

## **Financial statements**

for the year ended December 31, 2017

of

Stichting Van Leer Group Foundation, The Hague

Statutory seat:  
Address:

The Hague  
Lange Houtstraat 2  
2511 CW The Hague

## Message from the Chair

### Foreword by the Chair of the Governing Council

The Van Leer Group Foundation funds the Bernard van Leer Foundation and the Van Leer Jerusalem Institute, and is a major donor of the Jerusalem Film Center. The endowment is managed centrally and includes Crecor, an Israeli venture capital company.

Each part of the Van Leer Group has a remarkable history, spanning more than sixty years. The founders Bernard and Oscar van Leer were deeply committed to maximising the realisation of human potential, through early childhood development, the protection of democracy and nurturing the humanities and arts.

The Governing Council has the responsibility to fulfil the purpose of the founders Bernard and Oscar van Leer. The founders' commitment to impact, rooted in the practices of running a major international company, provides a constant impulse for improving relevance and effectiveness.

As we live in unusual times regarding monetary policy and in a turbulent political environment both in Europe and on a global stage, the importance of wise stewardship of the endowment is paramount. Therefore, we will undertake a fundamental review of our Investment and Spending Policy in 2018.

The importance of a child's early years for his or her future development is increasingly understood by both policy makers and the scientific community. The Bernard van Leer Foundation seeks to leverage its experience of working in the field to improve the day-to-day reality of children's and parents' lives by enhancing its role as a knowledge broker to public policy makers, funders and partners in the field. It embarked on a new strategy in 2015. The year 2017 was, and the current year will be, focused on the execution of this strategy.

Two typical projects spring to mind. In Brazil, our partnership with the national government picked up pace with the launch of Criança Feliz, a home visiting program that by year-end had already conducted visits to more than 165,000 families and was active in nearly half the country's municipalities. Another particularly successful and emblematic project in 2017 relates to our refugee activities in the Middle East. Our partners the International Rescue Committee and Sesame Workshop won a USD 100 million grant from the MacArthur Foundation. This will help them take lessons from early childhood pilot projects in refugee camps to scale.

Strategy execution is also the theme for Crecor, after the strategic review in 2014. New management at Crecor has been set clear targets to capture the value of existing investments. Given the early stage of many investments, and hence their illiquidity, this proves a challenging task. In 2017 a substantial sale of Secure Islands was successfully executed.

For the Van Leer Jerusalem Institute, 2017 was the first full year of execution of the new strategy under the leadership of Professor Shai Lavi. The institute will focus on selected themes to contribute research, ideas and debate to further the development of the humanities and democracy in Israel. Faster than anticipated, three new promising themes were developed, and some existing activities are being wound down as part of this transition process. The Van Leer Group Foundation wants to express its gratitude to Tom de Swaan, who chaired the Board of the Van Leer Jerusalem Institute for over ten years and stepped down at the end of 2017. Tom de Swaan fulfilled his role with great skill & motivation, and he has been honoured with an annual

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Tom de Swaan lecture at the VLJI. He was succeeded by Julia Neuberger, whom we wish every success in her new role.

In 2017 there were no changes in the composition of the Governing Council.

2017 was, therefore, primarily a year of execution of agreed strategies. This holds true for the Bernard van Leer Foundation, the Van Leer Jerusalem Institute and for Crecor.

However, in his Credo, our founder Oscar van Leer emphasised the importance of creativity in the organisation and its activities. This spirit of innovation, the value of ideas and the application of these ideas to improve society is, and will in coming years remain, a common thread throughout our activities. The successful execution of the current strategies will lead to new insights, and new ideas. And these will feed into new strategies in the future.

I wish to take this opportunity to thank my colleagues on the Governing Council, the Executive Directors of each organisation and their staff for their dedication to our goals and their creative responses to a changing environment.

Jacqueline Tammenoms Bakker, Chair

## Executive Director's report

### Background

The Van Leer Group Foundation's origins lie with Bernard van Leer, a Dutch industrialist and philanthropist. In 1919, he started a packaging company in the Netherlands that developed into a global leader in the packaging industry. Royal Packaging Industries provided him with the resources to pursue his philanthropic ideals: to use his wealth for the benefit of others. When he passed away in 1958, he had arranged that his business interests would continue to fuel his philanthropic activities. His wife Polly and their sons Wim and Oscar had already relinquished their inheritance rights and a humanitarian foundation had been established in 1949 in Lucerne, Switzerland. From these beginnings emerged the Bernard van Leer Foundation and the Van Leer Group Foundation in later years.

