

GOVERNANCE

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MEMBERS OF THE EXECUTIVE BOARD



HARM VOORTMAN

ALEXANDER VAN DER LOF

ELLING DE LANGE

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

Dutch nationality, male, 1958

Term 2001-present

Alexander van der Lof started his career in 1985 at TKH subsidiary B.V. Twentsche Kabelfabriek (TKF) and held various management positions, including 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 (CFO). Since 2001, he has been chairman of the Executive Board and Chief Executive Officer (CEO) of TKH Group.

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

Dutch nationality, male, 1965

Term 2008-present

Elling de Lange joined TKH in 1998, having started out 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 in 2003 he took the position of CEO. 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.

H.J. (HARM) VOORTMAN MSC MEMBER OF THE EXECUTIVE BOARD

Dutch nationality, male, 1966

Term 2022-2026

Harm Voortman joined TKH's subsidiary, VMI Holland B.V. in 2004, where he held various management positions, including 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.

MEMBERS OF THE SUPERVISORY BOARD



R.L. (ROKUS) VAN IPEREN
CHAIRMAN

Dutch nationality, male, 1953

2011 first appointment

2024 end of term

Chairman of the Selection and Nomination Committee

Member of the Remuneration Committee

Current other non-Executive Board positions:

Chairman of the Supervisory Board, Princess Máxima Center for Pediatric Oncology

Previous positions:

President and CEO, Canon Europe Ltd.

Senior Managing Executive Officer, Canon Inc.

Chairman of the Executive Board, OCÉ N.V.



J.M. (MEL) KROON
VICE-CHAIRMAN

Dutch nationality, male, 1957

2017 first appointment

2025 end of term

Member of the Selection and Nomination Committee

Member of the Audit Committee

Current other non-Executive Board positions:

Chairman of the Supervisory Board, Attero B.V.

Chairman of the Supervisory Board, Eneco Groep N.V.

Current other positions:

Non-Executive Board Member, Urenco Ltd & UCN B.V.

UCN B.V.

Chairman of the Supervisory Board, Energyworx B.V.

Member of the Advisory Board, LVNL

Member of the Supervisory Board, KVSA B.V.

Chairman of the Advisory Board, De Rijke Noordzee

Advisor, Mitsubishi Corporation

Board Member, German-Dutch Chamber of Commerce DNHK

Advisor, Improved

Member of the Supervisory Board, Montel SA

Advisor, GIGA Storage B.V.

Previous positions:

Chairman of the Executive Board, TenneT Holding B.V.



C.W. (CARIN) GORTER
MEMBER

Dutch nationality, female, 1963

2017 first appointment

2025 end of term

Chairman of the Audit Committee

Chairman of the Remuneration Committee

Current other non-Executive Board positions:

Vice-Chairman of the Supervisory Board, Basic-Fit N.V., Chairman of the Audit and Risk Committee

Member of the Supervisory Board, Coöperatie TVM U.A., Chairman of the Audit and Risk Committee

Member of the Supervisory Board, DAS, Chairman of the Audit and Risk Committee

Member of the External Audit Committee, Ministry of Security and Justice

Member of the Supervisory Board, NTS (Nederlandse Transplantatie Stichting)

Member of the Supervisory Board, Ebusco Holding N.V., Chairman of the Audit Committee

Current other positions:

Owner, Carin Gorter Advies & Toezicht

Previous positions:

Senior Executive Vice President & Head of Group Compliance, Security & Legal, ABN AMRO



A.M.H. (MARIEKE) SCHÖNINGH
MEMBER

Dutch nationality, female, 1963

2020 first appointment

2024 end of term

Member of the Remuneration Committee

Member of the Management Board and COO, SHV Energy



P.W.B. (PETER) OOSTERVEER
MEMBER

Dutch nationality, male, 1957

2022 first appointment

2026 end of term

Member of the Audit Committee

CEO and Chairman of the Executive Board, Arcadis N.V.

Current other positions:

Member of the Executive Committee, World Business Council for Sustainable Development (WBCSD)

Member of the Global Leadership Forum advisory Board, FIDIC

Chairman of the Supervisory Board, kanker.nl

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board oversees the way the Executive Board defines and implements TKH's strategy to achieve the defined objectives of the company and its affiliated companies. In doing so, the Supervisory Board is guided by financial, non-financial, commercial, operational, and governance information, focusing on the interests of all the company's stakeholders.

The Supervisory Board advises the Executive Board and oversees the Executive Board's relationship with stakeholders, including shareholders. The members of the Executive Board are appointed by the General Meeting of Shareholders on a binding recommendation drawn up by the Supervisory Board. 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

In 2022, five regular meetings and one additional meeting were held, which were all attended by the Executive Board. The Supervisory Board meetings were well attended in 2022. All Supervisory Board members were present during the regular Supervisory Board meetings, with the exception of one member, who was unable to attend the December 2022 meeting. In addition, three closed meetings took place attended by the Supervisory Board members only. During the year under review, there were no subjects on the agenda that could have potentially given rise to conflicts of interest. The discussion of the 2021 annual financial statements took place in the presence of the external auditor. In preparation for the Supervisory Board meetings, as well as to discuss other relevant matters during the year, the chairman of the Supervisory Board maintained regular contact with the chairman of the Executive Board. The Supervisory Board supervises and advises the Executive Board based on agenda items that recur at every meeting, and on specific subjects relevant for discussion at any given time.

COMPANY VISIT

At least one regular meeting is held annually at the location of a TKH operating company. These company visits allow the Supervisory Board to meet with local management and employees, and to strengthen the Board's insight into TKH's activities, technological developments, and organizational capacity. The Board is updated on local developments, as well as possible challenges faced by local management. Company visits, presentations, demonstrations, and guided tours are always part of the program. Particular attention is also paid to the local company culture.

In 2022, the Supervisory Board visited the TKH operating company Chromasens in Konstanz, Germany, which belongs to the Smart Vision systems business segment. The Supervisory Board also visited the TKH Vision Solution Center at the same location. The Supervisory Board was informed about technological and project developments and the applications of vision systems in the various markets. Special attention was paid to opportunities for developing and supplying customized imaging solutions. In the subsequent guided tour through the TKH Vision Solution Center, Chromasens highlighted the various applications of vision systems and demonstrated the portfolio of TKH's vision systems and their applications. Other relevant topics were discussed with local management, including supply chain challenges and in particular the availability of important (electrical) components. The Supervisory Board greatly values these company visits and, in particular, the meetings with

local management and employees, as they provide a deeper understanding of local activities and the company culture. The Supervisory Board also appreciates the openness and transparency of the presentations and discussions.

REGULAR MEETINGS

Recurring agenda items, concerning topics such as business and financial developments, the progress of the Accelerate 2025 strategy program, technological, organizational, and market developments, as well as investor relations, are discussed at each regular meeting. In 2022, specific attention was paid to the situation of employees and their families in Ukraine, as well as the company operations there. The divestment of the remaining stake in the Cable Connectivity Group was also discussed. Further attention was paid to supply chain management, cost inflation of (raw) materials and labor, the availability and price increases of energy, impact of a possible recession, and the influence of global economic and geopolitical developments on the implementation of TKH's strategy, financial position, and results, including the effects of the Russia-Ukraine conflict. Where appropriate, the chairman of the relevant Board committee explains the most important findings of each meeting. The content of the press releases concerning the annual and half-year results is discussed with the full Supervisory Board prior to publication.

The "strategic scorecard" was used at each meeting to discuss the progress of strategic initiatives and business developments, including the order book, the competitive environment in which TKH operates, potential business risks, and how these risks are managed. In this context, the Board was also frequently updated on the progress of innovation projects. The fact that TKH's investments in innovation delivered results in 2022 and enabled TKH to grow in several markets strongly confirms, in the view of the Supervisory Board, the chosen strategic growth path.

Following input from the Executive Board, the Supervisory Board discussed and approved the Strategic Investment

Program for 2022-2023 as part of the implementation of the Accelerate 2025 strategy program.

This strategic capital expenditure program will increase TKH's production capacity to respond to the higher market demand for automation, digitization, renewable energy, and electrification:

- Subsea connectivity systems (new factory at a Dutch seaport)
- Medium and high voltage cables (expansion in the Netherlands)
- Fibre optic cables (new factory in Poland)
- Specialized connectivity systems (new factory in Poland)
- Tire building systems (expansion in Poland)

A "deep dive" presentation was given by the Executive Board concerning TKH's Intellectual Property ("IP") strategy. More insight was gained into the (development of) registered patents and trademarks per region and business area, and the application of IP rights in TKH's technology portfolio. In addition, related topics such as securing expertise, applicable legislation, enforcement, and communication concerning IP were discussed. The Supervisory Board has received confirmation that the topic is being given the necessary attention and that the strategic importance is high.

The Supervisory Board is regularly updated on the progress of sustainability initiatives and developments.

Last year, specific attention was paid to the increasing relevance of non-financial information with a focus on ESG (Environmental, Social, and Governance) themes and their alignment with existing sustainability issues, including climate change. Progress on the defined key non-financial KPIs was discussed, including the progress made towards the target of CO₂ neutrality by 2030 and diversity. Special attention was also paid to the implementation of the EU Taxonomy and the validation process by the external auditor of the most relevant non-financial KPIs. The Corporate Sustainability Reporting Directive (CSRD), the related European Sustainability Reporting Standards (ESRS), and the implementation plan

were discussed in a deep dive presentation. For the Supervisory Board, this confirmed that sustainability is a top priority within the organization and an integral part of (strategic) business decisions.

CLOSED MEETINGS

The Supervisory Board met three times in the absence of the Executive Board. The most important topics of discussion were:

- Explanation by the Remuneration Committee of the remuneration policy for the Executive Board and Supervisory Board and the remuneration proposal for the Executive Board.
- The 2022 Remuneration Report and the improvements made to increase the transparency of disclosure, as proposed by the Remuneration Committee.
- Evaluation of the performance of the Supervisory Board, its committees, and its individual members.
- Composition of the Executive Board and the Supervisory Board and its committees – formal nominations for appointments to the Executive Board and the Supervisory Board to the 2022 AGM.

CULTURE AND ORGANIZATION

TKH has an entrepreneurial culture with a focus on technological development and a proactive approach to the market. Given its decentralized organizational structure, responsibilities are assigned deep within the organization. The Executive Board leads by example and provides guidance on norms and values. To supervise the cultural aspect, the Supervisory Board makes company visits to obtain insights into the situation in the organization, for example, and the management of risks through discussions with and presentations by local management. Consultation with the Central Works Council also represents an important assessment element in the field of company culture. TKH applies different methods and systems to identify and manage risks. Potential risks and risk management systems are regularly discussed with the Executive Board, and openness about risks is encouraged.

TOPICS OF SUPERVISORY BOARD MEETINGS IN 2022

Q1

- Business review
- Financial results and press release
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Explanation of audit report
- AGM preparation/dividend proposal

Q2

- Business review
- Financial results
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Preparation for AGM

Q3

- Business review
- Financial results and press release
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Deep dive on IP strategy

Q4

- Business review
- Financial results
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Budget and Investment Plan 2023
- HR topics including management development
- Sustainability update, including EU Taxonomy, CSRD and ESRS
- Company visit to Chromasens and TKH Vision Solution Center
- Refinancing
- Rotation external audit firm

HR AND SAFETY

HR developments are discussed at least once a year with the Executive Board, with particular emphasis on management development (program), employee satisfaction, employer branding, diversity, and current HR topics. In 2022, the Executive Board increased the scope of the operating companies and therefore the number of employees included in the employee satisfaction survey. In addition, special attention was paid to diversity and the implementation of action plans in order to increase the proportion of females in executive and senior management teams. The Supervisory Board devotes considerable attention to safety in the organization. Accidents and near-miss accidents are reported using safety indicators, for example. Since 2021, TKH has implemented ISO 45001 for all production companies. For the Supervisory Board, this is confirmation that safety has been defined as one of the organization's top priorities, which will increase safety awareness in the organization and enable employees to take responsibility for safety.

COMPOSITION AND DIVERSITY

The Supervisory Board is composed in such a way that the knowledge, experience, and insights relating to current topics at TKH, as well as the markets and activities relevant to the company, are well represented. Each member of the Supervisory Board possesses the specific expertise required to fulfill his or her supervisory role. The Board's effectiveness is determined by the team's composition in terms of knowledge and competencies, as well as the cooperation between its members. In addition to regular plenary strategy discussions, each member of the Supervisory Board has his or her own focus area in relation to TKH's activities or end market, and supervises the way the Executive Board defines and implements TKH's strategy. Continuity in its composition is also valuable, given the Board's overall accountability for the consideration of various strategic interests that are geared to long-term value creation. In accordance with the Dutch Corporate Governance Code (the "Code"), the Supervisory Board therefore applies a maximum term of

office of 12 years. In addition, as part of the annual (self-) evaluation and prior to each reappointment, an assessment is made to determine whether the profile for the composition of the Supervisory Board is "up-to-date", and whether the expertise, competencies, and performance of the candidate in question are suitable.

