

# Vopak Executive Board Remuneration Policy

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## REMUNERATION OBJECTIVES AND PRINCIPLES

The Executive Board remuneration policy of Koninklijke Vopak N.V. (Vopak) supports the company's purpose of storing vital products with care. In its day-to-day operations, care for people's safety and health and for the environment are the company's first and foremost priority. Therefore, the policy links the Executive Board remuneration to the company's safety performance, with short-term incentive targets on both people safety and process safety. Targets on EBIT, cost-effectiveness and customer satisfaction are also included in the short-term incentives, as they measure the company's success in creating value today for its stakeholders. At the same time, the EB needs to ensure that the company stays relevant to the market and the society at large by facilitating flows of products that are vital to people in their daily lives, today and in the future. Therefore, the policy links the long-term rewards to the EB's performance on steering the company in the agreed strategic direction and creating value for its stakeholders.

The policy reflects the Vopak Values. Care for Health, Safety and Environment, as well as Agility, are promoted in particular via the Executive Board variable remuneration plans and related Key Performance Indicators ('KPIs') and targets. The policy also fosters the values of Integrity, Commitment and Team Spirit -- the latter in the interactions of Executive Board members both with each other and with other Vopak staff, as well as partners, customers, shareholders and other stakeholders. By rewarding Executive Board members for the achievement of specific objectives of short-term and longer-term value creation, this policy ensures alignment with the company's shareholders', employees and other stakeholders' interests.

The Executive Board remuneration policy aims to attract and retain Executive Board members with the right level of experience and competencies to drive the achievement of the company's purpose and strategic objectives. It provides for remuneration packages that consist of a balanced mix of fixed and variable compensation, with remuneration levels that are in line with the relevant level playing field. Also, the Executive Board remuneration policy is aligned with those of Vopak senior executives.

Vopak's remuneration policies for all staff, including the Executive Board, are designed to balance the following remuneration principles:

### External competitiveness

The Remuneration Committee is informed by external advisors about the total remuneration levels of similar board memberships and other positions in relevant markets on a regular basis. The Remuneration Committee uses various benchmarks to arrive at an informed position. Medium size and large Dutch stock-listed companies included in the AEX<sup>1</sup> and AMX<sup>2</sup>, and the Dutch market in general, as well as selected European peers<sup>3</sup>, are considered most relevant.

The Supervisory Board takes into consideration factors like the size of the company, global presence, nature and complexity of the business, and Board exposure. A longer-term stable position around market median is aimed for.

### Internal consistency

Equally, the Remuneration Committee values internal consistency. Executive Board remuneration is aligned with the remuneration of senior executives by using the same job evaluation methodology. Alignment between the remuneration packages for the Executive Board members and senior executives is also ensured through a similar design in the remuneration policies, plans and components.

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<sup>1</sup> On 1 January 2020, the AEX consists of the following companies: Aalberts, ABN AMRO, Adyen, Aegon, Ahold Delhaize, Akzo Nobel, ArcelorMittal, ASML, ASR, DSM, Galapagos, Heineken, IMCD, ING Group, KPN, Nationale Nederlanden, Philips, Prosus, Randstad, RELX, Royal Dutch Shell, Unibail-Rodamco-Westfield, Unilever, Vopak, and Wolters Kluwer.

<sup>2</sup> On 1 January 2020, the AMX consists of the following companies: Air France-KLM, Altice, AMG, Aperam, Arcadis, ASM International, BAM, Basic-Fit, BE Semiconductor, Boskalis, Corbion, Eurocommercial Properties, Flow Traders, Fugro, GrandVision, Intertrust, OCI, PostNL, SBM Offshore, Signify, TKH Group, TomTom, WDP, and Wereldhave.

<sup>3</sup> On 1 January 2020, the group of European peers consists of Akzo Nobel, Borealis, Boskalis, Clariant, Covestro, DSM, Enagas, Linde, OMV, and SBM Offshore.

## Strategic alignment

The policy aims for a balance between fixed and (short-term and long-term) variable compensation, with a relative emphasis on long-term variable compensation. This emphasis is aligned with the company's longer-term strategy, which requires multi-year decisions on and realization of major capital investments in assets and often longer-term customer and partner contracts.

In addition, the KPIs in the Executive Board variable compensation plans are selected to motivate them to steer the company's strategy execution in the short and longer term.

## Pay for performance

As a reflection of Vopak's performance culture, the short-term and long-term variable compensation plans for the Executive Board, senior executives and other key staff are incentive-driven rather than reward-based. Under these plans, non-performance is not rewarded (nor through other remuneration components).

