

Our value creation story 2019



VAN LANSCHOT
KEMPEN



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Van Lanschot Kempen is the oldest independent financial institution in the Netherlands. Our purpose is the preservation and creation of wealth, in a sustainable way, for all our stakeholders. In this document, we focus on our value creation process and the results we achieve through it.

VAN LANSCHOT KEMPEN AT A GLANCE

Our purpose

We serve clients in several segments – private, institutional and corporate – with a singular purpose: to be a trusted partner and to assist our clients in preserving and creating wealth, in a sustainable way. We believe that serving the long-term interests of our clients helps create a platform for responsible investing and societal stability.

Our activities

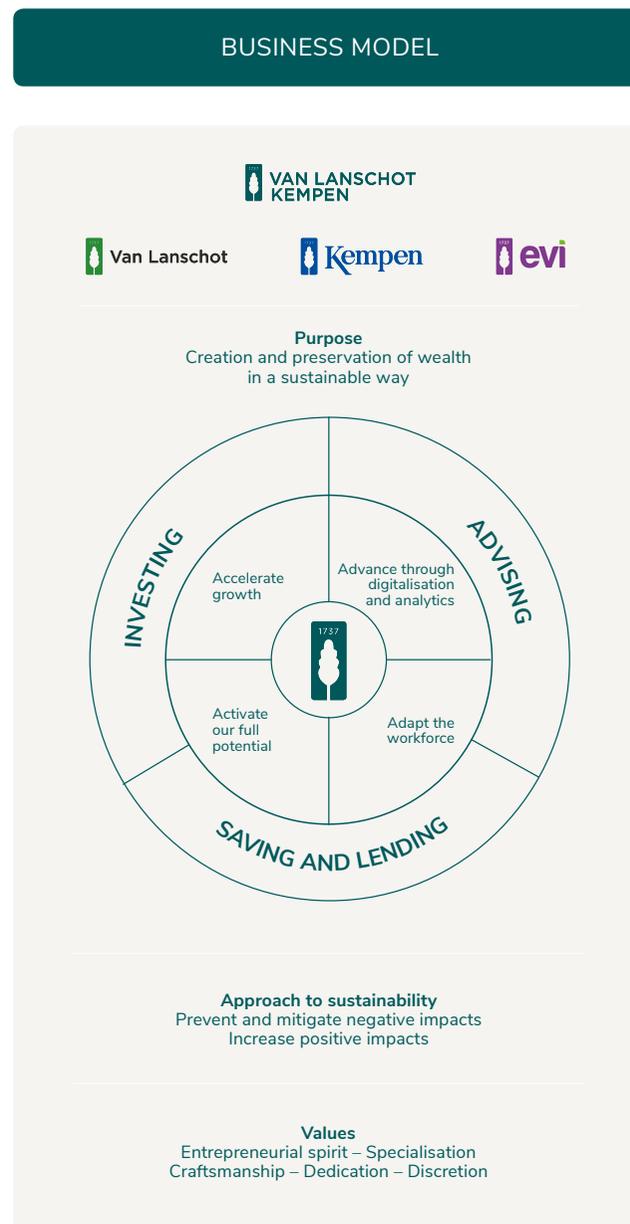
As a wealth manager, Van Lanschot Kempen builds on the experience of its core activities, operating under the strong brand names Van Lanschot, Evi van Lanschot and Kempen.

Our business model

Our business model is based on four strategic pillars that, together with our values, enable us to deliver on our ambitions and fulfil our purpose.

| Key figures ¹ | 2019 | 2018 |
|--|-------------------|-------|
| Net result (€ million) | 98.4 | 80.3 |
| Underlying net result ² (€ million) | 108.8 | 103.0 |
| Dividend per share (€) | 1.45 ³ | 1.45 |
| Efficiency ratio, excluding special items (%) | 75.5 | 79.4 |
| CET 1 ratio (%) | 23.8 | 21.1 |
| Return on average CET 1 based on underlying net result (%) | 10.5 | 9.8 |
| Balance sheet total (€ billion) | 14.3 | 14.0 |
| Total loan portfolio (€ billion) | 8.6 | 8.6 |
| Client assets (€ billion) | 102.0 | 81.2 |
| Total assets under management (€ billion) | 87.7 | 67.0 |
| Employees (FTEs at year-end) | 1,560 | 1,621 |

1 Some amounts differ from previously published reports, reflecting changes that result from the accounting changes related to provisions for pensions.
 2 The underlying net result is the net profit adjusted for one-off charges related to the costs incurred for the Strategy 2020 investment programme and restructuring.
 3 Proposed dividend per share for 2019.



Our values



Entrepreneurial spirit

- We look for opportunities, even when there appear to be none
- We believe in and pursue our goals
- We accept failure as part of the process and are not defeated by it
- We are able to connect the dots and make things work



Specialisation

- We accept that one cannot be good at everything
- Specialisation helps us to make choices and to focus
- We believe in expertise
- We appreciate each other's specialist knowledge and employ this optimally



Craftsmanship

- We believe in the pursuit of excellence
- We have the tenacity and relentlessness to get things right
- We strive to be true professionals – knowing our craft inside out
- We do not accept second best as the outcome in our search for excellence



Dedication

- We believe in the conscious act of committing one's emotional, intellectual and physical capabilities to one's objectives
- We are intrinsically motivated to work hard in providing our services in order to exceed clients' expectations
- We believe genuine dedication enables us to create value for the long term



Discretion

- We understand that notions of privacy are changing in this era of social media and digital transformation
- We believe in the importance of privacy at an individual, institutional and societal level
- We do our utmost to protect and secure our clients' sensitive information in order to truly be their trusted partner



Van Lanschot Private Banking

- Tailored, proactive and transparent personal wealth management services
- For entrepreneurs, family businesses, high net-worth individuals, business professionals and executives, healthcare professionals, foundations and associations
- Discretionary asset management, investment advice, financial planning, savings and deposits, structured products and lending
- Assets under management: €24.7 billion
- Savings and deposits: €8.9 billion; loans: €8.1 billion
- 655 FTEs
- Offices in the Netherlands, Belgium and Switzerland



Evi van Lanschot

- Online wealth management services for the mass affluent and Millennials
- Online wealth management solutions, discretionary asset management, savings and pension solutions
- Assets under management: €1.0 billion
- Assets under management client base c. 17,000
- Savings: €0.5 billion
- 23 FTEs
- Focus on the Netherlands and Belgium



Kempen Asset Management

- Comprehensive fiduciary wealth management services
- Long-term focused niche investment strategies: high dividend equities, small-caps, real estate, infrastructure, credits, government bonds, sustainable value creation, funds of hedge funds and private markets
- Focus on European clients: institutional, wholesale distribution, family offices and endowments
- Assets under management: €62.0 billion
- Assets under monitoring and guidance: €3.1 billion
- 264 FTEs
- Offices in the Netherlands, the UK and France



Kempen Merchant Banking

- Equities research and trading, capital market transactions, corporate finance and debt advisory services for corporate and institutional clients
- Focus on European corporates and worldwide institutional clients; sectors covered are real estate, life sciences & healthcare, financial institutions & fintech, infrastructure, maritime & offshore, as well as our local alpha coverage
- 127 FTEs
- Offices in the Netherlands, Belgium, the UK and the US

THE WORLD AROUND US

Market trends, innovative technologies and new services are reshaping our society, our economy and the financial sector. We highlight the most relevant developments in our operating environment below. We take these into account when executing our strategy.

Trends and developments

Economic and regulatory environment

Despite considerable uncertainties, economic sentiment in 2019 was more positive than anticipated. And in general, we were able to generate high returns for our clients on their investment portfolios. However, while the fear of a recession still looms, clients are reluctant to invest. This economic uncertainty, combined with the low interest rate environment and increasing tax on personal wealth, presents a challenge for many of our clients. Meanwhile, a large number of regulations are expected to come into force between now and 2022, and we have been preparing for these in 2019. The number of requests for data, as well as the level of detail of those requests, is increasing rapidly and continues to pose a challenge for our organisation.

Contribution to the environment and society

As awareness of climate change grows, organisations are expected to significantly reduce their environmental footprints as well as to generate positive value for society and the environment. But determining impact per activity is a challenge in the financial sector, and a lot of data is still not available. However, since the launch of the Sustainable Development Goals (SDGs) by the United Nations in 2015, we have seen an increase in organisations committing to, and reporting on, their impact. Joint initiatives have also led to improved data availability and quality, as well as the ability to benchmark products based on carbon emissions.

Evolving client needs

Digitalisation and technology are developing fast, but not all of our clients – whether individual or institutional – have the same digital preferences. Our service model therefore needs to be made up of various complementary parts, each

of which can be selected by the individual client. At the same time, clients are looking for confirmation that they are making the right choices for their financial future. To enable data-driven decision-making, financial organisations are providing their clients with online, easy-to-access tools to give them insight into the expected growth of their wealth over time, as well as educating clients about wealth management.

Competitive environment

As regulatory pressure increases and margins are squeezed by low-cost propositions, the consolidation within the financial and wealth management sector continues. The overall growth of wealth in Western Europe is expected to be moderate, resulting in continued strong competition for client assets among new and established players. Competition for professional talent is also fierce: as the financial sector adapts to rapid technological changes, new skills are required, which are also in high demand in other sectors. Attracting, developing and retaining a high-quality workforce is therefore essential.

Our stakeholders

We identify five main stakeholder groups: clients, shareholders, employees, government/regulators and other stakeholders, including all those who might be affected by the decisions and activities of Van Lanschot Kempen (e.g. society at large, suppliers and competitors). The interests and expectations of the different stakeholder groups vary, and may lead to potential conflicts of interest.

Every year, we assess all suggestions that result from our dialogue with stakeholders. We test them against our strategy and assess how other stakeholders would be affected if they were implemented. Suggestions that are in line with our strategy and compatible with the interests of other stakeholders may entail us introducing new services or policy adjustments.

The table on page 6 outlines the key expectations and discussion topics per stakeholder group. The information in

the table is based on a variety of sources: discussions with clients and periodic client satisfaction surveys, meetings with shareholders, and analysis of recurring questions and comments from various external stakeholders, including civil society organisations and regulators. More information on the types of dialogue with each stakeholder group can be found in the CSR Supplement on page 5.

Stakeholder meetings in 2019

We held several meetings with stakeholders in the reporting year, e.g.

