

CORPORATE GOVERNANCE

The key elements of corporate governance at Van Lanschot Kempen NV (Van Lanschot Kempen) are set out below. The Articles of Association and various other regulations and documents relating to corporate governance can be found at vanlanschotkempen.com/en/governance and vanlanschotkempen.com/management-supervision.

Corporate governance structure

The Statutory Board and Supervisory Board are jointly responsible for our governance structure. Good corporate governance is vital if the goals we have set ourselves are to be achieved efficiently and effectively. It ensures that risks are managed adequately and that proper account is taken of the interests of all stakeholders, including our clients, shareholders and employees.

Van Lanschot Kempen is a listed public limited company under Dutch law, governed by a two-tier board. The Statutory Board is responsible for managing the company, while the Supervisory Board oversees the policies pursued by the Statutory Board, and the general conduct of affairs at the company and its associated business. The Supervisory Board advises the Statutory Board on the performance of its duties.

Van Lanschot Kempen is a *structuurvennootschap*. Under Dutch corporate law this means it has a two-tier board structure. In addition to the tasks already mentioned, the Supervisory Board is responsible for appointing and dismissing the Statutory Board and for approving some of its decisions. Both the Statutory Board and the Supervisory Board report to Van Lanschot Kempen's General Meeting.

Statutory Board

The Statutory Board is responsible for the continuity of the company and its associated business. It focuses on long-term value creation for the company and its associated business and takes into account stakeholders' interests that are relevant in this context. The Statutory Board is responsible for the management of the company and its duties include drawing up and achieving Van Lanschot Kempen's mission, its strategy and related risk profile, its goals and the pattern of its results, while also attending to the social aspects of doing business that are relevant to the company.

Van Lanschot Kempen holds all the shares in F. van Lanschot Bankiers NV (Van Lanschot Bankiers). The Statutory Board of Van Lanschot Kempen is also the Statutory Board of Van Lanschot Bankiers. The Supervisory Board notifies the General Meeting of any proposed appointment of a member of the Statutory Board. A member is appointed by the Supervisory Board for a maximum period of four years. The Supervisory Board may dismiss a member of the Statutory Board at any time, but only after consulting the General Meeting.

In strategic decisions, the Statutory Board takes all material environmental and social aspects into account. Periodically, it determines the key performance indicators (KPIs) for corporate social responsibility (CSR) at Van Lanschot Kempen. Our website has more information on the way CSR is organised at Van Lanschot Kempen: vanlanschotkempen.com/responsible/policy.

Executive Board

An Executive Board was installed at Van Lanschot Kempen in 2015, comprising the members of the Statutory Board of Van Lanschot Kempen and the members of the Management Board of Kempen & Co NV (Kempen).

The Executive Board oversees the implementation of company strategy and manages core activities. This ensures better alignment between core activities and a more effective decision-making process. In principle, all members of the Executive Board attend Supervisory Board meetings. The Executive Board makes sure that the relevant information for the Supervisory Board is provided. Van Lanschot Kempen's Statutory Board members have ultimate responsibility for the actions and decisions of the Executive Board.

Executive Board members who are not members of the Statutory Board are appointed and can be suspended or dismissed by the Statutory Board, subject to the approval of the Supervisory Board. The Supervisory Board is involved in the recruitment and selection of Executive Board members who are not members of the Statutory Board in the same way as in the recruitment and selection of members of the Statutory Board.

Supervisory Board

In performing its duties, the Supervisory Board focuses on the interests of the company and its associated business. The Supervisory Board of Van Lanschot Kempen is also the Supervisory Board of Van Lanschot Bankiers.

The members of Van Lanschot Kempen's Supervisory Board are appointed by the General Meeting, in accordance with the provisions set out in Article 23 of Van Lanschot Kempen's Articles of Association. Members of the Supervisory Board are appointed for a term of four years and may be reappointed for one further four-year period. A member of the Supervisory Board may subsequently be reappointed again for a period of two years, and this appointment may be extended by two years at most. In the event of reappointment after eight years, the reasons for reappointment should be given in the report of the Supervisory Board. A member of the Supervisory Board may only be dismissed by the Enterprise Chamber of the Amsterdam Court of Appeal with due observance of Article 161(2) of Book 2 of the Dutch Civil Code. Godfried van Lanschot and Willy Duron were reappointed as members of the Supervisory Board for a third term of four years in 2014 and 2015 respectively. As stipulated in the Dutch Corporate Governance Code 2016, best practice provision 2.2.2. does not apply to them since their appointment complies with best practice provision III.3.5 of the Dutch Corporate Governance Code adopted in 2008.

