REMUNERATION POLICY FOR THE MANAGEMENT BOARD

Remuneration policy intended for 2024 – 2028 upon approval by the Annual General Meeting of shareholders on 9 April 2024.

ALFEN N.V.

Proposal to the Annual General Meeting of Shareholders 2024
Date: 9 April 2024

Preamble

In 2022 our remuneration policy for the Management Board was approved by the annual general meeting (AGM). In the meantime, considering the many changes Alfen has gone through in a short period of time, we have concluded a review to assess whether our established policy serves us well in attracting and retaining the desired Management Board members and providing compensation in line with our values and long-term interests. Alfen specifically operates in a dynamic environment with steep growth and internationalization and in general we see emerging best practices in relation to Management Board remuneration. Because the Management Board's responsibilities have developed so much we believe that the current Remuneration Policy is no longer up to date. The conducted review of our remuneration policy seeks to ensure a pay practice that remains fit for purpose for the years to come. We want a policy that remains aligned with Alfen's ambitious growth plans, that allows to attract the right talent from the market and with an increased focus on pay for performance through long term variable pay. We developed this proposal together with an independent external advisor and consulted a cross-section of our shareholder base and other (internal and external) stakeholders to ensure alignment on expectations and appropriate (societal) context.
The outcome of the review is that our overarching remuneration structure will stay in place. In our 2024 AGM we propose a number of changes which are described in detail in the draft policy. In this Preamble, we take the opportunity to highlight the key changes to the existing policy, namely:

Pay Levels
The Management Board's activities have changed fundamentally over the past years. Due to business unit expansion, revenue growth, new country entries and internationalization in general, the responsibilities for the Management Board have become larger and more complex. For example, Alfen has grown with a CAGR of 43% between 2017 and 2022.
In May 2023, Alfen held its Capital Markets Day for investor and set the financial objective to reach at least 1 billion of revenue in the time period 2025-2027: implying a CAGR of 23% at the mid-point.
The recent growth and Alfen's ambitions led the Supervisory Board to propose an increase in total remuneration level.

Labor Market Reference Group
Considering Alfen's recent growth and its profitable growth strategy for the upcoming years, the Supervisory Board developed a revised reference group. In addition, 36% of the current reference group companies have delisted, which triggered an additional need for review of the group.

Company	HQ	GICS Industry	Market cap (in millions EUR)	Revenues (in millions EUR)	Employees (FTE equivalent)	Assets (in millions EUR)
Alfen	**Netherlands**	**Electrical Equipment**	**1,567**	**440**	**893**	**321**
Accelleron Industries	Switzerland	Electrical Equipment	2,105	729	2,500	917
Hexatronic Group	Sweden	Electrical Equipment	1,881	590	1,696	663
SGL Carbon	Germany	Electrical Equipment	1,033	1,136	4,760	1,480
Varta	Germany	Electrical Equipment	966	807	4,498	1,258
Wallbox NV	Spain	Electrical Equipment	689	144	1,267	422
TKH Group	Netherlands	Electrical Equipment	1,884	1,817	6,198	2,068
Corbion*	Netherlands	Chemicals	1,744	1,458	2,601	1,705
Fugro	Netherlands	Construction & Engineering	1,476	1,766	9,401	2,057
AMG Critical Materials	Netherlands	Metals & Mining	1,281	1,535	3,423	1,750
TomTom*	Netherlands	Software	955	536	3,769	808
Acomo	Netherlands	Consumer Staples Distribution & Retail	631	1,423	1,191	861
Nedap*	Netherlands	Electronic Equipment & Components	389	231	915	135
Sif Holding*	Netherlands	Electrical Equipment	327	375	587	357
Kendrion*	Netherlands	Automobile Components	252	519	2,753	477

**In the 2022 MB peer group used for benchmarking*

The Supervisory Board has developed a new labour market reference group to reflect Alfen's increased size, geography, complexity and the need for flexibility towards future growth. The new reference group includes European peers to reflect Alfen's internationalization, an increased focus on electrical equipment (manufacturing) and adjacent businesses.

The proposed increase in quantum positions the Management Board pay level below the 25th percentile of the revised reference group. We note that the proposed increase positions executive pay below the 25th percentile of the AMX remuneration levels and around the median of AScX remuneration levels (with reference to the table below). When the intended profitable growth trajectory is realized, the new labor market reference group allows moving towards the median over time.

