding the reappointment or appointment respectively. The members of the Supervisory Board have great respect for the professional manner in which the Central Works Council deals with important issues and substantiates these with sound advice. We regard the consultation with the Central Works Council as being open, constructive and valuable. For the Supervisory Board, consultation with the Central Works Council is also an important element in assessing culture aspects within the organizations.

COMMITTEES

The Supervisory Board of TKH has three committees: the Selection and Appointments Committee, the Remuneration Committee and the Audit Committee. The committees all have their own set of rules defining their conduct. The chapter on Corporate Governance in this annual report describes the tasks and focus areas of the separate committee.

SELECTION AND APPOINTMENTS COMMITTEE

The Selection and Appointments Committee comprises Mr. A.J.P. De Proft MSc (Chairman) and Mr. J.M. Kroon MBA.

The Selection and Appointments Committee held one physical meeting in the past year and also held frequent (virtual) consultation. The committee's focus was on the selection of the new Supervisory Board member in 2020, including ensuring that the knowledge and expertise present within the Supervisory Board was appropriate. The committee prepared the evaluation of the functioning of the Supervisory Board. Succession planning is also an important topic of discussion within the TKH organization. The Selection and Appointments Committee reported the most important results of each of its meetings or of each consultation to the Supervisory Board.

REMUNERATION COMMITTEE

With the appointment of Ms. A.M.H. Schöningh MBA as a member of the Supervisory Board, the Central Works Council exercised its enhanced right of recommendation, so that in accordance with the revised EU Shareholders' Directive Ms. Schöningh automatically becomes a member of the Remuneration Committee. Mr. J.M. Kroon MBA stepped down from the committee, so that as of May 2020 the Remuneration Committee consists of Mr. R.L. van Iperen (chairman), Ms. A.M.H. Schöningh MBA and Ms. C.W. Gorter.

The Remuneration Committee met six times (virtually) during the past year. One meeting was held in the presence of the chairman of the Executive Board. The chairman also had a number of telephone consultations with the committee's external advisor as part of the preparatory work. The remuneration policy of the Supervisory Board and Executive Board was discussed in the meetings, in part because of the implementation of the EU Shareholders' Directive and its consequences on policy within TKH. The Committee found that the remuneration policy supports the long-term value creation of TKH and offers effective remuneration to the Executive Board, so that no changes have been made to the content of the policy.

The realization of the targets of the Executive Board was assessed, on the basis of which, in a closed meeting of the Supervisory Board, the committee presented a proposal for a decision on the remuneration of the Executive Board. The targets for the Executive Board for the current financial year were also discussed and established.

Due to the implementation of the EU Shareholders' Directive, the remuneration report was submitted to the 2020 General Meeting for an advisory vote. The General Meeting decided in favor of the proposal with 95.13% of the votes. The Remuneration Committee sought to identify possible improvements to the remuneration report based on the negative voting recommendations made by shareholders, and in consultation with the Committee's external advisor. These proposals were discussed with the Executive Board of the company. The Remuneration Committee reported the most important findings of each of its meetings or of each consultation to the Supervisory Board.

AUDIT COMMITTEE

The Audit Committee comprises Mr. P.P.F.C. Houben (chairman), Ms. C.W. Gorter and Mr. J.M. Kroon MBA. Ms. Gorter also sits on the committee as an expert in respect of the preparation and audit of the financial statements.

The Audit Committee met five times (virtually) during the past year. The meetings of the Audit Committee were held in the presence of the external auditor, as well as the CFO, Director Internal Audit and Director of Finance & Control of TKH. During two meetings, TKH's Tax Director was present to provide an explanation of national and international tax developments and specific tax themes that are important for TKH, such as the application of the Dutch innovation box regime, specific structuring issues, tax compliance and risk management issues.

The Audit Committee discusses with the external auditor the audit plan on the basis of which the audit activities have been carried out. The scope and materiality, as included in the audit plan, are also discussed, as well as the key risks in the annual reporting that the external auditor has identified in the audit plan. During the year under review, due to the COVID-19 situation, the audit approach by the external auditor was re-evaluated in consultation with the Audit Committee, with specific attention being paid to inventory valuation, impairment testing, provisions and revenue recognition.

In addition, at each meeting, the Director Internal Audit provides an explanation of his findings in relation to the internal audit activities carried out. An ongoing consideration for the Audit Committee is the company's internal risk management and control system. Other topics that are included within the committee's remit and that were discussed were impairment analyses and the impact of the IFRS standards, such as 9, 15 and 16, on the income statement and balance sheet. Because of the relevance of IT & Security for both the day-to-day operations and TKH's business model in the context of software development and R&D, high priority is given to the topic at every Audit Committee meeting. One meeting was therefore entirely dedicated to IT & Security within the TKH Group. By means of a presentation, the Director Internal Audit explained the IT & Security policy and the procedure and implementation of the IT audits, including the progress of previously identified points for improvement. The Audit Committee has gained a clear picture of the progress made within the TKH Group in the field of IT & Security. It has received confirmation that the topic has the necessary attention and that it has been taken to a higher level within the organization, which is partly reflected in the increase in the number of ISO 27001 certifications within operating companies.

During the year under review, there was a discussion of the key audit matters that were identified by the external auditor as having the greatest impact on the audit approach and activities during the audit. Specific points for attention in the audit include the write-down of fixed assets and inventories, accounting for non-recurring income and expenses, revenue recognition, profit recognition on projects by estimating costs still to be incurred, valuation of capitalized development costs, compliance with legislation and regulations, valuation of tax losses and valuation of goodwill.

Forensic expertise is used when drawing up the audit plan and when performing the audit activities in order to gain a clearer picture of the possible risks of fraud and internal control measures, in view of the increasing attention paid to fraud and corruption in society.

The external auditor explained the management letter with findings in the field of the administrative organization and internal control insofar as relevant for the audit of the financial statements. The main topics discussed were IT control measures and cybersecurity, fraud and non-compliance management, as well as findings at operating companies that needed to be followed up. The external auditor also updated his audit plan due to the impact of COVID-19 on the performance of the audit activities.

The Audit Committee evaluates the performance of the external auditor annually with regard to the quality of the audit activities, the adequacy and implementation of the audit engagement, and the quality and depth of the reports as well as any additional contributions. The Committee discusses its findings with the external auditor, as well as with the Supervisory and Executive Boards. The Audit Committee also evaluates the functioning of the Director Internal Audit. Input for the evaluations includes the follow-up of the points for attention and improvement of the audit

activities as formulated by the external auditor and TKH with regard to the previous financial year. The Audit Committee also advises the Supervisory Board about the nomination for the (re)appointment of the external auditor and prepares the selection of the external auditor. The observations of the Executive Board are taken into account in this. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit the financial statements.

In 2020, the Audit Committee held a meeting with the external auditor without the Executive Board being present, in accordance with best practice provision 1.7.4. of the Code. It was established that the external auditor is independent of TKH. The Audit Committee reported the most important findings from its meetings to the Supervisory Board.

EVALUATION

The Supervisory Board also convened a closed meeting to discuss its own performance and that of its committees and individual members. A self-assessment form, which served as a guide during the discussions, was used in preparation for this meeting. The evaluation covered the Board's composition, independence, expertise and team effectiveness, as well as the quality of information provision, role of the chairman and relations with the Executive Board. Based on the evaluation it was concluded that the Supervisory Board as a whole as well as the individual members functioned properly. The open relationship is marked by mutual respect. The members complement one another sufficiently within the framework of the advisory and supervisory role towards the company, while covering a wide range of focus areas and representation of expertise. Also discussed was the available and desired expertise and knowledge within the Board. It was established that there is a good working relationship between the Supervisory Board

and the Executive Board, which are also sufficiently critical of one another. The communication from the Executive Board to the Supervisory Board takes place in an open, professional and constructive manner so that supervisory directors have a strong connection with strategic and operational issues. During the year under review, this was once again confirmed by the way in which the Supervisory Board was informed and involved at an early stage by the Executive Board with respect to the (possible) impact of COVID-19 on the TKH organization. It was also established that none of the members of the Executive Board have more than two 'demanding' supervisory positions as referred to in the Dutch Management and Supervision Act. The Supervisory Board has no indications of any kind of conflict of interest between the company and members of the Executive Board. The Chairman of the Supervisory Board discussed the findings with the Chairman of the Executive Board.

During the closed meetings, the items for attention as stated in the best-practice provision of the Code regarding the independence of the Supervisory Board (2.1.7.) as well as its individual members (2.1.8.) and the chairman (2.1.9.) were also assessed. It was established that all members of the Supervisory Board were independent.

FINANCIAL STATEMENTS 2020

The Report of the Executive Board and the 2020 financial statements were submitted to the Supervisory Board in accordance with the provisions in Article 31 of the articles of incorporation. The financial statements were submitted for audit to Ernst & Young Accountants LLP, which subsequently issued an unqualified auditor's report on the financial statements based on the audit.

The Supervisory Board has discussed the financial statements with the Executive Board in the presence of the

external auditor, and subsequently approved the financial statements on 8 March 2021. The Supervisory Board submits the financial statements for the 2020 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board is of the opinion that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by Supervisory Board of its supervision of the management. The Supervisory Board also proposes to approve the proposed profit appropriation and to discharge the Executive Board in respect of the policy pursued and the Supervisory Board in respect of the supervision conducted.

