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AGENDA

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF KENDRION N.V

1. Opening
2. Appointment of Mr Joep van Beurden as CEO and member of the Executive Board of Kendrion N.V. (resolution)
3. Amendments to the remuneration policy for the Executive Board of Kendrion N.V. (resolution)
4. Any other business
5. Adjournment

To be held on:

Wednesday, 4 November 2015

14:30 hours

Hotel Theater Figi

Het Rond 2

3701 HS Zeist

The Netherlands

www.figi.nl

Record date:

Wednesday, 7 October 2015

Applications:

No later than

Thursday, 29 October 2015

17:00 hours



Shareholders' circular

Extraordinary General Meeting of Shareholders of Kendrion N.V. ('the Company')
Wednesday, 4 November 2015

■ Note to agenda item 2 (Appointment of Mr Joep van Beurden, resolution)

Following Mr Piet Veenema's announcement that he would resign as Kendrion's CEO, the Supervisory Board started a search for a suitable successor, who was found in the person of Mr Joep van Beurden.

Credentials

Mr Van Beurden (55) has served as CEO of CSR Plc. headquartered in Cambridge, the UK, from November 2007 until August 2015. In that time he has repositioned the company into a successful high-end semi-conductor business, which was recently acquired by Qualcomm. Mr Van Beurden began his career at Royal Dutch Shell in 1988. He then worked as a consultant at McKinsey & Co. for five years. He subsequently held various international management positions at Philips and Canesta Inc. He was CEO of NexWave Inc. from 2004 to 2007. Mr Van Beurden is a Dutch national.

The Supervisory Board is of the opinion that Mr Van Beurden is the right person to lead the company, together with the Kendrion team, into the next stage. He is an experienced international executive who knows the dynamics of a technological worldwide business very well. He has a strong track record in growing businesses strategically combined with a clear focus on performance.

Nomination

For this reason the Supervisory Board hereby submits a proposal to the Extraordinary General Meeting of Shareholders to appoint Mr Van Beurden as CEO and member of the Executive Board of Kendrion N.V. for a four-year term of office as of 1 December 2015.

Main elements of the agreement; Remuneration

If the Extraordinary General Meeting of Shareholders approves the amendments of the remuneration policy as proposed in agenda item 3, the main elements of the management agreement entered into by Kendrion N.V. and Mr Van Beurden will be as follows.

- The gross fixed remuneration amounts to EUR 465,000 on an annual basis.
- The annual variable remuneration for an at-target performance will amount to 40% of the gross fixed remuneration, with a maximum of 60% of the gross fixed remuneration.
- 60% of the bonus criteria will be comprised of financial performance criteria (net profit, ROI, free cash flow, ROS and organic growth). The financial performance criteria are weighted approximately equally. 40% of the bonus criteria will be comprised of individual (non-financial) performance criteria.
- In the event of termination of the contract on Kendrion's initiative, Mr Van Beurden will receive a severance payment of one gross fixed monthly remuneration per worked period of one calendar month, counting from the time that he has been performing the assignment for at least one year. The severance payment amounts to at least half of one year's gross fixed annual remuneration, but has been capped at a maximum of one year's gross fixed annual remuneration. Mr Van Beurden has no right to the severance payment if the contract is being terminated due to urgent cause or serious culpability.
- In the event of termination of the contract on Mr Van Beurden's initiative within one year after the control in Kendrion N.V. has changed on the grounds that continuation of the agreement cannot reasonably be expected of him, he receives an amount to be determined by the Supervisory Board as a severance payment. The payment for each year worked in full will be at least one time the applicable gross monthly fixed remuneration at that time, with a minimum of six times that gross monthly fixed remuneration, and is capped at a maximum of one year's gross annual fixed remuneration.
- Mr Van Beurden will receive an expense allowance, travel allowance and reimbursement of removal expenses.

- Mr Van Beurden is a participant in the defined contribution scheme administered on behalf of Kendrion N.V. Kendrion will also take out occupational disability insurance. Kendrion N.V. will make a maximum of EUR 75,000 available annually for this.

■ **Note to agenda item 3 (Amendments to the remuneration policy for the Executive Board, resolution)**

The Supervisory Board has reviewed the existing remuneration policy for the Executive Board in connection with the search for a new CEO. Based on this review, the Supervisory Board, as advised by the Remuneration Committee, proposes to the Extraordinary General Meeting of Shareholders to adopt the following changes to the remuneration policy.

Variable remuneration

Currently, a variable bonus for the Executive Board members can be awarded each year that promotes the achievement of Kendrion's short and long-term objectives. The annual variable remuneration for an at-target performance amounts to 40% of the gross fixed remuneration of the CEO and 35% of the gross fixed remuneration of the CFO, with a maximum of 50% of the gross fixed remuneration. ***It is proposed to increase the maximum percentage for the CEO from 50% to 60%.***

At present, 50% of the bonus criteria is comprised of financial performance criteria (net profit, ROI and free cash flow) and 50% is comprised of individual (non-financial) performance criteria. The financial performance criteria are weighted approximately equally. ***It is proposed to change this in such a way that 60% of the bonus criteria will be comprised of financial performance criteria that are weighted approximately equally. The financial performance criteria of ROS and organic growth will be added to those of net profit, ROI and free cash flow.***

One third of the amount of the variable remuneration to be determined by the Supervisory Board is paid in cash. Two thirds of the ***gross variable remuneration*** is comprised of a conditional award of shares (the vesting scheme). The award of the shares becomes unconditional after three years (including the relevant year in which the performance is assessed) if the CEO and CFO are still in office and the Supervisory Board is of the opinion that there are no exceptional circumstances that would render the unconditional award unreasonable.