Chief Executive Officer	Alfen		Labour market reference group			AMX Index			AScX Index		
	Alfen current	Alfen proposed	25P	Median	75P	25P	Median	75P	25P	Median	75P
Base salary	431,200	475,000	465,000	630,000	725,000	685,000	725,000	960,000	410,000	555,000	620,000
STI Target (as % of base salary)	30%	50%	60%	70%	80%	45%	60%	80%	30%	50%	60%
Total Target Cash Compensation	560,560	712,500	800,000	1,040,000	1,155,000	1,030,000	1,165,000	1,655,000	530,000	845,000	945,000
LTI Target (as % of base salary)	40%	100%	45%	100%	115%	90%	105%	175%	20%	55%	70%
Total Direct Compensation	733,040	1,187,500	1,280,000	1,805,000	2,270,000	1,665,000	1,865,000	2,900,000	660,000	1,160,000	1,310,000

<u>Opportunity levels</u>

We propose to increase the on target opportunity levels for STI and LTI. Primarily, the proposed design puts more emphasis on pay-for-performance. With the increase in the LTI opportunity level, the Supervisory Board emphasizes the focus on long-term and sustainable achievements. In addition, we note that the proposed target percentages for STI and LTI better aligns with external market levels (based on the updated reference group). The threshold and stretch levels as a percentage of target STI and LTI have also been reviewed (50%-150%) to better align with market practice.

<u>Performance Incentive zones</u>

The number and type of performance measure zones for LTI and STI have been reviewed and redefined. First of all, the proposed updates aim to have less overlap between STI and LTI performance measures and clearly separating shorter term goals (e.g. safety and customer satisfaction) and longer term goals (e.g. SBTi approved CO2 targets and technology forefront). While the Supervisory Board requires some freedom to select the most relevant measures in the interest of the company, the number of zones remains limited to allow for predictability for shareholders. Therefore, our ambition is to maintain the selection of measures as stable as possible. The Supervisory Board remains committed to transparency and will provide insight into actual performance measures used, the respective targets and consequent achievement in the remuneration report.

Introduction share ownership guidelines

The introduction of Share Ownership Guidelines complies with Alfen's guiding principle to foster alignment of interests of the Managing Directors with its shareholders. The level of the guideline is set in relation to the LTI opportunity provided, taking into account that the first vesting thereof will be in (at least) 3 years time.

Update governance provisions

The Supervisory Board proposes to update the governance provisions to comply and align with (evolving) market best practice:

- Expanding the discretionary authority to either adjust in-flight due to exceptional circumstances in order to maintain challenging and motivating for the Management Board rather than the only current option of adjusting ex-post on the actual outcome.
- We are committed to transparency and will provide clear insight into any discretion applied in the remuneration report.
- We have updated the derogation clause in line with best practice governance standards and increase transparency of the policy.
- We have updated the recruitment policy in line with best practice governance standards and we have increased transparency of the policy.

Societal context

In anticipation of the current proposal, the Supervisory Board met with various stakeholders (investors, proxy advisors and the works council). The Works Council gave positive advice in relation to the proposal.

The most important feedback from the stakeholder engagement sessions can be summarized along the lines of the following themes:

  - Increased pay level: considering the overall level increase, a clear explanation helps to understand the rationale. The Supervisory Board aims to provide this explanation through this Preamble. The increase of total pay through increase of the LTI percentage level is considered positively.
  - In line with stakeholder feedback, the proposed policy now includes a revised mechanism for annual increase of base salary. Reference is made to employee salary increases, to ensure alignment with internal pay practices.
  - Regarding variable pay, several stakeholders underlined the importance of clear target setting (measurable, limited list of KPI zones). The Supervisory Board agrees with this, and will focus on transparent reporting in the Remuneration Report.
  - In relation to discretionary authority, stakeholders asked to include examples and boundaries in the Policy to maintain compliance with SRDII. The Supervisory Board has followed up on this feedback by improving clauses 4.1, 4.2 and 5.1 of the new Policy.

1. INTRODUCTION

Set forth below is the proposal for the Remuneration Policy for statutory Managing Directors of Alfen N.V. (the Company) that will be submitted for approval to the general meeting of shareholders of the Company (the General Meeting) on 9 April 2024.

The proposal has been submitted for advice to the Works Council of the Company. The positive advice of the Works Council is part of the meeting documents for the General Meeting.