FINALLY

It goes without saying that 2020 has been an exceptional and eventful year, both in a personal and business sense. The COVID-19 situation has required a great deal of flexibility from all employees within the TKH organization. Lockdowns at operating companies, but also the compulsory virtual working environment, which forces people to interact differently and puts pressure on the social aspect in certain respects, has a major impact. The way in which the Executive Board has arranged the management of the organization, together with the management of the subsidiaries, despite all the obstacles, bears witness to strong leadership. Among the employees, the solidarity and drive to perform the day-to-day activities in the best possible way under challenging conditions were also evident.

Although COVID-19 has an impact on the development of TKH's result, because of the alert response to the unexpected circumstances it has been demonstrated that TKH is a professional and decisive organization that can respond rapidly to exceptional situations. As Supervisory Board, we are aware that making decisions with a good medium- and long-term perspective also involves personal

and socially difficult decisions. It therefore commands a great deal of respect for the way in which everyone has handled this situation. The Supervisory Board is convinced that the already existing, solid foundation combined with the results of announced programs for further profitability improvement will additionally strengthen sustainable profitability.

The Supervisory Board therefore expresses its sincere appreciation and thanks to the Executive Board for the leadership shown and to all employees for their commitment, flexibility and contribution in the exceptional year 2020. We would also like to take this opportunity to thank TKH's business partners for their long-term business relationship and its shareholders and holders of depositary receipts for the confidence they have shown.

Haaksbergen, 8 March 2021

On behalf of the Supervisory Board,
A.J.P. De Proft Msc, *Chairman*

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

	Supervisory Board	Audit Committee	Remuneration Committee	Selection and Appointments Committee
A.J.P. De Proft MSc	10/10			1/1
J.M. Kroon MBA**	9/10	3/3	2/2	1/1
C.W. Gorter	10/10	5/5	6/6	
P.P.F.C. Houben	10/10	5/5		
R.L. van Iperen	10/10		6/6	
A.M.H. Schöningh MBA*	4/5		4/4	

*appointed as a member effective 7 May 2020

** until 7 May 2020 member of the Remuneration Committee and as of 7 May 2020 member of the Audit Committee

REMUNERATION REPORT

This Remuneration Report describes the implementation of the remuneration policy for the members of the Executive Board and the Supervisory Board.

The revised remuneration policy was proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders, on 7 May 2020, with effect from 1 January 2020. The Remuneration policy for the members of the Executive Board and the Supervisory Board was adopted by the General Meeting with 96.99% and 99.92% respectively. At the aforementioned meeting, the advisory vote was 95.13% in favor of the remuneration report. The company has reviewed the opinions expressed, to the extent known, by those shareholders who issued an advisory counter vote or abstained from voting. To the extent possible, and in accordance with article 1.2. of the remuneration policy, the present remuneration report has been modified accordingly. These modifications concern improved transparency with regard to how the remuneration policy was applied in the current reporting year.

The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time a material amendment is made and at least once every four years after it has been approved by, and on the proposal of, the Supervisory Board. The Remuneration Committee is responsible for developing the remuneration policy and submitting a proposal to the Supervisory Board. The Remuneration Committee has taken into account and followed best practice provision 3.1.2. of the Corporate Governance Code in doing so.

REMUNERATION EXECUTIVE BOARD

REMUNERATION POLICY EXECUTIVE BOARD

The remuneration policy aims at providing a competitive remuneration package to attract, motivate and retain qualified managers for a publicly listed company, while considering TKH's size and unique characteristics. The policy recognizes the internal and external context as well as TKH's business needs and long-term strategy. The policy is designed to stimulate long-term value creation for TKH and its affiliated companies, taking into account the provisions for good corporate governance. The policy is aimed at motivating performance using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurship. The remuneration package is tested for market conformity at least once every three years on the basis of information provided by outside experts. In addition, internal remuneration ratios are taken into account by ensuring that the remuneration ratio with the second tier is appropriate and in line with the market. Based on the targets set, the Remuneration Committee performs scenario analyses in respect of the Short Term Incentive (STI) and Long Term Incentive (LTI) to be achieved.

The remuneration policy and corporate strategy are aligned by creating specific short-term and long-term targets that link the remuneration of each of the members of the Executive Board to the success of the company. The size of the LTI in relation to the total remuneration package, as well as the criterion that members of the Executive Board must invest at their own cost in the same number of shares

awarded to them as an LTI, are important factors in creating long-term value and continuity for the company. For the full remuneration policy we refer to the TKH website.

APPLICATION OF THE POLICY IN 2020

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI – Total Regular Income), a pension commitment and a variable remuneration component consisting of an annual performance bonus (STI – Short-Term Incentive) and a long-term incentive (LTI) in the form of a share plan.

The Supervisory Board sets the targets, along with their respective weightings and criteria, for any given year in keeping with the company's strategy and general structure. In the process, the Board considers both financial and non-financial factors, along with personal targets, while also taking into account the following:

- Targets must be derived from the company's strategy;
- Emphasis should be placed on targets that are essential for long-term value creation;
- Past performance, business prospects and conditions;
- Stakeholder expectations.

While financial and non-financial targets focus on the realization of overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective and of each individual member on the Executive Board. In terms of the personal targets, the factors considered include the

company's mission and identity, its overall ESG (environmental, social and governance) targets and any important strategic issues for the coming year. Every effort is made to ensure that the remuneration contributes to the strategy, long-term interests and sustainability criteria of the company.

The external assessment and the remuneration policy, among other things, are used in formulating the proposal for the remuneration of the members of the Executive Board. In accordance with the Corporate Governance Code, the Remuneration Committee takes note of the views of the individual directors with regard to the level and structure of their own remuneration. The remuneration for the members of the Executive Board was externally reviewed in the reporting year and adjusted for market competitiveness, whereby it was concluded that the policy pursued with regard to the TRI, STI and LTI meets the objectives set.

The Supervisory Board applied the remuneration policy in the reporting year in line with the strategy and financial and non-financial targets. The board believes the total remuneration package strikes a good balance for reaching the strategic targets of TKH. The package encourages the members of the Executive Board to achieve solid results and execute the company's strategy in a realistic, yet ambitious, manner. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

1 LABOR MARKET REFERENCE GROUP

In order to attract qualified managers for the Executive Board and to retain the current members on the Executive

Board for the long-term, the company takes external reference data into account when determining appropriate remuneration levels. A specific labor market reference group has been established for this purpose. The emphasis is on the AMX-companies on Euronext Amsterdam, with the comparison primarily focused on companies that are more or less comparable to TKH in terms of complexity, size and the international scope of their activity portfolio.

The Remuneration Committee, supported by external experts, regularly evaluates this reference group to ensure that its composition remains appropriate. As an additional assessment of developments specific to the business sector, a reference group consisting of international sector peers is used.

No changes occurred in the reporting year with regard to the reference group other than the adjustments implemented by Euronext in the compilation of AMX-companies. The reference group presented on the right was used for 2020.

Although the external market data provide a useful context, it is ultimately the responsibility of the Remuneration Committee and the Supervisory Board to determine appropriate remuneration packages that reflect the specific context and requirements of the company and the skills and capabilities of the individual members of the Executive Board. The external market data as such are used to inform and not to determine decision making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

REFERENCE GROUP 2020

AMX

Aalberts Industries	Fagron
Air France-KLM	Fugro
Arcadis	GrandVision
Basic-Fit	PostNL
BESI	SBM Offshore
Boskalis	Signify
Corbion	Vopak

INTERNATIONAL SECTOR PEERS

Prysmian
Basler
Cognex
Keyence

2 TOTAL COMPENSATION

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI – Total Regular Income), a pension plan and a variable remuneration component consisting of an annual performance bonus (STI – Short-Term Incentive) and a long-term incentive (LTI) in the form of a share plan. At least once every three years – or more frequently if initiated by the Supervisory Board – the existing remuneration policy is tested and evaluated based on the available reference data from the labor market reference group and on relevant developments. The table below lists the various gross remuneration components and relative percentages of fixed and variable remunerations.

Basic salary (Total Regular Income: TRI)

Once a year, the Supervisory Board determines whether the basic salary needs to be adjusted, and if so, by how much, with due consideration of market developments, the remuneration structures of companies in the labor market reference group, TKH's results and wage relations within the TKH Group. The basic salaries were adjusted with effect from 1 January 2020 based in part on the external assessment. This had determined that since the last assessment in 2017, the benchmark salaries had risen more quickly than the Executive Board salaries in the past three years. That deficit

was largely eradicated in 2020, and there is therefore a higher increase in that year. The basic salary for individual members of the Executive Board is below the median for the labor market reference group.

3 OTHER EMPLOYEE BENEFITS

The members of the Executive Board are entitled to certain business allowances in accordance with what is generally accepted within the TKH organization, including an expense allowance, car and (mobile) telephone. No loans, advances or guarantees are provided to the members of the Executive Board. Additional governance-related activities are not subject to any extra conditions or compensation.

4 PERFORMANCE BONUS (SHORT-TERM INCENTIVE: STI)

The variable remuneration is an essential part of the compensation package for Executive Board members in terms of rewarding short-term results in line with the strategic targets. On the recommendation of the Remuneration Committee, the Supervisory Board establishes the targets and criteria for earning a performance bonus in advance of the reporting year. Once the reporting year has ended, the size of the performance bonus is determined by the Supervisory Board based on the results achieved and the

criteria set. Depending on the degree to which the targets have been met, the STI can range from 0% to a maximum of 60% of the TRI. Performance 'at target' results in a performance bonus of 40% of the TRI. The Supervisory Board has the discretionary power to deviate from the targets set if special circumstances apply. Differentiation in the STI's received by members of the Executive Board can occur due to the members' final scores on their personal quantitative and qualitative targets.