The Van Leer Group Foundation is a privately endowed charitable organisation established in 1979 by Oscar van Leer. It performs the holding function for all the Van Leer charitable activities and as such supervises its investment portfolio and the governance of its charitable activities. The Van Leer charitable activities are currently embodied in the Van Leer Group Foundation in The Hague, the Bernard van Leer Foundation in The Hague, the Van Leer Jerusalem Institute and the Jerusalem Film Center. Apart from an investment portfolio managed by three international asset managers, the Van Leer Group Foundation fully owns Crecor B.V., which is active as an Israeli venture capital company through its Dutch subsidiary Docor International B.V. as well as its Israeli subsidiary Docor International Management Ltd. in Tel Aviv.

In its articles of association, the Van Leer Group Foundation defines three statutory objectives. These are:

- To promote the optimum development of socially and economically disadvantaged children up to the age of 8, with the objective of developing their innate potential to the greatest extent possible.
- To contribute to the development and strengthening of a Jewish democratic national home in Israel committed to a free, equitable and just society for all its citizens; to contribute to the pursuit of regional peace, for the benefit and betterment of social cultural and individual lives in Israel.
- To promote and advance the continuity and the preservation of the identity of the Van Leer entity.

The first objective is implemented by the Bernard van Leer Foundation in The Hague. This foundation is funded by the Van Leer Group Foundation.

The second objective is served by all organisations, but in particular by the Van Leer Jerusalem Institute and the Jerusalem Film Center. The Van Leer Group Foundation provides a substantial part of the funding for these organisations.

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The third objective implies that the Van Leer Group Foundation is particularly responsible for ensuring that all organisations work together to further all objectives and for the way in which the legacy of the Van Leer family is translated into existing and new humanitarian ventures as well as income-generating activities. There is a personal union between the Van Leer Group Foundation Governing Council, the Bernard van Leer Foundation Board of Trustees and the Supervisory Board of Crecor B.V. The Board of Trustees of the Van Leer Jerusalem Institute currently has two representatives from the Van Leer Group Foundation Governing Council. Personal unions and frequent interaction between the Boards mentioned further facilitate the third objective.

The Van Leer Group Foundation does not donate any money to organisations other than the three organisations mentioned. It therefore has no donation policy and does not invite organisations to apply for grants or donations.

### **Financial information**

The financial strategy of the Foundation is formulated as follows:

*'To maintain or add to the purchasing power of the investment assets, measured in euros, and to provide a relatively predictable, stable and, in real terms, constant stream of income for annual charitable expenses by the Foundation.'*

The Foundation is always looking for new, unmet needs within its objectives, where the relatively limited means of the Foundation can make a material difference. This implies that program projects and grant recipients change over time, but the future unmet needs are as important as today's needs. The Foundation thus regards future generations of grant recipients equally important as the present generation. Since its aim, as indicated in the Articles of Association, is therefore to exist in perpetuity, the real value of the investment assets should, over the years, not be eroded by excessive pay-outs. In order to realise the above-mentioned strategy of at least maintaining the purchasing power of investments, the long-term investment total returns (net of investment management fees and other related costs) must at least equal the sum of the Foundation's annual expenditures (expected to average 4% of asset value over a long period of time) plus the rate of inflation. Therefore, the primary investment goal is to earn an average annual real total return of 4%, within acceptable limits of risk. The Foundation expects that this goal will not be realised every year but could be achieved in most five-year periods. On 31 December 2017 the value of the investment portfolio of the Van Leer Group Foundation amounted to EUR 727 million (2016: EUR 726 million).

The investment policy of the Foundation is implemented (with the exception of Crecor B.V.) by external fiduciary investment managers. Our model has some characteristics that are not common to most fiduciary management models. First of all, the Van Leer Group Foundation uses three fiduciary managers. Their mandates are the same. Furthermore, the quality of the managers is measured against a specific risk-return profile, and not benchmarked against a specific asset allocation. This allows the managers to adopt their own optimal asset allocation, both strategic and tactical. The transition towards this model started in 2013, was mostly executed in 2014, but continued into 2015 because of the illiquid nature of some of the assets to be transferred to the three managers. The private equity portfolio that existed in 2013 will not be transferred to the managers but will be run down over the coming years. Because the new model requires stronger oversight at the Executive Office, a dedicated Investment Manager was added to the staff of the Office in 2014. This brought the total headcount to 3.5 FTE, which has since been stable. The year 2017 was a year of consolidating the transition to this new investment structure. Reporting has been further improved, as was the transparency of the portfolio. A five-year review of the current policy is planned for 2018.