This policy describes the policies, structures, principles and elements of remuneration of the Managing Directors of the Company (the Managing Directors) that together form the statutory board of the Company (the Management Board).

This Remuneration Policy takes into account all applicable laws and regulations, such as, but not limited to, article 2:135a of the Dutch Civil Code, the Dutch Corporate Governance Code, the articles of association of the Company (the Articles of Association) and the By-laws of the Management Board, as applicable from time to time.

2. POLICY PRINCIPLES

Alfen's mission, vision and values are:

A connected and smart sustainable energy system for future generations
To boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart
Sustainable, Partner, Adaptive, Reliable, Knowledgeable

This Remuneration Policy is designed to:

Attract, motivate and retain highly qualified individuals by offering a market competitive remuneration package
Elevate the pay-for-performance narrative by offering a significant portion of the total pay opportunity in pay at risk
Focus on sustainable financial results aligned with the long-term business strategy of the Company by prioritizing long-term variable opportunities over the short-term
Support the Company's strategy of pursuing sustainable profitable growth by integrating performance measures that are directly and indirectly linked to this ambition
Discourage to take or stimulate inappropriate risks by limiting the upside on variable opportunity payout levels
Ensure fairness and transparency by taking into account internal pay ratios within the company and external pay assessments, corporate governance best practice and the societal context around remuneration.
Foster alignment of interests of the Managing Directors with its shareholders and other stakeholders by paying out part of the remuneration in shares – subject to a holding period and introducing share ownership guidelines

3. ELEMENTS OF THE REMUNERATION OF THE MANAGING DIRECTORS

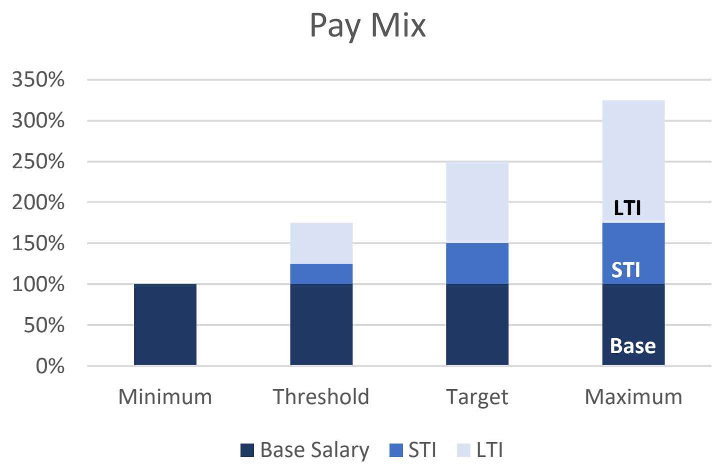
3.1 Overview

Based on the Remuneration Policy, the remuneration of the Managing Directors consists of the following elements, which are discussed in more detail below:

- A fixed annual base fee (salary);
- Short-term incentive;
- Long-term incentive;

- Pension and other benefits.

The ratio between fixed and actual variable pay in any given year depends on to what extent the performance targets are met. The graph shows the pay mix under different performance realisations on a scale where the base salary represents 100%. The pay mix ranges from underperformance below threshold level on both STI and LTI, resulting in payout of salary only, to outperformance resulting in salary plus maximum payout and vesting.



3.2 External benchmark

The level of total direct compensation ('TDC', i.e. base fee + STI + LTI at target) is regularly reviewed. For external reference, we have established a reference group built on the following intentions:

- whether the composition of the group reflects the talent pool that we aim to draw executive talent from;
- whether the scale and complexity of the group is comparable to the size and activities of Alfen.

The group consists of at least 12 companies and the composition of the group is not limited to direct competitors. Further, five guiding principles are used in creating a consistent framework that revisions can be made in specific circumstances (e.g., delisting of peers).

Guiding principles

Future state – Alfen's growth trajectory and ambitions should be reflected in the peer group – making the group future-proof for the coming years.

Geography – Alfen is market leading in the Netherlands and has solid positions in other European countries. Most of its business, partners, competitors and talent markets are based in the Netherlands and Europe (outside Europe is currently not considered relevant).

Industry – Alfen is a provider of electric energy solutions, developing and distributing smart grids, energy storage systems and electric vehicle charging equipment. Electrical equipment, (manufacturers of) electronical equipment and components, automotive and software are initial areas of interest.