STI performance of the Executive Board 2020

The STI for the member of the Executive Board based on realization of the targets for 2020 is presented in the table on the next page. Payment of the variable remuneration to members of the Executive Board occurs on the condition that the targets upon which the performance bonus is predicated or the circumstances under which the bonus was originally stipulated are accurate. For 2020, there was no full or partial recovery of a bonus as referred to in article 135 sub 8.

5 SHARE PLAN (LONG-TERM INCENTIVE: LTI)

The long-term variable remuneration is aimed at aligning the interests of the members of the Executive Board with the long-term interests of shareholders. For that purpose, a

TOTAL COMPENSATION EXECUTIVE BOARD

in thousands of euros	Basic salary (TRI)		Variable income (STI) ¹		Share plan (LTI) ¹		Pension		Pension compensation		Total		Variable share in the total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
J.M.A. van der Lof MBA	682	578	74	203	146	352	39	38	187	153	1,128	1,325	19.5%	41.9%
E.D.H. de Lange MBA	511	433	55	153	110	264	19	16	66	46	761	912	21.7%	45.7%
H.J. Voortman MSc	464	393	50	138	100	240	21	16	50	41	685	828	21.7%	45.7%
Total remuneration	1,657	1,404	179	494	355	856	79	71	303	240	2,574	3,066	20.9%	44.1%

¹ Realized in the previous financial year, paid out in the financial year following that. Because amounts are expressed in thousands of euros, rounding differences may arise in the totals.

share plan was enacted that arranges for a long-term incentive (LTI). Under the plan, members of the Executive Board are awarded shares based on the realization of targets on the condition that they personally invest in the same number of shares as awarded to them under the LTI plan at the then-prevailing market price. The shares awarded under the share plan, along with those personally invested in, are meant to be held as a long-term investment and may not be traded for three years after their allocation or purchase, as the case may be. The waiting period of three years was determined in light of the quid pro quo financial consideration required of members of the Executive Board.

The amount of the remuneration depends on developments in the following KPI's: Return on Capital Employed (ROCE) and Return on Sales (ROS) in relation to the targets formulated ahead of time and the stock price developments for TKH shares as compared to the AMX-index of Euronext Amsterdam (relative stock price developments). These three KPI's determine whether it will be possible to proceed with awarding any shares and how many shares will be awarded.

The performance period pertaining to ROCE and ROS is one year, with the performance ranges determined at the beginning of the year, while taking medium-term targets into

consideration. The performance period for the relative stock price developments is three years. For the 2020 allocation, this entailed reviewing the period from 1 January 2018 to 31 December 2020.

- The applicable performance range for the ROS is 0.50 to 1.25, with the 'at target' level having a score of 1.0. The score received on this KPI produces a 'multiplier' that determines the ultimate score achieved.
- The applicable performance range for the ROCE is also 0.50 to 1.25, with the 'at target' level having a score of 1.0. The score for this KPI is also equal to a 'multiplier'.
- The performance range for the relative stock price developments runs from 0.75 to 1.5, with the 'at target' score being 1.0. This score is converted into a 'multiplier' ranging from 0.5 to 1.8, with 1.0 being the multiplier for 'at target'.

In setting the amount of the allocation for the total LTI, multipliers are calculated for each KPI. These multipliers are, in turn, multiplied by the standard allocation. The standard award is net and equivalent to 50% of the gross basic salary (TRI). The gross value of the standard award is thus approximately equal to the gross basic salary (TRI). The minimum pay-out of an LTI award in any given year is 0.25 x the standard award. In this way, even in years in which the KPIs are not realized, the interests of the Executive Board

and the shareholders remains parallel. After all, the Executive Board must also personally invest 0.25 x the standard allocation in this situation. The maximum payout is 2.7 x the standard award.

The following multipliers were reached for each KPI based on actual overall performance in terms of the performance ranges. The ROS multiplier amounted to 0.53. However, the multipliers for both ROCE and relative stock price developments ended up falling below the bottom limit for the respective ranges. The effect of this was that the total multiplier for LTI fell below the defined minimum award, which meant that the minimum award of 0.25 x the standard award was granted.

This resulted in award payouts of the following net values for:

J.M.A. van der Lof MBA:	$0.25 \times 50\% \times \text{TRI} = \text{€ } 85,221$
E.D.H. de Lange MBA:	$0.25 \times 50\% \times \text{TRI} = \text{€ } 63,914$
H.J. Voortman MSc:	$0.25 \times 50\% \times \text{TRI} = \text{€ } 58,002$

The corresponding gross values are listed in the table showing 'total compensation' in section 2 of this remuneration report. The number of certificates of shares associated with the net award will be calculated based on the average closing price for the three trading days following

PERFORMANCE CRITERIA

Performance criteria	Relative weighting of the performance criteria	Maximum payment level ('at target' = 100%)
Turnover	30%	150%
EBITA	50%	150%
Personal targets (incl. CSR, innovations and strategy realization progress)	20%	150%

STI PERFORMANCE OF THE EXECUTIVE BOARD 2020

	Achieved (as % of 'at target')				Actual award in € 1,000
	Turnover	EBITA	Personal targets	Weighted average pay-out level	
J.M.A. van der Lof MBA	0%	0%	135%	10.8%	74
E.D.H. de Lange MBA	0%	0%	135%	10.8%	55
H.J. Voortman Msc	0%	0%	135%	10.8%	50

EXECUTIVE BOARD SHARE OWNERSHIP

	Balance 1/1	Awarded shares	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance 31/12
J.M.A. van der Lof MBA					
2019 (for the 2018 financial year)	143,147	7,548	7,548	-20,096	138,147
2020 (for the 2019 financial year)	138,147	5,456	5,456	-15,912	133,147
E.D.H. de Lange MBA					
2019 (for the 2018 financial year)	91,468	5,661	5,661	-11,322	91,468
2020 (for the 2019 financial year)	91,468	4,321	4,321	-4,321	95,789
H.J. Voortman MSc					
2019 (for the 2018 financial year)	11,447	4,638	4,638		20,723
2020 (for the 2019 financial year)	20,723	3,922	3,922	-3,922	24,645

OPTION RIGHTS H.J. VOORTMAN MSc

Year of award	Exercise price in €	Number as at 01-01-2020	Awarded during the year	Movement during the year	Expired during the year	Exercised during the year	Number as at 31-12-2020	Exercise period
2015	31.44	12,000				-12,000	0	2018-2020
2016	33.92	12,000					12,000	2019-2021
2017	41.19	7,350					7,350	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		39,750	0	0	0	-12,000	27,750	

the time of publication of the annual figures.

No option rights are awarded to the members of the Executive Board. Any option rights a member may own were obtained during the time in which he was already employed by TKH but had not yet become a member of the Executive Board. These option rights can be exercised according to the TKH share option scheme during the applicable execution periods. In that regard, H.J. Voortman has option rights which apply to the period before he became a member of the Executive Board. The movement and balance of the outstanding option rights awarded to him are shown in the table on the left. For more information on the share option scheme, we refer you to note 25 to the full annual financial statements.

6 PENSION

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with normal practice and consistent with the provisions made for similar positions. In addition, the pension arrangements include the right to benefits in the case of poor health or invalidity and a widow's and orphan's pension in the event of death. This is all provided under terms and conditions comparable and applicable to participants in the collective pension fund – which is to say, the company employees. The associated costs up to the maximum allowed under tax law are included under pension costs. Pension compensation refers to any portion above the maximum allowed under tax law.

7 PAY RATIO

In formulating the remuneration policy for the Executive Board, one of the factors the Supervisory Board takes into account is the organization's pay ratio. The internal pay ratio is calculated as the average total compensation for the members of the Executive Board (TRI, STI and LTI) divided by the average total compensation for employees (total

salary costs divided by the average number of FTEs). The other elements of the terms of employment have a minor influence on the pay ratio and as such are not taken into account in its calculation. The Remuneration Committee follows changes in the internal pay ratio on a yearly basis and takes them into consideration when assessing and determining the remuneration for the members of the Executive Board. The pay ratio calculated for 2020 was 14.60 (2019: 18.92).

9 PERSONAL LOANS

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

10 CHANGE OF CONTROL

There is no “change of control” clause in the employment contracts of the members of the Executive Board.

11 SEVERANCE PAY

The remuneration in the event of dismissal amounts to a maximum of one year’s salary (TRI). No severance pay is paid if the contract is terminated prematurely on the initiative of the director or if the director has acted seriously culpably or negligently.

8 COMPARATIVE INFORMATION ON THE CHANGES IN REMUNERATION AND COMPANY PERFORMANCE FOR THE EXECUTIVE BOARD

in thousands of euros (unless stated otherwise)	2020	2019	2018	2017	2016
Remuneration of the Executive Board ¹					
J.M.A. van der Lof MBA	902	1,134	1,419	1,656	1,209
E.D.H. de Lange MBA	676	850	1,064	1,116	816
H.J. Voortman MSc ²	614	772	574	0	0
A.E. Dehn ³	0	0	114	916	678
Company performance					
ROS	10.5%	11.6%	11.3%	10.1%	10.9%
Organic growth	-9.9%	-1.9%	9.4%	8.8%	-0.8%
CO ₂ reduction (vs. 2015)	-5.8%	-5.4%	-2.9%	0.9%	3.8%
Illness rate	3.51%	3.26%	3.47%	3.35%	2.98%
Average remuneration per FTE	50	49	48	47	46
Executive Board pay ratio	14.60	18.92	21.92	26.43	19.54

¹ Based on TRI, STI and LTI.

