

Introduction

This Remuneration Report describes the application of the Remuneration Policy for the Executive Board and the actual performance in 2019 against the predefined performance criteria. In addition, the Remuneration report provides an overview of the remuneration of the Supervisory Board in 2019.

Performance in 2019

The global economic climate and trading environment in 2019 was challenging, especially in the automotive sector that struggled throughout the year and that is experiencing significant disruption as vehicles become ever more Autonomous, Connected, Electric and Shared (the 'ACES'). In automotive, the market slowdown continued during 2019 with decreasing vehicle sales across the globe. Although the industrial sector started the year at the activity level of 2018, activities decreased in the second half of 2019, especially in Germany, which is Kendrion's main market for industrial activities. With the consistent execution of the 'Simplify, Focus, Grow' during the years 2016, 2017 and 2018, Kendrion has built a robust and lean organisation with a strong financial position. With the robust and lean organisation, Kendrion responded to these developments by enhancing focus on the further improvement of operational effectiveness, containing cost levels and improving cash conversion.

Despite the difficult trading environment, Kendrion continued to invest in its growth areas: Automotive, China, and brakes for industrial automation and robots. In Automotive, five 'ACES' Lighthouse platforms were introduced to make use of the disruption in the automotive market. In addition, an important project was won in 2019 for a battery cooling valve and control system that extends battery lifespan and the range of electric vehicles by controlling the battery temperature.

In China, significant investments were made in production lines, local supply chain and workforce to build and train the Chinese team. In Industrial Brakes, an important Lighthouse platform was introduced with Kendrion's servo slim line brakes; a compact electromagnetic safety brake for the growing market of smaller (collaborative) robots. In addition, the recent acquisition of INTORQ, a manufacturer of spring-applied brakes and electromagnetic brakes and clutches is expected to strengthen Kendrion's position in the market for industrial automation and robots.

In 2019, the five-year roadmap with measures for the production plants aimed at the realisation of a 15% relative reduction of energy consumption and CO₂ emission by the end of 2023 was completed and a promising start was made with the execution of the roadmap. Energy-efficient offices also contribute to the reduction of Kendrion's CO₂ footprint, and in 2019 Kendrion's head office moved to a modern and energy efficient building. Maintaining a responsible product portfolio is an integral part of Kendrion's ambition to create long-term sustainable value. One of the key products that helps reducing emissions is Kendrion's Otto Particle Filter (OPF) that cleans fine particles from exhaust fumes.

Remuneration Policy

The Remuneration Policy for the Executive Board has been adopted by the General Meeting of Shareholders, most recently in April 2018. The HR Committee of the Supervisory Board conducted a scenario analysis in the context of the design and application of the 2018 Remuneration Policy. The Remuneration Policy is reviewed at least every four years by the HR Committee at the instruction of the Supervisory Board. For the Executive Board Remuneration Policy, please visit the corporate website at <https://kendrion.com>.

Remuneration in line with median level relative to reference group

The Remuneration Policy serves to recruit, motivate and retain qualified and experienced executives in order to deliver Kendrion's strategy. In addition, the Remuneration Policy aims to further enhance the link between pay and performance and align the interests of the members of the Executive Board with the shareholders' interests – and other stakeholders' interests – 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.

The remuneration structure and level for the members of the Executive Board is set at the median level relative to the reference group of companies admitted to listing on NYSE Euronext Amsterdam (AScX Index) and strives to achieve an appropriate balance between Kendrion's annual plan and budget on the one hand and the long-term strategy on the other hand. The reference group that has been used for the design of the 2018 Remuneration Policy consists of companies from the AScX Index, excluding financial services, real estate and movies and entertainment companies. The remuneration package consists of the following elements: (i) base salary, (ii) short-term incentive, (iii) long-term incentive, and (iv) other benefits such as pension contributions.

The Remuneration Policy for the Executive Board has a performance-oriented design, whereby results and performance are used to determine short-term and long-term incentives that are of a challenging and appropriate level. The short-term and long-term incentives are based on predetermined, specific and measurable performance criteria. The short-term and long-term incentives are appropriate in relation to the base salary and take into account the pay ratios within Kendrion.

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

Base salary

Members of the Executive Board receive a base salary, the amount of which is in line with the remuneration principles of the Remuneration Policy, and payable in cash on a monthly basis. Base salary levels may be adjusted based on general market movement (to be reviewed at least every four years) and Dutch inflation rates (to be reviewed on an annual basis).