Size – Current scope metrics are a relevant size indicator, but do not fully reflect the complexity of the ecosystem Alfen is operating in and the company's future potential; Market capitalization and revenue are considered relevant metrics, whereas number of employees and total assets can be used for validation purposes.

Governance – Alfen's Dutch roots and country of headquarters and listing should be recognized in the peer group in combination with the internationalization strategy and ambitions.

If the intended profitable growth trajectory is achieved the peer group has been established to allow room for manoeuvring towards the median over time.

In addition, some changes can be made to the composition of the peer group without shareholder approval, unless:

- The maximum of- non-NL peers in the group exceeds 50%.
- More than 33% of the companies in the peer group are adjusted throughout the full term of the policy.

These changes may be considered in instances such as but not limited to: M&A, change in business activities etc.

We strive to keep the peer group composition stable, while permitting room for responsiveness to changes such as delisting and will publish the composition in the remuneration report if any changes occur.

3.3 Base Fee

Base fee
Description and purpose Fixed cash payments intended to attract and retain executives of the highest caliber and to reflect their experience and scope of responsibilities.
Policy level These are the current members of the Management Board. In 2024, the proposed salaries are: CEO: € 475,000 CFO: € 356,250 CCO: € 356,250
Operation Upon appointment, the base fee is determined by the Supervisory Board taking into account factors such as role responsibilities, performance and experience of the individual, internal pay ratios and external market data. Going forward, the base fee will be indexed annually with the lower of - the CBS consumer price index measured over the full calendar year preceding the adjustment; OR - the average wider workforce increases as part of the annual evaluation of fixed remuneration.

3.4 Short Term Incentive ("STI")

Short-Term Incentive (STI)
Description and purpose Variable (cash) bonus incentive of which achievement is tied to specific financial and non-financial targets derived from the company's (annual) strategic plan, allowing to apply focus on short-term business critical goals and drive behavior.
Policy level The on-target STI opportunity is 50% of base salary.
Operation At the beginning of each financial year the Supervisory Board sets specific performance targets. The Supervisory Board also sets threshold performance levels that qualify for a payout of 50% of the on-target STI opportunity, and a level of overperformance that qualifies for the maximum payout of 150% of the on-target STI opportunity. If performance remains below threshold, the award is zero.
Performance measures The performance conditions will be determined by the Supervisory Board and will be based on financial performance(50-67%) and individual criteria including non-financial performance (33-50%). With respect to the financial performance conditions, the Supervisory Board will select a minimum of two (2) conditions for all members of the Management Board such as, but not limited to: (i) revenues, (ii) Adjusted EBITDA, (iii) working capital. With respect to non-financial performance conditions, the Supervisory Board will select a minimum of two (2) indicators for each individual member of the Management Board such as, but not limited to: (i) safety score, (ii) customer satisfaction, (iii) diversity, (iv) growing and educating our people, (v) individual performance.

Each year the Supervisory Board will state in the Remuneration Report:

- For the year in which the Report is published, which financial or individual/non-financial criteria are selected for the year including the weight assigned to each criterion;
- For the previous year, how the performance on each criterion has been assessed against the pre-set targets and what payout this results in. Payout occurs in cash.

3.5 Long-Term Incentive ("LTI")

Long-Term Incentive (LTI)
Description and purpose Variable equity incentive of which achievement is tied to targets reflecting long-term stakeholder value creation, enhancing the pay-for-performance narrative and aligning recipients with the shareholder experience.
Policy level The on-target LTI opportunity is 100% of base salary.

Operation
Under the Company's Long-Term Incentive Plan Managing Directors receive annual conditional grants of Performance Shares, subject to the approval of the Supervisory Board in accordance with the Remuneration Policy, conditional on performance over a three-year period. The number of Performance Shares to be granted is calculated by dividing the amount equivalent to 100% of the base fee by the average closing share price on the last three trading days of the preceding year, at the start of the performance period. At grant, the Supervisory Board sets performance targets and when these targets are met during the three-year period, all shares granted will vest i.e. be awarded unconditionally. When performance equals a pre-set threshold level, 50% of the shares granted will vest and in case of overperformance up to 150% of the shares granted will vest. When performance remains below threshold, no shares will vest.
Performance measures
The performance conditions will be determined by the Supervisory Board and will be based on financial performance(50-67%) and individual criteria including non-financial performance (33-50%). With respect to the financial performance conditions, the Supervisory Board will select a minimum of two (2) conditions for all members of the Management Board such as, but not limited to: (i) revenue growth, (ii) adjusted EBITDA margin, (iii) ROI. With respect to non-financial performance conditions, the Supervisory Board will select a minimum of two (2) indicators for all members of the Management Board such as, but not limited to: to environmental measures such as (i) SBTi-approved CO_2 targets (ii) use of energy or strategic measures linked to the strategic plan such as (i) internationalization (ii) technology forefront (iii) new product introductions. While the above strategically incorporates several non-financial metrics, it is Alfen's ambition to incorporate relevant objectives related to sustainability in our STI and LTI plans, by the time data availability and performance monitoring would allow us to do so.

