

# 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 <sup>1</sup>		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 <sup>1</sup>		26,000
Mr. F. Houterman		26,000
Mr. E. Rechter <sup>1</sup>		26,000
Mrs. C. Tall	Chairwoman of the RAS Committee	36,000

<sup>1</sup> 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
<b>Total</b>	<b>€ 361,000</b>

## 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.