On 8 April 2019, the General Meeting of Shareholders reappointed Joep van Beurden as CEO and member of the Executive Board for a four-year term commencing on 1 December 2019 and ending on 1 December 2023. The remuneration package that becomes effective as of 1 December 2019 includes an increased annual gross base salary, which amount is not subject to indexation during the second four-year term. The reappointment resolution does not also encompass a change to the Executive Board Remuneration Policy as adopted by the General Meeting of Shareholders in April 2018.

In 2019, the following annual base salary levels applied to the members of the Executive Board:

	2019 annual gross base salary	2019 actual gross base salary
CEO (J.A.J. van Beurden)	EUR 504,645 ¹ EUR 550,000 ²	EUR 508,424.58 ³
CFO (J.H. Hemmen)	EUR 235,000 ⁴	EUR 117,500

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

	2018 annual gross base salary	2017 annual gross base salary	2016 annual gross base salary	2015 annual gross base salary
CEO (J.A.J. van Beurden)	EUR 490,900	EUR 474,300	EUR 465,000	EUR 465,000
CFO (J.H. Hemmen)	Not applicable – effective date of appointment to the Executive Board 1 July 2019			

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

Target amount

The short-term incentive target amount is set at:

- 40% of annual gross base salary for the CEO¹;
- 35% of annual gross base salary for the CFO.

Performance incentive zone

- The amount of the pay-out of the short-term incentive for the achievement of the performance criteria is maximised at 150% of the short-term incentive target amount.
- 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.
- In the case of performance below the threshold performance of the relevant performance criterion, the amount of the pay-out of the short-term incentive will be equal to zero.

Financial performance criteria

- The financial driven performance criteria determine 60% of the short-term incentive.
- Each year the Supervisory Board selects three financial driven performance criteria from the list below that apply to the relevant performance year with a view to incentivising year-on-year delivery of short-term financial objectives that support Kendrion's overall annual objectives.
- The Supervisory Board can deviate from the foregoing and select four financial driven performance criteria from the list below that apply to the relevant performance year.
- 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 each financial performance criterion.
- List of financial performance criteria:
 - Net profit;
 - Return on sales (ROS);
 - Average return on capital employed (ROIC);
 - Organic growth;
 - Free cash flow;
 - EBITDA.

Non-financial performance criteria

- The non-financial performance criteria determine 40% of the short-term incentive. Each year the Supervisory Board selects a certain number of non-financial performance criteria derived from Kendrion's strategic priorities and an appropriate pay-out scheme.
- 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-performance criteria achieved.
- The amount of the pay-out for the achievement of non-financial performance criteria will be equal to 150% of the short-term incentive target amount if all selected non-performance criteria are achieved.
- If the achievement of non-financial performance criteria falls below a certain minimum threshold number of selected non-financial performance criteria, the amount of the pay-out will be equal to zero.
- A 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.

Investment

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

¹ As part of the reappointment of Joep van Beurden as CEO for a second four-year term, the General Meeting of Shareholders resolved on 8 April 2019 to adjust the CEO's short-term incentive for at target performance to 60% of the annual gross base salary, with a maximum of 90% of the annual gross base salary (i.e. the short-term incentive is maximised at 150% of the at-target amount) effective as of 1 December 2019, the commencement date of the second term. The reappointment resolution does not also encompass a change to the Executive Board Remuneration Policy as adopted in April 2018.

2019 short-term incentive

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 2019 short-term incentive, the Supervisory Board considered – amongst others – the volatile economic climate and trading environment and the importance of long-term value creation through continued investments in key growth areas that are identified in the strategic plan as approved by the Supervisory Board. To this end, the Supervisory Board followed the recommendation of the HR Committee and selected four financial performance criteria, a non-financial performance criterion in the area of sustainability and other non-financial criteria that are directly linked to Kendrion's strategic plan, including the key growth areas identified therein. Although no distinction is made between the CEO and the CFO for the financial performance criteria, within the non-financial performance criteria the Supervisory Board decided to distinguish between the CEO and CFO to ensure appropriate alignment with individual responsibilities, without compromising the collective responsibility of the Executive Board.

