

# Pillar III disclosure on remuneration in 2017



VAN LANSCHOT  
KEMPEN



Van Lanschot Kempen's variable remuneration policy includes separate rules for identified staff. Identified staff are employees whose professional activities have a material impact on the financial risk profile of the organisation, including those employed in senior management, risk-taking or control functions or who receive total remuneration on a par with or in excess of that of colleagues in senior management or risk-taking positions. Allen & Overy advised Van Lanschot Kempen on its remuneration policy.

Our variable remuneration policy applies to all identified staff of Van Lanschot Kempen with the exception of the members of the Statutory and Executive Boards, who are not eligible for variable remuneration.

## Vision

We implement a meticulous, restrained and long-term remuneration policy that is in line with our strategy and risk appetite, objectives and core values, complying with the rules and legislation in force such as the Dutch Banking Code, the Regulation on Sound Remuneration Policies (RBB Wft 2017) and the Act on Remuneration Policies of Financial Undertakings (WBFO 2015). Our remuneration policy factors in the interests of both Van Lanschot Kempen and of our stakeholders. Variable remuneration seeks to reward outperformance, implying that employees who excel will be rewarded accordingly.

## Variable remuneration policy for identified staff: key elements

### Governance

- The Statutory Board sets our remuneration policy, taking into account the advice of Human Resource Management, Finance, Reporting & Control, Group Risk Management and Compliance. These departments as well as Group Audit play a key role in designing, reviewing, adjusting, and implementing our variable remuneration policies, and they report regularly to the Statutory and Supervisory Boards on their findings. The Statutory Board is also responsible for the policy's implementation.
- The Supervisory Board approves our variable remuneration policies, including the general principles underpinning them, and oversees their implementation. It is also responsible for reviewing and approving the total remuneration amount and all individual variable remuneration to identified staff. The Remuneration Committee prepares the Supervisory Board's decision-making on remuneration. It met seven times in 2017.

### Performance management

- At Van Lanschot Kempen, variable remuneration rewards outperformance. Therefore performance management, has a crucial role in the process of determining who will receive variable remuneration. At the start of the year, identified staff and their managers agree annual objectives, which reflect a mix of performance criteria, both financial and non financial, qualitative and quantitative, as well as longer-term objectives. Performance criteria never encourage irresponsible risk-taking.
- A performance review at the end of the year results in a final assessment, which is the basis for any variable remuneration employees might receive.

- Identified staff in control functions mainly receive fixed remuneration. If they receive variable remuneration at all, this will be linked to job-specific performance criteria that do not depend on how well the business and Van Lanschot Kempen perform. What is more, assessment is primarily functional, and managers of the relevant area are not or are only partly involved in performance appraisal. Variable remuneration is only awarded in the event of outperformance and in keeping with conditions in the labour market. This should result in appropriate pay levels that enable us to recruit and retain qualified staff.

### Determination and distribution of variable remuneration

- Every year, the Statutory Board sets the total amount available for variable remuneration at Van Lanschot and the Executive Board sets the total amount available for variable remuneration at Kempen, both subject to the approval of the Supervisory Board, factoring in the achievement of financial and non financial results as specified in the pre-agreed annual plan.
- Based on the bank's profitability, the Executive Board determines whether variable remuneration will be awarded and what amount is available.
- Once the amount available for variable remuneration for Van Lanschot and Kempen has been determined, the Statutory Board decides how this variable remuneration will be distributed at Van Lanschot, while Kempen's Board decides on its distribution at Kempen.

### Award

- Individual awards typically reflect three aspects: individual performance, market standards and special factors (that staff have not taken excessive risks, for instance).
- Staff do not qualify for variable remuneration if their performance has been inadequate or poor, if they have failed to meet duty-of-care or compliance requirements, have displayed behaviour contrary to Van Lanschot Kempen's standards and values, are subject to disciplinary action, or if they no longer work at Van Lanschot Kempen by the end of March of the subsequent year or have tendered their resignation.
- The average variable remuneration of all Van Lanschot Kempen employees who work (mainly) in the Netherlands may not exceed 20% of their fixed remuneration. Variable remuneration of up to 100% of the fixed remuneration may be granted on special grounds in individual situations.

