



Notes to the agenda for the annual general meeting of shareholders (“General Meeting”) of Kardán N.V. (“Company”) on 30 June 2020

Agenda item 1 **Opening**

Agenda item 2

Presentation by the CEO on the Kardán Group activities for the financial year 2019 and discussion of the report of the Board on the financial year 2019, including an update on the status of the discussions with the debenture holders series A and series B (“Debenture Holders”).

At the AGM 2019, the General Meeting approved that the Company continued the negotiations with the Debenture Holders on the basis of the principles as set out during the General Meeting 2019. Following changes that occurred during the last year at Tahal Group International B.V., the Company and the representatives of the Debenture Holders concluded that there was no point to continue to advance the settlement that was previously being formulated. Accordingly, the Company and the representatives of the Debenture Holders acted to agree a new outline for a debt settlement. In September 2019, the Company approached the trustees of the Debenture Holders to negotiate new terms of the debt settlement. These discussions have been ongoing since then. The debt settlement that is now being discussed entails the conversion of part of the debt to the Debenture Holders, in such a way that the Debenture Holders will obtain a majority of the outstanding shares in the capital of the Company after the issue and subject to approval of the General Meeting.

Agenda item 3

Remuneration Report (*advisory vote*)

Pursuant to the provisions of section 2:135 of the Dutch Civil Code, the items mentioned in section 2:383 (c to e inclusive) of the Dutch Civil Code, as included in the Remuneration Report (attached hereto as Annex 1) which forms part of the annual report 2019, are placed on the agenda for consideration, discussion and advisory vote by the shareholders. The items are: (i) remuneration of each member of the Board; (ii) options to acquire shares in the capital of the Company granted to members of the Board and/or employees; (iii) loans, advance payments and guarantees provided to members of the Board.

Agenda item 4

Adoption of the annual financial statements for the financial year 2019 (*decision*)

It is proposed to adopt the annual financial statements for the financial year 2019. The IFRS financial statements for the year 2019 were approved by the Board and published on 20 April 2020.

Agenda item 5

Dividend Policy

The Company’s dividend policy takes into consideration the level of net profit, liquidity and the



capital position, future financing requirements, and financial covenants of the Company, all within the limitations of the law. If circumstances allow, the dividend policy recommends an annual distribution of between 20% and 30% of net profit. It should further be noted that according to the current Deeds of Trust of the debentures (series A and B) of the Company, the Company shall not distribute dividends until full repayment of the debentures and outstanding interest (Series A and B).

The Company reported a net loss over 2019 of EUR 83,7 million. In light of the result of the year and the above limitation under the Debentures Trust Deed, the Board does not propose a distribution of a dividend for the financial year 2019.

Agenda item 6 **Corporate Governance**

The General Meeting is, in accordance with the Dutch Corporate Governance Code (“Code”), invited to discuss the Company’s approach towards the implementation of the Code as specified in the corporate governance chapter of the annual report of 2019 of the Company.

Agenda item 7 **Appointment of the external auditor for the financial year 2020 (*decision*)**

It is proposed to reappoint PricewaterhouseCoopers Accountants N.V., Amsterdam, the Netherlands and PricewaterhouseCoopers, Israel (jointly “PwC”), as the external auditor responsible for auditing the annual accounts for the financial year 2020.

Agenda item 8 **Discharge from liability of the members of the Board in respect of the exercise of their duties during the financial year 2019 (*decision*)**

This agenda item is a standard item in an annual general meeting of shareholders in the Netherlands. A discharge (“*décharge*”) granted to the members of the Board means a release from actual or potential liability. However, a discharge does not affect the liability of the members of the Board towards third parties and in addition does not release them from any liability under the Israeli Securities Law and its regulations (accordingly, the discharge has no effect on the shareholders’ rights under the Israeli Securities Law). It is proposed to grant a discharge to the members of the Board in respect of the exercise of their respective duties throughout the year 2019, *only* to the extent that such exercise is apparent from the annual report of 2019 or has been otherwise disclosed to the General Meeting prior to the adoption of the financial statements of 2019. The discharge does thus not cover facts that were not disclosed to the General Meeting prior to the adoption of the financial statements of 2019. In addition, the principles of reasonableness and fairness (“*redelijkheid and billijkheid*”) may prevent reliance on a discharge under certain circumstances.