The Supervisory Board aims for diversity in its composition in terms of age, gender, background, expertise, professional experience, and nationality, taking into account statutory requirements. These elements are also included in the profile drawn up by the Supervisory Board. In terms of composition, the Supervisory Board complies with the quota stipulated in Dutch company law of a balanced distribution of at least 1/3 female and 1/3 male members, insofar as these seats are allocated to 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 terms of expertise, competencies, and background. The composition of the Supervisory Board is such that its members can act critically and independently of one another, the Executive Board, and any individual interests. In the opinion of the Supervisory Board, all members meet the requirements for independence stipulated in best-practice provisions 2.1.7 up to 2.1.9 of the Code.

At the AGM of April 26, 2022, Mr. R.L. van Iperen was reappointed for a further period of two years. In addition, Mr. P.W.B. Oosterveer was appointed for a period of four years. Mr. R.L. van Iperen was appointed chairman of the Supervisory Board with effect from the end of the 2022 AGM. According to the retirement schedule, no vacancy is due to arise on the Supervisory Board in 2023.

INTRODUCTION PROGRAM

An introduction program is in place for new members of the Supervisory Board, which takes into account the expertise and knowledge that the member brings to the Board. The introduction program focuses partly on the general strategy,

financial and non-financial reporting, and the organizational structure of TKH. Company visits and other activities are used to explain TKH's Smart Technologies and commercial interests. This is vital for the continuing education of the Supervisory Board members.

CONTACT WITH THE CENTRAL WORKS COUNCIL

The Supervisory Board maintains annual contact with the Central Works Council about TKH's strategy and topics of interest to the individual Works Councils. These topics include sustainable staff employability, safety, and cooperation between operating companies. In the context of the Central Works Council's (strengthened) right of recommendation, when there are vacancies on the Supervisory Board, a dialogue is initiated with a view to reappointing or appointing new members. The members of the Supervisory Board have great respect for the professionalism with which the Central Works Council deals with important issues and offers sound advice. The Board regards 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 the culture within TKH organizations.

COMMITTEES

The Supervisory Board of TKH has three committees: the Selection and Nomination Committee, the Remuneration Committee, and the Audit Committee. The committees all have their own set of rules defining their conduct.

SELECTION AND NOMINATION COMMITTEE

The Selection and Nomination Committee comprises Mr. R.L. van Iperen (chairman) and Mr. J.M. Kroon. The Selection and Nomination Committee held two formal meetings in 2022. The committee also had frequent (virtual) contact on current topics, including ensuring that the knowledge and expertise within the Supervisory Board remains appropriate. The Supervisory Board's performance is evaluated by an

external advisor and discussed with the committee and the Supervisory Board. Management development and succession planning is also an important topic of discussion within the TKH organization. The Selection and Nomination Committee reported to the Supervisory Board on the most important results of each of its meetings and consultations.

REMUNERATION COMMITTEE

With the appointment of Mrs. A.M.H. Schöningh as a member of the Supervisory Board at the 2020 AGM, the Central Works Council exercised its enhanced right of recommendation, so that Mrs. Schöningh automatically becomes a member of the Remuneration Committee in accordance with the legal provision article 2:160a of the Dutch Civil Code.

The Remuneration Committee consists of Mrs. C.W. Gorter (chairman), Mrs. A.M.H. Schöningh, and Mr. R.L. van Iperen. The Remuneration Committee held four formal meetings in 2022. The Remuneration Committee also had frequent (virtual) contact during the past year. The chairman also had telephone consultations with the committee's external adviser as part of the Committee's preparatory work on benchmarking the remuneration package of the Executive Board and Supervisory Board against the relevant reference group. The remuneration policy of the Supervisory Board and Executive Board was discussed in the meetings. The committee concluded that the remuneration policy supports sustainable long-term value creation for TKH and offers effective remuneration to the Executive Board. Therefore, no changes have been made to the content of the policy.

The achievement of the Executive Board's targets was assessed, based on which the committee presented a proposal for a decision on the remuneration of the Executive Board to the Supervisory Board during a closed meeting. The targets for the Executive Board for the current financial year were also discussed and set.

2022 was a year in which the transparency of disclosure in the Remuneration Report was a key topic. The 2021

Remuneration Report was included on the agenda of the AGM on April 26, 2022 for an advisory vote. The outcome of the advisory vote of the 2022 AGM regarding the 2021 Remuneration Report was positive, though approximately 38% of the votes cast were against the 2021 Remuneration Report. Following the voting behavior at the 2022 AGM and the questions raised during this AGM, the company entered into an open dialogue with its stakeholders on the content of the Remuneration Report. To address the most discussed topic in this dialogue, the 2022 Remuneration Report will provide more insight and transparency on the performance criteria and actual achievement for both the STI and LTI. The enhanced disclosure also contains targets and performance on important ESG/sustainability themes and related KPIs. In this way, the Remuneration Report is better aligned with the Shareholder Rights Directive and the related guidelines. The Remuneration Committee believes that a sound balance has been struck between the request for transparency by stakeholders and TKH's hesitation to disclose (commercially) sensitive information, as the disclosure of such information may not be in the interest of TKH and all its stakeholders.

In 2023, the Remuneration Committee will conduct a thorough review of the remuneration policy for the Executive Board. The review will focus, among other things, on the remuneration structure and the reference group. In addition, the existing KPIs will be reviewed also in relation to relevant legislative and regulatory developments such as the CSRD, which may lead to additional ESG/sustainability KPIs, and the revised Dutch Corporate Governance Code published on December 20, 2022. This review will include current market practice, societal trends and expectations, and developments in corporate governance. Based on the outcome of this review, we will develop a draft remuneration policy that will be discussed in 2023 in an open dialogue with stakeholders. Ultimately, we will submit a proposal for a (revised) remuneration policy for the Executive Board to the AGM in 2024.

The Remuneration Committee reported the most important findings of each of its meetings and consultations to the Supervisory Board.

AUDIT COMMITTEE

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

The Audit Committee held four regular meetings in 2022. The Audit Committee meetings were held in the presence of the external auditor, as well as the CFO, the Director Internal Audit, the Manager Internal Audit, and the Director of Finance & Control of TKH. TKH's Tax Director was present at two meetings to explain national and international tax developments and specific tax matters that are important for TKH, such as the application of the Dutch innovation box scheme, tax compliance including the Tax Control Framework, and risk management issues. In addition, three meetings took place without the presence of the external auditor. In these meetings, the audit tender process and outcome were discussed in relation to the proposal to appoint an external auditor to audit TKH's 2025 financial statements.

The Audit Committee discussed the audit plan, on the basis of which the audit activities have been carried out, with the external auditor. The scope and materiality of the audit plan, as well as the key risks in the annual reporting that the external auditor has identified in the audit plan, were also discussed. During the year under review, the external auditor's audit approach was reevaluated in consultation with the Audit Committee. Further attention was devoted to the European Single Electronic Format (ESEF) reporting, which is the electronic reporting format in which issuers on EU regulated markets must prepare and file their annual financial reports. For the financial year 2022, the company is also required to mark up the consolidated disclosure notes in the financial statements by means of text block tagging.

In addition, at each meeting, the Director Internal Audit provided an explanation of his findings concerning the internal audit activities. An ongoing consideration for the Audit Committee is the company's internal risk management and control system. In 2022, a "deep dive" presentation was delivered by Internal Audit on the internal control framework, and in particular on the setup, audit scoping, audit execution, audit reporting, and follow-up process concerning findings. This was supplemented by a demonstration of a sample internal audit file. Other topics included within the committee's remit that were discussed were impairment analyses and the impact of changes in the International Financial Reporting Standards (IFRS) on the income statement and balance sheet including disclosures (financial statements). Due to the relevance of IT & Security to both the day-to-day operations and TKH's business model in the context of software development and R&D, this topic is given high priority at every Audit Committee meeting.

In the year under review, there was a discussion of the key audit matters identified by the external auditor as having the greatest impact on the audit approach and activities during the audit. The identified key audit matters include over-time revenue recognition and the related valuation of contract assets and contract liabilities, and the valuation of capitalized development costs related to innovation projects in development. Specific focal points in the audit include the valuation of goodwill, non-compliance with laws and regulations, specifically (commission) payments to third-party agents and non-routine transactions in high-risk countries, the valuation and disclosure of acquisitions and divestments, the valuation of deferred tax assets, the classification of assets and directly associated liabilities held for sale, the valuation of right of use assets, and the planned capital expenditures and related commitments at year-end 2022.

In the year under review, increased attention was devoted to developments in the area of non-financial information, including the EU Taxonomy requirements and the Corporate

Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS). Internal Audit developed and conducted review activities focusing on the non-financial KPIs included in TKH's 2022 Annual Report. This was also in preparation for the audit of non-financial KPIs by the external auditor. TKH appointed Ernst & Young Accountants LLP (EY) to provide independent assurance of the report to reassure TKH's stakeholders about TKH's non-financial information. TKH has received limited assurance for the KPIs included in the sustainability performance section on page 28 of the 2022 Annual Report.

During the reporting year, further attention was also paid to supply chain management, cost inflation of (raw) materials and labor, the availability and price increases of energy, the impact of a possible recession, and the influence of global economic and geopolitical developments on the execution of TKH's strategy, financial position, and results, including the effects of the Russia-Ukraine conflict. In addition, specific attention was paid to the external financing of the company. The external financing is contracted by the holding for the entire TKH Group and was renewed in early 2023. The Audit Committee discussed, among other things, the finance structure, the possible financing instruments and conditions, funding requirements, also concerning the announced strategic capital expenditures, and the cash flow and working capital forecast. Finally, scenario analyses were also used.

Forensic expertise is used when drawing up the audit plan and performing audit activities to gain a clearer picture of the possible risks of fraud and review internal control measures, also given the increasing attention being paid to fraud and corruption in society. The Audit Committee discussed the company's fraud risk assessment, including inherent fraud risks, identified significant risks, and other risks and attention areas.

The external auditor explained the management letter with findings in the area of administrative organization and internal control insofar as it is relevant for the audit of the financial statements. The main topics discussed were the valuation of



COMPANY VISIT SUPERVISORY BOARD

development costs concerning a specific asset, the valuation of inventories at one of the subsidiaries, the classification of assets held for sale, the divestment and processing of TKH's remaining stake in the Cable Connectivity Group, the valuation of a specific right of use asset, hedge accounting, non-recourse factoring, withholding tax, and the planned capital expenditure for the new factory in Eemshaven, the Netherlands. In addition, IT control measures and cybersecurity, fraud and non-compliance management, the financial closing process related to ESEF reporting, and findings at operating companies that needed to be followed up were discussed. The external auditor also updated his audit plan to reflect recent developments, including the reassessment of materiality levels and scoping. Finally, relevant developments in the EU concerning non-financial information and reporting were discussed. The European Commission announced its action plan on financing sustainable growth as an important enabler of the EU Green Deal in 2018. As part of this action plan, the European Commission introduced several initiatives including the EU Taxonomy Regulation and the Corporate Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS). In this context, the impact on TKH's reporting has been discussed along with the defined action plans.

The Audit Committee evaluates the performance of the external auditor annually regarding 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 and with the Executive Board and Supervisory Board. The Audit Committee also evaluates the Director of Internal Audit. The input for the evaluations includes the follow-up on the points of attention and improvement of the audit activities as formulated by the external auditor and TKH regarding the previous financial year. The Audit Committee also advises the Supervisory Board on the nomination for the (re)appointment of the external auditor and prepares the selection of the external auditor. In doing so, it takes into account the Executive Board's observations. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit TKH's 2024 financial statements. In addition to the regular Audit Committee meetings, three additional meetings took place in the absence of the external auditor, attended only by members of the Audit Committee and the company. In accordance with EU legislation and the member state options as applied in the Netherlands, Dutch listed companies are obliged to rotate the external audit firm at least every 10 years. As a result, a different external audit firm will have to be appointed by the AGM for the audit of TKH's 2025 financial statements. During these three additional Audit Committee meetings, the committee discussed the audit tender process, the content of the audit proposal, the focus areas, the selection criteria, the evaluation, and the outcome of the audit tender. The Audit Committee submitted a proposal to the Supervisory Board for commissioning an external auditor to audit TKH's 2025 financial statements.

In accordance with best practice provision 1.7.4 of the Code, the Audit Committee held a meeting with the external auditor in 2022 without the presence of the Executive Board. It was established that the external auditor was independent of TKH.

