

Remuneration report

During the annual general meeting of shareholders of the Company on 7 April 2022 the Shareholders adopted (i) the Company's amended remuneration policy for the Management Board with effect as from 1 January 2022 (the Remuneration Policy) and (ii) the long-term incentive plan for the Management Board. In conformity with paragraph 3.4.2 of the Dutch Corporate Governance Code, the essential elements of the agreements between the Company and the Managing Directors are summarized below and the amounts for 2022 are specified.

In 2022 the Company was able to perform in line with its financial guidance and able to realise its planned expansion program. The Supervisory Board will stick to the agreed Short Term and Long Term bonus schemes and approves the cash bonus for 2022, which will result as outcome of the calculation of the KPI's.

The Remuneration Policy and business strategy have been aligned through the creation of specific short and long term targets that link each Managing Director's variable pay to the success of the Company. As such, both the short term and long term incentive plans are linked to the business strategy and accordingly to longer term value creation and sustainability of the Company. Reference is made to the STIP and LTIP paragraphs below on target setting. Variable remuneration is higher when targets are exceeded and no variable remuneration is payable if threshold targets are not met. This helps to ensure the alignment of the Managing Directors' interests with that of the Company's stakeholders and create a true pay-for-performance culture.

Before setting proposed targets the Supervisory Board carried out scenario analyses of the possible financial outcomes of meeting target levels as well as maximum performance levels and how they may affect the total remuneration of the Management Board.

Fixed remuneration

In accordance with the Remuneration policy, the fixed gross remuneration for the Management Board is as follows:

Board Member	Annual base fee as per 1 January 2022
Marco Roeleveld - CEO	€392,000
Jeroen van Rossen - CFO	€332,000
Michelle Lesh - CCO	€294,000

Pensions and other benefits

The Managing Directors will participate in the pension scheme of the industry wide pension fund for Metalektro, whereby the pensionable compensation is capped in line with the Dutch fiscal regime. Other benefits are a company car and participation in a collective health insurance plan. The Company has also arranged a Director liability insurance for the members of the Management Board.

Notice period

The management agreements for the CEO and CFO are entered into for an indefinite term. The management agreement for the CCO is up and until the AGM of 2026. The notice period for the Managing Directors is three months and for Alfen N.V. six months.

Severance payment

In line with current employment arrangements, the maximum severance payment, applicable to the Management Board members, is one year base pay in the preceding financial year. No severance payment will be paid if the agreement is terminated earlier at the request or in the event of a seriously negligent behavior of the Director. No such severance payments were made in 2022.

The variable remuneration

The variable remuneration consists of a short-term incentive ("STI") and a long-term incentive ("LTI").

STI Plan Summary

- The STI allows Managing Directors to receive annual awards in cash;
- The 'at target' amount of the STI is 30% of the annual base fee with a bandwidth of 20-40%, whereby the performance conditions, weighting and bonus percentages for 2022 are set out below;
- A one-year performance period applies.

STI performance KPI's for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.5 %	40.00 %	13.00 %
	Adjusted EBITDA	32.5 %	40.00 %	13.00 %
Non-financial performance conditions	New product introductions	17.5 %	30.00 %	5.25 %
	Footprint reduction	17.5 %	40.00 %	7.00 %
STI 2022		100 %		38.25 %

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €360.6 million and the maximum bonus was set on €396.7 million thus resulting in a bonus of 40.00%. The adjusted EBITDA in 2022 amounts to €79.4 million. The on target bonus was set on €54.6 million and the maximum bonus on €65.5 million thus resulting in a bonus of 40.00%. The new product introductions are evaluated by the Supervisory Board as an on target performance, resulting in a bonus of 30.00%. With regard to the footprint reduction the maximum bonus of 40.00% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2022 amounts to €150 thousand (2021: €40 thousand).

STI performance KPI's for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.5 %	40.00 %	13.00 %
	Adjusted EBITDA	32.5 %	40.00 %	13.00 %
Non-financial performance conditions	Procurement	17.5 %	40.00 %	7.00 %
	Footprint reduction	17.5 %	40.00 %	7.00 %
STI 2022		100 %		40.00 %

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €360.6 million and the maximum bonus was set on €396.7 million thus resulting in a bonus of 40.00%. The adjusted EBITDA in 2022 amounts to €79.4 million. The on target bonus was set on €54.6 million and the maximum bonus on €65.5 million thus resulting in a bonus of 40.00%.

With regard to procurement as well as to the footprint reduction for both items the maximum bonus of 40.00% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2022 amounts to €133 thousand (2021: €31 thousand).