- In March we invited a group of clients to discuss our contribution to the SDGs.
- In April we organised a climate event for our Private Banking clients, focusing on making their houses, enterprises and investment portfolios greener.
- In July we held an event primarily for NGOs, to discuss the progress we've made as a participant in the IMVO covenant on human rights.
- In November we held our annual stakeholder event (for clients, shareholders, employees and NGOs) with the theme “positive impact and doing good”.

Our memberships and partnerships

To stay in touch with relevant debates, Van Lanschot Kempen is a member of and partners with several organisations. More information can be found on our website under the heading “Memberships”: [vanlanschotkempen.com/responsible/policy](https://www.vanlanschotkempen.com/responsible/policy).

| Stakeholder group | Expectations | Discussion topics in 2019 (examples, non-exhaustive) |
|---|---|--|
| Clients | <ul style="list-style-type: none"> – Excellent client experience – Strong personal relationships – Holistic advice and tailored solutions – Risk-rewarding returns | <ul style="list-style-type: none"> – Economic and financial markets developments – Service quality and client care – Investment performance – Responsible, sustainable, impact investment, charity – Value creation, SDGs, climate change |
| Shareholders (and other capital providers) | <ul style="list-style-type: none"> – Solid performance – Attractive returns and sustainable – preferably growing – dividend | <ul style="list-style-type: none"> – Strategy and 2023 targets – Organic and inorganic growth opportunities – Capital strategy – Integrated reporting on sustainability |
| Employees | <ul style="list-style-type: none"> – Inspiring and professional work environment – Competitive salary and benefits – Development and growth opportunities – Personal autonomy | <ul style="list-style-type: none"> – Well-being, Vitality Programme – Changing employment terms – Personal development and investment in professional skills – Employee surveys: outcomes and follow-up |
| Government/regulators | <ul style="list-style-type: none"> – Compliance with laws and regulations (practices within the letter and spirit of the law) – Positive contribution to society and environment | <ul style="list-style-type: none"> – Compliance with laws and regulations – Implementation of new regulations – Financial solidity, risk management, funding strategy, dividend policy – SDGs, OECD Guidelines, climate change |
| Other stakeholders (including value chain) | <ul style="list-style-type: none"> – Fair business opportunities – Limited negative impact – Positive contribution to society and environment (including SDGs) | <ul style="list-style-type: none"> – Responsible, sustainable and impact investing – Climate change – Tax avoidance – SDGs, OECD Guidelines, IMVO |

2019 STAKEHOLDER EVENT

In November 2019, we organised our ninth annual stakeholder event. Approximately 40 clients, employees, external specialists, shareholders, peers, civil society organisations and two members of our Executive Board gathered to discuss our positive impact and value creation. A representative from the Impact Institute presented interesting views on financial and non-financial value creation, and provided suggestions on how to better embed this in our reporting. In small break-out sessions, participants discussed new ways for Van Lanschot Kempen to make an impact, especially in relation to natural, social and human capital. This resulted in some interesting recommendations and suggestions:

- Increase our external communication on positive impact and value creation, e.g. in relation to sustainable investment solutions;
- Make the sustainable investment solution Duurzaam+ the default proposition of Van Lanschot Private Banking;
- Strengthen the formulation of our purpose (the “why” behind what we do);
- Create a framework to measure value creation, only focusing on the types of capital the organisation has an influence on.

At the end of the discussion, Executive Board member Richard Bruens indicated that all suggestions would be taken into consideration in the year ahead. He also presented some results achieved after the 2018 stakeholder event:

- During 2019, we increased our carbon emission reduction goal for our own organisation (from 2% to 2.5% per year per FTE) and decided to offset all our carbon emissions annually (via certificates linked to offsetting projects).
- In June 2019, a “green mortgage” for Private Banking clients was introduced – the Van Lanschot Groenhypotheek.
- We developed and launched an internal sustainability training programme for private bankers. This course is mandatory and part of the Private Banking Academy. In 2019, we organised seven internal training sessions.
- Van Lanschot Private Banking has started a project to make all client investment portfolios sustainable by 2023.

For a complete summary of our 2019 stakeholder event, see vanlanschotkempen.com/responsible/policy.

Materiality matrix

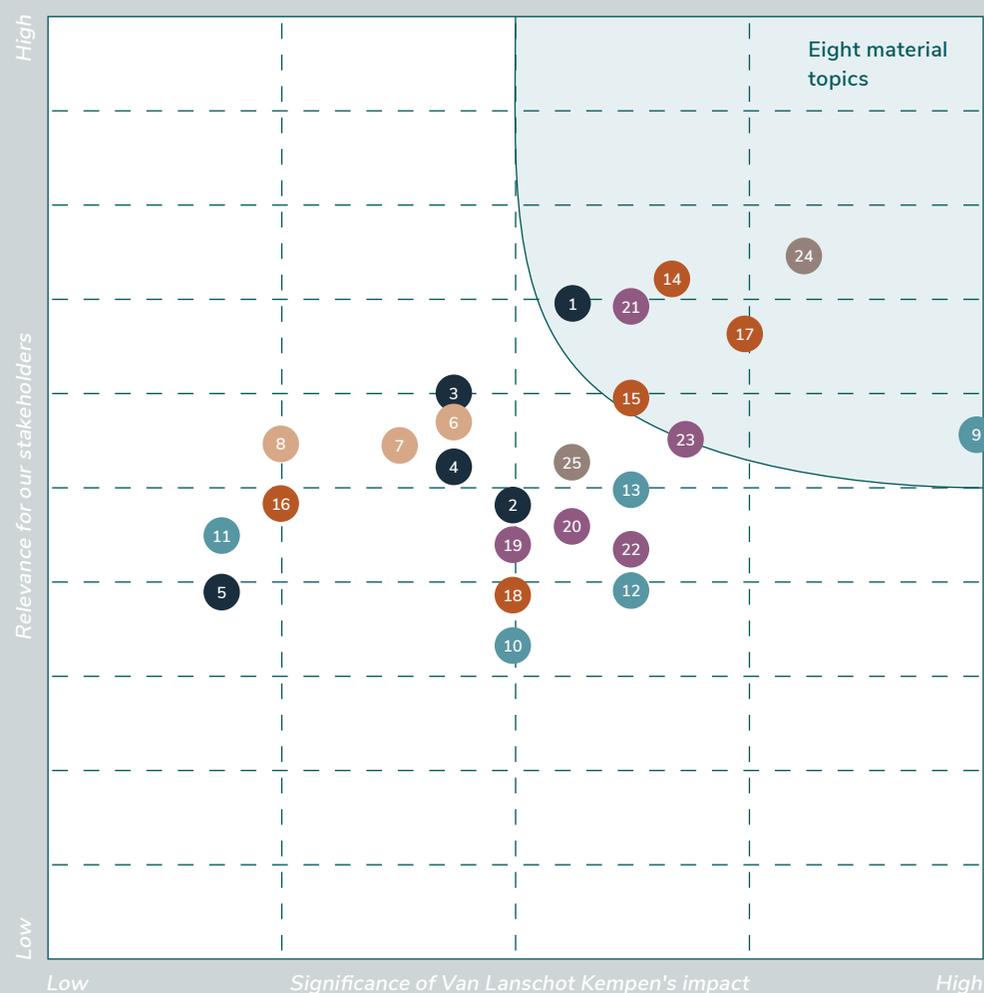
To determine which topics are valued most by our stakeholders, we conduct a survey every two years. The September 2019 survey had a 34% response rate, with 635 stakeholders (clients, employees, shareholders, government/regulators and other stakeholders) taking part. A topic is relevant to stakeholders if it influences the decisions they make regarding Van Lanschot Kempen. A second survey, conducted by our Executive Board and a group of external experts, focused on the economic, environmental and social impact Van Lanschot Kempen makes via these topics. Impact here referred to both positive and (the prevention of) negative impact.

The outcomes of both surveys were combined in a new materiality matrix, comprising 25 topics. These topics are grouped under five overarching themes, which all contribute to our purpose: financial and risk management, client-centricity, ethics and integrity, employees and sustainability. All 25 topics are relevant for Van Lanschot Kempen, but eight of these topics were selected as most material by our stakeholders, meaning that they score high on both axes of the matrix.

Comparison with the 2017 materiality matrix

Although the wording of some topics in the 2019 matrix has slightly changed and the number of material topics decreased from 13 to eight, most material topics remain unchanged. Still material, for example, are: Ethics and integrity, Impact via client assets (formerly Responsible, sustainable and impact investing), High-quality tailored solutions (formerly Added value), High-quality workforce (formerly Healthy, professional and knowledgeable staff), and Profitability and cost effectiveness (formerly Economic performance). Only two material topics are new in 2019: Superior client experience, and Contribution to clients' wealth via investments. Further details on the methodology behind the matrix can be found on p. 22. For the 2017 matrix, see our CSR Supplement.

Our materiality matrix



A Financial and risk management

1. Profitability and cost effectiveness
2. Growth and market position
3. Risk management
4. Capital position
5. Dividend and capital return

B Licence to operate

6. Regulatory compliance
7. Transparent reporting
8. IT systems and platforms

C Sustainability

9. Impact via client assets (investments)
10. Impact via lending activities
11. Impact via our own organisation
12. Impact via partnerships and cooperation
13. Stakeholder involvement

D Client-centricity

14. Superior client experience
15. High-quality, tailored solutions
16. Access to a broad range of solutions
17. Contribution to clients' wealth via investments
18. Contribution to clients' wealth via lending activities

E Employees

19. Balanced reward policy
20. Healthy staff
21. High-quality workforce
22. Diverse and inclusive workforce
23. Development and training of staff

F Ethics and integrity

24. Ethics and integrity
25. Discretion

Risks and opportunities

In addition to the trends and developments that impact our operating environment (see “The world around us”), we recognise specific risks and opportunities associated with our sector. The table below outlines the connections between our material topics (grouped under types of capital) and these risks and opportunities.