In addition, the General Meeting may pass a motion of no confidence in the Supervisory Board, in accordance with Article 161(a) of Book 2 of the Dutch Civil Code. Such a resolution results in the immediate dismissal of the members of the Supervisory Board.

The Articles of Association of Kempen and the by-laws of the Kempen Management Board determine that specific decisions of the Management Board of Kempen require the approval of the Kempen General Meeting. In practice, this means that these decisions need the approval of the Van Lanschot Bankiers Statutory Board. According to the by-laws of the Supervisory Board of Van Lanschot Bankiers, the Van Lanschot Bankiers Statutory Board requires the approval of the Supervisory Board if it takes certain decisions in its capacity as Kempen shareholder and for certain other specifically identified decisions concerning Kempen.

Diversity policy

The Supervisory Board of Van Lanschot Kempen has adopted a diversity policy for the composition of the Supervisory and Executive Boards (the policy can be found at vanlanschotkempen.com/management-supervision under "Diversity Policy Supervisory Board and Executive Board"). In view of their joint functioning, the diversity policy for the Executive Board includes the Statutory Board of Van Lanschot Kempen.

We are committed to supporting, valuing and leveraging inclusiveness and diversity, and aim for a diverse composition of the Supervisory and Executive Boards in the areas relevant to us, such as age, background, experience, gender and nationality. The importance of diversity should not mean setting aside a candidate's qualifications, the requirements for the position to be filled or the overriding principle that someone should be recommended, nominated and appointed for being "the best person for the job".

With regard to gender diversity, we strive for a reasonable spread across gender and aim for the composition of the Supervisory and Executive Boards to be such that at least 30% of their respective members are men and at least 30% women. We strive for a reasonable spread across ages and nationalities in the composition of the Supervisory and Executive Boards, but do not believe that age or nationality are suitable criteria for setting specific diversity targets so do not set specific objectives for these. With regard to background, experience and expertise, we aim – in keeping with the Supervisory Board's profile – to ensure that the combined background, experience and expertise of Supervisory Board members enables the board as a collective to best carry out its range of responsibilities and duties towards Van Lanschot Kempen, taking into account the nature of our business and activities. The same applies for the Executive Board. Our diversity policy describes the relevant areas of background, experience and expertise of the Supervisory Board and the Executive Board respectively.

In implementing our diversity policy, the individual profiles drawn up for vacancies in the Supervisory and Executive Boards take into account the policy's criteria and objectives. These profiles form the basis for the recruitment and selection of new members of the Supervisory and Executive Boards. These criteria and objectives are also taken into account when evaluating the functioning of the Supervisory and Executive Boards. The results of our diversity policy are described in the section below on the boards' composition and performance.

The policy governing recruitment and selection of members of the Statutory and Supervisory Boards can be found at vanlanschotkempen.com/management-supervision, under "Policy on recruitment and selection Van Lanschot Kempen" (in Dutch only).

Composition and performance of the Statutory and Executive Boards

The Statutory Board must consist of at least three members, with the actual number set by the Supervisory Board. The composition of the Statutory Board did not change in 2017, and consisted of Karl Guha (Chairman), Constant Korthout, Richard Bruens and Arjan Huisman. The Executive Board comprises Karl Guha (Chairman), Constant Korthout, Leni Boeren, Richard Bruens, Arjan Huisman and Leonne van der Sar. From 1 August 2017, Leonne van der Sar replaced Joof Verhees. Paul Gerla was a member of the Executive Board in 2017, but was unable to perform his duties from July 2017 because of health issues. He resigned from the Board on 5 February 2018 and Leni Boeren took over his positions from that date.

