

# Corporate and Social Responsibility

## Focused on delivering sustainable solutions

Kardan incorporated Corporate and Social Responsibility (CSR) in its Group strategy and its subsidiaries. Kardan focuses on emerging markets; economies characterized by a high growth rate. Economic development in emerging markets frequently comes at the expense of the environment. As populations grow, there is an increasing need for food, water and energy and this frequently leads to significant pollution. Moreover, urbanization and industrialization have an exacerbating effect on the environment and climate. Kardan focuses on business opportunities arising in emerging markets economies, by also addressing global challenges resulting from the growth rate in these regions. As such, Kardan turns environmental and social challenges into business opportunities, and Corporate and Social Responsibility as an integral part Kardan's overall strategy and a core value of the Group as a whole. CSR is also integrated in our (risk) management framework. Kardan is committed to observing environmental standards in all countries in which the group operates. Kardan strives to minimize the negative impact of its business on the environment and attaches importance to durable innovative measures which lower total costs and raise flexibility, whilst simultaneously relieving the pressure on the environment.

All our activities have incorporated CSR principles and progressively aim to contribute to a more sustainable future. Our water infrastructure activities specifically focus on providing access to potable water and, increasingly, on agricultural projects, such as design and installation of water irrigation systems, to bring sustainable solutions to mainly emerging countries. In our real estate activities, we aim to combine our tangible high-quality real estate assets with 'intangible values' in environmental aspects. Next to using sustainable materials and incorporating sustainability measures in the design and construction of properties, this also includes contributing to a healthy living environment, safety, providing facilities for disabled

people, and encouraging a sustainable way of using properties.

## Implementing CSR

On a practical level we have introduced a number of guidelines. Each operating company implements its own CSR strategy taking into account the effects of its activities on people, planet and profit.

## Being a good corporate citizen

An important area in pursuing good corporate citizenship is living up to the established set of core values. Kardan demands its people to comply with its code of conduct, and to act accordingly in all interactions. In particular in emerging companies, being alert on human rights and a zero tolerance regarding unethical behavior of any kind is essential. All Kardan companies and Kardan-operated joint ventures must comply with local legislation and regulations, and must conduct their activities in line with the Kardan Code of conduct and our core values.

### Human rights

Respect for human rights is embedded in our Code of Conduct. Certain areas of our supply chain may pose a higher risk to labor rights due to their location and the nature of the goods and services we procure. In these cases, we use a defined set of criteria to identify potential supply-chain risks and, where we see risk, we ask suppliers to undertake due diligence studies before considering awarding a contract. Kardan also has a Whistleblower policy in place, providing employees the opportunity to report on incidents in violation of the Code of Conduct to the Group's senior management, upon which an investigation should be executed.

### Anti-bribery

Kardan strives to deal with all of its customers, suppliers and government agencies in a straightforward and aboveboard manner and in strict compliance with any legal requirements. Employees are prohibited from paying any bribe, kick-back or

other similar unlawful payment to any public official, or government, or other individual, regardless of nationality, to secure any concession, contract or favorable treatment for Kardan or the employee. No undisclosed or unrecorded fund or asset of Kardan may be established. Payments on behalf of Kardan can be made only on the basis of adequate supporting documentation, may be made only for the purpose described by the documents supporting the payment, and must be made in accordance with appropriate corporate accounting procedures.

For instance, Tahal employees are informed and trained about anti-corruption policies and procedures, including on line training for all employees and extensive training and follow up for staff that is more exposed. Furthermore regular audits take place in this regard to safeguard that policies and protocols are followed.

Employees are encouraged to report any violation of any of the standards and practices as laid down in the Code of Conduct to their direct supervisor or a senior executive. Such report may be made anonymously via the Company's Whistleblower Policy, as posted on the Company's website. In the past year no such incident has been reported.

