

REMUNERATION REPORT

Remuneration Committee

Key objectives

To advise on the Statutory Board remuneration policy and its execution, and to prepare the Supervisory Board's decision-making.

Responsibilities

The responsibilities of the Remuneration Committee include:

- Providing advice to the Supervisory Board on:
 - the determination of the policy on remuneration of the Statutory Board;
 - the total remuneration packages for the members of the Statutory Board;
 - the remuneration of the members of the Supervisory Board;
- Preparing the annual remuneration report;
- Overseeing remuneration policies and practices, including total variable remuneration paid to Van Lanschot Kempen employees, significant¹ individual variable remuneration, and individual variable remuneration to all identified staff.

The committee held five meetings in 2019.

Composition

Chair

Bernadette Langius



Members

Willy Duron
Maarten Muller
Frans Blom
Jeanine Helthuis

Letter from the Chair of the Remuneration Committee

Dear shareholder,

As Chair of the Remuneration Committee, I'm pleased to present Van Lanschot Kempen's remuneration report. This is our first report that is guided by requirements originating from the updated EU Shareholder Rights Directive. Although there is still not full clarity around the specific legal requirements for the report, we aim to draft this report in line with the spirit of the draft EU guidelines for disclosure. We intend to further update our 2020 report when there is more clarity.

This report includes both a summary of our Statutory Board and Supervisory Board remuneration policy as approved by shareholders at the 2018 AGM, and our annual report on remuneration, which sets out how our policy was applied during 2019, and how it will be applied for 2020. The annual report on remuneration will be subject to an advisory vote at our AGM on 28 May 2020. We will reflect on the feedback we received on our current remuneration policy and how we have incorporated that feedback.

Alignment with our strategic framework

Since the announcement of our wealth management strategy in 2013, Van Lanschot Kempen has transformed

from a small universal bank to a specialist wealth manager. This has resulted in strong performance over recent years. In the future, the company will continue to pursue its wealth management strategy, and will use the latest technology and expertise in digitalisation and advanced analytics to grow the business and to make the organisation more efficient. As a specialist wealth manager, we compete with large (Dutch) financial institutions in our niches.

We strongly believe that our future success requires a strong Statutory Board with a proven track record in wealth management, while experience in digitalisation and advanced analytics is also key. As a consequence, the remuneration of the Statutory Board members should be such that Van Lanschot Kempen is able to attract and retain the necessary talent, which includes future board members from highly specialist wealth management and technology firms. Moreover, the remuneration package of the Statutory Board must be structured to fit properly within the Dutch (regulatory) context.

Remuneration principles remained unchanged in 2019

We believe in rewarding long-term sustainable performance to help achieve our long-term strategy. This is reflected in our

¹ More than 50% of fixed remuneration.

Statutory Board remuneration policy. Since 2015, this consists of fixed remuneration only (no variable remuneration) and includes a large proportion in depositary receipts for shares (hereinafter: shares), with a five-year lock-up period, in combination with share ownership guidelines.² This creates a strong focus on long-term value creation.

Total remuneration management

We review total remuneration for the Statutory Board periodically, taking into account internal and external perspectives.

When adopting the Statutory Board remuneration package, we consider pay ratios within the company and remuneration policies in place across the wider workforce in our organisation. Moreover, the Remuneration Committee takes note of individual Statutory Board members' views regarding the amount and structure of their own remuneration. For more information about the remuneration package and pay ratios, see "Remuneration of the Statutory Board in 2019" on page 5.

When we assess the remuneration levels of the Statutory Board versus external market levels, we use a well-balanced, focused group of companies based on the guidelines provided by the Dutch Banking Code. Companies are included that reflect our talent market for Statutory Board positions. Our talent market is much broader than that of our direct competitors (evidenced by the previous employers of the current Statutory Board members) and includes both financial services companies and non-financial industry companies, both Dutch and international. For more information on our reference market, see "Remuneration of the Statutory Board in 2019" on page 6.

Performance management

As our remuneration policy for the Statutory Board consists of fixed remuneration only, remuneration levels for all members of the Statutory Board are equal to remuneration levels in 2018. The Supervisory Board assesses and challenges the performance of the Statutory Board based on a set of financial and non-financial key performance

indicators (KPIs). These KPIs are strongly aligned with KPIs for the rest of the organisation, and reflect both the interests of our stakeholders and our ambitions as a wealth manager. In assessing the performance of the Statutory Board, great value is attached to their performance as a team. This is the starting point of the performance assessment, given the company's complementary business lines. If the performance of a Statutory Board member is consistently under par, the Supervisory Board may dismiss the responsible Board member.