In 2019, the following short-term incentive target amounts applied to the members of the Executive Board:

	2019 short-term incentive target amount
CEO (J.A.J. van Beurden)	EUR 212,536.50 (i.e. the sum of EUR 185,036.50 ¹ and EUR 27,500 ²)
CFO (J.H. Hemmen)	EUR 41,125 ³

For the performance year 2019, the short-term incentive is allocated as follows:

Short-term incentive as percentage of annual gross base salary in 2019					
Performance criterion	Weight	Minimum		At target	Maximum
ROIC	15%	0	CEO	6%	9%*
				9%	13.5%**
			CFO	5.25%	7.88%
ROS	15%	0	CEO	6%	9%*
				9%	13.5%**
			CFO	5.25%	7.88%
EBITDA	10%	0	CEO	4%	6%*
				6%	9%**
			CFO	3.5%	5.25%
Free cash flow	20%	0	CEO	8%	12%*
				12%	18%**
			CFO	7%	10.5%
Non-financial performance criteria	40%	0	CEO	16%	24%*
				24%	36%**
			CFO	14%	21%
TOTAL	100%	0	CEO	40%	60%*
				60%	90%**
			CFO	35%	52.5%

¹ EUR 185,036.50 for the 11-month period ending 30 November 2019; based on an annual amount of EUR 201,858 which amount represents 40% of the annual gross base salary of EUR 504,645 (i.e. EUR 201,858 * 11/12th).

² EUR 27,500 for the one-month period commencing 1 December 2019 and ending 31 December 2019; based on an annual amount of EUR 330,000 which amount represents 60% of the annual gross base salary of EUR 550,000 (i.e. EUR 330,000 * 1/12th).

³ The short-term incentive target amount has been time pro-rated to account for the effective date of appointment to the Executive Board on 1 July 2019. The annual target amount of EUR 82,250 represents EUR 35% of the annual gross base salary of EUR 235,000.

* Effective until 1 December 2019.

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

2019 short-term financial performance criteria

In 2019, the actual performance against the financial performance criteria was as follows:

2019 short-term incentive performance on financial performance criteria					
Pay-out as % of short-term					
Financial performance criterion	incentive target amount	Pay-out as % of annual gross base salary		Pay-out in EUR	
ROIC	0%	0%		EUR 0	
ROS	0%	0%		EUR 0	
EBITDA	0%	0%		EUR 0	
Free cash flow	150%	CEO (J.A.J. van Beurden)	CFO (J.H. Hemmen)	CEO (J.A.J. van Beurden)	CFO (J.H. Hemmen)
		12% ¹	10.5%	EUR 63,761	EUR 12,337.50 ⁴
		18% ²		(i.e. the sum of EUR 55,511 and EUR 8,250) ³	

2019 short-term non-financial performance criteria

The HR Committee reviewed performance of the members of the Executive Board against the non-financial performance criteria that are directly linked to Kendrion's strategic plan, including the sustainability ambitions and key growth areas described therein, and made recommendations to the Supervisory Board accordingly. The score on the non-financial performance criteria did not vary among the members of the Executive Board and represented 24% of the CEO's annual gross base salary for the 11-month period ending 30 November 2019 and 36% of the CEO's annual gross base

salary for the one-month period commencing 1 December 2019 and ending 31 December 2019. This resulted in a pay-out of EUR 127,521.90⁵ for the CEO. For the CFO, the score on the non-financial performance criteria represented 21% of the annual gross base salary, resulting in a pay-out of EUR 24,675 (i.e. 21% of the annual gross base salary of EUR 235,000 * 0.5).

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 EUR 55,511 for the 11-month period ending 30 November 2019 (i.e. 12% of annual gross base salary of EUR 504,645 * 11/12th) and EUR 8,250 for the one-month period commencing 1 December 2019 and ending 31 December 2019 (i.e. 18% of annual gross base salary of EUR 550,000 * 1/12th).

⁴ The long-term incentive target amount has been time pro-rated to account for the effective date of appointment to the Executive Board on 1 July 2019 (i.e. 10.5% of the annual gross base salary of EUR 235,000 * 0.5).

⁵ The sum of EUR 111,021.90 for the 11-month period ending 30 November 2019 (i.e. 24% of annual gross base salary of EUR 504,645 * 11/12th) and EUR 16,500 for the one-month period commencing on 1 December 2019 and ending on 31 December 2019 (i.e. 36% of annual gross base salary of EUR 550,000 * 1/12th).