The Audit Committee reported the most important findings of 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. An evaluation of each individual member of the Supervisory Board is carried out by an external advisor. The outcome of this evaluation is reported to the Supervisory Board. The evaluation covered the Board's composition, independence, expertise, and team effectiveness, as well as the quality of information provision, the 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 well. This honest and open relationship is marked by mutual respect. The members complement each other sufficiently in their advisory and supervisory role toward the company and cover a wide range of focus areas and expertise. The available and desired expertise and knowledge within the Board was also discussed. It was established that there is a good working relationship between the Supervisory Board and the Executive Board, and that they are also sufficiently critical of each other. Communication from the Executive Board to the Supervisory Board takes place in an open, professional, and constructive manner so Supervisory Board members have a strong understanding of strategic and operational issues. It was also established that none of the members of the Executive Board have more than two "demanding" supervisory positions as defined in the Dutch Management and Supervision Act. The Supervisory Board has no indication 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 points in the Code's best-practice provision regarding the independence of the Supervisory Board (2.1.7), 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 2022

The report of the Executive Board and the 2022 financial statements were submitted to the Supervisory Board in accordance with the provisions in Article 31 of the articles of association. 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 discussed the financial statements with the Executive Board in the presence of the external auditor, and subsequently approved the financial statements on March 6, 2023. The Supervisory Board submits the financial statements for the 2022 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board believes that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by the 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.

REVISED DUTCH CORPORATE GOVERNANCE CODE DECEMBER 20, 2022

The Dutch Corporate Governance Code was revised and published on December 20, 2022. This Code applies to the financial year beginning on or after January 1, 2023. The Supervisory Board will supervise the implementation of the revised Code in 2023 by the company and will report on this in TKH's 2023 Annual Report.

CONCLUSION

TKH delivered strong results in 2022, confirming that the implementation of the Accelerate 2025 strategy program is on track. The investments, focus on high-growth end markets, innovation, and the focus on important megatrends is paying off. Although 2022 was a challenging year with supply chain issues, inflation, and the effects of the war in Ukraine, TKH delivered the best possible results, driven by high levels of drive, passion, and entrepreneurial spirit. The record level of order intake in 2022 provides a good foundation for the start of 2023. The Supervisory Board is also excited about the progress made on the various ESG and sustainability topics, showing TKH's commitment to the importance of Environmental, Social, and Governance (ESG) issues and the United Nations Sustainable Development Goals (SDGs).

The Supervisory Board would 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. We would like to express our sincere appreciation and gratitude to the Executive Board and all TKH employees for their valuable contribution in 2022, and look forward to the continued successful implementation of the Accelerate 2025 strategy program.

Haaksbergen, March 6, 2023

On behalf of the Supervisory Board,
R.L. van Iperen, *chairman*

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

MEETING	Supervisory Board	Audit Committee	Remuneration Committee	Selection and Nomination Committee
A.J.P. De Proft ¹	3/3			
R.L. van Iperen	6/6		4/4	2/2
J.M. Kroon	6/6	7/7		2/2
C.W. Gorter	6/6	7/7	4/4	
A.M.H. Schöningh	6/6		4/4	
P.W.B. Oosterveer ²	2/3	5/5		

¹ Until AGM 2022 – April 26, 2022.

² From AGM 2022 – April 26, 2022.

REMUNERATION REPORT

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

INTRODUCTION BY THE CHAIR OF THE REMUNERATION COMMITTEE

2022 was a year in which the transparency of disclosure in the Remuneration Report was a key topic. The 2021 Remuneration Report was included on the agenda of the AGM on April 26, 2022 for an advisory vote. The outcome of the advisory vote of the 2022 AGM regarding the 2021 Remuneration Report was positive, though approximately 38% of the votes cast were against the 2021 Remuneration Report. Following the voting behavior at the 2022 AGM and the questions raised during this AGM, the company entered into an open dialogue with its stakeholders on the content of the Remuneration Report. To address the most discussed topic in this dialogue, more insight and transparency on the performance criteria and actual realization for both the STI and LTI is provided in the 2022 Remuneration Report. The enhanced disclosure also contains targets and performance on important ESG/sustainability themes and related KPIs. In this way, the Remuneration Report is better aligned with the Shareholder Rights Directive and the related guidelines. The Remuneration Committee believes that a sound balance has been struck between the request for transparency by stakeholders and TKH's hesitation to disclose (commercially) sensitive information, as the disclosure of such information may not be in the interest of TKH and all its stakeholders.

LOOKING AHEAD TO 2023

The revised remuneration policy was proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders (AGM), with effect from January 1, 2020. The remuneration policy for the members of the Executive Board

and the Supervisory Board was adopted by the AGM with 96.99% and 99.92% respectively. The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time an amendment is made, and at least once every four years after it has been approved by (and proposed by) the Supervisory Board, so ultimately at the AGM in 2024. No changes were made to the remuneration policy in 2022.

In 2023, the Remuneration Committee will conduct a thorough review of the remuneration policy for the Executive Board. The review will focus, among other things, on the remuneration structure and the reference group, as well as on the existing KPIs also in relation to relevant legislative and regulatory developments such as the CSRD, which may lead to additional ESG/sustainability KPIs, and the revised Dutch Corporate Governance Code published on December 20, 2022. This review will include current market practice, societal trends and expectations, and developments in corporate governance. Based on the outcome of this review, we will develop an adjusted draft remuneration policy that will be discussed in 2023 in an open dialogue with stakeholders. Ultimately, we will submit a proposal for a (revised) remuneration policy for the Executive Board to the AGM in 2024.

C.W. Gorter
Chairman of the Remuneration Committee

REMUNERATION POLICY OF THE EXECUTIVE BOARD

The remuneration payable to the members of the Executive Board comprises:

- A basic salary (TRI – Total Regular Income)
- An annual performance bonus (STI – Short-Term Incentive)
- A long-term incentive in the form of a share plan (LTI – Long Term Incentive)
- A pension commitment

The remuneration policy aims to provide a competitive remuneration package to attract, motivate, and retain qualified managers for a publicly listed company, while keeping in mind the company's size and unique characteristics. The policy recognizes the internal and external context as well as TKH's business needs and long-term strategy. It 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 aims to improve the company's performance, using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurial spirit. It is tested for market conformity at least once every three years, on the basis of information provided by external experts. In addition, internal remuneration ratios are taken into account by ensuring that the remuneration ratio in the second tier is appropriate and in line with the market standard. Based on the targets set, the Remuneration Committee performs scenario analyses with respect to the STI and LTI we aim to achieve.

Our remuneration policy and corporate strategy are aligned with specific short-term and long-term targets that link the remuneration of each member 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 requirement that members of the Executive Board must invest at their own expense in the same number of shares as they receive under the LTI, are important factors in creating long-term value and continuity for the company.

REFERENCE GROUP

To attract qualified executives to the Executive Board, and to retain the current members of the Executive Board on a long-term basis, the company takes external reference data into account when determining appropriate remuneration levels. A specific reference group has been established for this purpose. With reference to the AMX companies on Euronext Amsterdam, we primarily make comparisons with companies that are more or less equivalent to TKH in terms of complexity, size, and the international scope of their business portfolio. The Remuneration Committee, supported by external experts, regularly evaluates this reference group to ensure that its composition remains appropriate. To enable an additional assessment of developments specific to the business sector, a reference group consisting of international sector peers is used. Due to its delisting, Boskalis has been removed from the reference group.

While external market data provides 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, as well as the skills and capabilities of the individual members of the Executive Board. The external market data is therefore used to inform, rather than determine decision-making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

TARGETS FOR STI AND LTI

The annual targets for the STI and LTI relate to TKH's business plan as reflected in the financial and non-financial targets of the Accelerate 2025 strategy program. The Supervisory Board sets the targets, along with their respective weighting and criteria, for any given year in line

TKH GROUP PEER GROUPS

AMX	International sector peers
Aalberts Industries	Prysmian
Air France-KLM	Basler
Arcadis	Cognex
Basic-Fit	Keyence
Corbion	
Fagron	
Fugro	
PostNL	
SBM Offshore	
Vopak	

with the company's strategy and general structure. In the process, the Board considers both financial and non-financial factors, along with personal targets, in addition to the following:

- Targets must be derived from the company's strategy, including the Accelerate 2025 strategy program.
- Emphasis should be placed on targets that are essential for long-term value creation.
- Past performance, business prospects, and conditions should be taken into account.
- Stakeholder expectations should be considered.

While financial and non-financial targets focus on achieving the overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective, and to each individual member on the Executive Board. Factors considered for personal targets include the company's mission and identity, its overall ESG (Environmental, Social, and Governance) targets, and any important strategic issues for the coming year.

FINANCIAL TARGETS 2025

TURNOVER

>2€ BILLION

ROCE

22%-25%

ROS

EBITA margin

>17%

NET DEBT / EBITDA

Annual target

<2.0

NON-FINANCIAL TARGETS 2025

CARBON NEUTRALITY
OWN OPERATIONS

by 2030 (scopes 1 and 2)

100%



RECYCLING

Copper, aluminium and PVC

>80%



LTIFR

<1.0



ILLNES RATE

<4%



ROS

EBITA margin

>17%

NET DEBT / EBITDA

Annual target

<2.0

WASTE

<5%

FEMALE EXECUTIVE &
SENIOR MANAGEMENT

by 2030

>25%

EMPLOYEE
SATISFACTION

>7.5

STRATEGIC
SUPPLIERS
ASSESSED

>90%



Among other things, the external assessment and the remuneration policy are used to formulate 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, at which point it was concluded that the policy pursued with regard to the TRI, STI, and LTI meets the objectives set. The Supervisory Board believes the total remuneration package strikes a good balance to achieve TKH's strategic targets. The package encourages the members of the Executive Board to deliver solid results and implement the company's strategy in a realistic but ambitious manner. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

APPLICATION OF THE POLICY IN 2022

1 BASIC SALARY (TRI)

Once a year, the Supervisory Board determines whether basic salary levels needs to be adjusted and, if so, by how much, with due consideration to market developments, the remuneration structures of similar companies in the reference group, TKH's results, and wage developments within the TKH Group. Basic salaries have been increased by 3% with effect from January 1, 2022 based in part on the external assessment. The basic salary for individual members of the Executive Board is below the median for the reference group and in accordance with the remuneration policy and intended position.

2 PERFORMANCE BONUS (STI)

Variable remuneration is an essential part of the remuneration package for Executive Board members in terms of rewarding short-term results in line with strategic objectives. The STI is

based on annual financial and non-financial performance measures including personal 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.

DETAILS ACTUAL PAYOUT LEVEL (STI)

Plan	Target	Bandwith payout level				Targets			Performance						
		Weight	Minimum	On-target	Maximum	Threshold 0%	On-target 100%	Maximum 150%	Performance	Performance payout	Actual payout % of TRI	Minimum	On-target	Maximum	
STI 2022	Turnover (in millions)	30%	5%	30%	45%	€ 1,421	€ 1,672	€ 1,756	€ 1,817	45%	18%				
	EBITA (in millions)	50%	10%	50%	75%	€ 187	€ 220	€ 231	€ 235	75%	30%				
	A Financial targets	80%	15%	80%	120%					120%	48%				
	B Sustainability / ESG targets (9 KPIs)	10%	2.5%	10%	15%	0%	10%	15%		12.33%	4.93%				
	C Other and personal targets (5 KPIs)	10%	2.5%	10%	15%	0%	10%	15%		13.80%	5.52%				
	D Overall performance ratio	100%	20%	100%	150%	0%	100%	150%		146.13%	58.45%				

STI performance of the Executive Board in 2022

The STI for members of the Executive Board based on achievement of the 2022 targets is presented in the table above. Payment of the variable remuneration to members of the Executive Board is subject to the condition that the targets upon which the performance bonus is based or the circumstances under which the bonus was originally determined, are accurate. For 2022, there was no full or partial recovery of a bonus as referred to in article 135 subsection 8.

A Financial targets and performance (80%)

TKH achieved a turnover of € 1,816.6 million and EBITA of € 234.8 million in 2022. The strong results show the progress in the implementation of the Accelerate 2025 strategy program. The order intake in 2022 was at a record level confirming the strong high-end technologies developed and the market demand for TKH's technologies and innovations, particularly in relation to the important megatrends of automation, digitization, and electrification. Despite facing challenges such as inflation, the effects of COVID-19 and the war in Ukraine, and supply chain issues, TKH exceeded its targets. The achieved targets resulted in the maximum performance of 45% for turnover and 75% for EBITA.

B Sustainability/ESG targets and performance (10%)

As part of the Accelerate 2025 strategy program, nine key sustainability/ESG targets have been defined for 2025 and 2030. Each KPI has the same weighting (1/9).

