

Pillar 3 disclosure on remuneration in 2020



**VAN LANSCHOT
KEMPEN**

Introduction

Van Lanschot Kempen has transformed from a universal bank into a specialist, independent wealth manager. In fact, it has become a professional services company with a banking licence. This leads to specific challenges from a remuneration perspective, especially within the Dutch regulatory context.

Van Lanschot Kempen's variable remuneration policy includes separate rules for identified staff. Identified staff are employees whose activities have a material impact on the financial risk profile of the business. For these employees additional rules for the pay-out of variable remuneration apply. Willis Towers Watson, Allen & Overy and Stibbe advise Van Lanschot Kempen on its remuneration policy.

Our variable remuneration policy applies to all Van Lanschot Kempen identified staff, with the exception of the members of the Statutory and Executive Boards, who are not eligible for variable remuneration.

Vision

We pursue a remuneration policy that is in line with our strategy and contributes to long-term value creation. Our policy complies with the rules and legislation in force, such as the Dutch Banking Code, the Dutch Regulation on Sound Remuneration Policies (RBB) and the Dutch Act on Remuneration Policies of Financial Undertakings (WBFO). Our remuneration policy factors in the interests of both Van Lanschot Kempen and our stakeholders.

Variable remuneration policy for identified staff: key elements

Governance

- The Statutory Board sets the remuneration policy for employees, based on the advice of the Human Resource Management, Finance, Reporting & Control, Risk Management and Compliance departments. These, together with Internal Audit, also have an important part to play in setting, 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 significant¹ 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. It met four times in 2020.

Performance management

- At Van Lanschot Kempen, variable remuneration rewards good performance. Performance management thus has a crucial role in the process of determining who will receive variable remuneration. At the start of the year, identified staff and their managers agree annual objectives, which reflect a mix of performance criteria, financial and non-financial, as well as longer-term objectives. 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 performance appraisal. Variable remuneration is only awarded in the event of good performance 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.

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 key performance indicators. 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.
- 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 have tendered their resignation.
- The average variable remuneration of all Van Lanschot Kempen employees who work (largely) in the Netherlands does not exceed 20% of their fixed remuneration, as prescribed by the Dutch Financial Supervision Act (Wft). Variable remuneration of up to 100% of fixed remuneration may be granted on special grounds in individual situations.

¹ More than 50% of fixed remuneration.

Variable remuneration payment

- As a general rule, any pay-out to identified staff is made 50% in cash and 50% in Van Lanschot Kempen shares. As an exception to this, the variable remuneration of identified staff at Kempen Capital Management is paid 50% in cash and 50% in a flexible mix of Van Lanschot Kempen shares and investments in managed funds. A lock-up period of one year applies to 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% of the award is conditionally deferred for a period of three years. For new awards starting in 2021, this period will be four years. Pay-out of the deferral is conditional on a re-assessment of various pre-set criteria. If this re-assessment leads to an adjustment of the deferred remuneration, the hold and/or claw-back system applies.

Other conditions

- Guaranteed variable remuneration 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 hedging 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 450 of the revised Capital Requirements Regulation (CRR2) requires annual publication of selected aggregate quantitative remuneration data. For information about remuneration in 2020, see our 2020 annual report and the quantitative disclosures in the appendix on the next page.

APPENDIX

Van Lanschot Kempen (including subsidiaries)

| Table A (€ million) | Total remuneration |
|---------------------|--------------------|
| Private Banking | 5.9 |
| Evi | – |
| Asset Management | 6.9 |
| Merchant Banking | 10.5 |
| Other | 9.3 |
| Total | 32.6 |

The Pillar 3 disclosure on remuneration uses unrounded figures and total amounts may deviate from the sum of the parts.

| Table B: Remuneration amounts (€ million) | Statutory Board | Senior management | Other identified staff | Total |
|---|-----------------|-------------------|------------------------|-------|
| Fixed pay | 4.4 | 14.0 | 10.9 | 29.4 |
| Variable pay | – | 1.3 | 1.9 | 3.2 |
| Number of staff | 4 | 45 | 50 | 99 |

| Table C: Type of variable remuneration (€ million) | Statutory Board | Senior management | Other identified staff | Total |
|--|-----------------|-------------------|------------------------|------------|
| Cash | – | 0.3 | 0.9 | 1.2 |
| Shares | – | 0.6 | 1.0 | 1.6 |
| Share-based instruments | – | – | – | – |
| Other | – | 0.4 | – | 0.4 |
| Total | – | 1.3 | 1.9 | 3.2 |

| Table D: Conditional remuneration at 31/12/20 (2020 inclusive, € million) | Statutory Board | Senior management | Other identified staff | Total |
|---|-----------------|-------------------|------------------------|------------|
| Vested* | – | 0.7 | 0.7 | 1.4 |
| Unvested | – | 1.3 | 2.3 | 3.6 |
| Total | – | 2.1 | 3.0 | 5.0 |

| Table E: Conditional remuneration (€ million) | Statutory Board | Senior management | Other identified staff | Total |
|--|-----------------|-------------------|------------------------|-------|
| Granted in 2020 | – | 0.4 | 0.8 | 1.1 |
| – Of which paid in 2020 | – | – | – | – |
| – Of which performance-related reduction in 2020 | – | – | – | – |

| Table F: Sign-on payment | Statutory Board | Senior management | Other identified staff | Total |
|-----------------------------|-----------------|-------------------|------------------------|-------|
| Sign-on amounts (€ million) | – | 0.4 | – | 0.4 |
| Number of recipients | – | 1 | – | 1 |

* The amounts of outstanding deferred equity that vested in 2020.

| Table G: Severance pay | Statutory Board | Senior management | Other identified staff | Total | Highest amount agreed |
|-------------------------------|-----------------|-------------------|------------------------|-------|-----------------------|
| Severance amounts (€ million) | - | 1.2 | 0.8 | 1.9 | 0.8 |
| Number of recipients | - | 4 | 5 | 9 | |

| Table H: Remuneration > €1 million | Statutory Board | Senior management | Other identified staff | Total |
|------------------------------------|-----------------|-------------------|------------------------|-------|
| €1.0 – €1.5 million | 1 | 1 | - | 2 |
| €1.5 – €2.0 million | - | - | - | - |
| > €2.0 million | - | - | - | - |