2019 pay-out short term incentive

Overall performance resulted in the following pay-out of the short-term incentive in 2019:

	Total pay-out 2019 short-term incentive	Pay-out as % of annual gross base salary
CEO (J.A.J. van Beurden)	EUR 191,282.90 (gross)	37.62% of the actual 2019 gross base salary of EUR 508,424.58 37.90% of the gross annual base salary of EUR 504,645 (applicable until 1 December 2019) 34.78% of the gross annual base salary of EUR 550,000 (applicable as of 1 December 2019)
CFO (J.H. Hemmen)	EUR 37,012.50 (gross)	31.5%

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	2018	2017 ¹	2016 ¹	2015 ¹
CEO (J.A.J. van Beurden)	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.	Not applicable – effective date of appointment to the Executive Board 1 December 2015.

CFO (J.H. Hemmen) Not applicable – effective date of appointment to the Executive Board 1 July 2019.

¹ The short-term incentive scheme for the years 2015, 2016 and 2017 is subject to the terms of the remuneration policy applicable immediately prior to the Executive Board Remuneration Policy that was adopted in April 2018. The 2018 short-term incentive is subject to the Executive Board Remuneration Policy adopted in April 2018.

Long-term incentive

The long-term incentive incentivises members of the Executive Board to focus on long-term sustainable value for shareholders and other stakeholders; it thereby also serves to align the interests of the members of the Executive Board with the long-term interests of shareholders and other stakeholders.

The overview below describes the key elements of the long-term incentive scheme as recorded in the Executive Board Remuneration Policy.

Conditional shares

The members of the Executive Board are eligible for a grant of conditional performance shares. The actual number of performance shares is determined by the Supervisory Board in accordance with the provisions of the Remuneration Policy. The conditional performance shares will vest upon achievement of performance measured over a period of three years following the grant date, and are restricted by a holding period for another two years after vesting.

The size of the award is defined as a percentage of the annual gross base salary of the relevant Executive Board member as per the grant date, where the actual grant is determined by this percentage and the average share price of the last quarter of the year immediately preceding the year of the grant date.

Target value

The target value at grant date is set at the following maximum:

- 55% of the annual gross base salary of the CEO as per the grant date¹;
- 50% of the annual gross base salary of the CFO as per the grant date.

Performance measure

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

Weight	Performance measure
40%	Relative TSR
40%	EPS
20%	a non-financial measure in the area of sustainability

EPS

EPS is calculated by dividing the profit or loss attributable to shareholders of Kendrion by the weighted average number of shares outstanding during the relevant 12-month period.

Non-financial measure – sustainability

The non-financial measure in the area of sustainability shall be determined taking into account Kendrion's Corporate Social Responsibility strategy.

Performance incentive zone

The performance incentive zone for EPS and the non-financial performance measure in the area of sustainability shall be set by the Supervisory Board between zero and 150% of the on-target level. The actual performance incentive zones will be disclosed after the expiry of the relevant three-year performance period.

Relative TSR

The relative TSR will be measured against the performance of twelve selected TSR peer companies.

The calculation to determine Kendrion's ranking shall be conducted by an external independent and reputable specialised firm designated by the Supervisory Board.

Kendrion's ranking, after three years, determines the number of performance shares that vest, in accordance with the following performance incentive zone:

Ranking	13	12	11	10	9	8	7	6	5	4	3	2	1
Vesting	0%	0%	0%	0%	0%	50%	75%	100%	100%	125%	150%	150%	150%

TSR Performance Peer Group

#	Company	Activity	HQ	Listed
1.	Schneider Electric SE	Energy management / automation	FR	Paris
2.	Eaton Corporation plc	Actuators, valves, brakes, hydraulics etc. for industrial and automotive	IR	New York
3.	Sensata Technologies Holding NV	Sensors and controls for automotive, commercial vehicles and industrial	US	New York
4.	Aalberts Industries NV	Industrial fragmented	NL	Amsterdam
5.	Emerson Electric Co	Industrial automation	US	New York
6.	Continental AG	Automotive	GE	Frankfurt
7.	Schaeffler AG	Automotive	GE	Frankfurt
8.	TKH Group NV	Industrial	NL	Amsterdam
9.	Wabco Holdings Inc	Commercial vehicles part supplier	BE	New York
10.	Borg Warner Inc	Automotive, commercial vehicles	US	New York
11.	SKF AB	Bearings, seals, mechanical transmission	SW	Stockholm
12.	Phoenix Mecano AG	Electronic components, actuators	CH	Zurich
13.*	Grammer AG	Seating automotive commercial vehicles	GE	Frankfurt
14.*	Regal Beloit	Electric motors	FR	Paris
15.*	IMI Plc	Fluid control	UK	London

