

# REMUNERATION REPORT

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

The revised remuneration policy will be proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders, on 7 May 2020, with effect from 1 January 2020. As TKH has not yet received an advisory vote on the remuneration report for the Executive Board (as referred to in Section 135b, Book 2 of the Netherlands Civil Code), TKH cannot yet take into account the votes cast and the positions of shareholders on this matter. It will take such votes and positions into account in the event of future amendments to the remuneration policy, such in accordance with article 1.2. of the remuneration policy. The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time an amendment is made and at least every four years after it has been approved by and on the proposal of the Supervisory Board. The Remuneration Committee is responsible for developing the remuneration policy and submitting a proposal to the Supervisory Board. The Remuneration Committee has taken into account best practice provision 3.1.2. of the Code.

## REMUNERATION POLICY EXECUTIVE BOARD

The remuneration policy aims at providing a competitive compensation package to attract, motivate and retain qualified managers for a publicly listed company, while considering TKH's size and unique characteristics. The policy recognizes the internal and external context as well as the TKH business needs and long-term strategy. The policy is designed to stimulate long-term value creation for TKH and its affiliated companies, taking into account the provisions for good corporate governance. The policy is aimed at motivating performance, using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurship. The remuneration package is measured

periodically against market trends using information provided by external experts. In addition, the internal remuneration ratios are taken into account. Based on the targets set, the Remuneration Committee performs scenario analyses in respect of the Short-Term Incentive (STI) and Long-Term Incentive (LTI) to be achieved.

The remuneration policy and corporate strategy are aligned by creating specific short-term and long-term targets that link the remuneration of each of the members of the Executive Board to the success of the company. The size of the LTI (Long-Term Incentive) in the total remuneration package and the fact that the members of the Executive Board have to invest for their own account in the same number of shares as they are granted within the framework of the LTI, are important factors in developing values in terms of long-term value creation and the continuity of the company. For the full remuneration policy we refer to the TKH website.

### APPLICATION OF THE POLICY IN 2019

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

The Supervisory Board sets targets, as well as their respective weightings and criteria for the year in question, in accordance with the company's strategy and overall structure, taking account of both financial and non-financial factors, as well as personal targets.

In this respect, the Supervisory Board takes the following into account:

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

While financial and non-financial targets focus on the realization of overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective and of each individual member within the Executive Board. The personal targets look at the company's mission and its identity and ESG (environmental, social & governance) targets, as well as important strategic issues for the coming year. The above will ensure that the STI contributes to the strategy, long-term interests and sustainability of TKH.

In formulating the proposal for the remuneration of the members of the Executive Board, the external assessment and the remuneration policy are among the issues to be considered. In accordance with the Corporate Governance Code, the Remuneration Committee takes note of the views of the individual members of the Executive Board with regard to the level and structure of their own remuneration. The remuneration of the members of the Executive Board was externally reviewed in 2017 and adjusted to market conformity, it was concluded at that occasion that the policy pursued with regard to the TRI, STI and LTI meets the objectives set. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

### 1. Labour market reference group

In order to attract qualified managers for the Executive Board and to retain the current members for the Executive Board for the long-term, TKH takes into account external reference data when determining appropriate remuneration levels. To this end, a specific labour market reference group has been established. The emphasis is on the AMX companies on

Euronext Amsterdam, with a particular focus on companies that are more or less comparable to the company in terms of complexity, size and international scope of their activity portfolio.