| Type of capital | Material topics (number from materiality matrix) | Opportunities | Risks: potential impacts | Risk: probability | Mitigating measures | More information | |
|--------------------------------|---|--|--------------------------|--|---------------------|---|---|
| Financial | <ul style="list-style-type: none"> – Profitability and cost effectiveness (1) – Contribution to clients' wealth via investments (17) | <ul style="list-style-type: none"> – Activate our full potential – Advance through digital and analytics – Accelerate growth | Van Lanschot Kempen | <ul style="list-style-type: none"> – Weaker performance due to rising geopolitical and economic uncertainty and ongoing low interest rate environment | Medium | <ul style="list-style-type: none"> – Continued application of strict credit acceptance and monitoring procedures – Implementation of mitigating actions in relation to Brexit | See annual report pp. 17-18, p. 59 |
| | | | Stakeholders | <ul style="list-style-type: none"> – Clients: Weaker performance due to rising geopolitical and economic uncertainty | | | |
| Human, social and intellectual | <ul style="list-style-type: none"> – High-quality workforce (21) – Development and training of staff (23) – Ethics and integrity (24) – Superior client experience (14) | <ul style="list-style-type: none"> – Improve results, client satisfaction and reputation through a highly skilled, diverse and inclusive workforce | Van Lanschot Kempen | <ul style="list-style-type: none"> – Negative results due to low employee engagement, low-quality workforce, high absenteeism and high key staff turnover – Reputational risk due to cybercrime | Medium | <ul style="list-style-type: none"> – Training, development and well-being programmes for employees – Employee surveys – Further enhancement of cyber-defence policies – Advanced dashboards for better management – Outsourcing of our payments system – Improvement of client apps – Client surveys | See annual report pp. 26-27, p. 59, p. 65 |
| | | | Stakeholders | <ul style="list-style-type: none"> – Clients: Negative impacts due to cybercrime – Clients: Poor service due to low employee engagement, low-quality workforce, high absenteeism and high key staff turnover – Employees: Redundancies due to innovation/new technologies | | | |
| | <ul style="list-style-type: none"> – Impact via client assets (investments) (9) – High-quality, tailored solutions (15) | <ul style="list-style-type: none"> – Increase visibility – Increase the number of new clients through the development of innovative sustainable and impact investing solutions | Van Lanschot Kempen | <ul style="list-style-type: none"> – Decreased investment universe due to sustainable investment criteria – Reputational risk in the event of labour and human rights issues in the (value) chain of our investees | Low to medium | <ul style="list-style-type: none"> – ESG policies (engagement, voting, exclusion) – Sustainable funds (with more best-in-class social investees) and impact funds | See annual report pp. 23-24 |
| | | | Stakeholders | <ul style="list-style-type: none"> – Clients: Reputational risks in the event of labour and human rights issues in their investment portfolios | | | |
| Natural | <ul style="list-style-type: none"> – Impact via client assets (investments) (9) | <ul style="list-style-type: none"> – Improve reputation and increase number of new clients through more sustainable and impact investing | Van Lanschot Kempen | <ul style="list-style-type: none"> – Relatively small climate risks (both physical and transitional) as client investments are well diversified (regions and sectors) and highly liquid | Low | <ul style="list-style-type: none"> – ESG policies (engagement, voting, exclusion) – Sustainable and impact funds (with lower climate sensitivities) | See our TCFD report vanlanschotkempen.com/responsible/environment |
| | | | Stakeholders | <ul style="list-style-type: none"> – Investees: Lower stock performance for climate-sensitive investees, due to less capital invested in their stocks | | | |

OUR STRATEGY

Our strategy takes into account the trends and developments we see in the world around us and our stakeholders' expectations. To deliver on our ambitions, we have defined four strategic pillars. And to monitor our progress, we have defined a number of financial and non-financial KPIs that are grouped into five value creation themes.



OUR VALUE CREATION

Our value creation model on page 11 provides an overview of our impact and the value we create in the long term. It's organised into three columns: input, our business model and output & outcomes (including SDGs). Both the input and the output/outcomes are grouped into various forms of capital in line with the [International Integrated Reporting Framework](#).

Value creation model

As a wealth manager Van Lanschot Kempen attracts various **types of capital**:

- Financial capital: Our clients entrust us with their investments, savings and deposits, while our capital providers invest in our shares and bonds.
- Human and intellectual capital: Our employees and external parties bring in their knowledge and experience.
- Social capital: The network we have as an organisation and the trust that other stakeholders place in us – our licence to operate.
- Manufactured capital: Our physical inputs, such as offices, energy, IT and transport.

Our purpose

We are convinced that our purpose – to preserve and create wealth in a sustainable way – can only be fulfilled in a sustainable world. We also believe that – via the generation of wealth and its re-distribution through taxation – we can contribute to creating and maintaining a stable and successful society.

Our management approach

In line with our purpose, we proactively strive to:

- Embed our core values – entrepreneurial spirit, specialisation, craftsmanship, dedication and discretion – in everything we do.
- Operate as a trusted adviser for our clients and cooperate with other stakeholders.
- Contribute to a stable society. We create wealth, economic growth, jobs and tax income via our services to entrepreneurs, as well as contributing to the realisation of societal goals via the preservation and creation of wealth for asset owners, including pension funds.

- Prevent and mitigate negative impacts for all stakeholders, wherever we can – for example, via our responsible and sustainable investment policies, our CSR lending policy and our carbon reduction policy.
- Increase positive long-term financial and non-financial value by developing new solutions – such as the Kempen Global Impact Pool and Van Lanschot Groenhypotheek – in close cooperation with our stakeholders.

Our **positive outcomes** can also be defined according to the various forms of capital:

- Financial capital is our biggest output. We invest client assets in companies and other organisations (e.g. governments), assist entrepreneurs when raising funds, provide investment returns to our own clients and investors, pay salaries to our employees and pay taxes to society.
- We contribute to human capital via the training and development of our employees.
- We preserve and create wealth, growth and job opportunities for society (social capital) by passing on financial capital to companies and other organisations.
- We increase natural and social capital by investing client assets in impact funds.

Our **negative outcomes** in terms of capital types comprise the following:

- Financial capital: Potential negative returns on our assets under management and poor share performance.
- Human and intellectual capital: Work-related illness and possible redundancies.
- Social and natural capital: Remaining negative impacts on labour rights, human rights and nature in our supply chains, resulting from investment of client assets and our lending activities.

Quantifying our impact

We can already partly quantify our impact on financial capital. For the other forms of capital, we still lack solid methodologies and data. In the short-term future, we will strive to develop these, together with our stakeholders.

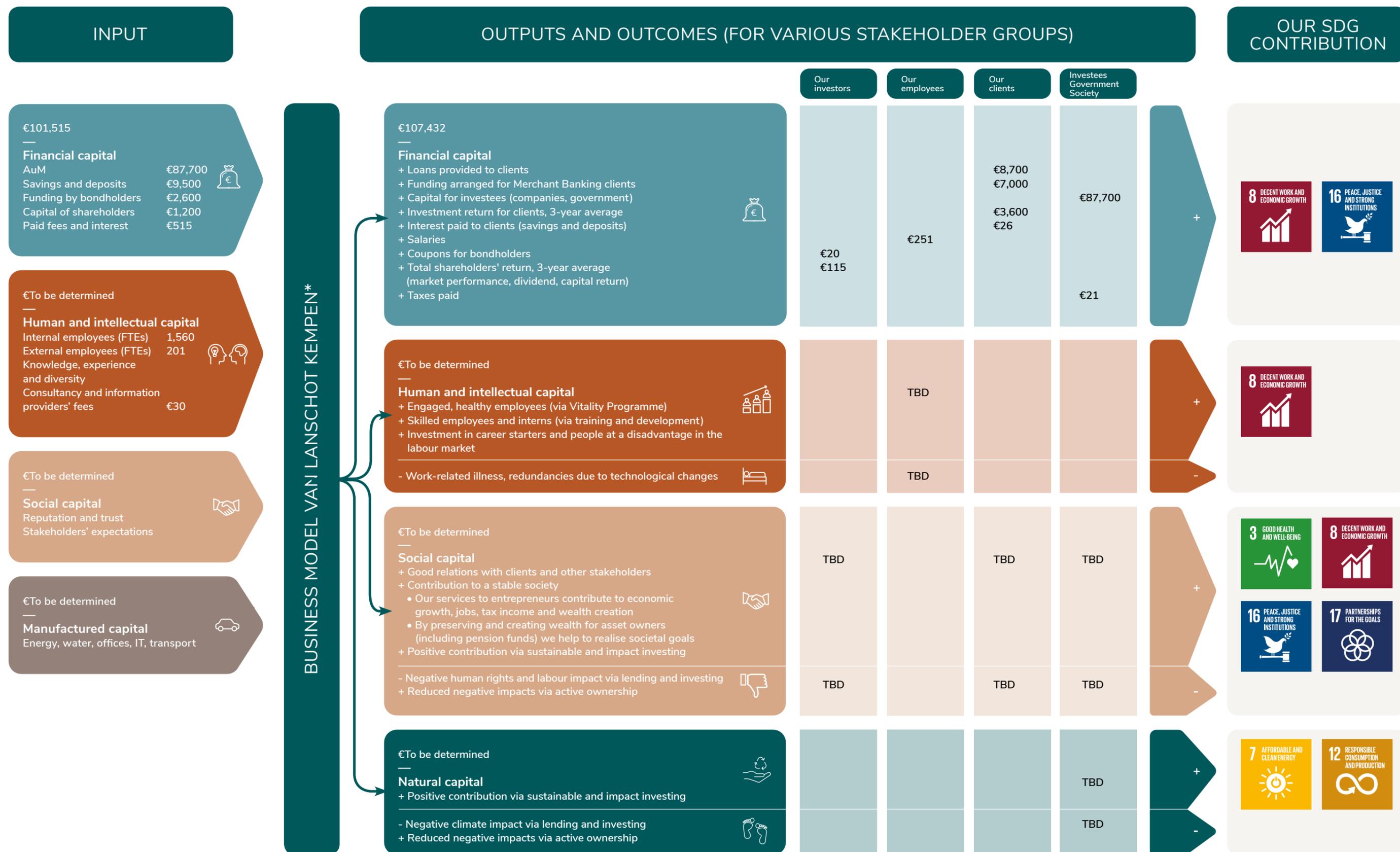
Our contribution to the UN Sustainable Development Goals

A long-term focus on a sustainable society is what the Sustainable Development Goals (SDGs) are all about. As a wealth manager with a focus on the long term, we support and encourage all these goals. Of the 17 SDGs, there are six to which we contribute specifically via our core activities:

- **SDG 3**: Ensure healthy lives and promote well-being for all at all ages.
- **SDG 7**: Ensure access to affordable, reliable, sustainable and modern energy for all.
- **SDG 8**: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- **SDG 12**: Ensure sustainable consumption and production patterns.
- **SDG 16**: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels.
- **SDG 17**: Strengthen the means of implementation and revitalise the global partnerships for sustainable development.

