

Introduction

This Remuneration Report describes the application of the Remuneration Policy for the Executive Board and the actual performance in 2023 against the predefined performance criteria. In addition, the Remuneration report provides an overview of the remuneration of the Supervisory Board in 2023.

Performance in 2023

2023 was a year another marked by significant challenges due to the persistent geopolitical instabilities, high inflation, and increased interest rates. Taking account of the challenging market conditions, the Executive Board demonstrated resilience in the execution of a strategy directed at sustainable long term value creation. Whilst maintaining focus on the implementation and advancement of important strategic initiatives, necessary adaptations to the business were made in view of the difficult market circumstances, including increased emphasis on operational cost controls and cash management. Important strategic initiatives that contributed to the solid performance and encouraging outlook to the future include the progression of the previously effected split of the Automotive Group into separate units Automotive E and Core and the completion of the new high-tech manufacturing facility in Suzhou and swift transfer of the Shanghai and former Suzhou production activities to the new manufacturing facility.

In addition, required analyses were completed to finalize the 2024-2028 ESG program. Key components of the 2024-2028 ESG program include:

- Achieve a further 70% reduction in CO₂ emissions.
- Establish reporting frameworks for Scope 1, 2 and 3 reporting and disclosure.
- Implement gender diversity targets at Business Group level for indirect staff, aiming for a 25% improvement over time with a minimum threshold of 33%.

- Enhance supplier selection and screening by transitioning from basic risk assessment to integrating ESG metrics into the sourcing process.
- Sustain ESG ratings from EcoVadis and CDP.

The official introduction of the new ESG program is anticipated for February 2024.

Remuneration Policy Executive Board

The Remuneration Policy for the Executive Board has been developed by the Supervisory Board and adopted by the General Meeting of Shareholders in April 2023.

The Remuneration Policy is evaluated at least once every four years by the Supervisory Board, and unless otherwise resolved by the General Meeting of Shareholders, the Remuneration Policy adopted by the General Meeting of Shareholders in April 2023 becomes applicable to (i) remuneration granted in the years 2024 up to and including 2027 – irrespective whether pay-outs and vesting of performance shares become due, occur or are made after 2027; and (ii) remuneration of Executive Board members reappointed by the General Meeting of Shareholders in April 2023 as of the date on which the new term of office of the relevant reappointed Executive Board member commences.

The HR Committee will continue to keep the Supervisory Board informed about relevant market and legislative developments to support the periodic evaluation of the Remuneration Policy and related decision-making. For more information about Kendrion's Remuneration Policy, please visit the corporate website at www.kendrion.com.

Remuneration objectives

The Remuneration Policy serves to recruit and retain diverse, qualified, and experienced executives to deliver Kendrion's sustainable long-term value creation strategy. In addition, the Remuneration Policy aims to maintain an adequate link between pay and performance and appropriately align the interests of the members of the Executive Board with the interests of shareholders – and the interests of other stakeholders – and focus on the sustainable delivery of high performance over the long-term by stimulating share ownership whilst adhering to the applicable standards of good corporate governance.

Taking account of Kendrion's size (in terms of revenues, average market capitalization, total assets, and number of FTE), its industrial market position, geographical scope and labor market competition, the companies included in the AScX Index on Euronext Amsterdam are defined as relevant reference group. Financial services, real estate and movies and entertainment companies are excluded from the reference group. Within the defined reference group, Kendrion is positioned around the median in terms of the average of the abovementioned parameters revenues, average market capitalization, total assets, and number of FTE. The remuneration structure and level for the Executive Board is set around the median level relative to the reference group.

The Remuneration Policy does not contain variable incentives that may be detrimental to the responsibilities of the Executive Board in defining and achieving Kendrion's sustainable long-term value creation strategy.

Temporary deviations

In exceptional circumstances, the Supervisory Board can decide to temporarily deviate from the Remuneration Policy for members of the Executive Board. Exceptional circumstances mean circumstances in which a deviation is considered necessary to serve the long-term interests and sustainability of Kendrion or to otherwise ensure its viability. Depending on the exceptional circumstances, the Supervisory Board can resolve to deviate from any or all the four remuneration components included in the Remuneration Policy for the members of the Executive Board.

When considering a temporary deviation from the Remuneration Policy, the Supervisory Board shall consider Kendrion's sustainable long-term value creation strategy, ongoing business, and operational requirements as well as the financial situation of Kendrion. In addition, the temporary deviation considered should be assessed in light of the principles of reasonableness and fairness.

Upon having resolved a temporary deviation from the Remuneration Policy, the Supervisory Board will (i) cancel and withdraw all deviations from the Remuneration Policy prior to the first annual General Meeting of Shareholders following the effective date of the deviation; or (ii) propose the necessary amendments to the Remuneration Policy for adoption during the first annual General Meeting of Shareholders following the effective date of the deviation.

Deviations from the Remuneration Policy will be reported in Kendrion's remuneration policy.

The Supervisory Board did not decide to deviate temporarily from the Remuneration Policy for the members of the Executive Board in 2023.

Remuneration components

The Remuneration Policy for members of the Executive Board consists of four components: a fixed base salary, a short-term variable remuneration, a long-term variable remuneration and other benefits such as a pension scheme and a car allowance or lease budget.

The sum of the fixed base salary, the short-term variable remuneration and the long-term variable remuneration for members of the Executive Board are considered appropriate in relation to: (i) the identity, the purpose, and values of Kendrion, (ii) the pay-ratios within Kendrion, (iii) the (international) context in which Kendrion operates and (iv) reasonable views of relevant stakeholder groups.

The variable remuneration components are subject to a maximum value determined in advance in accordance with the Remuneration Policy. The Supervisory Board will carry out scenario analyses to assess whether the pay-out level of variable remuneration components appropriately reflect performance.

