

Pillar III  
disclosure  
on remuneration  
in 2016

Van Lanschot Kempen's variable pay policy includes separate rules for identified staff. Identified staff are employees whose activities can materially influence the financial organisation's risk profile, including staff in higher management, risk-taking or control functions or who receive total pay on a par with or in excess of that of colleagues with superior management or risk-taking positions. External advisers Allen & Overy helped us draft these policies.

Our variable remuneration policy applies to all identified staff of F. van Lanschot Bankiers (Van Lanschot Bankiers) and Kempen & Co (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 2014 by its Dutch acronym) and the Act on Remuneration Policies of Financial Undertakings (WFBO 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 and 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 our remuneration policy's implementation.
- The Supervisory Board approves our variable remuneration policies, including the general principles underpinning them, and also oversees their implementation. It is also responsible for reviewing and approving the total remuneration amount and all individual variable pay to identified staff. The Remuneration Committee prepares the Supervisory Board's decision-making on remuneration. It met four times in 2016.

### Performance Management

- At Van Lanschot Kempen, variable remuneration rewards outperformance and performance management thus has a crucial role to play. 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 objectives looking to the longer term. 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 the 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 Executive Board and the Statutory Board set the total amount available for variable remuneration at Van Lanschot Bankiers and Kempen, 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 Statutory and Executive Boards determine whether variable pay will be awarded and what amount is available.
- Once it has been determined what amount is available for variable pay for Van Lanschot Bankiers and Kempen, the Statutory Board decides how this variable pay will be distributed at Van Lanschot Bankiers, while Kempen's Board decides on its distribution at Kempen.

### Award

- Individual awards will 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 pay of any employee of Van Lanschot Bankiers and Kempen who works (mainly) in the Netherlands may not exceed 20% of their fixed pay. Variable pay of up to 100% of the fixed pay 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 shares ('Van Lanschot shares'), while the variable pay 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.
- Once it becomes unconditional, this deferred remuneration is then paid out 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 shares that have become unconditional.

#### Other conditions

- Guaranteed variable pay 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 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 25 of RBB Wft 2014 requires annual publication of selected aggregate quantitative remuneration data. For information about remuneration in 2016, see our 2016 annual report and the following quantitative disclosures.

## Appendix

## Van Lanschot Kempen (including subsidiaries)

Table A (€ million)	Total remuneration
Private Banking	3.8
Evi	0.2
Corporate Banking	0.7
Asset Management	10.0
Merchant Banking	6.6
Other	10.2
<b>Total</b>	<b>31.6</b>

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

Table B: Remuneration (€ million)	Statutory Board	Senior management	Other identified staff	Total
Fixed pay	3.5	12.6	11.1	<b>27.2</b>
Variable pay	–	1.3	3.1	<b>4.4</b>
Number of staff	4	45	60	<b>109</b>

Table C: Type of variable remuneration (€ million)	Statutory Board	Senior management	Other identified staff	Total
Cash	–	0.6	1.5	<b>2.1</b>
Shares	–	0.8	1.5	<b>2.3</b>
Share-based instruments	–	–	–	–
Other	–	–	–	–
<b>Total</b>	<b>–</b>	<b>1.3</b>	<b>3.1</b>	<b>4.4</b>

Table D: Conditional remuneration at 31/12/16 (2016 inclusive, € million)	Statutory Board	Senior management	Other identified staff	Total
Vested	0.6	1.6	1.2	<b>3.3</b>
Unvested	0.3	4.5	1.8	<b>6.6</b>
<b>Total</b>	<b>0.8</b>	<b>6.0</b>	<b>3.0</b>	<b>9.9</b>

Table E: Conditional remuneration granted in 2016 (€ million)	Statutory Board	Senior management	Other identified staff	Total
Granted in 2016	–	0.5	1.2	<b>1.8</b>
– Of which paid in 2016	–	–	–	–
– Of which performance-related reduction in 2016	–	–	–	–

Table F: Sign-on bonus	Statutory Board	Senior management	Other identified staff	Total
Sign-on amounts (€ million)	–	0.6	–	<b>0.6</b>
Number of recipients	–	2	–	<b>2</b>

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

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