Stakeholder engagement

We take our stakeholders' views very seriously, and welcome an open dialogue on all aspects of remuneration. In 2018, the Supervisory Board initiated an engagement programme with shareholders, proxy advisers and other stakeholders. The programme was based on feedback received from investors, as well as the Supervisory Board's evaluation of the process prior to the 2018 AGM. The aim was to further understand stakeholders' concerns and issues in relation to our 2018 policy, and to broaden the scope of engagement with shareholders.

In preparation for the 2020 AGM, a delegation from the Remuneration Committee of the Supervisory Board again consulted with a large cross-section of our shareholder base, proxy advisers, the Works Council, various client groups and Dutch political parties. During these meetings, an explanation was given about the revised Shareholder Rights Directive; the Statutory and Supervisory Board remuneration policy; the Supervisory Board's view on rewarding long-term sustainable performance; and the Dutch context, such as the Dutch law on remuneration of financial undertakings, and the Dutch Corporate Governance and Banking Codes.

The dialogue with our stakeholders was very constructive. Gaining their views on executive pay in general, and Van Lanschot Kempen's remuneration policy in particular, was very valuable. The topics discussed and the main feedback given are outlined in the table below.

Topic	Feedback from stakeholders ³	Explanation by Van Lanschot Kempen
No variable remuneration	The decision by Van Lanschot Kempen to abolish variable remuneration for Statutory Board members in 2015 needs further explanation, especially for investors who adhere to the "pay for performance" principle.	We explained the Dutch regulatory and societal context. A ceiling of 20% for variable remuneration, in combination with the obligation to defer a substantial portion over a period of five years, means that performance on an individual KPI results in a relatively limited payment of variable remuneration to a Statutory Board member. It is therefore expected to have very limited impact on the behaviour of our Statutory Board members. Our 2015 decision has now been met with greater understanding by investors as they see other Dutch financial institutions in this situation. We reiterated our belief in a structure that focuses on long-term sustainable performance, which led to the introduction of fixed remuneration in shares with a five-year lock-up period in combination with the share ownership guidelines. ²
Performance management	Some stakeholders struggle with the concept of KPIs not having an impact (positively or negatively) on the remuneration of Statutory Board members. The main question was what measures the Supervisory Board can take if targets are not met, or when red flags remain in the performance assessment. Our stakeholders see the KPI disclosure itself as positive and very transparent.	We explained that in assessing the performance of the Statutory Board, great value is attached to their performance as a team. The Supervisory Board evaluates both the performance of the Statutory Board as a whole and that of the individual Statutory Board members, on an annual basis. Performance discussions are held with the individual members. If an individual Statutory Board member underperforms, they are held accountable. If no improvement is realised, the Statutory Board member may be dismissed by the Supervisory Board at any time.

² Statutory Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years. If the share price is not performing, the Statutory Board members must keep increasing their holdings.

³ Shareholders, proxy advisers, various client groups, employees and Dutch society (political parties).

Topic	Feedback from stakeholders ²	Explanation by Van Lanschot Kempen
Indexation	The indexation clause that we want to include in our remuneration policy is seen as positive by most stakeholders. They do not favour a large increase in remuneration at one time, but prefer small increases over the years.	Further to the feedback received, we maximised the (discretionary) indexation possibility to the general increase granted to the wider workforce in the organisation. The indexation is also maximised by the derived Consumer Price Index (CPI) ⁴ applicable over the previous year, but only when it can be justified by the financial performance of Van Lanschot Kempen.
Peer group	The peer group that was used for the market assessment in December 2017 is a concern for certain stakeholders. Questions were raised about the selection criteria of the peer group and why significantly larger companies have been selected.	<p>We explained that the Dutch Banking Code prescribes that the peer group should be composed of comparable positions both inside and outside the financial industry, including the relevant international context. Furthermore, we are convinced that market capitalisation does not drive talent. Our talent market is much broader than that of our direct competitors. The relative size of our company versus our competitors drives the need to attract better people than the competition. Prompted by our business strategy, we are willing to pay for the best people in the market. Typically, this talent comes from companies that are larger than ours. We also increasingly recruit from outside the banking sector. We explained that we want to keep the companies selected from our peer group consistent over the next few years, and that the selection should be seen in conjunction with the fact that the current remuneration package of our Statutory Board members occupies a position far below the median of the peer group. In fact, they are placed around the first quartile.</p> <p>Following feedback from stakeholders, in 2019 we asked Willis Towers Watson (WTW) to update the market assessment for the Statutory Board. No changes were made in the companies selected, but we asked WTW in particular to benchmark one level deeper in the organisation for the larger firms in the peer group, with a focus on positions at a similar job level. This means that our CEO was compared with positions that report to the CEO (CEO-1 level); for the other Statutory Board positions, divisional heads were taken that report to CEO-1 level (i.e. CEO-2). As these positions do not have formal board responsibilities, a standard board premium (in line with market practice) was applied to the base salary levels. Based on this updated analysis, we found that the CEO and CFO are still placed below median market levels (in the 40th percentile for the CEO and 44th percentile for the CFO), while the other Statutory Board members are placed at median market levels.</p> <p>When we change our remuneration policy in the future, we will also review our peer group, taking into account the feedback that we received.</p>
Derogation	The derogation clause we initially proposed led to discussions with various stakeholders regarding the correct interpretation and possible working.	Based on the feedback received, we decided not to include the derogation clause in the remuneration policy.

