

Corporate Governance Statement

2019



KARDAN N.V.

Governance and Compliance

Introduction

Kardan is managed by a one-tier board, which per 31 December 2019 consisted of one executive Board Member, the CEO, and six non-executive Board Members. The Board reports to the General Meeting of Shareholders of Kardan. The Board as a whole bears the ultimate responsibility for the management of Kardan, whilst the responsibility for the day-to-day management is assigned to the Chief Executive Officer (CEO) of Kardan jointly with Executive Management, based on a power of attorney provided by the Board. During 2019, the Executive Management consisted of the CEO and the CFO. The CFO joins the meetings of the Board.

Corporate Governance Statement

Companies listed in the Netherlands are required to comply with the Dutch Corporate Governance Code (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. 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.

In the Code, long-term value creation forms the starting point for corporate governance. The Code stipulates that the executive board should focus on long-term value creation and take the stakeholder interests that are relevant in this context into account. The way in which the Board puts this into practice must be explained in the annual board report.

Focusing on long-term value creation is an ongoing process. Depending on the dynamics of the market within which the Company is operating, it may be necessary to make short-term adjustments to strategy. Discussions about larger trends, and asking disruptive questions, will help keep the Company on the right track. In some situations, a company may explicitly decide to focus on the short term. Kardan's current

strategy is primarily focused on the repayment of its Debentures through generating cash by selling assets, whilst continuing to also focus on further improving the results of the subsidiaries and therefore their value.

Although the Code is focused on a dualistic governance model (i.e. two-tier governance structure), it also provides guidelines for companies with a one-tier governance system, which are laid down in Chapter 5 of the Code.

The Board attributes great value to clear and transparent reporting, which it believes to benefit 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

Provision 2.1.7 and 2.1.8 – Independence of the non-executive Board Members: As of 31 December 2019, and the date of this report, the Board comprises a majority of independent non-executive Board Members. The non-executive Board Members which are non-independent are two of the founders of Kardan and given their extensive knowledge of the sectors in which Kardan operates, which bring invaluable expertise to the Board, this justifies the deviation from the Code.

Provision 2.2.1 – Appointment management board: Given the fact that the operations 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 the CEO is appointed for a period of five years with the possibility of reappointment. 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 2.3.6 – Tasks of the Chairman: Under the Whistleblower Policy (published on www.kardan.nl) currently in place, (suspicions of) material misconduct and irregularities are in first instance reported to the compliance officer who reports this to the CEO. Under specific circumstances as further specified in the Whistleblower Policy, suspicions are reported directly to the Chairman of the Board.

2. The risk management and internal control systems

Taking risks is an integral part of doing business and can create opportunities which in turn can lead to positive results. Kardan therefore deems it important to have a proper 'risk culture' throughout the Kardan Group, entailing that all employees share a joint responsibility in being risk aware and acting accordingly. Likewise, Kardan believes that management should lead the way by example.

Kardan considers risk management to be an integral part of the daily management responsibility. In order to ensure adequate knowledge and understanding of local business environments, and thus to minimize risks, the management teams of all Kardan group companies consist of both local and international members. The risk management and internal control system is outlined in more detail on page 36 and further of this annual report.

3. General Meeting of Shareholders

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 Meeting of Shareholders which is held in the Netherlands, either in person or represented by proxy, and 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 Meeting 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 convene 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.

Shares

Each share carries one vote. Kardan has only one class of shares, being ordinary shares with a nominal value of €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-eight 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.

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.

Annual General Meeting 2019

The Annual General Meeting of Shareholders was held on 29 May 2019. The meeting topics included amongst others the Annual Report 2018, the principles of the debt settlement agreed upon with the Debenture Holders including the authorization of the Board to continue the negotiations with the Debenture Holders, the approval of the delegation of the authority to the Board to issue shares or rights to subscribe for shares up to three tranches, each time up to the maximum of 15% of the outstanding share capital at the time of the issuance and the variable remuneration of the CEO.

4. Board

Board and CEO

As mentioned, Kardan is managed by a one-tier Board consisting, at the date of this Annual Report, six non-executive Board Members and one executive Board Member. There were no changes in the composition of the Board during the year under

review. 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, 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 € 10,000,000 or providing guarantees to parties outside the Kardan Group for an amount exceeding € 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 the

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 Remuneration, Appointment and Selection (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, ending no later than at the end of the General Meeting of Shareholders held in the fourth year after the year of appointment. Each non-executive Board Member may be reappointed for a new term of office. The executive Board Member (CEO) is appointed for a period of five years.

The Board itself determines its size, provided that the Board must comprise at least three members and a maximum of fifteen, of which at least one Board member has to be appointed as executive Board Member. 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.