² Appointment to the Executive Board with effect from 3 May 2018.

³ Member of the Executive Board until 3 May 2018.

REMUNERATION SUPERVISORY BOARD

REMUNERATION POLICY SUPERVISORY BOARD

The policy aims at providing a competitive compensation package to attract, motivate and retain qualified members of the Supervisory Board for a publicly listed company, while considering the size and unique characteristics of the company. TKH's strategy is directed towards achieving technological leadership with a strong position in seven vertical growth markets. The company endeavors to be an attractive employer and solid investment for its shareholders, with corporate social responsibility being a central part of that. This policy was developed in the context of national and international market trends and in keeping with legal requirements, best practices in corporate governance, the social context of remuneration practices and the interests of the company's shareholders and other stakeholders. The remuneration package is measured periodically against market trends using information provided by external experts.

The guiding principle in the company's remuneration policy is to ensure equity and transparency. The remuneration structure has been developed to promote the satisfactory fulfillment of their tasks by members of the Supervisory Board and is not dependent on the company's financial results. The Supervisory Board acknowledges its responsibility to act in accordance with the identity, mission and core values of the company. In this context, the decision has been made to opt for fixed compensation without any variable remuneration components to ensure that members can remain independent and objective in fulfilling their role of enacting the company's corporate strategy and objectives and creating long-term value and sustainability. For the full remuneration policy we refer to the TKH website.

APPLICATION OF THE POLICY IN 2020

1 REMUNERATION

The remuneration is aimed at remunerating the members of the Supervisory Board in line with the market on the basis of their activities, experience and the related allocation of roles within the Board and its committees. The remuneration is periodically assessed externally with the same reference group being used as for the Executive Board. The remuneration of a member of the Supervisory Board is not dependent on the company results. No shares and/or rights to shares are granted to the members of the Supervisory Board. Any shares held by a member of the Supervisory Board are for long-term investment purposes. The General Meeting of Shareholders adopted the remuneration of the Supervisory Board in 2019, with effect from 1 January 2019.

The remuneration of the Supervisory Board is based on the following amounts:

	2020
Chairman of the Supervisory Board	€ 60,000
Member of the Supervisory Board	€ 45,000
Chairman of the Audit Committee	€ 10,000
Member of the Audit Committee	€ 7,000
Chairman of the Remuneration Committee / Selection and Appointment Committee	€ 8,000
Member of the Remuneration Committee / Selection and Appointment Committee	€ 6,000

TOTAL REMUNERATION SUPERVISORY BOARD

	Regular remuneration	Remuneration membership committees	Total	
			2020	2019
in thousands of euros				
A.J.P. De Proft MSc, <i>Chairman</i>	60	8	68	68
P.P.F.C. Houben	45	10	55	55
R.L. van Iperen	45	8	53	53
C.W. Gorter	45	13	58	52
J.M. Kroon MBA	45	13	58	57
A.M.H. Schöningh MBA ¹	30	4	34	0
Total remuneration	270	56	326	285

¹ As from May 2020

If circumstances require members of the Supervisory Board to perform considerably more activities than normal, they will receive a fee of € 1,000 per half-day for these activities.

2 TOTAL REMUNERATION

The table on the previous page lists the total remuneration paid to individual members of the Supervisory Board.

3 SHARE OWNERSHIP OF THE SUPERVISORY BOARD

Mr. A.J.P. De Proft MSc owns 2,000 (depository receipts of) shares in TKH as from 2014. The other members of the Supervisory Board do not own any (depository receipts of) shares in TKH.

4 COMPARATIVE INFORMATION ON THE CHANGES IN REMUNERATION FOR THE SUPERVISORY BOARD

in thousands of euros	2020	2019	2018	2017	2016
A.J.P. De Proft MSc, <i>Chairman</i>	68	68	47	43	36
P.P.F.C. Houben	55	55	44	44	44
R.L. van Iperen	53	53	43	42	42
C.W. Gorter ¹	58	52	42	28	
J.M. Kroon MBA ²	58	57	40	24	
A.M.H. Schönningh MBA ³	34				
Hazewinkel ⁴				27	53
M.E. van Lier Lels ⁵			18	44	44
Total remuneration	326	285	234	252	219

¹ 2 As from May 2017

³ As from May 2020

⁴ Up to and including May 2017

⁵ Up to and including May 2018

CORPORATE GOVERNANCE

TKH Group N.V. a public limited company under Dutch law and voluntarily applies the limited two-tier entity regime. The management of the company lies with the Executive Board under the supervision of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure at TKH and compliance with the Dutch Corporate Governance Code ('Code').

In principle, TKH applies the principles and best practice provisions of the Code and attaches great value to the Code. From a limited number of themes, TKH deviates from the Code. An explanation why TKH deviates from the Code is described below.

TERM OF APPOINTMENT OF THE EXECUTIVE BOARD

The term of appointment of the CEO and CFO is not limited to the in the Code mentioned four-year term. For both, TKH takes the position that contractual agreements made in the past cannot be affected, that existing employment contracts are respected and that the limitation of the appointment is not appropriate. Obviously, performance is assessed annually and thus the term of appointment is evaluated. The maximum term of appointment of four years applies to the third member of the Executive Board. A maximum term of four years is followed for newly appointed members of the Executive Board, whereby the best practice provision is applied in such cases.

SHARE PLAN

A share plan is in place for the Executive Board and no option scheme. The share plan involves a financial contribution by the Executive Board since the individual members have to purchase the same number of shares as

the number that has been awarded within the framework of the plan. Because of this financial contribution by the members of the Executive Board, it has been determined that the shares must be held for at least three years. Since this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board is of the opinion that it is reasonable and fair to adhere to a term of three years and not the term of five years.

INTERNAL AUDIT FUNCTION

TKH has set up an Internal Audit function. The position of the Internal Audit department has not been fulfilled completely independently in accordance with the Code. As of 2021, the Internal Audit team has been expanded, which will give further substance to the independent position.

GENERAL MEETING

Due to the COVID-19 situation, the 2020 General Meeting was forced to be organized in a different setting and TKH made the unusual request to the shareholders and holders of depositary receipts of shares not to attend the General Meeting in person. This request is in line with the Emergency Act on the organization of non-physical AGMs, which makes it possible to hold a General Meeting that can only be followed via live stream. Due to this exceptional situation,

a number of provisions of the Code relating to the organization and implementation of a General Meeting have been forced to deviate. With regard to invoking a response time, TKH applies the adopted law in September 2020 with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are achieved.

DEPOSITORY RECEIPTS OF SHARES

Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor') holds ordinary shares in the company. In exchange for these shares Stichting Administratiekantoor issues depositary receipts for those shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the holders of depositary receipts, Stichting Administratiekantoor gives them authorization to cast a vote, to the exclusion of Stichting Administratiekantoor, on the shares for which the holder has depositary receipts at a General Meeting of Shareholders specified in the proxy. The authorization is unrestricted and is therefore not subject to any exchangeability limit. Stichting Administratiekantoor is not required by law (article 2:118a of the Netherlands 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 Stichting Administratiekantoor the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. If Stichting Administratiekantoor avails of one of these possibilities, it must notify the holders

of depositary receipts stating reasons. The company considers the issue of depositary receipts for shares as an important measure to safeguard the interests of shareholders, holders of depositary receipts and other stakeholders. This means that the company's intellectual property and thus also its commercial interest are protected, which is also important in terms of the long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended as a protective measure, TKH expressly chooses to take this form of protective measure and acts accordingly as per the applicable law as stated in art. 2:118a of the Dutch Civil Code. This is in derogation to principle of the Code.

Stichting Administratiekantoor exercises the rights attached to the shares in such a way that the interests of the company and its associated businesses and all its stakeholders are protected as well as possible, and does not focus primarily on the interests of the holders of depositary receipts when exercising its voting rights as defined in best-practice provision 4.4.5. of the Code. The Stichting Administratiekantoor thus exercises its voting right in line with legal provision 2:118a. In the General Meeting of Shareholders, the Executive Committee of Stichting Administratiekantoor 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.

AUTHORIZATION OF THE EXECUTIVE BOARD

The general powers of the Executive Board arise from legislation and regulations and are laid down in TKH's articles of association.

ISSUE OF SHARES

Shares are issued pursuant to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for its approval. The extent of this power on the part of the Executive Board is determined by means of a resolution adopted by the General Meeting and does or will not exceed the equivalent of all of those shares in the company's authorized capital which have not yet been issued. During the general meeting held on 7 May 2020 this power was extended until 7 November 2021. The directive applies to issue ordinary shares and cumulative preference financing shares jointly apply up to a total of 10% of the total nominal value of the issued shares at the time of issue.

PURCHASE OF OWN SHARES

Subject to specific conditions stipulated in the company's articles of association and acting pursuant to a decision taken by the Executive Board, the company may acquire (depository receipts of) shares in its own capital in return for valuable consideration being a price equivalent to the sum of, on the one hand, the nominal value which they represent or, on the other, one hundred and ten per cent (110%) of their listed price. The decision is submitted to the Supervisory Board for its approval. During the General Meeting held on 7 May 2020 the power for the company to acquire shares in its own capital was conferred on the Executive Board for a period of 18 months as of that date. Amongst other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes. TKH announced a share buy-back program of € 25 million in mid-November 2020. The program started on 18 November 2020, has a duration of 4 months and is carried out within the conditions set by the General Meeting

and with the intention to reduce the issued capital in due time. For the execution of the share buy-back program, TKH has concluded a 'Discretionary Management Agreement' with ABN-AMRO to carry out the repurchase of its own shares during open and closed periods, independently of TKH.

