

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