* Companies 13, 14 and 15 will be used as replacement companies in the case of delisting or other corporate events in respect of any of the selected TSR peer companies during the relevant performance period.

¹ As part of the reappointment of Joep van Beurden as CEO for a second four-year term, the General Meeting of Shareholders resolved on 8 April 2019 to adjust the CEO's long-term incentive for at target performance to 60% of the annual gross base salary, with a maximum of 90% of the annual gross base salary (i.e. the long-term incentive is maximised at 150% of the at-target amount) effective as of 1 December 2019, the commencement date of the second term. The reappointment resolution does not also encompass a change to the Executive Board Remuneration Policy as adopted in April 2018.

With respect to the long-term incentive under the Remuneration Policy as adopted by the General Meeting of Shareholders in April 2018, the members of the Executive Board were granted conditional performance shares as described in the table below.

In accordance with the 2018 Remuneration Policy, the vesting percentage of the performance shares remains conditional upon the achievement of performance measured as relative TSR, EPS and a non-financial measure in the area of sustainability.

Kendrion's external auditor Deloitte Accountants B.V. performed procedures regarding the calculation of the base salary and the variable remuneration of the Executive Board for the year under review.

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.

	2019 annual gross base salary	Target amount	Average share price Q4 2018	Conditional performance shares	Expiry vesting period	Expiry holding period
CEO (J.A.J. van Beurden)	EUR 504,645 (until 1 December 2019) EUR 550,000 (as of 1 December 2019)	EUR 281,925.41 (i.e. the sum of EUR 254,425.41 and EUR 27,500) ¹	EUR 24.39	11,559	End of 2021	End of 2023
CFO (J.H. Hemmen)	EUR 235,000	EUR 58,750 (i.e. 50% of EUR 235,000 * 0.5) ²	EUR 24.39	2,409	End of 2021	End of 2023

Long-term incentive	2018 number of shares	Expiry vesting period	Expiry holding period	2017 number of shares ³	Expiry vesting period	Expiry holding period	2016 number of shares ³	Expiry vesting period	Expiry holding period	2015 ³
CEO (J.A.J. van Beurden)	6,960	End of 2020	End of 2022	3,383	End of 2019	End of 2021	3,970	End of 2018	End of 2020	Not applicable – effective date of appointment to the Executive Board 1 December 2015
CFO (J.H. Hemmen)	Not applicable – effective date of appointment to the Executive Board 1 July 2019									

¹ EUR 254,425.41 for the 11-month period ending 30 November 2019 (i.e. 55% of the annual gross base salary of EUR 504,645 * 11/12th) and EUR 27,500 for the one-month period commencing 1 December 2019 and ending 31 December 2019 (i.e. 60% of the annual gross base salary of EUR 550,000 * 1/12th).

² For the CFO, the long-term incentive for at target performance has been time pro-rated to account for the effective date of appointment to the Executive Board on 1 July 2019.

³ The long-term incentive scheme for the years 2015, 2016 and 2017 is subject to the terms of the remuneration policy applicable immediately prior to the Executive Board Remuneration Policy that was adopted in April 2018. The 2018 long-term incentive is subject to the Executive Board Remuneration Policy adopted in April 2018.