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

The following reference group has been used for 2019:

### REFERENCE GROUP 2019

#### AMX

Air France-KLM	Corbion
Arcadis	Fagron
ASM International	Fugro
Koninklijke BAM Groep	GrandVision
Basic-Fit	PostNL
BESI	SBM Offshore
Boskalis	Signify

#### SECTOR PEERS (international)

Aalberts Industries
Prysmian
Basler
Cognex
Keyence

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

## TOTAL REMUNERATION EXECUTIVE BOARD

In thousands of euros	Basic salary (TRI)		Variable Income (STI)		Share Plan (LTI)		Pension costs		Pension compensation		Total	Ratio variable to total		
	2019	2018	2019 <sup>3</sup>	2018	2019	2018	2019	2018	2019	2018		2019	2018	
J.M.A. van der Lof MBA	578	559	203	279	352	581	38	35	153	131	1,325	1,585	41.9%	54.3%
E.D.H. de Lange MBA	433	419	153	209	264	436	16	15	46	45	912	1,124	45.7%	57.4%
H.J. Voortman MSc <sup>1</sup>	393	226	138	113	240	235	16	10	41	22	828	606	45.7%	57.3%
A.E. Dehn <sup>2</sup>		114						22		12		148		
<b>Total remuneration</b>	<b>1,404</b>	<b>1,318</b>	<b>494</b>	<b>601</b>	<b>856</b>	<b>1,252</b>	<b>70</b>	<b>82</b>	<b>240</b>	<b>210</b>	<b>3,066</b>	<b>3,463</b>	<b>44.1%</b>	<b>53.5%</b>

1 Appointment member Executive Board with effect from 3 May 2018. The remuneration presented above is as of the date of appointment.

2 Member of the Executive Board until 3 May 2018. Mr. Dehn has also received a severance payment of € 338,000.

3 Realized in 2019, paid out in 2020.

Due to the display of the amount x€ 1,000, rounding differences in total counts may occur.

### 2. Total remuneration

The remuneration of the members of the Executive Board comprises a basic salary (Total Regular Income: TRI), pension and a variable element comprising an annual performance bonus (STI) and a long-term bonus (LTI) scheme entailing a share scheme. Every three years - or more frequently at the initiative of the Supervisory Board - advised by external experts, an assessment and evaluation of the remuneration is made based on the developments of the labour market reference group referred to in the Remuneration policy. The table above shows the various remuneration components as well as the relative share of the fixed and variable remuneration.

### 3. Basic salary (Total Regular Income: TRI)

In principle, the basic salary of the Executive Board is adjusted annually, with the collective bargaining agreement for the large-scale metalworking and electrical industry (FME) serving as a guideline. As per 1 January 2019, the adjustment amounted on average 3.45%. For Mr. Voortman, appointed on 3 May 2018, the total increase as per 1 January 2019 amounted € 50,000.

### 4. Other Emoluments

The other emoluments of the members of the Executive Board are in accordance with what is generally used within the organization.

### 5. Performance bonus (Short-Term Incentive: STI)

Variable remuneration represents a major component of the remuneration package for the Executive Board. Each year, targets and criteria are formulated in advance on the basis of which the performance bonus can be achieved, and these are set by the Supervisory Board. The amount of the performance bonus is determined by the extent to which targets and criteria are met. On the recommendation of the Remuneration Committee, the Supervisory Board sets the performance bonus amount on the basis of the goals and criteria that have been met. The maximum performance bonus has been set at 60% of basic salary (TRI). Realization 'at target' leads to payment of a bonus of 40% of the TRI.

The realization of 50% of the maximum bonus is based on EBITA targets and 30% is based on organic turnover growth targets. The remaining 20% of the maximum bonus is determined by the achievement of strategic objectives for the Executive Board as a whole and personal objectives for the individual member of the Executive Board. The Supervisory Board has the discretionary power to deviate from the targets set if special circumstances apply. Possible differentiation in the STI per member of the Executive Board takes place because of the final scores on the personal objectives.

The realization of targets for 2019 resulted in an STI for Messrs. Van der Lof, De Lange and Voortman of 35.2%, based on the realization of 88% of the maximum performance bonus.

The Supervisory Board has the discretionary power to reclaim the variable remuneration awarded on the basis of incorrect (financial) data from the members of the Executive Board. In line with the claw-back legislation, payment of the variable remuneration to the members of the Executive Board is subject to the accuracy of the relevant (financial) data.

For 2019, there was no full or partial recovery of a bonus as referred to in Article 135 (8).