The Supervisory Board received detailed feedback about each of the engagement meetings, and appreciates that it is important for stakeholders to have a clear understanding of the decisions made around remuneration. We would like to thank all the stakeholders for their valuable input. The feedback was very constructive, and the Supervisory Board will take it into account going forward. Van Lanschot Kempen will continue this broader scope of stakeholder engagement, and will aim to liaise with stakeholders on sensitive matters well before these items are put on the agenda of the AGM.

Looking ahead to 2020

In 2020, the Dutch law implementing the revised Shareholder Rights Directive (SRD II) will be applicable. SRD II requires additional context to be included in the remuneration policies for the Statutory and Supervisory Boards. During the engagement programme, we obtained a clear understanding of the views of our stakeholders on the implementation of SRD II and on Van Lanschot Kempen's remuneration policy ahead of the 2020 AGM.

The remuneration structure for the Statutory and Supervisory Boards will remain unchanged in 2020. To be compliant with SRD II, particular textual additions have been made to explain our approach to remuneration. We believe the additional context does not qualify as a material change to our remuneration policy.

We attach great value to the consent of our shareholders. We will therefore put the remuneration policies for the Statutory and Supervisory Boards to vote at our AGM in 2020. The Works Council has issued a positive recommendation to the Supervisory Board with regard to the proposed remuneration policies. The remuneration report will be submitted to the 2020 AGM for an advisory vote.

's-Hertogenbosch, the Netherlands, 20 February 2020

Remuneration Committee



Bernadette Langius, Chair

⁴ The Consumer Price Index (CPI), calculated by Statistics Netherlands, measures the average price changes of goods and services purchased by households. The derived CPI excludes the effect of changes in the rates of product-related taxes (e.g. VAT), subsidies and consumption-related taxes.

Our approach to remuneration: rewarding long-term sustainable performance

Our purpose is the preservation and creation of wealth, in a sustainable way, for our clients and the societies we serve.

We believe that wealth is not just about financial assets; essential as these may be, wealth is about all the things that we value in life. Although our primary objective is to help our clients with the financial aspects of wealth, we endeavour to serve their broader objectives as well. We do this through our Van Lanschot Kempen Foundation, sponsorships and work on sustainability issues.

As a company, we believe that the generation of wealth – and its re-distribution through taxation – are critical to the process of creating and maintaining stable, successful societies. Given that societal cohesion necessitates that wealth creation, we believe that wealth management cannot be the preserve of a few but is a necessity for all.

This view is reflected in our approach to remuneration. The remuneration of the Statutory Board consists of fixed remuneration only, and includes a large proportion in Van Lanschot Kempen shares (with a five-year lock-up period), creating a strong focus on the long-term continuity of the company and subsequent strong client relations.

WE BELIEVE IN:

Focusing on the long term

Variable remuneration is scrutinised in Dutch society, especially in the financial sector. The use of variable remuneration can lead to a focus on short-term performance. As we believe in rewarding long-term sustainable performance, we ended all variable remuneration for the Statutory Board in 2015. Since then, we have only paid fixed remuneration to the Statutory Board.

Rewarding sustainable performance

We pay out a substantial proportion of the fixed remuneration in shares to ensure our Board members focus on long-term, sustainable performance. To maximise this effect, these shares are subject to a five-year lock-up period (during which the shares cannot be sold).

Creating a sense of ownership

We believe in aligning our interests with those of our shareholders through a high level of personal share ownership. Our share ownership guidelines stipulate that Statutory Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' of their gross salary (for as long as they remain in office). If the share price is not performing, the Board members must keep increasing their holdings.