We are still working on how to measure and quantify our contribution to the SDGs listed above. The main challenge here is lack of data. However, as various data providers have recently started setting up large SDG databases, telling us – per investee – which part of their sales (in euros) contribute positively and/or negatively to which SDG, we are confident that ultimately we will be able to better quantify the SDG contribution of our investments and those of our clients. Further details about our non-quantitative contributions to the SDGs can be found at vanlanschotkempen.com/responsible.

OUR VALUE CREATION



Value creation per capital flow and material topic

The table below shows – by capital type – the related overarching themes, material topics, and stakeholder groups for whom value is created, as well as KPIs (per

material topic) through which we manage value creation and our results. In the following sections after the table, we provide further explanations of our value creation per capital type. We define each type of capital in line with integrated reporting standards.

For every material topic, we indicate: 1) what it is; 2) why and for whom it is material; 3) how we manage it; 4) how we evaluate our management approach; and 5) the results we achieved in 2019.

| Type of capital | Theme | Material topic (number in materiality matrix) | Stakeholder ⁴ | KPIs | KPI (number in AR) | Target | | Result 2019 | Result 2018 | | |
|------------------------|-------------------------------|---|--------------------------|---|--|--|---|-------------------------|--|--|--|
| Financial | Financial and risk management | Profitability and cost effectiveness (1) | C, E, S, O | – Return on equity (CET 1) – Efficiency ratio | 2 3 | 10–12% 70–72% |   | 10.5% 75.5% | 9.8% 79.4% | | |
| | Client-centricity | Contribution to clients' wealth via investments (17) | C | – Three-year relative performance of discretionary management mandates a. Private Banking b. Evi | 8a 8b | > benchmark > benchmark |   | –0.4% –0.9% | –0.1% –0.4% | | |
| Human and intellectual | Employees | High-quality workforce (21) | E, C | – Employee engagement score – Employer Net Promoter Score (eNPS) | 13 14 | > 80% > 10 |  n/a | 82% n/a | 81% ⁵ n/a | | |
| | | Development and training of staff (23) | E, C | – Percentage of total amount of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability) | 16 | > 25% |  | n/a | n/a | | |
| Social | Client-centricity | Superior client experience (14) High-quality tailored solutions (15) | C | – Net Promoter Score (NPS) – Private Banking – Evi – Asset management | 4a 4b 4c | 10 10 20 |    | 23 10 31 | 2 –20 44 ⁵ | | |
| | | | | – Merchant Banking: number of repeat Corporate Finance clients (three-year period) – Merchant Banking: bundled commission paid by repeat Securities clients – Asset Management: average Morningstar rating of investment strategies (institutional share class) | 5 6 7 | 60–70% > 80% > 3.5 |    | n/a n/a 3.9 | n/a n/a 4.0 | | |
| | | Ethics and integrity | | Ethics and integrity (24) | C, E, S, O | – Percentage of employees who positively evaluate our culture regarding ethical behaviour and integrity ⁶ | 9 | > industry average |  | n/a | n/a |
| | | Natural and social | | Sustainability | Impact via client assets (investments) (9) | C, O | – Private Banking sustainability ambition AuM invested in sustainable and/or impact investment wealth management solutions – Asset Management sustainability ambition a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria b. Engagement cases with companies that our funds invest in per year c. Engagement for change trajectories for which at least one milestone ⁷ has been reached in the past year | 10 11a 11b 11c | last year + 10% > last year 80–100 cases 10–15 trajectories |     | €2,046m + €728m 98% 84 n/a |

 KPI more than achieved  KPI achieved  KPI almost achieved  KPI not achieved  KPI far from achieved  New KPI, will be measured as of 2020

4 C: Clients; E: Employees; S: Shareholders O: Other (suppliers, competitors, society at large, etc.).
 5 Measured once every two years, score for 2017.
 6 The score for this KPI is based on responses to the following statements in the employee engagement survey:
 – In my experience, all employees are held to the same standards of ethical behaviour;
 – This organisation operates with integrity in its internal dealings (i.e. with employees);
 – I think I could report instances of dishonest or unethical practices to the appropriate level of authority without fear of reprisal.
 7 An engagement trajectory consists of four stages. If an engagement moves to the next stage, a milestone has been achieved.

Please note: as the table above is in line with our new materiality matrix, the KPIs shown deviate slightly from those mentioned in our annual report. The table only contains those KPIs that relate to our new material topics; it also includes some new KPIs for 2020-2021.

Financial capital

In line with the International Integrated Reporting Framework we define financial capital as the pool of funds available to an organisation for use in the production of goods or the provision of services. Funds can be obtained through financing, such as debt, equity or grants, or generated through operations or investments.

| Profitability and cost effectiveness (material topic 1) | |
|---|--|
| Description | Return on equity, efficiency ratio and ability to keep costs under control. |
| Why material and for whom? | <p>Our profitability and cost effectiveness is important to the majority of our stakeholders:</p> <ul style="list-style-type: none"> – Our clients need a financially healthy financial services provider that’s able to meet its obligations. They rely on their savings and investments in order to be able to plan for their future. They therefore expect us to look after their money in the best way possible. – Our shareholders benefit from robust financial results. They’re looking for profits, dividend payments and positive share price trends. – Our employees want our company to be financially robust to ensure job security, personal income and development opportunities. – Governments, regulators and society at large benefit from a healthy financial sector, including our organisation. Failing financial services providers can cause countless knock-on effects, including declining economic growth, social unrest and, in some cases even the necessity for state aid. |
| Management approach | We manage our profitability and cost effectiveness through the way we implement our strategy. We position ourselves as a specialist, independent wealth manager as we strongly believe that this both offers growth for all stakeholders and enables us to distinguish ourselves from our peers. Drawing on our multi-year forecast, we have set 2023 targets for our Common Equity Tier 1 (CET 1) ratio, our return on CET 1 capital and our efficiency ratio. We set annual targets for all Van Lanschot Kempen departments as part of our annual budget cycle. These budgets are devised bottom-up, with the input of the businesses challenged and, where necessary, made more concrete in sessions with the Executive Board. Target achievement is measured monthly and reported to the Executive Board using management reports – including KPI dashboards – and analyses of financial and non-financial data and trends. |
| Evaluation of approach | Multi-year forecasts are regularly recalibrated, and measures are taken in the event of deviations. Annual targets are measured every month, and changes are made in the event of (interim) deviations. |
| Results in 2019 | In 2019, our return on CET 1 increased to 10.5% (2018: 9.8%). Our efficiency ratio amounted to 75.5% (2018: 79.4%). |

| Contribution to clients' wealth via investments (material topic 17) | |
|---|---|
| Description | The positive contribution to the wealth of our clients via our investment solutions (financial performance). |
| Why material and for whom? | This topic is of importance to our clients as they trust us to manage their wealth effectively. They expect risk-rewarding returns that enable the preservation and growth of their financial assets. Our wealth management solutions and our investment strategies should perform well compared to their benchmarks. |
| Management approach | To realise our purpose – the preservation and creation of wealth in a sustainable way – we have set up professional investment processes that focus on long-term value creation for our investment strategies and the portfolios of our individual and institutional clients. Each of our investment strategies uses a process that is best suited to take advantage of the opportunities in its respective sector. We believe in the values of specialisation and craftsmanship, which is why our portfolio managers have the freedom to create and manage a strategy that is in line with their clients' needs and that delivers sustainable value to their clients. These portfolios bring together the collective expertise from teams that focus on fiduciary management, investment strategies, manager selection and portfolio management. Each team plays a pivotal role in the investment process, governance (including clear responsibilities) and optimum use of systems and tools, in order to achieve the most positive outcomes. |
| Evaluation of approach | Our investment processes are periodically evaluated by the relevant investment teams and the risk team. Their performance is overseen by Kempen Asset Management's management team. |
| Results in 2019 | The three-year performances of Private Banking and Evi discretionary management mandates relative to their benchmarks stood at -0.4% and -0.9% respectively at the end of 2019 (compared to -0.1% and -0.4% respectively in 2018). For three-year performances of the Kempen Asset Management strategies see page 51 of the annual report; 11 out of 15 investment strategies performed above the benchmark. |

Human and intellectual capital

In line with the International Integrated Reporting Framework we define human capital as people’s competencies, capabilities and experience, and their motivation to innovate. This includes their alignment with, and support for, an organisation’s governance framework, risk management approach and ethical values, as well as their ability to understand, develop and implement an

organisation’s strategy. It also includes their loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate. We define intellectual capital as organisational, knowledge-based intangibles, including intellectual property (such as patents, copyrights, software, rights and licences).

| High-quality workforce (material topic 21) | |
|--|---|
| Description | Attracting and retaining talented professionals who have the relevant expertise and the required skillset to execute our strategy. |
| Why material and for whom? | This topic is material not only for our employees but also for our clients. In a knowledge and service-based organisation such as ours, people make all the difference. Their professionalism, competences, expertise, values and integrity determine the quality of our service. |
| Management approach | Our strategy is to be an attractive and inclusive employer for all talent sources available in the labour market. We continuously strive to recruit a diverse range of talented professionals. Instead of looking for individuals on a case-by-case basis, our aim is to create a continuous flow of new talent. One of the reasons employees choose Van Lanschot Kempen over our competitors is the broader and deeper level of responsibility we are able to offer them. To retain our employees, we provide opportunities to grow, a diverse and inclusive culture, competitive labour conditions and our Vitality Programme. We conduct an employee engagement survey every two years, and we also conduct exit interviews. This feedback provides us with insights into the functioning of our teams as well as what we need to improve. We are open about succession planning, and give our employees opportunities to share their ideas and input. |
| Evaluation of approach | Our HR policies are periodically evaluated by our HR department and our Executive Board. |
| Results in 2019 | Between 2017 and 2019, our employee engagement score increased slightly from 81% to 82%. Health and well-being scored particularly highly in the 2019 engagement survey: 58% of respondents felt the company is effective at encouraging employees to improve their health and well-being – an increase of 11 percentage points compared to 2017. In 2019, Van Lanschot Kempen also conducted a preference scan among employees, focusing on current employment conditions. One of the actions that resulted from this scan was the introduction of a flexibility budget, which employees can use to choose from a range of benefits such as care leave, opportunities to take a sabbatical and flexible working hours. |

