



REMUNERATION POLICY MANAGEMENT BOARD

VERSION: 30 MARCH 2020



VAN LANSCHOT
KEMPEN

1. VAN LANSCHOT KEMPEN'S APPROACH TO REMUNERATION

(A) Van Lanschot Kempen's identity, mission and values

This remuneration policy is designed to support the mission and values of Van Lanschot Kempen NV (VLK). It enables the company to attract, retain and motivate the right talent to lead the company.

Mission

As a specialist independent wealth manager, VLK's purpose is to preserve and create wealth, in a sustainable way, for its clients and the societies served by the company. VLK strives to achieve its objectives in harmony with all its stakeholders, and in doing so to make a sustainable contribution to society.

Values

VLK believes in the following core values: entrepreneurial spirit, specialisation, craftsmanship, dedication and discretion. These values drive decision-making processes within the company as well as its code of conduct.

(B) Strategy, long-term interests and sustainability of the company

VLK's remuneration policy for the Management Board⁽¹⁾ is designed to ensure that the company is able to attract and retain qualified leaders to improve VLK's performance, successfully deliver on its strategy and contribute to long-term value creation.

Strategy

VLK's Management Board plays a key role in developing and executing the company's strategy. It is to VLK's benefit that high-quality Board members are appointed and retained. The talent market for VLK's Management Board includes highly specialised wealth management and technology firms.

Long-term interests and sustainability of the company

It is essential that VLK's remuneration policy safeguards the long-term interests of the company and all its stakeholders. VLK strongly believes in rewarding long-term sustainable performance, and therefore ended all variable remuneration for the Management Board in 2015. The remuneration of the Management Board consists of fixed remuneration only, and includes a relatively large proportion in shares (with a five-year lock-up period). By abolishing variable remuneration and paying a relatively large proportion in shares, VLK aimed to design a balanced and sustainable remuneration structure that is focused on the long term.

Performance management

The Supervisory Board assesses the performance of the Management Board based on a set of financial and non-financial Key Performance Indicators (KPIs). In assessing the performance of the Management Board, great value is attached to their performance as a team. However, if an individual Management Board member underperforms, they will be held accountable. If no improvement is realised, the Management Board member may be dismissed by the Supervisory Board at any time.

VLK has developed a set of KPIs focusing on long-term value creation. These financial and non-financial KPIs reflect both the interests of our stakeholders and our ambitions as a wealth manager. They are in line with the company's values and will be reassessed from time to time. The KPIs that are relevant from a strategy and stakeholder perspective are disclosed on vanlanschotkempen.com/results in the Performance report. These KPIs are also applicable to the members of the Management Board. VLK aims for the KPIs and performance management applicable to the Management Board to be fully aligned with the rest of the organisation.

⁽¹⁾ Van Lanschot Kempen changed the expression "Statutory Board" into "Management Board". It concerns exactly the same statutory body.

(C) Internal and external perspective

Internal perspective

The values and guidelines underlying the remuneration policies for the Management Board, identified staff and other employees within VLK are aligned. The remuneration of VLK employees is based on job grades in combination with pay lines that are determined in line with benchmarks. For these benchmarks, a reference group has been determined that reflects the labour market in which the employees operate. Performance management plays a key role in managing the results of the company and controlling the reward budget.

In past years, a comparison was made between the remuneration package of the CEO and the average labour cost of an employee within VLK. When determining the Management Board remuneration package, pay ratios within the company are considered. The views of VLK's Works Council are also taken into account in this process. We will monitor the development of our pay ratio over the coming years, ensuring our ratio remains below the industry average. The actual pay ratio is disclosed in the annual remuneration report.

External perspective

VLK applies a broad scope of stakeholder involvement with respect to remuneration. In line with the Dutch implementation of the revised Shareholder Rights Directive (SRD II), shareholders are entitled to vote on the remuneration policy every four years, and in the event of material changes to the policy.

The Dutch societal context around remuneration has been taken into account. There is negative public sentiment in the Netherlands with regard to variable remuneration in the financial sector. We therefore decided to abolish variable remuneration for VLK's Management Board in 2015.