Performance management

The Supervisory Board assesses and challenges the performance of the Statutory Board based on a set of financial and non-financial KPIs. In assessing the performance of the Statutory Board, great value is attached to their performance as a team. The Supervisory Board evaluates both the performance of the Statutory Board as a whole and that of the individual Statutory Board members on an annual basis. Performance discussions are held with the individual members. The Statutory Board also annually evaluates its own functioning as a whole and that of its individual members. If an individual Statutory Board member underperforms, they will be held accountable. If no improvement is realised, the Statutory Board member can be dismissed by the Supervisory Board at any time.

Van Lanschot Kempen has developed a set of KPIs focusing on long-term value creation. These financial and non-financial KPIs reflect both the interests of stakeholders and our ambitions as a wealth manager. They are in line with the company's values and will be reassessed from time to time. The KPIs that are relevant from a strategy and stakeholder perspective are disclosed in the "Performance report" on page 30 of our 2019 Annual report. These KPIs are also applicable to the members of the Statutory Board. Van Lanschot Kempen aims for the KPIs and performance management applicable to the Statutory Board to be fully aligned with the rest of the organisation.

Our remuneration policy at a glance

The remuneration policy for members of Van Lanschot Kempen's Statutory Board was approved and adopted by the AGM on 31 May 2018, and applied from 1 January 2018. The remuneration policy for the Executive Board is similar to the Statutory Board remuneration policy.

Our remuneration policy aims to ensure a balanced, sustainable and competitive remuneration package. The key features of our remuneration policy are as follows:

	Purpose	Operation
Fixed salary – cash	To reflect the scale and complexity of our company, enabling us to attract and retain the highest calibre talent needed to continue the company's transformation and growth	Fixed salary in cash, paid during the year in 12 instalments, taking into account the following factors: <ul style="list-style-type: none"> – Level of skill, experience and scope of responsibilities – Business performance, scarcity of talent, economic climate and market conditions – Developments elsewhere within Van Lanschot Kempen, including pay ratios – Developments in our external comparator groups (which are used for reference purposes only)
Fixed salary – shares	To reflect the scale and complexity of our company, enabling us to attract and retain the highest calibre talent needed; to align rewards with long-term sustainable performance; and to align the interests of the Statutory Board with shareholders	Fixed salary in shares, paid in one instalment: <ul style="list-style-type: none"> – A lock-up period of five years applies to these shares
Share ownership guidelines	To align the interests of the Statutory Board with those of shareholders	Statutory Board members must hold Van Lanschot Kempen shares with a value equal to or above the cash portion of two years' gross salary (for as long as they remain in office). They can gradually meet this requirement over the years. If the share price is not performing, the Statutory Board members must keep increasing their holdings
Pension and disability insurance	To recognise competitive practice	<ul style="list-style-type: none"> – The members of the Statutory Board are responsible for their own pension provision, towards which they receive a fixed cash payment of 30% of their fixed remuneration. This percentage is in line with our reference market – They also receive a payment of 2.59% of their fixed remuneration for taking out disability insurance – There are no early retirement schemes for Statutory Board members – We monitor external developments regarding alignment between executive pensions and broader employee pension arrangements, and the possible impact that these may have in the Netherlands

Remuneration of the Statutory Board in 2019

The remuneration paid to our Statutory Board in 2019 and 2018 was as follows:

Total remuneration of the individual members of the Statutory Board in 2019 ⁵ (€1,000)								
	Karl Guha		Constant Korthout		Arjan Huisman		Richard Bruens	
	2019	2018	2019	2018	2019	2018	2019	2018
Fixed salary in cash	773	773	438	438	438	438	438	438
Fixed salary in shares ⁶	387	387	312	312	312	312	312	312
Total fixed salary	1,160	1,160	750	750	750	750	750	750
Pension and disability insurance	378	378	244	244	244	244	244	244
Total remuneration⁷	1,538	1,538	994	994	994	994	994	994

⁵ To be able to make a comparison between 2019 and 2018, the same definition of total remuneration (total fixed salary plus pension and disability insurance) has been used. Business expenses have not been included.

⁶ Expenses recognised under IFRS-EU accounting for Van Lanschot Kempen shares differ due to treatment under IFRS 2. For 2019, expenses under IFRS for Karl Guha amounted to €432 (2018: €404), for Constant Korthout to €346 (2018: €324), for Arjan Huisman to €346 (2018: €324), and for Richard Bruens to €346 (2018: €324). A proportion of fixed salary is paid in the form of Van Lanschot Kempen shares. Karl Guha received 18,953 (2018: 15,165) shares while the other members of the Statutory Board each received 15,273 (2018: 12,168) shares. The number of shares granted is based on the average share price for the first four trading days in a year. For 2019, the average share price amounted to €20.45 (2018: tranche 1 €26.28 and tranche 2 €24.53). IFRS takes the share price at grant date as the basis for recognition. This price also amounted to €20.45 in 2019 (2018: tranche 1 €26.28 and tranche 2 €24.53).