PREVENTION OF INSIDER TRADING

In order to ensure that any person who is deemed to be an insider within TKH does not engage in insider trading, TKH has introduced regulations to comply with the European Market Abuse Regulation (EU No. 596/2014 – "MAR"). That group of people has consented in writing to act in accordance with those regulations. The Company Secretary serves as Compliance Officer and oversees appropriate compliance with the legislation and regulations governing insider trading and other compliance risks.

RISK MANAGEMENT

The Executive Board is responsible for compliance with all relevant primary and secondary legislation and for managing the risks associated with the company’s activities through the appropriate implementation of internal risk management and auditing systems. This involves surveying and analyzing the risks related to the strategy and the activities of the company, establishing the risk appetite and defining the measures to be taken to counter the risks. The Executive Board is accountable to the Supervisory Board for the effectiveness of the set-up and the functioning of the internal risk-management and risk-control systems.

- At least quarterly, or so needed more frequently on a monthly or weekly basis, the ‘strategic scorecard’ using ‘high-lights’ and ‘low-lights’ and (potential) risks per business segment is discussed between the Executive Board and local management of the operating companies, as well as the related action points for the short- and medium-term.

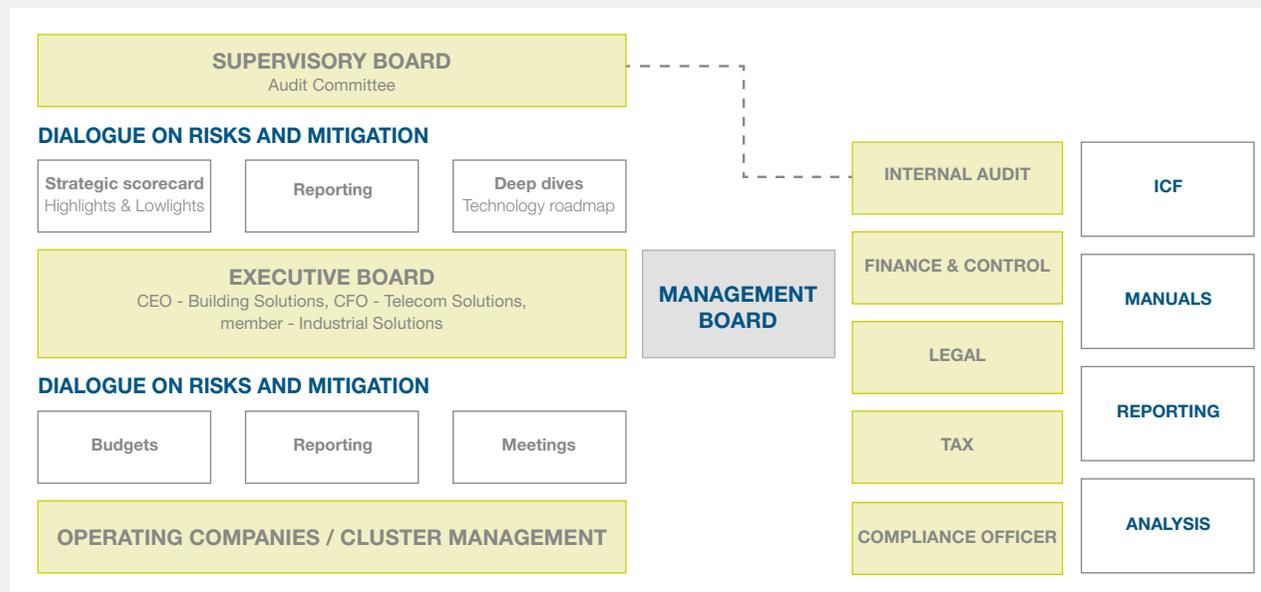
The risk management policy is tailored to the size and decentralized structure of TKH. The components of the TKH

RISK MANAGEMENT STRUCTURE

TKH has embedded its risk management policy in all levels of the organization. This involves the use of risk management and control systems, with the following being important components of this.

- An Internal Control Framework (ICF) based on the ‘Committee of Sponsoring Organizations of the Treadway Commission’ (COSO 2013). This framework is used by TKH to analyze and evaluate the strategic, operational, financial and compliance risks for each operating company.
- The TKH Manual includes regulations and guidelines for decision-making procedures and authorities for the strategic management of our operating companies. It also contains guidelines concerning the cash and currency management (treasury policy), as well as various rules of conduct, such as an authority to sign policy, privacy policy, a code of conduct for staff members and a whistleblower procedure. In addition, it contains guidelines for internal management and control measures including IT controls, internal and external financial reporting, insurance and how to deal with claims.

RISK MANAGEMENT STRUCTURE



risk management policy are assessed by the Internal Audit department, with the activities focusing on the continued operations. Each operating company's main risks are identified and analyzed and their potential impact on the operating company is determined. For specific themes, external specialists are used on a project basis, including for IT & Security. The results of these analyses are discussed with the Executive Board. At least twice a year, the most important findings of this review by Internal Audit are discussed with the Audit Committee of the Supervisory Board. For further professionalization of the Internal Audit function, the guidelines of the Institute of Internal Auditors ('IIA') are consulted.

The Executive Board, internal Legal Advisor, Director Finance & Control and the Compliance Officer also evaluate the risk management system. The design and operation of the internal risk management and control systems for external financial reporting are also assessed by the external auditor in the context of the audit of the financial statements. The outcomes of this and impact on the audit strategy are discussed with the Executive Board and the Audit Committee.

RISK CULTURE

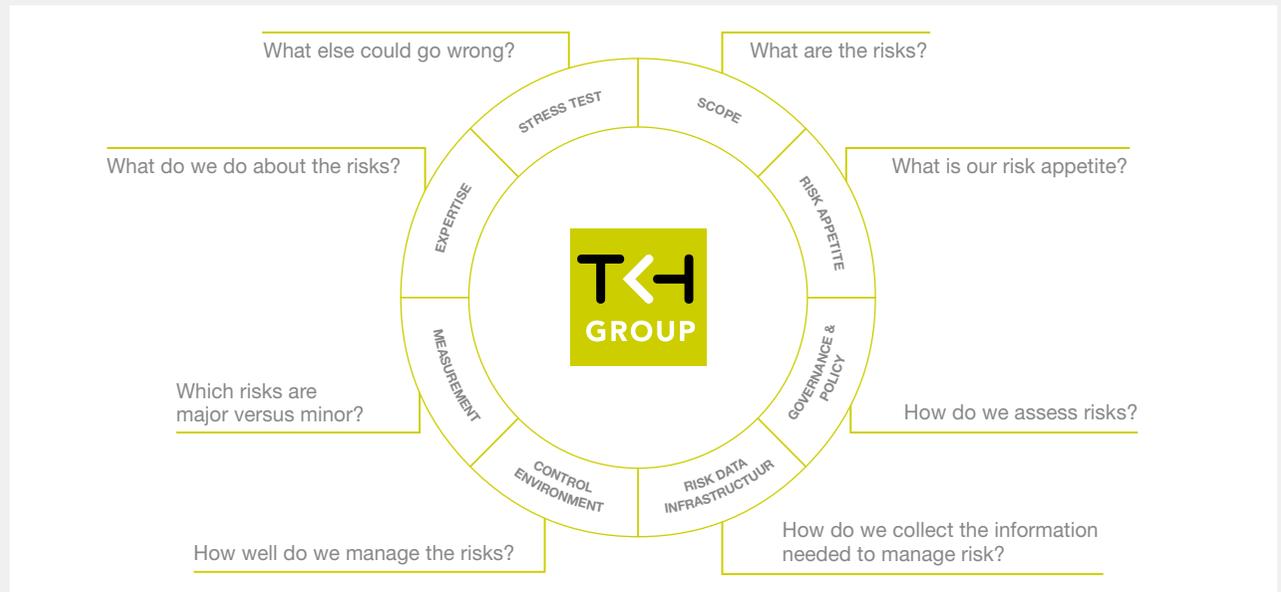
An open, transparent culture with sufficient critical capacity of the organization is a prerequisite for dealing properly with risks, responsibilities and competencies and for recognizing these in good time. TKH views a suitable risk-management model as an important tool which enables it to create value in the long-term. TKH has a continuous focus on risk awareness as an integral part of the culture. The pursuit of a balanced risk profile is embedded in the culture by means of

short lines of communication and is supported by a tight monitoring of agreed objectives through a comprehensive KPI dashboard.

Employees are expected to be aware of the core values of our actions and our risk profile and to feel responsible for the (potential) risks they take. They are also expected to adhere to TKH's culture principles and to act in accordance with the TKH code of conduct. This code is fundamental to everything we do and describes how we act as a company,

how we make decisions and how we deal with different dilemmas. The code of conduct is published on our website. There is a procedure for reporting misconduct to enable people to report any suspicion of unlawful conduct. Reports are reviewed and investigated by the local counsellor and/or the central Compliance Officer. Where deemed necessary, disciplinary and mitigating measures are taken.

RISK CULTURE



DEVELOPMENTS IN 2020

In the year under review, the internal risk management system was evaluated and a number of improvements were made. The activities carried out by Internal Audit did not produce any material findings at group level with regard to the administrative organization and internal control. If a shortcoming in the administrative organization and internal control has been observed, areas for improvement are identified. Continuous monitoring takes place in order to adjust the analyzes to changing internal and external conditions if necessary. In 2020, the remaining (non-primary) processes for the most important operating companies were included in the Internal Control Framework. This has become part of the periodic financial reporting.