STI performance KPI's for the CCO - Michelle Lesh		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.5 %	40.00 %	13.00 %
	Adjusted EBITDA	32.5 %	40.00 %	13.00 %
Non-financial performance conditions	Internationalisation	17.5 %	40.00 %	7.00 %
	Footprint reduction	17.5 %	40.00 %	7.00 %
STI 2022		100 %		40.00 %

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €360.6 million and the maximum bonus was set on €396.7 million thus resulting in a bonus of 40.00%. The adjusted EBITDA in 2022 amounts to €79.4 million. The on target bonus was set on €54.6 million and the maximum bonus on €65.5 million thus resulting in a bonus of 40.00%. Regarding the internationalisation item the revenue outside of the Netherlands in 2022 amounts to €222.7 million. The on target bonus was set on €144.0 million and the maximum bonus on €154.0 million thus resulting in a bonus of 40.00%. With regard to the footprint reduction the maximum bonus of 40.00% is achieved.

Based on the realised STI bonus percentage multiplied by the fixed remuneration the cash bonus for 2022 amounts to €118 thousand (2021: €14 thousand, based upon a service period from 1 July 2021 until 31 December 2021).

LTI Plan Summary

- The LTI allows Managing Directors to receive annual conditional awards of performance shares, i.e. fully paid ordinary shares in the capital of the Company;
- The value of the 'at target' number of performance shares is 40% of the annual base fee at the start of the performance period with a bandwidth of 30-50% taking into account the value of a fully paid ordinary share in the capital of the Company, based on the average closing share price of the last three trading days of the preceding year, at the start of the performance period;
- A three year performance period applies;
- Dependent on the actual achievement of the performance criteria after the three years performance period and, subject to continued engagement, the Managing Directors will be granted an unconditional award of performance shares;
- In case the performance shares are unconditionally granted, an additional holding period applies for one year and two years for grants made in 2020-2021 and 2022, respectively.

The following grants, comprising of Ordinary Shares in the Company, have been made under this plan:

Board Member	Grant date	Number of Awards Granted *	Grant date fair value	Exercise price
CEO - Marco Roeleveld	8 April 2020	7,848	€24.55	Nil
CEO - Marco Roeleveld	29 April 2021	1,752	€68.75	Nil
CEO - Marco Roeleveld	26 April 2022	1,818	€82.54	Nil
CFO - Jeroen van Rossen	8 April 2020	5,935	€24.55	Nil
CFO - Jeroen van Rossen	29 April 2021	1,363	€68.75	Nil
CFO - Jeroen van Rossen	26 April 2022	1,539	€82.54	Nil
CCO Michelle Lesh	22 July 2021	638	€80.25	Nil
CCO Michelle Lesh	26 April 2022	1,363	€82.54	Nil

* At 100% realisation of the applicable performance conditions. The actual number of Awards that will vest can range between 0% realisation and 125% realisation.

LTI performance KPI's for the CEO - Marco Roeleveld		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.50 %	45.21 %	14.69 %
	Adjusted EBITDA	32.50 %	45.00 %	14.62 %
Non-financial performance conditions	Internationalisation	11.67 %	40.60 %	4.74 %
	HSE evaluation	11.67 %	50.00 %	5.84 %
	Footprint reduction and CO2 emissions	11.67 %	50.00 %	5.84 %
LTI 2020		100 %		45.73 %

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €393.0 million thus resulting in a bonus of 45.21%. The adjusted EBITDA percentage in 2022 amounts to 18.0%. The on target bonus was set on 17.0% thus resulting in a bonus of 45.00%. The revenue outside of the Netherlands as percentage of the overall revenue is 50.6%. The on target bonus was set on 50.0% thus resulting in a bonus of 40.60%. The HSE item is evaluated by the Supervisory Board as an above target performance, resulting in a bonus of 50.00%. With regard to the footprint reduction the maximum bonus of 50.00% is achieved.

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 7,848 the LTI bonus for 2022 amounts to 8,972 shares.

LTI performance KPI's for the CFO - Jeroen van Rossen		Weight	Realisation	Net Bonus
Financial performance conditions	Revenues and other income	32.50 %	45.21 %	14.69 %
	Adjusted EBITDA	32.50 %	45.00 %	14.62 %
Non-financial performance conditions	Internationalisation	11.67 %	40.60 %	4.74 %
	HSE evaluation	11.67 %	50.00 %	5.84 %
	Footprint reduction and CO2 emissions	11.67 %	50.00 %	5.84 %
LTI 2020		100 %		45.73 %

The revenues and other income in 2022 amount to €439.9 million. The on target bonus was set on €393.0 million thus resulting in a bonus of 45.21%. The adjusted EBITDA percentage in 2022 amounts to 18.0%. The on target bonus was set on 17.0% thus resulting in a bonus of 45.00%. The revenue outside of the Netherlands as percentage of the overall revenue is 50.6%. The on target bonus was set on 50.0% thus resulting in a bonus of 40.60%. The HSE item is evaluated by the Supervisory Board as an above target performance, resulting in a bonus of 50.00%. With regard to the footprint reduction the maximum bonus of 50.00% is achieved.

