



# VAN LANSCHOT BANKIERS

# RESPONSIBLE BANKING:

# ALLOCATION OF CLIENT

# DEPOSITS

## CERTIFICATION STATEMENT 2015

Van Lanschot has set out a policy on Corporate Social Responsibility. The evolution and results of this policy have been reported systematically since 2009. This fifth annual certificate<sup>i</sup> examines whether Van Lanschot deploys client assets strictly according to its own principles of responsible banking.

*To all those interested in Van Lanschot,  
To all (EVI) depositors and investors,  
To borrowers,  
To the general public:*

Forum ETHIBEL vzw<sup>ii</sup> was appointed to independently audit Van Lanschot Bankiers (VLB) on conformity with its principles and guidelines on Corporate Social Responsibility (CSR) with regard to its allocation of the funds entrusted to it as well as its lending and investment policies.



### About Van Lanschot Bankiers

Van Lanschot describes itself as a *specialised and independent wealth manager*. Its services are provided to high net-worth individuals, entrepreneurs, associations and foundations. The balance sheet has a high but declining percentage of loans outstanding (from 78% in 2011 to 66% in 2015) and was strengthened during that period: the (*Common Equity*) *Tier 1 ratio* rose from 10.9% to 16.3%.

### Corporate Social Responsibility

Van Lanschot pursues a comprehensive Corporate Social Responsibility policy, based on a *stakeholder dialogue* and *the bank's own core values*. The policy is aimed at four target areas, for which 8 assessment targets (KPIs) are being monitored:

Core banking activities. Client loyalty score; growth of *assets under screening* within *Private Banking* and *Asset Management*.

Good employment practices. Enhancing employee engagement.

Environmental management and purchasing. Reducing CO2 per FTE by an average of 2% per annum.

Social engagement. Improvement of transparency and stakeholder dialogue are priorities, together with supporting social projects and making donations.

For 2015 the objectives for all key performance indicators were fully met. In 2016 new KPIs will be set.

Van Lanschot adheres to several external international guidelines, including the *UN Global Compact* (UNGC), *Principles for Responsible Investment* (PRI) and *Guiding Principles on Business and Human Rights* (UN).<sup>iii</sup>

Corporate Social Responsibility policy has been worked out in detail on all relevant levels at VLB and is continues to be embedded at a high level on the Management Board. The policy is formulated and implemented by the Environmental Social Governance (ESG) Council, the

Lending risk policy committee, and line management. The Corporate Social Responsibility department provides support and co-ordination as needed. This department also collects the non-financial data for the Annual Report, based on questionnaires aligned with the external guidelines and internal policy principles, and carries out plausibility checks on the data submitted to it. The Ethical Council looks into questions on ethical and societal issues that emerge from the organisation.

### **Responsible investment**

The investment policy, formulated in 2009, is gradually being implemented. It is derived from the aforementioned international guidelines. Forum ETHIBEL has monitored these processes since 2013 (i.e. since the 2012 financial year) and issues a special certificate in order to confirm compliance with formulated policy.

### **Responsible lending**

Van Lanschot defined its policy of responsible lending to businesses in 2010 and started the implementation of this policy in April 2011. Lenders are screened on involvement in human rights and labour rights violations, environmental violations, corruption, weapons, fur, gambling, pornography, animal testing and nuclear energy. A risk filter has been used to screen the existing and new corporate loans on high risks related to these sectors or activities. In case of doubt, an engagement process was initiated in order to gain clarification and make improvements.

### **Audit framework and process**

In our audit, we verified whether the funds entrusted to the bank were deployed in line with the lending and investment codes. We assessed compliance with the guidelines and evaluated the outcomes.

This certifying statement concerns the full 2015 financial year. Our audit has been executed in accordance with the stipulations of the agreement.

### **Audit of corporate lending**

The corporate loans portfolio was further reduced in size from €3.8 to €2.7 billion. In absolute terms, the portfolio comprised 2,785 outstanding loans, of which 2,663 were exempt from further investigation. This part of the portfolio represents 26% of the total lending portfolio (the remainder being mortgage loans (62%); real estate private individuals (4%); and other loans to private individuals (9%)).

After five years of case-by-case analyses, a total of 138 dossiers of the 2,785 outstanding corporate loans were submitted as 'potentially high risk'. Of these 42 remained at the end of 2015, and Van Lanschot engaged with the companies concerned. The other 96 cases were either reclassified as low risk, or the credit relationship was terminated. Most of the 42 remaining cases of 'potentially high risk' borrowers are active in 'sensitive sectors' (including garments, wood, other manufacturing) and either import from or have production facilities in non-Western countries. Possible risks include illegal logging, poor labour conditions, violations of human rights, and severe environmental pollution. Two of the filters concern (indirect) involvement in the weapon sector. One involves an underlying risk related to gambling.