Fixed base salary

Members of the Executive Board receive a fixed base salary, the amount of which is set around the median level relative to the abovementioned reference group. The fixed base salary levels can be adjusted to be decided upon by the Supervisory Board, based on general market movement and inflation figures.

In addition to the above, any increase of the annual fixed base salary up to and around the prevailing median level relative to the abovementioned reference group, can be decided upon by the Supervisory Board and will not be regarded as an amendment to the Remuneration Policy.

On 27 February 2023 the Supervisory Board unanimously resolved to nominate Messrs. Van Beurden and Hemmen for reappointment as members of the Executive Board by the General Meeting of Shareholders on 17 April 2023. During their meeting on 17 April 2023, the General Meeting of Shareholders reappointed both Mr. Van Beurden and Mr. Hemmen for a four-year term ending on 1 December 2027 and 1 July 2027, respectively. Following these reappointments and the adoption of the new Remuneration Policy by the General Meeting of Shareholders, the fixed gross salaries for the members of the Executive Board are as indicated in the table below.

	2023 Annual base salary (gross)	Proportionate amount (gross)
CEO (J.A.J. van Beurden)	EUR 550,000 – as of 1 January 2023 until expiry 2 nd term on 1 December 2023	EUR 504,166.66 (i.e. 11/12 th of EUR 550,000)
	EUR 590,000 – as of commencement 3 rd term on 1 December 2023	EUR 49,166.66 (i.e. 1/12 th of EUR 590,000)
	Total	EUR 553,333.32 (actual)
CFO (J.H. Hemmen)	EUR 335,000 – as of 1 January 2023 until expiry of 1 st term on 1 July 2023	EUR 167,500 (i.e. 6/12 th of EUR 335,000)
	EUR 350,000 – as of commencement 2 nd term on 1 July 2023	EUR 175,000 (i.e. 6/12 th of EUR 350,000)
	Total	EUR 342,500 (actual)

The table below provides an overview of the development of the annual gross base salary levels of the members of the Executive Board during previous financial years.

	2023 annual gross base salary	2022 annual gross base salary	2021 annual gross base salary	2020 annual gross base salary	2019 annual gross base salary	2018 annual gross base salary	2017 annual gross base salary	2016 annual gross base salary
CEO (J.A.J. van Beurden)	EUR 550,000 (as of 1 January 2023 until expiry 2 nd term on 1 December 2023) EUR 590,000 (as of commencement 3 rd term on 1 December 2023) EUR 553,333.32 (actual)	EUR 550,000	EUR 550,000	EUR 550,000	EUR 504,645 ¹ EUR 550,000 ²	EUR 490,900	EUR 474,300	EUR 465,000
				EUR 517,916.67 (actual) ⁴	EUR 508,424.58 ³ (actual)			
CFO (J.H. Hemmen)	EUR 335,000 (as of 1 January 2023 until expiry of 1 st term on 1 July 2023) EUR 350,000 (as of commencement 2 nd term on 1 July 2023) EUR 342,500 (actual)	EUR 335,000	EUR 310,788	EUR 270,250 EUR 254,485.41 (actual) ⁴	EUR 235,000 ⁵ EUR 117,500 (actual)			

¹ Effective until 1 December 2019.

² Effective as of 1 December 2019 (i.e. the commencement date of the CEO's second term).

³ The sum of EUR 462,591.25 (i.e. 11/12th of EUR 504,645) and EUR 45,833.33 (i.e. 1/12th of EUR 550,000).

⁴ Voluntary salary reduction of 15% during April through July 2020 inclusive and voluntary salary reduction of 10% for the month August 2020 in view of COVID-19 prompted cost measures.

⁵ Effective as of 1 July 2019 (i.e. the effective date of appointment to the Executive Board).

Short-term variable remuneration

The short-term variable remuneration is payable in cash, the amount of which is based on the achievement of predetermined, specific, and measurable financial and non-financial driven performance criteria.

The overview below describes the key elements of the short-term variable remuneration as recorded in the Remuneration Policy for the Executive Board.

CEO	The short-term variable remuneration ranges from 0% to 90% of the annual fixed gross base salary of the CEO, with 60% being the target amount
CFO	The short-term variable remuneration ranges from 0% to 67.5% of the annual fixed gross base salary of the CFO, with 45% being the target amount

Performance criteria

The performance criteria for the short-term variable remuneration are based on Kendrion's strategic intent to continuously grow revenue and profitability in a sustainable way. The performance criteria for the short-term variable remuneration include financial and non-financial criteria. The financial driven performance criteria determine 60% of the short-term variable remuneration and reflect the financial priorities of Kendrion. The remaining 40% of the short-term variable remuneration is determined by non-financially driven performance criteria and reflect sustainability/ESG ambitions and other priorities directly linked to Kendrion's strategic intent.

Financial performance criteria

- The financial driven performance criteria determine 60% of the short-term variable remuneration.
- Each year the Supervisory Board selects at least three financial driven performance criteria from the list below with a view to incentivize delivery of financial priorities that support Kendrion's strategic and operational spearheads.
- The Supervisory Board may allocate different weight percentages to the different financial performance criteria it selects for a particular year, provided a minimum weight of 10% shall apply to a financial performance criterion.
- Financial performance criteria¹
 - Net profit
 - Return on sales (ROS)
 - Return on investment (ROI)
 - Organic growth
 - Free cash flow
 - Revenue
 - EBITA
 - EBITDA
- The performance incentive zone (threshold, target and maximum) for each financial performance criterion will be determined in advance by the Supervisory Board by reference to the strategic and operational spearheads for the respective performance year. No pay-out will be made for below threshold performance. In the case of performance equal to the threshold performance of the relevant performance criterion, the pay-out of the short-term incentive will be equal to 50% of the relevant target amount. A linear curve will be applied to calculate the pay-out between threshold performance and maximum performance.