Future material changes to the policy will be discussed as part of stakeholder dialogue. In case of (material) policy change(s), a delegation of the Supervisory Board or Remuneration Committee will liaise with shareholders, proxy voting advisers and others on the proposed amendments. When proposing a remuneration policy, the Supervisory Board takes the views of all the stakeholder groups into account and, based on those, makes a balanced decision as far as possible.

Use of an external labour market

VLK wants to be considered as an attractive employer from a total reward perspective, and regularly assesses remuneration levels versus external market levels. When doing so, VLK considers it important to be able to attract individuals from larger companies both within and outside the sector, to continue the transformation and growth of VLK. Therefore, companies with whom VLK competes from a talent market perspective have also been included in the reference group that was used for the market assessment of the Management Board. VLK's customer base and strategy require top talent to lead the company to the next phase. In the attraction of talent for commercial or specialist vacancies within the company, the talent pool also includes employees from larger companies. VLK believes that talent qualifying for the Management Board is also likely to be attracted from companies outside the banking sector.

The reference group is composed of comparable positions in companies both inside and outside the financial industry, including the relevant international context, as prescribed in the Dutch Banking Code. The reference group consists of i) Western European specialist standalone wealth management companies; ii) Dutch banks; and iii) Dutch corporates (cross-industry). In terms of the Management Board's overall total pay level, the objective is to remain competitive and to occupy a position below the median of the relevant reference group. In particular, Management Board members will be benchmarked with a focus on positions in the reference group at a similar job level.

2. REMUNERATION

The members of the Management Board receive fixed remuneration only. This remuneration is paid in the form of cash and VLK shares. The actual amounts are disclosed in the annual remuneration report.

Remuneration in cash

The remuneration in cash is paid during the year, in 12 equal instalments.

Remuneration in shares

VLK introduced remuneration in the form of shares in combination with share ownership guidelines. These align the interests of the management with shareholders and contribute to VLK's long-term value creation. The remuneration in shares is paid once per year. The Management Board members are obliged to use the net equivalent (that remains after the withholding of payroll tax) to buy VLK shares. A lock-up period of five years applies to these shares. During this lock-up period, the remuneration in shares is "at risk" for the Management Board. In addition to the five-year lock-up period, Management Board members are bound by the share ownership guidelines.

Share ownership guidelines

The share ownership guidelines ensure the alignment of the commitment and performance of the Management Board with the long-term success of the organisation. These guidelines stipulate that VLK shares held by Management Board members must be equivalent to (at least) the cash portion of two years' gross salary for as long as they remain in office. Management Board members are allowed to gradually meet this requirement over the years through the award of remuneration in the form of VLK shares. If a Management Board member leaves the company, the two years' salary holding obligation lapses but the five-year lock-up period remains in place.

Benefits

The members of the Management Board are responsible for their own pension provision, towards which they receive a payment. They also receive a payment for taking out disability insurance. There are no early retirement schemes for Board members. The actual amounts paid for pension and disability are disclosed in the annual remuneration report.

Indexation

On the discretion of the Supervisory Board, the remuneration in cash can be increased annually. The indexation is maximised by: i) the general increase granted to the wider workforce; and ii) the derived CPI⁽²⁾ applicable over the previous year. Furthermore, it will only be applied if: i) the overall performance of the Management Board member is (at least) on target; and ii) it can be justified by the financial performance of the company.

⁽²⁾ The Consumer Price Index (CPI) , calculated by Statistics Netherlands, measures the average price changes of goods and services purchased by households. The derived CPI excludes the effect of changes in the rates of product-related taxes (e.g. VAT), subsidies and consumption-related taxes.

3. OTHER ARRANGEMENTS

Employment term

The Management Board members are employed on the basis of an individual employment contract⁽³⁾ with Van Lanschot Kempen Wealth Management NV for an indefinite period of time.

Appointment term

The Management Board members are appointed for a period of four years.

Notice period

The Management Board members must observe a notice period of three months. A notice period of six months applies in the event of termination by the company.

Severance

The severance arrangements of the Management Board members are in line with current statutory and regulatory rules, and amount to one year's gross fixed salary. There will be no reward for failure.