## 6. Share plan (Long-Term Incentive: LTI)

Within the framework of the long-term targets, a share plan is in force which provides for a long-term incentive. The plan makes it possible for members of the Executive Board to acquire shares free of charge, provided that the members of the Executive Board purchase the same number of shares for their own account at the market price then prevailing. The amount of remuneration depends on the development of the following KPIs: Return on Capital Employed (ROCE) and Return on Sales (ROS) in relation to the pre-formulated objectives, and the share price development of the TKH share compared to the AMX index of Euronext Amsterdam (relative share price development). These three KPIs determine whether shares can be awarded and how many shares may be acquired free of charge. The shares acquired and individually purchased in a given year under the LTI plan must be held as a long-term investment and may not be sold for a period of three years.

The performance period of ROS and ROCE is one year, with the performance ranges being set at the beginning of the year, taking into account the medium-term objective. The performance period of the relative share price development is three years. For the 2019 allotment, the period from 1 January 2017 up to and including 31 December 2019 was taken into account. For the ROS, a performance range applies from 0.50 to 1.25, with the at target gives a score of 1.0. The score of this KPI results in a multiplier, which determines the final score achieved.

The ROCE also has a performance range of 0.5 to 1.25, with an at target score of 1.0. The score for this KPI is also equal to a multiplier. The performance range for the relative share price development ranges from 0.75 to 1.50 with an at target score of 1.0.

This score is converted into a multiplier, ranging from 0.5 to 1.8, with 1.0 being the at target multiplier. The level of the allocation of the total LTI is calculated as a multiplier per KPI. These multipliers are multiplied by the standard allotment. The standard allotment is net and is equal to 50% of the gross basic salary (TRI). The gross value of the standard allotment is therefore approximately equal to the gross base salary (TRI). The minimum allotment for the LTI in a year is 0.25 x the standard allotment and the maximum allotment is 2.7 x the standard allotment.

## STI PERFORMANCE EXECUTIVE BOARD 2019

	Description of the performance criteria and type of remuneration	Relative weighting of the performance criteria	Maximum pay-out level (at target = 100%)	Pay-out level based on actual performance	Weighted average pay-out level	Realization (€ x 1,000)
J.M.A. van der Lof MBA	Turnover	30%	150%	102%	88%	203
	EBITA	50%	150%	61%		
	Personal targets	20%	150%	135%		
E.D.H. de Lange MBA	Turnover	30%	150%	102%	88%	153
	EBITA	50%	150%	61%		
	Personal targets	20%	150%	135%		
H.J. Voortman MSc	Turnover	30%	150%	102%	88%	138
	EBITA	50%	150%	61%		
	Personal targets	20%	150%	135%		

Based on the actual performance compared to the performance ranges, the following multipliers were achieved per KPI:

- ROS: 0.84
- ROCE: 0.83
- Relative share price development: 1.02

On the basis of these multipliers, the allotment per member of the Executive Board has the following net value:

J.M.A. van der Lof MBA:  $0.84 \times 0.83 \times 1.02 \times 50\% \times \text{TRI} = \text{€ } 205,439$

E.D.H. de Lange MBA:  $0.84 \times 0.83 \times 1.02 \times 50\% \times \text{TRI} = \text{€ } 154,075$

H.J. Voortman MSc:  $0.84 \times 0.83 \times 1.02 \times 50\% \times \text{TRI} = \text{€ } 139,823$

The corresponding gross values are included in the table 'total remuneration' on page 74.

The number of (depository receipts of) shares, associated with the net allotment, will be calculated on the basis of the average closing price of the three trading days from the time of publication of the annual figures.

The shares in question must be held as a long-term investment and may not be transferred for a period of three years after their respective allocation. The share plan involves a financial compensation for the Executive Board since the individual members must buy the same number of shares as the number that are allotted free of charge within the framework of the plan. Because of this financial compensation for the members of the Executive Board, the stipulation is that the shares must be held for at least three years, since this plan imposes a private investment obligation on the individual members of the Executive Board.

