

Corporate Governance Statement

2014



KARDAN N.V.

This Corporate Governance Statement 2014 forms an integral part of the Annual Report 2014 of Kardan N.V.

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Kardan's corporate governance statement¹ has been prepared in accordance with article 2a of the Decree of December 23, 2004 establishing further instructions concerning the content of annual reports (*Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag*), as amended, (the 'Decree'). The information required to be included in this statement as described in articles 3, 3a and 3b of the Decree is as follows:

1. The extent and manner of implementation of the Dutch Corporate Governance Code;
2. The main characteristics of the risk management and internal control systems connected with Kardan's financial reporting process;
3. The functioning of the General Meeting of Shareholders;
4. The composition and functioning of the Board; and
5. Statement in light of Article 10 of the European Takeover Directive.

1. The extent and manner of implementation of the Dutch Corporate Governance Code

Pursuant to the Decree, companies listed in the Netherlands are required to comply with the Dutch Corporate Governance Code adopted on December 9, 2003, as amended per January 1, 2009 (the 'Code'), or in case of non-compliance explain the reason thereof.

The full text of the Code can be found on www.commissiecorporategovernance.nl, as well as the final report 'Corporate governance in motion' of the Corporate Governance Code Monitoring Committee (the 'Committee'), published on October 1, 2013.

¹ Definitions used in this Statement shall have the meaning as set out in Kardans' Annual Report 2014.

The Code sets out sound business principles of corporate governance and contains certain normative standards that pertain, among other things, to the relationship between the various corporate bodies of a company. The Code primarily pertains to a two tier governance system and provides limited guidelines on how to apply the Code to a one tier governance system. However, according to some guidelines provided by the Committee in the above-mentioned report, its main advice is to apply the same principles that refer to (members of) the supervisory board to non-executive directors of a board, irrespective of other responsibilities that these non-executive directors may have. The Committee acknowledges that it is possible that a company cannot apply a principle of the Code that relates to supervisory board members directly to non-executive board members. If this is the case, a company should explain why it cannot apply such principle and relate it to the company-specific situation. The mere fact that a company has a one tier governance system does not constitute a satisfactory explanation.

The Board attributes great value to clear and transparent reporting, which it believes benefits all of its stakeholders, and fully endorses the main principle of the Code, namely that compliance with the Code is more a matter of tailored governance than checking boxes. The Board takes a pragmatic approach in applying the Code to its one tier governance system and will consequently explain where and why Kardan deviates from the Code. When it is deemed necessary, the Board will explain how certain principles and provisions of the Code are applied to Kardan's one tier governance system.

Deviations from the Code

Management board, chapter II: For the explanation of the Code in view of the one tier governance system, this chapter is applied as to pertain to either the Board as a whole or the CEO only, as applicable and indicated per provision.

Provision II.1.1 – term of appointment: the CEO is appointed for a maximum period of five years. Given the fact that the activities and the business model of Kardan are by nature long term, it is deemed in the best interest of Kardan and its stakeholders to include in the Articles the provision that CEOs are appointed for a maximum period of five years. The intention of this is to establish a stable, long-term commitment of management. Although this term constitutes a deviation from the Code, Kardan is of the opinion that it contributes to the (long-term) best interests of Kardan and its stakeholders and as such adheres to the broader sense and interpretation of the Code.

Provision II.1.2 – matters subject to approval: The Board is of the opinion that Kardan complies with this provision since the subject matters of this provision fall outside the scope of the delegated daily management by the Board to the CEO. As such, the subject matters of this provision are subject to the approval of the whole Board, as formalized in the [Board Regulations](#). With respect to item (d) (approval of corporate social responsibility issues) it is noted that the Board fully supports the fact that Environmental and Social Governance (ESG) behavior is an essential element in the future success of the operations of the Group and that emphasis is laid on creating long-term, sustainable solutions throughout the Kardan Group (see the chapter on ESG on page 67 of the [Annual Report 2014](#)) as part of Kardan's business. When required, the CEO will seek the approval of the Board with respect to ESG regarding the operational and financial objectives of Kardan and the strategy designed to achieve these objectives. On matters that fall within the managing authority of the CEO, such as operational and/or investor relations matters, the CEO may decide on an ESG approach without the Board's prior approval.

Provisions relating to principle II.2 – remuneration: In view of the one tier governance system, this principle II.2 is applied to the remuneration of the CEO, being the only executive Board Member. It is noted that, in deviation of the Code, a proposal for

said remuneration is drafted by the non-executive Board Members, to be approved by the General Meeting of Shareholders as the ultimate corporate body in the Company.