The Statutory and Executive Boards evaluate their functioning as a whole and that of individual Board members at least once a year. The Supervisory Board discusses, at least once a year, the performance of the Statutory Board and the Executive Board as a whole and members' performance individually. The Supervisory Board has concluded that the composition of the Statutory Board and the Executive Board meets the objectives of our diversity policy. The specific target for the Executive Board's male/female ratio as set out in our diversity policy was met upon Leni Boeren joining Leonne van der Sar as a member of the Executive Board.

The Supervisory Board sets the remuneration and other conditions of employment for members of the Statutory and Executive Boards, taking into account the remuneration policy of the Statutory Board as adopted by the General Meeting. No decisions were taken in 2017 to conclude transactions involving a conflict of interest on the part of members of the Statutory Board that were of material significance to Van Lanschot Kempen and/or the Board member in question.

Composition and performance of the Supervisory Board and its committees

The Supervisory Board has a minimum of three members and a maximum of nine. Currently the Supervisory Board comprises Willy Duron (Chairman), Manfred Schepers (Deputy Chairman), Jeanine Helthuis, Bernadette Langius, Godfried van Lanschot and Lex van Overmeire. At an Extraordinary General Meeting of Shareholders held on 30 January 2017, Lex van Overmeire was appointed as a member of the Supervisory Board. At the General Meeting held on 18 May 2017, Jeanine Helthuis was reappointed to the Supervisory Board and Manfred Schepers was appointed to the Supervisory Board. At this General Meeting, Jos Streppel's term of office expired.

The Supervisory Board has appointed four committees from among its members to prepare the board's decision-making: the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee, and the Selection and

Appointment Committee. These committees advise the Supervisory Board on matters relating to their respective areas of interest. More information about the committees and their composition can be found on pages 81-83 of the report of the Supervisory Board.

The Supervisory Board has drawn up a profile¹ for its size and composition, taking into account the nature and activities of the business associated with Van Lanschot Kempen and its subsidiaries, and the required expertise and background of the members of the Supervisory Board.

The Supervisory Board appraises its own performance, that of its committees and that of individual Supervisory Board members, at least once a year without members of the Statutory Board being present.

The Supervisory Board appraises its own performance with independent support once every three years. More information can be found in the report of the Supervisory Board on page 84. The Supervisory Board has concluded that the composition of the Supervisory Board meets the objectives of our diversity policy. The specific target for the male/female ratio has been met, as two women and four men serve on the Supervisory Board.

The remuneration of Supervisory Board members is set by the General Meeting of Shareholders. For more information about remuneration, see the Remuneration section on pages 65-66.

Dutch Corporate Governance Code

On 8 December 2016, the revised Dutch Corporate Governance Code 2016² (the Code) was published. It came into force as from the 2017 financial year and contains principles and best practice provisions that regulate relations between the management board, the supervisory board and the shareholders (including the general meeting of shareholders). The Code aims to define responsibilities for long-term value creation, risk control, effective management and supervision, remuneration, and relationships with shareholders and stakeholders.

If the principles or provisions of this revised Code require changes to rules, regulations, procedures or other written records, a company is compliant with the revised Code if such changes have been implemented no later than 31 December 2017. In 2017, we carried out an extensive analysis of the impact of the Code. The regulations of the Statutory Board and of the Supervisory Board and its committees were amended in 2017 in order to comply with the revised Code.

In 2017, we complied with the Code. However, we deviated from best practice clause 3.1.2.vi, which states that shares awarded to management board members should be held for at least five years after they are awarded. Our remuneration policy for the members of the Statutory Board stipulates that their fixed salary is paid partly in cash and partly in depositary receipts for Class A Van Lanschot Kempen shares. In principle, a lock-up period of three years after delivery applies to these shares. This period is extended until the Statutory Board member in question complies with the share ownership guidelines that form part of our

remuneration policy. These guidelines stipulate that all members of the Statutory Board must build up and hold a shareholding during their term of office that is equivalent to twice the cash portion of their fixed gross annual salary. In view of this additional obligation, the period during which the shares must be retained has been set at three years from the day they were granted. Our shareholder ownership guidelines emphasise the long-term interests of Van Lanschot Kempen and therefore follow the spirit of clause 3.1.2.vi. Our remuneration policy for the members of the Statutory Board does not include a variable remuneration component.