No option rights are granted to the members of the Executive Board. Any option rights of a member of the Executive Board were allotted in the

## SHARES EXECUTIVE BOARD

	Balance 1/1	Shares free of charge	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance at year-end
<b>J.M.A. van der Lof MBA</b>					
2018 (for the 2017 financial year)	143,147	8,562	8,562	-17,124	143,147
2019 (for the 2018 financial year)	143,147	7,548	7,548	-20,096	138,147
<b>E.D.H. de Lange MBA</b>					
2018 (for the 2017 financial year)	91,468	6,421	6,421	-12,842	91,468
2019 (for the 2018 financial year)	91,468	5,661	5,661	-11,322	91,468
<b>H.J. Voortman MSc <sup>1</sup></b>					
2018					11,447
2019 (for the 2018 financial year)	11,447	4,638	4,638		20,723
<b>A.E. Dehn <sup>2</sup></b>					
2018 (for the 2017 financial year)	45,204	5,261	5,261	-5,261	50,465

<sup>1</sup> Appointment to the Executive Board with effect from 3 May 2018.

<sup>2</sup> Member of the Executive Board until 3 May 2018.

period before he became a member of the Executive Board and can be exercised in accordance with the option plan and during the applicable exercise periods. H.J. Voortman's option rights 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 presented in the table below.

## 7. Pension

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with normal practice and consistent with the provisions made for similar positions. In addition, the pension arrangements include the right to benefit in the case of poor health or invalidity and a widow's and orphan's

## OPTION RIGHTS H.J. VOORTMAN MSc

Year of allotment	Exercise rate in €	Number at 01-01-2019	Allotted during the year	Movement during the year	Expired during the year	Exercised during the year	Number at 31-12-2019	Exercise period
2015	31.44	12,000					12,000	2018-2020
2016	33.92	12,000					12,000	2019-2021
2017	41.19	7,350					7,350	2020-2022
2018	52.25	8,400					8,400	2021-2023
<b>Total</b>		<b>39,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,750</b>	

pension in the event of death. This is subject to conditions similar to those that apply to members of the collective pension fund, i.e. employees of TKH.

## 8. Pay-ratio

For the sake of transparency and clarity, the company applies a method to calculate the internal pay-ratio. The company's internal pay-ratio is calculated as the average total salary of the members of the Executive Board divided by the average total salary of employees (total salary costs divided by the average number of FTEs). The other elements of the terms of employment have a minor influence on the pay-ratio and as such are not taken into account in its calculation. The Remuneration Committee monitors changes in the pay-ratio on an annual basis and takes this into account when assessing the level of remuneration of the members of the Executive Board.

The pay-ratio is calculated on the basis of the average total salary per FTE within TKH Group and the average total salary of TKH's Executive Board (TRI, STI and LTI). The pay-ratio for 2019 is 18.92 (2018: 21.92).

## 9. Comparative information on the change in remuneration and operational performance

The table below represents the change of the remuneration of the Executive Board compared with the change of TKH's company performance.

### 10. Personal loans

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

### 11. Change of Control

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

### 12. Severance pay

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

## CHANGE OF REMUNERATION EXECUTIVE BOARD AND COMPANY PERFORMANCE

in thousands of euros stated otherwise	2019	2018	2017	2016	2015
<b>Remuneration Executive Board <sup>1</sup></b>					
J.M.A. van der Lof MBA	1,134	1,419	1,656	1,209	1,736
E.D.H. de Lange MBA	850	1,064	1,116	816	1,135
H.J. Voortman MSc <sup>2</sup>	772	574	0	0	0
A.E. Dehn <sup>3</sup>	0	114	916	678	947
<b>Company performance</b>					
ROS	11.6%	11.3%	10.1%	10.9%	11.0%
Organic growth	-1.9%	9.4%	8.8%	-0.8%	-2.6%
CO <sub>2</sub> reduction (vs 2015) <sup>4</sup>	-5.4%	-2.9%	0.9%	3.8%	-15.6%
Illness rate	3.26%	3.47%	3.35%	2.98%	2.91%
<b>Average total salary per FTE</b>	49	48	47	46	45
<b>Pay-ratio Executive Board</b>	18.92	21.92	26.43	19.54	28.01

<sup>1</sup> On the basis of TRI, STI and LTI.