### Payment

- 50% of the variable remuneration of identified staff is paid in cash and 50% in depository receipts for Van Lanschot Kempen shares ("Van Lanschot Kempen shares"), while the variable remuneration of identified staff of Kempen Capital Management NV (KCM) is paid 50% in cash and 50% in a flexible mix of Van Lanschot shares and investments in funds managed by KCM.
- In all cases, 60% of both parts of the variable remuneration is awarded immediately and unconditionally and 40% conditionally and deferred.

- The deferred remuneration becomes unconditional over a period of three years following the year of award. Whether an award becomes unconditional depends on the reassessment of various pre-set criteria. If this leads to a review of the deferred remuneration, a “malus” penalty system is applied. A lock-up period of one year applies to Van Lanschot Kempen shares - and the shares in funds managed by KCM for KCM identified staff - that have become unconditional.

#### Other conditions

- Guaranteed variable remuneration is not allowed, except to staff in their first year after joining Van Lanschot Kempen and only if directly related to lost income as a result of their joining.
- Employees are prohibited from implementing personal hedging strategies to secure variable remuneration or to cover the risks involved in receiving shares.
- Severance pay is only provided if it reflects past performance and does not reward failure.

#### Remuneration data

Article 450 of the Capital Requirements Regulation (CRR) requires annual publication of selected aggregate quantitative remuneration data. For information about remuneration in 2017, see our 2017 annual report and the following quantitative disclosures.

# APPENDIX

## Van Lanschot Kempen (including subsidiaries)

Table A (x € million)	Total remuneration
Private Banking	6.2
Evi	0.5
Corporate Banking	0.4
Asset Management	11.2
Merchant Banking	5.9
Other	8.7
<b>Total</b>	<b>32.9</b>

The Pillar III disclosure on remuneration uses unrounded figures and total amounts may deviate from the sum of the parts.

Table B: Remuneration amounts (x € million)	Statutory Board	Senior management	Other identified staff	Total
Fixed pay	3.6	12.7	12.1	28.4
Variable pay	–	1.7	2.9	4.6
Number of staff	4	44	60	108

Table C: Type of variable remuneration (x € million)	Statutory Board	Senior management	Other identified staff	Total
Cash	–	0.6	1.5	2.1
Shares	–	1.0	1.4	2.5
Share-based instruments	–	–	–	–
Other	–	–	–	–
<b>Total</b>	<b>–</b>	<b>1.7</b>	<b>2.9</b>	<b>4.6</b>

Table D: Conditional remuneration at 31/12/17 (2017 inclusive, x € million)	Statutory Board	Senior management	Other identified staff	Total
Vested*	0.1	0.9	0.7	1.7
Unvested	0.0	3.3	3.4	6.7
<b>Total</b>	<b>0.2</b>	<b>4.3</b>	<b>4.0</b>	<b>8.5</b>

Table E: Conditional remuneration granted in 2017 (€ million)	Statutory Board	Senior management	Other identified staff	Total
Granted in 2017	–	0.7	1.2	1.8
- Of which paid in 2017	–	–	–	–
- Of which performance-related reduction in 2017	–	–	–	–

Table F: Sign-on bonus	Statutory Board	Senior management	Other identified staff	Total
Sign-on amounts (x € million)	–	–	0.3	0.3
Number of recipients	–	–	2	2

\* The amounts of outstanding deferred equity that vested in 2017.

Table G: Severance pay	Statutory Board	Senior management	Other identified staff	Total	Highest amount agreed
Severance amounts (x € million)	-	0.4	0.3	0.7	0.4
Number of recipients	-	1	1	2	1

Table H: Remuneration pay > €1 million	Statutory Board	Senior management	Other identified staff	Total
€1.0 – €1.5 million	1	-	-	1
€1.5 – €2.0 million	-	-	-	-
> €2.0 million	-	-	-	-