



VAN LANSCHOT BANKIERS

# RESPONSIBLE BANKING: REINVESTMENT OF DEPOSITS AND SAVINGS CERTIFICATION STATEMENT ON 2013

Van Lanschot has set out a policy on Corporate Responsibility. Since 2009, the evolution and results of this ongoing work have been reported systematically. The third annual certificate<sup>i</sup> examines the way in which Van Lanschot manages its funds entrusted strictly in accordance with its own responsible banking principles.

*To all those interested in Van Lanschot,  
To the savers, borrowers and investors,  
To the public:*

Forum ETHIBEL asbl<sup>ii</sup> was appointed to independently audit Van Lanschot Bankiers (VLB) on the conformity of its principles and guidelines on Corporate Responsibility (CR) in relation to the management of funds entrusted and its lending and reinvestment policies.



## About Van Lanschot Bankiers

Van Lanschot describes itself as the oldest and largest independent private banks in the Benelux, with 34 branches and client reception locations in the Netherlands, Belgium and Switzerland and, through its subsidiary Kempen & Co, also in Edinburgh (UK) and New York.

Van Lanschot's services are primarily aimed at high net-worth individuals, entrepreneurs and foundations and associations. Van Lanschot focuses on onshore private banking and operates from a client relationship approach, not from a product approach. Van Lanschot NV's shares are listed on the NYSE Euronext Amsterdam stock exchange. The balance sheet shows a high, but decreasing percentage of loans and advances (from 75% in 2012 to 71% in 2013). During that period Van Lanschot strengthened its balance sheet: the (Core) Tier 1-ratio improved from 11.0% to 13.1%.

## Corporate Responsibility

Van Lanschot has set out an integral policy on Corporate Responsibility and Integrity, which is based on stakeholder dialogue and on Van Lanschot's own core values and which concentrates on four areas of focus. With respect to these four areas of focus, Van Lanschot focuses on the most material issues, which are determined to a high degree by the stakeholders:

Core banking activities. The client acceptance policy, the investment policy, aimed at a dialogue with companies and funds, and the lending policy.

Being a good employer. Key issues are education and training, development of talent, employability and diversity.

Environmental management and procurement. The emphasis here is on reduction of CO2 emissions and on a careful procurement policy.

Social involvement. Permanent transparency and stakeholder dialogue come first, together with sponsorship and donations.

Van Lanschot has signed three external international CR guidelines: UN Global Compact (UNGC), Principles for Responsible Investment (PRI) and the principles of the International Labour Organization (ILO) ([www.vanlanschot.nl/csr](http://www.vanlanschot.nl/csr)).

Responsibility for CR is vested with the Board of Managing Directors, who has delegated implementation of the policy to the manager of Corporate Responsibility. His department prepares policy proposals and ensures the implementation of policies. Two internal committees play a consultative role: the Ethical Council, which deals with ethical and social issues, and the Environmental Social Governance (ESG) Council, which is responsible for formulating and implementing the sustainable investment policy. Meanwhile, Van Lanschot's CR policy has a strong foundation and, since 2009, all developments and results have been reported by way of 9 key performance indicators (KPI's) and formulated goals. The current KPI's were determined in 2011; they will be updated in 2014. All details can be found on the following website:

<https://www.vanlanschot.be/nl/wie-is-van-lanschot/verantwoord-ondernemen>.

### **Responsible investment policy**

The responsible investment policy formulated in 2009 is being implemented gradually. It is based on the above mentioned international guidelines (UNGC, PRI, ILO). Since 2013 (thus meaning financial year 2012) Forum ETHIBEL has monitored these actions and has drawn up a separate certificate to confirm compliance with the defined policy.

### **Responsible (corporate) lending policy**

In 2010 Van Lanschot formulated its responsible (corporate) lending policy based on the above mentioned GC guidelines and expanded it with criteria on weapons, fur, gaming, pornography, animal testing and nuclear energy. The implementation started in April 2011. All existing and new corporate loans are subjected to a loan filter, which detects high risks in connection with the abovementioned sectors or activities. In case of doubt Van Lanschot attempts to gain more transparency by pursuing a strategy of engagement and by bringing about improvements.

### **Framework and progress of the audit**

Our audit was aimed at verifying the compliance of the management of the funds entrusted with lending and reinvestment policies. During the audit we reviewed whether all guidelines were observed. Subsequently the results were assessed. This certificate refers to the full financial year 2013. Our audit has been executed in accordance with the stipulations of the agreement. VLB provided all additional information requested.

### **Audit of the lending policy**

The largest part of the loan portfolio consists of Dutch mortgages. In relation to this portfolio there are no highlighted sustainability issues and VLB therefore has not set out any specific CR policy in this respect. Such a policy has been set out for the remainder of the loan portfolio, the corporate loan portfolio. In principle, all corporate loans (approximately 4.000) have to comply with this CR policy. Very few material corporate responsibility issues exist for business professionals and the medical sector in the Netherlands: they are excluded from further screening. This way the number of loans to be screened is reduced to 1.000. In 2013, after more than two years of case-by-case analysis, the number of loans with a CR loan filter was reduced further to 499. The remaining 501 loans focus on companies which are not involved in sensitive sectors (i.e. small construction firms, catering establishments, customer-related service industries).

