

Effective risk management

Effective risk management is critical to executing Kendrion’s strategy, delivering long-term value for stakeholders, protecting the company’s reputation, and ensuring sound corporate governance. While Kendrion promotes entrepreneurship and empowers management to exercise appropriate discretionary powers, its risk management approach acknowledges that exposure to risk is an inherent part of doing business.

Kendrion seeks to balance fostering an entrepreneurial spirit with maintaining a strong culture of risk awareness. The goal is to manage risks in line with Kendrion’s risk appetite, reducing the likelihood and impact of adverse events while staying competitive in a dynamic business environment. In the context of the updated Dutch Corporate Governance Code, the Executive Board has further validated and documented its internal risk management and control systems and the effectiveness thereof. Based on this assessment the Executive Board concludes that Kendrion’s risk management and control systems are effective and provide sufficient comfort. Nonetheless they cannot guarantee the achievement of objectives or entirely prevent material errors, losses, fraud, or regulatory breaches.

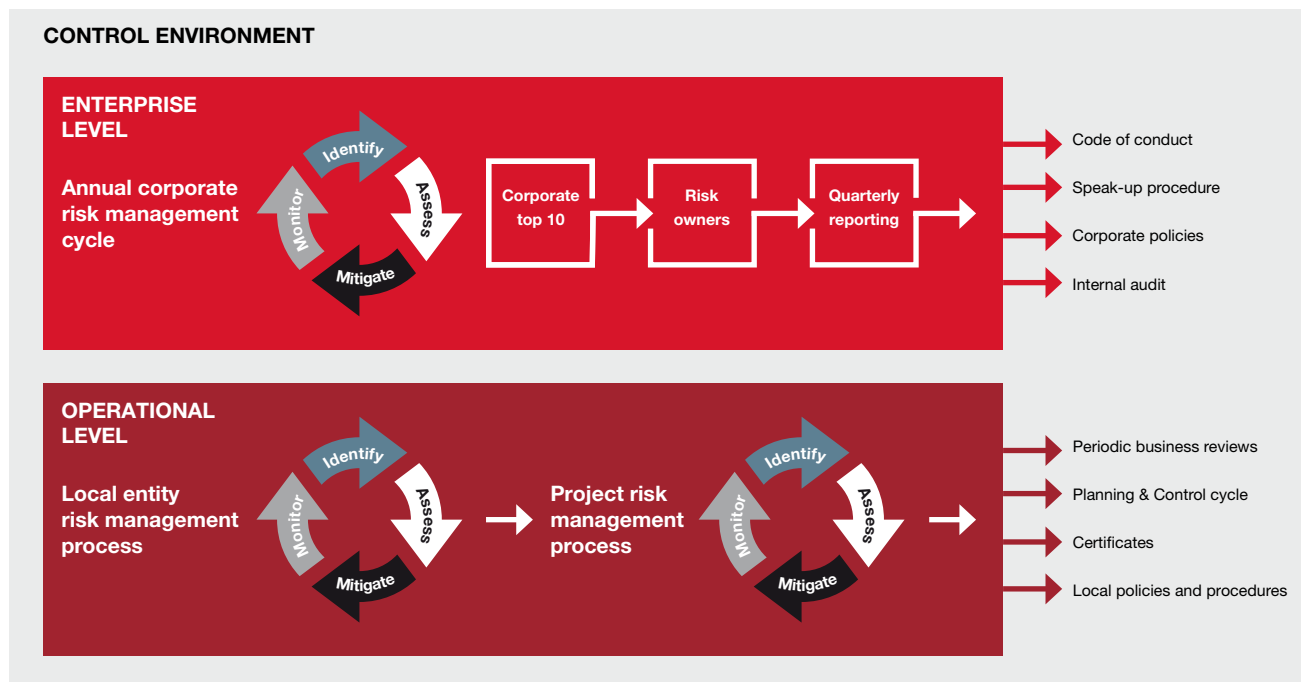
Risk management framework

Kendrion’s risk management framework is based on the ISO 31000 framework and seamlessly integrated into its business practices, encompassing culture, policies, processes, and behaviors. This comprehensive approach comprises two main complementary elements: a top-down strategic view of risk at the enterprise level and a bottom-up view of risk at the operational level. Together, these perspectives ensure a consistent and systematic approach to identifying risks and implementing appropriate controls in line with Kendrion’s risk appetite. By fostering a culture of risk awareness, the framework empowers employees at all levels to actively contribute to risk mitigation and management.