Settlement previous variable remuneration schemes

For the performance year 2016, Joep van Beurden earned a short-term incentive of EUR 180,420 (gross), which amount was based on 97% achievement of the 2016 performance criteria resulting in a gross bonus amount equal to 38.80% of his 2016 gross annual base salary (i.e. 38.80% of EUR 465,000). One third of the 2016 amount was paid in cash (i.e. EUR 60,140) and two-thirds of the 2016 amount (i.e. EUR 120,280) was paid in conditional shares. The net number of conditional shares accordingly awarded was 3,970. This number of conditional shares was calculated on the basis of the closing share price on 10 April 2017 (i.e. EUR 30.30). Pursuant to the then applicable remuneration policy, the award of the conditional shares becomes unconditional after three years, including the relevant year in which the performance is assessed. The 2016 variable remuneration is supplemented with a share match. Depending on the achievement of long-term performance criteria, the 2016 number of conditional shares will be increased by 100% net (a matching ratio of 1:1). The 2016 share match performance criteria and scores are listed in the table below. Due to the performance of Kendrion in the period 2016-2018, Joep van Beurden will be awarded 1,588 shares (net) under the 2016 share match scheme. The award became due upon expiry of the aforementioned three-year vesting period 2016-2018. Based on the closing share price on 31 December 2018 of EUR 20.95 this represents a gross amount of EUR 65,878.

Weight	2016 performance criteria	Result	Weight	2017 performance criteria	Result
30%	Relative total shareholder return (compared to the average of the AScX and SDAX)	0	30%	Relative total shareholder return (compared to the average of the AScX and SDAX)	0
30%	Absolute total shareholder return	0	30%	Absolute total shareholder return	0
40%	Sustainability (energy and CO ₂ reduction, waste & recycling, employee satisfaction and management development/succession planning)	100%	40%	Sustainability (energy and CO ₂ reduction, waste & recycling, employee satisfaction and management development/succession planning)	100%

The shares awarded pursuant to the share match scheme are subject to a holding period of two years.

For the performance year 2017, Joep van Beurden earned a short-term incentive of EUR 170,748 (gross), which amount was based on 90% achievement of the 2017 performance criteria resulting in a gross bonus amount equal to 36% of his 2017 gross annual base salary (i.e. 36% of EUR 474,300). One third of the 2017 amount was paid in cash (i.e. EUR 113,832) and two-thirds of the 2017 amount (i.e. EUR 113,832) was paid in conditional shares. The net number of conditional shares accordingly awarded was 3,383. This number of conditional shares was calculated on the basis of the closing share price on 9 April 2018 (i.e. EUR 33.65). Pursuant to the then applicable remuneration policy, the award of the conditional shares becomes unconditional after three years, including the relevant year in which the performance is assessed. The 2017 variable remuneration is supplemented with a share match. Depending on the achievement of long-term performance criteria, the 2017 number of conditional shares will be increased by 100% net (a matching ratio of 1:1). The 2017 share match performance criteria and scores are listed in the table below. Due to the performance of Kendrion in the period 2017-2019, Joep van Beurden will be awarded 1,353 shares (net) under the 2017 share match scheme. Based on the closing share price on 31 December 2018 of EUR 20.95 this represents a gross amount of EUR 56,129.

The shares awarded pursuant to the share match scheme are subject to a holding period of two years.

The Supervisory Board has considered the settlement of the 2016 share match scheme and 2017 share match scheme in light of the principles of reasonableness and fairness and has concluded that the outcome is fair.

Upon the appointment of Jeroen Hemmen as CFO and member of the Executive Board effective as of 1 July 2019, his employment agreement with Kendrion N.V. was terminated pursuant to that certain settlement agreement. Pursuant to said settlement agreement, the termination of the employment agreement did not terminate or cancel any rights and obligations accrued to Jeroen Hemmen pursuant to the share-based incentive plans for employees as maintained by Kendrion N.V. With his 2016 annual bonus amount, Jeroen Hemmen purchased 149 shares. In accordance with the share based incentive plan for employees, the prior purchase of 149 shares will be matched (a matching ratio of 1:1), provided Jeroen Hemmen is still employed by Kendrion as at 31 December 2019. Due to compliance with the condition of the share-based incentive plan for employees, Jeroen Hemmen will be awarded 149 (net) shares under the share-based incentive plan for employees. The shares awarded are subject to a holding period of two years.

Pension and other benefits

Kendrion bears the cost of contributions for the retirement pension and risk premiums for partner pension and disability cover for members of the Executive Board and annually makes a maximum gross amount of EUR 75,000 available for this purpose. 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.

Amounts earned or awarded under and in accordance with the short-term incentive scheme and the long-term incentive scheme will not be included as a basis for calculation of pension contributions and premiums, or any other remuneration or allowance, severance amount or benefit.