Non-financial performance criteria

- The non-financial performance criteria determine 40% of the short-term variable remuneration.
- Each year the Supervisory Board selects a certain number of non-financial performance criteria derived from the strategic and operational spearheads for the respective performance year, which will in any event include performance criteria in the area of sustainability/ESG (i.e., environmental, social and/or governance criteria).
- Achievement of each individual non-financial performance criterion will be measured by applying a binary scoring model. The amount of the pay-out for the achievement of non-financial performance criteria depends on the number of non-financial performance criteria achieved.
- A predefined step curve will be applied to calculate the pay-out between the achievement of the minimum threshold number of selected non-financial performance criteria and achievement of all selected non-financial performance criteria. No pay-out will be made for below threshold performance.

Investment

Members of the Executive Board must invest at least 20% of the net amount of the pay-out of the short-term remuneration earned until the required ownership level has been reached as prescribed under Kendrion's 'Share ownership guideline' of the Remuneration Policy.

¹ In each case excluding items that are generated outside the ordinary course of business and the amortization of intangibles arising on acquisitions or similar corporate events.

2023 short-term variable remuneration

Within the framework of the Executive Board Remuneration Policy, the Supervisory Board takes an informed decision relevant to the variable remuneration of the members of the Executive Board. For the determination of the financial and non-financial performance criteria of the 2023 short-term incentive, the Supervisory Board considered – amongst others – the 2023 focus items as previously defined by the Supervisory Board; the increasing demands and complexity around ESG and ESG reporting and disclosure requirements, the volatile economic climate and trading environment; and the importance of long-term value creation through continued investments in sustainable growth areas. The 2023 focus items of the Supervisory Board included the finalization of the 2024-2028 ESG strategy, completion of the new high-tech manufacturing

facility in Suzhou and the successful transfer of production activities to the new facility and progressing the previously effected split of the Automotive Group into separate units Automotive E and Core. The Supervisory Board reported on the progression made and the key points of attention relevant to the 2023 focus items in the Report of the Supervisory Board included in this Annual Integrated Report.

For the 2023 short-term variable remuneration, the Supervisory Board followed the recommendations of the HR Committee and selected four financial performance criteria, a non-financial performance criterion in the area of sustainability/ESG and other non-financial performance criteria that are linked to the Supervisory Board's 2023 focus items and Kendrion's strategic plan and operational spearheads. The 2023 financial and non-

financial performance criteria reflect the collective responsibility of the members of the Executive Board and make no distinction between the applicable performance criteria for the CEO and CFO.

In 2023, the following short-term incentive target amounts applied to the members of the Executive Board:

	2023 short-term incentive target amount
CEO (J.A.J. van Beurden)	EUR 332,000
CFO (J.H. Hemmen)	EUR 137,375

The abovementioned target amounts have been calculated as follows:

CEO (J.A.J. van Beurden)

Annual fixed base salary (gross)	Target amount	Proportionate target amount
EUR 550,000 (as of 1 January 2023 until expiry 2 nd term on 1 December 2023)	EUR 330,000 (i.e. 60% of EUR 550,000)	EUR 302,500 (i.e. 11/12 th of EUR 330,000)
EUR 590,000 (as of commencement 3 rd term on 1 December 2023)	EUR 354,000 (i.e. 60% of EUR 590,000)	EUR 29,500 (i.e. 1/12 th of EUR 354,000)
Total		EUR 332,000 (i.e. sum of EUR 302,500 and EUR 29,500)

CFO (J.H. Hemmen)

Annual fixed base salary (gross)	Target amount	Proportionate target amount
EUR 335,000 (as of 1 January 2023 until expiry 1 st term on 1 July 2023)	EUR 117,250 (i.e. 35% of EUR 335,000)	EUR 58,625 (i.e. 6/12 th of EUR 117,250)
EUR 350,000 (as of commencement 2 nd term on 1 July 2023)	EUR 157,500 (i.e. 45% of EUR 350,000)	EUR 29,500 (i.e. 6/12 th of EUR 157,500)
Total		EUR 137,375 (i.e. sum of EUR 58,625 and EUR 78,750)

For the performance year 2023, the short-term incentive performance criteria are allocated as follows:

Short-term remuneration as percentage of annual gross base salary

Performance criterion	Weight	Minimum	At target	Maximum
Financial performance criteria (60%)				
ROI	15%	0	CEO 9% CFO 6.75%	13.5%
ROS	15%	0	CEO 9% CFO 6.75%	13.5%
EBITDA	10%	0	CEO 6% CFO 4.5%	9%
Free cash flow	20%	0	CEO 12% CFO 9%	18%
Non-financial performance criteria (40%)				
		0	CEO 24% CFO 18%	36%
TOTAL	100%	0	CEO 60% CFO 45%	90% 67.5%

2023 short-term financial performance criteria

In 2023, the actual performance against the financial performance criteria was as follows:

2023 short-term incentive performance on financial performance criteria

Financial performance criterion	Pay-out as % of short-term incentive target amount	Pay-out as % of 2023 annual gross base salary (actual)		Pay-out in EUR (gross)	
		CEO (J.A.J. van Beurden)	CFO (J.H. Hemmen)	CEO (J.A.J. van Beurden)	CFO (J.H. Hemmen)
ROI	63.7%	5.70%	3.81% EUR	31,540 EUR	13,050 EUR
ROS	0%	0%	0% EUR	0 EUR	0 EUR
EBITDA	0%	0%	0% EUR	0 EUR	0 EUR
Free cash flow	58.5%	7.02%	4.69% EUR	38,844 EUR	16,072.87 EUR
TOTAL		12.72%	8.50% EUR	70,384 EUR	29,123 EUR

2023 short-term non-financial performance criteria

The non-financial performance criteria for the 2023 short-term incentive recognize the collective responsibility of the Executive Board and are aligned to the Supervisory Board's 2023 focus items and Kendrion's strategic and operational spearheads. The table below provides a summarized description of the non-financial performance criteria.