For operating companies whose size, technology and risks, such as privacy and reputation, are important in the context of implementing the TKH strategy, the risks with regard to IT & Security have been identified and recommendations have been made to further mitigate these risks. These risks and their follow-up are frequently discussed with the Executive Board and the Audit Committee. A number of security incidents occurred during the year under review. By for example reacting in a timely manner, these incidents have not resulted in data leaks or significant and permanent damage, but they do confirm that increased attention remains necessary. During the reporting year, further attention was also paid to the European privacy legislation. Risk analyzes carried out show that awareness can be further raised at some operating companies.

To ensure that sufficient capacity is available to audit the Internal Control Framework and others risk management components, the Internal Audit function is further expanded

as of 1 January 2021. With this will also the independence of the Internal Audit function will be better safeguarded.

COVID-19

The COVID-19 outbreak in 2020 has significantly impacted the global economy. Therefore the risk 'pandemic' (COVID-19) is marked as an important risk for TKH. COVID-19 has spread worldwide, resulting in lockdowns, quarantines, travel and workplace restrictions, business shutdowns and restrictions, stagnation in the supply chain, increase - albeit small - in the illness rate, changes in legislation and general instability of the economic and financial markets. There is uncertainty about how the pandemic will develop in the future and its impact on global GDP development and the (end)markets in which TKH is active. Our activities and financial performance were negatively impacted by COVID-19 in 2020 due to the aforementioned effects. By taking early measures, we have been able to limit the impact on our business operations. However, the full impact of this pandemic on TKH will partly depend on future developments, which are often beyond our control. This mainly concerns the duration and severity of the pandemic and the measures taken to control the pandemic or impact to deal with it.

RISK PROFILE AND RISK APPETITE

The most important risks have been identified and clustered into four categories: strategic risks, operational risks, financial and reporting risks and compliance risks. For each risk we then appraise the possible impact on the organization and the probability that this risk will occur. The impact includes financial and non-financial factors such as reputation.

It is the duty of the Executive Board to weigh the business opportunities against the expectations and interests of shareholders, employees, financiers, supervisors and other strategic stakeholders. Decisions regarding changes or fine-tuning of our business models are taken by the Executive Board in accordance with the risk appetite of TKH. A balance is explicitly sought between acceptable risk on the one hand and the entrepreneurship conducted in the context of long-term value creation on the other hand.

RISK OVERVIEW

As part of the strategy process, four priority areas have been identified: Innovative, Value Creation, Talent Empowerment and Being Responsible. Based on these pillars, we have determined our strategic direction and have defined specific objectives in order to flesh out the strategic process. The risk connectivity matrix shows the most important risks for TKH and the strategic pillar from which these risks are addressed. In addition, a link has been made with the materiality themes for TKH and for our stakeholders as included in the materiality matrix ('Stakeholders' section).

RISK CONNECTIVITY MATRIX - OUR MAIN RISKS

RISK AREA	RISK	RISK DESCRIPTION	STRATEGIC PILLAR	MATERIAL THEMES	RISK TREND	RISK APPETITE
STRATEGIC	1. MARKET & GEOPOLITICS	Influence of global economic and geopolitical developments on the execution of the strategy and financial position and results of TKH.	VALUE CREATION	1 Financial track record & performance	▲	●
	2. PANDEMIC (COVID-19)	Impact of a (global) pandemic on the world economy, the (end)markets in which TKH is active and its business operations.	FINANCIAL PERFORMANCE TALENT EMPOWERMENT BEING RESPONSIBLE	1 Financial track record & performance 7 Good & responsible employment 8 Healthy & safe work environment 11 Integrity & compliance 12 Risk management 13 Privacy & IT Security	*	●
	3. TECHNOLOGY & INNOVATION	Threat to TKH long-term value creation due to insufficient technology development and innovation.	INNOVATIVE	2 Technological innovations with 1 sustainable impact (SDGs)	=	●
	4. M&A AGENDA	Failure to successfully integrate and divest (acquired) companies can result in lower than expected profit contribution and the risk of impairment.	FINANCIAL PERFORMANCE	1 Financial track record & performance	=	●
OPERATIONAL	5. PROJECT MANAGEMENT	Risk of projects not being delivered according to specification, agreements and planned margins.	FINANCIAL PERFORMANCE	1 Financial track record & performance	▼	●
	6. IT & SECURITY	Risk of breach of data availability, confidentiality and integrity (including IP).	INNOVATIVE	13 Privacy & IT Security	▲	●
	7. STAFF	Shortage of well-qualified staff and inability to retain qualified staff. Health and safety incidents can cause risks for employees and lead to business stagnation.	TALENT EMPOWERMENT	7 Good & responsible employment 8 Healthy & safe work environment 9 Development opportunities 10 Diversity & inclusiveness	▲	●
	8. SUSTAINABLE BUSINESS OPERATIONS	Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment. Future implementation of CO ₂ tax/pricing could mean an increase in operational and compliance costs.	BEING RESPONSIBLE	4 Responsible production & material efficiency 5 Climate change 6 CO ₂ reduction	*	●
FINANCIAL AND REPORTING	9. CURRENCIES	Volatility of currencies which puts pressure on profit margins.	FINANCIAL PERFORMANCE	1 Financial track record & performance	▲	●
	10. RAW MATERIALS	Limited availability of energy and raw materials, volatility of raw material prices which puts pressure on profit margins.	FINANCIAL PERFORMANCE	4 Responsible production & material efficiency 6 CO ₂ reduction	▲	●
	11. REPORTING	Risk that TKH's reporting contains material errors.	FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 11 Integrity & compliance	=	●
COMPLIANCE	12. LEGAL & REGULATORY	Damage (including reputation) due to violation of legislation and regulations including export and sanctions regulations, unfair competition, fraud, corruption and bribery.	BEING RESPONSIBLE	11 Integrity & compliance	=	●
	13. TAX	Damage (including reputation) due to violation of tax legislation and regulations.	FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 11 Integrity & compliance	=	●

▲ increased = equal ▼ decreased ● avoiding ● low ● medium ● high * new 2020

STRATEGIC

MARKET & GEOPOLITICS

Influence of global economic and geopolitical developments on the execution of the strategy and financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs) and the erosion of trade agreements can impact TKH's turnover and results.

Our specific risk mitigation measures:

- Spread of activities across multiple product/market combinations.
- Internal efficiency programs and cost reduction programs.
- Flexible shell by making use of temporary staff and by outsourcing the production of mainly commodity products.
- Geographical spread across Europe, North America and Asia.
- Strong financial balance sheet and position.
- Continuous attention to risk analysis during the execution of the strategy and strategy transformation program.

PANDEMIC (COVID-19)

Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active and its business operations.

Possible specific COVID-19 risks with an impact on TKH:

- Our employees may face health risks caused by the COVID-19 pandemic.
- COVID-19 increased working from home within our organization, which can have an impact on productivity, can increase the risks of cyber security incidents and our internal control environment.
- Disruptions and stagnation of the activities of important suppliers as a result of COVID-19 can affect us and our ability to manufacture and supply products to customers.
- Customers can request a postponement of payment or other contract changes, or customer circumstances due to COVID-19 can result in delays in deliveries and achieving other billing milestones.

- Installation and maintenance of our systems are part of our activities with customers all over the world. Travel-restricting measures by COVID-19 can have an impact on those activities.

Our specific risk mitigation measures:

- The health and safety of our employees is and will remain our first priority. There are various preventive measures taken that support the well-being of our employees. This includes facilitating safe and ergonomic possibilities to work remotely.
- Strong financial position to respond to downturn in activities. This includes the availability of cash and committed facilities, focus on working capital, investment limitation, cost reduction programs, increasing cash flow and by using government support programs, for example by postponing payment of tax.
- Performing scenario analysis including assessment of the financial impact on TKH, including the impact on turnover, gross margin, operating expenses and the impact on our net debt/ EBITDA ratio agreed with our banks.
- Active involvement with our strategic suppliers and increase in stocks for critical raw materials, components and products.
- Implementation of virtual support solutions for remote support of customers at customer locations.
- Phasing out flexible workforce.

TECHNOLOGY & INNOVATION

Insufficient technology development and innovation can threaten TKH in terms of long-term value creation. These risks may arise in the field of:

- Speed of technological developments.
- Execution of R&D roadmap.
- New technologies of competitors.
- Payback capacity.
- Harmonization of niche specifications to produce standard commodity solutions.

Our specific risk mitigation measures:

- Realize at least 15% of the turnover with innovations that have been introduced in the two previous years.
- Continuous attention on innovation and the (execution of the) IT roadmap including time-to-market.
- Approximately 4% of turnover is spent on R&D.
- Focus on vertical growth markets with the aim of a turnover share of at least 80%.
- Rollout of the 'Simplify & Accelerate' program including integration of operating companies in order to focus the deployment of R&D capacity.

M&A AGENDA

Failure to successfully integrate and divest (acquired) companies can result in lower than expected profit contribution and the risk of impairment.

Our specific risk mitigation measures:

- Procedures and guidelines for the implementation of a due diligence process.
- Rapid integration in the TKH reporting and control systems.
- Harmonization of business processes and systems where necessary and desirable.
- Continuous attention to the identification, creation and utilization of synergy effects.
- Continuous focus on portfolio management, taking into account the correct alignment with the TKH strategy.

OPERATIONAL

PROJECT MANAGEMENT

Inadequate project management can result in the risk that projects are not delivered according to specification, agreements and planned margins.