<sup>2</sup> Appointment Executive Board with effect from 3 May 2018.

<sup>3</sup> Member Executive Board until 3 May 2018.

<sup>4</sup> 2015: vs reference year 2008.

## REMUNERATION POLICY SUPERVISORY BOARD

The policy aims at providing a competitive compensation package to attract, motivate and retain qualified Supervisory Board members for a publicly listed company, while considering TKH's size and unique characteristics. TKH's strategy is directed towards achieving technological leadership with a strong position in seven vertical growth markets. TKH aims to be an attractive employer and to be a solid investment for its shareholders, whereby a socially responsible way of doing business is placed centrally. The policy is designed in the context of national and international market trends, statutory requirements, corporate governance best practice, the societal context around remuneration and the interests of TKH's shareholders and other stakeholders. The compensation package is measured periodically against market trends using information provided by external experts.

The overriding principle of TKH's remuneration policy is to ensure fairness and transparency. The remuneration structure has been designed to promote Supervisory Board members for an adequate performance of their role and is not dependent on the financial results of TKH. The Supervisory Board acknowledges its responsibility to be aligned with the identity, mission and key values of TKH.

In that context, it has been decided to have only a fixed remuneration income and no variable remuneration to be able to have an independent and objective role with respect to the realization of TKH's strategy, the targets, the long-term value creation and sustainability. For the full remuneration policy, we refer to TKH's website.

### APPLICATION OF THE POLICY IN 2019

#### 1. Remuneration

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

The remuneration of the Supervisory Board is as follow:

In thousands of euros	2019
Chairman Supervisory Board	60
Member Supervisory Board	45
Chairman Audit Committee	10
Member Audit Committee	7
Chairman Remuneration Committee / Selection and Appointments Committee	8
Member Remuneration Committee / Selection and Appointments Committee	6

If circumstances require members of the Supervisory Board to perform substantially more than the normal activities (more than 30 days), they will receive a remuneration of € 1,000 for each part of a day with a maximum of € 2,000 per day.

## 2. Total remuneration

The table below shows the total remuneration of the individual members of the Supervisory Board.

In thousands of euros	Regular remuneration	Remuneration membership committees	Total	Total
			2019	2018
A. de Proft MSc, <i>chairman</i>	60	8	68	47
P.P.F.C. Houben	45	10	55	44
R.L. van Iperen	45	8	53	43
C.W. Gorter	45	7	52	42
J.M. Kroon MBA	45	12	57	40
M.E. van Lier Lels <sup>1</sup>			0	18
<b>Total remuneration</b>	<b>240</b>	<b>45</b>	<b>285</b>	<b>234</b>

<sup>1</sup> Member of the Supervisory Board until 3 May 2018.

## 3. Share ownership of the Supervisory Board

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

## 4. Comparative information about the change of remuneration Supervisory Board

In thousands of euros	2019	2018	2017	2016	2015
A. de Proft MSc, <i>chairman</i>	68	47	43	36	36
P.P.F.C. Houben	55	44	44	44	44
R.L. van Iperen	53	43	42	42	42
C.W. Gorter <sup>1</sup>	52	42	28		
J.M. Kroon MBA <sup>1</sup>	57	40	24		
H.J. Hazewinkel <sup>2</sup>			27	53	53
M.E. van Lier Lels <sup>3</sup>		18	44	44	44
<b>Total remuneration</b>	<b>285</b>	<b>234</b>	<b>252</b>	<b>219</b>	<b>219</b>

<sup>1</sup> As from May 2017.

<sup>2</sup> Up to and including May 2017.

<sup>3</sup> Up to and including May 2018.