Provision II.2.4 – options: In deviation of the Code, the CEO can exercise 25% of the options granted to him after two years from the effective grant date. The Code prescribes that options may not be exercised within three years from the date of grant. Further, the number of options to be granted is, in deviation of the Code, not linked to achieving pre-defined targets. However, given the fact that half of the options can be exercised only after the three-year period, the nature of the option schedule is such that the CEO will only benefit after Kardan has achieved a satisfactory long-term performance. The deviations from the Code were the result of the negotiation process with the CEO.

Provision II.2.6 and II.2.7 – exercise price option and the amendment thereof: In deviation of the Code, the exercise price of the CEO's options is the average of the share price of Kardan on the five days prior to the effective grant date (the day that the supervisory board proposed the nomination of the CEO to the General Meeting of Shareholders). The Code prescribes that the exercise price is related to the average share price on the five days prior to the day of grant. In the period between February 20, 2012 and the AGM 2012, the share price of Kardan experienced a steep decrease in value. The non-executive Board Members reconsidered the exercise price of the option package and deemed it fair to propose a revision of the option package to the EGM 2013, in deviation of the Code. The revised exercise price was calculated by applying the ratio of the initial exercise price compared to the share price on February 20, 2012, to the share price on the day before the AGM 2012. The Board was of the opinion that the decrease in share price which occurred prior to the appointment of the CEO was beyond his control and that in order to provide a genuine incentive to create future value, which the Board considers to be in the best interest of Kardan

and its stakeholders, the CEO should be rewarded, incentivized and bear responsibility as from his appointment by the AGM 2012 onwards, i.e. as of May 31, 2012. The revised option exercise price was still well above the market price of Kardan's shares at both the date of the approval of the new terms by the Board, as well as at the date of the EGM 2013 when the revised option package was adopted.

Supervisory board, Chapter III: For the explanation of the Code in view of the one tier governance system, this chapter is applied to the non-executive Board Members.

Provision III.2 – Independence: The Board comprises a majority of independent non-executive Board Members. In deviation of the Code, three non-executive Board Members are non-independent, being Mr. Grunfeld, Mr. Rechter and Mr. Schnur. The Board is of the opinion that, given the fact that they are the founders of Kardan and as a consequence have extensive knowledge of the sectors in which Kardan operates, their contribution to the Board is of considerable value and thus justifies the deviation from the Code.

Provision III.3.3 and III.4.1.a – Introduction: Kardan does not consider it necessary to make a standard introduction program mandatory for each newly appointed non-executive Board Member. The Board fully underwrites the principle that new non-executive Board Members should be properly introduced to Kardan and its businesses, but takes the view that such introduction need not necessarily be contained in a fixed, standard, program. If a newly appointed non-executive Board Member or the Chairman considers it necessary or desirable, he or she may follow an introduction program that covers general financial and legal matters, financial reporting within the Kardan Group and/or any specific aspects that are unique to Kardan and its business activities and to the collective and individual responsibilities of non-executive Board Members.

Provision III.3.5 – Limitation on terms of appointment: Kardan has no limitation set on the number of terms that non-executive Board Members can serve.

Given the extensive knowledge that some non-executive Board Members have of Kardan and its businesses, Kardan considers it in its best interest and that of its stakeholders not to limit the number of terms that non-executive Board Members may serve. It is noted that the General Meeting of Shareholders will at all times be the designated body to appoint and reappoint non-executive Board Members.

Provision III.6.4 – Conflict of interest: Transactions between Kardan and legal or natural persons holding at least 10% of the shares in Kardan's capital: Kardan takes the view that suitable protection in this respect is provided for given the provisions on conflicts of interest included in its Articles and the Board Regulations, in combination with the provisions on transactions with Holders of Control (as defined in the Articles and as further described in the 'Related Party Transactions' section on page 77 of the [Annual Report 2014](#)).

Provision IV.3.1 – Meetings with analysts etcetera: As Kardan frequently engages in meetings with its (debt and equity) investors, it does not announce, for practical reasons, all meetings with analysts, presentations to analysts and presentations to investors in advance on Kardan's website or by means of press releases, nor does the Company enable all shareholders and / or debt holders to follow these meetings and presentations in real time. Presentations with respect to the quarterly financial results are publicly announced and posted on Kardan's website before the investor conference call regarding the respective quarterly results takes place. In the event that Kardan will give a special presentation, this presentation will be posted on Kardan's corporate site in accordance with the applicable rules and regulations.

Provision IV.3.4 – Analyst meetings, presentations to investors and direct discussions with investors:

Kardan cannot guarantee in advance that discussions with investors will not take place during a closed period before the publication of regular financial information. It is noted, however, that discussions with investors shall always be conducted based on information which is already in the public domain and in compliance with applicable rules and regulations, in particular those concerning selective disclosure, price sensitive information and equal treatment.