Our specific risk mitigation measures:

- Investment in qualified staff. Training and education of staff. Legal knowledge and professional competence.
- Guidelines and procedures for approving projects with an above-average risk, project management and adequate project administration.
- Important projects are discussed at quarterly meetings between the Executive Board and local management.
- Large projects with an above-average risk are monitored on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board and legal advisor.
- Experiences are constantly evaluated and included in the risk model, which can lead to a tightening of acceptance criteria.

IT & SECURITY

IT & Security concerns the risk of breach of data availability, confidentiality and integrity (including IP). This also includes cyber-attacks that violate data (including IP) to disrupt business operations and infrastructure. The following elements are important in this respect:

- Decentralized IT landscape.
- Various ERP systems in use.
- Availability of production sites.
- Protection of developed technologies (IP protection).
- Privacy legislation.

Our specific risk mitigation measures:

- TKH has issued guidelines setting out the requirements for an ICT infrastructure, including the most important IT controls, partly within the context of cybercrime risks.

- Companies from the same region or cluster are stimulated to generate economies of scale in the ICT field.
- IT managers from the most important operating companies discuss important IT developments, trends and risks.
- The internal and external security environment is tested by a specialized external agency.
- Internal guidelines on privacy handling.
- Increasing awareness of the need for information security through continuous training and the frequent distribution of newsletters on relevant (cyber) topics (Security Awareness Program) such as safe remote working because of COVID-19.
- The Internal Audit department oversees the implementation of privacy guidelines.
- For operating companies with a high and medium risk in this area, based on size, technology and reputation for example, the risks were identified and recommendations were made to further mitigate these risks. These risks and the monitoring of risk management are frequently discussed with the Executive Board and the Audit Committee.

STAFF

Scarcity of well qualified personnel and inability to retain qualified personnel can impact the (progress of the) execution of TKH's strategy. Health and safety incidents can cause risks for employees and lead to business stagnation.

Our specific risk mitigation measures:

- Performance/Talent management program per operating company.
- Management Development Program.
- Regular employee satisfaction surveys.
- Use good reputation as an attractive employer to recruit talented employees.
- Cooperation programs between operating companies and training institutes.

- Use employer branding and referral recruitment to reach future talent and arouse their interest.
- Increased attention to safety by tightening safety standards and creating even better safety awareness, and due to implementation of ISO 45001.
- Facilitating healthy and safe working from home.
- Frequent communication to our employees about relevant COVID-19 and business developments through various channels.
- Hotline where our employees can ask questions about COVID-19 and all associated measures and to raise concerns.

SUSTAINABLE BUSINESS OPERATIONS

Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment. Future implementation of CO₂ tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures

- Based on the recommendations from the Task Force on Climate related Financial Disclosures (TCFD) a comprehensive analysis is carried out on possible risks of climate change and how any climate risks can be converted into opportunities.
- Further implementation of optimizations in production processes via our operational excellence program.
- Continue to implement CO₂-neutral operations.
- Continuation of waste reduction target and recycling ambition so that we make a contribution in responsible and demonstrable manner to the circular economy.
- More information is included in section 'Being responsible' under climate change.

FINANCIAL AND REPORTING

CURRENCIES

Volatility of currencies which puts pressure on profit margins.

Our specific risk mitigation measures:

- Treasury Statute that establishes the currency risk management, including responsibilities, authorizations and reports.
- Material exchange rate risks are hedged in accordance with the Treasury Statute if these risks cannot be passed on in the market.
- Exchange rate risk that arises from the translation of net investments in currencies other than the euro is partly hedged for the most important currencies by financing investments in local currency. Monetary assets and liabilities in the same currency are netted as much as possible.
- Time differences between the settlement of forward transactions and sales and purchase contracts are overcome by using foreign currency bank accounts or by rolling over forward contracts.

RAW MATERIAL PRICES

Volatility of raw material prices which puts pressure on profit margins.

Our specific risk mitigation measures:

- Economic stock positions are limited as far as possible.
- The copper positions of each operating company are monitored for the economic stock positions, stock prices, rate of turnover and expected relationship between copper prices and selling prices (price elasticity).
- Price developments are incorporated as far as possible in the selling price of products and/or services or where possible temporarily hedged on the futures market.
- Every month price developments, economic stock positions and hedges are discussed by a committee made up of members from various disciplines and chaired by TKH's CFO.

- Derivatives are used to a limited extent to hedge the price risk on free inventories.
- Important raw materials such as copper are purchased forward in order to eliminate price risks on the sale of finished products, if:
 - A sales contract is concluded at a fixed price;
 - Delivery does not take place within one month; and
 - A significant amount of raw material is needed for the production.

REPORTING

Risk that TKH's reporting contains material errors. These reporting risks mainly relate to the following material items in the financial statements:

- Turnover – time of recognition of turnover.
- Goodwill – valuation and impairment testing.
- Development costs – valuation and impairment testing.
- Inventory – valuation and provision.
- Contract assets and liabilities – valuation and provision.

Our specific risk mitigation measures:

- Internal procedures and guidelines for internal and external financial reporting and verification of reports.
- TKH has drawn up guidelines containing requirements with regard to the capitalization of development costs.
- Controller meetings are regularly organized with important reporting topics being discussed.
- Training and education of (financial) staff.
- The performance of regular impairment testing, including the annual strategic plans.
- Deployment of business intelligence tools to gain insight into risks at an early stage.
- Representation letter and In-Control Statement for each operating company.

COMPLIANCE

LEGAL & REGULATORY

Non-compliance due to violation of legislation and regulations and internal guidelines can result in damage (including to reputation).

This relates to, for example:

- Unfair competition, violation of export regulations and sanction programs that can lead to significant penalties and reputational damage.
- Global business and use of agents who may expose TKH to local bribery and corruption risks.
- Undesirable or unethical conduct of employees that leads to fraud-related matters.
- Violation of human rights and child labor rules.

Our specific risk mitigation measures:

- Internal guidelines relate to, for example, internal control measures, responsibilities and authorization requirements of the management.
- Internal guidelines regarding compliance with sanction and export regulations, including a checklist.
- Monitoring of financial flows by TKH in part by monitoring:
 - The transactions executed through the central treasury system;
 - The establishment of banking authorizations;
 - The setting of credit limits for each operating company, with no local credits being permitted with banks outside TKH's banking group, unless TKH has granted permission for this.
- The use of banks prescribed by TKH unless another bank is required at the local level because only a local bank is able to perform the required service.
- During controller meetings and the international management meeting attention is paid to the issues of fraud, corruption and bribery by means of theory and case studies.
- The work with agents and intermediaries is framed by guidelines and contracts.

- By means of the TKH code of conduct, all our employees are aware of how they should do business honestly and by signing this have agreed to act accordingly.
- Employees can report suspicions abuses through a whistleblower policy. Such notifications have no consequences for the position of the reporter, if it conforms to the procedure drawn up for this purpose.
- In all layers of our company compliance with internal guidelines relating to integrity and behavior is strictly monitored (zero tolerance).
- The Internal Audit department also performs internal audits on non-financial information.

TAX

Non-compliance due to violation of tax legislation and regulations can result in damage (including to reputation).

Our specific risk mitigation measures:

- Centralized monitoring of compliance and developments in (new) legislation and regulations in the tax field (both national and international), sanction regulations and general legal developments, with attention to specific risks in the areas of transfer pricing, permanent establishment and VAT.
- Availability and development of transfer pricing documentation in accordance with OESO guidelines as well as compliance with local regulations.
- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Develop good relations with tax authorities based on mutual respect, transparency and trust. In the Netherlands, a horizontal monitoring covenant has been agreed with the Dutch Tax Administration in this context.
- Make use of external (tax) advisors for specialized subjects.
- Rollout and update of a Tax Control Framework.

- Tax reports, including standardized tax reporting packages for determining the tax position, which are also used for determining the tax position in the financial statements as well as 'country-by-country' reporting.
- During controller meetings, theory and case studies are used to address both professional tax issues as well as other tax issues, such as tax dilemmas.

OTHER RISKS

In addition to the aforementioned most important risks, other risks have been identified that are also included in TKH's internal risk management system. This includes the following risks:

STRATEGIC

- Limited market share and brand awareness in a number of segments and geographical markets.
- Dependence on government measures in some markets.
- Dependence upon customers and suppliers in a number of segments.

OPERATIONAL

- Disasters within production facilities.
- Important raw materials such as copper, steel and plastics, and technical (electronical) components have

long delivery times or are unavailable or available in limited quantities.

FINANCIAL AND REPORTING

- Infringement of IP rights of and by third parties.
- Inadequate funding.
- Interest rate volatility.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

For the most important risks, the impact on the result and financial position of TKH is where possible quantified should these risks occur. A sensitivity analysis is also included. In the financial statements, including in note 21, the objectives and policy of TKH are outlined with regard to the use of financial instruments for risk management, also in the context of hedging the risks associated with all major types

of transactions to which TKH is exposed as regards capital, liquidity, interest, currency, credit and price risks.