The Executive Board oversees the comprehensive risk management and internal control system, ensuring alignment with the company’s strategic objectives and activities. The Executive Board is responsible for embedding these systems into daily operations and regularly reviewing their effectiveness. An annual risk assessment is conducted to evaluate potential adjustments to the risk management and internal control system as market conditions and circumstances evolve. This assessment includes a dedicated focus on fraud risks relevant to Kendrion. The outcomes of the annual risk assessment are discussed within Kendrion’s Management Team and subsequently shared with the Supervisory Board. To enhance risk management and oversight, risk owners are assigned to the most significant risks identified. Each risk owner is tasked

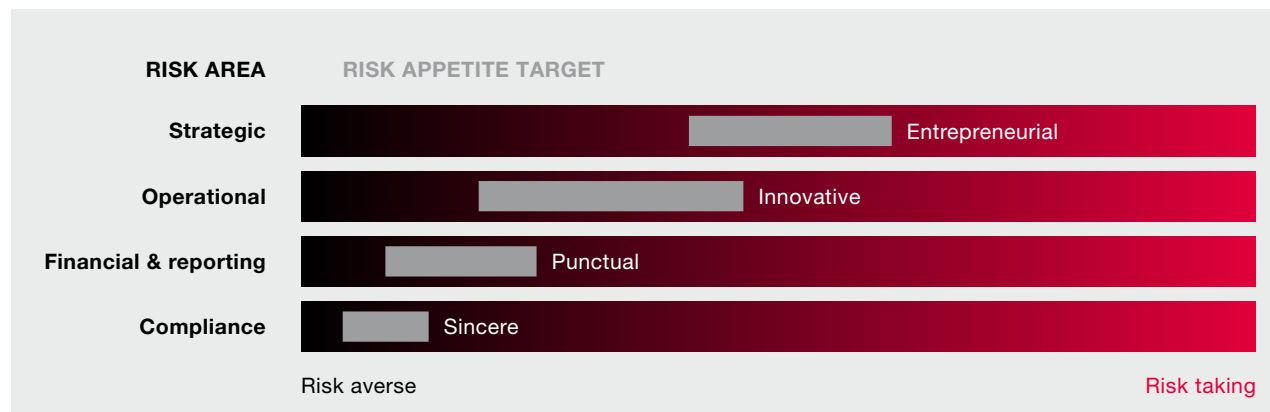
with preparing and updating mitigation plans during the subsequent years.

At the operational level, Kendrion’s plants maintain internationally recognized certifications that assess and improve their processes. Local management is responsible for implementing internal controls and procedures, regularly testifying their effectiveness, and maintaining full awareness of operational risks. Corporate oversight is effectively maintained through a framework of group-level controls, including internal audits and business review meetings. This approach ensures that internal controls remain robust and aligned with Kendrion’s overarching risk management framework.



Risk appetite

Kendrion’s risk management framework balances risk and opportunity, while clearly identifying the Executive Board’s appetite for risk. The Executive Board and the Management Team periodically review and discuss Kendrion’s approach to risk management, as the company’s risk appetite may evolve in response to societal developments, geopolitical shifts, the competitive and customer landscape, and internal changes. Kendrion’s risk appetite provides an indicative bandwidth that guides decision-making processes across the organization. This bandwidth is defined for each of the following risk areas: Strategic, Operational, Financial, (financial and sustainability reporting) and (tax) Compliance. The width of the bandwidth and its position on the risk spectrum —from risk averse to risk taking —vary by risk area. For instance, as illustrated in the visual, Kendrion adopts a risk-averse approach to compliance risks, while the bandwidth for strategic risks is significantly broader, enabling a higher degree of risk-taking in pursuit of strategic objectives.



Risk overview

Risk area	Risk name	Risk description
Strategic	M&A activities or strategic projects fail to deliver results	Mergers, acquisitions or strategic projects may fail to deliver the anticipated synergies or expected results and could adversely affect the company's financial performance, operational effectiveness or strategic objectives.
	Uncertainties of (global) economic and political conditions	An inability to respond swiftly and effectively to volatile economic and political conditions or sudden market disruptions may impair our ability to manage operations efficiently and could negatively affect financial performance and strategic objectives.
Operational	IT system reliability and implementation risk	Issues with IT hardware, software, or implementation delays could disrupt system transactions, create data gaps, or fail to meet business requirements, leading to potential revenue losses or increased costs.
	IT and cyber security risks	Cyber risks, such as failures in information systems or unauthorized access leading to the alteration, destruction or theft of data, could cause business interruptions, loss of confidential data, or damage to the company's reputation.
	Sourcing disruptions and purchase price increases	Disruptions in the availability of raw materials, components or services, as well as increases in purchase prices, may negatively impact production continuity, cost levels and margins.
	Order volatility or project cancellation risk	Significant volatility in order intake or the cancellation, postponement or modification of projects by customers may adversely affect revenue visibility, capacity utilisation and financial performance.
	Intellectual property protection	Insufficient protection of intellectual property could allow potential competitors to use or copy our products, potentially undermining growth and impacting product margins.

