



Van Lanschot

2014

Remuneration Report



Introduction

In this remuneration report, we highlight the remuneration developments affecting our Statutory and Supervisory Boards and discuss key aspects of our pay policies, the views underpinning them and pay policy developments in 2014.

1. Remuneration policy: developments and assumptions

1.1 Developments in legislation

The year 2014 saw a great many changes in the laws and rules governing remuneration policies. At Van Lanschot, we keep a close watch on such developments and align our remuneration policies accordingly. A few relevant developments:

On 7 February 2015, the Act on Remuneration Policies of Financial Institutions (WBFO) came into force in the Netherlands. The Act reflects European legislation on financial sector pay but takes this a step further by capping variable bonus pay at 20%. In addition, the Act restricts severance pay, prohibits guaranteed variable pay and imposes further rules on retention awards.

The Regulation on Sound Remuneration Policies pursuant to the Dutch Financial Supervision Act 2014 (RBB 2014 by its Dutch acronym) came into force on 1 August 2014. RBB 2014 reflects the Capital Requirements Directive IV (CRDIV) and implements CRDIV's changes in the provisions governing the remuneration policies at banks among others. RBB 2014 replaces RBB 2011.

The Dutch Claw Back Act was adopted with effect from 1 January 2014, enabling companies to adjust or claw back bonus payments in certain instances. This authority resides with the Supervisory Board.

1.2 Assumptions Statutory Board remuneration policy

The remuneration policy governing the Statutory Board is adopted by our General Meeting on the basis of a proposal drafted by the Supervisory Board. Its aim is a balanced remuneration package that puts the interests of clients centre stage and that aligns the interests of Van Lanschot, our stakeholders and the members of our Statutory Board. We only award variable pay to reward outperformance when Van Lanschot is profitable.

The current remuneration policy governing the Statutory Board was adopted by our shareholders at our Annual General Meeting of Shareholders (AGM) of 6 May 2010, effective since 1 January 2010, with a number of technical changes made in 2011 and 2012 to allow for RBB 2011. The remuneration policy applicable to the Chairman of the Statutory Board was amended on the appointment of Karl Guha as Chairman of the Statutory Board on 2 January 2013, and was adopted by the General Meeting on 27 September 2012.

In principle, we review our remuneration policies once every four years on the basis of the development and performance of the business and the individual members of the Statutory Board, pay trends in the relevant environment for Van Lanschot, and changes in the Dutch Consumer Price Index (CPI). In 2014, the periodic review of remuneration policies was postponed to take account of changing legislation that had not yet been finalised by that time.

New remuneration policies incorporating the most recent legal and regulatory changes will be put to the shareholders at the AGM on 13 May 2015.

The table below shows the current remuneration package of the members of the Statutory Board.

We do not have any early retirement schemes in place for members of the Statutory Board. Severance pay is set at one year's fixed gross salary, which is in keeping with current legal and regulatory requirements.

Statutory Board remuneration package	Type of remuneration	Purpose/rationale
Fixed salary	Cash	Reflecting responsibilities, performance and market developments
Variable pay	50% in cash 50% in depositary receipts for shares	Achieving long-term strategy
Benefits	Pension contribution Contribution to disability insurance	In keeping with the market

2. Fixed salary and benefits

2.1 Fixed pay

The Supervisory Board may index-link the fixed salaries of Statutory Board members up to a maximum of the previous year's CPI. In 2014, fixed pay remained unchanged for the members of the Statutory Board.

2.2 Benefits

The members of the Statutory Board are responsible for making provision for their own pensions and receive a contribution towards this as well as towards their disability insurance, based on a percentage of their fixed annual salaries, as follows:

	Pension	Disability insurance
Karl Guha	20%	2.45%
Constant Korthout	21%	2.59%
Richard Bruens	21%	2.59%
Arjan Huisman	21%	2.59%
Ieko Sevinga	21%	2.59%

In addition, Statutory Board members each receive an annual net expense allowance of €5,160.

We have no early retirement schemes in place for members of the Statutory Board.

3. Variable pay

3.1 Personal targets

Based on recommendations by the Remuneration Committee, the Supervisory Board determines personal targets for each member of the Statutory Board which emphasise client centricity and long-term objectives.

Targets are both financial (60%) and non-financial (40%), and every single target is given a specific percentage weighting. Examples of financial targets include capital ratios, profit, the preservation of Van Lanschot's sound position, market share, and an acceptable risk profile. Non-financial targets relate to company strategy, to clients – e.g. improving client satisfaction, achieving duty-of-care targets – and to employees, e.g. investing in the professional competence of staff.