During 2014, frequent meetings took place between Kardan and the trustees and representatives of the holders of the Company's Debentures Series A and Series B, as the Company's cash position and the upcoming payment obligations of Kardan to its Debenture Holders led to discussing and negotiating proposed principles with respect to debt restructuring. Given the importance of the outcome of these meetings to the Company and the Kardan Group as a whole, this interest prevailed over adherence to this provision in the Code.

Further, contact with potential new investors may be deemed necessary at any given time when opportunities arise. Kardan will, in line with its [Investor Relations Policy](#) (as published on its website), adhere to only discussing information with respect to Kardan that is already publicly available and that can be found on the corporate website and/or in publicly available media/platforms.

2. Main characteristics of the risk management and internal control systems connected with Kardan's financial reporting process

Kardan believes that taking risks is an integral part of doing business and can create opportunities which in turn can lead to positive results. Consequently, Kardan believes that a proper 'risk culture' throughout the Kardan Group, entailing that all employees share a joint responsibility in being risk aware and acting accordingly is essential and that management should lead the way through example.

Kardan has a consistent and structured management information system in place, based on monthly management reports submitted and presented by the subsidiaries to enable sound analyses and decisions. As Kardan is listed on both the Euronext Amsterdam as well as the Tel Aviv Stock Exchange, it has solid governance structures in place and is obliged to report on the quarterly results of the Kardan Group, which – among other things – entails that Executive Management discusses strategic and budgetary issues with management and boards of its subsidiaries at least on a quarterly basis.

The risk management framework that Kardan uses has been developed on the basis of the original principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), updated since according to COSO IC 2013, which aims to develop and maintain internal control systems to enhance the likelihood of a company achieving its targets and to be able to adapt effectively to changes in the business and operating environments. Kardan considers this framework to constitute a link between strategy, policy-making and execution and to be instrumental in obtaining a clear view on its business environment and the challenges it faces. Kardan's risk management framework and approach provides it with reasonable assurance that the Group's objectives can be achieved.

The Board holds at least one formal strategy (and budget) meeting per year. The strategy and business development of Kardan, and consequently of its subsidiaries, are recurring topics on the agenda of Board meetings during the year. If deemed appropriate, for instance, due to changing market circumstances, the corporate strategy and related objectives may be adjusted. The Executive Management discusses the objectives for the coming year(s) with the managers of the subsidiaries in order for them to include these targets into their budgets and strategic plans. Moreover, the Board and the Executive Management require the subsidiaries to identify business and operational risk factors and controls in their budgets and plans. After approval of

the subsidiaries' budgets and strategic plans, the Executive Management prepares the final budget and strategic plan for the Board, which includes the main risk categories and the relating control measures that have been determined during a risk assessment session. This session is conducted by the Executive Management in close cooperation with risk management professionals. Subsequently, the Executive Management may decide to integrate some of the identified risk categories and controls in ongoing management information systems.

The internal audit, that is carried out by a third-party organization and is done independently of management's own risk assessment, plays an important role in monitoring the risk management framework. In addition, Kardan complies with Israel's Securities Law regulations relating to the effectiveness of internal control over financial reporting and disclosure ('Israeli SOX'). During the year under review and until the date of this report, all steps have been taken to be able to provide a declaration regarding the effectiveness of the internal control as referred to previously. Based upon the work performed, the CEO and the CFO have made a statement in the Israeli Annual Report that as of December 31, 2014 the control over financial reporting and disclosure is effective ('the Control Statement').

The effectiveness of the internal controls over financial reporting and disclosure was also audited by the Group's external auditors and can be found on page 65 of the [Annual Report 2014](#). Kardan's (main) subsidiaries also provide Kardan with a representation letter on a yearly basis.

3. Functioning of the General Meeting of Shareholders: Shareholders and Shareholders' Rights

General Meeting

The annual General Meeting of Shareholders is the forum in which the Board accounts for the manner in which it has performed its duties. The CEO gives a presentation on business developments over the preceding year and shareholders are given the opportunity to raise questions on the business and current matters. Kardan considers it to be in its interest that the shareholders take part in the decision-making process in the General Meeting of Shareholders as much as possible.

Each shareholder has the right to attend the General Meetings of Shareholders, which is held in the Netherlands, either in person or represented by proxy, to address the meeting and to exercise voting rights, subject to the provisions of the Articles and Dutch law. A shareholder has the aforementioned rights if he/she is registered as a shareholder on the applicable record date as set by the Board and announced in the convocation notice. To the extent practically feasible, investors located in Israel can participate in a General Meetings of Shareholders by means of a conference call or a video conference.