Dutch Banking Code

The updated Banking Code³ came into effect on 1 January 2015, superseding the original Banking Code which had been in force since 1 January 2010. The Banking Code contains principles on sound and ethical business operations, governance, risk policy, audit and remuneration policy.

The Banking Code applies to activities performed in and aimed at the Netherlands by banks with registered offices in the Netherlands and which hold a banking licence issued by De Nederlandsche Bank (DNB). It therefore applies to Van Lanschot Bankiers, the subsidiary of Van Lanschot Kempen that holds a banking licence in the Netherlands. Where banks that are subject to the Banking Code form part of a group, parts of the Banking Code may be applied at the level of the entity which acts as the head of the group, rather than at the level of individual subsidiaries. Certain parts of the Banking Code are therefore applied at the level of Van Lanschot Kempen.

Application of the Banking Code

Dutch banks report on their websites how they have applied the Banking Code in the past year. Where applicable, a bank explains why it has not, or not fully, applied a principle from the Banking Code (comply or explain). In 2017, Van Lanschot Bankiers complied with the Banking Code.

When our remuneration policy for the Statutory Board was adopted by the General Meeting of Shareholders on 13 May 2015, the total remuneration of the Chairman of the Statutory Board was equal to the median level for comparable positions within the financial sector, and below the median level for comparable positions outside the financial sector. The total remuneration of the other members of the Statutory Board was below the median level for comparable positions both inside and outside the financial sector. In December 2017, a market assessment of the compensation package of the Statutory Board was conducted. The total remuneration of all Statutory Board members came out of this exercise as being significantly below median level for comparable positions inside and outside the financial sector.

An explanation (in Dutch) of how Van Lanschot Bankiers has applied the Banking Code in the past year is given on our website: vanlanschotkempen.com/en/governance.

Capital structure and shares

Van Lanschot Kempen's authorised share capital consists of 150 million shares with a nominal value of €1 each, divided into 75 million Class A ordinary shares and 75 million Class C preference shares.

¹ The profile can be viewed at vanlanschotkempen.com/management-supervision.

² The 2016 Dutch Corporate Governance Code can be downloaded from mccg.nl.

³ The Banking Code can be downloaded from nvb.nl.

A total of 41,146,668 Class A ordinary shares had been issued at 31 December 2017. The outstanding capital has changed compared to the situation at 31 December 2016 in terms of the number of shares in issue. Van Lanschot Kempen issued 55,000 Class A ordinary shares on 18 May 2017 in order to meet obligations under our remuneration policies and related share schemes. Our outstanding capital consisted entirely of Class A ordinary shares. There were no outstanding Class C preference shares in 2017.

Depository receipts for shares

Over 99.99% of Class A ordinary shares in issue are held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("Stichting Administratiekantoor"), which has issued depository receipts for these shares. The receipts have been listed on the official market of the Euronext Amsterdam stock market since 1999. A depository receipt can be converted into its underlying share without any restrictions, although administrative costs may be charged. In line with the Code, Stichting Administratiekantoor grants proxies so that holders of depository receipts can always exercise their voting rights. In the case of shares for which Stichting Administratiekantoor has not granted proxies to the holders of depository receipts and for which no voting instructions have been received, Stichting Administratiekantoor's board decides how the votes are to be cast. It has three members and is independent of Van Lanschot Kempen. It appoints its own members, without requiring the approval of Van Lanschot Kempen, and reports on its own activities. This report can be found on page 238.

Stichting preferente aandelen C Van Lanschot Kempen

A call option contract has been agreed between Stichting preferente aandelen C Van Lanschot Kempen ("Stichting preferente aandelen") and Van Lanschot Kempen, under which Stichting preferente aandelen was granted the right to acquire Class C preference shares up to 100% of the value of Van Lanschot Kempen's share capital in issue before the exercise of the call option, less one share. A General Meeting of Shareholders, at which a proposal to redeem the preference shares will be placed on the agenda, is to be convened within 12 months. The following circumstances may lead to the issuance of Class C preference shares:

- A concentration of shares or depository receipts for shares in Van Lanschot Kempen as a result of purchases on the stock market or the purchase of blocks of shares, other than as a pure investment;
- Merger talks that do not lead to an agreement;
- The announcement of a public bid, whether or not in combination with the above circumstances;
- A proposal by a shareholder to place an item on the agenda that represents a potential threat to Van Lanschot Kempen's continuity, identity and/or independence.