Summarized description 2022 non-financial performance criteria

Sustainability	Completion remaining analyses to finalize the 2024-2028 ESG program ready for official launch in 2024
Sustainability	Realization relative CO ₂ reduction of at least 15% and relative energy reduction of at least 15% compared to 2018 and min. of 25 supplier audits consistent with the 2019-2023 sustainability target framework
China	Completion of the new high-tech manufacturing facility in Suzhou and swift transfer of the Shanghai and former Suzhou production activities to the new manufacturing facility
Automotive Group	Enhance strategic positioning of Kendrion Automotive Group, amongst others by strengthening commercial and contractual terms for certain key-accounts and implementing appropriate adjustments to pricing grids

Consistent with the Remuneration Policy, achievement of an individual non-financial performance criterion will be measured by applying a binary scoring model where a non-financial performance criterion can either be achieved or not achieved. The amount of the pay-out for the non-performance criteria depends on the number of non-financial performance criteria achieved. The following step curve is applicable for the 2023 non-financial performance criteria.

Number of non-financial performance criteria achieved	Short-term incentive pay-out % of target amount
All 4 non-financial performance criteria achieved	150%
3 out of the 4 non-financial performance criteria achieved	100%
2 out of the 4 non-financial performance criteria achieved	50%
1 out of the 4 non-financial performance criteria achieved	0%
0 out of the 4 non-financial performance criteria achieved	0%

Throughout the year, the Supervisory Board reviewed progress against the non-financial performance criteria and received detailed updates about relevant developments and actions taken. During the December 2023 Supervisory Board meeting, the Executive Board presented the accomplishments and advancements realized. Managing and dealing with the persistent challenging trading conditions forcing enhanced focus on – amongst others – operational cost and cash control, whilst at the same time implementing and advancing important strategic initiatives supportive to the continued pursuit of sustainable long-term growth opportunities, and the increasing demands and complexity around ESG and ESG reporting and disclosure requirements have been important themes considered and discussed among the Supervisory Board and Executive Board.

With the rapid adjustment of standing practices and the development of longer-term measures in response to the changing economic landscape, Kendrion convincingly demonstrated its organizational agility and resilience. The Executive Board appropriately anticipated and managed the unpredictability involved in building a new facility. The construction of the new high-tech manufacturing facility in Suzhou was successfully completed mid-year and the subsequent transfer of the Shanghai and former Suzhou production activities to the new manufacturing facility was swiftly finalized well before the end of 2023.

The Automotive Group achieved solid revenue results – attributable to the successful implementation of sales price increases and the further strengthening of its strategic position. The latter also due to the advancement of the previously effected split of the Automotive Group in the distinct units: Automotive Core and E.

Decarbonization remains key to reducing the negative impact of climate change and Kendrion has long been engaged in reducing its environmental impact. Kendrion's production facilities already achieved a 56% reduction in relative CO₂ emissions from energy compared to 2015. The 15% relative energy consumption and CO₂ reduction targets under the 2019-2023 sustainability target framework have been widely achieved and measure 15.31% and 22.9%, respectively per year-end.

The Supervisory Board is optimistic about the forthcoming 2024-2028 ESG program – the development of which was successfully completed in 2023 – and is looking forward to the official introduction of the program in February 2024.

The Supervisory Board will continue monitoring progress in the above-mentioned areas. Reference is made to the Report of the Supervisory Board included in this Annual Integrated Report that also substantiate performance and achievements realized in 2023 and the focus areas for 2024.

During the annual performance reviews, specific attention was paid to the individual performance and development of the members of the Executive Board against the non-financial performance criteria as well as key competencies such as (change) leadership and organizational alignment and strategic business orientation.

Based on the comprehensive review of the performance of the members of the Executive Board, the Supervisory Board resolved that the members of the Executive Board realized all four non-financial performance criteria as set under the 2023 short-term variable remuneration.

Consistent with the step-up curve, the score on the non-financial performance criteria results in a pay-out of 150% of the short-term target amount corresponding to a pay-out of EUR 199,200 (gross) for the CEO and EUR 82,425 (gross) for the CFO, representing: 36% of the CEO's 2023 annual gross base salary of EUR 553,333.32 and 24.06% of the CFO's 2023 annual gross base salary of EUR 342,500.

2023 pay-out short term incentive

Overall performance resulted in the following pay-out of the short-term incentive in 2023:

	Total pay-out 2023 short-term incentive (gross)	Pay-out as % of 2023 annual gross base salary (actual)
CEO (J.A.J. van Beurden)	EUR 269,584 (i.e. sum of EUR 70,384 and EUR 199,200)	48.72% of the gross annual base salary of EUR 553,333.32
CFO (J.H. Hemmen)	EUR 111,548 (i.e. sum of EUR 29,123 and EUR 82,425)	32.57% of the gross annual base salary of EUR 342,500

The table below provides an overview of the development of the pay-out under the applicable short-term incentive scheme of the members of the Executive Board during previous financial years.

Short-term incentive	2022*	2021*	2020*	2019*	2018*	2017*	2016*
CEO (J.A.J. van Beurden)	EUR 267,438 (gross)	EUR 429,000 (gross)	EUR 358,600 (gross)	EUR 191,282.90 (gross)	EUR 117,816 (gross)	EUR 170,748 (gross) based on 90% achievement of 2017 performance criteria, representing 36% of gross annual base salary (i.e. 36% of EUR 474,300), one- third paid in cash and two-thirds awarded conditionally in shares.	EUR 180,420 (gross) based on 97% achievement of 2016 performance criteria, representing 38.80% of the gross annual base salary (i.e. 38.80% of EUR 465,000), one-third paid in cash and two-thirds awarded conditionally in shares.
CFO (J.H. Hemmen)	EUR 95,023 (gross)	EUR 141,408.80 (gross)	EUR 102,965 (gross)	EUR 37,012.50 (gross)	Not applicable – effective date of appointment to the Executive Board 1 July 2019		

* Pay-out amounts calculated in accordance with the then prevailing remuneration policy.