The performance and progress in 2022 against the defined KPIs are as follows:

B1 100% carbon neutrality of own operations (scopes 1 and 2) by 2030

In 2022, a further reduction in the CO₂e footprint was achieved, resulting in a CO₂e footprint reduction of 42.7% compared to the reference year 2019 (2021: 29.8%). TKH is well on track to achieve the target of 100% by 2030 (scopes 1 and 2).

B2 <5.0% waste

Waste percentage compared to material usage is at 5.3%,

DETAILS SUSTAINABILITY / ESG TARGETS

KPI	Target	Performance
Environment		
B1 Carbon neutrality own operations - target 2030 (1/9 weighting)	100%	42.7%
B2 Waste (1/9 weighting)	<5%	5.3%
B3 Recycling (1/9 weighting)	>80%	88.0%
Social		
B4 Diversity - target 2030 (1/9 weighting)	25%	18.4%
B5 LTIFR (1/9 weighting)	<1.0	0.8
B6 Illness rate (1/9 weighting)	<4%	4.04%
B7 Employee satisfaction (1/9 weighting)	>7.5	7.6
Governance		
B8 Strategic suppliers assessed (1/9 weighting)	>90%	91.9%
B9 Enhance sustainability policies and procedures (1/9 weighting)	enhanced	enhanced

which is close to the target of 5%. Although waste reduction programs have been implemented, the waste as a percentage increased, which is mainly related to the raw material copper due to the increased level of activities. The waste percentage for aluminum and plastics was reduced in 2022.

B3 >80% recycling

In 2022, 88.0% of the most important raw materials were recycled (2021: 83.2%). The increase was mainly achieved due to higher recycling rates for plastics.

B4 >25% female executive and senior management by 2030

The share of women in executive and senior management teams increased in 2022 from 17.7% to 18.4% and is well on track to meet the target of 25% by 2030.

B5 <1.0 LTIFR

To make safety demonstrable, emphasis is placed on specific, measurable performance targets for safety measures, including LTIFR (Lost Time Injury Frequency Rate). Further attention was devoted to health and safety programs at the production facilities. This resulted in increased attention and awareness of important health and safety topics. The LTIFR figure for 2022 increased slightly to 0.8 due to the increased activity level, but is below the target of <1.0.

B6 <4.0% illness rate

The illness rate increased slightly from 3.56% to 4.04%, mainly due to the effects from COVID-19 and the flu. The 2022 illness rate was slightly above the target of <4.0%.

B7 >7.5 employee satisfaction

The employee satisfaction score in 2022 of 7.6 was above the target of 7.5. In addition, in 2022 more companies were included in the employee satisfaction survey.

B8 >90% strategic suppliers assessed

91.9% of the strategic suppliers have been assessed against the Code of Supply, exceeding the target of >90%.

B9 Enhance sustainability policies and procedures

Further important improvements have been implemented concerning the internal ESG dashboard and ESG policies. In 2022, the Sustainability Reporting Manual was updated and new GRI standards were integrated. Finally, for the second year, assurance was obtained from EY for the key non-financial KPIs included in TKH's 2022 Annual Report.

The performance in 2022 concerning the sustainability/ESG targets results in an overall performance ratio of 12.33%.

C Other and personal targets and performance (10%)

In addition to the financial and sustainability/ESG targets, five other and personal targets have been defined for 2022. Each KPI has the same weighting (1/5).

The performance and progress in 2022 against the defined KPIs are as follows:

C1 Implementation of the Accelerate 2025 strategy program

In 2022, good progress was made on the implementation of the Accelerate 2025 strategy program. Strong autonomous growth was achieved in the defined growth markets. Total turnover increased by 19.2% to € 1,816.6 million. The ROS increased to 12.9% despite the negative impact of component shortages and raw material price increases. The R&D roadmap is being implemented and further strengthened with an increased focus on AI.

C2 Acquisition & divestment program

The divestment program launched in 2021 is on track. The remaining stake in the Cable Connectivity Group was divested in 2022 and progress is being made on the divestment of the portfolio classified as assets held for sale. One acquisition was made to further strengthen the technology portfolio, and operating companies or portfolios have been integrated to further simplify the organization.

C3 Financial position: net debt/EBITDA <2.0

The net debt/EBITDA ratio, calculated in accordance with TKH's bank covenant, stood at 1.1, well within the financial ratio agreed with our banks and well within the target of 2.0.

C4 Reduction of cybersecurity risks

The cybersecurity risks have been further reduced by, among other things, implementing a revised IT & Security policy and an increased focus on the risk of ransomware and the resilience to such an event. Incidents in 2022 had a limited impact on TKH and improvements have been identified and implemented to prevent similar incidents. Progress is also being made on the IT Security program to further reduce the risk levels at operating companies.

C5 Personal targets

The personal targets defined for 2022 are related to specific business topics and due to (commercially) sensitive information will not be disclosed in detail.

DETAILS OTHER AND PERSONAL TARGETS

KPI	Target	Performance
C1 Execution Accelerate 2025 strategy program (1/5 weighting)	Good progress	See commentary
C2 Acquisition & divestment program (1/5 weighting)	Good progress	See commentary
C3 Financial position: net debt/EBITDA (1/5 weighting)	<2.0	1.1
C4 Cybersecurity risks (1/5 weighting)	Reduction of risks	See commentary
C5 Personal targets (1/5 weighting)	See commentary	See commentary

The achievement of the other and personal targets results in 2022 results in an overall average performance ratio of 13.80%, consisting of the following performance ratios for each member of the Executive Board:

- 13.80% for J.M.A. van der Lof MBA
- 14.10% for E.D.H. de Lange MBA
- 13.50% for H.J. Voortman MSc

The total average performance in 2022 regarding sustainability/ ESG and other and personal targets is 26.13% compared to the maximum of 30%.

D Overall performance 2022

The performance percentages times 40% generates the actual payout percentage of TRI. This resulted in award payouts in € 1,000 (STI) of the following values for:

J.M.A. van der Lof MBA:	146.13% x 40% x TRI = 423
E.D.H. de Lange MBA:	146.43% x 40% x TRI = 318
H.J. Voortman MSc:	145.83% x 40% x TRI = 287

3 SHARE PLAN (LTI)

The long-term variable remuneration aims to align the interests of the Executive Board members with the long-term interests of TKH's shareholders. For that purpose, a share plan was enacted that provides for a long-term incentive (LTI). Under the share plan, members of the Executive Board receive shares based on the achievement of targets.

Conditions and personal investment by the members of the Executive Board

Members of the Executive Board receive shares on the condition that they personally invest in the same number of shares as they receive under the LTI plan. By personally investing in the same number of shares as they are awarded under the LTI, each member of the Executive Board invests a significant amount of money in a way that prudently manages risk but still encourages an entrepreneurial spirit to create long-term value. As a result, the interests of the Executive Board and the shareholders remain aligned.

The shares in question are to be held as a long-term investment and may not be transferred for a period of three years after having been granted. The share plan involves a financial investment by the Executive Board because the individual members must buy the same number of shares as they receive under the LTI. Due to this financial investment for the members of the Executive Board, it is stipulated that the shares must be held for at least three years, given that this scheme requires a private investment commitment from the individual members of the Executive Board.

KPIs and multipliers

The amount of remuneration depends on the performance on the following KPIs:

- Return on Capital Employed (ROCE)
- Return on Sales (ROS)

- Stock price developments for TKH shares compared to the AMX index of Euronext Amsterdam (relative stock price developments)

The development of the ROS and ROCE in relation to the pre-defined targets, as well as the share price development over the past three years in relation to the AMX index, which is relevant for the company, may result in a share allotment. The focus of the company's strategy is to increase the ROS and ROCE through growth in activities related to high-end technologies where relatively high margins can be achieved. The ROS and ROCE are important criteria for monitoring the implementation of the differentiating power that the company is developing with the technology base of the group and the ongoing transformation towards achieving the ROS and ROCE targets. Furthermore, the development of the company's share price in relation to the AMX index is an important confirmation of the shareholders' appreciation of the strategy and of the Executive Board's alignment with the goals of long-term shareholders.

The performance period for ROS and ROCE is one year, and the performance ranges are determined at the beginning of the year, taking into account medium-term targets.

The performance period for the relative stock price development is three years. For the 2022 allocation, this entailed reviewing the period from January 1, 2020, to December 31, 2022.

- The applicable performance range for the ROS is 0.50 to 1.50, with an "at target" level of 1.0. The score received for

DETAILS ACTUAL PAYOUT LEVEL (LTI)

Plan	Target	Bandwidth payout level			Targets			Performance						
		Minimum multiplier	On-target multiplier	Maximum multiplier	Threshold 0%	On-target 100%	Maximum 150%	Performance	Performance multiplier	Actual payout % of TRI	Minimum	On-target	Maximum	
LTI 2022	A ROS	0.50	1.00	1.50	11.7%	12.7%	13.7%	12.9%	1.10					
	B ROCE	0.50	1.00	1.50	18.4%	19.4%	20.4%	23.2%	1.50					
	C Relative stock price development	0.50	1.00	1.80	0.50	1.00	1.80	index 0.73	0.50					
Overall performance ratio		Performance multiplier: A*B*C			0.25	1.00	2.70		0.83	39%				

this KPI generates the “multiplier A”.

- The applicable performance range for the ROCE is also 0.50 to 1.50, with an “at target” level of 1.0. The score for this KPI is also equal to “multiplier B”.
- The performance range for the relative stock price developments runs from 0.75 to 1.5, with an “at target” of 1.0. This score is converted into “multiplier C”, which ranges from 0.5 to 1.8, with 1.0 being the “at target” multiplier.

Multipliers are calculated for each KPI in determining the amount of the allocation for the total LTI. These multipliers are then multiplied by the standard allocation. The standard award is net and equivalent to 50% of the TRI. The gross value of the standard award is thus approximately equal to the TRI. The minimum payout of an LTI award in any given year is 0.25 x the standard award. In that case, the members of the Executive Board must also personally invest 0.25 x the standard allocation. This is an important factor in creating long-term value and continuity for the company, and it aligns the interests of the Executive Board and the shareholders. 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.

Performance 2022

The following multipliers were achieved for each KPI based on actual overall performance against the performance ranges.

TKH achieved an ROS of 12.9% in 2022, resulting in a multiplier for ROS (A) of 1.10. The ROCE in 2022 was 23.2%, resulting in a multiplier for ROCE (B) of 1.5, the maximum. The multiplier for the relative stock price developments (C) was the minimum of 0.50 because the stock price development of TKH shares compared to the AMX index of Euronext Amsterdam for the last three years is 0.73 (index) 0.73 (index). These multipliers for each KPI resulted in a total multiplier for the LTI of 0.83 ($A*B*C = 1.10*1.50*0.50$), which meant that 0.83 x the standard award was granted.

EXECUTIVE BOARD SHARE OWNERSHIP

	Balance 1/1	Awarded shares	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance at 31/12
J.M.A. van der Lof MBA					
2021 ¹	133,147	2,216	2,216	-15,432	122,147
2022 ¹	122,147	14,373	14,373	-32,746	118,147
E.D.H. de Lange MBA					
2021 ¹	95,789	1,662	1,662	-3,324	95,789
2022 ¹	95,789	10,780	10,780	-32,340	85,009
H.J. Voortman MSc					
2021 ¹	24,645	1,508	1,508	-1,508	26,153
2022 ¹	26,153	9,782	9,782	-9,782	35,935

¹ Achieved in the previous financial year and paid out in the following financial year.

This resulted in award payouts in € 1,000 of the following net values for:

J.M.A. van der Lof MBA: $0.83 \times 50\% \times \text{TRI} = 298$

E.D.H. de Lange MBA: $0.83 \times 50\% \times \text{TRI} = 224$

H.J. Voortman MSc: $0.83 \times 50\% \times \text{TRI} = 203$

The corresponding gross values are listed in the table showing “total remuneration” in section 6 of this Remuneration Report. The number of certificates of shares associated with the net award will be calculated based on the average closing price over the three trading days following the time of publication of the annual figures. The awarded shares as well as the individually purchased shares in accordance with the LTI plan are included in the Executive Board share ownership table.

No option rights are awarded to members of the Executive Board. Any option rights held by a member of the Executive Board were acquired during the period 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 in accordance with the TKH share option scheme during the applicable exercise periods. In this respect, H.J. Voortman has option rights that 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 below. For more information on the share option scheme, we refer you to note 25 in the annual financial statements.

OPTION RIGHTS H.J. VOORTMAN MSC

Year of award	Exercise price in €	Number as at 01-01-2022	Awarded during the year	Movement during the year	Expired during the year	Exercised during the year	Number as at 31-12-2022	Exercise period
2017	41.19	7,350				-7,350	0	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		15,750	0	0	0	-7,350	8,400	

4 PENSIONS

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with market practice and consistent with the provisions made for similar positions.