Share plans

In March 2017, an employee stock purchase plan was introduced, enabling employees working in the Netherlands, Belgium or Switzerland to buy depository receipts for shares of Van Lanschot Kempen during the open periods at a discount in return for a lock-up period of five years. There is a minimum subscription amount of €100 and a maximum amount of 25% of the gross annual salary of the employee per year.

A share option plan was in place between 1989 and 2006. A term of seven years has applied since 2003, which has been extended by five years in Belgium for several option series. The number of outstanding option rights amounted to 6,679 at 31 December 2017.

Van Lanschot Kempen holds shares in order to cover its commitment in respect of these option rights. The company meets its obligations under the share and option plans primarily by drawing on its stock of shares and by issuing new shares.

A management investment plan (MIP) was introduced for a group of Kempen employees in 2010, with a view to helping recruit and retain professionals on a long-term basis. The MIP enables this group of employees to invest their own funds indirectly in Kempen shares and profit-sharing certificates, entitling them to a payment dependent on Kempen's net profit. Van Lanschot Kempen retains full control over Kempen.

Interests in Van Lanschot Kempen notifiable under Article 5.3.3 of the Financial Supervision Act

Pursuant to the Dutch Financial Supervision Act, shareholders and holders of depository receipts of Van Lanschot Kempen NV are required to provide information on their holdings once they cross threshold levels of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. As of the publication date of this report, Van Lanschot Kempen is not aware of any shareholders, potential shareholders or investors with an interest of 3% or more in Van Lanschot Kempen other than Stichting Administratiekantoor, Stichting preferente aandelen, Stichting Pensioenfonds ABP (via APG Asset Management NV), Wellington Management Group LLP, LDDM Holding BV, Reggeborgh Invest BV, FMR LCC, Janus Henderson Group plc, T. Rowe Price Associates, Inc., Invesco Limited and CRUX Asset Management Limited.

No transactions took place in 2017 between Van Lanschot Kempen and any natural person or legal entity holding at least 10% of the shares in Van Lanschot Kempen, and which would be material to Van Lanschot Kempen and/or the person/entity involved.

Rights of shareholders

Since there are exclusively Class A ordinary shares in issue at present, this section only describes the rights of holders of Class A ordinary shares and depository receipts for Class A ordinary shares.

Dividend

The portion of the profit remaining after addition to the reserves is at the disposal of the General Meeting. In the event that a loss is incurred over a year, which cannot be covered by a reserve or by some other means, no profit distribution will occur in subsequent years until such time as this loss has been absorbed. A dividend on ordinary shares can only be paid out when the dividend proposal has been approved by the General Meeting. Van Lanschot Kempen checks whether the proposed dividend satisfies the European Central Bank's recommendation on dividend payment policies. Further information on our dividend policy can be found on pages 95-96.

Pre-emption rights

When ordinary shares are issued, each existing holder of ordinary shares has a pre-emption right proportionate to the aggregate nominal amount of the existing holding of ordinary shares. Class A ordinary shares are issued to holders of Class A ordinary shares. The same applies to the grant of rights to acquire ordinary shares. Pre-emption rights can be limited or excluded by resolution of the Statutory Board, any such resolution being subject to the approval of the Supervisory Board. The relevant authority of the Statutory Board ends as soon as its authority to issue shares expires (see "Share issues").

Shareholders do not have any pre-emption rights on shares issued in exchange for a non-cash contribution. Nor do shareholders have any pre-emption rights on shares or depositary receipts for those shares issued to employees of Van Lanschot Kempen or another group company.

Special rights of shareholders

There are no special statutory control rights attached to shares in Van Lanschot Kempen.