A General Meeting of Shareholders is held at least once a year in order to, among other things, discuss the report of the Board, to adopt the statutory financial statements, to appoint the external auditor, to adopt any proposal concerning dividends, to, if applicable, appoint and reappoint board members, to amend the Articles and to consider any other matters proposed by the Board or the shareholders in accordance with the Articles and Dutch law. Pursuant to both Dutch law and the Articles, the General Meeting of Shareholders discusses and passes, under a separate agenda item, resolutions discharging board members from their responsibilities for the performance of their respective duties in the preceding

financial year. This discharge only pertains to matters known to Kardan and the shareholders at the time the resolution is adopted. The external auditor will attend and be entitled to address the General Meeting of Shareholders.

Other General Meetings of Shareholders may be held as often as the Board deems necessary. In addition, one or more shareholders holding at least 10% of Kardan's issued share capital can request the Board, in writing, to hold a General Meeting of Shareholders, specifying in detail the items to be discussed. If the Board fails to convene and hold a meeting, the requesting shareholder(s) may call the meeting, observing Dutch law and the Articles.

Voting

Each share carries one vote. Kardan has only one class of shares, being ordinary shares with a nominal value of EUR 0.20 each. Dutch law requires Kardan to set the record date for the exercise of the voting rights and the rights relating to General Meetings of Shareholders on the twenty-eighth day prior to the day of the General Meeting of Shareholders. Unless provided otherwise by Dutch law or the Articles, there are no quorum requirements. At present, Kardan does not facilitate electronic voting.

As a general rule, resolutions are adopted by an absolute majority of the votes cast. Dutch law and the Articles can stipulate that certain resolutions are adopted by a qualified or special majority of the votes cast. An example hereof is the approval of Related Party Transactions as described on page 77 of the [Annual Report 2014](#).

Furthermore, the Articles and Dutch law require that certain important resolutions made by the Board are subject to the prior approval of the General Meeting of Shareholders, for example the entering into Extraordinary Transactions, as defined in the Articles.

Proposed resolutions

One or more shareholders representing at least 3% of Kardan's issued share capital has/have the right to request the Board to place items on the agenda of a General Meeting of Shareholders provided such request is duly motivated and explained or accompanied by a draft resolution. The Board shall then add the item to the meeting's agenda, provided that the request is received by the Board in writing no later than on the sixtieth day before the day of the General Meeting of Shareholders.

Notice of a General Meeting of Shareholders shall be given ultimately on the forty-second day prior to the day of the General Meeting of Shareholders.

Changes to rights

Rights of shareholders may change pursuant to an amendment of the Articles, a statutory merger or demerger or dissolution of the Company. A resolution of the General Meeting of Shareholders is required to effect these changes.

4. The composition and functioning of the Board

Board and CEO

Kardan is managed by a one tier Board, which currently comprises one executive Board Member, being the CEO and eight non-executive Board Members. The Board reports to the General Meeting of Shareholders of Kardan.

The Board Members have a shared responsibility for Kardan's general course of affairs and are collectively responsible for: a) Kardan's strategy and objectives; b) Kardan's financial status; c) Kardan's organizational structure; d) the publication of prospectuses or shelf prospectuses by Kardan; e) the financial and periodic reports issued by Kardan;

f) the fairness and reasonableness of the highest remunerated employees within the Kardan Group; and
g) issuance of debenture series and/or other securities.

The responsibility for the day-to-day management is assigned to the CEO based on a power of attorney provided by the Board. The CEO is authorized to represent Kardan, jointly with a member of the Executive Management (CFO or VP Business Development), but needs the Board's prior approval with respect to material transactions such as, but not limited to: acquiring or alienating assets with a value exceeding EUR 10,000,000 or providing guarantees to parties outside the Kardan Group for an amount exceeding EUR 10,000,000. These restrictions are included in the Articles and in the Board Regulations. Moreover, the CEO will ensure that he provides the Board Members with all information required to carry out their duties in a timely and well-founded manner.

In any case, certain duties remain the exclusive domain of the non-executive Board Members, such as supervising the CEO and nominating Board Members for appointment by the General Meeting of Shareholders.

Although management and supervisory duties are allocated between executive and non-executive Board Members, the principle of collective responsibility applies to the entire Board, executive and non-executive Board Members alike.

The Board supervises the performance of the CEO's duties by assessing, for example: a) the achievement of Kardan's objectives; b) the implementation of corporate strategy; c) the risks inherent in the business activities and the design and effectiveness of the internal risk management and control systems; d) the financial reporting process; e) compliance with legislation and regulations; f) close involvement in the case of a takeover bid; and g) the company/shareholder relationship.

