REMUNERATION POLICY FOR MANAGING DIRECTORS

Proposal to the Annual General Meeting of Shareholders 2022

Date: 17 December 2021

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 7 April 2022.

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.

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 rules of the Management Board, as applicable from time to time.

All amounts mentioned in this Remuneration Policy are gross amounts.

2. MAIN CHANGES

Our current Remuneration Policy for the Managing Directors was adopted by the General Meeting on 8 April 2020 in view of its alignment between the interests of the Managing Directors and the Company's shareholders and other stakeholders. 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 in 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 position, remuneration levels have been raised to a corresponding extent.

The Supervisory Board proposes a new Remuneration Policy 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%, which is 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 or 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 Supervisory Board has also reviewed the Remuneration Policy for Supervisory Directors. Compensation structure and levels are found to be satisfactory and the policy will remain unchanged. As it was previously included in a single document together with the policy for Managing Directors, the Remuneration Policy for Supervisory Directors has now been re-edited in a separate policy document that is published on the company website.

3. POLICY PRINCIPLES

This Remuneration Policy is implemented in accordance with the following principles, setting out the way the Remuneration Policy contributes to the Company strategy, the short- and long-term interests and the sustainability of the Company and how it takes into account its identity, mission and values:

a) The Remuneration Policy is designed taking into account the Company's vision ("A connected and smart sustainable energy system for future generations"), mission ("To boost the energy transition by engineering, manufacturing, integrating and connecting high quality energy solutions that are innovative, reliable and smart") and values ("Sustainable, Partner, Adaptive, Reliable, Knowledgeable") through performance targets related to for example growth, innovation and sustainability.

b) In setting the performance targets related to this Remuneration Policy, the Company's strategy and medium-term objectives are taken into account, amongst which growth, internationalisation and increasing profitability.

c) The Remuneration Policy aims to attract, motivate and retain highly qualified individuals and reward them with a market competitive remuneration package that focuses on achieving sustainable financial results aligned with the long-term business strategy of the Company. The Remuneration Policy fosters alignment of interests of the Managing Directors with its shareholders and other stakeholders.

d) The Remuneration Policy is designed in the context of competitive market trends, statutory requirements, corporate governance best practice, the societal context around remuneration and the interests of the Company's shareholders and other stakeholders.

e) The total remuneration of the Managing Directors reflects the expected growth of the Company pursuant to its strategy. The Remuneration Policy is designed in a way that Managing Directors and Supervisory Directors are not encouraged to take or stimulate inappropriate risks.

f) The Remuneration Policy is designed to ensure fairness and transparency.

g) The Remuneration Policy is designed in a way that it takes into account the societal context around remuneration and corporate governance best practice.

h) 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 specific 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.

4. POLICY OBJECTIVES

The Company holds the view that its Remuneration Policy, including severance payment should serve the following objectives (the Remuneration Objectives):

(i) reflect the interests of all stakeholders;

(ii) attract and retain the Managing Directors and Supervisory Directors that have the talent and skills to develop and expand the business;

(iii) takes into account the internal pay ratios within the Company;

(iv) takes into account the identity, mission and values of the company as well as the popular support on remuneration;

(v) does not encourage Managing Directors nor Supervisory Directors to act in their own interest, nor to take risks that are not in line with the strategy formulated and the risk appetite that has been established; and

(vi) create long-term value, contribute to the Company's strategy and enhance the sustainable development of the Company.

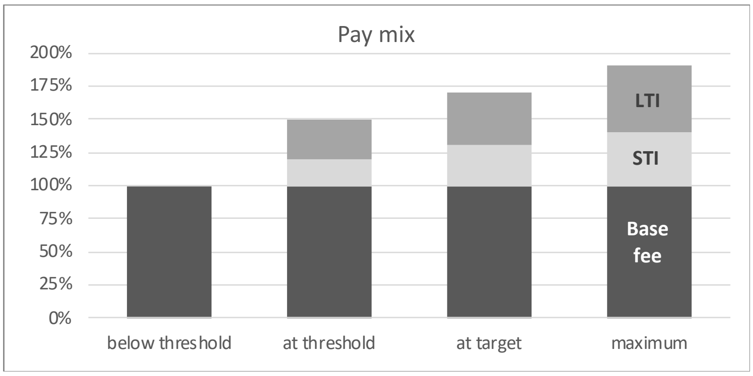
5. ELEMENTS OF THE REMUNERATION OF THE MANAGING DIRECTORS

5.1 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, a variable performance-related award in cash;
- Long-term incentive, a performance related conditional grant in shares, vesting after 3 years;
- 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.



In 2022 the base fee for the CEO is set at € 392,000, for the CFO at € 332,000.