Van Lanschot Kempen signed a shareholder agreement with LDDM Holding BV in 2011. In it, LDDM Holding affirms that it will respect Van Lanschot Kempen's independence. LDDM Holding will not cooperate with the acquisition by a third party of a shareholding in Van Lanschot Kempen exceeding 25% of the issued share capital without the approval of the Statutory and Supervisory Boards. In the event of any future share issues, Van Lanschot Kempen will give LDDM Holding the opportunity, subject to certain conditions, to keep its relative shareholding in Van Lanschot Kempen at the same level. As long as LDDM Holding retains an interest of at least 7.5% in Van Lanschot Kempen, it has the right to recommend one person for appointment as a member of the Supervisory Board of Van Lanschot Kempen. Godfried van Lanschot currently serves on the Supervisory Board on LDDM Holding's recommendation.

Restrictions on voting rights and deadlines for exercising voting rights

Van Lanschot Kempen has not imposed any restrictions on the exercise of voting rights. In principle, voting rights are exercised at the General Meeting by the shareholder or the person authorised by the shareholder to that end. A shareholder is entitled to vote at the General Meeting if the shares in question are registered in the shareholder's name on the registration date (see "General Meeting"). Holders of depositary receipts for Class A ordinary shares who register on time to attend the General Meeting are granted a proxy by Stichting Administratiekantoor. They can use this proxy at the General Meeting to exercise the voting rights on the shares held by Stichting Administratiekantoor, and in exchange for which depositary receipts were issued. Proxies will be provided when the depositary receipt holders sign the attendance list prior to the start of the meeting. If the depositary receipt holder's right to attend the meeting is to be exercised by a representative authorised in writing, Stichting Administratiekantoor will grant a proxy to the representative. Shareholders and holders of depositary receipts for shares are also offered the opportunity to issue a voting instruction to an independent third party prior to the General Meeting. The notice convening the relevant General Meeting will

state to whom this voting instruction should be sent and what the deadline is for submission.

Share issues

The extent of the Statutory Board's authority to decide on a share issue (subject to the approval of the Supervisory Board) is determined by a resolution of the General Meeting. The duration and granting of this authority are also determined by resolution of the General Meeting and may not exceed five years. The Statutory Board's authority to issue ordinary shares, including the granting of rights to acquire these shares, was extended at the General Meeting held on 18 May 2017 for a period of 18 months from the date of that meeting. The authority to issue these shares is limited to 10% of the issued capital, to be increased by an additional 10% of the issued capital if the issue is made within the context of a merger or takeover.

This authority has been used for the issuance of 55,000 Class A ordinary shares in order to meet the company's obligations under the remuneration policies and related share schemes.

Repurchase of shares

Repurchases of paid-up shares in the company or depositary receipts for such shares, other than for no consideration, may take place if the General Meeting has authorised the Statutory Board to this effect. This authorisation applies for up to a maximum of 18 months. Repurchase occurs pursuant to a decision by the Statutory Board, subject to Supervisory Board approval.

The Statutory Board was authorised at the General Meeting held on 18 May 2017 to repurchase paid-up ordinary shares in the company or depositary receipts for these shares, by buying such shares on the stock market or otherwise, up to a maximum of 10% of the issued capital at the date of authorisation, subject to Supervisory Board approval. This authority has been granted for a period of 18 months from the date of the meeting.

Transfer of shares and depositary receipts

The Articles of Association and the conditions of administration do not contain any restrictions on the transfer of Class A ordinary shares or depositary receipts for Class A ordinary shares.

Amendment to the Articles of Association

A resolution to amend the Articles of Association of Van Lanschot Kempen may only be adopted based on a proposal by the Statutory Board that has been approved by the Supervisory Board. If a proposal to amend the Articles of Association is presented to the General Meeting, a copy of the proposal will be made available to the shareholders and holders of depositary receipts prior to the meeting.

General Meeting

Each voting shareholder and depositary receipt holder is authorised, either in person or through a representative authorised in writing, to attend the General Meeting, to address the meeting and to exercise their voting rights.

A registration date applies to each General Meeting of Shareholders, which is the 28th day prior to that meeting. The registration date determines who qualifies as a voting shareholder or depositary receipt holder for the relevant

General Meeting of Shareholders. The notice convening the meeting states the registration date, the way in which shareholders and depositary receipt holders can register and how they can exercise their rights, either in person or through a representative authorised in writing.