In addition to the key risks outlined in the table above, Kendrion explicitly identifies risks associated with climate change, tax compliance, and fraud. Each of these risk areas, along with their corresponding key risks, will be elaborated on in more detail.

Strategic risks

M&A activities or strategic projects fail to deliver results

Strategic risks arise when mergers, acquisitions, or internal strategic projects fail to deliver the anticipated benefits, such as margin expansion, cost reductions or the realization of synergies. This could result in inefficiencies, missed financial targets, or a loss of stakeholder confidence.

Kendrion recognizes the importance of planning and executing strategic changes, as well as remaining flexible to adapt to changing circumstances. For strategic projects, including M&A, dedicated oversight teams are established to ensure focused execution and accountability. Additionally, regular reviews of actions related to strategic projects, such as the sale of the China activities in 2025, are conducted to monitor progress, address bottlenecks, and ensure alignment with strategic and financial objectives. Kendrion also undertakes an in-depth annual strategic review process in which concrete strategic options are evaluated. This includes a review of the M&A strategy to ensure alignment with overarching business goals and adjustments based on market conditions and strategic priorities.

Uncertainties of (global) economic and political conditions

Kendrion operates in markets that are exposed to volatile economic and political conditions, geopolitical developments and structural industry changes. Such uncertainty may affect customer investment behavior, order intake, supply chains and cost levels, and may complicate planning, forecasting and operational decision-making. An inability to respond swiftly and effectively to volatile economic and political conditions or sudden market disruptions may impair our ability to manage operations efficiently and could negatively affect financial performance and strategic objectives. Kendrion mitigates the impact of economic and political uncertainty through sensitivity analyses and frequent updates of forecasts and outlook assumptions. The Group maintains financial flexibility through a disciplined capital allocation approach, adequate liquidity buffers and access to

committed financing. Operational flexibility is supported by variable cost structures, flexible capacity management and diversification across end markets. Timely and transparent management information enables early identification of developments and supports informed decision-making in volatile market conditions.

Operational risks

IT system reliability and implementation risk

Issues relating to IT hardware, software or system implementations may disrupt business operations. Such issues could result in transaction failures, data loss or corruption, and limitations in meeting business or regulatory requirements. These disruptions may lead to operational inefficiencies, increased costs, revenue loss and a reduced ability to serve customers effectively. Kendrion is undertaking an ongoing transition of its ERP landscape, which increases the importance of disciplined system implementation, testing and change management. To mitigate these risks, the Group applies a structured approach to IT governance and system management. Rigorous testing is performed prior to the deployment of new systems, hardware or software to identify and address potential issues before they affect operations. Critical IT systems are supported by redundant infrastructure and robust backup and recovery solutions to safeguard business continuity. Implementation risks and delays are mitigated through detailed project planning, clear milestones and close collaboration between IT teams and business stakeholders. Targeted user training supports effective system adoption and reduces operational errors. In addition, regular maintenance, continuous performance monitoring and strong vendor partnerships contribute to the reliability and resilience of the IT environment.

IT and cyber security risks

Cyber risks, including failures of information systems and unauthorised access to, alteration, destruction or copying of data, may lead to business interruptions, compromise confidential or sensitive information and adversely affect the Group's reputation. Ensuring the security and resilience of IT systems is critical to Kendrion's operational integrity and stakeholder trust. Kendrion maintains a comprehensive cybersecurity framework designed to prevent, detect and respond to cyber threats. This framework includes continuous security monitoring with 24/7 threat detection, network surveillance and real-time alerting to enable timely identification and mitigation of potential incidents. Business continuity is supported by robust contingency planning, including redundant data storage, backup solutions and disaster recovery arrangements. In addition, Kendrion applies a multi-layered defence strategy combining technological, organizational and procedural measures. These include regular software updates and patch management, ongoing vulnerability assessments, and targeted employee awareness and training programs. Through this structured and continuously evolving approach, Kendrion aims to protect its digital infrastructure and sensitive data and to maintain secure, resilient and responsible operations.