The total return on investments (net of all investment-related fees) in 2017 was 3.7%. This

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compared unfavourably to both our absolute return target of 5.3% (Dutch CPI plus 4%) and to the relevant market references. However, to assess the adequacy of an investment policy for the agreed upon pay-out for charitable activities (i.e. the sum of the Foundation's annual expenditures), it is important not to concentrate on the total return figure of one single year. Instead, it is important to look at total return figures over a longer period of time. For the Van Leer Group Foundation, this means looking at total return figures since 1996, the year that Royal Packaging Industries Van Leer went public and an objective value for our assets could be established. The average total return on the investment portfolio of the Van Leer Group Foundation since inception, i.e. 1996, has been 6.3% (at the end of 2016: 6.4%). After deduction of an average annual inflation figure over this period of 1.9% (Netherlands CPI) the annual real total return has been 4.4%. This annual real total return meets the long-term investment objectives.

The breakdown of the Foundation's expenditures over 2017 was:

|                                | <b>2017</b>   | 2016          |
|--------------------------------|---------------|---------------|
|                                | EUR000        | EUR000        |
| Bernard van Leer Foundation    | 18,554        | 18,799        |
| Van Leer Jerusalem Institute   | 5,794         | 4,308         |
| VLJI/Polonsky Academy Building | 0             | 0             |
| Jerusalem Film Center          | 814           | 761           |
| Incidental contributions       | 74            | 100           |
| <i>Total</i>                   | <i>25,236</i> | <i>23,968</i> |

The charitable spending pay-out in 2017 was 3.58% of the average assets over that year (2016: 3.40%). If the annual expenditures of the Van Leer Group Foundation itself are added, the overall total is EUR 26.474 million (2016: EUR 25.609 million). The actual total pay-out in 2017 was 3.75% of the average assets over that year (2016: 3.63%).

The Van Leer Group Foundation does not use derivatives or other complex financial instruments. Its investment managers may use them to a limited extent, as defined in the Investment and Spending Policy.

### **Developments 2017**

The year 2017 should be characterised as a year of consolidation and execution. Whereas crucial strategic decisions were taken with regard to the Bernard van Leer Foundation, the Van Leer Jerusalem Institute and Crecor in 2014-2016, 2017 saw a focus on the execution and implementation of the new strategic directions.

Regarding the Van Leer Jerusalem Institute, a clear direction towards the future has been defined for the Institute. In essence, the Institute is now more focused on a limited number of themes that are relevant to Israeli society. Within those themes the Institute, based on its existing academic strengths, will develop new ideas and will translate those ideas into a discourse in Israeli society. The "social impact of deep ideas" is the driving force behind the activities of the Institute. In late 2016 Professor Shai Lavi was appointed as the new Executive Director of the Institute. He leads the implementation of the new strategy. In 2017 he has restructured the organisation and created 3 new themes that will be further developed going forward. The Van Leer Group Foundation decided in November 2017 to provide an additional grant of ILS 5 million to the Van Leer Jerusalem Institute. This grant will cover the costs of the transition process towards the new strategy. The grant is expected to be disbursed between 2018 and 2021, and disbursements are linked to milestones in the transition process.

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In 2014 Crecor B.V. was evaluated. The focus is on realisation of exits and improvements in the rate of return by reduction in expenses and costs. The year 2017 did not produce substantial exits or positive portfolio valuations, thus negatively impacting the overall Van Leer portfolio.

At the Jerusalem Film Center a turnaround plan, financed by the Van Leer Group Foundation, was successfully implemented during 2014 and 2015. The Jerusalem Film Center, under its Director Noa Regev, has succeeded in ending 2016 and 2017 with a balanced budget and a rise in visitor numbers. The International Jerusalem Film Festival was successful and the crucial digitisation project of the unique, but ageing and vulnerable, Israeli Film Archive that is housed at the JFC is now well under way.

For the Bernard van Leer Foundation (BvLF), an important change was the design and approval of a new strategy, following the leadership transition in 2014-2015. The Executive Director, Michael Feigelson, has since focused the activities of BvLF on providing solutions that have the potential for impact at scale, that address multiple problems, and that receive insufficient attention from other funders. The Governing Council decided to allocate an additional sum of EUR 5 million in 2015 to facilitate the transition to the new strategy. This sum can be drawn by BvLF in the period 2016-2018. No money has been called by BvLF to date, but BvLF had committed approximately EUR 4.5 million by year-end 2017. The resulting cash outflows from BvLF are expected to lead to a call of these funds in 2018.

I urge you to read the annual reports of the Bernard van Leer Foundation, the Van Leer Jerusalem Institute and the Jerusalem Film Center, and to visit their websites for more information. The existence of the Van Leer Group Foundation is only justified by the wonderful activities undertaken by these organisations. Through their activities, the spirit of our founders lives on.