Shareholders and depositary receipt holders or their representatives are only admitted to the meeting if they have informed Van Lanschot Kempen in writing of their intention to attend, and if this has been done in the manner described in the notice convening the meeting. Access to the meeting is only possible if the relevant shares or depositary receipts are registered in the name of the shareholder or the depositary receipt holder on the registration date. Representatives must also present a written proxy. A written proxy may be sent electronically. Each share entitles the holder to cast one vote at the General Meeting of Shareholders.

The powers of the General Meeting include the following:

- Approving decisions of the Statutory Board to make important changes to the identity or nature of the company or the business;
- Appointing members of the Supervisory Board on the Supervisory Board's recommendation;
- Setting the remuneration of members of the Supervisory Board;
- Passing a motion of no confidence in the Supervisory Board;
- Determining the remuneration policy for the Statutory Board;
- Approving schemes in the form of shares and/or rights to acquire shares for the Statutory Board;
- Adopting the financial statements;
- Disposing of the profit remaining after dividend has been distributed to any outstanding Class C preference shares, and after the decision has been made to add all or part of the profit to the reserves;
- Discharging the Statutory Board;
- Discharging the Supervisory Board;
- Granting the Statutory Board the authority to issue shares and to limit or exclude pre-emption rights on the issue of shares;
- Granting the Statutory Board the authority to repurchase the company's own shares;
- Resolving to amend the Articles of Association of Van Lanschot Kempen, to dissolve Van Lanschot Kempen, or to effect a legal merger or demerger of Van Lanschot Kempen, following a proposal to that effect by the Statutory Board which has been approved by the Supervisory Board.

Main features of Van Lanschot Kempen's management and control system

Van Lanschot Kempen's management and control system is designed to manage internal and external risks. This includes the management of financial reporting risks, to ensure reliable financial reporting and financial statements that are prepared in accordance with generally accepted accounting principles, and which comply with the prevailing legislation and regulations.

Van Lanschot Kempen applies the three lines of defence model for the management of risk. The first line of defence is the business, responsible for day-to-day risk management.

The second line of defence is provided by departments such as Group Risk Management and Compliance which oversee the functioning of the first line. Group Audit acts as the third line of defence, providing an independent evaluation of the adequacy of the internal management and control systems.

The three lines of defence model provides the Statutory Board with a reasonable degree of certainty as to how the internal management and control system is functioning, including the efficacy of both the first and second lines. In 2017, the monitoring of the effectiveness of key controls (as part of the risk & control framework) was improved, and the risk & control framework was updated to reflect changes in the organisational structure.

Group Audit is responsible for carrying out IT and operational audits. All of Group Audit's reports were submitted to the Statutory Board. Group Audit, Compliance and Group Risk Management ensure adequate follow-up and prioritisation. Supplementary control measures have been defined in the meantime, which should mitigate risk sufficiently.

The effectiveness of the framework is evaluated annually by Group Risk Management and Compliance, while Group Audit has also assessed its quality and effectiveness. The results of these evaluations featured in the respective quarterly reports of Group Risk Management, Compliance and Group Audit.

For more detailed information on risk management within Van Lanschot Kempen, see page 68. The financial statements include also a more detailed explanation of risk management at Van Lanschot Kempen (see "Risk management", beginning on page 122).

Financial reporting risk

The Statutory Board is responsible for the design and operation of an adequate system of internal control for Van Lanschot Kempen's financial reporting. The system is designed to provide reasonable assurance as to the reliability of financial reporting. The financial statements must be prepared in accordance with generally accepted accounting principles and applicable legislation and regulations.

Van Lanschot Kempen has tools in place to manage financial reporting risks:

- Periodic management reports and KPI dashboards, accompanied by analysis of financial and non-financial figures and trends;
- A risk & control framework describing processes and procedures, and setting out primary controls such as authorisations and segregation of duties;
- Evaluation of the functioning of the internal management and control system by Group Audit. The main findings are discussed with the Statutory Board, the Audit and Compliance Committee and the Supervisory Board;
- Assessment and approval of the annual report by the Statutory Board, and discussion of the annual report by the Audit and Compliance Committee and the Supervisory Board;
- The Accounting Manual, which sets out the principles regarding financial accounting.