⁷ Expenses recognised under IFRS-EU accounting for total remuneration differ due to treatment under IFRS 2. For 2019, expenses under IFRS for Karl Guha amounted to €1,580 (2018: €1,555), for Constant Korthout to €1,028 (2018: €1,006), for Arjan Huisman to €1,028 (2018: €1,006), and for Richard Bruens to €1,028 (2018: €1,006).

Compliance with the remuneration policy

We have continued to ensure that decisions on Statutory Board remuneration are made in accordance with our policy, as approved by our shareholders and in the context of developments inside and outside Van Lanschot Kempen. We have not made use of any discretion when applying the policy.

Total remuneration management

We review total remuneration for the Statutory Board periodically, taking into account internal and external considerations.

Internal pay ratios, fairness and wider workforce considerations

When adopting the Statutory Board remuneration package, we consider pay ratios within the company – attaching importance to the need for a sound pay ratio. A comparison of the remuneration package of the CEO and the average labour cost⁸ of an employee within Van Lanschot Kempen results in a pay ratio of 10:1 (2018 ratio: 10:1). The development of the pay ratio is discussed annually with the Works Council.

As part of the review of Statutory Board remuneration, we take into account the remuneration policies in place across the wider workforce. This includes considering the structure of remuneration packages at each level of the business to ensure there is a strong rationale for how these evolve across the different levels of the organisation. In 2019, we decided to abolish the fixed expense allowance for the members of the Statutory Board from 2020, in line with the rest of our employees. Business expenses will be reimbursed on a declaration basis.

For more detailed information on Statutory Board remuneration versus remuneration for the wider workforce (as well as company performance), see “Supplementary disclosure related to Statutory Board remuneration” on page 7.

External considerations

We periodically assess the remuneration levels of the Statutory Board versus external market levels. For this purpose, we use a well-balanced, focused group of companies, which reflects our talent market for Statutory Board positions. This serves as one of many checks in the determination of remuneration levels.

We are convinced that market capitalisation does not drive talent. Our talent market is much broader than that of our direct competitors. This is evidenced by our current Statutory Board members, who were consistently hired from top-notch larger firms. The relevant market includes both financial services companies and non-financial industry companies, both Dutch and international companies, and companies that are similar to and larger in size than Van Lanschot Kempen. The relative size of the company versus our competitors drives the need to attract better people than the competition. Prompted by our business strategy, we are willing to pay for the best people in the market. Typically, this talent comes from companies that are larger than ours.

Our external reference market consists of the following types of companies:

- **Specialist wealth management companies:** We are a (highly) specialist company, and need to be able to attract specialists to further grow the business. As there are no other standalone specialist wealth management companies of comparable size in the Netherlands, we look at companies active in Western Europe. We take into account standalone companies, broadly comparable in terms of number of employees.
- **Dutch banks:** Although not all of the banks are directly comparable in terms of activities and size, these companies are subject to the same regulatory framework and are part of the same public debate.
- **Other Dutch companies:** Although other banks and specialist wealth management companies are important from a talent market perspective, our talent pool does not only consist of financial services companies. For example, in pursuing our wealth management strategy, experience in digitalisation and advanced analytics is key. Because of this, our peer group also consists of other, non-financial Dutch companies. These companies are larger than ours, reflecting our experience that talent suitable for our Statutory Board is likely to be attracted (and lost) to larger companies.

The proposed peer group is in line with requirements as laid down in the Dutch Banking Code. This code prescribes that the peer group should be composed of comparable positions both inside and outside the financial industry, including the relevant international context. The composition of the peer group is set out in the table below.

Statutory Board peer group		
Specialist wealth management companies	Dutch banks	Other Dutch companies
BIL	ABN AMRO	Aegon
Degroef Petercam	ING Groep	ASML
Julius Bär	NIBC Bank	Boskalis Westminster
KBL	Rabobank	DSM
Lombard Odier		KPN
Vontobel		NN Group
		Vopak

As for the Statutory Board's overall total remuneration level, the objective is to remain competitive and to occupy a position below the median of the peer group. When establishing more specific positioning against market data, we take into account that some of the companies are substantially larger than ours. As a result, the current remuneration packages of our Statutory Board members occupy a position far below the median of the peer group.