### **Resultaten van de audit van de balans\***

The balance sheet total was €15.5 billion at the end of 2015. The table in the attachment shows the distribution in per cent of the balance sheet items, both for the inflow (liabilities) and for the outflow (assets). Lending is under control. Potential issues were traced, pursued and remedied where needed.

The exact allocation of the item 'liquidities and deposits at banks' could not be ascertained, but VLB does subject its banking relations to an annual verification in order to prevent funds from being allocated to institutions that do not meet the Corporate Social Responsibility requirements. Eight institutions do not meet these requirements. Of these, three have a balance sheet position of less than €0.1 million and can be left as they are. The relationship with two institutions is being wound down. An engagement process has been initiated with one bank, and the nature of two other banks does not warrant intervention.

The 'financial instruments' group (21.9%) is diverse. Of this, the largest part has been screened (21.7%). Screening is virtually impossible for 0.04% (trading book). An engagement process has been initiated for 0.14%. The 'Other' balance sheet item consists of buildings, goodwill and tax claims

	2011	2012	2013	2014	2015
<b>Balance sheet total (billion €)</b>	18,45	17,99	17,67	17,26	15,50
<b>Balance sheet (liabilities)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<u>Savings and deposits</u>	71%	63%	58%	61%	62%
<u>Debt securities</u>	13%	16%	24%	23%	22%
<u>Equity</u>	9%	8%	7%	8%	8%
<u>Due to banks</u>	2%	8%	7%	5%	5%
<u>Other</u>	5%	4%	4%	3%	3%
<b>Balance sheet (assets)</b>	<b>100%</b>	<b>100%</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>	<u>64%</u>	<u>66%</u>
- private individual loans	[51,1]	[48,9%]	[47,0%]	[43,8%]	[49,7%]
- corporate loans	[26,4%]	[26,2%]	[23,7%]	[19,9%]	[16,2%]
<u>Cash and cash equivalents and balances at banks</u>	<u>9,2%</u>	<u>11,7%</u>	<u>13,6%</u>	<u>9,3%</u>	<u>7,0%</u>
<u>Financial instruments</u>	7,6%	8,9%	11,4%	22,0%	21,9%
- screened	[5,9%]	[7,8%]	[11,1%]	[21,7%]	[21,7%]
- not screened or non-auditable	[0,4%]	[0,3%]	[0,3%]	[0,24%]	[0,04%]
- not fully in line; engagement	[1,3%]	[0,8%]	[0,1%]	[0,03%]	[0,14%]
<u>Other</u> (cannot be screened)	5,4%	4,4%	4,5%	5,2%	5,2%
<b>Total screened</b>	<b><u>92,9%</u></b>	<b><u>94,5%</u></b>	<b><u>95,4%</u></b>	<b><u>94,8%</u></b>	<b><u>94,7%</u></b>

\* Totals may not add up due to rounding

## Conclusion

Based on our assessments we assume that the allocation of the balance sheet has been screened for 94.6% by VLB on the basis of its codes. Strictly speaking, this means that not every allocation fully meets all criteria, but it does mean that social-ethical risks have been properly identified and are being managed accordingly. Given our knowledge of the screened problem dossiers, it is our opinion that the codes are virtually fully complied with. Neither the winding down of certain activities, nor the growth in the managed assets influence the 'screenability ceiling' of 95%.

One important qualitative and structural improvement in 2015 is the presentation of the first integrated annual report in which Van Lanschot wishes to demonstrate how its financial and non-financial performance interrelate. Its 'value creation model' is intended as a snapshot of its relevance to society, which demonstrates its added value as a responsible investor, employer, competitor and sponsor. Further

integration and transparency are already on the agenda for the coming years.

We declare that Van Lanschot carefully and responsibly details, develops and implements its Corporate Social Responsible lending and investment policies.

For Forum ETHIBEL asbl,



Herwig Peeters, General Director  
Brussels, 6 september 2016

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<sup>i</sup> For a further situating of the Van Lanschot profile, for a historical perspective, results and societal positioning: see the Annual Report 2015, the first 'integrated annual report', in which financial and non-financial information is presented together as a coherent whole (<https://corporate.vanlanschot.nl/en/financial/financial-results/2015>), the Attachment Corporate Social Responsibility 2015 (<https://corporate.vanlanschot.nl/media/2265/csr-supplement-2015.pdf>) and the Certification Statements of Forum ETHIBEL for 2011 (baseline measurement), for 2012, 2013 and 2014 (<https://corporate.vanlanschot.nl/responsible/external-assessment>).

<sup>ii</sup> Forum ETHIBEL is a Belgian association, established in 1992, and is recognised as an expert in rating, independent verification and certification of financial and non-financial products and services that meet well-defined ethical and social criteria as well as environmental and governance standards ([www.forumethibel.org](http://www.forumethibel.org)).

<sup>iii</sup> [www.unglobalcompact.org](http://www.unglobalcompact.org); [www.unpri.org](http://www.unpri.org); <https://business-humanrights.org/en/un-guiding-principles>