In addition, the pension arrangements include the right to benefits in the event of poor health or disability, and a widows' and orphans' pension in the event of death. All this is provided on comparable terms and conditions to those applicable to participants in the collective pension fund – i.e. the company's employees. The associated costs, up to the maximum allowed under tax law, are included in pension costs. The pension compensation refers to any portion exceeding the maximum allowed under tax law (2022: € 114,866).

5 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, and limited to an expense allowance, car, and (mobile) telephone. No loans, advances, or guarantees are provided to members of the Executive Board. Additional governance-related activities are not subject to any additional conditions or remuneration.

6 TOTAL REMUNERATION

The table below lists the various gross remuneration components and relative percentages of fixed and variable remuneration of the members of the Executive Board.

TOTAL REMUNERATION EXECUTIVE BOARD

	Basic salary (TRI)		Variable income (STI) ¹		Share plan (LTI) ¹			Pension		Pension compensation		Total		Variable share in the total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
J.M.A. van der Lof MBA	723	702	423	410	512	1,126	44	40	198	193	1,900	2,471	49.2%	62.2%	
E.D.H. de Lange MBA	542	527	318	308	384	844	22	21	76	73	1,342	1,773	52.3%	65.0%	
H.J. Voortman MSc	492	478	287	279	348	766	22	21	67	60	1,216	1,604	52.3%	65.2%	
Total remuneration	1,758	1,707	1,028	997	1,244	2,736	88	82	341	326	4,458	5,848	51.0%	63.8%	

¹ Realized in the previous financial year and paid out in the financial year following.

Because amounts are expressed in thousands of euros, rounding differences may arise in the total figures.

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 Supervisory Board believes that there should always be a reasonable balance between the remuneration of the members of the Executive Board and the remuneration of the other employees. In the interest of transparency and clarity and in line with the recommendation of the Dutch Monitoring Committee Corporate Governance, TKH applied a different methodology to calculate the internal pay ratio in 2022 than in previous years. This methodology is understood to mean the ratio between the total annual remuneration of the CEO on the one hand, and, on the other hand, the average annual remuneration of the employees of the company and group companies whose financial data are consolidated by the company, where:

- The total annual remuneration of the CEO includes all the remuneration components (such as fixed remuneration, variable cash remuneration (bonus), the share-based part of the remuneration, social contributions, pension, expense allowance, etc.) included in the consolidated annual accounts on an IFRS basis.
- The average annual remuneration of the employees is determined by dividing the total wage costs for the financial year (as included in the consolidated annual accounts on an IFRS basis) by the average number of FTEs during the financial year.

- The value of the share-based component of the remuneration is determined at the grant date in accordance with the applicable rules under IFRS.

This new methodology is used to determine the CEO pay ratio. For comparability purposes, the pay ratios of previous years have been restated based on the new methodology. The pay ratio for 2020 is significantly lower due to the lower value of STI and LTI as part of the remuneration. This led to a significant reduction in remuneration in 2020 and, consequently, to a relatively low pay ratio for 2020. The pay ratio for 2022 is lower compared to 2021 due to the lower value of LTI, mainly as a result of a lower multiplier for the relative stock price development.

8 COMPARATIVE INFORMATION ON REMUNERATION AND COMPANY PERFORMANCE

The table on the next page shows a five-year comparison of the changes in the remuneration of the Executive Board and the company's performance.

COMPARATIVE INFORMATION ON REMUNERATION AND COMPANY PERFORMANCE

(in € 1,000 unless stated otherwise)	2022	2021	2020	2019	2018
Remuneration Executive Board ¹					
J.M.A. van der Lof MBA	1,658	2,237	902	1,134	1,419
E.D.H. de Lange MBA	1,244	1,678	676	850	1,064
H.J. Voortman MSc ²	1,127	1,523	614	772	574
A.E. Dehn ³					114
Company performance					
ROS	12.9%	12.4%	10.5%	11.6%	11.3%
Organic turnover growth	18.0%	15.9%	-9.9%	-1.9%	9.4%
EBITA	235	190	129	154	171
CO ₂ e reduction (vs. 2019)	42.7%	29.8%			
CO ₂ e reduction (vs. 2015)			5.8%	5.4%	2.9%
Illness rate of employees	4.04%	3.56%	3.51%	3.26%	3.47%
Average remuneration per FTE	57	55	50	49	49
CEO pay ratio	33.6	45.3	22.4	27.0	32.5

¹ Based on TRI, STI, and LTI.

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

³ Member of the Executive Board until May 3, 2018.

9 PERSONAL LOANS

The company does not grant 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 made in the event of premature termination of the contract by the member of the Executive Board or in the event of willful misconduct or negligence on the part of the member of the Executive Board.

REMUNERATION POLICY OF THE SUPERVISORY BOARD

This policy aims to provide a competitive compensation package to attract, motivate, and retain qualified members of the Supervisory Board for a publicly listed company, while taking into account the size and unique characteristics of the company. TKH is a leading technology company focused on advanced innovative technology systems in high-growth markets. The company strives to be an attractive employer and a solid investment for its shareholders, with corporate social responsibility forming a central part of this. This policy was developed in the context of national and international market trends and in line 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 was reviewed for market conformity in 2022 and will be reviewed at least once every three years on the basis of information provided by external experts.

The company’s remuneration policy is guided by the principles of equity and transparency. The remuneration structure is designed to promote the satisfactory performance of the Supervisory Board members’ duties 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, it has been decided to opt for fixed compensation without any variable remuneration components to ensure that members can remain independent and objective in fulfilling their role of implementing the company’s corporate strategy and objectives, and creating long-term value and sustainability for the company. The full remuneration policy is available on the TKH website.

APPLICATION OF THE POLICY IN 2022

1 REMUNERATION

The remuneration policy aims to reward members of the Supervisory Board in line with the market on the basis of their activities, experience, and the related allocation of tasks within the Board and its committees. The remuneration is periodically assessed externally with the same reference group as for the Executive Board. The remuneration of a member of the Supervisory Board is not dependent on the company's performance. No shares and/or rights to shares are granted to 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 2020, with effect from January 1, 2020.

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

• Chairman of the Supervisory Board	€ 61,800
• Member of the Supervisory Board	€ 46,300
• Chairman of the Audit Committee	€ 10,300
• Member of the Audit Committee	€ 7,210
• Chairman of the Remuneration Committee/ Selection and Appointment Committee	€ 8,240
• Member of the Remuneration Committee/ Selection and Appointment Committee	€ 6,180

The remuneration of the Supervisory Board has been increased by 3% with effect from January 1, 2022 based in part on the external assessment. If circumstances require members of the Supervisory Board to perform significantly more activities than usual, they will receive a fee of € 1,000 per half-day for these activities.

2 TOTAL REMUNERATION

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

3 SHARE OWNERSHIP OF THE SUPERVISORY BOARD

The current members of the Supervisory Board do not own any (depository receipts for) shares in TKH.

TOTAL REMUNERATION SUPERVISORY BOARD

(x € 1,000)	Regular remuneration	Remuneration membership committees	Total 2022	Total 2021
R.L. van Iperen, <i>chairman</i>	57	12	69	53
A.J.P. De Proft ¹	21	2	23	68
P.P.F.C. Houben ²				23
C.W. Gorter	46	18	64	60
J.M. Kroon	46	14	60	58
A.M.H. Schönigh	46	6	52	51
P.W.B. Oosterveer ³	31	5	36	
Total remuneration	248	57	304	313

1 Up to and including May 2022.

2 Up to and including May 2021.

3 As of May 2022.

As amounts are expressed in thousands of euros, totals may not add up precisely due to rounding.

COMPARATIVE INFORMATION ON REMUNERATION

(x € 1,000)	2022	2021	2020	2019	2018
R.L. van Iperen, <i>chairman</i>	69	53	53	53	43
A.J.P. De Proft ¹	23	68	68	68	47
P.P.F.C. Houben ²		23	55	55	44
C.W. Gorter	64	60	58	52	42
J.M. Kroon	60	58	58	57	40
A.M.H. Schönigh ³	52	51	34		
M.E. van Lier Lels ⁴					18
P.W.B. Oosterveer ⁵	36				
Total remuneration	304	313	326	285	234

1 Up to and including May 2022.

2 Up to and including May 2021.

3 As of May 2020.

4 Up to and including May 2018.

5 As of May 2022.



TKH Group N.V., a public limited liability company under Dutch law, voluntarily applies the limited two-tier entity regime. The management of the company is delegated to the Executive Board under the supervision of the Supervisory Board. The general powers of the Executive Board arise from legislation and regulations, and are laid down in TKH's articles of association. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure of TKH and compliance with the Dutch Corporate Governance Code (“Code”).

CORPORATE GOVERNANCE

In principle, TKH applies the principles and best practice provisions of the Code and attaches great value to the Code. In a few cases, TKH deviates from the Code; the reasons behind each of these deviations are described below.

TERM OF APPOINTMENT OF THE EXECUTIVE BOARD

The terms of appointment for the CEO and CFO are not limited to the four-year term prescribed in the Code. For both, TKH takes the position that contractual agreements made in the past cannot be modified, that existing employment contracts should be respected, and that the limitation of the appointment is not appropriate. However, it is worth noting that performance is assessed annually and the term of appointment is continually evaluated. The maximum four-year term of appointment does, however, apply to the third member of the Executive Board. A maximum term of four years is also followed for newly appointed members of the Executive Board, and the best practice provision is applied in such cases.

SHARE PLAN

A share plan is in place for the Executive Board, but no share 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 they are awarded within the framework of the plan. Because this involves a financial contribution from the Executive Board members, it has been determined that the shares must be

held for at least three years. Additionally, since this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board believes that it is reasonable and fair to adhere to a term of three years, and not a term of five years.

INTERNAL AUDIT FUNCTION

TKH has an Internal Audit function, but the position of this department has not been fulfilled completely independently in accordance with the Code. The Internal Audit team will be expanded in 2023, which will further strengthen its independent position.

GENERAL MEETING OF SHAREHOLDERS

A General Meeting of Shareholders is held annually. Extraordinary General Meetings are held as often as considered desirable by the Executive Board or Supervisory Board and also as often as requested in writing to the Executive Board or Supervisory Board by shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, with a specification of the topics to be discussed. With regard to invoking a response time concerning proposals for fundamental strategy changes, TKH applied the legal provision article 2:114a of the Dutch Civil Code with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is to ensure that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are safeguarded.

DEPOSITORY RECEIPTS OF SHARES

Stichting Administratiekantoor TKH Group (“TKH Trust Foundation Office”) holds ordinary shares in the company. In exchange for these shares, TKH Trust Foundation Office issues depository receipts for those shares. The voting rights to the shares are vested in TKH Trust Foundation Office. If requested to do so, TKH Trust Foundation Office gives the holders of the depository receipts authorization to cast a vote, to the exclusion of TKH Trust Foundation Office, on the shares for which the holder has depository receipts at a General Meeting of Shareholders specified in the proxy. The authorization is unrestricted and is therefore not subject to any exchangeability limit. TKH Trust Foundation Office is not required by law (article 2:118a of the Dutch 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 depository receipts and/or shares, or c) in the opinion of TKH Trust Foundation Office, the voting right of a holder of a depository receipt is fundamentally in conflict with the interest of the company. In the event of one of these scenarios, TKH Trust Foundation Office must notify the holders of depository receipts and explain the reasons behind their actions. The company considers the issue of depository receipts for shares as an important measure to safeguard the interests of shareholders, holders of depository receipts and other stakeholders. This means that the company’s intellectual property and its commercial interests are protected, which is also important when it comes to sustainable long-term value creation for our stakeholders. Although the Code states that the issue of depository receipts is not intended to be used as a protective measure, TKH expressly chooses to take this form of protective measure and acts in accordance with the applicable law in article 2:118a of the Dutch Civil Code. This is in derogation to principle of the Code.

TKH Trust Foundation Office exercises the rights attached to the shares in such a way that the interests of the company, its associated businesses, and all its stakeholders are protected

to the greatest extent possible, instead of focusing primarily on the interests of the holders of depository receipts, as defined in best-practice provision 4.4.5 of the Code. The TKH Trust Foundation Office thus exercises its voting right in line with legal provision article 2:118a of the Dutch Civil Code. In the General Meeting of Shareholders, the Board of TKH Trust Foundation Office 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.

