

Corporate and Social Responsibility

Focused on delivering sustainable solutions

Kardan incorporated 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 has Corporate and Social Responsibility (CSR) become 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.

Our subsidiaries – in real estate and water infrastructure – have all incorporated CSR principles and progressively aim to contribute to a more sustainable future. Our water infrastructure activities specifically focus on providing access to potable water and on agricultural projects, such as design and installation of water irrigation systems, to bring sustainable solutions to mainly emerging countries.

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.

Being a good corporate citizen

An important area in pursuing good corporate citizenship is living up to the established set of core values. Kardan demand its people to comply with its code of conduct, and to act accordingly in all interactions. In particular in emerging companies, being alert on human rights and a zero tolerance regarding unethical behavior of any kind is essential. 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, upon which an investigation should be executed.

Being a good employer

Kardan aims to attract and retain people, develop human capital and grow the talent potential of its employees. Kardan pursues a diverse workforce, meaning an inclusive approach for people of various genders, ages, and cultural backgrounds. 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.

Implementing CSR

On a practical level we have introduced a number of guidelines, presented in the table below. Each operating company implements its own CSR strategy taking into account the effects of its activities on people, planet and profit for the three categories of stakeholders.

	People	Planet	Profit
Employees	<ul style="list-style-type: none"> – Equal opportunities – People should realize their potential (training) – Diversity – Health and safety 	<ul style="list-style-type: none"> – Offices near public transport – Waste policies – (Video) conferencing – Travel policies – Energy saving policies 	<ul style="list-style-type: none"> – Job security – Continuity – Career opportunities
Customers	<ul style="list-style-type: none"> – Long-term relationships – Retention of customers – Partnering – Creating local job opportunities 	<ul style="list-style-type: none"> – LEED standards (real estate) – Sustainability standards in water infrastructure projects – Agricultural & water projects as ESG solutions to water and food security crisis – Responsible lending 	<ul style="list-style-type: none"> – Price/quality ratio – Continuity – Reliability
Investors	<ul style="list-style-type: none"> – Corporate governance – Reporting & disclosure – Transparency – Accessibility 	<ul style="list-style-type: none"> – CSR 	<ul style="list-style-type: none"> – Consistency in reporting – Reliability and accessibility – Return on Investment

Real Estate

Kardan Land China (KLC) acknowledges that residential and retail real estate 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. 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 will be operated according to the LEED (Leadership in Energy & Environmental Design) standard.

People

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 2016, some 7% of total staff was promoted to more senior positions compared to 6% in 2015. Moreover, KLC

recognizes that retaining people is important, many social events are organized during the year, ranging from in-house parties to sport and cultural events in the outdoors. KLC is dedicated to providing an inspiring working environment for its employees.

Water Infrastructure

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. Kardan's subsidiary Tahal is specialized in developing comprehensive and innovative solutions for water resources management, wastewater treatment, integrated agricultural development 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.

In most cases, significant water and agricultural related projects are put for tender by governments or municipalities which often do not have sufficient funding in place for such projects. Finding appropriate funding solutions is therefore part of Tahal's tender offers.

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.

Once an agreement for a project has been signed, Tahal combines its engineering, environmental, technological, training, financial and marketing expertise to deliver a complete, sustainable and customer-oriented high-quality result. Whether it regards a tailor-made solution to provide access to quality water for a variety of applications, treat

wastewater to profitable reuse, and develop agricultural projects that enhance food security or create energy from solid waste.

Being environmentally aware and responsible is a corporate value of Tahal. Most of the communication with subsidiaries and customers is therefore conducted by means of conference calls in order to reduce unnecessary travel and a number of other energy saving measures (e.g. car-pooling, shared printer use, double-sided printing as default, recyclable paper, specific waste separation policies etc.) has been implemented at Tahal. To boost energy saving, light bulbs in public areas were replaced by energy efficient LED lighting, hot water saving devices were installed, air conditioning systems are set in energy saving modus and the company's relatively small car fleet is gradually being replaced by one with more economical fuel use and improved gas emissions.

Local impact

Tahal strives to contribute to sustainable solutions, not only for the environment but for the relevant local population too. There are many examples of how Tahal has created job opportunities for local professionals during a project, but also of how these projects – once finished – have led to more permanent positions. Many projects – such as the agricultural Quiminha project in Angola – generally inherently bring about employment. On occasion, therefore, Tahal also facilitates training as part of the project to ensure proper usage after transfer. In doing so, Tahal demonstrates clearly how it intertwines its economic with its environmental and social and ethical objectives.

In its aim of being a responsible and social corporate citizen, Tahal employees were involved in several community activities. For instance in Or Yehuda, the town in which the Israeli office is located. Besides actively helping children with after-school programs, various donations were made ranging from computers to toys, games and clothing. Similar activities, albeit on

a smaller scale, also took place in several project locations.

People

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 Tahal Academy, an in-house training platform, underpins this dedication to professional development. Furthermore, Tahal organized several social events for its staff to nurture corporate cohesion.

For Tahal staff, health and safety training programs were 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.