Governing Council as of 31 December 2017:

Yarom Ariav (Israel)  
 Wim Borgdorff (Netherlands)  
 Steven Kaempfer (Netherlands)  
 Jonathan Kestenbaum (United Kingdom)  
 Julia Neuberger (United Kingdom)  
 Robert Swaak (Netherlands)  
 Jacqueline Tammenoms Bakker (Netherlands), Chair  
 Sam Worthington (United States)

During 2017 there were no changes in the composition of the Governing Council of the Van Leer Group Foundation. The Van Leer Group Foundation remunerates the members of the Governing Council. One member has waived the right to remuneration. Members are reimbursed for travel and other related expenses. The Van Leer Group Foundation has no remuneration policy for its four staff members. Compensation is determined on a case by case basis, according to market conditions and job requirements.

Staff as of 31 December 2017:

Andre Betting, Executive Director  
 Bob Galesloot, Investment Manager  
 Tim Otto, Controller  
 Rick Venster, Staff Accountant

Andre Betting, Executive Director

**Balance sheet as at December 31, 2017**

(after appropriation of result)

|                                       | Note | 2017     |                 | 2016     |                 |
|---------------------------------------|------|----------|-----------------|----------|-----------------|
|                                       |      | EUR000   | EUR000          | EUR000   | EUR000          |
| <b>Investments</b>                    |      |          |                 |          |                 |
| Participating interests               | 1    |          | 36,561          |          | 43,968          |
| Financial investments                 | 2    |          | 690,638         |          | 682,362         |
|                                       |      |          | <u>727,199</u>  |          | <u>726,330</u>  |
| <b>Other assets and liabilities</b>   |      |          |                 |          |                 |
| Tangible fixed assets                 |      | 31       |                 | 40       |                 |
| Receivables                           | 3    | 101      |                 | 126      |                 |
| Cash and cash equivalents             | 4    | 20       |                 | 51       |                 |
| Current liabilities                   | 5    | (20,592) |                 | (19,476) |                 |
| <b>Net other assets/(liabilities)</b> |      |          | <u>(20,440)</u> |          | <u>(19,259)</u> |
| <b>Total assets less liabilities</b>  |      |          | <u>706,759</u>  |          | <u>707,071</u>  |
| <b>Capital and reserves</b>           |      |          |                 |          |                 |
| Capital                               | 6    |          | 2,268           |          | 2,268           |
| Reserve BvLF                          |      | 18,740   |                 | 18,554   |                 |
| Reserve VLJI                          |      | 4,417    |                 | 4,371    |                 |
| Reserve VLJI building                 |      | 2,127    |                 | 2,218    |                 |
| Reserve JFC                           |      | 786      |                 | 778      |                 |
| Reserve other contributions           |      | 40       |                 | 40       |                 |
| General reserve                       |      | 678,381  |                 | 678,842  |                 |
|                                       |      |          | <u>706,759</u>  |          | <u>707,071</u>  |
|                                       |      |          | <u>706,759</u>  |          | <u>707,071</u>  |

## Statement of comprehensive income and expenditure for the year 2017

|  | Note | 2017    |         | 2016    |         |
|--|------|---------|---------|---------|---------|
|  |      | EUR000  | EUR000  | EUR000  | EUR000  |
| <b>Income</b>  |      |         |         |         |         |
| Result from participating interests  | 1    | (8,278) |         | (8,965) |         |
| Income from financial investments  | 11   | 20,511  |         | 25,734  |         |
| (Un)realised differences in valuation of financial investments and exchange rate differences | 12   | 17,120  |         | 14,370  |         |
| Investment fees  | 13   | (3,190) |         | (2,651) |         |
|  |      |         | 26,163  |         | 28,488  |
| <b>Expenditure</b>   |      |         |         |         |         |
| General and administrative expenses  | 14   | (934)   |         | (1,365) |         |
| Remuneration and expenses Governing Council members  | 15   | (305)   |         | (280)   |         |
|  |      |         | (1,239) |         | (1,645) |
| <b>Net result</b>  |      |         | 24,924  |         | 26,843  |
| <b>Direct capital movements</b>  |      |         |         |         |         |
| Contributions BvLF   | 6    | 18,554  |         | 18,799  |         |
| Contributions VLJI   | 6    | 5,794   |         | 4,308   |         |
| Contribution VLJI/Polonsky building Contributions  | 6    | 0       |         | 0       |         |
| Jerusalem Film Center  | 6    | 814     |         | 761     |         |
| Other contributions  | 6    | 74      |         | 100     |         |
|  |      |         | 25,236  |         | 23,968  |
| <b>Total result of the Foundation</b>  |      |         | (312)   |         | 2,875   |