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.

Composition, Mutations and Reappointment schedule

During 2019 there were no changes to the composition of the Board. Mr. Sheldon shall be nominated for re-election during the Annual General Meeting 2020 for a period of two years, ending at the end of the Annual General Meeting 2022. This is in line with the Dutch Corporate Governance Code. This nomination for re-election is important for Kardan as Mr. Sheldon has extensive knowledge of the current situation the Company faces and plays an instrumental and very valuable role in the ongoing discussions with the Company's stakeholders, and in particular the Debenture Holders.

Peter Sheldon (1941, male) – Chairman

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

Nationality: British and Israeli

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 December 31, 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.

Date of first appointment: 31 May 2012

End of current term: AGM 2020

Ariel Hasson (1973, male) - CEO

Executive Board Member and CEO

Nationality: Dutch

Mr. A. Hasson holds a BA in management and economics from the Tel Aviv University as well as an

MBA from the Kellogg School of Management at the Northwestern University (Illinois, US). He worked for the Boston Consulting Group and subsequently joined Bank Hapoalim, Israel's largest bank, as chief advisor to the CEO and later as Executive Vice President, Head of Emerging Markets Banking. Since 2010 Mr. Hasson served as the CEO of TBIF Financial Services B.V., a former fully-owned subsidiary of Kardan N.V. which held the group's banking and retail lending businesses. In 2016 Mr. Hasson was appointed as CEO of Kardan N.V.

Other positions: Chairman of the board of Kardan Land China and Tahal Group International

Date of first appointment: 26 May 2016

End of current term: AGM 2021

Cor van den Bos (1952, male) – 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 Erasmus University Rotterdam. He started his extensive career at AEGON, a Dutch insurance company, where he ultimately served on the executive board of AEGON Netherlands N.V. In this capacity he was responsible for, among other things, general insurance business lines, Life Insurance Bank, ICT, 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.

Other positions: Vice Chairman of the Supervisory Board of ASR Nederland N.V. and Chairman of the Audit and Risk Committee.

Date of first appointment: 6 February 2013

End of current term: AGM 2021

Yosef Grunfeld (1942, male)

Non-executive Board Member

Nationality: Israeli

After founding the Kardan group of companies in 1990, Mr. Grunfeld was active as a director in various

Israeli companies that were or still are either subsidiaries of, or associated with the Kardan Group. Currently, Mr. Grunfeld is chairman of the Board of Directors of Kardan Israel Ltd., as well as Director in various other companies in Israel. He currently holds 13.96% of the issued share capital and voting rights of Kardan. Additionally, Mr. Grunfeld has a voting agreement with Mr. Rechter and Mr. Schnur (a former member of the Board). Given the above, Mr. Grunfeld is considered a non-independent, non-executive Board Member within the meaning of the Code.

Other positions: chairman of the board of Kardan Israel and Kardan Real Estate

Date of first appointment: 6 February 2013

End of current term: AGM 2021

Ferry Houterman (1949, male)

Non-executive Board Member

Nationality: Dutch

Mr. Houterman holds a teaching degree business administration and the NIMA marketing certificates A and B. Mr. Houterman has extensive experience as executive and non-executive director of various companies, such as Rabobank Amsterdam and Eden Hotel Group. Mr. Houterman is the current owner of HMC B.V., a consultancy firm.

Other positions: Supervisory Board member of Tahal Group International B.V.

Date of first appointment: 30 May 2018

End of current term: AGM 2022

Eytan Rechter (1949, male)

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. Mr. Rechter currently holds board positions in various companies including Kardan Israel Ltd., Kardan Real Estate Ltd. and Kardan Technologies Ltd. (none of which are part of the Kardan Group). Mr. Rechter currently holds 0.54% of the issued share capital and voting rights of Kardan. Additionally, Mr. Rechter has a voting agreement with Mr. Grunfeld and Mr. Schnur (a former member of the Board).

Furthermore, Mr. Rechter holds 14,930.26 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.

Other positions: Member of the Supervisory Board of Tahal Group International B.V.

Date of first appointment: 6 February 2013

End of current term: AGM 2021

Cécile Tall (1967, female)

Non-executive Board Member, chairman of the RAS Committee

Nationality: French

Mrs. Tall holds master degrees in corporate law, international and European law, as well as in public and private law, and a master degree in tax and finance from the ESCP Business School. She held various positions at Polyconcept Investments BV in the Netherlands and Polyconcept Holding in Paris. Currently Mrs. Tall is a consultant at Poseidon Consulting SAS.