When setting the targets of the individual members of the Statutory Board and assessing the extent to which these have been achieved, the Remuneration Committee is advised by the chairs of the Risk Committee and the Audit and Compliance Committee. The Supervisory Board determines the targets and the extent to which they have been achieved based on the recommendations of the Remuneration Committee. All targets need to be verifiable for the auditors, and the achievement of non-financial targets is assessed as objectively as possible.

3.2 Award

Variable pay is only awarded when Van Lanschot is profitable.

The level of variable pay is determined by the Supervisory Board on recommendations by the Remuneration Committee.

Depending on the extent to which a member's personal performance is on or above target, the Supervisory Board will award variable pay of between 75% and 100% of fixed salary. For the Chairman of the Statutory Board this percentage has ranged between 37.5% and 50% since 2013.

If the Statutory Board's total performance is below target, no variable pay will be awarded. The table on page 4 shows the fixed annual salaries of the members of the Statutory Board and their variable pay ranges as a percentage of fixed salary.¹

Every year, we review whether board members' achievement of their personal targets has also contributed to the achievement of Van Lanschot's pre-agreed long-term criteria, and we may adjust variable pay downwards to reflect our findings.

¹ Remuneration policies were set on the basis of scenario analyses as intended in best practice provision II.2.1 of the Dutch Corporate Governance Code.

Fixed and variable remuneration						
	Fixed	Variable				
		Below target	At target		Cap	
Karl Guha	€ 750,000	0%	37.5%	€ 281,250	50%	€ 375,000
Constant Korthout	€ 425,000	0%	75%	€ 318,750	100%	€ 425,000
Richard Bruens	€ 425,000	0%	75%	€ 318,750	100%	€ 425,000
Arjan Huisman	€ 425,000	0%	75%	€ 318,750	100%	€ 425,000
Ieko Sevinga	€ 425,000	0%	75%	€ 318,750	100%	€ 425,000

3.3 Payment

A total of 40% of variable pay is awarded immediately and unconditionally, while the remaining 60% is deferred and subject to conditions. One-third of this 60% becomes unconditional each year if:

- Van Lanschot's financial position allows;
- Risks have been reviewed and no material, unforeseen risks have occurred; and
- The relevant member of the Statutory Board has not left Van Lanschot.

All or part of the variable pay may be adjusted downwards if one or more of these conditions are not met.

A total of 50% of variable pay is paid in cash, and 50% in depositary receipts for Class A ordinary shares in Van Lanschot, with the latter subject to a lock-up period of up to 5 years.

Depositary receipts may not be sold during the lock-up period, with the exception of the proportion needed to finance payroll tax due. The value of shares so sold may not exceed the amount of payroll tax payable on the depositary receipts granted unconditionally.

Statutory Board members will not receive compensation for dividends paid while granted depositary receipts are still conditional.

The payment system is shown below.

The Supervisory Board may adjust the variable remuneration to more appropriate levels if it considers payment of the variable remuneration unfair or unreasonable.

The Supervisory Board also has the powers to claw back variable pay entirely or in part if it turns out to have been awarded on incorrect information about achievements or about the conditions on which variable pay depended. The Supervisory Board did not exercise these powers in 2014.



4. Targets achieved in 2014

		Inade- quate	Below target	At target	Above target	Excellent
Financial 50% ²	Net profit				X	
	Sustain solid profile				X	
	Growth in core activities		X			
Non-financial 20%	Client engagement			X		
Operational 20%	Strategy implementation			X		
	Proper client care and compliance			X		
Personal 10%					X	

5. Remuneration in 2014

Our review of the Statutory Board's 2014 targets and their achievement shows that its members are eligible for variable pay. Significantly enhanced solidity and liquidity, progress on the transition to wealth management and the extent to which Van Lanschot is on track to achieving its long-term objectives of a performance exceeding 'at target', entitling the Statutory Board to variable pay of 45% (Chairman) and 80% (members) of their fixed salaries.

In view of new legislation, Van Lanschot's transformation process and the long-term interests of Van Lanschot and its stakeholders, the Statutory and Supervisory Boards have decided that Van Lanschot will pay out half of the variable pay to which the Statutory Board is entitled under current remuneration policies. Payment will be wholly in Van Lanschot shares and subject to a five-year lock-up period, expressly linking it to the long-term success of Van Lanschot's strategy for all stakeholders.

The table below breaks down fixed and variable pay in cash and shares in the past two years.

As the table on page 6 shows, the members of the Statutory Board received other payments in 2014 and 2013, i.e. contributions to their pensions and disability insurance, as well as net expense allowance.

For more information about shares and options granted to or owned by members of the Statutory Board, see pages 195-197 of the 2014 Financial Statements.