| Development and training of staff (material topic 23) | |
|---|---|
| Description | Employees are offered opportunities to develop themselves to increase their employability and extend their skillset. |
| Why material and for whom? | Development and training is material to our clients as well as to our employees. Well-trained, knowledgeable people are not only more satisfied in their jobs – they also provide better service to our clients. And the rapid pace at which digitalisation and technology are developing makes the need for continuous learning even stronger. |
| Management approach | Through our online learning platform – accessible to all Van Lanschot Kempen employees – we provide an integrated educational programme that fits with our strategy. The platform helps employees and their managers to see what is expected of them, and what knowledge and skills they have yet to attain or develop. Managers receive periodic updates on their employees’ development progress and record these in our performance management system. An important part of the training we offer relates to legal and regulatory requirements that all our employees who provide advice or information to clients need to fulfil. Another part of the training relates to employability, as we also offer training courses and programmes to keep up to date with technological developments and digitalisation. And to facilitate continued employability we also provide programmes to employees who are preparing for termination of employment or retirement. In 2019 we formulated a new KPI: Percentage of total amount of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability). This KPI will be measured as of 2020. |
| Evaluation of approach | We ensure that all changes and updates to legal and regulatory requirements are reflected in the relevant (compulsory) part of our learning platform. With regard to the non-compulsory training, we periodically review courses and preferred suppliers to reflect the needs and requirements of our workforce. |
| Results in 2019 | In 2019, we invested €2.8 million in training (80,026 training hours). We also launched the Van Lanschot Private Banking Academy, which aims to train and educate employees in three areas: technical knowledge of private banking, skills such as presentation and communication, and capabilities such as digital proficiency. The Academy is accessible via the learning platform. |

Social capital

In line with the International Integrated Reporting Framework we define social capital as the institutions and relationships within and between communities, groups of stakeholders and other networks, as well as the ability to

share information to enhance individual and collective well-being. Social capital includes shared standards, values and behaviours; key stakeholder relationships; trust and willingness to engage; intangibles associated

with the brand and reputation of an organisation; and an organisation's social licence to operate.

| Superior client experience (material topic 14) | |
|--|--|
| Description | Relevant, easy-to-access, seamless customer journeys across various channels (app, face-to-face, phone and so on), as well as providing clients with relevant solutions at the right moment for them. |
| Why material and for whom? | Clients expect seamless service via whichever channel they choose, at whatever time suits them. Our long-term relationship with our clients is one of our most important assets, which means that we risk losing our clients if we don't fulfil their expectations. |
| Management approach | As a wealth manager, our strength lies in combining our very personal approach to our clients with top-quality digital tools and services. We offer our clients the opportunity to meet with us in person, but we also provide them with high-end, innovative, interactive tools that give them access to their accounts, information and insights 24/7. To strengthen our omni-channel services to clients, we continuously invest in digitalisation. One of the tools we use to measure and manage client satisfaction and loyalty is the Net Promoter Score (NPS). By setting targets for our NPS, we aim to increase positive impact for our clients. At Van Lanschot Private Banking and Evi, we measure NPS on an annual basis. At Kempen Asset Management, we measure NPS every two years because institutional relationships are more stable over time. In 2019 Kempen Merchant Banking formulated two new KPIs to measure superior client experience: the number of repeat Corporate Finance clients (three-year period) and the bundled commission paid by repeat Securities clients. These new KPIs will be measured as of 2020. |
| Evaluation of approach | The management teams of Van Lanschot Private Banking, Evi, Kempen Asset Management and Kempen Merchant Banking periodically evaluate client experience, and develop specific actions to further improve it. Both evaluations and action plans are discussed by the Executive Board. |
| Results in 2019 | In 2019, we launched several new and updated tools to improve client experience, including a modern payments platform and various payment apps for our Private Banking clients. In the reporting year, our Private Banking clients awarded us an NPS of 23 – well above our target of 10 and an improvement on 2018 (2). Evi's clients awarded us an NPS of 10, in line with our target (10) and significantly better than in 2018 (-20). Kempen Asset Management's clients awarded us an NPS of 31, lower than in 2017 (44) but above our target of 20. |

| High-quality, tailored solutions (material topic 15) | |
|--|--|
| Description | Innovative solutions that answer evolving, individual client needs, as well as the added value of our advisory services (quality, suitability and execution power). |
| Why material and for whom? | More than ever before, our clients – whether individual or institutional – are looking for transparent solutions that answer their specific needs. If we can't deliver these high-quality, tailored solutions, we risk losing clients. That makes this topic not only material for our clients but also for Van Lanschot Kempen itself, as the viability of our business depends on it. We're seeing examples of such client preferences in the area of illiquid asset classes ('search for yield') as well as in sustainability (exclusion, engagement, impact and so on). Among our institutional clients, fiduciary mandates are increasingly being broken down into sub-parts, with clients choosing which types of services they want instead of buying the full package. |
| Management approach | We apply our new product approval (NPA) procedure to all new products and services, and have a product review procedure in place for existing products. A new product will not be launched if the NPA procedure shows it does not meet predefined criteria. Existing products are discontinued if they no longer comply. These decisions are the responsibility of our Product Boards, in which also members of the Executive Board hold positions. In addition to our products, employees who give advice also play a key role in providing tailored solutions. They need to have the appropriate knowledge, expertise and integrity to put their clients' interests first, every time. In line with our Code of Conduct, this also means that employees have to look beyond what clients say they want: if a product does not sit well with a client's objectives and risk appetite, it is up to our employees to inform them clearly, even if the client disagrees. Putting clients' interests first also means preventing conflicts of interest. Our Compliance team has designed policies to prevent such conflicts, including a range of organisational measures and rules on conduct, all of which aim to ensure that our clients' interests are not compromised by those of other parties. |
| Evaluation of approach | Depending on the type of policy, reviews are carried out by the Product Boards, the Compliance and Operational Risk Committee or other committees created for this purpose. |
| Results in 2019 | In 2019, Kempen Asset Management achieved an average Morningstar rating of 3.9 for its investment strategies (institutional share class), above its target KPI of over 3.5. |

Impact via client assets (material topic 9)

| | |
|----------------------------|--|
| Description | Maximisation of positive social impact and mitigation of negative impact by investing our clients' assets in a responsible and sustainable manner. |
| Why material and for whom? | This topic is most material for our clients (as it is their money we invest) and society at large. Given the size of our assets under management, the biggest social impact we make – whether positive or negative – relates to how we invest our clients' assets. For example, if we invest these assets in investees that contribute to the creation of fair jobs in less developed countries, our social impact is positive. But if we invest these assets in investees that do not meet certain minimum labour or human rights standards, our social impact is likely to be negative. |
| Management approach | <p>We have extensive policies in place to manage our impact. We report on this in our annual report and on our website.</p> <ul style="list-style-type: none"> – Responsible investment policy for all assets under management (off-balance sheet): This policy is developed and implemented by Kempen Asset Management, and is based on a long-term focus coupled with active ownership. We believe that an actively managed investment portfolio will create the most value in the long term, in both financial and non-financial (ESG) terms. We engage with fund managers and investee companies on a broad range of ESG topics, including human rights and labour conditions, and we exercise our voting rights at AGMs. If fund managers or investees are not willing to comply with our minimum social standards, we may divest. For a complete description of our ESG policy (including voting policy and voting record), visit kempen.com/en/asset-management/responsible-investment. – For sustainable investors who prefer to exclude certain (ethical) activities from their portfolios or prefer to invest in best-in-class investees, we offer several sustainable Kempen funds as well as some sustainable discretionary management offerings for Private Banking clients. – For institutional as well as Private Banking clients who prefer to invest in social enterprises that focus on contributing to the SDGs, we created the Kempen Global Impact Pool in 2018. It focuses on five SDGs and currently invests across four themes: basic needs & well-being, SME development & decent work, circular economy, and climate & energy. See kempen.com/nl/asset-management/sustainable-value-creation-and-impact-pool/impact-pool for further details. <p>Van Lanschot Kempen's employees are regularly informed about and/or trained in the application of our responsible investment policies and any changes to them.</p> |
| Evaluation of approach | Our ESG Council is responsible for devising, implementing and reviewing our responsible and sustainable investment policies. |
| Results in 2019 | As part of our responsible investing approach (active ownership), we conducted 84 engagement cases in 2019, well within our target of 80-100 cases a year. Of these, 23 related to social themes. See kempen.com/en/asset-management/responsible-investment for examples, e.g. in relation to the Platform Living Wage Financials. In line with our ambition to shift our investment strategy from "responsible" (doing no harm) to "sustainable" (doing good), our Private Banking sustainable discretionary assets under management increased by €700 million to €2.0 billion during 2019. In addition, our Kempen Global Impact Pool grew from €66 million in 2018 to €100 million in 2019. |

Ethics and integrity (material topic 24)

| | |
|----------------------------|--|
| Description | A company culture and moral compass by which employees are encouraged to behave ethically and with integrity. |
| Why material and for whom? | The financial sector is built on trust, and a healthy culture and ethical behaviour are needed to sustain this trust with all our stakeholders. As such this is a material topic for all our stakeholders, as it impacts on the trust that all our stakeholders place in us. We strongly believe in creating and maintaining an ethical culture in which individuals follow their moral compass. |
| Management approach | <p>Van Lanschot Kempen has various policies and processes in place to encourage an ethical culture and to ensure that we act with integrity. We also have various measures to help to prevent unethical behaviour that could result in significant reputational damage and/or financial losses.</p> <ul style="list-style-type: none"> – Our values define who we are and what we stand for. As a company, we believe in the following core values: entrepreneurial spirit, specialisation, craftsmanship, dedication and discretion. – The Banking Code, with which we comply, sets out principles for sound and controlled business operations, corporate governance, risk management policies, and audit and remuneration policies. Its scope includes the integrity of the organisation. As stated in the Banking Code, the Statutory and Supervisory Boards are responsible for developing and maintaining standards of integrity and ethical behaviour. – Our Code of Conduct, to which every employee must adhere, goes further than complying with relevant legislation. It includes guidelines on how employees should act with integrity and balance the interests of all stakeholders. Our Code also includes the Banker's Oath, which all our employees are required to sign. For more information, see vanlanschotkempen.com/en/governance. – Employees have various avenues for seeking advice or raising concerns about ethical issues – for example, via their managers and the Compliance department. We have a whistleblower policy and a complaints procedure in place; we have also appointed a confidential adviser who employees can turn to. – The Executive Board is ultimately responsible for the design, effectiveness and execution of policies to address our compliance risks, and has set up a Compliance and Operational Risk Committee for exactly this purpose. Members of the committee include all Executive Board members, as well as the heads of Group Audit, Group Risk and Compliance. |
| Evaluation of approach | The effectiveness of our management approach regularly features on the agendas of the Compliance and Operational Risk Committee, the Executive Board and the Audit and Compliance Committee. We continue to evaluate this topic within these committees. |
| Results in 2019 | In 2019, we have not registered any material issues relating to ethics and integrity. |

