

## EXPLANATORY NOTE TO AGENDA AGM 2022

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### **Explanatory note on the proposed adjustment of the Remuneration Policy for the Management Board**

Date: 17 December 2021

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## **Remuneration Policy**

### **a.) Management Board**

The Supervisory Board has reviewed the remuneration arrangements of the Managing Directors, as implemented under the Remuneration Policy that was adopted by the Annual General Meeting of Shareholders ('AGM') on 8 April 2020. This review incorporated the views of our Managing Directors as well as our HR function and views expressed by shareholders.

The review was conducted with the help of our external advisor, taking both the internal and external perspective into consideration. The rapid growth of the Company came up as an important factor in both perspectives. In the three years since Alfen was listed on the Amsterdam Stock Exchange the number of staff has almost doubled, while sales more than doubled. The market capitalisation, that reflects the potential that shareholders attribute to Alfen, has increased eightfold.

The external perspective is assessed relative to a reference group of 14 Dutch listed companies of comparable size and complexity. The composition of the reference group used in setting remuneration levels in 2020 was adjusted, replacing one company that was delisted and two smaller companies that no longer fulfill the selection criteria. Comparison to this adjusted reference group with three new peer companies shows that the remuneration of our Managing Directors falls significantly short of the median which is used as reference point.

The rapid growth of the company also affects the internal perspective. As the organisation has become bigger and more complex, the task and responsibility in all senior management positions has increased significantly. In order to attract and retain senior managers in increasingly demanding positions, remuneration levels have been raised to a corresponding extent.

The Supervisory Board proposes to adjust the Remuneration Policy, in order to restore internal pay differentials to equitable levels and raise remuneration levels to the relevant market median. This will be achieved first of all by increasing the short-term incentive ('STI') from the current at target level of 10% of base salary to 30%, closer to the median level of the peer group (38%).

An increase of base salary closes the gap to the median. In 2022 the base salary of the CEO will be raised by 10%, the salary of the CFO by 20%. The higher increase for the CFO reflects the growth in his role, taking on additional responsibilities and fulfilling a broader task to full satisfaction.

To allow for more flexibility in setting base salaries, and make the motivation of adjustments more transparent, an automatic indexation in line with Dutch consumer price inflation is introduced. Adjustments that reflect the growth of board members' responsibility and proven leadership are at the discretion of the Supervisory Board and will be motivated separately.

The long-term incentive ('LTI') remains unchanged in conditions and level, at 40% of base salary. Under the new policy the holding period, subsequent to vesting, is extended from one to two years, to fully comply with the best practice of the Dutch Corporate Governance Code that share awards should be held at least five years.

The proposal for this Remuneration Policy has been submitted to the Works Council. The positive advice of the Works Council is part of the meeting documents for the AGM, as an attachment to the text of the Remuneration Policy and is available on the Company website [www.ir.alfen.com](http://www.ir.alfen.com).

The Supervisory Board proposes to adopt the remuneration policy of the Management Board. When approved, this Remuneration Policy will apply with retroactive effect as of 1 January 2022.

#### **b.) Supervisory Board**

The Supervisory Board has reviewed the remuneration policy for its members as approved by the AGM in 2018 and, with some adjustments, again on 8 April 2020. The Supervisory Board concludes that both fee structure and fee levels remain satisfactory. The Board sees no reason for adjustment and leaves the Remuneration Policy for the Supervisory Board 2020 as is.

The text of this policy, that to date was integrated in a single remuneration policy document, has been re-edited in a separate document and is presented on the Company website [www.ir.alfen.com](http://www.ir.alfen.com).