Once the award of the shares has become unconditional after the expiry of the vesting period they must be retained for a minimum of two years (the holding period) unless the relevant member of the Executive Board terminates his/her term of office or the term of office is terminated during this period. ***It is proposed that the members of the Executive Board may also sell such a portion of the shares as is needed to pay the personal income taxes as a consequence of the unconditional award of shares ("sell to cover") within the holding period of two years.***

The variable remuneration policy is supplemented with a share match. As stated above, two thirds of the ***gross*** annual variable remuneration is invested in shares. Kendrion proposes, depending on the long-term performance criteria, to increase the number of shares awarded pursuant to the above by 100% net (a matching ratio of 1:1). At present, a matching ratio of 50% is applied (2:1). Currently, the performance criteria are the relative Total Shareholders Return (TSR) and a group of sustainability criteria, both of which are assigned a weighting of 50%. ***It is proposed to apply a third performance criterion, the absolute Total Shareholders Return (dividend ratio and share price development). Each of the relative TSR and absolute TSR will carry a weighting of 30%, and the sustainability criteria will carry a weighting of 40%.*** The performance period shall be of a term of three years, which begins at the time of the award of the annual variable remuneration.

The shares awarded pursuant to the share match are governed by a holding period of two years, which begins at the time of the award.

The Supervisory Board has drawn up the scenario analyses prescribed by the Netherlands Corporate Governance Code.

The Supervisory Board is of the opinion that by implementing these proposals an appropriate mix of (i) attractiveness for management, (ii) balanced criteria to determine the performance of the company and members of the Executive Board and (iii) the alignment with the (long-term) interests of the shareholders is created.

If adopted by the Extraordinary General Meeting of Shareholders, the remuneration scheme for the Executive Board is as follows:

Element	Fixed	Variable	
	Base salary	Annual incentive	Long-term incentive
Way of payment	Cash	Performance related restricted shares	3-year performance related restricted shares
Performance measure	Not applicable	<ul style="list-style-type: none"> ■ Net profit ■ ROI ■ Free cash flow ■ ROS ■ Organic growth 	<ul style="list-style-type: none"> ■ Relative Total Shareholders Return (compared to the average of the AScX and SDAX) Total 30% ■ Absolute Total Shareholders Return (dividend and share price) Total 30%
		<ul style="list-style-type: none"> ■ Non-financial individual performance criteria including sustainability 	<ul style="list-style-type: none"> ■ Sustainability (energy and CO₂ reduction, waste & recycling, employee satisfaction and management development/succession planning) Total 40%
Pay-out at minimum performance	100%	0%	0%
Target pay-out	100%	CEO: 40% as % of gross fixed remuneration CFO: 35% as % of gross fixed remuneration	CEO and CFO: 100% of number of shares awarded based on annual incentive (net)
Maximum pay-out	100%	CEO: 60% as % of gross fixed remuneration CFO: 50% as % of gross fixed remuneration	CEO and CFO: 100% of number of shares awarded based on annual incentive (net)

■ Record date

The persons who have the right to vote and the right to attend the meeting are those persons who are entitled to shares in Kendrion N.V. on Wednesday, 7 October 2015 as registered in the sub-registers formed by the intermediaries as defined in the Securities Giro Act or, for those persons holding registered shares, who are registered in the shareholders register of the Company on that date.

■ Attendance of the meeting

Holders of bearer shares who wish to attend the meeting may apply in writing by no later than 17:00 hours on Thursday, 29 October 2015 via www.abnamro.com/evoting or direct to the intermediaries at which their shares are administered. The intermediaries are to provide ABN AMRO no later than 17:00 hours on Friday, 30 October 2015 via www.abnamro.com/intermediary with an electronic statement that includes the number of shares held on the Record date by the shareholder concerned and which have been applied for registration. With the application intermediaries are requested to include the full address details of the relevant shareholders in order to be able to verify the shareholding on the Record date in an efficient manner. Holders of registered shares who wish to attend the meeting may apply via www.abnamro.com/evoting until Thursday, 29 October 2015 (17:00 hours) at the latest.

■ Proxies

Shareholders unable to attend the meeting in person can grant a proxy, either in writing or by electronic means, to a third party to vote on the shareholder's behalf at the meeting. Shareholders granting proxy will need to have registered their shares before the meeting. Shareholders can issue their voting instructions, by electronic means, on www.abnamro.com/evoting by no later than 17:00 hours on Thursday, 29 October 2015. Model proxy forms for written voting instructions are available at Kendrion N.V.'s office and on its website (www.kendrion.com) free of charge. Issued proxies must be in the possession of the proxy holder, with a copy (by post, fax or email) to the Secretary of Kendrion N.V. by no later than 17:00 hours on Thursday, 29 October 2015.

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