Following feedback from stakeholders, in 2019 we asked WTW to update the market assessment for the Statutory Board. No changes were made in the companies selected, but we asked WTW to benchmark one level deeper in the organisation for the larger firms in the peer group (at similar job levels). This means that our CEO was compared with positions that report to the CEO (CEO-1 level); for the other Statutory Board positions, divisional heads were included that report to CEO-1 level (i.e. CEO-2). As these positions do not have formal board responsibilities, a standard board premium (in line with market practice) was applied to the base salary levels. Based on this updated analysis, we

found that the CEO and CFO are still placed below median market levels (in the 40th percentile for the CEO and 44th percentile for the CFO), while the other Statutory Board members are placed at median market levels.

Statutory Board performance

As indicated in our approach to remuneration, the performance of the Statutory Board is assessed based on non-financial and financial KPIs. For 2019, the following KPIs (relevant from a strategic and stakeholder perspective) were included in the Performance report, and were specifically included in the KPIs of the Statutory Board:

KPI		Target 2023	Result 2019 ⁹	Supervisory Board assessment 2019
Financial	CET 1 ratio	15-17%	23.8%	Excellent
	Return on equity (CET 1)	10-12%	10.5% ¹⁰	Below target
	Efficiency ratio	70-72%	75.5% ¹¹	Below target
Non-financial	Net Promoter Score (NPS)			
	a) Private Banking	10	23	Excellent
	b) Evi	10	10	On target
	c) Asset Management	20	31	On target
	Employee engagement score	> 80%	82%	On target

In addition to these, the members of the Statutory Board had KPIs regarding operating profit, level of operating expenses, net inflow of assets under management, risk appetite, diversity and inclusion, activating our full potential,

and transformation of the workforce. As of 2020, the KPIs of the Statutory Board will be further aligned with the KPIs included in the Performance report (which is externally disclosed).

Supplementary disclosure related to Statutory Board remuneration

Annual change in Statutory Board remuneration versus wider workforce and company performance						
	2014 ¹³	2015	2016	2017	2018	2019
CEO remuneration ¹² (€1,000)	1,255	1,193	1,193	1,229	1,538	1,538
Other Statutory Board members' remuneration ¹² (€1,000)	865	772	772	795	994	994
Average employee remuneration (€1,000)	126	130	134	138	149	148
Underlying net profit (€ million)	54.2	60.1	81.3	112.3	103.0	108.8

The members of the Supervisory Board only received fixed remuneration during the years covered by the table above, ranging from €53,000 (lowest full-time amount in 2014) to

€127,000 (highest full-time amount in 2019). For more information see "Remuneration of the Supervisory Board in 2019" on page 8.

⁹ Van Lanschot Kempen set its targets for 2023. The 2019 targets differ from the 2023 targets because of the annual development towards these future goals.

¹⁰ Including book profit of VLC & Partners, AIO II and impairment of Kempen Merchant Banking. If these one-offs are excluded, the return on equity would be 8.6%.

¹¹ Including book profit of VLC & Partners. Excluding this book profit, the efficiency ratio would be 78.1%.

¹² Total remuneration awarded.

¹³ For 2014, the Statutory Board only accepted 50% of the variable remuneration they were entitled to, given the transformation process of Van Lanschot Kempen and the long-term interests of the company and its stakeholders. The actual total remuneration awarded to the CEO was €1,087, and to the other Statutory Board members €695.

Number of shares held by Statutory Board members in 2019

	At 1 January 2019	Bought/awarded	Sold/post-employment	At 31 December 2019
Karl Guha	52,502	11,220	–	63,722
Constant Korthout	53,001	9,041	–	62,042
Arjan Huisman	32,614	9,041	–	41,655
Richard Bruens	48,936	9,041	–	58,004
Total	187,080	38,343	–	225,423

At 31 December 2019, the members of the Statutory Board held no options for shares.

Loans to Statutory Board members are only granted within the scope of normal operations and in keeping with conditions laid down in the financial services regulations for

directors of Van Lanschot Kempen, subject to the approval of the Remuneration Committee.

No advances or guarantees have been granted to members of the Statutory Board.¹⁴ No impairments or write-offs have occurred on loans granted to Statutory Board members.