Natural capital

In line with the International Integrated Reporting Framework we define natural capital as all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. Natural capital includes air, water, land, minerals, forests, biodiversity and eco-system health.

| Impact via client assets (material topic 9) | |
|---|--|
| Description | Maximisation of positive environmental impact and mitigation of negative impact by investing our clients' assets in a responsible and sustainable manner. |
| Why material and for whom? | This topic is most material for our clients (as it is their money we invest) and society at large. Given the size of our assets under management, the biggest environmental impact we make – whether positive or negative – relates to how we invest our clients' assets. For example, if we invest these assets in investees that produce windmills or solar panels, our environmental impact is positive. But if we invest these assets in investees that do not meet certain minimum environmental standards – in relation to pollution, greenhouse gas emissions or water use, for example – our environmental impact is likely to be negative. |
| Management approach | <p>We have extensive policies in place to manage our impact. We report on this in our annual report and on our website.</p> <ul style="list-style-type: none"> – Responsible investment policy for all assets under management (off-balance sheet): This policy is developed and implemented by Kempen Asset Management, and is based on a long-term focus coupled with active ownership. We believe that an actively managed investment portfolio will create the most value in the long term, in both financial and non-financial (ESG) terms. We engage with fund managers and investee companies on a broad range of ESG topics, including environmental issues, and we exercise our voting rights at AGMs. If fund managers or investees are not willing to comply with our minimum environmental standards, we may divest. For a complete description of our ESG policy (including our voting policy and voting records), visit kempen.com/en/asset-management/responsible-investment. – For sustainable investors who prefer to exclude certain (environmentally damaging) activities from their portfolios or prefer to invest in best-in-class investees, we offer several sustainable Kempen funds as well as some sustainable discretionary management offerings for Private Banking clients. – For institutional as well as Private Banking clients who prefer to invest in environmentally conscious enterprises that focus on contributing to the SDGs, we created the Kempen Global Impact Pool in 2018. It focuses on five SDGs and currently invests across four themes: basic needs & well-being, SME development & decent work, circular economy, and climate & energy. See kempen.com/nl/asset-management/sustainable-value-creation-and-impact-pool/impact-pool for further details. <p>Van Lanschot Kempen's employees are regularly informed about and/or trained in the application of our responsible investment policies and any changes to them.</p> |
| Evaluation of approach | Our ESG Council is responsible for devising, implementing and reviewing our responsible investment policies. |
| Results in 2019 | As part of our responsible investing approach (active ownership), we conducted 84 engagement cases in 2019, well within our target of 80-100 cases a year. Of these, 36 related to environmental themes. For further details visit kempen.com/en/asset-management/responsible-investment . In line with our ambition to shift our investment strategy from "responsible" (doing no harm) to "sustainable" (doing good), our Private Banking sustainable discretionary assets under management increased by €700 million to €2.0 billion during 2019. In addition, our Kempen Global Impact Pool grew from €66 million in 2018 to €100 million in 2019. |

REFLECTION ON OUR PERFORMANCE AND VALUE CREATION

In the previous sections, we examined our value creation model more closely, as well as the results we achieve through it. We showed that we create not only financial value but also human/intellectual, social and natural value for our various stakeholders:

- **Financial value:** We assist entrepreneurs when raising funds; we invest client assets in companies and other organisations to enable them to grow, provide investment returns to our own clients and investors, pay salaries to our employees and pay taxes to society.
- **Human/intellectual value:** We train and develop our employees, and strive to prevent work-related illnesses.
- **Social value:** We create wealth, growth and job opportunities for society by passing on financial capital to companies and other organisations.
- **Natural and social value:** When investing client assets, we reduce negative impacts by applying an active ownership approach. In addition, we invest client assets in sustainable and impact funds.

As indicated in our value creation model, we can already quantify our financial value creation (in euros, per stakeholder group). For the other capital types, however, it is more difficult as we lack proper data and methods. Both need to be measured and/or developed in the period ahead.

Our performance in 2019

Despite lacking the data and methods to quantify our total value creation, we can already measure a part of our contribution. That's why we've developed a set of 18 KPIs (see page 12), linked to our material topics and the various capital flows. In 2019, 9 KPIs had already been "achieved" or "more than achieved", while 3 KPIs had been "almost achieved". In 2020, we will aim to further improve our KPI performance.

Next steps

In 2020 we will also further improve our value creation model, adding quantifiable measures to it. In the area of human/intellectual value creation, we expect to collect proper data and define workable methods within a relatively short time period, as a significant amount of scientific research has already been done in this field. In the quantification of our social and natural value creation, however, we expect more challenges, as both social and natural capital consist of many sub-elements – of which data and methodologies are still in the early development stages. Three examples better explain our challenges:

- What social impact do we create in monetary terms, if we preserve and create wealth for our clients via pension funds, for example? The answer is not just the financial performance that we realise for our clients. Rather, it's a contribution to long-term societal stability, but how can we quantify this?
- How can we calculate the social impact of our client investments, for example through job creation? Again, the societal impact is not just the monetary investment made in these thousands of companies, but the social benefits of job security, low unemployment and so on.

- What is the social impact (in monetary terms) of our dialogues with companies around climate, anti-corruption or child labour? We measure the number of engagements (hundreds per year), as well as the progress these companies make (e.g. company A decreased its carbon emissions or company B created a new labour conditions policy), but we don't yet have a method to quantify this progress.

We are confident that these and other questions will be answered, but it will take time. The good news is that we are not on our own: many of our clients, peers and other stakeholders are facing the same challenges. Together, we're already making some progress, especially in the areas of climate change and the SDGs. Two examples illustrate this:

- Over the last couple of years, the availability and quality of company carbon data has significantly improved. Currently, we can already calculate the carbon emissions of 44% of our assets under management. If we multiply these emissions by a carbon cost per tonne (using today's price or an expected future price), we have an initial quantified proxy of the social costs of carbon emissions.
- Various data providers have recently started setting up large SDG databases. As these data tell us – per company – which part of their sales (in euros) contribute positively and/or negatively to which SDG, we can start measuring the SDG impact of our investment portfolios.

As our ambition is to inform our stakeholders about both our financial and non-financial performance, we will use the period ahead to further develop and quantify our value creation model.

| Type of capital | Number of KPIs | Achieved or more than achieved | Almost achieved | Not available |
|--------------------|----------------|--------------------------------|-----------------|---------------|
| Financial | 4 | 1 | 3 | 0 |
| Human/intellectual | 3 | 1 | 0 | 2 |
| Social | 11 | 7 | 0 | 4 |
| Natural | 4 | 3 | 0 | 1 |
| Total * | 18 | 9 | 3 | 6 |

*Excluding overlap

GLOSSARY

This glossary provides insight into the definitions and abbreviations used in this report.

Common Equity Tier 1 (CET 1) capital (p. 3)

Also referred to as core capital. CET 1 capital encompasses a bank's share capital, share premium and other reserves, adjusted for deductions as specified by regulators, such as goodwill, deferred tax assets and IRB shortfall.

Engagement (p. 8)

A sustainability strategy that seeks, through active dialogue, to persuade companies, fund managers, borrowers and other stakeholders that their sustainability policies should be made compatible with international treaties and conventions.

Global Reporting Initiative (GRI) (p. 22)

An independent organisation which develops guidelines for sustainability reports. Van Lanschot Kempen's integrated annual report is based on GRI. globalreporting.org

IMVO covenant (p. 5)

The covenant aims to achieve a material positive impact for people (potentially) facing adverse human rights impacts and to search for solutions to address problems that an adhering bank cannot solve by itself. The covenant requests banks to comply with the OECD Guidelines for Multinational Enterprises (OECD GL) and the UN Guiding Principles on Business and Human Rights (UNGPR).

Morningstar (p. 12)

Morningstar rates mutual funds and ETFs from 1 to 5 stars based on how well they've performed in comparison to similar funds and ETFs.

Net Promoter Score (NPS) (p. 12)

The NPS provides information on client loyalty and the number of promoters of the organisation. The score lies within a range of -100 to 100 points, the higher the better. The formula is as follows: $NPS = \% \text{ promoters} - \% \text{ detractors}$. Promoters give the organisation a score of 9 or 10, whereas detractors award a score of between 0 and 6.

OECD Guidelines for Multinational Enterprises (p. 6)

The OECD Guidelines describe what the Dutch government expects from multinational enterprises when it comes to corporate social responsibility. The Guidelines provide companies with guidance in the field of e.g. supply chain management, human rights, child labour, environment and corruption.

Sustainable Development Goals (SDGs) (p. 5)

In 2015, the United Nations set out the Sustainable Development Goals (SDGs) for 2030: a set of 17 highly ambitious goals relating to climate, poverty, healthcare, education and other challenges.