In its aim of being a responsible and social corporate citizen, employees were involved in several community activities. For instance in Or Yehuda, the town in which the Israeli office of Tahal is located. Besides actively helping children with after-school programs, various donations were made ranging from computers to toys, games and clothing. Similar activities, albeit on a smaller scale, also took place in several project locations.

### Being a good employer

Kardan aims to attract and retain people, develop human capital and grow the talent potential of its employees. Kardan is a decentralized organization with majority owned subsidiaries that operate fairly

autonomously in many different countries. Given this international character and our practice to 'be global but to act local', Kardan pursues a diverse workforce, meaning an inclusive approach for people of various genders, ages, and cultural backgrounds. The decentralized and broadly diversified organization, both in terms of activities as geographies, requires specific/tailored personnel policies for its individual businesses. Kardan therefore does not have a centralized personnel policy in place. Nevertheless, there is one key common denominator; throughout the Group; we consider our employees as fundamental to our success. In order to be able to attract and retain highly competent personnel, Kardan puts a lot of effort in being an attractive employer by providing international career and talent development opportunities. Over 75% of all employees receive regular performance and career development reviews. More than 90% of the employees are employed under a permanent contract.

Kardan does not tolerate discrimination on the basis of race, colour, religion, ethnic or national origin, political opinion, gender, sexual preference, age or disability, as defined in the Code of Conduct. This applies to recruitment, hiring, training, promotion, and other terms and conditions of employment. No incidents have been reported in this respect.

### Employees in numbers

At year-end 2017, the number of people employed by Kardan Group totaled 1,118 compared to 1,055 employees as of December 31, 2016. The increase in the number of employees took entirely place at Tahal. Given the envisaged sale of Tahal, the Company foresees a significant reduction in the number of staff for the Kardan Group in 2018.

**Number of employees as of December 31, 2017 \***

	Kardan holding	Real Estate	Water Infrastructure	Total
Europe (mainly Russia)	12		58	70
China		155		155
Israel			359	359
Other countries in Asia (mainly India)			180	180
Africa (mainly Angola)			354	354
<b>Total</b>				<b>1,118</b>

\* Excluding the employees working for the joint venture operations, in line with IFRS 11.

**Kardan Holding**

As at December 31, 2017, 12 people worked for Kardan Holding (year-end 2016: 16 people), in a ratio of 75% female and 25% male staff members. The absence rate during the calendar year 2017 was 5.8% (2016: 2%).

The staff working at the headquarters of Kardan contribute their business and specialist experience to the subsidiaries throughout the Group. Each subsidiary is headed by an experienced manager with an appropriate background, supported by a (lean) management team.

**Real estate**

As of December 31, 2017, KLC employed 155 people (150 as of December 31, 2016), excluding employees of the joint venture operations. KLC has 42% female staff members and 58% male staff members. The absence rate amounted to around 5% (2016: 2%).

KLC realizes that success is to a large extent dependent on the dedication, professionalism and commitment of its employees. Hence, a lot of effort is put into recruiting the best people and offering them appropriate and attractive remuneration packages, training and internal promotion opportunities. In 2017, some 10% of total staff was promoted to more senior positions compared to 7% in 2016. Moreover, KLC recognizes that retaining people is important, many social events are organized during the year, ranging

from in-house parties to sport and cultural events in the outdoors. KLC is dedicated to providing an inspiring working environment for its employees.

**Water infrastructure**

As of December 31, 2017, Tahal employed 951 people (2016: 889). This increase is explained by the large new projects in Angola and India. With so many projects in so many places around the world taking place concurrently, it is clearly a challenge to create and maintain a corporate culture and corporate values. Tahal puts a lot of effort in being transparent in its objectives and in what it expects of its employees as well as in being a good and reliable employer in all aspects. The initiation of the Tahal Academy, an in-house training platform, underpins this dedication to professional development. The average training amounted to 12 hours per employee in 2017, and another 12 hours per employee was spent on average on programs for developing employee skills. Furthermore, Tahal organized several social events for its staff to nurture corporate cohesion, in both HQ and local branches and projects.