The level of total direct compensation ('TDC', i.e. base fee + STI + LTI at target) is regularly reviewed, taking internal pay differentials and prevailing market levels into consideration. For external reference a group of comparable Dutch listed companies is used, that at the time of setting this Policy, was composed of the following 14 companies:

REFERENCE GROUP				
Accell Group	DPA Group	Hydratec	Nedap	Sif Holding
Corbion	ForFarmers	ICT Group	Neways Electronics	Stern Groep
Ctac	Holland Colours	Kendrion	Ordina	

For future reference the Supervisory Board may adjust the composition of the reference group to improve comparability in view of market developments.

The median level of the reference group is the reference point for the total direct compensation of Alfen's Managing Directors. The Supervisory Board may set or adjust the base salary to ensure that a competitive remuneration package is maintained, taking into account the internal pay differentials within the Company.

5.2 Base fee

The annual base fee of the Managing Directors will be set by the Supervisory Board on a level reflecting the responsibilities of the Managing Directors. The base fee will be indexed annually in line with the CBS consumer price index. Subsequent to indexation, the Supervisory Board may review the fee level, taking into account developments in the labour market, whereby the median of the peer group as referred to above will be used as reference, any changes in role and task of the Managing Directors and the pay differentials within the Company.

5.3 STI

Under the Company's Short-Term Incentive Plan Managing Directors may receive annual awards in cash, subject to the approval of the Supervisory Board in accordance with the Remuneration Policy. A one-year performance period applies.

At the beginning of each financial year the Supervisory Board sets specific performance targets. When these targets are met during that year, the STI will result in full payout, equal to 30% of base fee. The Supervisory Board also sets threshold performance levels that qualify for a payout of 20% of base fee, and a level of overperformance that qualifies for the maximum payout of 40% of base fee. When performance remains below threshold, the award is zero.

The performance conditions will be determined by the Supervisory Board and will be based on financial performance (65%) and individual criteria including non-financial performance (35%).

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) ROI and (iv) 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 that are derived from or linked to the five year business plan of the Company, reflecting the Company long-term strategy, such as, but not limited to: (i) safety score, (ii) customer satisfaction, (iii) footprint reduction and CO_2 emissions, (iv) use of energy, (v) diversity, (vi) internationalisation, (vii) sustainable procurement and (viii) new product introductions.

The actual financial and non-financial performance conditions will be set taking into account the strategy and the five-year business plan of the Company, reflecting the Company's long-term interests. As such, these conditions are closely linked to enhancing the sustainable performance of the Company and long-term value creation.

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 and, within the 65%-35% division, 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.

5.4 LTI

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 LTI is designed to incentivize and reward sound decision making and align the interests of the Managing Directors with those of shareholders and other stakeholders.

The value of the conditional grant shall be 40% of the annual base fee. The number of Performance Shares to be granted is calculated by dividing the amount equivalent to 40% 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, 75% of the shares granted will vest and in case of overperformance up to 125% of the shares granted will vest. When performance remains below threshold, no shares will vest.

The performance conditions will be determined by the Supervisory Board at its sole discretion in accordance with the Remuneration Policy and will be based on financial performance (65%) and non-financial performance (35%).

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, (iii) ROI and (iv) total shareholder return.

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 that are derived from or linked to the five year business plan of the Company, reflecting the Company's long-term strategy such as, but not limited to: (i) safety score, (ii) customer satisfaction, (iii) footprint reduction and CO_2 emissions, (iv) use of energy, (v) diversity, (vi) internationalisation, (vii) sustainable procurement and (viii) new product introductions.

The actual financial and non-financial performance conditions will be set taking into account the strategy of the Company taking into account the long-term interests. As such, these conditions are closely linked to enhancing the sustainable performance of the Company and long-term value creation.

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 and, within the 65%-35% division, 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.

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.

5.5 Pensions and other benefits

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 other pension related benefits, such as old-age and life insurance, as determined by the Supervisory Board from time to time.

The Company may provide a company car to the Managing Directors, may pay the premiums of a medical insurance in line with their current management agreements and will arrange for and pay a directors and officers (D&O) liability insurance for the Managing Directors.

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.

6. ADJUSTMENT TO VARIABLE REMUNERATION AND CLAWBACK

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. For the Managing Directors this means that 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.

Furthermore, where 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.

In line with article 2:135a, paragraph 4, the Company may in exceptional circumstances, on authority of the Supervisory Board, temporarily derogate from the provisions in chapter 5.2 on base fee level, 5.3 on STI award level, performance conditions and target setting and 5.4 on LTI award level, performance conditions and target setting if and when the derogation is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability.

7. 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.

7.1 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 in his or her previous position. 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.

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.

7.2 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 agreements of the current CEO, first appointed in 1997, and the current CFO, first appointed in 2015, are both for an indefinite term rather than the maximum 4 years stipulated by this Policy. In all other respects the contracts comply to this Policy.

8. GOVERNANCE OF THE REMUNERATION POLICY

8.1 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 on 7 April 2022, 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.

8.2 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.

8.3 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.