Date of first appointment: 4 May 2017

End of current term: AGM 2021

Board Meetings

The Board meets at least once every quarter, principally at Kardan's headquarters in Amsterdam or, when necessary, by conference call. In 2019, the Board met eight times. All Board Members attended all Board meetings, except Mrs. Tall and Mr. Grunfeld, who were each absent during one Board call. Resolutions of the Board are generally adopted by an absolute majority of the votes cast as defined in the Articles, except for extraordinary transactions, in which case resolutions made by the Board are adopted by a special Board majority. Each Board Member has one vote, except in the event of a conflict of interest, in which case the respective Board Member can neither participate in the relevant discussions nor vote on the subject matter. When deemed necessary, the Board consulted outside experts for advice and invited them to attend Board meetings.

Important topics during 2019 were obviously the Company's ability to service its debts, particularly in light of the Company's repayment obligations towards its debenture holders and the financial position of the company. Also, the financial situation of Tahal, its relationship with its financing banks, the sale process and the discussions with investors on an investment transaction relating to Tahal were frequently discussed. Furthermore, financial forecasts, results, the negative equity position and cash flow projections were topics on the agenda. The CEO updated the Board frequently on the discussions and negotiations to reach a settlement with the debenture holders. Furthermore, the CEO provided detailed business updates to the Board through Board meetings and via e-mail, addressing major developments and events in all segments of the Kardan Group.

Once every year, the Board is given a presentation on the main risks for the Kardan Group and the Executive Management's conclusions after a structured process is conducted on how these risks are being – or should be – managed. As part of risk management, the Board discusses the main risk categories of the Company, mainly in relation to capital availability and foreign exchange impact and topics such as project management and planning within the Kardan Group as well as its internal control systems. The Board was periodically updated by the chairman respectively chairwoman of both the Audit Committee and the RAS Committee on the discussions that took place in the meetings of their respective committees. If so required, the Board was asked to resolve matters that were brought to the Board by the respective committees.

At the request of the debenture holders, the Company appointed an observer to the Board in October 2018, Mr. J. Rotenberg. Mr. Rotenberg attends the meetings of the Board since his appointment and reports his observations to the Trustees of the debenture holders.

Board evaluation

During the year the Chairman conducted bilateral meetings with all individual members of the Board. As part of a self-assessment process, the Board Members have submitted an extensive questionnaire to the RAS Committee relating to the performance during 2019. The outcome of the Board evaluation shows an overall improvement in the rating granted by the Board Members as regards the Board's performance and functioning. Board Members are satisfied with the Information provided by the Management. The Board members have a better understanding of the Board's functioning, have a good understanding of the risks inherent to the Company's business and the Company's risk management and feel free to discuss (mal) functioning.

Board Committees

The Board has established an Audit Committee and a RAS Committee, comprising only non-executive independent Board Members, without in any way derogating from the primary responsibilities of the Board as a whole. The respective chairman and chairwoman of these committees report on their activities periodically to the entire Board. Both committees are subject to specific regulations, which form part of the [Board Regulations](#).

Audit Committee

The members of the Audit Committee all possess extensive financial knowledge. The Audit Committee in 2019 consisted of Messrs. Van den Bos (Chairman) and Sheldon.

The Audit Committee met five times during 2019 and extensively discussed the periodic and annual financial statements in the presence of Kardan's CEO, CFO and external auditor. Accounting issues and main assumptions, judgments and valuations were discussed, and the external auditor reported his findings. The Audit Committee specifically discussed

the Company's going-concern assumption, also in light of its inability to service its obligations towards its debenture holders, the financial position of Tahal, the financial impact of currency fluctuations on the Company's equity, its negative equity and the possibilities of hedging foreign exchange risks, cash flow forecasts of Kardan, the valuation of real estate properties and inventory in China and bad debt provisions. Furthermore, the Audit Committee reviewed and discussed the internal control systems, the result of the internal audit and compliance and legal updates.

After reviewing the performances of PricewaterhouseCoopers Accountants N.V. as Kardan's external auditor for the financial year 2018, the Audit Committee recommended to the Board to propose the appointment of PricewaterhouseCoopers Accountants N.V. as Kardan's external auditor for the financial year 2019, which proposal was adopted at the AGM. In addition, the Audit Committee discussed internal audits and annual compliance and integrity updates, from both the Dutch and the Israeli perspectives, pursuant to which internal procedures have been implemented and/or updated.

During the course of 2019, the chairman of the Audit Committee had frequent meetings with Kardan's financial executives and the external auditors in preparation of the Audit Committee meetings. Before every quarterly Board meeting the chairman of the Audit Committee met with the external auditors without the Executive Management being present.