Loans to Statutory Board members at 31 December 2019 (€1,000)

	At 31 December 2019	Repaid	Interest	Collateral
Karl Guha	–	–	–	
Constant Korthout	–	357	2.30%	Mortgage
	–	150	1.90%	Mortgage
Arjan Huisman	–	80	Floating	Mortgage
Richard Bruens	600	–	1.90%	Mortgage
	519	18	1.72%	Mortgage
	256	8	1.72%	Mortgage
Total	1,375	613		

Remuneration of the Supervisory Board in 2019

The remuneration policy for members of the Supervisory Board was adopted by the AGM on 31 May 2018 and applied from 1 January 2018. The remuneration of the Supervisory Board is summarised in the tables below.

Remuneration Supervisory Board	Chairman	Vice-Chairman	Member
Supervisory Board	€90,000	€70,000	€60,000
Audit and Compliance Committee	€15,000		€10,000
Risk Committee	€15,000		€10,000
Remuneration Committee	€10,000		€7,000
Selection and Appointment Committee	€10,000		€6,000

Remuneration of the Supervisory Board in 2019 (€1,000)

	2019	2018
Willy Duron	127	127
Manfred Schepers	95	95
Frans Blom (from 5 October 2018)	77	19
Jeanine Helthuis	76	76
Bernadette Langius	80	79
Godfried van Lanschot (until 31 May 2018)	–	32
Maarten Muller (from 31 May 2018)	73	43
Lex van Overmeire	85	85

No share-based remuneration, loans, advances or guarantees have been granted to the members of the Supervisory Board.

¹⁴ Arjan Huisman has an ongoing credit facility up to €400,000. At 31 December 2019, there were no withdrawals.

The Supervisory Board peer group is composed of Dutch banks and Dutch listed companies that operate a two-tier board structure. As a specialist wealth manager in the financial sector, Van Lanschot Kempen wants to be able to appoint and retain high-quality Supervisory Board members.

Supervisory Board peer group		
Dutch banks	Dutch companies with a two-tier board structure	
ABN AMRO	Aegon	KPN
ING Groep	Ahold Delhaize	NN Group
NIBC Bank	Akzo Nobel	Philips
Rabobank	ASML Holding	Randstad Holding
	Boskalis Westminster	SBM Offshore
	DSM	Vopak
	Heineken	Wolters Kluwer

Remuneration of other employees

We aim to provide a remuneration package for all employees that is market-competitive and fair. Our remuneration policy for other employees is in line with our strategy and purpose, and contributes to long-term value creation.

Fixed remuneration

Employees' fixed remuneration reflects their relevant work experience and organisational responsibilities. In 2019, we implemented a new job and career framework that consistently links the weight of each job to a pay line. The pay lines are based on external market data, and are differentiated to ensure we pay market-competitive salaries across the organisation. The new pay lines are fully transparent, promote better pay-for-performance focus, and have been set up with clear guidelines on pay-related decisions and governance. As part of the new job and career framework, we have substantially reduced the number of legacy arrangements within the organisation, and we have modernised and streamlined the benefits package.

Variable remuneration

Our variable remuneration policies cover all employees (excluding the members of the Statutory Board). Each individual grant is subject to meeting the criteria as described in this section.

Our variable remuneration policies comply with all relevant laws and regulations. The average variable remuneration of all Van Lanschot Kempen employees who work (largely) in the Netherlands does not exceed 20% of their fixed remuneration. However, for a small number of employees, we may grant variable remuneration of up to 100% of fixed remuneration. These deviations require separate approval from the Supervisory Board.

Variable remuneration funding

The Statutory and Executive Boards annually establish a variable remuneration pool, from which individual variable remuneration awards are made. The size of the pool (or the

pool funding) depends on achievement of financial and non-financial KPIs. The size of the pool is subject to Supervisory Board approval. Once the size of the variable remuneration pool has been established, the Statutory and Executive Boards decide how the pool will be allocated.

Variable remuneration allocation

The individual allocation of variable remuneration is dependent on individual performance, market competitiveness and special factors.

Individual performance is measured by assessing the achievement of KPIs, as set at the beginning of the year. These indicators can be financial and non-financial, with some departments applying only non-financial criteria. For the departments that use both financial and non-financial indicators, at least 50% of the allocation of any variable remuneration is based on non-financial criteria, such as showing the desired professional behaviour, improving client satisfaction, developing new products or solutions for clients, and improving internal processes, policies or systems. The financial performance indicators include nothing that might encourage irresponsible risk-taking.