APPENDICES

Our CSR data and environmental footprint

| CSR key data ⁸ | Van Lanschot Kempen | | | Private Banking and Evi | | | Asset Management and Merchant Banking ⁹ | | |
|--|---------------------|-----------------------|---------|-------------------------|---------|---------|--|--------|--------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Environmental management and purchasing | | | | | | | | | |
| Energy consumption (million Kwh) | 6.2 | 6.9 ¹⁰ | 7.3 | 3.6 | 4.1 | 5.1 | 2.6 | 2.8 | 2.2 |
| Green energy (%) | 99.9 | 99.2 | 96.1 | 99.8 | 98.6 | 94.5 | 100.0 | 100.0 | 100.0 |
| Natural gas consumption (m ³) | 60,813 | 186,325 ¹⁰ | 495,078 | 60,527 | 153,520 | 432,640 | 286 | 32,805 | 62,438 |
| Biogas consumption (m ³) | 250,241 | 150,000 | | 250,241 | 150,000 | | | | |
| Water consumption (m ³) | 14,738 | 20,880 ¹⁰ | 24,034 | 11,333 | 11,850 | 14,977 | 3,405 | 9,030 | 9,057 |
| Paper consumption (kg) | 49,293 | 63,396 | 53,938 | 40,054 | 51,997 | 42,762 | 9,239 | 11,399 | 11,176 |
| Paper recycling (kg) | 54,134 | 66,171 | 71,252 | 21,626 | 35,902 | 42,816 | 32,508 | 30,269 | 28,436 |
| Waste (kg) | 161,283 | 157,747 | 163,480 | 97,616 | 84,038 | 94,539 | 63,667 | 73,709 | 68,941 |
| Business air travel (flights) | 3,844 | 4,570 | 4,671 | 548 | 567 | 515 | 3,296 | 4,003 | 4,156 |
| Company car kilometres (million) | 13.4 | 13.0 | 13.4 | 11.0 | 11.3 | 11.7 | 2.4 | 1.7 | 1.7 |
| Company car petrol (litres) | 530,604 | 455,146 | 408,885 | 445,636 | 365,884 | 325,973 | 84,968 | 89,262 | 82,912 |
| Company car diesel (litres) | 267,854 | 355,338 | 406,881 | 242,307 | 327,773 | 387,822 | 25,547 | 27,565 | 19,059 |
| Company car LPG (litres) | 665 | 919 | 1,071 | 335 | 919 | 1,071 | 330 | | |
| Carbon emissions (tonnes) | 4,220 | 4,680 ¹⁰ | 5,265 | 2,865 | 3,075 | 3,616 | 1,354 | 1,606 | 1,648 |
| Employees | | | | | | | | | |
| Employees (FTEs) ¹¹ | 1,560 | 1,621 | 1,658 | 1,184 | 1,259 | 1,292 | 375 | 362 | 366 |
| Women (%) | 35 | 36 | 36 | 39 | 39 | 39 | 23 | 23 | 27 |
| Sick leave (%) ¹² | 3.0 | 2.7 | 2.7 | 3.3 | 3.1 | 2.9 | 2.0 | 1.5 | 2.3 |
| Investment in training (million €) | 2.8 | 4.5 | 4.2 | 2.0 | 3.6 | 3.1 | 0.8 | 1.0 | 1.1 |

⁸ Our website (vanlanschotkempen.com/responsible/policy) has information on the way CSR is organised at Van Lanschot Kempen.

⁹ Because all non-financial data for Kempen are only available on an aggregated level, we cannot report on underlying levels, i.e. Kempen Asset Management and Merchant Banking.

¹⁰ Revised figures based on final 2018 data.

¹¹ FTE numbers also include support functions.

¹² The number of days lost to sick leave (excluding maternity leave) as a percentage of the potentially available number of working days in 2019.

| CSR key data | Van Lanschot Kempen | | |
|---|---------------------|---|---------|
| | 2019 | 2018 | 2017 |
| Employees | | | |
| Employee motivation and engagement (%) | 82 | No score; actions taken on health and engagement scan | 81 |
| Employment contract – internal staff | | | |
| – FTEs | 1,560 | 1,621 | 1,658 |
| – Male / female (%) | 65 / 35 | 64 / 36 | 63 / 37 |
| Employment contract – external staff | | | |
| – FTEs | 201 | 223 | 248 |
| – Male / female (%) | 73 / 27 | 75 / 25 | 80 / 20 |
| Employment contract | | | |
| – External staff / internal staff (%) | 12.9 | 13.8 | 15.0 |
| Employment contract – full-time | | | |
| – Number | 1,203 | 1,248 | 1,274 |
| – Male / female (%) | 77 / 23 | 77 / 23 | 77 / 23 |
| Employment contract – part-time | | | |
| – Number | 440 | 458 | 473 |
| – Male / female (in %) | 31 / 69 | 29 / 71 | 28 / 72 |
| Employment covered by collective bargaining agreements (%) ¹³ | 74 | 77 | 74 |
| Ratio highest paid individual to median annual total compensation all employees ¹⁴ | 16.0 | 15.9 | 13.7 |

Performance and career development reviews

All employees receive regular performance and career development reviews.

New employee hires

- In 2019, we hired 176 new employees, of which 110 men and 66 women.
- Most employees (165) were hired in the Netherlands. The other 11 were hired abroad.
- New hires by age group:
 - Under 30 years: 68 employees
 - 30-45 years: 77 employees
 - Over 45 years: 31 employees

¹³ For 2017 figures: Van Lanschot Netherlands and Kempen. The 2018 and 2019 figures also include Van Lanschot Belgium and Van Lanschot Switzerland.

¹⁴ The median in the calculation excludes employees from Van Lanschot Belgium and Van Lanschot Switzerland. The ratio reflects both fixed pay – defined as full-time salary, holiday allowance, the so-called 13th month payment and, at Kempen, market-related allowance – and variable pay. Variable remuneration is defined as discretionary payments and the tax value of shares vesting in 2019 and included in payroll tax. For specification of the highest-paid individual, see annual report, pp. 76-77.

Reporting principles

Purpose

Our 2019 annual report (which includes "Our value creation story", the CSR supplement and the GRI content index) is intended to inform our stakeholders – in line with GRI Standards – on our financial and non-financial policies and the associated efforts and results recorded in 2019. This provides more details, especially in relation to our financial and non-financial value creation.

Scope

The report covers, as far as possible, the entire Van Lanschot Kempen organisation in the Netherlands, Belgium, the United Kingdom, the United States, France and Switzerland. Where acquisitions or disposals have occurred, these are explicitly reported, and it is stated whether or not they have been included for reporting purposes. There were no acquisitions in 2019 but Van Lanschot Kempen sold its stakes in its non-strategic investment AIO II (Medsen) and in insurance intermediary VLC & Partners.

Reporting period

This report covers the period from 1 January 2019 to 31 December 2019 inclusive, while also including data from the previous year in order to provide a clearer picture of developments over time. Brief reference is made in a number of places to relevant developments following the closure of the reporting period; where this is the case, it is explicitly noted that the development in question occurred during the first months of 2020.

Reporting process

We have set out Van Lanschot Kempen's annual reporting process in an internal reporting protocol. This specifies who is involved in the drafting of the report, how the subjects to be covered in the report are determined, how the data for the report is collected, what definitions are used for this data, how the collected data is verified, processed and consolidated, and how the final report is published. The reporting protocol is updated annually. There's a separate reporting protocol for KPIs.

GRI

Van Lanschot Kempen has been following the guidelines of the Global Reporting Initiative (globalreporting.org) for its corporate social responsibility reporting since 2009. GRI is the international standard for transparent CSR reporting. The GRI content index showing how GRI has been incorporated in our 2019 annual report can be found on our website (vanlanschotkempen.com/responsible/external-assessment). We believe that our 2019 annual report meets the standards of the G4 "Comprehensive Option".

Stakeholder engagement

The dialogue with our stakeholders is the most important source of information on what our stakeholders expect from us. We identify five main stakeholder groups: clients, shareholders, employees, government/regulators and others, including all those who might be affected by the decisions and activities of Van Lanschot Kempen (e.g. society at large, suppliers and competitors). In our annual report, "Our value creation story" and the CSR supplement we set out how we engage our stakeholders in the development of our policies, which topics stakeholders have raised with us in 2019 and how we responded to them. Once a year, we also gather our stakeholders during our so-called stakeholder event; more information on this event can be found on page 6 and at vanlanschotkempen.com/responsible/policy. We warmly invite you too to share your opinions and views with us – contact details can be found on the final page.

Materiality

Our 2019 annual report mainly contains information on our material topics. A topic is deemed to be (most) material if it is important to our stakeholders (i.e. it can significantly influence their view of the topic and the decisions they take in response) and is also important in terms of the impact of Van Lanschot Kempen (i.e. we can make a significant positive or negative economic, environmental or social impact via this specific topic). As material topics are relatively stable over time, their identification is carried out once every two years.

The most recent identification of material topics for our stakeholders was carried out in September 2019. The identification process comprised two steps:

- To assure that we take all stakeholder expectations into consideration, we first gathered relevant data from a large number of information sources that became available in the year, e.g. the results of client satisfaction surveys and client panels; client feedback at client meetings; complaints submitted to the Complaints department; employee feedback (through employee surveys and ideas committees); shareholder feedback during face-to-face discussions and the annual general meeting; responses and suggestions from regulators; feedback from various stakeholders directly to our CSR department; feedback from third parties (via vanlanschot@vanlanschot.com, verantwoordondernemen@vanlanschotkempen.com or social media); analysis of other banks' annual reports (best practices); external benchmarks and rating results.
- In step 2, all these data were further structured and condensed to create a more concise overview, in line with our strategy and our broad set of financial and non-financial KPIs. The list ultimately comprised 25 different topics, structured under five overarching themes.

The list of 25 topics was then incorporated into two surveys. The first one, focused on the vertical axis of the materiality matrix, was sent to a large cross-section of our stakeholders: 635 clients, employees, shareholders, civil society organisations and other banks. The other survey, oriented on the horizontal axis of the matrix, was sent to a small group of external specialists and our Executive Board. The 2019 materiality matrix, which resulted from these two surveys, indicates eight material topics and was ultimately approved by the Executive Board in October 2019. For a detailed overview of all material topics and KPIs, see page 12.

Please note that the Executive Board has also approved KPIs for the other, less material topics. Although we do not report externally on these KPIs, these form an integral part of our internal management information.

Choices made when reporting activities in the value chain

Our 2019 annual report incorporates a new value creation model (see annual report, p. 10), which is an improved version of the one presented in earlier years. When selecting elements for inclusion in the graph, materiality has been an important selection criterion. The Executive Board had the final say in deciding the value creation model.

As was the case for the value creation model, we use materiality as the basic principle for further reporting our activities in the value chain. What this means in practice is that we chiefly report on topics that are material to our stakeholders, within our sphere of influence and within our own organisation. We do not generally report on chain issues or other topics that our stakeholders do not consider material, over which we have no direct influence, or which are otherwise situated outside Van Lanschot Kempen. In line with GRI, we have assessed – for each material topic externally reported – the so-called “boundaries” (see the table below).