Long-term variable remuneration

The long-term variable remuneration component incentivizes members of the Executive Board to focus on long-term sustainable value for shareholders and other stakeholders; it thereby serves to align the interests of the members of the Executive Board with the long-term interests of shareholders and other stakeholder groups.

The members of the Executive Board annually receive conditional performance shares. The conditional performance shares will vest upon achievement of performance measured over a period of three years, including the year in which the conditional performance shares are granted. Vested performance shares are restricted by a two-year holding period as of vesting.

The size of the award is defined as a percentage of the annual fixed gross base salary of the relevant Executive Board member as per the year in which the conditional performance shares are granted. The actual grant (i.e. the number of conditional performance shares) is determined by the percentage of the annual fixed gross base salary and calculated on the basis of the average share price during the fourth quarter of the year immediately preceding the year in which the conditional performance shares are granted.

The target value as per the year in which conditional performance shares are granted is as follows:

CEO	60% of the annual fixed gross base salary of the CEO
CFO	50% of the annual fixed gross base salary of the CFO

The maximum opportunity for the long-term variable remuneration shall not exceed 150% of the target value.

Performance measure

The vesting percentage of the performance shares is conditional upon the achievement of performance measured as:

Weight	Performance measure
40%	Relative total shareholder return (relative TSR)
40%	Basic earnings per share (EPS)
20%	Sustainability/ESG (i.e. environmental, social and/or governance)

Relative TSR

To determine achievement of this performance measure, the relative TSR is measured, which means share price movements, including dividends and assuming dividends are reinvested.

For the calculation of the relative TSR position, the reinvestment of cash dividend in fixed-income securities and the reinvestment of stock dividend in the relevant share applies.

The TSR performance of Kendrion is measured against the performance of 20 selected TSR peer companies included in the table below.

#	Company	Industry	Country	Market value (EUR x 1 mln)*
1.	Schneider Electric SE	Electrical components	France	74,653
2.	Eaton Corporation plc	Diversified industrials	US	58,485
3.	Sensata Technologies Holding NV	Electronic equipment: gauges and meters	US	5,787
4.	Aalbers Industries NV	Electronic equipment: control and filter	Netherlands	4,006
5.	Emerson Electric Co	Electronic equipment: other	US	53,229
6.	Continental AG	Auto parts	Germany	11,272
7.	Schaeffler AG	Auto parts	Germany	1,057
8.	TKH Group NV	Electrical components	Netherlands	1,568
9.	Borg Warner Inc	Auto parts	US	8,831
10.	SKF AB	Metal fabricating	Sweden	6,096
11.	Phoenix Mecano AG	Machinery: industrial	Switzerland	320
12.	Grammar AG	Auto parts	Germany	158
13.	Regal Beloit	Electrical components	US	7,437
14.	IMI Plc	Electronic equipment: control and filter	UK	3,786
15.	Autoneum Holding AG	Auto parts	Switzerland	483
16.	Akwel	Auto parts	France	465
17.	Elringklinger AG	Auto parts	Germany	436
18.	VBG Group publ AB	Auto parts	Sweden	299
19.	Kongsberg Automotive ASA	Auto parts	Norway	253
20.	Sogefi SpA	Auto parts	Italy	112

Identified possible replacements in case of delisting or other corporate events in respect of any of the above selected TSR peer companies

#	Company	Industry	Country	Market value (EUR x 1 mln)*
	ABB Ltd	Electrical components	Switzerland	55,833
	VAT Group AG	Electronic equipment: control and filter	Switzerland	7,681
	Addtech AB	Electrical components	Sweden	3,475
	Incap Oyj	Electrical components	Finland	501
	Katek SE	Electrical components	Germany	204
	Freni Brembo SpA	Auto parts	Italy	3,489
	Vitesco Technologies Group AG	Auto parts	Germany	2,185
	JOST Werke AG	Auto parts	Germany	788
	hGears AG	Auto parts	Germany	75

* Per reporting date 31 December 2022

The position of Kendrion in the TSR performance peer group, upon expiry of the three-year performance period, determines the score for the relative TSR measure in accordance with the following performance incentive zone:

Ranking	1-3	4	5	6	7	8	9	10	11-21
Vesting	150%	137.5%	125%	112.5%	100%	83%	67%	50%	0%

The position of Kendrion in the ranking defines the vesting for this part of the conditional grant of shares. The calculation to determine Kendrion's ranking shall be conducted by an external independent and reputable specialized firm.

EPS

EPS is disclosed in Kendrion’s consolidated financial statements and is calculated by dividing the profit or loss attributable to shareholders of Kendrion by the weighted average number of shares outstanding during the relevant period, excluding ordinary shares purchased by Kendrion and held as treasury shares. Earnings are adjusted for changes in accounting principles during the performance period. The Supervisory Board sets the performance incentive zone (threshold, target and maximum) annually by reference to the mid-term plan as approved by the Supervisory Board in the year of the grant date. Given that these targets are considered commercially sensitive, EPS targets and the achieved performance are disclosed in the Annual Integrated Report after the relevant performance period.

The following performance incentive zone will be used to define the vesting for this part of the conditional grant of shares:

	< Threshold	Target	Maximum
EPS	0	100%	150%

Vesting is linear between threshold performance and on target performance and between on-target performance and maximum performance.

Sustainability/ESG

The Supervisory Board will annually set a sustainability target that is aligned with Kendrion’s sustainability ambitions. The Supervisory Board sets the performance incentive zone (threshold, target and maximum) annually. The achieved performance will be disclosed in the Annual Integrated Report after expiry of the relevant three-year performance period.