In 2013, 18 borrowers were identified as 'potentially high risk' due to their involvement in sensitive sectors and/or regions (mainly low-wage countries). In 2012, this involved 89 borrowers. The borrowers were approached by way of engagement. This may result in a positive closing of the respective case. In other cases the process continues. 97% of the loans were screened. The remaining 155 corporate loans are still due to be screened.

## Results of the balance sheet audit\*

	2011	2012	2013
<b>Balance sheet total (x € 1 billion)</b>	18,45	17,99	17,67
<b>Equity and liabilities</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<u>Public and private sector liabilities</u>	71%	63%	58%
<u>Issue debt securities</u>	13%	16%	24%
<u>Equity</u>	9%	8%	7%
<u>Due to banks</u>	2%	8%	7%
<u>Other</u>	5%	4%	4%
<b>Assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<u>Loans and advances</u>	<u>77,6%</u>	<u>75,1%</u>	<u>70,7%</u>
- of which private clients (mortgages)	[51,1]	[48,9%]	[47,0%]
- of which corporate loans	[26,4%]	[26,2%]	[23,7%]
<u>Cash and due from banks</u>	<u>9,2%</u>	<u>11,7%</u>	<u>13,6%</u>
<u>Financial instruments</u>	7,6%	8,9%	11,4%
- already screened	[5,9%]	[7,8%]	[11,1%]
- not screened/not auditable (trading book)	[0,4%]	[0,3%]	[0,3%]
- due to be screened	[1,3%]	[0,8%]	[0,1%]
<u>Other</u> (unscreenable)	5,4%	4,4%	4,5%
<b>Total screened</b>	<b>92,9%</b>	<b>94,5%</b>	<b>95,4%</b>

\* Rounding differences may occur.

As mentioned above 'loans and advances' are fully under control, indicating that potential issues have been traced and, if necessary, will be remedied.

The exact allocation of 'cash and due from banks' could not be retrieved. Van Lanschot does subject all its banking relationships to a general policy check, in order to avoid placing funds with financial institutions that do not comply with its minimal CR-requirements. We determined that at the end of 2013 an engagement process is in progress for 4 financial institutions. We continue to monitor the situation on a long term basis.

The group 'financial instruments' (11.4%) is diverse. Meanwhile, 11.1% of this group has been screened. Screening is very difficult to implement for 0.3% of the group (trading book) and 0.1% is due for further screening (composing of participations/shareholdings).

The final balance sheet item ('other') mainly consists of buildings, goodwill and tax receivables. The buildings are being judged on sustainability issues annually, by way of the environmental policy. Otherwise, they are unscreenable.

### Conclusion

Our audits lead to the estimation that 95.4% of all assets on the balance sheet have been screened by VLB on the basis of its own policies (compared with 94.5% in 2012). We would like to emphasize that, this does not mean that each asset fully complies with all criteria, but that the socio-ethical risks have been identified and are being managed with due diligence. As we were able to gain an insight into all problematical files that were screened, we can certify that conformity with the policies and guidelines is virtually complete.

Screening has not yet taken place for 4.6% of the balance sheet, due to the practicalities of screening. Note that last year VLB exceeded the estimated screenable maximum of 95% and that we will move further forward, but doing so means a corresponding increase of the necessary efforts.

VLB has made thorough structural efforts to reinforce the organization of its CR policy as well as to improve its policy documents and manuals. Its in-depth and detailed reporting is excellent, including the results (whether or not realised) of the stated objectives. For its third year of corporate responsibility this is perceived by Forum ETHIBEL as an excellent performance.

We (re)confirm that Van Lanschot has strictly applied and is further strengthening its responsible lending and investment policies.

Forum ETHIBEL asbl,



Herwig Peeters,  
General Director  
Brussels, 21 May 2014

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<sup>i</sup> Zie ook "Forum ETHIBEL Certificeringsverklaring 2011" dat als benchmark (nulpuntmeting) fungeert, en "Forum ETHIBEL Certificeringsverklaring 2012"

(<http://www.vanlanschot.nl/vanlanschot/over-van-lanschot/mvo/externe-beoordeling/forum-ethibel.html>)  
(<https://www.vanlanschot.be/nl/wie-is-van-lanschot/verantwoord-ondernemen/ethibel/>)

<sup>ii</sup> Forum ETHIBEL is een Belgische vereniging, opgericht in 1992, en erkend als expert op het vlak van rating, onafhankelijke controle en certificatie van financiële en niet-financiële producten en diensten die beantwoorden aan precieze ethische en sociale criteria en aan standaarden op het vlak van milieu en deugdelijk bestuur ([www.forumethibel.org](http://www.forumethibel.org)).