Change of control

If there is a (potential) change of control in VLK, the Supervisory Board is allowed to change the lock-up period that is applicable to VLK shares that have been bought, and (the way that they) need to be bought, for the relevant year, where any change must be in line with applicable laws and regulations.

New hire policy

VLK's policy on recruitment is to offer a compensation package which is sufficient to attract, retain and motivate the individual with the right skills for the required role. When determining remuneration for a Management Board member, the Supervisory Board – on recommendation of the Remuneration Committee – considers the requirements of the role, the needs of the business, the relevant skills and experience of the individual, and the relevant external market for talent.

When an individual is recruited externally, VLK will take into account the remuneration package of that individual in their previous role. Generally, VLK will seek to align the new Management Board member's remuneration package to the company's remuneration policy. On occasion, the company may offer compensation to buy out awards or other lost compensation which the candidate held prior to joining VLK, but which lapsed when the candidate left their previous employer. Any such buy-out will be of comparable value to the arrangements forfeited and can be made in cash or shares. When determining the terms of the buy-out award, the Supervisory Board may modify the terms, taking into account the structure, time horizons, value and performance targets associated with arrangements forfeited. The rationale and detail of any such award will be disclosed in the annual remuneration report. Where necessary, additional benefits may also be provided, including (but not limited to) relocation support and other benefits that reflect local market practice and relevant legislation.

⁽³⁾ The employment contracts were replaced by service agreements (overeenkomsten van opdracht) from 1 July 2021, following the legal merger between Van Lanschot Kempen NV and Van Lanschot Kempen Wealth Management NV.

4. REMUNERATION GOVERNANCE

The remuneration policy for the Management Board of VLK was adopted by the general meeting on 31 May 2018 following a proposal by the Supervisory Board. In 2020, textual additions were made to the policy resulting from the Dutch law implementing SRD II. The extended policy will be put to vote at the general meeting in 2020. After adoption, the policy will be submitted again to the general meeting at least every four years.

The policy has been drawn up taking into account all relevant laws and codes, including the Dutch Corporate Governance Code, the Dutch Banking Code and the Dutch Act on Remuneration Policies of Financial Undertakings.

Stakeholder engagement

We take our stakeholders' views very seriously, and welcome an open dialogue on all aspects of remuneration. In preparation for the 2020 AGM, a delegation from the Remuneration Committee of the Supervisory Board consulted with a large cross-section of our shareholder base, proxy advisers, the Works Council, various client groups and Dutch political parties. During these meetings, an explanation was given about the revised Shareholder Rights Directive; the remuneration policy of the Management and Supervisory Board; the Supervisory Board's view on rewarding long-term sustainable performance; and the Dutch regulatory context. The dialogue with our stakeholders was very constructive. Gaining their views on executive pay in general, and Van Lanschot Kempen's remuneration policy in particular, was very valuable. The topics discussed and the main feedback given are disclosed in the 2019 remuneration report.

Summary of proposed changes

The following policy changes are proposed to the existing policy:

Subject	Proposed Change	Reference
Dutch law implementing SRD II	To be compliant with the Dutch law implementing SRD II, particular textual additions have been made to explain our approach to remuneration (both from an internal and external perspective) and describe our remuneration structure and governance.	Full policy
Indexation	Inclusion of an indexation clause. This is seen as positive by most stakeholders. The use of the clause is on the discretion of the Supervisory Board and maximised by i) the general increase granted to the wider workforce; and ii) the derived CPI. The indexation will only be applied if it is also justified in view of the performance of the board member and the company.	2. Remuneration

Decision-making process for the remuneration policy

The remuneration policy for the Management Board is adopted by the general meeting following a proposal by the Supervisory Board. As the internal supervisor, the Supervisory Board – advised by the Remuneration Committee – defines the remuneration for the Management Board within the parameters of the remuneration policy. The Remuneration Committee makes proposals to the Supervisory Board with regard to the remuneration policy to be pursued for the Management Board. When formulating proposals for the remuneration of the Management Board, the Remuneration Committee takes note of the vision of the individual board members with regard to the level and structure of their own remuneration. Management Board members do not participate in the preparation or decision-making regarding their own remuneration in order to avoid conflicts of interest.

VLK's Works Council has the right to give advice on the proposed remuneration policy. This advice is also provided to the general meeting.