The following performance incentive zone will be used to define the vesting for this part of the conditional grant of shares:

	< Threshold	Target	Maximum
Sustainability/ ESG	0	100%	150%

Vesting is linear between threshold performance and on target performance and between on-target performance and maximum performance.

2023 long-term variable remuneration

Consistent with the applicable Remuneration Policy as adopted by the General Meeting Shareholders on 17 April 2023, the members of the Executive Board were granted conditional performance shares as described in the table below.

	2023 annual gross base salary (actual)	Target amount	Average share price Q4 2022	Conditional performance shares	Performance period	Expiry holding period
CEO (J.A.J. van Beurden)	EUR 553,333.32	EUR 332,000	EUR 15.07	22,030	Performance period 2023-2025	End of 2027
CFO (J.H. Hemmen)	EUR 342,500	EUR 171,250	EUR 15.07	11,363	Performance period 2023-2024	End of 2027

The abovementioned target amounts have been calculated as follows:

CEO (J.A.J. van Beurden)

Annual fixed base salary (gross)	Target amount	Proportionate target amount
EUR 550,000 (as of 1 January 2023 until expiry 2 nd term on 1 December 2023)	EUR 330,000 (i.e. 60% of EUR 550,000)	EUR 302,500 (i.e. 11/12 th of EUR 330,000)
EUR 590,000 (as of commencement 3 rd term on 1 December 2023)	EUR 354,000 (i.e. 60% of EUR 590,000)	EUR 29,500 (i.e. 1/12 th of EUR 354,000)
Total		EUR 332,000

CFO (J.H. Hemmen)

Annual fixed base salary (gross)	Target amount	Proportionate target amount
EUR 335,000 (as of 1 January 2023 until expiry 1 st term on 1 July 2023)	EUR 167,500 (i.e. 50% of EUR 335,000)	EUR 83,750 (i.e. 6/12 th of EUR 167,500)
EUR 350,000 (as of commencement 2 nd term on 1 July 2023)	EUR 175,000 (i.e. 50% of EUR 350,000)	EUR 87,500 (i.e. 6/12 th of EUR 175,000)
Total		EUR 171,250

In accordance with the applicable Remuneration Policy, the vesting percentage of the performance shares is conditional upon the achievement of performance measured as relative TSR, EPS and a non-financial measure in the area of sustainability/ESG. The sustainability/ESG performance criteria for the 2023 long-term incentive are related to the advancement of supplier selection and screening by integrating ESG metrics into the sourcing process and establishing a supplier ESG performance dashboard and developing a standardized approach towards supplier data collection.

Based on the contents and quality of the actions taken and strategies developed, the Supervisory Board shall determine performance, whereby: (i) on-target performance results in 100%, maximum performance results in 150% vesting and minimum threshold performance results in 0% vesting.

2021 long-term variable remuneration

Pursuant to the 2021 long-term incentive scheme, 20,245 conditional performance shares have been granted to Joep van Beurden and 9,533 conditional performance shares have been granted to Jeroen Hemmen. The number of conditional performance shares has been calculated as follows:

	2021 annual gross base salary	Target amount	Average share price Q4 2020	Conditional performance shares
CEO (J.A.J. van Beurden)	EUR 550,000	EUR 330,000 (i.e. 60% of EUR 550,000)	EUR 16.30	20,245
CFO (J.H. Hemmen)	EUR 310,788	EUR 155,394 (i.e. 50% of 310,788)	EUR 16.30	9,533

Consistent with the Remuneration Policy governing the 2021 long-term variable remuneration, the vesting percentage of the performance shares is conditional upon the achievement (during the performance period 2021-2023) of performance measured as:

Weight	Performance measure
40%	Relative total shareholder return (relative TSR)
40%	Basic earnings per share (EPS)
20%	Sustainability (i.e. environmental, social and/or governance)

A summary description of the performance measure in the area of sustainability for the performance period 2021-2023 has been included in the table below.

Summary description sustainability performance measure – 2021-2023

Achievement of measures in line with five-year roadmap containing energy efficiency and emission mitigation measures as part of the 2019-2023 sustainability target framework	<ul style="list-style-type: none"> ■ On target performance (i.e. 100% vesting) ■ Max. performance (i.e. 150% vesting) ■ Min. threshold performance (i.e. 0% vesting)
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Vesting is linear between min. threshold performance and on-target performance and between on-target performance and max. performance.

TSR and EPS

When measuring the relative TSR (i.e., share price movements, including dividends assuming dividends are reinvested), the position of Kendrion within the predefined TSR performance peer group, as stipulated by the Remuneration Policy for the 2021 long-term variable remuneration, is ten. As per the Remuneration Policy governing the 2021 long-term variable remuneration, the tenth position leads to a 0% vesting.

Based on the EPS performance incentive zones determined by the Supervisory Board by reference to the 2021 mid-term plan, the actual 2023 EPS falls below the predetermined minimum threshold performance level and therefore leads to a 0% vesting.

Sustainability/ESG – five-year energy and CO₂ roadmap

The five-year roadmap containing energy efficiency and emission mitigation measures that has been developed as part of the 2019-2023 sustainability target framework aims to achieve a 15% relative reduction of energy consumption and CO₂ emission by the end of 2023.

As per the end of 2023 a relative reduction of energy consumption of 15.31% has been achieved compared with 2018, and a relative reduction of CO₂ emission of 22.9% compared with 2018 has been achieved. Since 2015 a relative reduction of CO₂ emissions – mostly from energy by production plants – of 56% has been achieved. Through the accelerated investment in and implementation of reduction measures, both the energy efficiency and CO₂ emission target have been achieved.

This achievement justifies on-target performance under the 2021 long-term incentive scheme for the sustainability/ESG performance measure and thereby results in 100% vesting of 20% of the target-value. For Joep van Beurden 4,049 performance shares have vested and for Jeroen Hemmen 1,906 performance shares have vested for the achievement of the sustainability performance measure.