Sourcing disruptions and purchase price increases

Kendrion depends on the continuous availability of raw materials and components to operate its production facilities and meet customer demand. Disruptions in the supply chain or sustained increases in purchase prices may adversely affect production continuity and margins. Supply chain disruptions may arise from a variety of factors, including transport constraints, supplier insolvency, material scarcity, geopolitical developments or increased demand at suppliers. In addition, rising raw material prices or capacity shortages at suppliers may result in higher purchase prices for Kendrion. Kendrion

mitigates these risks through an active and structured sourcing and supplier management approach. Where possible, the Group seeks to diversify its supplier base and increase the availability of alternative sources for critical materials, while ensuring procurement from reliable and reputable suppliers. Supply continuity is supported through advance capacity commitments and regular financial assessments of suppliers. Critical suppliers are identified and subject to enhanced monitoring to safeguard supply chain continuity. Kendrion predominantly applies a local-for-local sourcing strategy to reduce logistical dependencies and exposure to global disruptions. Where single-source dependencies exist, contingency measures are evaluated and implemented where feasible, including alternative sourcing options, insourcing opportunities and increased monitoring, to ensure risks remain within the Group's risk appetite. In the event of supply chain disruptions, Kendrion engages proactively with affected customers to communicate potential impacts and jointly identify appropriate mitigation measures.

Order volatility or project cancellation

Order intake may be subject to significant volatility, and customer projects may be postponed, modified or cancelled as a result of external factors such as economic downturns, geopolitical uncertainty, supply chain disruptions, regulatory changes or shifts in customer preferences. Such developments may lead to a structural decline in demand for certain products or to short-term fluctuations in order volumes. In addition, shortages of raw materials or components at customers may result in order adjustments or cancellations, increasing uncertainty in demand patterns. Order volatility and project cancellations may adversely affect capacity utilisation, require rapid adjustments to production planning and sourcing, and lead to inefficiencies such as underutilised capacity, production backlogs or elevated inventory levels. These effects may negatively impact profitability, cash flow and working capital.

Kendrion mitigates this risk through active customer engagement and close monitoring of order volumes and project timelines. Where possible, frame contracts are aligned with both customers and suppliers to reduce supply chain volatility. Contractual arrangements are structured to protect Kendrion against adverse volume developments, including mechanisms for price adjustments and recovery of investments in tools and equipment in the event of cancellations or unmet volume commitments. Demand developments are continuously monitored, and production capacity, inventory levels and purchasing volumes are adjusted to maintain operational flexibility and limit adverse impacts on profitability and working capital.

Intellectual property protection

Insufficient protection of intellectual property (IP) may allow competitors to replicate or use Kendrion's products, potentially impacting growth and Kendrion's competitive advantage. This risk could result in reduced market share, and diminished profitability. To mitigate this risk, Kendrion employs a comprehensive IP protection strategy. Key innovations and product designs are safeguarded through patents, trademarks, and copyrights, filed in all relevant markets to ensure legal protection. Confidentiality agreements and secure data-handling protocols are strictly enforced to minimize the risk of unauthorized disclosure or misuse. Additionally, Kendrion actively monitors competitor activities and responds decisively to any IP infringement through appropriate legal action. These combined efforts help Kendrion maintain its competitive edge, protect product margins, and support sustainable growth by securing the value of its intellectual property.

Financial & reporting risks

As a globally operating, publicly listed company, Kendrion is subject to extensive financial reporting, disclosure and compliance requirements. Material misstatements or deficiencies in financial or non-financial reporting could adversely affect Kendrion's reputation, stakeholder confidence and stock market valuation. Kendrion reports quarterly in accordance with IFRS and applicable regulatory requirements.

Given the low-risk appetite in this area, the Group has implemented a robust governance, control and reporting framework to ensure the accuracy, completeness and consistency of reported information across all operating entities. All entities report in line with uniform accounting policies, reporting standards and timelines, as defined in the Group Reporting Manual. Standardised planning and control cycles provide financial and non-financial information on a weekly, monthly and annual basis, enabling timely consolidation, analysis and decision-making at Group level.