Remuneration, Appointment and Selection Committee

The RAS Committee met 1 time in 2019 in a physical meeting, in which the RAS Committee discussed the performance of the executive Board member and the eligibility to the variable remuneration. Furthermore the performance criteria for the 2020 variable remuneration for the executive Board member were

discussed. In 2019, the RAS Committee consisted of Mrs. Tall (Chairwoman) and Mr. Sheldon.

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 this chapter). 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 2.7.1. through 2.7.6 of the Code, which were adhered to in light of the conflicts of interest described hereafter. At the beginning of each Board meeting the Chairman verifies whether any Board Member has a (potential) conflict of interest with respect to any item on the agenda.

Remuneration and shareholdings of Board Members

The shareholders approved a remuneration policy for the Board at the AGM 2015 according to which non-executive Board Members receive a fixed remuneration only. At the AGM 2016, a specific remuneration package was adopted for the executive Board Member. At the EGM held in October 2019, a proposal for the variable remuneration for the executive Board Member was adopted.

In accordance with the requirements under the newly implemented changes to the Shareholders Directive (2007/36/EG), the Company will place the remuneration policy on the agenda of the Annual General Meeting.

The remuneration of the non-executive Board Members does not depend on the performance of

Kardan's shares, and rights to shares are not granted to the Board Members as remuneration. Kardan has not granted personal loans, guarantees or the like to Board Members, all of which are prohibited by the Board Regulations unless in the normal course of business and with prior approval granted by the Board.

According to the available information there are two non-executive Board Members who hold shares in the capital of Kardan: Mr. Grunfeld and Mr. Rechter; more detailed information can be found in the Shareholder Information chapter on page 11 of this Annual Report.

Detailed information on the remuneration of all Board Members can be found in the Remuneration Report on page 62 of this Annual Report.

Executive Management

Kardan has opted for the installation of an Executive Management team, consisting of the CEO, Mr. Hasson and the CFO, Mrs. E. Oz-Gabber. The Executive Management is entrusted with the day-to-day management of the Company. As member of the Executive Management team, the CFO attends all Board meetings as well as the meetings of the Audit Committee and provides the Board, if so requested by the Board all such information to allow the Board to properly perform its duties.

Diversity policy for the Board

Kardan aims to attract and retain people, develop human capital and grow the talent potential for all its employees, including the Board. Kardan pursues a diverse workforce, meaning an inclusive approach for people of various genders, ages and cultural background throughout its entire organization. The Board regulations stipulate that the Board should have broad representation with respect to expertise in financial and accounting areas and specific know-how in various aspects of the Company's business. The Board has a diverse composition in terms of knowledge and expertise, gender, age and nationality. The Board

will continue to strive for a diverse composition in the process of appointing and reappointment. Kardan does not comply with article, which requires the Board to be composed in a balanced way, meaning that at least 30% of the seats in the Board are to be occupied by women and at least 30% by men. Kardan strives to arrive at a balanced apportionment of the seats in the Board with new appointments, to the extent that suitable candidates are available.

5. Related Party Transactions

Articles 7, 8 and 9 of the Articles of Kardan contain rules on the corporate resolution process in the case of dealings between Kardan and one or more Holders of Control, as defined in the Articles (Special Approval Procedure). Holders of Control are deemed to be any Person (as defined in the Articles) holding 25% or more of the voting rights in the General Meeting of Shareholders, if there is no other Person holding more than 50% of the voting rights. Certain transactions, as described in Kardan's Articles, between Kardan and a Holder of Control require special approval, as follows: (i) Board approval with an absolute majority of votes, including the affirmative vote of the majority of the independent Board Members (as defined in the Articles) and (ii) approval of the General Meeting of Shareholders with an absolute majority of votes, provided that either (a) such a majority includes the affirmative votes of at least half of all the votes of the shareholders who are present at the meeting and who do not have a personal interest (as defined in the Articles), or (b) the opposition votes of those shareholders who are present at the meeting and who do not have a Personal Interest, do not constitute more than 2% of the total number of votes that can be cast in a General Meeting of Shareholders. In 2019 no new related party transactions were executed.

6. Investor Relations

Kardan acknowledges the importance of being transparent towards its shareholders and other investors. As such, management engages, from time to

time, in meetings with investors and shareholders. Shareholders are given the opportunity to ask questions at the General Meetings of Shareholders and, in addition, can contact the Investor Relations office of Kardan during the course of the year. All is done in accordance with Kardan's [Investor Relations Policy](#), as published on Kardan's website.