Each year the Supervisory Board will state in the Remuneration Report:

- For the current grant, which financial or individual/non-financial criteria are selected for the year including the weight assigned to each criterion;
- For the award that vests in the current year, how the performance on each criterion has been assessed against the pre-set targets and what payout this results in. Payout occurs in shares.

Upon vesting, the Managing Directors will be required to hold such awarded Performance Shares for an additional period of two years, subject to any sales required in order to meet tax liabilities.

Any vesting is conditional on continued employment, subject to the leaver treatment and change in control provisions set out in the Rules of the Long-Term Incentive Plan for Managing Directors and approved by the General Meeting in 2020.

3.6 Pensions and other benefits

Base fee
Description and purpose Pension and benefits offered intend to contribute to the attraction and retention of executives, encourage long-term saving and planning for retirement.
Operation Managing Directors are eligible to participate in the Company's pension scheme similar to the other employees of the Company in the Netherlands, i.e. the CAO Pensioen Metalektro. In addition, they are eligible for: • A company car in accordance with the Company's car policy; • A collective accident insurance policy taken out by the Company; • D&O liability insurance arranged and paid for by the Company; • The possibility to participate in the Company's collective health insurance policy; • The possibility to make use of supplementary disability insurance.

In the case that revisions are made to the Dutch pension act, the Supervisory Board reserves the right to accommodate for resulting conflicts between the policy and the legislation.

Apart from their remuneration, Managing Directors shall be reimbursed for all reasonable costs incurred with the consent of the CEO, or, with respect to the CEO, incurred with the consent of the vice-chairman of the Supervisory Board.

The Company and any of its subsidiaries shall not grant personal loans, guarantees or the like to Managing Directors except within the framework of its usual business operations, on conditions which apply to all employees and with the approval of the Supervisory Board. Loans to the Managing Directors are not remitted.

4. GOVERNANCE PROVISIONS

The Remuneration Policy is intended to provide for an attractive, market competitive remuneration package where sustainable performance is delivered. Reward for failure should in all cases be avoided.

The Supervisory Board has the authority to make minor policy changes to the remuneration policy to maintain the spirit of the remuneration policy. If the Supervisory Board decides on a proposal to make material changes to the remuneration policy, the AGM shall be requested to adopt a resolution to that effect.

4.1 Discretion

- The Supervisory Board reserves the discretionary authority to adjust STI/LTI objectives and targets in case of exceptional circumstances/one off events outside management's span of control (e.g., strategic portfolio disposals, significant acquisitions, accounting changes or exceptional one-off costs) or if the individual has committed serious misconduct or violated Alfen's Code of Conduct.
- The Supervisory Board has the discretionary authority to adjust actual pay-outs under both the short-term incentive and the long-term incentive, if any, where the outcomes are not considered a fair representation of actual performance delivered, in line with article 2:135 of the Dutch Civil Code.
- Any discretion applied will be disclosed in the Remuneration Report.

4.2 Derogation

The Company may pursuant to article 2:135a, paragraph 4 of the Dutch Civil Code, in exceptional circumstances, on authority of the Supervisory Board, temporarily derogate from the provisions in chapter 3.3 on base fee level, when the derogation is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability.

- Fixed remuneration: Award of a management allowance (in case Managing Directors are (temporarily) taking on additional responsibilities) capped at 75% of fixed remuneration.

The derogation clause is only triggered in case of exceptional circumstances as defined and specified in the Dutch Civil Code. Triggers could be, but not limited to, the outbreak of a crisis or serious financial turnaround requirements or serious illness or death of Managing Directors.