The Board acts in accordance with the Articles and Board Regulations, both published on Kardan's website. The Board is supported by the Company Secretary who ensures that the correct procedures are followed and that the Board acts in accordance with its statutory obligations and its obligations under the Articles and the Code.

Chairman

The Chairman of the Board is an independent, non-executive Board Member. The Chairman sets the agenda, chairs the Board meetings and monitors the proper composition and functioning of the Board, the Audit Committee and the RAS Committee. Furthermore, the Chairman is responsible for ensuring that the members of the Board receive, in a timely manner, all information from the CEO and other senior members of the management team, which is required for the proper performance of their duties. He also oversees the decision-making process itself and actively monitors any potential conflict of interest when matters are discussed and decisions need to be taken by the Board. In the absence of the Chairman, the Vice-Chairman shall replace him.

The Chairman meets, at least once a year, individually with each non-executive director to ensure that any issues of interest or concern to either party in relation to the Board and its functioning are fully aired.

Appointment and composition of the Board

Following a recommendation of the RAS Committee, the Board has the right to make nominations for Board candidates that are subsequently put forward for appointment by the General Meeting of Shareholders. Each non-executive Board Member is appointed for a period of four years, but may be reappointed for a new term of office. The Board itself determines its size, provided that the Board must comprise at least three members and a maximum of fifteen. Each Board Member must be capable of assessing the broad outline of Kardan's overall policy and must have the

specific expertise required for the fulfillment of the duties assigned to the role designated to him/her in the Board profile. In addition, a Board Member must have sufficient time to allocate to the duties required from him/her.

The Board can request its members to retire early in the event of inadequate performance or a structural incompatibility of interests. It is considered desirable for the Board to represent, to the extent possible, a wide range of expertise so that it has relevant knowledge of, and experience in, business management, financial administration, legal and accounting for listed companies. Although the composition of the Board is currently not in full accordance with the statutory requirements on gender diversity, having only one female Board Member, the Board recognizes the importance of a gender balanced composition and takes this into account when selecting potential Board nominees. However, as gender is only part of diversity, the Board will continue to select members on the basis of their background, knowledge and experience.

The Board Members comply with the rules under Dutch corporate law pertaining to the limitation of the number of board positions in Dutch large companies. Pursuant to Kardan's insider trading policy, the Board Members cannot trade in Kardan's securities during closed periods prior to the publication of annual or periodic results.

Biographies

An overview of the Board Members and their biographies, as of the date of this report, is presented below.

All non-executive Board Members are appointed for a period of four years ending no later than at the end of the General Meeting of Shareholders held in the fourth year after the year of their appointment. The executive Board Member (CEO) is appointed for a period of five years.

Peter Sheldon (1941) – Chairman

Chairman of the Board, non-executive Board Member, member of the Audit Committee and member of the RAS-Committee.

Nationality: British

Mr. Sheldon started his career as a chartered accountant in London, UK, in 1958 and since 1971, when he left professional practice, has built a very successful international career in senior, executive and non-executive positions in a wide range of international listed and private companies, including Hambros Bank plc. Mr. Sheldon served as non-executive chairman of BATM Advanced Communications Ltd., an Israeli technology company listed on the London and Tel-Aviv Stock Exchanges for 15 years until 31 December 2014. As a result of his varied professional and commercial career, Mr. Sheldon has acquired total familiarity with the capital markets, their institutions and all aspects of corporate governance.

Cor van den Bos (1952) – Vice-Chairman

Vice-Chairman of the Board, non-executive Board Member and Chairman of the Audit Committee

Nationality: Dutch

Mr. Van den Bos has a master's degree in business economics and in auditing/accountancy from the University of Rotterdam. He started his extensive career at AEGON, a Dutch insurance company, where he ultimately served on the executive board, being responsible for, among other things, general insurance business lines, ICT, and investments and finance. Mr. Van den Bos consecutively served as a member of the executive boards of Athlon Groep N.V., a Dutch listed leasing company and SNS Reaal N.V., a bank and insurance company, which became listed during his tenure. Mr. Van den Bos is currently Supervisory Board member at ASR Nederland N.V. (Chairman of the Audit Committee), C.E.D. Holding b.v. (Chairman) and Noordwijkse Woningstichting (Chairman).

Max Groen (1946)

Non-executive Board Member and member of the Audit Committee

Nationality: Dutch

Mr. Groen holds a master's degree in economics and accounting from the University of Amsterdam, the Netherlands, and has a postgraduate degree in accountancy. Mr. Groen worked as an auditor for over 30 years, ultimately as partner of KPMG Business Advisory Services/KPMG Accountants in Amsterdam. Prior to being appointed as a non-executive Board Member of Kardan, Mr. Groen served as a member of the Kardan's supervisory board from July 2005 until May 2012, when Kardan adopted a one tier governance system. Mr. Groen served as the Chairman of Kardan's Audit Committee until March 2014. Mr. Groen is currently a member of the Appeals Committee of the Netherlands Foundation Collective Maror Funds.