7. Compliance

As a company listed on Euronext in Amsterdam and the Tel Aviv Stock Exchange, Kardan is subject to laws and regulations in the countries of listing. Moreover, as an internationally operating company, Kardan must comply with laws and regulations in every country in which it conducts its business. Compliance with applicable laws and regulations is embedded in Kardan's organization, amongst others by means of internal rules and procedures that have been put into place to safeguard compliance. In light thereof, Kardan has a [Whistleblower Policy](#) in place, enabling employees to adequately and safely report any suspicions they may have of irregularities of a general, operational or financial nature. In addition, Kardan also adopted a [Code of Conduct](#) designed to provide its employees with guidelines for their behavior and activities to comply with laws, regulations and ethical standards that govern Kardan's businesses. In order to safeguard a level playing field for investors, Kardan furthermore adopted an [Insider Trading Policy](#) and an [Investor Relations Policy](#). All of the aforementioned policies are regularly updated and can be found on Kardan's website under '[Governance Policies and Documents](#)'.

Due to its listing on Euronext in Amsterdam, Kardan is required to comply with the Dutch Securities Law and listing standards of Euronext as available on <https://www.euronext.com/en/regulation>. Supervision of the Dutch Securities Law is, to the extent relevant for Kardan, carried out by the Dutch Authority for Financial Markets ('AFM'), who is responsible for supervising the efficient operation of the financial markets in the Netherlands.

Due to its listing on the Tel Aviv Stock Exchange, Kardan is required to comply with Israeli Securities Regulations and listing standards of the Tel Aviv Stock Exchange (TASE), as available on www.tase.co.il/eng/pages/homepage.aspx. Supervision of the Israeli Securities Regulations is carried out by the Israeli Securities Authority (ISA). Any report required in Israel is conducted through the Electronic Disclosure System (MAGNA). Through the MAGNA system, the reports are sent to ISA and TASE, and can be reviewed online by any investor.

Reporting requirements in the Netherlands and Israel partly overlap and include (but are not limited to) the following:

- (i) any Interested Party and any senior office holder (as defined in the Articles) of Kardan is required to report to Kardan about any change in their holdings in Kardan's shares, and Kardan has to report this via the MAGNA system (Israel);
- (ii) Kardan has to make public material events which are not in the ordinary course of business or which can materially affect Kardan or which can be considered as price-sensitive information;
- (iii) Kardan has to publish an Immediate Report about convening a General Meeting of Shareholders and the resolutions adopted in such meeting (Israel);
- (iv) Kardan is required to publish its periodic reports, which include quarterly and annual financial statements and additional information. The additional information may differ between the Dutch and Israeli reporting requirements, in timing or in content. Both Dutch and Israeli reports are published on the Company's website; and
- (v) Kardan is required to publish reports with respect to any change in its issued share capital including, inter alia, distribution of dividends (in cash or in kind), issuance of any new securities (including shares, options, debentures, etc.), conversion of any securities, the lapse of options on shares, purchase plans (buy back) and creation of treasury shares.

Given the fact that Kardan is not incorporated under Israeli law, it is not subject to Israeli Companies Law. However, where deemed appropriate, Kardan has adopted certain principles from Israeli Companies Law such as, but not limited to, the Special Approval Procedure for Extraordinary Transactions which are implemented in Kardan's Articles.

8. 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 page 125 of the Annual Report 2019.
- b. Shares in the capital of Kardan are freely transferable.
- c. Substantial shareholdings within Kardan are included on page 11 of the Annual Report 2019.
- d. There are no special control rights attached to Kardan's shares.
- e. Several senior officers have been granted options to purchase shares in Kardan, which is further described on page 64 of the Annual Report 2019.
- 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 the 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.

At the AGM 2019, the shareholders authorized the Board for a period of eighteen months as of that day, 29 May 2019, to resolve for the Company to acquire shares in the Company, within the limits of the law and the articles of association of the Company, which acquisition may not result in the Company (and/or one of its subsidiaries) holding (jointly) more than ten percent (10%) of the shares in the Company's capital. At the AGM 2018 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 which was granted at the AGM 2015 for a period of five years was extended with one year, i.e. until 29 May 2021, 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 and that with respect to no more than 5% of the total number of the issued shares at any time, rights to issue shares can be granted.

Furthermore, at the AGM 2019, it was resolved that the Board is authorized to resolve (i) to issue shares and/or grant rights to subscribe for shares to the Debenture Holders, up to three tranches and each time up to a maximum of 15% of the Company's issued share capital at the issuance date of each tranche and (ii) to limit or exclude pre-emptive rights in connection with the foregoing. This authorization was granted for a period of five years starting at the date of the AGM, i.e. until 29 May 2024.

- 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.
- 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.