This means that under the 2021 long-term incentive, a total number of 4,049 shares have vested for Joep van Beurden and a total number of 1,906 shares have vested for Jeroen Hemmen.

The vested shares remain subject to a holding period until the end of 2025.

In accordance with the long-term incentive plan, Joep van Beurden and Jeroen Hemmen will be entitled to accrued dividends for each of the 4,049 and 1,906, respectively, vested shares. Accrued dividends will – in accordance with the long-term incentive plan – be paid in cash.

Development long-term incentive

The table below provides an overview of the development of the conditional share awards under the long-term incentive scheme for the members of the Executive Board during previous financial years. The table also specifies the expiry of vesting periods and holding periods for conditional shares awarded.

	2022	Expiry	2021	Expiry		2020	Expiry		2019	Expiry		2018	Expiry		2017	Expiry		2016	Expiry	
Long-term incentive	number of shares	vesting period	number of shares	vesting period	holding period	number of shares	vesting period	holding period	number of shares	vesting period	holding period	number of shares	vesting period	holding period	number of shares	vesting period	holding period	number of shares	vesting period	holding period
CEO (J.A.J. van Beurden)	16,465	End of 2024	20,245	End of 2023	End of 2025	16,533	End of 2022	End of 2024	11,559	End of 2021	End of 2023	6,960	End of 2020	End of 2022	3,383	End of 2019	End of 2021	3,970	End of 2018	End of 2020
CFO (J.H. Hemmen)	6,740	End of 2024	9,533	End of 2023	End of 2025	6,769	End of 2022	End of 2024	2,409	End of 2021	End of 2023	Not applicable – effective date of appointment to the Executive Board 1 July 2019								

Pension arrangement and other benefits

Members of the Executive Board participate in the defined contribution pension scheme. Kendrion N.V. will pay: (i) the cost of contributions for participation in the defined contribution scheme; (ii) the risk premium for the surviving dependents' pension (*nabestaandenpensioen*) and (iii) the cost of contributions for participation in the occupational disability insurance (including *WIA exceedentverzekering*) (collectively the "Pension and Disability Insurance Contribution"). In addition, members of the Executive Board are entitled to an annual gross allowance to compensate for the loss of accrual of pension benefits because of the Dutch Wage Tax Act, provided that the sum of the Pension and Disability Insurance Contribution and such annual allowance shall annually not exceed an amount of EUR 75,000. This amount may be adjusted based on market developments.

No schemes have been agreed for the voluntary early retirement of members of the Executive Board.

Kendrion maintains a car lease policy for members of the Executive Board. The lease budget (including fuel) is EUR 2,000 per month. Alternatively, members of the Executive Board are entitled to a monthly gross car allowance of EUR 2,000.

In addition, Kendrion pays a monthly expense allowance to members of the Executive Board of up to EUR 450, to cover costs that are not suitable for individual reimbursement.

The amount of the car allowance and the expense allowance are not included as a basis for calculation of the Pension and Disability Insurance Contribution, or any other (variable) remuneration or allowance, severance amount or benefit.

Kendrion has arranged for a directors' and officers' liability insurance. The costs for this insurance are for the account of Kendrion.

The Executive Board participates in the defined contribution plan of Kendrion. The pension contribution in 2023 was EUR 75,000 (2022: EUR 75,000) for the CEO and EUR 75,000 (2022: EUR 69,000) for the CFO. In 2023 Kendrion provided the CFO with a car allowance in the monthly gross amount of EUR 2,000.

Share ownership guideline

An objective of the Remuneration Policy is to appropriately align the interests of the members of the Executive Board with the interests of shareholders by encouraging share ownership. As per the Remuneration Policy adopted by the General Meeting of Shareholders on 17 April 2023, Kendrion applies a share ownership guideline for members of the Executive Board of 100% of the annual fixed gross base salary for the CEO and 50% of the annual fixed gross base salary for the CFO. This shareholding must be gradually built up with performance shares earned under the long-term incentive, although it is permitted to sell shares to finance taxes due at the date of vesting of the performance shares, and by purchasing shares with at least 20% of the net amount of the pay-out of the short-term incentive. However – during the General Meeting of Shareholders held on 17 April 2023 – a commitment was made to propose a further adjustment to the share ownership guideline during the first next General Meeting of Shareholders in 2024. The additional amendment comprises:

- A share ownership requirement for the CEO of 200% of the annual fixed gross base salary of the CEO (as opposed to 100% of the annual fixed gross base salary).
- A share ownership requirement for the CFO of 100% of the annual fixed gross base salary of the CFO (as opposed to 50% of the annual fixed gross base salary).
- The shareholding must be gradually built up with performance shares earned under the long-term incentive, although it is permitted to sell shares to finance taxes due at the date of vesting of the performance shares, and by purchasing shares with at least 50% (as opposed to 20%) of the net amount of the pay-out of the short-term incentive.

Although the abovementioned adjustments will be proposed to the General Meeting of Shareholders for adoption on 15 April 2024, the management agreements with the current members of the Executive Board covering the third term for the CEO and the second term of the CFO, include the abovementioned share ownership requirements and provisions.

Policy in case of change of control

Unvested performance shares awarded shall be deemed vested as per the date of the change of control assuming on target performance, subject to: (i) pro rating to reflect the proportion of the normal performance period that has elapsed as per the date of the change of control, and (ii) the discretionary authority of the Supervisory Board to determine otherwise, should such deemed vesting of performance shares result in unreasonable or unequitable remuneration.

Adjustment and claw back

The Supervisory Board is authorized to adjust the amount of the short-term and long-term variable remuneration to an appropriate level should payment thereof result in unreasonable or unequitable remuneration. In addition, a so-called claw-back provision applies by which the Supervisory Board has the authority to recover in whole or in part short-term and long-term variable remuneration awarded to members of the Executive Board should it transpire that such variable remuneration was unjustifiably awarded based on incorrect information.