GOING CONCERN AND PROSPECTS

We have prepared a budget that includes projections of cash flows and liquidity requirements for the coming year. This forecast takes into account current market conditions, possible changes in results based on these conditions including COVID-19, as well as our ability to change our cost structure as a result of changing economic conditions and turnover levels. In the budget we have also take into account the total available cash and cash equivalents of € 121.6 million as at 31 December 2020, the possibility of renewing financing agreements and attracting additional financing, and whether we operate within the financial ratio agreed with the banks in the covenant. On this basis, we are of the opinion that our available funds at the end of 2020 will be sufficient to finance our activities, investments and existing contractual obligations for at least the next twelve months.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

	CHANGE	IMPACT	ON	ASSUMPTIONS	RELATES TO RISK
Turnover	1%	€ 6.4 miljoen	EBITA	No adjustment of operating costs.	1, 2, 3, 4, 9, 10
Raw material price copper	10%	€ 0.6 miljoen	EBITA	No derivatives to hedge price risks.	10
Gross margin	1%	€ 12.9 miljoen	EBITA	No adjustment of operating costs.	1, 2, 3, 4, 9, 10
Operating costs	1%	€ 5.7 miljoen	EBITA	No adjustment of turnover/gross margin.	operational and financial risks
Currencies - financial instruments	10%	€ 4.7 miljoen	Result before tax	All other variables remain constant.	9
Currencies - financial instruments	10%	€ 21.0 miljoen	Group equity	All other variables remain constant.	9
Interest	1%	€ 3.3 miljoen	Result before tax	Net bank debt including deduction of interest rate swaps held at variable interest rates.	financial risks
Interest - financial instruments	1%	€ 0.6 miljoen	Group equity	Based on concluded interest rate swaps.	financial risks

MANAGEMENT STATEMENT

The Executive Board is responsible for the design and effectiveness of the internal systems for risk management and control. The purpose of these systems is to identify and effectively manage the significant risks to which the company is exposed. However, they can never provide an absolute guarantee that the group will achieve its objectives and cannot entirely prevent major errors or losses, incidents of fraud or actions in breach of laws and regulations.

During the year under review, Internal Audit assessed the administrative organization and internal control of the group companies. Attention was paid to the most important risks and current themes. Improvements were identified where non-material shortcomings in the administrative organization and internal control were observed. The Director Internal Audit discussed the results of his activities with the Executive Board and reported the main findings to the Audit Committee. The activities performed did not produce any material findings at group level with regard to the administrative organization and internal control. Based on the financial results for the 2020 reporting year and the expectations for the 2021 reporting year, the Executive Board has assessed the company's assumption of going concern. The current (market) conditions have been taken into account with an emphatic impact of COVID-19. The Executive Board also assesses the strategic, operational, financial and reporting risks and compliance risks, as well as the design and effectiveness of the internal risk management and control systems as described in the section on 'Risk Management'.

An explanation of the non-financial information in accordance with the Decree on the Disclosure of Non-Financial Information and articles 135b and 145(2), Book 2 of the Netherlands Civil Code, can be found in the management report in the sections on 'Report of the Executive Board', 'Remuneration Report', 'Risk Management', 'Corporate Governance' and 'Report of the Supervisory Board'.

The effectiveness and functioning of the internal risk management and control systems are discussed each year with the Audit Committee and the Supervisory Board. Taking into account the aforementioned risks and the measures designed to manage them, and in accordance with the best practice provision I.4.3. of the Dutch Corporate Governance Code, the Executive Board declares that to the best of its knowledge:

- i. the report provides sufficient insight into any shortcomings in the operation of the internal risk management and control systems;
- ii. the above-mentioned systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance;
- iii. the current situation justifies financial reporting on a going concern basis; and

iv. the report contains the material risks and uncertainties that are relevant to the expectation of the company's continuity for a period of twelve months after the preparation of the report.

With reference to Section 5.25c(2c) of the Financial Supervision Act (Wft), the Executive Board declares that to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of TKH and the companies included in the consolidation;
- the management report gives a true and fair view of the situation on 31 December 2020, the state of affairs at TKH and its affiliated companies during 2020, the details of which are presented in the financial statements, and that the management report describes the fundamental risks facing the company.

Haaksbergen, the Netherlands, 8 March 2021

J.M.A. van der Lof MBA, *Chief Executive Officer*
 E.D.H. de Lange MBA, *Chief Financial Officer*
 H.J. Voortman MSc, *member of the Executive Board*

TKH SHARES

TKH's shares are listed on and admitted to the trade of the Euronext Amsterdam stock exchange. They have been assigned to the Mid Cap index (AMX). In addition, TKH shares are also listed in the Next 150 Index established by Euronext.

OPTIONS ON SHARES

The options on shares in the TKH Group (ticker symbol: TKG) are listed on NYSE Liffe, the European derivatives business of Euronext. The options expire on the third Friday of the contract month and their initial term is one to nine months. Each option represents 100 TKH shares.

TKH'S SHARE STRUCTURE

With the exception of registered shares, ordinary shares in the company are transferred by notarial deed to Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor'). In exchange for these shares Stichting Administratiekantoor issues depositary receipts of shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the depositary receipt holders, Stichting Administratiekantoor authorizes them to cast a vote to the exclusion of Stichting Administratiekantoor based on the shares for which the holder has depositary receipts in the general meeting specified in the relevant proxy. The authorization is not restricted and is therefore not subject to any conversion limit. Under the terms of Section 2:118a of the Dutch Civil Code, Stichting Administratiekantoor is not required to issue a proxy and may revoke one. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary

shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. Priority shares are managed by the foundation, Stichting Prioriteit, which comprises the company's Executive Board members. The foundation may not alienate, pledge or otherwise encumber shares. No special rights have been assigned to priority shares. By means of a call option TKH has conferred on Stichting Continuïteit the right to acquire cumulative protective preference shares in TKH subject to a maximum of 50% of the amount of the other shares outstanding at the time of placement of the protective shares or 100% where the limitation on conversion of depositary receipts ceases to apply.

At the end of 2020 the company's issued share capital amounted to 42,821,763 ordinary shares issued at a nominal value of € 0.25, of which depositary receipts have been issued for 42,710,865 and 4,000 are priority shares with a nominal value of € 1.00. At the end of 2020 the company held 1,334,841 (depositary receipts of) shares. Further information on the capital structure of TKH is included in note 7 of the company financial statements as included in the full financial statements. This information is part of the management report by means of a reference. The dividends for 2020 were issued to the holders of (depositary receipts of) shares in cash.

The following key figures per ordinary share (or depositary receipt issued for same) apply in relation to the listing on Euronext Amsterdam.

KEYFIGURES PER (DEPOSITARY RECEIPTS OF) ORDINARY SHARES

	2020	2019
Annual turnover of shares	29,848,611	25,936,902
Highest price	€ 51.30	€ 55.05
Lowest price	€ 23.42	€ 38.82
Closing price	€ 39.54	€ 49.90
Net earnings per share	€ 1.14	€ 2.72
Dividend	€ 1.00	€ 1.50
Price-earnings ratio as at the end of the financial year	34.7	18.4
Dividend yield on closing price	2.5%	3.0%
Market capitalization at end of financial year (in € millions)	1,640	2,136

DISCLOSURE OF OWNERSHIP AND EQUITY INTERESTS

In accordance with the requirements governing the disclosure of ownership and equity interests, any interests in a company's issued share capital of 3% or more must be reported to the Netherlands Authority for the Financial

Markets (AFM). In so far as TKH is aware and based on the AFM register ‘Substantial subsidiaries and gross short positions’ (Substantiële deelnemingen en bruto short-posities) the following investors hold an interests of 3% or more in TKH are disclosed. The following table is based on disclosures until the beginning of 2021.

Mandatory Disclosing Party	Interest	Date of last disclosure
Allianz Global Investors GmbH	9.99%	15-01-2021
ASR Nederland NV	5.11%	06-10-2008
Kempen Oranje Participaties NV	3.77%	04-04-2011
Lucerne Capital Management, LLC	5.62%	20-08-2019
Teslin Participaties Coöperatief U.A.	5.01%	06-07-2017
TKH Group NV	3.01%	16-12-2020
Vinke Amsterdam B.V.	5.84%	28-05-2020

DIVIDEND POLICY

TKH aims for an attractive return for its shareholders, which is also reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important to the continuity of the company. In determining the distributable dividend, TKH takes into account the amount of profit the company needs to retain to carry out its medium- to long-term plans, while maintaining solvency of at least 35%. Based on the growth targets for the coming years, TKH will aim for a pay-out of between 40% and 70%.

INVESTOR RELATIONS POLICY

TKH’s investor relations policy is designed to ensure that actual and potential shareholders, analysts and other financial stakeholders are provided with relevant, strategic, financial and other material information as accurately, carefully and punctually as possible, so as to afford them an

insight into our company, current developments and the markets in which we operate. We maintain frequent contact with major and other shareholders, interested institutional investors and analysts through roadshows, conferences, company visits and one-on-one discussions. Due to the COVID-19 outbreak, which includes restrictions on meetings, Investor Relations discussions took place virtually. All publications, presentations, meetings, other announcements (non-financial or otherwise), appointments and explanations occur subject to the applicable regulations and guidelines issued by Euronext Amsterdam and the Netherlands Authority for the Financial Markets (AFM), the Dutch financial markets regulatory authority. In this respect care is taken to ensure that such information is equally and simultaneously supplied to all stakeholders and that it is readily accessible. By means of the annual report, the interim report, webcasting, the website and through other financial reporting, we strive for transparent reporting.

FINANCIAL CALENDAR

5 MAY 2021

Market update

6 MAY 2021

General Meeting of Shareholders

10 MAY 2021

Ex-dividend

11 MAY 2021

Record date

14 MAY 2021

Dividend payable

17 AUGUST 2021

Publication interim results 2021

17 NOVEMBER 2021

Market update

INVESTOR RELATIONS

J.M.A. van der Lof MBA,
Chairman of the Executive Board
E.S. Velderman MBA,
Director Corporate Development

More information about TKH and its operating companies is available on the website at www.tkhgroup.com.