Agenda item 9 **Remuneration Policy (*decision*)**

Pursuant to new legislation based on the revised Shareholders Rights Directive (SRD II) of the European Parliament and of the European Council (2017/828/EU), effective in the Netherlands as of 10 June 2019, the annual meeting has to adopt the remuneration policy of the Company at least every four years.



The members of the Remuneration, Appointment and Selection-committee (RAS-Committee) have reviewed the remuneration policy of the Company in view of the revised SRD II. Its conclusion was that given the situation of the Company and its long term strategy which prioritizes resolution of the debt situation of the Company, the current remuneration policy should be continued and only small adjustments had to be made in order to comply with the revised SRD II. The RAS-Committee discussed the new remuneration policy with the Board, and the Board unanimously agreed and adopted the new remuneration policy on 18 May 2020.

The revised remuneration policy combines the principles of the remuneration of the executive and the non-executive Board members into one comprehensive document, taking into consideration the requirements of the revised SRD-II and relevant legislation in the Netherlands.

The revised remuneration policy is included in the meeting documents as Annex 2. It is proposed to the General Meeting to adopt the revised remuneration policy for the financial year 2020 up to and including the financial year 2024 after discussion thereof. According to article 2:135a of the Dutch Civil Code, the decision to adopt the remuneration policy should be adopted with a majority of 75% of the votes cast during the General Meeting.

Agenda item 10 **CEO Variable Remuneration**

The Company's RAS committee has recommended to the Board that it would be appropriate for the CEO to be granted a conditional variable bonus for 2020, along the lines of that agreed for 2019. The conditions precedent for the awarding of such bonus for 2019 were not met, largely due to external factors beyond the control of the CEO and despite his highly dedicated performance. Consequently no variable bonus was paid. However, the CEO has indicated to the Board that, due to the precarious financial position of the Company and the impact of the Covid-19 virus, he does not consider it appropriate to be awarded a variable bonus for 2020 and he wishes to waive any entitlement. Accordingly no such bonus is being proposed.

Agenda item 11 **Reappointment of Peter Sheldon as chairman of the Board (decision)**

Mr. P. Sheldon presently serves as a non-executive director, Chairman of the Board of the Company, member of the Audit Committee and the Remuneration Appointment and Selection Committee. The proposal is to re-appoint Mr. P. Sheldon as a non-executive Board member for a period of two years ending at the end of the general meeting of shareholders to be held in 2022.

Mr. Sheldon (1941) has the British and Israeli nationality and started his career as a chartered accountant in London in 1958 and since 1971, when he left professional practice, he has built a very successful international career in senior executive and non-executive positions in a wide international range of listed and private companies. As a result of his varied professional and commercial career, Mr. Sheldon has acquired total familiarity with the capital markets, its institutions and all aspects of corporate governance. Mr. Sheldon was appointed as non-executive director of Kardán in 2012. Mr. Sheldon is available for reappointment, holds no shares in Kardán and complies with the statutory regime limiting the number of board positions that may be held by non-executive board members under Dutch law, as well as with the independence criteria of the Dutch Corporate Governance code. Mr. Sheldon has proven himself as a very valuable, competent and committed Chairman, especially given the challenging circumstances the Company has faced in the last years.



KARDAN N.V.

Agenda item 12

Authorization of the Board to resolve for the Company to acquire its own shares (*decision*)

The proposal is to authorize the Board for a period of eighteen months as of 30 June 2020 to resolve for the Company to acquire, on the stock exchange or otherwise in return for payment, shares in the capital of the Company, within the limits of the law and the Articles of Association, which acquisition may not result in the Company (and/or one of its subsidiaries) holding (jointly) more than 10% of the shares in the Company's capital and at a price lying between the par value of such shares and 110% of the market value, whereby market value has the following meaning: the average of the highest price per share on each of the last five trading days on the Euronext Amsterdam prior to the date of acquisition, as published in the Daily Official List of Euronext Amsterdam, pursuant to which the authorization awarded to the Board during the annual General Meeting of 2018 will be revoked.