Based on the realised LTI bonus percentage multiplied by the on target number of shares of 5,935 the LTI bonus for 2022 amounts to 6,785 shares.

The LTI grants for the financial year 2022 and 2021 are subject to the following selection of performance conditions as determined by the Supervisory Board:

LTI performance KPI's for the Management Board (i.e. under the long-term incentive plan)		Weight
Financial performance conditions	Revenues and other income	32,50%
	Adjusted EBITDA percentage	32,50%
Non-financial performance conditions	Internationalisation	11,67%
	HSE evaluation	11,67%
	Footprint reduction and CO2 emissions	11,67%

Please note that the realisation of the LTI grant of 2022 and 2021 will be based on the outcome of financial year 2024 and 2023, respectively, and thus cannot be determined yet.

Total remuneration

The total remuneration of the Management Board, split by component and presented in relative proportion between fixed and variable remuneration is as follows:

In EUR '000	M. Roeleveld - CEO		J. van Rossen - CFO		M. Lesh - CCO	
	2022	2021	2022	2021	2022	2021
Salaries and wages	392	356	332	277	294	130
Short-term incentive plan	150	40	133	31	118	46
Social security contributions	16	18	14	16	13	6
Pension contributions (DC)	23	21	18	17	16	8
Share-based payments	211	88	165	67	56	76
Other	25	34	13	27	13	3
Total	817	557	675	435	510	269
Percentage of variable remuneration	44%	23%	44%	23%	34%	45%

Internal pay ratio

In EUR '000	2022	2021*
Management Board compensation		
Salaries and wages	1,018	763
Short-term incentive plan	401	117
Social security contributions	43	40
Pension contributions (DC)	57	46
Share-based payments	432	231
Total	1,951	1,197
Average number of FTE's	—	—
Average compensation	650	479
Employee compensation		
Salaries and wages	44,356	33,658
Social security contributions	6,951	4,900
Pension contributions (DC)	4,603	3,492
Share-based payments	563	410
Total	56,473	42,460
Average number of FTE's	784	634
Average compensation	72	67
Internal pay ratio	9.0	7.1

* 2021 adjusted for comparison purposes in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.

The Remuneration policy for the Management Board takes into account the pay ratio within the organisation. The Alfen internal pay ratio is calculated by dividing the average total Management Board compensation by the average employee compensation. The average employee compensation is based on the total personnel cost (defined as salaries and wages, social security contributions, pension contributions and share-based payment costs) and the average number of FTE's excluding the Management Board (see also Note 9, Note 11 and Note 15 of the Consolidated Financial Statements)¹.

The internal pay ratio increased from 7.1 in 2021 to 9.0 in 2022 as a result of the revised remuneration policy for the Management Board as adopted in the AGM of April 2022. This effect is further amplified by above target performance for LTI 2020 and STI 2022.

¹ In light of transparency and clarity, Alfen applies a methodology to calculate the internal pay ratio that is IFRS-driven and thus is linked to Alfen's Notes to the Consolidated Financial Statements

5-year comparison

(in EUR '000)	2022		2021		2020		2019		2018	
	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)	Actual	Δ (%)
Revenue and other income	439,876	76 %	249,679	32 %	189,010	32 %	143,169	41 %	101,893	n/a
Adjusted EBITDA *	79,370	115 %	36,845	51 %	24,374	68 %	14,525	301 %	3,623	n/a
Average Management Board compensation **	650	36 %	479	23 %	388	44 %	269	3 %	262	n/a
Average employee compensation **	72	7 %	67	5 %	64	3 %	62	15 %	54	n/a

* Adjusted EBITDA in 2018 is excluding IFRS 16 as this standard was not yet adopted by the Company.

** 2021 adjusted for comparison purposes in alignment with the appointment of Michelle Lesh (CCO) as member of the Board of Directors.

As Alfen was listed on 22 March 2018 the 5-year comparison of average compensation and business performance started in 2018. The business performance of Alfen is related to the strategy of profitable growth. The suitable criteria to measure the business performance are defined as growth in revenue and other income as well as growth in adjusted EBITDA.

Benchmark analysis remuneration policy

In 2021 a benchmark analysis was performed by an external agency on the remuneration policy for the Management Board. This resulted in an adjusted remuneration policy which was adopted by the Annual General Meeting on 7 April 2022.

Remuneration information for the Supervisory Board

The remuneration of the Supervisory Board is not dependent on the company's results. The members will not receive ordinary shares or rights to ordinary shares as remuneration.

The total remuneration of the members of the Supervisory Board is shown below:

In EUR '000	2022	2021
H. ten Hove	50	50
W.W.M. Ackermans	40	40
E.M. Oudenbroek	40	40
J. van der Vlist - Date of entry 21 November 2022	4	—
Total	134	130

No options have been awarded to the Supervisory Board, nor any loans, advances or guarantees.