Tahal has 31% female staff members and 69% male staff members. At its office in Israel, Tahal had an equal balance between male and female staff in 2017, whilst the project companies still have more males than females. The diversity in terms of nationality and background, particularly in the project companies, is high.

For Tahal staff, health and safety training programs are implemented, to assure a safe working environment in its worldwide offices and project sites. Tahal's quality assurance system is certified in compliance with ISO 9001:2008, and its environmental and occupational health & safety management systems are certified in compliance with ISO 14001:2004 and OHSAS 18001:2007. Tahal's employees are going through annual health & safety training, and emergency and evacuation drills are being conducted according to an authorized safety plan.

### Local employment

It is also the Group's strategy to attract and incorporate mainly local employees in its various local organizations. With the development of our organizations and through establishing new project locations, the Group creates positions for mainly local professionals, which we deem important as this ameliorates our insights into customers' requirements and market opportunities. There are many examples of how Tahal for example has created job opportunities for local professionals during a project, but also of how these projects – once finished – have led to more permanent positions. Many projects – such as the agricultural Quiminha project in Angola – generally inherently bring about employment. On occasion, therefore, Tahal also facilitates training as part of the project to ensure proper usage after transfer.

### Contributing to a more sustainable world

In our real estate activities we realize we acknowledge that residential and retail projects should comprise of more than only 'bricks and mortar'. Being energy-conscious, both during construction and in the way buildings are used and designed, is a core value of KLC, our real estate company. KLC also deems it important to be well respected by the local community because of the contribution malls and apartments make: both in terms of social positioning – such as employing local staff, business ethics, values and operating principles – and in terms of the architectural design.

KLC develops its real estate projects with great attention to green surroundings. Quality of living, environmental and sustainability attributes as well as connectivity to public transport have become important features which real estate developers need to take into consideration in their development programs. Working with the best (inter)national architects and consultants, KLC ensures that the buildings in its projects are safe, energy friendly, offer easy access to disabled people and incorporate, among others, fitness and leisure centers. Europark Dalian, for instance, is designed and will be operated according to the LEED (Leadership in Energy & Environmental Design) standard.

Access to safe drinking water and sanitation is a human right and it is an essential resource in the production of most types of goods and services including food, energy and manufacturing. Kardan's subsidiary Tahal is specialized in developing comprehensive and innovative solutions for water resources management, wastewater treatment, integrated agricultural development, natural gas infrastructures and dealing with solid waste. Contributing to an improved environment and providing sustainable solutions are core attributes of Tahal's mission to address the critical challenge of providing access to water and food to people in need.

Tahal includes environmental impact assessments and appraises the relevant local regulatory and ethical behavior prior to embarking on a project. Besides this being an in-house prerequisite of Tahal, a sound evaluation on how the company will prevent and mitigate environmental risks occurring during a project is a pre-condition for leading commercial banks to consider funding (water) infrastructure projects.

Being environmentally aware and responsible is a corporate value of Tahal. Most of the communication with subsidiaries and customers is therefore conducted by means of conference calls in order to reduce unnecessary travel and a number of other energy saving measures (e.g. car-pooling and combined

transportation, shared printer use, double-sided printing as default, using recyclable and recycled paper, specific waste separation policies etc.) has been implemented at Tahal. Tahal is moving to a greener car fleet of its headquarters' staff, with fuel-efficient hybrid cars representing 12% as per year-end 2017, which will increase to 30% in 2018. As a result, fuel consumption decreased by 15% in 2017.

To boost energy saving, light bulbs in public areas were replaced by energy efficient LED lighting, hot water saving devices were installed, air conditioning systems are set in energy saving modus and the company's relatively small car fleet is gradually being replaced by one with more economical fuel use and improved gas emissions. The entire air-conditioning system in the HQ building is automatically shut down each day after business hours and automatically turned back on in the morning.

All efforts resulted in a decrease in energy consumption by 14% in 2017.