Agenda item 13

Any other business

Agenda item 14

Closing

Amsterdam, 18 May 2020

the Board

ANNEX 1 REMUNERATION REPORT

Remuneration Report

2019



KARDAN N.V.

Remuneration Report

The Remuneration, Appointment and Selection Committee (RAS) makes, among others, proposals to the Board regarding the fixed and variable remuneration (as applicable) of the individual Board Members. In accordance with the Articles, the final determination of the Board Members' remuneration (amount and composition) lies with the Company's General Meeting of Shareholders. This Remuneration Report will be put up for advisory vote in the Annual General Meeting.

Remuneration policy for the non-executive Board Members

The remuneration of the non-executive Board Members is based on the remuneration policy as adopted at the AGM of May 28, 2015: each non-executive Board Member receives a basic fee of € 26,000 per year; the Chairman of the Board receives a total fee of € 58,000 per year, including all committee fees; a committee chairman receives an additional fee of € 10,000 and committee members receive an additional € 8,000. In 2019 no changes were made to the remuneration policy. The remuneration for non-executive Board Members consists of fixed remuneration only. A breakdown of the total remuneration as paid in 2019 is presented in the table on the right.

Changes in Board positions during 2019

There were no changes in the Board composition during 2019.

Changes in Committee positions during 2019

During 2019 there were no changes in Committee positions.

| Non-executive Board Member ¹ | | Gross Remuneration in 2019 in € |
|---|---|---------------------------------|
| Mr. P. Sheldon | Chairman of the Board; member of the Audit Committee and of the RAS Committee | 58,000 |
| Mr. C. van den Bos | Vice-Chairman of the Board and Chairman of the Audit Committee | 36,000 |
| Mr. Y. Grunfeld ¹ | | 26,000 |
| Mr. F. Houterman | | 26,000 |
| Mr. E. Rechter ¹ | | 26,000 |
| Mrs. C. Tall | Chairwoman of the RAS Committee | 36,000 |

¹ Pursuant to the Articles, Board Members receive indemnification for losses, damages and costs which they may incur as a result of a claim or proceedings related to the fulfillment of their duties as Board Members (willful misconduct and gross negligence excluded). The Company accordingly has entered into indemnity agreements with the Board Members and certain members of the Executive Management. It is noted that any agreement with a Board Member who is also Holder of Control is only effective upon approval of the General Meeting of Shareholders. No indemnification was granted in 2019.

Remuneration of the CEO in 2019

The remuneration of Mr. Hasson, CEO of Kardan, was approved by the shareholders during the AGM of 2016. The remuneration package entails an annual fixed remuneration, including allowances, a variable remuneration consisting of a discretionary bonus and a severance payment as further detailed below. During the AGM held on 29 May 2019, the General Meeting approved the variable remuneration plan for the CEO for 2019.

Fixed remuneration of the CEO

The CEO is entitled to receive a fixed monthly remuneration consisting of a salary and customary social benefits in the Netherlands, car, mobile telephone, etc.

Variable remuneration – short term

The Board may decide to propose to grant the CEO a variable remuneration in the form of a bonus for each calendar year, based on his achievements during the relevant year and taking into account his total remuneration package. A proposal for the variable remuneration for 2019 for the CEO, was submitted to the General Meeting for approval during the AGM held on 29 May 2019. For the year 2019 the Board proposed a variable remuneration of a maximum of €330,000 conditional upon:

- (i) Servicing the debt of the Company and its relations with the Debenture Holders;
- (ii) The orderly and optimized divestment of assets based on understanding to be agreed with the Debenture Holders; and
- (iii) The continuation of improvement in the performance of the Company's operating subsidiaries.

Furthermore, the payment is dependent on continued employment with Kardan at the time of the payment being due. On the basis of the performance of the Company during 2019, the Board concluded that the conditions for awarding the variable remuneration were not fulfilled and therefore no bonus was granted for the year 2019.

