

STICHTING ADMINISTRATIEKANTOOR VAN GEWONE AANDELEN A VAN LANSCHOT KEMPEN

Board report

Stichting Administratiekantoor van gewone aandelen A Van Lanschot Kempen ("the Stichting") reports on its activities in 2018.

Board meetings

In 2018, the Board of the Stichting ("the Board") held six board meetings. Topics covered in these meetings included:

- The Stichting's 2017 financial statements;
- Van Lanschot Kempen's 2017 financial statements;
- The items on the agenda of the general meeting of Van Lanschot Kempen held on 31 May 2018 ("the AGM") and the Stichting's voting intentions;
- The proposal to the AGM to increase the remuneration of the Statutory Board of Van Lanschot Kempen;
- The composition of the Board;
- Van Lanschot Kempen's 2018 half-year results;
- The items on the agenda of the extraordinary general meeting of Van Lanschot Kempen held on 5 October 2018 ("the EGM") and the Stichting's voting intentions;
- Preparation for the meeting of holders of depositary receipts held on 13 November 2018.

In addition to these board meetings, the Board held three conference calls and another informal meeting.

Van Lanschot Kempen's general meetings

The Board attended both the AGM and the EGM. For each of these general meetings, the Stichting granted proxy votes to holders of depositary receipts for shares who attended the meeting in person or were represented by third parties. This enabled these depositary receipt holders to vote at their own discretion for the number of Class A ordinary shares held by them at record date. The Stichting voted, at its own discretion, the Class A ordinary shares for which no proxy votes had been requested. Such shares represented 33.1% and 29.1 % respectively of the total number of votes that may be cast at the AGM and the EGM. After careful consideration of the relevant interests, the Board decided to vote in favour of all items put to the ballot.

Remuneration of the Board of Directors

Introduction

The preparations for the AGM required a great deal of attention this year, mainly in relation to the proposal regarding the remuneration of the Statutory Board of Van Lanschot Kempen ("the Statutory Board"). After extensive and careful consideration (as set out in detail below), the Board decided to vote in favour of the proposal.

Considerations in relation to the remuneration proposal

In the run-up to the AGM, the Board met and discussed the remuneration proposal with representatives of the supervisory board of Van Lanschot Kempen ("the Supervisory Board") on multiple occasions, at which meetings the Board challenged the Supervisory Board on both the background to and all elements of the proposal. The Board also delved into the relevant best practice provisions of the Dutch Corporate Governance Code

and relevant Dutch remuneration laws to be able to take a considered position on this sensitive issue.

Prior to the AGM, the Board determined the Stichting's preliminary position in relation to the remuneration proposal, primarily based on the following considerations:

- It is a given that companies' executive remuneration policies are currently a topic of public debate. This is not a negative development, but can be interpreted as a growing awareness that companies have a social responsibility. This is particularly true of banks and even more so of banks that have recently been bailed out with taxpayers' money – to which category Van Lanschot Kempen does not belong. The turn taken by this public debate could affect the company's reputation and would, for this reason alone, rank among the factors that the Stichting would emphatically consider in its deliberations.
- When exercising the voting rights, the Board must primarily act in the interests of depositary receipt holders, and must also factor in the interests of the company, its associated enterprise and all other parties involved. It is not the Board's job to serve the public interest. In this case, however, these interests coincide to a significant degree: both depositary receipt holders and society at large benefit from Van Lanschot Kempen's continued existence as a healthy company, which generates returns as well as employment, and creates knowledge. This requires an experienced, expert and robust board, and remuneration policies that help to ensure such a board is in place.
- Public debate is not infrequently too much dominated by emotion, and is not always sufficiently informed by the facts. In this particular instance, the debate was significantly influenced by other remuneration proposals in the Dutch financial sector, which unfortunately played out at around the same time as the AGM.
- Two key elements can be discerned in the remuneration proposal for the Statutory Board:
 - Raising the pension allocation for the members of the Statutory Board to 30% of fixed pay. The Board understands this increase to be a matter of "overdue maintenance": after the major overhaul of the remuneration structure of the past few years caused the pension allocation to fall way behind of what is – according to Willis Tower Watson – common practice in the industry. The proposal aims to remedy this at least in part, with the allocation as a percentage of fixed pay still remaining at the lower end of the relevant range.
 - Raising fixed pay for the members of the Statutory Board by 15.5-16.5%, all of which to be awarded in shares. This is in line with the best practice provisions of the new Dutch Corporate Governance Code, which strongly recommend remuneration