ISSUE OF SHARES

Shares are issued according to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for 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 of Shareholders and does not or will not exceed the equivalent of all of those shares in the company’s authorized capital that have not yet been issued. During the Annual General Meeting of Shareholders held on April 26, 2022, this power was extended until October 26, 2023. The directive applies to ordinary shares and cumulative preference financing shares 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 in accordance with a decision taken by the Executive Board, the company may acquire depository receipts of shares in its own capital in return for valuable consideration, for 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 Annual General Meeting held on April 26, 2022 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.

Among other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes for personnel.

PREVENTION OF INSIDER TRADING

To ensure that any person 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”). Insiders in the company have therefore consented in writing to act in accordance with these regulations. The Company Secretary serves as Compliance Officer and oversees appropriate compliance with the legislation and regulations concerning insider trading and other compliance risks.

REVISED DUTCH CORPORATE GOVERNANCE CODE DECEMBER 20, 2022

The Dutch Corporate Governance Code has been revised and published on December 20, 2022. This Code is effective for the financial year beginning on or after January 1, 2023. TKH will implement the revised Code in 2023 and report on this in the TKH Annual Report 2023.

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 implementation of appropriate internal risk management, control, and auditing systems. This involves surveying and analyzing the risks related to the company's strategy and activities, establishing the risk appetite, and defining the necessary measures to manage and monitor the risks. The Executive Board is accountable to the Supervisory Board for setting up effective and well-functioning internal risk management and control systems.

RISK MANAGEMENT STRUCTURE

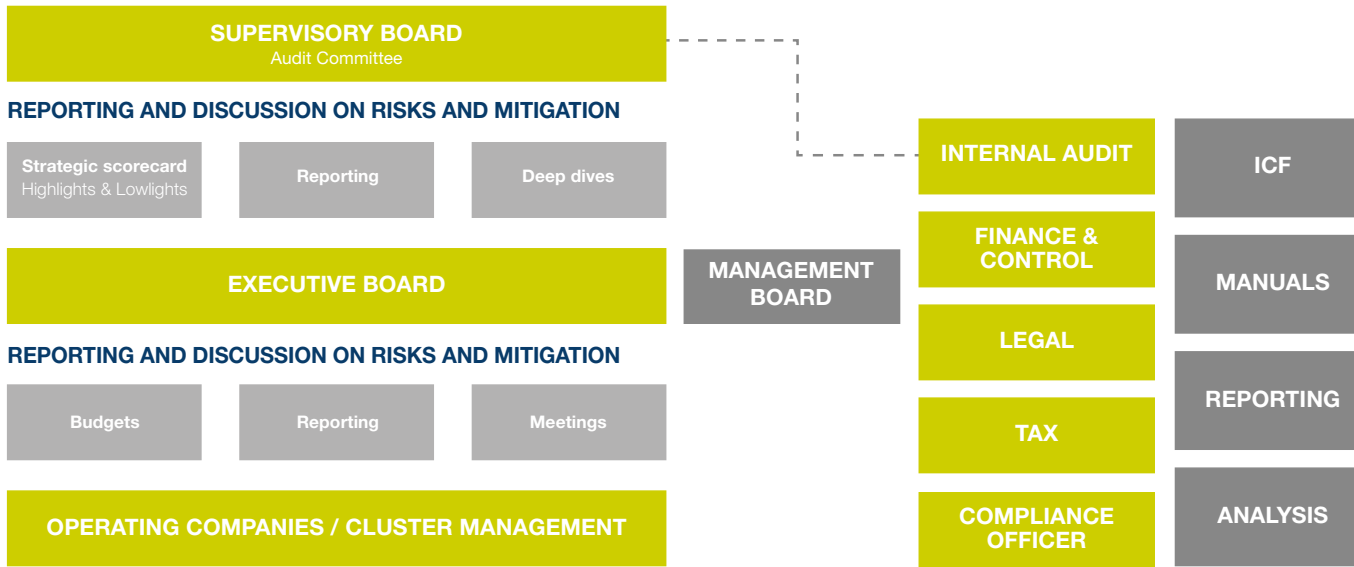
TKH has embedded its risk management policy in all levels of the organization. This involves using risk management and control systems that contain the following key components:

- An Internal Control Framework (ICF) based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2017). TKH uses this framework to analyze and evaluate the strategic, operational, financial, and compliance risks for each operating company.
- The TKH Manual contains:
 - regulations and guidelines for decision-making procedures and authorization levels for the strategic management of our operating companies;
 - guidelines on the treasury policy (cash and foreign exchange management), as well as various rules of conduct, such as policy approval procedures, code of conduct for staff members, whistleblower procedure, and a privacy policy; and
 - guidelines for internal management and control measures including IT controls, internal and external financial reporting, insurance, and how to deal with claims.
- A “strategic scorecard”, which is issued every quarter or more frequently if necessary. It features “high-lights” and “low-lights”, and (potential) risks per business segment. It also contains related short- and medium-term action points for discussion between the Executive Board and the management of the operating companies.

TKH's risk management policy reflects the organization's size and decentralized structure. The components of this risk management policy are assessed by Internal Audit. The assessments only focus on continuing operations. Each operating company's main risks are identified and analyzed, and their potential impact on the operating company is determined. For specific issues, including IT & Security, external specialists are engaged on a project basis. The results of these assessments are discussed with the Executive Board. At least twice a year, the most important findings of the assessments conducted by Internal Audit are discussed with the Audit Committee of the Supervisory Board. We follow the guidelines of the Institute of Internal Auditors (IIA) to ensure the internal audit function continues to meet IIA standards.

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

RISK MANAGEMENT STRUCTURE



out by Internal Audit did not lead to any material findings at the group level with regard to the administrative organization and internal control. When shortcomings in the administrative organization and internal control are observed, areas for improvement are identified. Continuous monitoring enables us to adapt the internal risk management and control system to changing internal and external conditions as necessary. In 2022, we focused on further embedding the Internal Control Framework in our operating companies as well as strengthening and intensifying the monitoring cycle to follow up on findings.

For operating companies whose size, technology, and risks, such as privacy and reputation, are important in the context of implementing the TKH strategy, IT & Security risks 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. Several security incidents occurred during the year under review. By responding in a timely manner with

RISK CULTURE

An open, transparent culture with sufficient critical capacity is a prerequisite for an organization to properly manage risks, responsibilities, and competencies. TKH considers a suitable risk-management model to be an important tool for creating sustainable long-term value. A continuous focus on risk awareness is a key element of TKH's culture. The pursuit of a balanced risk profile is embedded in this culture through short lines of communication and is supported by closely monitoring agreed objectives through a comprehensive Key Performance Indicator (KPI) dashboard.

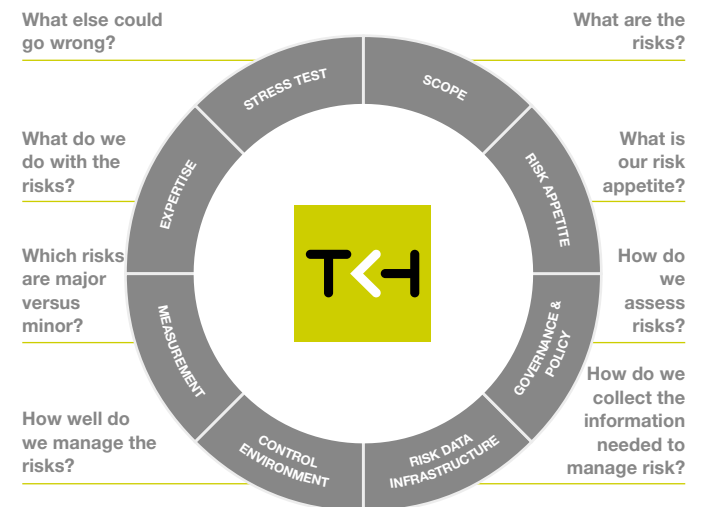
Employees are expected to be aware of the core values underlying our actions and our risk profile and to feel responsible for the (potential) risks they take. They are also expected to adhere to the principles of TKH's culture and to act in accordance with TKH's Code of Conduct. At the same time, we are committed to ensuring a safe work environment in which our employees can excel, regardless of their back-

ground, gender, or position. The Code of Conduct is fundamental to everything we do and describes how we act as a company and within the company, how we make decisions, and how we deal with different dilemmas. The Code of Conduct is published on our website. We have established a procedure that enables employees to report any suspicion of conduct that is unlawful and/or contrary to the Code of Conduct, including behavior related to sexual harassment, gender inequality, and abuse of power. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and mitigating measures are taken. External parties can also report to the Group Compliance Officer.

DEVELOPMENTS IN 2022

In 2022, we evaluated our internal risk management system and made several improvements. The internal payment framework, including the internal controls related to the payment process, has been updated. The activities carried

RISK CULTURE



a team of cybersecurity experts, we ensured that these incidents did not result in significant data leaks, cause significant or permanent damage, or impact business continuity. However, these incidents confirm the need to be constantly vigilant to IT & Security risks. In 2022, we placed increasing emphasis on the risk of ransomware and our resilience should such an event occur.

COVID-19 and the war in Ukraine significantly impacted the global economy, and the general impact was felt throughout 2022. Therefore, the “pandemic” (COVID-19) risk remained an important risk for TKH as well as geopolitical developments (such as the Russia-Ukraine conflict). In 2022, the global spread of COVID-19 and the Russia-Ukraine conflict again led to lockdowns in 2022, travel and workplace restrictions, business restrictions, stagnation in the supply chain, and general instability of the economic and financial markets. By taking early measures, we were able to reduce the impact on our business operations in 2022.

In 2022, we continued to review non-financial information. Internal Audit further developed and conducted review activities focusing on the non-financial KPIs included in TKH's Annual Report 2022. The reviews identified further areas for improvement and optimization, which were addressed properly at various levels of the group. No material shortcomings were identified. We also continued to pay increased attention to supply chain management during the year under review. Important technical (electronic) components had longer delivery times e.g. due to transportation challenges, were (partly) unavailable, or only available in limited quantities. Review activities were conducted at several of the group's operating companies. Finally, in 2022 we paid explicit attention to the effects of inflation on our purchases, sales, energy costs, labor, and other operational costs and sales prices. We implemented a dashboard to monitor the effect of price increases on our added value and operating expenses. This was also used to challenge operating companies on the timing and extent of increases in their own sales prices.

RISK PROFILE AND RISK APPETITE

We have identified the most important risks and divided them into four categories: strategic risks, operational risks, financial and reporting risks, and compliance risks. For each risk, we then assess its potential 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 stakeholders. Decisions to change or fine-tune our business models are made by the Executive Board in accordance with TKH's risk appetite. A balance is explicitly sought between acceptable risk, on the one hand, and entrepreneurship conducted in the context of long-term value creation, on the other hand.

RISK OVERVIEW

As part of the strategic process, we have identified four pillars:

- Innovation and technical leadership
- Being responsible
- Talented people and empowerment
- Sustainable financial performance

Based on these pillars, we have determined our strategic direction and defined specific objectives to manage the strategic process. The risk connectivity matrix shows the most important risks for TKH and the pillar from which these risks are addressed. In addition, a link has been made with the materiality themes for TKH and our stakeholders, as shown in the materiality matrix (see the Stakeholders section).

OTHER RELEVANT RISKS

In addition to the key risks included in the risk connectivity matrix, we have identified other risks that are also included in TKH's internal risk management system. This includes, among other things, the following risks:

Operational

- Disasters in production facilities e.g. accidents in production facilities that threaten business continuity.

Financial and reporting

- Infringement of intellectual property (IP) rights of and by third parties.
- Inadequate funding.
- Interest rate volatility.