In case of a trigger event, the Supervisory Board may apply the derogation clause, based on an overview of elements for which derogation should be applied and what the impact on quantum will be (if any). Application of the derogation clause will be disclosed in the remuneration report.

Derogation will be terminated no later than the adoption of a new remuneration policy.

4.3 Clawback

- If pay-outs have been made based upon incorrect financial and other data, the Supervisory Board has the discretion to decide to claw-back any pay-outs made or shares delivered under the incentive schemes, if any, in line with article 2:135 of the Dutch Civil Code.

4.4 Share ownership guidelines

Managing directors are encouraged to build share ownership (via LTI) awards:

- CEO – 100% of base salary
- Other MB – 75% of base salary

There is no minimum build up period requirement to acknowledge current possibilities for current EB members to build up shares (via LTI grants). The holding may be build-up by retaining all after-tax shares from the LTI program and does not require personal share purchases.

5. AGREEMENTS WITH THE MANAGING DIRECTORS

Managing Directors are employed under a management services agreement for the duration of up to four years, after which the agreement shall terminate automatically. The agreement contains a notice period of three (3) months for the Managing Director and six (6) months for the Company. The Company can also terminate the management agreement immediately with a payment in lieu of notice.

The agreement may contain a contractual severance clause that entitles the Managing Director to a payment of up to one annual base fee. The clause applies in case of termination at the initiative of the Company or the General Meeting for a reason other than – among others – culpable behaviour. Any severance or compensation granted by a court in relation to termination of the management agreement shall be deducted from the severance payment.

5.1 Recruitment and appointment

The Supervisory Board retains the flexibility to provide one-off compensation upon appointment of a new Managing Director, to replace variable remuneration awards that the appointee forfeits from previous employment and/or other loss of income as a direct result of joining Alfen. The Board will ensure that such sign-on arrangements are no more generous than the original awards or payment they are replacing. Depending on the circumstances at the time, the Board may determine the type of award, in cash or shares and the payout or vesting conditions that apply for which the Board will aim to offer a like-for-like comparison where possible.

The appointment of a new member of the Management Board requires approval of the General Meeting. Attached to the proposal for appointment is an outline of the contract. Any share-based sign-on arrangement will be submitted to the General Meeting for approval in conjunction with the proposal for appointment.

5.2 Legacy arrangement

The Supervisory Board respects agreements with Managing Directors, irrespective of whether they are in line with this remuneration policy, if the terms were agreed prior to the Initial Public Offering in 2018. The management agreement of the current CEO, first appointed in 1997, is for an indefinite term rather than the maximum 4 years stipulated by this Policy. Legacy arrangement may also be respected in case of internal promotions. In all other respects the contracts comply to this Policy.

6. GOVERNANCE OF THE REMUNERATION POLICY

6.1 Establishment of the Remuneration Policy

In line with article 13.4 of the Articles of Association, this Remuneration Policy is determined by the General Meeting , after the works council of the Company has been granted the opportunity to render advice.

Pursuant to article 12 of the Supervisory Board Rules and article 13.4 of the Articles of Association, the Supervisory Board is responsible for formulating this Remuneration Policy.

The Remuneration Policy will be submitted for approval to the General Meeting at least every four years.

6.2 Amendment of the Remuneration Policy

Any amendments to this Remuneration Policy are subject to adoption by the General Meeting, upon a proposal of the Supervisory Board.

All revisions of the Remuneration Policy shall be accompanied by a description and explanation of all significant changes, the decision-making process followed for its determination, review and implementation, measures to avoid or manage conflicts of interests and pay ratios. Next, the description shall also explain how it takes into account the votes and views of shareholders and other stakeholders of the Remuneration Policy since the most recent vote on the Remuneration Policy by the General Meeting.

When the General Meeting does not approve the proposed amendments to the Remuneration Policy, the Company shall continue to remunerate in accordance with the existing adopted Remuneration Policy and shall submit a revised policy for approval at the following General Meeting.

6.3 Operation of the Remuneration Policy

Pursuant to article 12 of the Supervisory Board Rules and article 13.4 of the Articles of Association, the Supervisory Board is responsible for the implementation of the Remuneration Policy. The remuneration of, and other agreements with, the Managing Directors are determined by the Supervisory Board, with due observance of the Remuneration Policy. In its annual remuneration report, the Supervisory Board will communicate clearly and transparently to the Company’s stakeholders how this Remuneration Policy has been pursued.