- policies focused on long-term value creation. The Board believes that, opting for the salary increase to be paid in shares only – and shares that must be held over a long period of time – serves the interests of both the depositary receipt holders and the company.
- Two main objections were put forward to the proposed pay increase, both of which were taken into consideration in the Board’s deliberations:
 - The first objection is reflected in the voting recommendations issued by two Anglo-Saxon proxy advisory firms, Glass Lewis and ISS. They believe that a pay rise as proposed should only be agreed to if it is part of an incentive scheme. This assessment is apparently based on what was and still is common practice in the Anglo-Saxon world. In the Netherlands, by contrast, the possibility of introducing bonus schemes has been strongly curtailed in the past few years by laws and regulations. Besides, the Board feels that, in 2015, the AGM had very good cause to decide to forgo a bonus scheme altogether. By committing to a pay rise in shares only – and linking this to long-term value creation – a solution has been proposed that serves the interests of both the depositary receipt holders and the company itself, and that fits within the requirements of the law.
 - The second objection is to the composition of the peer group used to compare the Statutory Board’s remuneration – the Dutch Banking Code demands a peer group comparison. It is beyond doubt that the peer group selected by the Supervisory Board – at the advice of Willis Towers Watson – contained companies significantly larger than Van Lanschot Kempen. However, it is impossible to make a mathematical correlation between the size of a company and the optimum compensation of its directors. In fact, the median remuneration within the peer group is only one factor that was considered and the proposal assumes compensation well below that median. That said, even if the size of a company would be argued to play an absolute role in calculating executive remuneration, it should also be noted that, in multiple ways, Van Lanschot Kempen staged significant growth in the past few years.
 - In addition, the Board decided only to make its final determination in relation to the proposal immediately prior to the vote at the AGM, in order to allow for the debate during the AGM and any arguments put forward at that time to also guide the Stichting’s vote. This is why the full Board attended the AGM. However, the AGM saw hardly any discussion of the remuneration proposal. One depositary receipt holder with a major stake in the company spoke in this regard and this depositary receipt holder spoke in favour of the resolution. Only one of the other depositary receipt holders made critical remarks about the size of the proposed increase in the pension allocation. All told, the discussions during the AGM did not give the Board any reason to depart from its preliminary position on the proposal.

Conclusion

The Board delved deeply into the proposal, into the arguments underpinning it, and into the arguments put forward against it. All things considered, the Board felt that the proposed increase in the total compensation may come across as rather large, but that it is not extreme under the circumstances. Importantly, a large proportion of the rise was down to an adjustment of the pension allocation. The pension allocation had fallen way behind of what is common practice in the industry. This backlog has now been partially resolved, it being noted that the allocation, as a percentage of fixed pay, remains on the lower end of the relevant range. In addition, the mechanism of the pay rise focused on long-term value creation. The Statutory Board had and has amply demonstrated its ability to implement the company’s strategy and to make solid progress, including a return for depositary receipt holders of 150% over the past five years. The Board believes that it is in the interests of the depositary receipt holders that senior management receive competitive remuneration, allowing Van Lanschot Kempen to retain this high-performing team and, if necessary, attract good new directors.

Amendment of the Articles of Association

The amendments to the Stichting’s Articles of Association as resolved upon in 2017 were adopted and effected at the beginning of 2018.

Composition of the Board and meeting of depositary receipt holders

In 2018, a vacancy arose on the Board due to the retirement by rotation of Mr H.G. van Everdingen. Mr Van Everdingen was not available for reappointment. During the reporting year, the Board considered various candidates and selected Mr W.F. Hendriksen as the preferred candidate for appointment. The Board called a meeting of holders of depositary receipts which took place on 13 November 2018. Holders of depositary receipts were given the opportunity, in advance of this meeting, to make a recommendation to fill this Board vacancy. They did not make a recommendation. During the meeting, the Board explained its intention to appoint Mr. Hendriksen. Subsequent to the meeting of holders of depositary receipts, the Board appointed Mr Hendriksen as member of the Board until the meeting of holders of depositary receipts to be held in 2022. The Board is very grateful to Mr Van Everdingen for his measured judgment in its discussions over the past ten years, through which he has contributed to the Stichting as chairman of the Board.

Holders of depositary receipts were also given the opportunity, in advance of the meeting, to make a recommendation for the vacancy in the Board as a result of the expiration of the term of Mr J. Meijer Timmerman Thijssen. Mr Thijssen was available for reappointment. The holders of depositary receipts did not make a recommendation. At the meeting, the Board explained its intention to reappoint Mr Thijssen until the meeting of depositary receipt holders in 2020. Subsequent to the meeting of holders of depositary receipts, the Board appointed Mr Thijssen as a member and as Chairman of the Board until the meeting of holders of depositary receipts held in 2020.

At the request of the Board, the holders of depositary receipts confirmed their trust in the Board at the meeting of holders of depositary receipts.

The Board's current members are:
J. Meijer Timmerman Thijssen, Chairman

C.M.P. Mennen-Vermeule, Secretary

W.F. Hendriksen

Mr Meijer Timmerman Thijssen is a consultant with Freshfields Bruckhaus Deringer.

Ms Mennen-Vermeule is Chief Financial Officer at BrandLoyalty Group.

Mr. Hendriksen is a partner at Van Doorne.

The annual remuneration of the Chairman of the Board amounts to €10,000 (excluding VAT), and that of each other Board member to €7,500 (excluding VAT).

Expenses

Other expenses incurred by the Stichting amounted to €13,592 in 2018.

Outstanding depositary receipts

On 31 December 2018 the Stichting held 41,360,667 Class A ordinary shares with a nominal value of €1 each, for which depositary receipts with the same nominal value were issued.

Other

The Stichting is a legal entity independent of Van Lanschot Kempen, as referred to in Section 5:71 (1) sub-paragraph (d) of the Financial Supervision Act (Wft).

Stichting contact details

The Stichting's Board can be contacted at:
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The Board

's-Hertogenbosch, the Netherlands, 18 Februari 2019