RISK CONNECTIVITY MATRIX - OUR MAIN RISKS

Risk area	Risk category and topics	Risk description	Pillar	Material themes	Risk trend	Risk appetite
STRATEGIC	1. MARKET & GEOPOLITICS - Geopolitics - Conflict Russia-Ukraine - Market developments - Recession	Influence of global economic, market and geopolitical developments on the execution of the strategy and financial position and results of TKH.	SUSTAINABLE FINANCIAL PERFORMANCE	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.	SUSTAINABLE FINANCIAL PERFORMANCE TALENTED PEOPLE AND EMPOWERMENT BEING RESPONSIBLE	1 Financial track record performance 10 Sustainable employment 11 Health & safe work environment 15 Integrity, compliance & human rights 16 Risk management 17 Privacy & IT Security	▼	●
	3. PORTFOLIO - Innovation - Technology development	Threat to TKH's long-term value creation due to insufficient technology development and innovation.	INNOVATION AND TECHNOLOGY LEADERSHIP	2 Technological innovations 3 Sustainable capital allocation (in alignment with SDGs)	=	●
	4. M&A AGENDA - Acquisitions - Integration - Divestments	Failure to successfully integrate (acquired) and/or divest companies can result in lower than expected profit contribution and the risk of impairment. Changing M&A market circumstances (e.g. interest developments) can impact (the timing of) our divestment and growth strategy program.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	=	●
OPERATIONAL	5. PROJECT MANAGEMENT	Risk of projects not being delivered according to specification, agreements, time schedule, and planned margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	=	●
	6. IT & SECURITY - IP protection - Continuity of operations - Cybersecurity - Privacy and GDPR	Risk of breach of data availability, confidentiality, and integrity (including IP).	INNOVATION AND TECHNOLOGY LEADERSHIP	17 Privacy & IT Security	▲	●
	7. STAFF - Scarcity - Development opportunities - Healthy and safe work environment	Scarcity of well-qualified staff and inability to retain qualified staff. Health and safety incidents can cause risks for employees and lead to business stagnation. Inability to reach young potential employees can result in shortage of staff.	TALENTED PEOPLE AND EMPOWERMENT	10 Sustainable employment 11 Health & safe work environment 12 Employee satisfaction 13 Personal development opportunities 14 Diversity & inclusiveness	▲	●
	8. SUSTAINABILITY - CO ₂ footprint - Waste management - Climate change - ESG - SDGs	Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment as well as on the (future) business. Future implementation of CO ₂ tax/pricing could mean an increase in operational and compliance costs. Non-compliance with ESG topics and not meeting ESG targets can impact our operations and reputation.	BEING RESPONSIBLE	3 Sustainable capital allocation (in alignment with SDGs) 6 Responsible production 7 Resource efficiency 8 Climate change & CO ₂ footprint 9 Responsible procurement	▲	●
	9. SUPPLY CHAIN - Raw materials - Components - Energy	Important raw materials such as copper, aluminum and plastics, and technical (electronic) components have long delivery times or are unavailable or only available in limited quantities. Also, limited availability of (green) energy results in (potential) shortages of energy and higher price levels.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance 5 Market & geopolitics (supply chain, inflation & Ukraine war) 7 Resource efficiency	▲	●
FINANCIAL AND REPORTING	10. CURRENCIES	Volatility of currencies which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	=	●
	11. COST INFLATION - Raw materials - Components - Labor costs - Energy costs	Inflation of costs, including (volatility of) raw material prices, components and labor costs, which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance 5 Market & geopolitics (supply chain, inflation & Ukraine war)	▲	●
	12. REPORTING - Financial reporting - Non-financial reporting	Risk that TKH's financial and non-financial reporting contains material errors.	SUSTAINABLE FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 15 Integrity, compliance & human rights	=	●
COMPLIANCE	13. LEGAL & REGULATORY - Sanctions - Fraud, bribery, corruption - Use of agents - Non-compliance with law and regulations - Human rights, child labor	Damage (including reputation) due to violation of legislation and regulations including export and sanctions regulations, unfair competition, fraud, corruption, and bribery.	BEING RESPONSIBLE	15 Integrity, compliance & human rights	=	●
	14. TAX	Damage (including reputation) due to violation of tax legislation and regulations.	SUSTAINABLE FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 15 Integrity, compliance & human rights 18 Tax	=	●

▲ increased = equal ▼ decreased ● avoiding ● low ● medium ● high

STRATEGIC

1 MARKET & GEOPOLITICS

Impact of global economic and geopolitical developments (such as the Russia-Ukraine conflict) on the implementation of the strategy and the financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs, availability and price of energy), the erosion of trade agreements, and the impact of (global) inflation as well as a potential recession 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.
- Energy reduction programs and shifting to alternative energy sources.
- 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 with multiple production sites, with a tendency to bring production capacity closer to end markets where possible.
- Strong financial balance sheet and position.
- Ongoing attention to risk analysis in the implementation of the strategy and strategy transformation program.

2 PANDEMIC

Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active, and its business operations (e.g. COVID-19). The most important possible specific risks with an impact on TKH are related to the health of our employees and disruptions and stagnation of the activities of key suppliers.

Our specific risk mitigation measures:

- The health and safety of our employees is our top priority. We have taken various preventive measures to support the well-being of our employees. This includes facilitating safe and ergonomic possibilities for working remotely.

- A strong financial position to respond to the downturn in activities (e.g. solvency of at least 35%, net debt/EBITDA ratio of no more than 2.0). This includes the availability of cash and committed credit facilities, and as well as the ability to reduce working capital, limit investments, and implement cost reduction programs.
- A focus on leveraging organic growth into an added value conversion ratio of >35% and translating the increase in gross margin into a further increase in earnings with more focus on return and cost ratio as a percentage of added value, resulting in a stronger financial position.
- Actively engage with our strategic suppliers and increase stocks of critical raw materials, components, and products. Find alternative suppliers where necessary.
- Geographical spread of activities and business locations.
- The implementation of virtual support solutions to remotely support customers at their locations.

3 PORTFOLIO

Insufficient technological development and innovation can threaten TKH's long-term value creation. These risks may emerge in the following areas:

- The pace of technological development.
- The execution of the R&D roadmap.
- Our competitor's new technologies.
- Our payback capacity.
- The harmonization of niche specifications into standardized commodity products and technologies.

Our specific risk mitigation measures:

- Generate at least 15% of our turnover from innovations that have been introduced in the last two years.
- Spend approximately 4% of our turnover on R&D.
- Focus continuously on innovation and executing the roadmap, including time-to-market.
- Ensure that the Executive Board and local management frequently discuss technology and innovation developments.

- Take advantage of technology leadership by leveraging and accelerating growth from innovations and utilizing the R&D pipeline. Bring key innovations to maturity with targeted profitability and limit the number of new and large "start-up" projects.
- Increase our market share by unlocking the full potential of our innovations and disruptive technologies by capitalizing on market growth driven by relevant megatrends.

4 M&A AGENDA

Failure to successfully integrate acquired companies or execute divestments of business activities can result in lower-than-expected profit contributions and the risk of impairment. Changing M&A market circumstances (e.g. interest rate developments) can impact (the timing of) our divestment and growth strategy program.

Our specific risk mitigation measures:

- Apply necessary procedures and guidelines and organize sufficient expertise for valuations and due diligence.
- Ensure rapid integration of acquired companies into TKH's reporting and control systems.
- Harmonize business processes and systems where necessary and desirable.
- Continue to focus on the identification, creation, and utilization of synergy effects.
- Ensure continued focus on portfolio management. Restructure or exit activities with limited potential for value creation: limited strategic fit, low return on sales, and organic growth potential.

OPERATIONAL

5 PROJECT MANAGEMENT

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

Our specific risk mitigation measures:

- Invest in qualified staff, training, and education. Ensure sufficient knowledge and professional competence.
- Ensure guidelines and procedures are in place for the approval of projects with an above-average risk, project management, and adequate project administration.
- Make sure important projects are discussed at quarterly meetings between the Executive Board and local management.
- Monitor large projects with an above-average risk on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board and legal counsel.
- Constantly evaluate lessons learned and incorporate them into the risk model, which may lead to strict acceptance criteria.

6 IT & SECURITY

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

- A decentralized IT landscape.
- The use of multiple ERP systems.
- The continuity of production sites.
- The protection of developed technologies (IP protection).
- Data protection legislation including GDPR.

Our specific risk mitigation measures:

- TKH has issued guidelines outlining the requirements for an ICT infrastructure, including key IT controls, partly within the context of cybercrime risks.

- Companies from the same region or cluster are encouraged to achieve economies of scale in the field of ICT.
- IT managers from key operating companies discuss important IT developments, trends, and risks.
- The internal and external (IT) security environment is tested by a specialized external agency.
- Internal guidelines on data protection are established.
- Increasing awareness of the need for information security through ongoing training and frequent newsletters on relevant (cyber) topics (Security Awareness Program), such as secure remote working.
- Internal Audit oversees the implementation of data protection guidelines.
- The risks were identified for operating companies with a high and medium risk in this area, based on size, technology, and reputation, and recommendations were made to further mitigate these risks. These risks and the monitoring of risk management are regularly discussed with the Executive Board and the Audit Committee.
- Specific assessments of the risk of ransomware and our resilience should such an event occur.

7 STAFF

A shortage of highly qualified personnel and the inability to retain qualified personnel can impact the (progress of the) of TKH's strategy. Health and safety incidents can create risks for employees and cause business to stagnate. Inability to reach young potential employees can lead to staff shortages.

Our specific risk mitigation measures:

- Performance/talent management programs in each operating company.
- (Bi-)annual Management Development Programs.
- Conduct regular employee satisfaction surveys.
- Use our good reputation as an attractive employer to recruit talented employees.
- Set up cooperation programs between operating

companies and training institutes.

- Diversity and inclusiveness programs.
- Use employer branding and referral recruitment to reach and engage future talent.
- Increase attention on safety by tightening safety standards and creating even better safety awareness, and by implementing ISO 45001.
- Facilitate healthy and safe home-working practices.
- Communicate frequently with our employees about relevant general and business developments, and our impact on ESG topics through various channels.

8 SUSTAINABILITY

The potential impact of climate change and other relevant sustainability topics such as CO₂ emissions and waste management on our strategy, business model, and reputation. Unsustainable business operations have an adverse effect on the environment as well as on the (future) business. Future implementation of CO₂ tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures:

- Based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we are carrying out a comprehensive analysis of potential climate change risks and how these risks can be converted into opportunities.
- Continue to optimize our production processes via our operational excellence program.
- Deliver a strong performance on our ESG targets, in particular being CO₂ neutral by 2030 (Scopes 1 and 2) and further develop a sustainable portfolio based on SDG criteria.
- Diversity and inclusiveness program.
- Continue to work towards achieving our waste reduction and recycling target so we can make a responsible and demonstrable contribution to the circular economy.
- More information can be found in section "Being responsible".

FINANCIAL AND REPORTING

9 SUPPLY CHAIN

The fact that important raw materials such as copper, aluminum, steel and plastics, and technical (electronic) components have long delivery times, are unavailable or only available in limited quantities, as well as the limited availability of energy and price increases related to raw materials and energy puts pressure on profit margins.

Our specific risk mitigation measures:

- Increase our inventory of critical raw materials and components.
- Redesign products to increase the use of alternative materials and components with better availability/pricing.
- Use alternative suppliers.
- Adapt terms and conditions in purchase and sales contracts.
- Optimize (regional) portfolio and local manufacturing footprint.
- Introduce energy reduction programs and shift to alternative energy sources.
- Develop cooperation programs between operating companies to discuss developments, trends, and risks and to utilize the purchase power and knowledge within the group and business segments.
- Ensure that developments, including inventory positions and purchase conditions concerning important raw materials and components are discussed frequently between the Executive Board and local management.

10 CURRENCIES

Currency volatility, which puts pressure on profit margins.

Our specific risk mitigation measures:

- Treasury statute that establishes a currency risk management approach, including responsibilities, authorizations, and reporting.
- 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 into currencies other than euro is generally not hedged. Monetary assets and liabilities in the same currency are netted as much as possible to reduce the exposure.
- 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.

11 COST INFLATION

Cost inflation including (volatility of) raw material prices, components, energy, and labor costs puts pressure on profit margins.

Our specific risk mitigation measures:

- Periodically analyze the impact of price changes per operating company based on a standard template.
- Frequently adjust market price lists where applicable.
- Redesign products to use alternative materials and components with better prices.
- Optimize (regional) portfolio and local manufacturing footprint in line with labor cost developments.
- Introduce operational excellence programs to increase (labor) efficiency.
- Develop energy saving and efficiency programs and eliminate (part of) price risks through medium-term energy contracts.

- Use a different mode of transportation to optimize transport efficiency and costs.

Specific risk mitigating measures for raw material prices related to copper and aluminum:

- The copper and aluminum positions of each operating company are monitored for the economic stock levels, stock prices, rate of turnover, and the expected relationship between copper prices and selling prices (price elasticity).
- Copper and aluminum price developments are factored into the selling price of products and/or services where possible, or temporarily hedged on the futures market.
- Copper and aluminum price developments, economic stock positions, and hedges are discussed every month by a multi-disciplinary committee 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 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 the raw material is needed for the production.

12 REPORTING

The risk that TKH's financial and non-financial reporting contains material errors. These reporting risks mainly relate to the following material items in the financial statements:

- Turnover – timing of turnover recognition.
- Goodwill and Purchase Price Allocation – valuation and impairment testing.
- Development costs – valuation and impairment testing.
- Inventory – valuation and provision.
- Contract assets and liabilities – valuation and provision.
- Non-financial KPIs.