Other key elements

Term and termination

Management agreements with members of the Executive Board are entered for a definite period of four years. The management agreement may be terminated with due observance of a notice period of six months. Kendrion is entitled to terminate the management agreement with immediate effect for cause (i.e., seriously culpable or negligent behavior on the part of the Executive Board member).

Termination fee

In the event of termination of the management agreement on Kendrion's initiative, the termination fee for members of the Executive Board shall not exceed 100% of the annual fixed gross base salary (i.e. excluding short-term and long-term incentive and other elements such as pension contributions). The members of the Executive Board are not entitled to a termination fee if the contract is terminated for cause (i.e. seriously culpable or negligent behavior on the part of the Executive Board member) or if the contract is terminated at the initiative of the Executive Board member.

Pay ratio

The Executive Board to employee pay-ratio is approximately 14 (2022: 15). This pay ratio is based on the average of the 2023 Executive Board remuneration including pensions and other expenses and the average wage costs per FTE in 2023 as disclosed on pages 65-66 of this Annual Integrated Report.

Remuneration Policy Supervisory Board

Objectives

The remuneration policy of the Supervisory Board serves to recruit and retain diverse, qualified, and experienced members to supervise the manner in which the Executive Board implements Kendrion's long-term value creation strategy. Considering the nature of the supervisory responsibilities of the Supervisory Board, the remuneration is not linked to Kendrion's performance, and therefore includes a fixed component only. In line with good corporate governance, Supervisory Board members will not receive a share-based incentive.

The remuneration of the Supervisory Board shall be as described in the table below. The base fee and committee fee levels in the table below are the same as determined by the General Meeting of Shareholders on 11 April 2022.

Base fee

Chairman Supervisory Board	EUR	59,000
Member Supervisory Board	EUR	41,800

Committee fee

Chair Audit Committee	EUR	7,200
Member Audit Committee	EUR	6,000
Chair HR Committee	EUR	7,200
Member HR Committee	EUR	6,000

Expenses

All reasonable and documented expenses incurred by the Supervisory Board members in the course of performing their duties are reimbursed.

Benefits and loans

Members of the Supervisory Board are not eligible to participate in any benefits scheme offered by Kendrion to its employees, nor shall Kendrion provide loans.

The aggregate amount of the remuneration of the Supervisory Board members in 2023 was EUR 214,883 (2022: EUR 210,800). The table below gives a breakdown of the remuneration in 2022 per Supervisory Board member.

Supervisory Board member		2023
F.J. van Hout (Chairman)	EUR	65,000
M.J.G. Mestrom	EUR	49,000
J.T.M. van der Meijs	EUR	16,333
E.H. Slijkhuis	EUR	36,750
E.M. Doll	EUR	47,800
Total	EUR	214,883

Advisory vote remuneration report 2022

The remuneration report 2022 has been discussed with the shareholders and put to the General Meeting of Shareholders for an advisory vote during the annual General Meeting of Shareholders held on 17 April 2023. Of the votes cast, 99.18% voted in favor of the 2022 remuneration report. Supported by this advisory vote, the Executive Board and the Supervisory Board considered that no substantive changes are needed relevant to the application of the Remuneration Policy. The voting results of the General Meeting of Shareholders held on 17 April 2023 can be found on the corporate website at www.kendrion.com.

Taking account of the content of this 2023 Remuneration Report, it is determined that the aggregate amount of remuneration awarded is in line with the Remuneration Policy and contributes to the performance of Kendrion and the execution of its long-term value creation strategy.

This 2023 Remuneration Report will be discussed with shareholders and put to the General Meeting of Shareholders for an advisory vote during the upcoming annual General Meeting of Shareholders to be held on 15 April 2024.

Remuneration components 2023

(in EUR)	CEO	%	CFO	%
Base salary	553,333	58.11%	342,500	61.64%
Short term incentive	269,584	28.31%	111,548	20.07%
Long term incentive	48,912	5.14%	23,024	4.14%
Pension contribution	75,000	7.88%	75,000	13.50%
Other	5,400	0.57%	3,600	0.65%
Total compensation	952,229	100%	555,672	100%

Executive Board remuneration comparative

EUR Thousand	2023	2022	2021	2020	2019
J.A.J. van Beurden, CEO	951.4	1,153.0	1,118.0	984.2	853.5
J.H. Hemmen, CFO	555.0	632.0	565.8	450.4	189.4
Pay ratio	14	15	15	18	14
<i>Company performance</i>					
Revenue (EUR million)	518.6	519.3	464.0	396.4	412.4
Normalized EBITDA (EUR million)	53.1	57.4	55.8	44.6	43.8
Normalized EBITDA margin	10.2%	11.1%	12.0%	11.3%	10.6%

Supervisory Board remuneration comparative

	2023	2022	2021	2020 (excl. fee reduction)	2019	2018	2017	2016
<i>Base fee</i>								
Chairman Supervisory Board	EUR 59,000	EUR 59,000	EUR 45,000	EUR 45,000	EUR 45,000	EUR 45,000	EUR 45,000	EUR 40,000
Member Supervisory Board	EUR 41,800	EUR 41,800	EUR 35,000	EUR 35,000	EUR 35,000	EUR 35,000	EUR 35,000	EUR 30,000
<i>Committee fee</i>								
Chair Committee	EUR 7,200	EUR 7,200	EUR 6,000	EUR 6,000	EUR 6,000	EUR 6,000	EUR 6,000	EUR 5,000
Member Committee	EUR 6,000	EUR 6,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000
Total Supervisory Board remuneration	EUR 210,800	EUR 210,800	EUR 172,000	EUR 172,000	EUR 172,000	EUR 172,000	EUR 172,000	EUR 150,000