Yosef Grunfeld (1942)

Non-executive Board Member

Nationality: Israeli

As one of the founders of the Kardan Group, Mr. Grunfeld has a long-term involvement in the Kardan Group and currently holds board positions in, for example, Kardan Israel Ltd., Kardan Yazamut (2011) Ltd. (neither part of the Kardan Group) and Universal Motors Israel Ltd. He currently holds 19.22% of the issued share capital and voting rights of Kardan.

Additionally, Mr. Grunfeld has a voting agreement with Mr. Schnur and Mr. Rechter, which represents a combined total of approximately 40.60% of the voting rights (excluding their voting rights on account of their respective indirect shareholdings in Kardan Israel Ltd., which holds 11% of the issued share capital of Kardan). Given the above, Mr. Grunfeld is considered a non-independent, non-executive Board Member within the meaning of the Code.

Albert May (1955)

Non-executive Board Member, chairman of the RAS Committee and member of the Audit Committee

Nationality: Belgian

Mr. May holds a master's degree in applied economics from the University of Brussels, Belgium, and started his career in the banking industry. Mr. May has extensive experience in corporate and investment banking and covered Central and Eastern Europe (CEE) and the Middle East and Africa (MEA) in various senior positions for the past 15 years. He was Vice-Chairman of Banking for the CEE region at Citigroup until 2012, after having been Head of Corporate and Investment Banking for the same region. Until May 2008, he was the Chief Operating Officer for the CEEMEA region for Citi. Between 1997 and 2003, Mr. May lived in Poland and was responsible for corporate finance and investment banking activities at Citibank Handlowy Warsaw (BHW). Prior to that, he worked in Senior Banking positions in Brussels, Luxembourg, Paris, New York and London, working on international transactions (M&A, equity, debt, restructuring). He is the founder and Managing Partner of EastWest Capital (EWC) a Boutique Investment bank focused on Entrepreneurs and UHNWI active in Europe and Africa. As of January 2015, Mr. May is a non-executive director and member of the Audit Committee in Turkasset, a specialized Turkish Financial institution.

Shouky Oren (1959) – CEO

Chief Executive Officer and executive Board Member

Nationality: Israeli

Mr. Oren holds a BA in economics and an MBA from the Hebrew University of Jerusalem, Israel. He started his career with the Ministry of Finance of Israel and over the years, has held various senior positions in the banking industry, ultimately as CEO of Bank Leumi in Switzerland. In 2007, he was appointed as Accountant General of the State of Israel, in charge of all government finance affairs. This included all public-private partnership projects, domestic and foreign debt, government guarantees to the private sector, as well responsibility for using and applying all

financial tools to mitigate the financial crisis that started in 2008. He has gained knowledge of and broad experience in the international and Israeli capital markets.

Eytan Rechter (1949)

Non-executive Board Member

Nationality: Israeli

As one of the founders of the Kardan Group, Mr. Rechter has a long-term involvement in the Kardan Group and currently holds board positions in various companies including Kardan Israel Ltd., Kardan Technologies Ltd., Kardan Vehicles Ltd. and Kardan Yazamut (2011) Ltd. (none of which are part of the Kardan Group).

Mr. Rechter currently holds 3.66% of the issued share capital and voting rights of Kardan. Additionally, Mr. Rechter has a voting agreement with Mr. Grunfeld and Mr. Schnur, which represents a combined total of 40.60% of the voting rights (excluding their voting rights on account of their respective indirect shareholdings in Kardan Israel Ltd., which holds 11% of the issued share capital of Kardan). Furthermore, Mr. Rechter holds 94,137 Debentures Series B as issued by Kardan. Given the above, Mr. Rechter is considered a non-independent, non-executive Board Member within the meaning of the Code.

Avner Schnur (1948)

Non-executive Board Member

Nationality: Israeli and Belgian

Mr. Schnur has served as President of Astra Diamonds Manufacturers Ltd. since 1986. He also served as a director in various other Israeli companies that are either subsidiaries of, or associated with, the Kardan Group and presently serves as board member of Kardan Yazamut (2011) Ltd. (not part of the Kardan Group). Mr. Schnur has been a member of the supervisory board of Kardan as of July 2009 until May 31, 2012, when Kardan adopted a one tier governance system. Mr. Schnur has extensive knowledge of the Kardan Group and currently holds 17.72% of the issued share capital and voting rights of Kardan. Additionally, Mr. Schnur has a voting

agreement with Mr. Grunfeld and Mr. Rechter which represents a combined total of 40.60% of the voting rights (excluding their voting rights on account of their respective indirect shareholdings in Kardan Israel Ltd. which holds 11% of the issued share capital of Kardan). Given the above, Mr. Schnur is considered a non-independent, non-executive Board Member within the meaning of the Code.