COMPLIANCE

Our specific risk mitigation measures:

- Internal procedures and guidelines for internal and external financial reporting and verification of reports.
- Availability of a Sustainability Reporting Manual.
- TKH has developed internal guidelines in accordance with IFRS containing requirements for the capitalization of development costs.
- Regular controller meetings are organized to discuss important reporting topics
- Training and education of (financial) staff.
- Regular impairment testing, including the annual strategic planning.
- Use of business intelligence tools to gain insight into risks at an early stage.
- Representation letter and in-control statement for each operating company.
- Internal Audit performs financial audits and internal audits on non-financial information.
- Assurance by the external auditor on the financial statements.
- Limited assurance by the external auditor on the achievement of selected key non-financial KPIs.

13 LEGAL & REGULATORY

Non-compliance due to the violation of laws and regulations – including internal guidelines – can result in damage.

Examples include:

- Unfair competition, export violations, and sanction programs that can result in significant penalties and reputational damage.
- Global operations and the use of agents who may expose TKH to local bribery and corruption risks.
- Undesirable or unethical conduct by employees leading to fraud-related issues.
- Violation of human rights and child labor regulations, including by suppliers.

Our specific risk mitigation measures:

- Internal guidelines include internal control measures, management responsibilities, and authorization requirements.
- Internal guidelines on compliance with sanctions and export regulations, including a checklist.
- Monitoring of financial flows by TKH, in part by:
 - monitoring transactions through the central treasury system;
 - establishing banking authorizations; and
 - setting credit limits for each operating company, with no local credits being permitted with banks outside of TKH's banking group, unless TKH has granted permission for this.
- The use of banks prescribed by TKH unless another bank is required locally because only a local bank can perform the required service.
- Controller meetings and the international management meeting will address the issues of sanctions, fraud, corruption, payment framework, and bribery by means of theory and case studies.
- The working relationship with agents and intermediaries is framed by guidelines and contracts.
- Through the TKH Code of Conduct, all our employees are

aware that they should follow our business ethics and confirm this by signing this Code of Conduct.

- Employees can report suspicions of misconduct through a whistleblower policy. Such reports will not have any consequences for the position of whistleblowers, provided they follow the procedure established for this purpose. External parties can also report to the Group Compliance Officer.
- In all layers of our company, compliance with internal guidelines relating to integrity and behavior is strictly monitored (zero tolerance).
- Through the TKH Code of Supply, our strategic suppliers are aware that they should follow our business ethics and confirm this by signing this Code of Supply. Compliance with this code is verified during supplier audits.
- Strengthen internal legal skills and capacity.
- Internal Audit conducts internal audits on non-financial information focusing on the most important risks, including supplier assessments and compliance with sanctions.

14 TAX

TKH is exposed to tax risks that could result in double taxation, penalties, and interest payments. The source of the risks could originate from local tax rules and regulations as well as international and EU regulatory frameworks including upcoming Pillar 2. These include, but not limited to, transfer pricing risks on internal cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax risks related to permanent establishments, tax risks related to tax loss, interest and tax credits carried forward, and potential changes in tax laws that could result in higher tax expenses and payments. These risks can have a significant impact on local financial tax results, which, in turn, could adversely affect TKH's financial position and results.

Our specific risk mitigation measures:

- Centralized monitoring of compliance in relation to developments in (new) legislation and regulations in the

field of tax laws (both national and international), sanctions regimes, and general tax and legal developments, with a focus on specific risks in the areas of transfer pricing, permanent establishment, and VAT.

- Availability and development of transfer pricing documentation in accordance with OECD Guidelines as well as compliance with local regulations.
- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Maintaining good relations with tax authorities based on mutual respect, transparency, and trust. In 2022, in the Netherlands, the “horizontal monitoring covenant” was reconfirmed with the Dutch Tax Administration in this context.
- Making use of external (tax) advisors for specialized subjects.
- Further rollout, monitoring and continuous update of the Tax Control Framework.
- Tax reporting, 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 internal trainings, theory and case studies are used to address a broad spectrum of tax issues (including customs) as well as tax dilemmas.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

For the most important risks, we have, where possible, quantified the impact on the result and financial position of TKH should these risks occur. A sensitivity analysis is also included. The financial statements, including in note 21, outline TKH’s objectives and policy regarding the use of financial instruments for risk management, also in the context of hedging risks associated with all major types of transactions to which TKH is exposed, related to 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, as well as our ability to adjust our cost structure in response to changing economic conditions and turnover levels. Our budget also takes into account the total available cash and cash equivalents of € 184.6 million as at December 31, 2022, 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 believe that our available funds at the end of 2022 will be sufficient to finance our activities, investments, and existing contractual obligations for at least the next 12 months.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

	Change	Impact	On	Assumptions	Relates to risk
Turnover	1%	€ 8.6 million	EBITA	No adjustment of operating costs.	1, 2, 3, 4, 10, 11
Raw material price copper	10%	€ 1.5 million	EBITA	No derivatives to hedge price risks.	11
Gross margin	1%	€ 18.2 million	EBITA	No adjustments of operating costs.	1, 2, 3, 4, 10, 11
Operating costs	1%	€ 6.7 million	EBITA	No adjustment of turnover/gross margin.	Operational and financial risks
Currencies – financial instruments	10%	€ 2.6 million	Result before tax	All other variables remain constant.	10
Currencies – financial instruments	10%	€ 28.9 million	Group equity	All other variables remain constant.	10
Interest	1%	€ 3.6 million	Result before tax	Net bank debt including deduction of interest rate swaps held at variable interest rates.	Financial risks
Interest – financial instruments	1%	€ 0.1 million	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 risk management and control systems. The purpose of these systems is to identify and effectively manage the most significant risks to which the company is exposed.

During the year under review, Internal Audit assessed the administrative organization and internal control systems of TKH and its associated businesses, with a focus on some of 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 of Internal Audit discussed the results of these audits with the Executive Board and reported the main findings to the Audit Committee. These activities did not result in any material findings at group level regarding the administrative organization and the level of internal control. Based on the financial results for the 2022 reporting year and the expectations for the 2023 reporting year, the Executive Board has assessed the company's going concern assumption. Current market conditions and business plans for 2023 have been taken into account. The Executive Board has also

assessed the key strategic, operational, financial, reporting, and compliance risks, as well as the design and effectiveness of the internal risk management and control systems, as described in the Risk Management section of this annual report.

The effectiveness and performance 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 measures designed to manage them, and in accordance with the best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Executive Board confirms that to the best of its knowledge:

- i the management report (within the meaning of section 2:391 of the Dutch Civil Code) provides sufficient insight into any shortcomings in the operation of the internal risk management and control systems;
- ii the aforementioned systems provide 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 describes the material risks and uncertainties that are relevant to the expectation of the company's continuity for a period of 12 months after the preparation of the report.

In view of the above, the Executive Board confirms that it is in compliance with best practice provision 1.4.2 of the Dutch Corporate Governance Code. It should be noted that the above does not imply that the internal risk management and control systems provide certainty as to the achievement of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors or losses, incidents, fraud, or non-compliance with rules and regulations.

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 provide 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 December 31, 2022, the state of affairs at TKH and its affiliated companies during 2022 (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, March 6, 2023

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

LISTING ON THE STOCK EXCHANGE
TKH's (depository receipts of) shares have been listed on the Euronext Amsterdam stock exchange since 1953, under the ticker symbol TWEKA and are included in the mid-cap index (AMX). Options on TKH shares are listed on NYSE Liffe, the European derivatives business of Euronext (ticker symbol: TKG). In addition, TKH shares are also included in the Next 150 Index, established by Euronext.

In 2022, TKH joined the Euronext Tech Leaders segment, launched by Euronext in June 2022, which is Euronext's initiative to increase the visibility and appeal of high-growth and leading technology companies to international investors. Euronext Tech Leaders consists of more than 100 high-growth and leading companies listed on Euronext markets.

TKH'S SHARES ISSUED AND OUTSTANDING

	2022	2021
Ordinary shares (nominal value € 0.25 each)	42,198,429	42,198,429
of which depository receipts	42,082,712	42,086,217
of which registered shares	115,717	112,212
Priority shares (nominal value € 1.00 each)	4,000	4,000
Total shares issued	42,202,429	42,202,429
of which held by the company	1,197,647	1,020,885

The number of depository receipts of shares has decreased by 3,505 compared to December 31, 2021 due to the conversion of 3,505 depository receipts of shares into ordinary shares. At the end of 2022, the company held 1,197,647 depository receipts of shares. The company may acquire depository receipts of shares in its own capital for purposes such as employee share and option plans.

The registered ordinary shares, with the exception of the registered shares of the company, have been transferred by notarial deed to Stichting Administratiekantoor TKH Group ("Stichting Administratiekantoor"), which issues depository receipts for the shares to the ultimate investors. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depository receipts. The holders of depository receipts are entitled to receive power of attorney to vote for the shares corresponding to the depository receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depository receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the Board of Stichting Administratiekantoor in various situations specified by law (see also Corporate Governance section). In this case, Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depository receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depository receipts for shares is governed by administrative conditions. The protection provided by the use of depository receipts is based on the 1% rule. The depository 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 both indirectly and directly held shares. However, this does not apply to the transfer of ordinary shares to the company itself.

Aside from what is mentioned under “Other information”, no special rights are attached to the priority shares. The company has granted Stichting Continuïteit TKH an option to acquire preference shares up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference shares are issued or up to 100% of the sum of the other outstanding shares at the time the preference shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a declaration to that effect with the Chamber of Commerce. Stichting Continuïteit TKH has not acquired any cumulative preference shares in TKH in 2022.

Further information on the capital structure of TKH is included in note 7 to the company’s financial statements. This information is incorporated by reference in the management report.

TRADING INFORMATION

The following key figures per (depository receipt of) share apply in relation to the listing on Euronext Amsterdam.

	2022	2021
Annual turnover of shares	19,633,987	19,200,539
Highest price	€ 54.90	€ 56.15
Lowest price	€ 31.24	€ 37.88
Closing price	€ 37.16	€ 55.50
Net earnings per share	€ 3.34	€ 2.31
Dividend	€ 1.65	€ 1.50
Price-earnings ratio as at the end of the financial year	11.1	24.0
Dividend yield on closing price	4.4%	2.7%
Market capitalization at end of financial year (in millions)	€ 1,524	€ 2,285

SHAREHOLDERS

Under the Dutch Financial Supervision Act, shareholdings of 3% or more must be disclosed to the Dutch Authority for the Financial Markets (“AFM”). Based on the AFM register until the beginning of 2023, the following shareholders hold a stake of 3% or more in TKH.

Mandatory disclosing party	Interest	Date of last disclosure
Vinke Amsterdam B.V.	5.84%	05-28-2020
Lucerne Capital Management, LLC	5.62%	08-20-2019
ASR Nederland NV	5.11%	10-06-2008
Teslin Participaties Coöperatief U.A.	5.01%	07-06-2017
Kempen Oranje Participaties NV	3.77%	04-04-2011
Goldman Sachs Group Inc.	3.05%	02-10-2023
Janus Henderson Group plc	3.03%	06-23-2022
AllianceBernstein L.P.	3.03%	01-20-2022

DIVIDEND POLICY

TKH aims for an attractive return for its shareholders, which is reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important for the company’s continuity. 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 also ensuring a solvency ratio of at least 35%. Based on growth targets for the coming years, TKH will aim to pay out between 40% and 70% of the net profit before amortization and one-off income and expenses attributable to shareholders.

The total dividend paid in 2022 of € 61.8 million amounted to a dividend payout ratio of 54.2% of the net profit before amortization and one-off income and expenses attributable to shareholders. The dividends for 2022 were issued to the holders of (depository receipts of) shares in cash.

INVESTOR RELATIONS

TKH’s investor relation activities are designed to ensure that current and potential shareholders, analysts and other stakeholders are provided with timely, complete and consistent information. TKH’s investor relations is focused on helping the market understand our business, our strategy, our markets, and our financial performance. TKH is committed to transparent reporting. We communicate through our half-year and full-year earnings releases and presentations, trading updates, the annual report, and other information published on our investor relations website.

We host live webcast presentations of our half-year and full-year results, hold the Annual General Meeting of Shareholders, and have frequent contact with major and other shareholders, interested institutional investors, and analysts through roadshows, conferences, company visits, and one-on-one discussions. TKH’s activities comply with the applicable regulations and guidelines of Euronext Amsterdam and the Dutch Authority for the Financial Markets (“AFM”), the Dutch financial markets regulator.

CONTACT

For further information contact Jacqueline Lenterman, Director of Investor Relations and Corporate Communications at +31(0)535732903, j.lenterman@tkhgroup.com.

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

FINANCIAL CALENDAR

April 24, 2023	Trading Update Q1 2023
April 25, 2023	General Meeting of Shareholders
April 27, 2023	Ex-dividend date
April 28, 2023	Dividend record date
May 2, 2023	Payment of dividend
August 15, 2023	Publication interim results 2023
November 14, 2023	Trading Update Q3 2023