

## **Remuneration Policy**

On behalf of the Board, I am pleased to present our Remuneration Policy. This Remuneration Policy has been established upon recommendation of the Remuneration Appointment and Selection Committee ("**RAS Committee**") based on the changes implemented in the Netherlands pursuant to the new EU Directive 2017/828/EU relating to the encouragement of long-term shareholder engagement (the "**Shareholders Right Directive**").

### **Introduction**

The RAS-Committee has reviewed the existing Remuneration Policy taking into account Kardan's prime objective of repayment of its outstanding debentures through generating cash by selling assets, whilst continuing to also focus on further improving the results of the subsidiaries and therefore their value. The RAS Committee also took into account the market-levels of remuneration for executive and non-executive board members with headquarters in the Netherlands, but also took into account the specific circumstances Kardan faces. Furthermore, the interest of Kardan's debenture holders was also considered as well as the internal pay ratio. Taking all of the above considerations into account, the Board has decided to make no substantial changes to the current Remuneration Policy but has adopted the requirements of the amended Shareholders Right Directive.

### **Remuneration Policy: Principles and Governance**

The Remuneration Policy has been established to enable Kardan to attract, motivate and retain qualified executive managers, executives and non-executive members of the Board with a balanced and competitive remuneration package that is focused on sustainable results and is aligned with Kardan's long-term strategy. The Remuneration Policy is clear and transparent and takes into account any feedback received from shareholders and other stakeholders. This remuneration policy sets the remuneration of executive Board members and non-executive Board members. In setting the remuneration level for the executive Board members, the Board also takes into account the level of remuneration within the Company for positions below the Board and by calculating the pay ratio that reflects the total average compensation of the employees of the Company relative to the total average remuneration package of the executive Board members. The Company annually reports on this pay ratio within the Company in the remuneration report.

### **Remuneration executive Board members**

Pursuant to the Remuneration Policy the remuneration of the executive members of the Board shall consist of the following components:

- Fixed annual base remuneration;
- Fringe benefits; and
- Annual variable remuneration in cash.

The RAS-Committee evaluates the components of the remuneration of the executive Board members regularly to ensure that it meets the objectives of the Remuneration Policy.

*This version of the Remuneration Policy is effective as of 13 January 2021 following the determination of the remuneration at the EGM of 13 January 2021.*

### *Base salary*

The base salary of the executive members of the Board is set around the median of the remuneration levels payable within relevant comparable markets and a peer group of comparable companies. Any change to the base-salary will have to be approved by the General Meeting of Shareholders of Kardan. The base salary is evaluated each year by the RAS-Committee and the non-executive Board members. The Board may decide to propose to the General Meeting of Shareholders a change in the base salary in the event that it is considered that the level of the base remuneration is no longer in line with the principle as set out above.

### *Fringe benefits*

The executive Board members are entitled to customary fringe benefits such as car allowance, holiday allowance, mobile phone etc.

### *Current level – changes to the level of Base Salary and fringe benefits*

The total annual cost of the Base Salary of the current executive Board member is currently around EUR 250,000 (NIS 1,027,000 plus indexation) as approved in the EGM dated 13 January 2021. The total of fringe benefits is around EUR 31,000. Furthermore, the Company reimburses certain costs incurred by the executive Board member. Any increases or decreases of this amount, other than changes due to indexation and amendments to Dutch law, will be proposed to the General Meeting of Shareholders for approval.

### *Variable remuneration*

The objective of the annual variable remuneration in cash is to ensure that the executive Board members will be focused on realizing their short-term operational objectives, leading to longer term value creation, taking into account the specific circumstances of the Company. The Board may decide, upon its sole discretion, to propose to the General Meeting to grant executive members of the Board a variable remuneration in the form of a bonus for each calendar year, based on their achievements during the relevant year and taking into account the total remuneration package of the executive Board members.

Proposals for the variable remuneration will be submitted to the General Meeting for approval, which proposal shall include the maximum amount of the variable remuneration, including the performance targets. Performance targets can relate to the Company's financial/operational performances or more qualitative criteria, to be determined at the sole discretion of the Board.

At the end of the financial year, the RAS Committee shall prepare an evaluation of the performance of the Company in the past financial year, including to which extent the performance targets have been met. Based on this evaluation, the RAS-Committee shall propose to the non-executive members of the Board if and for what amount the variable remuneration is payable to the executive Board members.

### *Adjustments to variable remuneration*

In line with Dutch law, the variable remuneration of the executive Board members may be adjusted up or down, (partly) recovered or reduced if certain circumstances apply:

- (a) Test of reasonableness - pursuant to Dutch law, any variable remuneration (to the extent subject to reaching certain targets and the occurring of certain events) awarded to an executive Board member may be adjusted by the Board\* to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness; and

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- (b) Claw back - in addition, the Board will have the authority under Dutch law to recover from an Executive Board member any variable remuneration awarded on the basis of incorrect financial or other data.

(\*) Dutch law refers to two-tier board system whereby there is a management board and a supervisory board. The common interpretation for a one-tier board is executive board members and board of directors, respectively.

#### *Severance arrangements*

The current executive Board member has been appointed for a period of 5 years and has a notice period of four months in the event the agreement is terminated by Kardan or by the executive Board member (except for events where immediate termination is permitted). If the management agreement with the executive Board member is terminated at the initiative of Kardan, other than due to urgent cause (*dringende reden*) or in the event of seriously culpable or negligent behaviour on the part of the executive Board member within the meaning of article 7:678 Dutch Civil Code, the executive Board member is entitled to a severance payment in accordance with Dutch law.

#### **Remuneration of the non-executive Board members**

The remuneration for the non-executive members of the Board is set at an appropriate level to attract individuals with the necessary international experience, knowledge and ability to make a significant contribution to the affairs of the Company. The remuneration for the non-executive Board members consists of fixed annual fees, chairpersons and members of the Audit and the RAS Committee receive an additional fee.

Currently the remuneration for the non-executive Board members is the following:

Position	Remuneration
Chairman	EUR 42,000
Member of the Board	EUR 26,000
Committee Chairman (additional fee)	EUR 10,000
Membership committee (additional fee)	EUR 8,000

The remuneration of the non-executive Board members is reviewed on a periodic basis.