In-control statements are provided by the management of the relevant departments. These are based on the results of testing procedures for the risk & control framework, the risks reported on a quarterly basis, the follow-up of these risks, and the incidents reported. Group Risk Management and Compliance evaluated these in-control statements.

The quarterly reports of Group Audit, setting out its main findings, are discussed with the Executive Board and the Audit and Compliance Committee. The conclusions of the Audit and Compliance Committee were subsequently shared with the Supervisory Board.

The Supervisory Board was informed about the Statutory Board's internal control of the organisation, and how it safeguards the integrity of financial information. The subjects considered by the Supervisory Board when assessing the financial statements include the management letter and the audit by the external auditors.

The key audit matters cited in the independent auditors' report were discussed with the Statutory Board and the Audit and Compliance Committee, and formed part of the organisation's management and control.

Statement by the Statutory Board

In accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code the Statutory Board states that:

- The management report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a "going concern" basis;
- The management report states those material risks and uncertainties that are relevant to expectation of the company's continuity for the period of twelve months after the preparation of this report.

External auditors

At the Annual General Meeting of Shareholders on 18 May 2017, PwC were reappointed as Van Lanschot Kempen's external auditors for the 2017 financial year. PwC's audit plan for 2017 and risk analysis were discussed in August 2017 at the meetings of the Statutory Board and the Audit and Compliance Committee.

PwC issued a 2017 management letter in December 2017 and a board report for 2017 in February 2018. The subjects set out in the management letter and the board report are in line with the notes included in this annual report with respect to risk management, insofar as these relate to financial reporting risks. The external auditors may be questioned at the Annual General Meeting of Shareholders in relation to their audit, and will be attending the meeting for this reason.

The Statutory Board and the Audit and Compliance Committee evaluated the functioning of PwC in December 2017. Based on this evaluation, the Supervisory Board will propose to the General Meeting to reappoint PwC as external auditors for 2018 and 2019.

Decree implementing Article 10 of the Takeover Directive

The Decree implementing Article 10 of the Takeover Directive (Decree dated 5 April 2006 implementing Article 10 of Directive 2004/25/EC of the European Parliament and the Council of the European Union of 21 April 2004 on takeover bids) imposed further requirements on the content of the directors' report.

The required information and, where applicable, the places where this information can be found in this annual report, where not already mentioned in this Corporate Governance section of this report, are summarised below.

1. *Significant agreements that are entered into, amended or terminated upon a change of control of Van Lanschot Kempen following a public bid within the meaning of Article 5:70 of the Financial Supervision Act.*

The shareholder agreement between Van Lanschot Bankiers and De Goudse NV with respect to Van Lanschot Chabot Holding BV contains a change of control clause.

By virtue of this clause, in the event of a change of control, De Goudse has the right, under certain circumstances, to acquire the shares held by Van Lanschot Bankiers in Van Lanschot Chabot Holding (a call option) or to transfer the shares held by De Goudse in Van Lanschot Chabot Holding to Van Lanschot Bankiers (a put option).

2. *Any agreement between Van Lanschot Kempen and a board member or employee providing for compensation upon termination of employment due to a public bid within the meaning of Article 5:70 of the Financial Supervision Act.*

Van Lanschot Kempen has not concluded any agreements with board members or employees that provide for compensation upon termination of employment due to a public bid within the meaning of Article 5:70 of the Financial Supervision Act.

STATEMENT BY THE STATUTORY BOARD

As required by Article 5:25c (2c) of the Financial Supervision Act, each of the undersigned hereby confirms that to the best of his knowledge:

- The 2017 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Van Lanschot Kempen and its consolidated entities;
- The 2017 Report of the Statutory Board of Van Lanschot Kempen gives a true and fair view of the position of the company and its consolidated entities on balance sheet date, and of the course of their affairs during the 2017 financial year, and describes the material risks that Van Lanschot Kempen faces.

's-Hertogenbosch, the Netherlands, 21 February 2018

Statutory Board

Karl Guha, Chairman
Constant Korthout
Richard Bruens
Arjan Huisman