Severance Payment

The agreement between Kardan and the CEO can be terminated by either party. Each party has to give a 6 months' notice (the 'Notice Period') of an intention to terminate the agreement. If the CEO gives such notice, at any time, he will only be entitled to receive payment for the period in which he rendered services to the

Company during the Notice Period. Should the Board decide that the CEO's services are not required during the entire Notice Period, he would still be entitled to receive the full six months' payment. If the Company initiates the termination, the CEO will be entitled to receive a full payment during the Notice Period, even if he was requested not to render any services to the Company during the Notice Period. No severance payment will be due in the event that the Company terminates the CEO's engagement for cause.

Total remuneration

A breakdown of the total costs of the remuneration for the current CEO in 2019 is presented in the following table:

| Element | Remuneration in 2019 |
|--|---|
| Base remuneration (including social benefits and allowances) | € 361,000 |
| Allowances in kind | company car/allowance, cell phone (costs are included in base remuneration) |
| Annual Bonus | € – |
| Pension | included in base remuneration |
| Total | € 361,000 |

Pay-ratio

In line with the revised Dutch Corporate Governance Code, the internal ratio of the remuneration of directors of the Company and that of a representative reference group needs to be determined. For this ratio, Kardan deems most relevant the total remuneration of the executive Board member (the Total Remuneration as specified in the table above) compared to the total average remuneration of all the employees of Kardan in the Netherlands. For the CEO a ratio of 3.5 applies (2018: 4).

Employee Options

In 2019 no options to acquire shares in Kardan were granted and no existing options were exercised by employees nor expired. The total number of outstanding options granted to senior employees is therefore 100,000 as at December 31, 2019. For further details regarding share-based payments see Note 19 of the consolidated financial statements.

Remuneration 2020

The remuneration package for Mr. A. Hasson entails a yearly fixed remuneration and a variable remuneration. The fixed remuneration of Mr. Hasson consists of a salary for management services provided by him in the Netherlands and in respect of the activities and investments of the Kardan Group, with respect to its non-Dutch operations and certain allowances ('Base Remuneration'). The amount of the Base Remuneration remains unchanged. The total annual cost for the Base Remuneration for 2020 is therefore estimated at € 366,000 (base remuneration as approved in AGM 2016 plus indexation).

The Board is proposing a variable remuneration for Mr. Hasson for 2020 of a maximum of € 330,000, conditional upon the realization of specific targets in relation to:

- Servicing of the debt to and relations with the debenture holders
- The orderly and optimized divestment of assets and specifically the sale of TGI based on understandings to be agreed with the debenture holders
- The continuation of improvement in the performance of the Company's operating subsidiaries.

Mr. Hasson has shared his view on his own remuneration with the RAS Committee, which view was considered in the evaluation of Mr. Hasson's remuneration package.

The Board believes that the proposal for the remuneration of Mr. Hasson for 2020 is appropriate, given the performance of Mr. Hasson during his years of service and his valuable contribution to the realization of Kardan's objective of repayment of the debentures through generating cash by selling assets, whilst continuing to also focus on further improving the results of the subsidiaries and therefore their value. Moreover, the Board is of the opinion that the proposed remuneration package is aligned with the position of all stakeholders of Kardan.

Remuneration Policy

Pursuant to new legislation based on the revised Shareholders Rights Directive (SRD II) of the European Parliament and of the European Council (2017/828/EU), the annual general meeting of Kardan has to adopt the remuneration policy of Kardan at least every four years. Following this new legislation, the Board has reviewed the remuneration policy of Kardan and has adopted a revised remuneration policy. This revised remuneration policy will be placed on the agenda of the annual general meeting for its approval. There are no substantial changes proposed in the remuneration policy for the members of the Board.

ANNEX 2 REMUNERATION POLICY

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 changed EU Directive 2007/36/EU relating to 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 therefor 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.

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 330,000. 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

(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 six months in the event the agreement is terminated by Kardan and three months if the agreement is terminated by the executive Board member. 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.