The Executive Board participates in the defined contribution plan of Kendrion. The pension contribution in 2019 was EUR 31,238 (2018: EUR 30,546) for the CEO and EUR 12,664 for the CFO.

Kendrion provided the CFO with a company car through the lease policy for members of the Executive Board. The lease budget amounts to EUR 2,000 per month. In the case the CFO does not make use of a company car through the lease policy, the CFO shall be entitled to a monthly gross car allowance of EUR 2,000.

Share ownership guideline

Kendrion applies a share ownership guideline for members of the Executive Board of 100% of the annual gross base salary for the CEO and 50% of the annual gross base salary for the CFO. This shareholding has to 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 shares purchased with 20% of the net amount of the pay-out of the short-term incentive.

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.

Severance payment

In the event of termination of the contract on Kendrion's initiative, the severance payment for members of the Executive Board is maximised at one year's gross annual 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 severance payment if the contract is terminated for cause (i.e. seriously culpable or negligent behaviour 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 (2018: 12). This pay ratio is based on the average of the 2019 Executive Board remuneration including pensions and other expenses and the average wage costs per FTE in 2019 as disclosed on page 52 of this Annual Integrated Report.

Remuneration of the Supervisory Board

The remuneration received by the members of the Supervisory Board comprises a fixed remuneration that is independent of the results of Kendrion. The General Meeting of Shareholders held on 10 April 2017 resolved that as of 1 January 2017, the annual gross fixed remuneration of the members of the Supervisory Board is as described in the table below.

Position	Annual gross fixed remuneration
Chairman of the Supervisory Board	EUR 45,000
Member of the Supervisory Board	EUR 35,000
Chairperson of the Audit Committee	EUR 6,000
Member of the Audit Committee	EUR 5,000
Chairperson of the HR Committee	EUR 6,000
Member of the HR Committee	EUR 5,000

As of 1 January 2017, out-of-pocket expenses of the members of the Supervisory Board are reimbursed based on actual expenses incurred. The remuneration of the members of the Supervisory Board is in line with the median of the peer group.

The aggregate amount of the remuneration of the Supervisory Board members in 2019 amounts to EUR 172,000. The table below gives a breakdown of the remuneration in 2019 per Supervisory Board member.

Supervisory Board member	2019
H. ten Hove	EUR 50,000
M.J.G. Mestrom	EUR 41,000
J.T.M. van der Meijs	EUR 41,000
T.J. Wünsche	EUR 40,000
Total	EUR 172,000

Executive Board remuneration comparative¹

EUR thousand	2019	2018	2017	2016	2015	2014
J.A.J. van Beurden, CEO	853.5 ²	768.4 ²	737.8	645.4	38.8	
J.H. Hemmen, CFO	189.4					
<i>Remuneration of former Executive Board members</i>						
P. Veenema, CEO					734.6	668.7
F.J. Sonnemans, CFO		689.0	662.6	533.3	459.5	525.6
Pay ratio	14	12	13	13	14	13
<i>Company performance</i>						
Revenue (EUR million)	412.4	448.6	461.8	443.4	442.1	428.9
Normalised EBITA (EUR million)	19.4	35.4	37.5	31.1	25.8	32.9
Normalised EBITA margin	4.7%	7.9%	8.1%	7.0%	5.8%	7.7%

¹ Based on settled short- and long-term benefits, refer to note 1.14 of the financial statements for detailed disclosure.

² Restated to include 2016 long-term incentive.

The remuneration received by the Supervisory Board members comprises a fixed component that is not linked to the performance of Kendrion.

Supervisory Board remuneration comparative

	2019	2018	2017	2016	2015	2014
<i>Base fee</i>						
Chairman Supervisory Board	EUR 45,000	EUR 45,000	EUR 45,000	EUR 40,000	EUR 40,000	EUR 40,000
Member Supervisory Board	EUR 35,000	EUR 35,000	EUR 35,000	EUR 30,000	EUR 30,000	EUR 30,000
<i>Committee fee</i>						
Chair Committee	EUR 6,000	EUR 6,000	EUR 6,000	EUR 5,000	EUR 5,000	EUR 5,000
Member Committee	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000	EUR 5,000
Total Supervisory Board remuneration	EUR 172,000	EUR 172,000	EUR 186,000	EUR 153,000	EUR 150,000	EUR 150,000