

PILLAR III
disclosure on
remuneration in
2014

In the wake of the introduction of new rules and legislation – in Europe: CRD IV, in the Netherlands: Regulation on Sound Remuneration Policies pursuant to the Dutch Financial Supervision Act 2014 – we have expanded our policies for selecting identified staff, applying the new legislative and regulatory criteria. Identified staff are employees whose work has a material impact on the risk profiles of Van Lanschot and its subsidiaries (hereafter: ‘Van Lanschot’). Identified staff include Van Lanschot’s Statutory Board, its senior management, control functions and other individuals who may have a material impact on Van Lanschot’s risk profile.

Variable remuneration for identified staff

Employees previously designated as identified staff had been subject to Van Lanschot’s variable remuneration policy for identified staff since 1 January 2011. In 2014, we designed new variable remuneration policies for identified staff and revised this group to take account of new legislation.

Our new variable remuneration policy for identified staff applies to all Van Lanschot identified staff (including subsidiaries), with the exception of members of the Statutory Board, who are governed by remuneration policies tailored specifically to them.

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 and the Regulation on Sound Remuneration Policies (RBB Wft 2014 by its Dutch acronym). Our remuneration policy factors in the interests of both Van Lanschot and of our stakeholders. Variable remuneration seeks to reward outperformance, implying that employees who excel will be rewarded accordingly. All Van Lanschot employees may qualify for variable remuneration on this basis.

Variable remuneration policy for identified staff: key elements

Governance

- The Supervisory Board approves the general principles underpinning our overall remuneration and oversees its implementation. Its duty is also to review and approve the remuneration policies governing senior management (including identified staff) and all individual variable remuneration to identified staff. The Remuneration Committee prepares the Supervisory Board’s decision-making on remuneration.
- The Statutory Board sets the remuneration policy, taking into account the advice of Human Resource Management (HRM), Financial Control, Risk Management and Compliance. The Statutory Board is also responsible for its implementation.

- HRM, Financial Control, Risk Management, Compliance and Group Audit are involved in designing, reviewing and adjusting, and implementing our remuneration policies, and they regularly consult with the Statutory Board on the subject. These consultations are governed by a process including escalation procedures right up to the Supervisory Board.

Performance management

- At Van Lanschot, variable remuneration rewards outperformance and performance management therefore has a crucial role to play. At the start of the year, identified staff and their managers agree annual objectives, reflecting a mix of performance criteria, both financial and non-financial, qualitative and quantitative, as well as objectives for the rather longer term. Performance criteria never encourage irresponsible risk-taking.
- A performance review at the end of the year results in a final assessment, which will be the basis for any variable remuneration employees might receive. Performance appraisals also test annually whether the achievement of employees’ individual three-year goals has contributed to the achievement of Van Lanschot’s own pre-set long-term criteria, and the Statutory Board may revise down variable remuneration for individual staff based on its outcome (‘fairness test’).
- Identified staff in control functions mainly enjoy 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 department and Van Lanschot perform. What is more, assessment is primarily functional, and managers of the relevant area are not or only partly involved in the performance appraisal. Variable remuneration is only awarded in the event of outperformance and in keeping with conditions in the labour market. This should make for appropriate pay levels to help recruit and retain qualified staff.

Determination and distribution of variable remuneration

- Every year, the Statutory Board sets the total amount and number of shares available for variable remuneration, subject to the approval of the Supervisory Board.
- Depending on Van Lanschot’s profitability, the Statutory Board will decide whether and, if so, how much will be paid in variable remuneration. If Van Lanschot is not profitable, no variable remuneration will be paid. Every year, the Statutory Board will decide how the available variable remuneration will be distributed across the different parts of the business, factoring in performance. A tally is also made of the number of outperformers in the different parts of the organisation, to arrive at a breakdown estimate of the variable remuneration needed. Depending on the actual amount available, the Statutory Board may then determine a percentage for the number of employees eligible for variable remuneration.

- Determination, distribution and award of variable remuneration at Kempen & Co comply with Kempen & Co's general remuneration policy, and are underpinned by comparable basic tenets as described in this document.

Award

- Individual awards will reflect three aspects: individual performance (plus fairness test), market norms 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's standards and values, are subject to disciplinary action or if they no longer work at Van Lanschot by the end of March of the subsequent year or have tendered their resignation.
- In 2014, individual variable remuneration was capped at 100% of fixed pay.

Payment

- A total of 60% of variable pay is awarded immediately and unconditionally, while the remaining 40% is deferred and subject to conditions. Both immediate and deferred awards are 50% in cash and 50% in depositary receipts for Van Lanschot shares. All depositary receipts have a lock-up period of one year after vesting.
- Over a period of three years conditional depositary receipts for shares will vest if (i) Van Lanschot's financial position allows this in the year of vesting; (ii) risks have been reviewed and no material, unforeseen risks have occurred, and (iii) the individual has not left Van Lanschot in the three-year period. Conditional variable remuneration can be revised down if so prompted by risks and performances identified later (malus).
- The Statutory Board has the right to recoup variable remuneration if this is found to have been awarded and paid on the basis of careless action, incorrect information and/or fraudulent behaviour by the employee or former employee (clawback).

Other conditions

- Guaranteed variable remuneration is not allowed, except in the first year after the individual joins Van Lanschot and only if this reflects income lost as a direct result of the switch.
- Employees are prohibited from implementing personal strategies to secure variable remuneration or 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 25 of RBB Wft 2014 requires annual publication of selected aggregate quantitative remuneration data. For information about 2014, see our 2014 Annual Report and disclosures in the appendix.

Appendix

Van Lanschot (including subsidiaries)

Table A (x € million)	Total remuneration
Private Banking	4.5
Asset Management	4.3
Merchant Banking	9.5
Other	9.1
Corporate Banking	0.8
Total	28.2

Table B: Remuneration (x € million)	Statutory Board	Members of Senior management	Other identified staff	Total
Fixed pay	3.1	11.0	6.8	20.9
Variable pay	0.8	3.7	2.8	7.3
Number of staff	5	43	37	85

Table C: Type of variable remuneration (x € million)	Statutory Board	Members of Senior management	Other identified staff	Total
Cash	–	1.4	1.4	2.8
Shares	0.8	2.3	1.4	4.5
Share-based instruments	–	–	–	–
Other	–	–	–	–
Total	0.8	3.7	2.8	7.3

Table D: Conditional remuneration as at 31/12/14 (2014 inclusive, x € million)	Statutory Board	Members of Senior management	Other identified staff	Total
Vested	0.6	1.7	0.6	2.9
Unvested	0.5	5.6	2.0	8.1
Total	1.1	7.3	2.6	11.0

Table E: Conditional remuneration in 2014 (x € million)	Statutory Board	Members of Senior management	Other identified staff	Total
Granted in 2014	0.5	2.0	1.1	3.6
– Of which paid in 2014	–	–	–	–
– Of which performance-related reduction in 2014	–	–	–	–

Table F: Sign-on bonus (x € million)	Statutory Board	Members of Senior management	Other identified staff	Total
Sign-on amounts	–	0.1	0.1	0.2
Number of recipients	–	1	4	5

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

Table H: Remuneration pay in excess of €1 million	Statutory Board	Members of Senior management	Other identified staff	Total
€1.0 - €1.5 million	2	–	–	2
€1.5 - €2.0 million	–	–	–	–
> €2.0 million	–	–	–	–