

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. 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. The water infrastructure activities specifically focus on providing access to

potable water and on agricultural projects, such as design and installation of water irrigation systems.

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 calls on its people to comply with its code of conduct, and to act accordingly in all interactions. In particular in emerging markets, 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 Kardan's core values.

Human rights

Respect for human rights is reflected 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 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 or to a third party advisor, upon which an investigation should be executed.

Anti-bribery

Kardan strives to deal with all 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.

At KLC anti-corruption and anti-fraud trainings are included in the introduction training for new staff. All KLC staff sign the various policies. At Tahal employees are informed and trained about anti-corruption policies and procedures, including online training for relevant 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.

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 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. Around 60% of all employees receive regular performance and career development reviews. Around 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 2019, the number of people employed by Kardan Group totaled 1,492 compared to 1,517 employees as of December 31, 2018.

Number of employees as of December 31, 2019 *

	Kardan holding	Real Estate	Water Infrastructure	Total
Europe (mainly Russia)	8		108	116
China		123		123
Israel			357	357
Other countries in Asia (mainly India)			330	330
Africa (mainly Angola)			566	566
Total	8	123	1,361	1,492

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

Kardan Holding

As at December 31, 2019, 8 people were employed at Kardan Holding (year-end 2018: 9 people), in a ratio of 75% female and 25% male staff members. The absence rate during the calendar year 2019 was 1.4% (2018: 8.6%). The decrease was due to two long-term illness situations in 2018.

All employees at Kardan Holding followed cyber security training, and several employees followed specific courses to further develop certain individual expertise. All employees were offered a workplace scan and they received personal advice regarding the physical work posture.

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, 2019, KLC employed 123 people (141 as of December 31, 2018). The small decrease in number of employees is due to the operational improvements at the shopping mall. KLC has 42% female staff members and 58% male staff members. The absence rate amounted to around 0.8% (2018: 0.77%). Including the employees from the joint venture companies the number of employees amounts to 210 in 2019.

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 2019, over 3% of total staff was promoted to more senior positions compared to 14% in 2018. Moreover, KLC recognizes that retaining people is important, many social events are organized during the year, ranging from teambuilding events. KLC is dedicated to providing an inspiring working environment for its employees.

A variety of trainings and courses were organized for KLC staff in the past year. At the headquarters in Beijing, orientation trainings were given to new staff. At the Asset Management company in Dalian there were various training, ranging from orientation training, staff manual training to time management system training. For the Dalian Project Company also various trainings including Staff manual training were organized.

Water infrastructure

As of December 31, 2019, Tahal employed 1,361 people (2018: 1,367). 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 4 hours per employee in 2019. Furthermore, Tahal organizes several social events for its staff to nurture corporate cohesion, in both HQ and local branches and projects.

Tahal has 27% female staff members and 73% male staff members. At its office in Israel, Tahal has a more equal balance between male and female staff, 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 and community activities

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.

In its aim of being a responsible and social corporate citizen, employees were involved in several community activities. Various activities, ranging from volunteering at the Amsterdam food bank to tree planting activities to raise awareness on World Aids Day and World Water Day are taking place. In addition, activities take place to support local community centers and committees, both at Tahal and KLC.

Contributing to a more sustainable world

In our real estate activities, 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 operated according to the LEED (Leadership in Energy & Environmental Design) standard. Led lighting is the standard in both the residential projects and Galleria Dalian.

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. 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.

At the HQ in Amsterdam, environmental indicators were part of the selection criteria for its relocation end of 2017 when the Company moved to a greener office location. Kardan uses efficient LED lighting and smart technology, including motion sensors, to save energy consumption. Garbage is being recycled. HQ Staff is encouraged to use public transportation.