A boundary indicates:

- 1) where the impact (most likely) occurs (in or outside Van Lanschot Kempen) and
- 2) what Van Lanschot Kempen's involvement with these impacts is. We may be involved because we
 - a) caused the impact,
 - b) contributed to the impact, or
 - c) are directly linked to the impact through business relationships.

| Material topic | Material to ¹⁵ | Boundaries (where the impact occurs / type of involvement) | | | | Explanation |
|--|--|--|-------------|-----------------------------|-----------------|--|
| | | Inside Van Lanschot Kempen | Involvement | Outside Van Lanschot Kempen | Involvement | |
| Profitability and cost-effectiveness (1) | Clients, employees, shareholders, others | ● | Causing | ● | Causing | We cause impacts within Van Lanschot Kempen when we manage our cost effectiveness (e.g. impact on employees due to reorganisations). Our cost management can also cause outside impacts, e.g. for suppliers, clients, shareholders or other stakeholders. |
| Contribution to clients' wealth via investments (17) | Clients | | | ● | Causing | Although we enable a significant part of the impact internally (via our investment process), the impact itself occurs mainly outside our organisation, with our clients. |
| High-quality workforce (21) | Employees, clients | ● | Causing | ● | Causing | Impact is caused inside Van Lanschot Kempen as our HR policies are focused on our employees. In addition, there is also potential impact outside Van Lanschot Kempen, as the quality of our workforce can also impact our clients (e.g. via the service that our employees provide). |
| Development and training of staff (23) | Employees, clients | ● | Causing | ● | Causing | Impact is caused inside Van Lanschot Kempen (via training and development) but can also move (via our employees) outside our organisation (clients). |
| Superior client experience (14) | Clients | | | ● | Causing | Although we enable an important part of the impact internally (via e.g. the creation of tools, systems and apps), the impact itself occurs mainly outside Van Lanschot Kempen (with clients). |
| High-quality tailored solutions (15) | Clients | | | ● | Causing | Although we cause an important part of the impact internally (via our employees and our solutions), the impact itself occurs mainly outside Van Lanschot Kempen (with clients). |
| Ethics and integrity (24) | Clients, employees, shareholders, others | ● | Causing | ● | Causing | Potential impacts can be caused both within our organisation (by our employees) as well as outside our organisation (via the behaviour of our employees). |
| Impact via client assets (investments) (9) | Clients, others | | | ● | Directly linked | We are directly linked to our client investments as we invest in companies, via our own funds and via external funds. Impacts can occur at investees, our clients and other stakeholders. |

15 Others: suppliers, competitors, society at large, etc.

Data collection process

The collection of data is a joint effort of several departments. For the KPI data-collection process, the Finance, Reporting & Control department played a leading part, assisted by the CSR department, which had an advisory role, especially in relation to the non-financial data. The CSR department played a leading role in gathering non-KPI data. To collect KPI data, we have used qualitative and quantitative surveys based on a variety of external guidelines endorsed by Van Lanschot Kempen and on internal policy principles. The surveys were sent to all relevant divisions and/or departments within the organisation. A specific individual was designated within each division and each department to collect the data and report to the CSR department. Some of the data are drawn from central management information systems and some from local sources. The CSR department performs a plausibility check on the data supplied and collates them.

Accuracy

Most of CSR data we report, were drawn from standard reporting systems and supplier invoices. Assumptions or estimates have, however, been made in a number of cases where hard data were lacking. This is particularly the case for our carbon calculations.

Carbon calculation for our own organisation

Carbon emissions were calculated and reported in line with the Greenhouse Gas Protocol (www.ghgprotocol.org), using the conversion factors set out by internationally recognised organisations and published on www.co2emissiefactoren.nl. We applied the following assumptions and estimates:

- Because no final annual accounts were available at the beginning of 2020 for Van Lanschot Kempen's gas, electricity and water consumption in the Netherlands, these figures have been partially estimated (via extrapolation).
- Diesel consumption when testing emergency systems within Van Lanschot Kempen in the Netherlands was estimated.
- Average fuel consumption of non-company cars for business travel is not known. We therefore used a figure equal to the average petrol consumption of company cars.
- Several assumptions and estimates were used for all business travel using public transport when converting expense claims into kilometres travelled.

- Total transport in kilometres for the delivery of office supplies and catering relates solely to Van Lanschot Kempen's activities in the Netherlands and is based in part on estimates.

There is very little likelihood that potential errors or inaccuracies in the estimates and assumptions referred to above would have a significant impact on the final results, given that the elements in question only account for a limited proportion of total calculated carbon emissions.

Carbon calculation for balance sheet items

Carbon emissions were calculated using the methodology of the Platform for Carbon Accounting Financials (PCAF). We deviated from this methodology for financial institutions when no enterprise value was available (using balance sheet as a proxy) and deviated for mortgages by adjusting for loan-to-value and for green electricity usage.

- Financial institutions: Calculated by using the percentage difference of the value of the asset (year-on-year) per financial institution and multiplying this by the carbon footprint from last year.
- Mortgages: Data of electricity and gas use on a postcode level (six digits: 1234 AA) from CBS.
- Corporate lending: As carbon data are not available for every loan, external data was used (from CBS) to calculate sector-average carbon emissions.

Balance

To ensure that our own annual report is balanced, we report both positive and negative financial and non-financial performance. We capture the development of our performance by showing historic figures.

Clarity

We aim to present information that is understandable, accessible, and usable by our stakeholders. Our annual report describes the financial and non-financial impact of our organisation for our material topics. We provide additional information, especially on our value creation. We have also added a reference table in response to legislation on disclosure of non-financial information, to make it easier for our stakeholders to see how we comply. In addition, we include a GRI content index in which we state, for instance, our material topics and where to find relevant information.

Comparability

For the fifth year running, we are publishing an integrated annual report this year. This means that the most material financial and non-financial information is covered in our annual report and "Our value creation story"; less material topics are discussed in our CSR supplement and on our website. Our policy and objectives in terms of the social aspects of doing business have not changed from the previous reporting period. The definitions we use are still in line with our report for 2018 as far as possible, so that the data remains readily comparable. Where earlier definitions or figures have been adjusted in 2019, this is expressly stated in the text or in the footnotes.

Ambition for reporting policy

We intend to continue reporting in line with GRI standards in 2020 and beyond, and to further improve our integrated report. In 2020, we will again invite our stakeholders to contribute constructively to our thinking.

Verification

Earlier versions of the annual report were submitted for comments to internal departments, the Executive Board and the Supervisory Board. The final version has been approved by the Statutory Board. Non-financial information included in the annual report, as well as the underlying data collection and data aggregation processes, have been reviewed by our independent external auditors, PricewaterhouseCoopers (PwC). For more information on the scope of this verification, the activities performed by PwC and the results of these activities, please refer to PwC's assurance statement (pp. 205-214 in our annual report). The Statutory Board is closely involved in the verification process and related findings. The findings of the review are shared with the Statutory and Supervisory Boards.

Other relevant publications on corporate social responsibility

Detailed public information on our corporate social responsibility policy can be found on vanlanschotkempen.com/responsible and kempen.com/en/asset-management.

Reference table: disclosure of non-financial information act

Decree on Disclosure of Non-financial Information (Besluit bekendmaking niet-financiële informatie)

In 2017, a new Dutch regulation came into force that made reporting on a number of non-financial themes compulsory for companies that qualify as a large public interest entity (grote organisatie van openbaar belang) with more than 500 employees. These themes comprise environmental, social and employee issues, as well as anti-corruption, bribery and human rights. For each of these themes, companies are obliged to report on the relevant policies, results, risks (including management of these risks), and non-financial key performance indicators. The regulation also requires companies to describe their business models in their annual reports.

The reference table on the next page shows where the required non-financial information can be found and also whether this information relates to our material topics.

| Scope | Dutch legislation themes | Material topics | Requirements | Where to find our disclosures (page numbers) ¹⁶ | | | |
|----------------------------------|--|-----------------|----------------------|--|----------------------|------|---|
| | | | | AR | VC | S | W VLK: vanlanschotkempen.com/responsible W K: kempen.com/en/asset-management |
| Van Lanschot Kempen | Business model | – | Business model | 7-19 | – | – | – |
| Own organisation | Environmental | – | Policy | – | – | 3-4 | W VLK:/environment |
| | | | Results | 24, 30-31, 83 | 20 | 3-4 | W VLK:/environment |
| | | | Risks and management | – | – | 3-4 | W VLK:/environment |
| | | | KPIs | 19 | 6 | 4 | W VLK:/environment |
| | Social and employee Human rights Anti-corruption and bribery | 21, 23, 24 | Policy | 9, 17, 26-27 | 11, 14, 16 | – | W VLK:/environment |
| | | | Results | 26-27, 30-31 | 11-12, 14, 16, 20-21 | – | W VLK:/good-employer |
| | | | Risks and management | 13, 27, 31 | 8 | – | – |
| | | | KPIs | 30 | 12, 14, 16 | – | – |
| Balance sheet | Environmental | – | Policy | 9, 23, 61 | 10 | – | W VLK:/core-banking-activities, VLK:/environment |
| | | | Results | 24, 30-31, 61 | 11 | 3, 6 | W VLK:/core-banking-activities, VLK:/environment |
| | | | Risks and management | 61, 65-66 | 6 | 6 | W VLK:/core-banking-activities, VLK:/environment |
| | | | KPIs | 19 | – | – | – |
| | Social and employee Human rights Anti-corruption and bribery | – | Policy | 9, 61, 66 | – | 6 | W VLK:/core-banking-activities, VLK:/environment, VLK:/policy |
| | | | Results | 61 | 11 | 6 | – |
| | | | Risks and management | 61, 66 | – | 6 | W VLK:/core-banking-activities, VLK:/policy |
| | | | KPIs | – | – | – | – |
| Assets under management (AuM) | Environmental | 9 | Policy | 9, 23 | 17 | – | W VLK:/environment, K:/esg |
| | | | Results | 24 | 11-12 | 3 | W VLK:/environment, K:/esg |
| | | | Risks and management | 65-66 | 8, 17 | – | W K:/environment |
| | | | KPIs | 19 | 12, 17 | – | W K:/environment |
| | Social and employee Human rights Anti-corruption and bribery | – | Policy | 9, 23-24 | 16 | – | W K:/esg |
| | | | Results | 23-24 | 11-12, 16 | – | W K:/esg |
| | | | Risks and management | 23 | 8, 16 | – | – |
| | | | KPIs | 19 | 12, 16 | – | – |

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We welcome your views and opinions – please see our contact details above.

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