Variable remuneration is only awarded if:

- Van Lanschot Kempen's financial position allows;
- It is justified by the performance of Van Lanschot Kempen, the relevant business line and the individual employee;
- Van Lanschot Kempen meets the prevailing buffer requirements under the EU's Capital Requirements Regulation (CRR), the Dutch Financial Supervision Act (Wft) and its implementing legislation;
- The risks taken have been reassessed and no material risks have occurred that were not expected or factored in;
- The employee has received a good performance assessment, has met compliance targets, has not been subject to disciplinary measures, and has not taken any risks that fall outside Van Lanschot Kempen's accepted risk appetite.

Variable remuneration pay-out

Variable remuneration up to €50,000 gross is paid out in cash directly. Above this amount, 50% of any variable remuneration is paid out directly, whereas the other 50% is deferred for a period of three years. Pay-out of the deferral is conditional on Van Lanschot Kempen meeting the prevailing buffer requirements (as mentioned before).

The Statutory Board may, with the approval of the Supervisory Board, hold or claw back all or part of the pay-out if pay-outs have taken place on the basis of incorrect information, or have been made in conflict with the variable remuneration policy and/or applicable legislation and regulations:

- Deferred, conditional, variable remuneration previously awarded to an employee (or former employee), if payment of the variable remuneration would be considered unfair or unreasonable (hold back);
- Unconditional variable remuneration previously paid to an employee (or former employee). This might occur if, for instance, payment was based on incorrect information about performance or about the conditions on which the variable remuneration depended (claw back).

Remuneration in 2019

Variable remuneration totalling €14.7 million was paid to employees (including identified staff) over 2019 (2018: €16.2 million). One person received total annual remuneration of over €1 million in 2019.

Long-term share plan

Our 2011 long-term share plan (LTP) allows us to award variable remuneration in the form of Van Lanschot Kempen shares to certain key employees (including identified staff). 60% of each award is unconditional, whereas 40% of each award is deferred for a period of three years. Pay-out of the deferral is conditional on Van Lanschot Kempen meeting the prevailing buffer requirements (as mentioned before).

Profit-sharing scheme

In 2017 and 2018, a profit-sharing scheme was applied for all Van Lanschot Kempen employees working in the Netherlands. In 2019, the conditions were not met. It was agreed with the Works Councils that the profit-sharing scheme will no longer be applied as of 2020, and that the new integrated Works Council will discuss alternatives in 2020 together with the Executive Board.

Pensions

Until 2019, there were separate pension plans for Van Lanschot Kempen Wealth Management (previously Van Lanschot) and for Kempen & Co. As of 2020, all our employees will participate in a new Van Lanschot Kempen defined contribution pension plan. The Statutory Board members do not participate in this plan as they receive an individual pension contribution. We monitor external developments regarding alignment between executive pensions and broader employee pension arrangements, and the possible impact that these may have in the Netherlands.

Remuneration policy for identified staff

Identified staff are employees whose activities have a material impact on the risk profile of the business. For these employees, performance measurement is the same as for other employees, but additional rules for the pay-out of variable remuneration apply.

As a general rule, any pay-out to identified staff is made 50% in cash and 50% in Van Lanschot Kempen shares. As an exception¹⁵ to this, the variable remuneration of identified staff working at Kempen Capital Management is paid 50% in cash and 50% in a flexible mix of Van Lanschot Kempen shares and investments in funds managed. A lock-up period of one year applies to the shares that have become unconditional.

In all cases, 60% of the award is paid out unconditionally (both the cash part and the non-cash part), whereas 40% is conditionally deferred for a period of three years. Pay-out of the deferral is conditional on a re-assessment of the five conditions mentioned for any award of regular variable remuneration. If this re-assessment leads to an adjustment of the deferred remuneration, the hold and/or claw-back system applies.

Remuneration policy governance

The Statutory Board sets the remuneration policy for employees, based on the advice of the Human Resource Management, Finance, Reporting & Control, Group Risk Management and Compliance departments. These, together with Group Audit, have an important part to play in setting up, adjusting, implementing and reviewing our variable remuneration policy. They advise the Statutory and Supervisory Boards and report to them on their conclusions.

The Statutory Board is responsible for implementing the remuneration policy. The Supervisory Board approves the variable remuneration policy, including its general principles, and oversees its implementation. Approval by the Supervisory Board is also required for the variable remuneration pools, any significant¹⁶ individual variable remuneration, and for individual variable remuneration proposed for employees designated as identified staff. The Supervisory Board's Remuneration Committee prepares the Supervisory Board's decision-making on remuneration and advises it in this area. More information about the remuneration policy for identified staff can be found in our 2019 Pillar 3 disclosure on remuneration.

¹⁵ Based on AIFMD and UCITS guidelines on sound remuneration policies.

¹⁶ More than 50% of fixed remuneration.