The integrity and reliability of reporting processes are supported by up-to-date segregation of duties and a strong reliance on general IT controls, including segregation of duties, system access controls, data integrity safeguards and change management procedures across critical accounting and reporting systems. These IT-based controls are designed to reduce dependency on manual controls and to support consistent, high-quality reporting.

On a quarterly basis, responsible officers provide written representations confirming the completeness and accuracy of reported information and compliance with applicable laws, regulations and internal policies, including the Kendrion Code of Conduct. Ongoing monitoring of developments in accounting standards, reporting requirements and regulatory frameworks

is embedded in the reporting process and discussed periodically with finance leadership and senior management.

Financial risks related to debt financing, credit exposure and movements in interest and foreign exchange rates are managed through dedicated policies and controls and are disclosed separately in the financial statements (page 128). These risks are monitored at appropriate levels within the organization and mitigated in line with the Group's risk appetite.

Compliance risks

Kendrion is committed to conducting business in full compliance with its Code of Conduct, the values underpinning the Code, and all applicable laws and regulations. These include employment laws, data protection laws and regulations, accounting standards, tax laws, health and safety requirements, and governance and statutory filing obligations relevant to the countries in which it operates. Senior management is responsible for promoting awareness and ensuring adherence to these laws and regulations.

To support compliance, Kendrion develops and maintains global and local policies. Its global policies include a range of procedures and policies, such as the Code of Conduct, Insider Trading Code, Speak-up procedure, among others. The Code of Conduct, central to Kendrion's operations, reflects the core values of "The Kendrion Way," an inspiring motto that lies at the heart of the organization.

The Code of Conduct outlines the principles and expectations that guide the behavior of everyone at Kendrion. To support employees in navigating compliance dilemmas, Kendrion provides guidance and training, enabling them to recognize issues and report actual or suspected misconduct or

irregularities through the Speak-up procedure. For more details about “The Kendrion Way”, refer to the People & Culture section of this Integrated Annual Report.

Compliance with Kendrion’s internal policies, procedures, and applicable local laws and regulations is regularly assessed by the internal audit department managed by our finance function. The Group Finance & Control department is responsible for designing and executing the annual audit plan, which evaluates the adequacy of Kendrion’s internal control systems. Audit findings are reported to the Executive Board, and key insights are discussed with the Audit Committee and external auditors on a regular basis. In 2025, audit results were reviewed with local management, and identified significant control deficiencies were addressed through agreed remediation actions and follow-up procedures.

Tax compliance risks

In line with its overall risk-averse appetite for compliance risks, Kendrion specifically reiterates this approach for tax compliance and associated risks. Tax risks arise from local tax rules and regulations as well as international regulatory frameworks. These include transfer pricing risks on intercompany cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax losses, taxes carried forward, permanent establishments and potential changes in tax law. Such risks may result in financial impacts, including tax expenses and payments, tax adjustments, accrued interest, fines, litigation against Kendrion’s management, and damage to Kendrion’s reputation with (local) authorities and stakeholders.

The Group Finance & Control department is responsible for establishing and overseeing group wide tax policies. Potential risks are periodically monitored and assessed based on their

likelihood of occurrence and potential impact on both local and group-wide financial tax results. For the most significant tax jurisdictions, Kendrion holds regular meetings with external tax specialists to review the tax position, evaluate tax risks, and, where applicable, assess the impact of potential changes in tax laws and legislation. To actively mitigate risks, Kendrion involves external tax advisors where specialist knowledge is required and consults (local) authorities when interpretations of tax requirements could have a significant impact.

CSRD compliance and assurance requirements

The regulatory framework for sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) is still evolving in the Netherlands and at EU level, including the scope, timing and assurance requirements, as well as potential amendments arising from the proposed Omnibus regulation. Based on the current interpretation of applicable legislation and the new threshold, Kendrion does not expect to fall within the scope of mandatory CSRD reporting with limited or reasonable assurance for the 2025 reporting year.

However, changes in legislation, regulatory guidance or enforcement practice may result in Kendrion becoming subject to CSRD reporting and assurance requirements with retroactive effect. In such circumstances, Kendrion could be required to prepare and obtain assurance over sustainability information for prior reporting periods, which may lead to additional costs, increased workload, pressure on internal resources and the need to accelerate data collection, controls and documentation. Kendrion closely monitors regulatory developments related to CSRD, ESRS and assurance requirements and assesses their potential impact on reporting, governance and internal processes. Where appropriate, preparatory measures are taken to ensure that the Group

remains able to respond in a timely and controlled manner to changes in sustainability reporting obligations.