On 13 November 2014, Ieko Sevinga stepped down from the Statutory Board and his employment contract will end on 13 May 2015, at which time he will receive a contractually agreed severance payment of one year's fixed salary.

No severance pay or other special compensation was paid to current or former Board members in 2014.

	2014			2013		
	Fixed	Variable in cash	Variable in shares	Fixed	Variable in cash	Variable in shares
Karl Guha	€ 750,000	€ 0	€ 168,750	€ 750,000	€ 0	€ 0
Constant Korthout	€ 425,000	€ 0	€ 170,000	€ 425,000	€ 0	€ 0
Richard Bruens ³	€ 425,000	€ 0	€ 170,000	€ 425,000	€ 0	€ 0
Arjan Huisman	€ 425,000	€ 0	€ 170,000	€ 425,000	€ 0	€ 0
Ieko Sevinga ⁴	€ 425,000	€ 0	€ 170,000	€ 425,000	€ 0	€ 0

² Van Lanschot's remuneration policies specify a financial target percentage of 60%, which the Supervisory Board decided to lower to 50% in 2014 in order to focus more on operational objectives, chiefly related to strategy implementation.

³ Richard Bruens joined the Statutory Board on 15 May 2014; amounts apply to the full year.

⁴ Ieko Sevinga stepped down as member of the Statutory Board on 13 November 2014; amounts apply to the full year.

	2014			2013		
	Pension	Disability insurance	Net expense allowance	Pension	Disability insurance	Net expense allowance
Karl Guha	€ 150,000	€ 18,375	€ 5,160	€ 150,000	€ 18,375	€ 5,160
Constant Korthout	€ 89,250	€ 11,008	€ 5,160	€ 89,250	€ 11,008	€ 5,160
Richard Bruens	€ 89,250	€ 11,008	€ 5,160	€ 89,250	€ 11,008	€ 5,160
Arjan Huisman	€ 89,250	€ 11,008	€ 5,160	€ 89,250	€ 11,008	€ 5,160
Ieko Sevinga	€ 89,250	€ 11,008	€ 5,160	€ 89,250	€ 11,008	€ 5,160

6. Benchmark Statutory Board

At the end of 2011, the Supervisory Board asked Hay Group to perform a benchmark review. The reference group was made up of the following companies:

Financial services providers	General industry
ABN AMRO Nederland	Aalberts Industries
AEGON Nederland	Arcadis
ASR Nederland	ASM International
BinckBank	CSM
Delta Lloyd Nederland	Grontmij
Friesland Bank	Imtech
ING Bank Nederland	Mediq
Julius Baer	Nutreco
KasBank	Telegraaf Media Groep
KBC Groep Nederland	TKH Groep
NIBC	USG People
Robeco Groep	
Sarasin	
SNS Reaal	
Vontobel	

This benchmark review revealed that the total direct compensation for at target performance is below the median for all members of the Statutory Board.

7. Supervisory Board

The remuneration of the Supervisory Board is determined by Van Lanschot's General Meeting on a proposal by the Supervisory Board, and is typically reviewed every other year.

The table breaks down remuneration and expense allowances of the members of Van Lanschot's Supervisory Board.

	Chairman	Deputy Chairman	Member
Basic salary	€ 60,000	€ 50,000	€ 45,000
Audit and Compliance Committee	€ 10,000		€ 7,500
Risk Committee	€ 10,000		€ 7,500
Remuneration Committee and Selection and Appointment Committee	€ 6,000		€ 4,000
Expense allowance	€ 2,500	€ 2,500	€ 2,500

The amounts shown in the following table were paid to the members of the Supervisory Board in 2014. Supervisory Board remuneration has not been adjusted since 2010. In addition, all members of the Supervisory Board receive an annual expense allowance of €2,500.

Supervisory Board remuneration*	2014	2013
Tom de Swaan (Chairman)	€ 74,000	€ 74,000
Jos Streppel (Deputy Chairman)	€ 71,000	€ 71,000
Willy Duron	€ 63,000	€ 63,000
Jeanine Helthuis ⁵	€ 56,000	€ 33,000
Heleen Kersten	€ 53,000	€ 53,000
Godfried van Lanschot	€ 60,000	€ 60,000
Truze Lodder ⁶		€ 23,000
Abel Slippens ⁷	€ 34,000	€ 58,000

* Amounts rounded to the nearest thousands.

5 Jeanine Helthuis was appointed a member of the Supervisory Board on 2 July 2013.

6 Truze Lodder stepped down as a member of the Supervisory Board on 14 May 2013.

7 Abel Slippens stepped down as a member of the Supervisory Board on 1 August 2014.