Machalina (Elly) Seinstra (1951)

Non-executive Board Member and member of the RAS Committee

Nationality: Dutch

Mrs. Seinstra holds a master's degree in Dutch law and is specialized in regulatory matters, contract law, banking law and corporate law, and has broad experience with international regulated companies in legal management positions, such as MeesPierson N.V., Fortis Bank N.V., Shell International B.V. and TNT N.V. Mrs. Seinstra has been active as a legal consultant to a broad variety of companies in the Netherlands since mid-2007.

Reappointment Scheme

Name	Participation in board committees	Year of Birth	Nationality	Status	Date of first appointment	End of current term
Mr. P. Sheldon (Chairman)	Audit RAS	1941	British	Non-executive Independent	May 31, 2012	AGM 2016
Mr. C. van den Bos (Vice-Chairman)	Audit (Chairman)	1952	Dutch	Non-executive Independent	February 6, 2013	AGM 2017
Mr. M. Groen	Audit	1946	Dutch	Non-executive Independent	May 31, 2012	AGM 2016
Mr. Y. Grunfeld		1942	Israeli	Non-executive Non-independent	February 6, 2013	AGM 2017
Mr. A. May	RAS (Chairman) Audit	1955	Belgian	Non-executive Independent	May 31, 2012	AGM 2016
Mr. S. Oren (CEO)		1959	Israeli	Executive	May 31, 2012	AGM 2017
Mr. E. Rechter		1949	Israeli	Non-executive Non-independent	February 6, 2013	AGM 2017
Mr. A.A. Schnur		1948	Israeli	Non-executive Non-independent	May 31, 2012	AGM 2016
Mrs. M. Seinstra	RAS	1951	Dutch	Non-executive Independent	February 6, 2013	AGM 2017

Board meetings

The Board meets at least every quarter, principally at the Company's head office in Amsterdam and where necessary, by conference call.

Each Board Member has one vote and a resolution is adopted if a simple majority of the Board Members votes in favor. However, the Board strives to resolve matters with full consensus. The Chairman does not have a casting vote.

Internal regulations and conflicts of interest of Board Members

Kardan's Articles include extensive provisions on conflicts of interest between Kardan and Holders of Control (as defined in the Articles), which are also applicable if these Holders of Control hold a position on the Board (for a further description of these

provisions, see the section 'Related Party Transactions' in the chapter '[Governance and Compliance](#)' in the Annual Report 2014).

In addition, Kardan endorses the principles and provisions of the Code that address conflicts of interest between Kardan and one or more Board Members. To this effect, provisions have been included in the Board Regulations covering best practice provisions II.3.1 through II.3.4 and III.6.1 through III.6.3 of the Code.

Board Committees

The Board has established an Audit Committee and a RAS Committee (the RAS Committee), comprising only of non-executive independent Board Members, without in any way derogating from their primary responsibilities. The respective chairmen of these

committees report periodically to the entire Board on their activities.

Both committees are subject to specific regulations which form part of the [Board Regulations](#), and which can all be found on the corporate website.

Audit Committee

The Audit Committee comprises of Mr. Van den Bos (Chairman), Mr. Groen, Mr. Sheldon and Mr. May. Its tasks are:

a) to review on an annual basis the accounting policies, practices and going concern assumption of Kardan and to discuss compliance with accounting standards, regulatory and legal requirements; b) to review the adequacy of coordination between the internal and external auditors and to discuss annually with the auditors (internal and external) the scope of the audit, the cost effectiveness of their work and their independence; c) to review the state and effectiveness of the financial reporting and internal control systems used throughout Kardan (including effectiveness of business risk assessment); d) to review and discuss the auditor's report on Kardan's accounts, review the results of the internal and external audit, the contents of the (consolidated) management letters and responses from management; e) to review and discuss the financing of Kardan, the policy of Kardan on tax planning and the applications of information and communication technology (ICT); f) to discuss major judgmental areas and significant legal action commenced against or by the business; g) to assume the responsibilities of a balance sheet committee as defined under Israeli regulations; h) to review the annual and periodic financial statements of Kardan before the Board and recommend to the Board whether to approve them or not; and i) to review any other matter within the terms of reference as the Audit Committee deems appropriate.

The Audit Committee acts as the principal contact for the external auditor, should the auditor discover irregularities in the content of the financial statements. The Audit Committee is authorized to request advice from outside experts if deemed necessary.