Climate change

Society, shareholders and other stakeholders increasingly expect companies to address environmental challenges and the impacts of climate change, driving demand for more sustainable operations, solutions and products. Climate change and the related transition towards a low-carbon economy present Kendrion with both risks and opportunities across its value chain.

The direct physical impact of climate change on Kendrion’s facilities is currently limited due to their geographical locations. However, indirect effects such as extreme weather events may disrupt supply chains, delay production, reduce operational efficiency and contribute to material shortages. In addition, rising raw material and energy costs, as well as potential regulatory measures such as carbon pricing or environmental levies, may increase cost levels. The extent to which these costs can be recovered will depend on market dynamics and the ability to pass on price increases across the value chain.

Climate change and the sustainability transition are also expected to influence customer preferences, regulatory requirements and demand patterns. Kendrion anticipates growth opportunities in markets aligned with long-term sustainability trends. These include solutions supporting electrification and automation of industrial processes and energy transition, such as inductive heating control units, electromagnetic brakes for wind turbines and safety-critical components for low-carbon energy applications.

Overall, Kendrion's Business Groups are well positioned to benefit from the ongoing transition towards electrification of industrial processes, reduced reliance on fossil fuels and lower greenhouse gas emissions. The Group continues to invest in a responsible and future-proof product portfolio while supporting customers in achieving their sustainability and emission-reduction objectives. Kendrion mitigates climate-related risks by reducing its own environmental footprint through energy efficiency initiatives, increased use of renewable energy, waste reduction and recycling programs, while continuously assessing climate-related developments and their potential impact on operations, supply chains and markets.

Fraud

Given its global footprint, Kendrion is exposed to a broad range of fraud risks. As an industrial manufacturing company, the most relevant fraud risks arise in areas such as the supply chain (including kickbacks, bribery and false invoicing), inventory and asset management (including theft and manipulation), administrative and financial processes (including fraudulent payments and falsified records), and cyber-related fraud. Fraud incidents may result in financial losses, operational disruption, reputational damage and loss of stakeholder trust, particularly in jurisdictions with strict regulatory and enforcement regimes.

Fraud risk is explicitly included as a separate category in Kendrion's annual enterprise risk assessment. This ensures systematic identification, monitoring and discussion of fraud risks and supports ongoing awareness among senior management of the importance of fraud prevention and detection. Kendrion applies a comprehensive set of preventive and detective measures to reduce exposure to fraud. Access to systems, data and physical locations is restricted to what is necessary for employees to perform their roles, supported by

segregation of duties to prevent the concentration of incompatible responsibilities. User access rights and segregation of duties are reviewed periodically and adjusted where required to remain aligned with the Group's risk appetite.

Fraud prevention and detection are further supported by a combination of IT-based and business controls, including transaction monitoring, variance and margin analyses, and reviews of changes to key master data. Where limitations in automated controls are identified, complementary controls are applied to mitigate residual risks.

Clear authorization limits are defined for financial and operational transactions, ensuring that decisions involving increased risk are subject to appropriate approval levels. Ethical conduct and fraud awareness are reinforced through Kendrion's Code of Conduct, which is introduced to all employees upon joining the Group and addresses expected behavior and common fraud scenarios. Awareness of the Code of Conduct and related topics is refreshed regularly through targeted communication and training initiatives, including e-learning, workshops and internal communications.

In control statement

Based on the approach described above, the Executive Board is of the opinion that, to the best of its knowledge:

- this chapter provides sufficient insights into any failings in the effectiveness of the risk management and internal control systems (if any);
- the risk management and internal control systems provide reasonable assurance that the financial reporting, including tax reporting, does not contain any material misstatements;
- the risk management and internal control systems provide limited assurance that the sustainability report does not contain any material misstatements;

- in reference to our risk appetite and the complexity of our organization, our internal risk management and control systems provide sufficient comfort that operational and compliance risks were effectively managed, while keeping in mind inherent limitations;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- this chapter describes the material risks and uncertainties that are relevant to the expectation of Kendrion's continuity for the period of twelve months after the date of this Integrated Annual Report.

The Executive Board acknowledges that, while well-designed and effectively implemented risk management and internal control systems significantly reduce risks, they cannot provide absolute assurance. Such systems may be subject to inherent limitations, including human error, errors of judgement, deliberate circumvention of controls, fraud, violations of laws and regulations, or unforeseen circumstances. In addition, the design and maintenance of these systems involve a cost-benefit consideration.