There should be at least one financial expert on the Audit Committee. The Chairman of the Board is not permitted to chair the Audit Committee.

RAS Committee

The RAS Committee comprises of Mr. May (Chairman), Mr. Sheldon and Mrs. Seinstra.

The tasks of this committee include, among other things, (i) preparing a remuneration policy for the Board, to be adopted by the General Meeting of Shareholders, (ii) preparing a remuneration policy for the Executive Management, to be adopted by the Board, (iii) preparing a proposal concerning the individual remuneration of the CEO and non-executive Board Members, to be adopted by the General Meeting of Shareholders, (iv) preparing the Board's remuneration report for inclusion in Kardan's annual report, (v) preparing the selection criteria and appointment procedures for Board Members, (vi) periodically evaluating the scope and composition of the Board and (vii) periodically evaluating the functioning of individual Board Members and the members of executive management; (viii) proposing (re)election of the CEO and non-executive Board Members to the Board, to be adopted by the General Meeting of Shareholders; and ix) supervising the policy of the CEO in relation to the selection and appointment of the executive management.

In accordance with a newly implemented policy on the remuneration of senior management of the Kardan Group, the RAS Committee approves, on an annual basis, a list of senior managers whose remuneration is deemed to be governed by the policy and assesses and advises the CEO on the packages of such senior managers prior to such package being offered.

5. Statement in light of Article 10 of the European Takeover Directive

In accordance with Article 10 of the European Takeover Directive, companies with securities that are admitted to trading on a regulated market are obliged to disclose certain information in their annual report. Kardan must therefore disclose the following information and/or make the following statements:

- a. An overview of Kardan's capital structure is included on pages 168 and 169 of the [Annual Report 2014](#).
- b. Shares in the capital of Kardan are freely transferable.
- c. Substantial shareholdings within Kardan are included on page 14 of the [Annual Report 2014](#).
- d. There are no special control rights attached to Kardan's shares.
- e. The CEO and several senior officers has been granted options to purchase shares in Kardan, which is further described on page 80 of the [Annual Report 2014](#).
- f. There are no limitations to voting rights on the shares of Kardan's capital.
- g. Kardan is not aware of any agreements that might result in a limitation of the transferability of the voting rights on shares in Kardan's capital.
- h. The provisions regarding the appointment and dismissal of Board Members, and the provisions regarding amendments of the Articles are described in [Kardan's Articles](#), which are available on Kardan's website.
- i. The General Meeting of Shareholders may authorize the Board (i) to purchase shares in its own capital, and (ii) to issue and grant rights to subscribe for shares and to limit or exclude pre-emptive rights of shareholders in the event of issuing and granting rights to subscribe for shares. Further information can be found in Kardan's Articles and in the minutes of the relevant General Meetings of Shareholders of Kardan with respect to authorizations that have been granted to the Board.
- Authorization for Kardan's purchase of its own shares was granted for a period of eighteen months at the AGM 2014.
- At the AGM 2012, the authorization to issue and grant rights to subscribe for shares and to limit or
- exclude pre-emptive rights of shareholders in the event of issuing and granting rights to subscribe for shares was granted for a period of five years, taking into account the limits provided by law and the Articles and provided that no more than 10% of the non-issued shares of the Company's authorized capital can be issued annually.
- j. There are no important agreements to which Kardan is a party and which will come into force, be amended or be terminated under the condition of a change of control over Kardan as a result of a public offer. ²
- k. There are no agreements between Kardan and Board Members or other employees that entitle them to any compensation rights upon termination of their employment as a result of the completion of a public offer on Kardan's shares.
- Amsterdam, April 15, 2015
- Board of Directors
- P. Sheldon (Chairman)
- S. Oren (CEO)
- C. van den Bos (Vice-Chairman)
- M. Groen
- Y. Grunfeld
- A. May
- E. Rechter
- A. Schnur
- M. Seinstra

2 According to the Principle Debt Settlement, in case a prohibited controlling shareholder, as defined below, has joined the Company (or the control of the Company has passed into the hands of a prohibited controlling shareholder), the debenture holders shall have cause for immediate repayment of the Debentures Series A and B. A "Prohibited Controlling Shareholder" signifies a controlling shareholder which a meeting of debenture holders (which was convened at the request of the holder/s who own/s at least 20% of the series) decided – by a majority of at least 75%, within 21 days of the date in which the Company reported that the shareholder has joined the Company as a controlling shareholder (or that he has assumed control of the Company) – that it opposes his joining the controlling shareholders (or assuming the control) on reasonable grounds pertaining to his personal reputation, such as having committed a flagrant offense or if he does not meet the lawful conditions for serving as a director in an Israel-based publically traded company.

Organogram Kardan N.V. (April 2015)