## POLICY REVIEW

The Executive Board remuneration policy will be evaluated by the Supervisory Board on a regular basis and at least once every four years. In that, the Supervisory Board will be advised by the Remuneration Committee.

The Supervisory Board reviewed the policy at the end of 2019 and the following amendments have been made compared to the 2019 policy:

- The KPI Cost as used in Vopak's Short-term Incentive Plan for Executive Board members, is measured on a sliding scale ranging from a minimum target level which has to be reached before any payout occurs (= threshold) to a maximum target level which results in a maximum payout, if this level is met or exceeded. This is a change from the Meet/ Not Meet approach on the basis of which this KPI was measured under the 2018 and 2019 Short-term Incentive Plan, with a corresponding payout at maximum, if the target was achieved.
- The LTSP at-target opportunity is increased from 100% to 110% for the CEO, and from 80% to 90% for the CFO and COO, in order to maintain overall market competitiveness on a total compensation level.

## Stakeholder engagement

In the past years, proposals for Vopak's Executive Board remuneration policy and any changes thereto have consistently been adopted by the General Meeting with approval rates exceeding 95%.

Customers, suppliers, business partners, authorities and employees are among others important stakeholder groups with whom Vopak is in continuous contact. Every two to three years, Vopak asks a broad group of internal and external stakeholders directly about the key sustainability topics that they want us to address. The most recent materiality survey, which includes feedback on remuneration within Vopak, was conducted in 2019. In addition, Vopak highly values the employee and customer satisfaction surveys as a tool to verify the implementation of earlier suggestions, comments and recommendations, as well as to gather additional feedback and identify new topics.

Feedback received from stakeholders, such as investors and other shareholders, the works council of Koninklijke Vopak N.V., employees and customers and additional desk research shows that remuneration is ranked as important, yet not requiring continuous monitoring, or being a key topic of concern. Together with the approval rates of the Executive Board Remuneration policy and any changes thereto at earlier Annual General Meetings, this has strengthened the Supervisory Board's opinion to keep this policy materially unaltered.

## EXECUTIVE BOARD REMUNERATION - COMPONENTS

Annually, the Remuneration Committee reviews the Executive Board total remuneration levels, as well as each remuneration component of their package, such on behalf of the Supervisory Board. In doing so, the Remuneration Committee takes the earlier stated remuneration objectives and principles into account.

The remuneration package of individual Executive Board members comprises of the following main elements:

1. Annual base salary;
2. Short-term variable compensation: an annual cash-based incentive opportunity related to the achievement on financial and non-financial targets for the respective financial (performance) year;
3. Long-term variable compensation: a share-based incentive opportunity related to the achievement of financial and strategic targets during a three-year performance period;
4. Pension arrangement.

Additionally, benefits and other emoluments are provided for in line with the Vopak Netherlands policies, plans and arrangements which apply to all Vopak staff in the Netherlands.

### Annual base salary

Upon review, the annual base salary levels of the Executive Board are based on the external and internal consistency considerations as described in the section 'Remuneration objectives and principles' of this policy.

### Variable compensation

Executive Board members are eligible for both a short-term and a long-term incentive opportunity. The Executive Board Short-term incentive plan (STIP) and the Long-term share plan (LTSP) are 100% performance-driven and forward-looking. No guaranteed variable pay is offered. In determining (the changes to) the design of the variable compensation plans, scenarios on possible outcomes and consequences of these outcomes on the total remuneration levels are analyzed and taken into consideration.

The Supervisory Board sets the targets for each of the STIP and LTSP key performance indicators (KPIs) for the Executive Board at the beginning of the performance period of each plan.

The pay-out opportunities for individual Executive Board members under these plans are outlined in the table below.

Variable compensation plan	Type of incentive	Performance result	Incentive opportunity as a % of annual base salary		
			CEO	CFO	COO
Short-term incentive plan (STIP)	Cash	Maximum	90%	75%	75%
		Target	60%	50%	50%
		Minimum (= threshold)	15%	12.5%	12.5%
		Below threshold	0%	0%	0%
Long-term share plan (LTSP) <sup>1</sup>	Performance shares	Maximum	165%	135%	135%
		Target	110%	90%	90%
		Minimum (= threshold)	55%	45%	45%
		Below threshold	0%	0%	0%
Target total variable compensation opportunity as a proportion of Target Total Direct Compensation <sup>2</sup> (%)			63%	58.33%	58.33%

<sup>1</sup> Awards as a % of annual base salary at January 1 of the first year of the applicable performance period.

<sup>2</sup> Target Total Direct Compensation = annual base salary + the target short-term incentive and the target long-term incentive.

The Supervisory Board has the discretionary authority to adjust the payout of the STIP as well as the number of performance shares that will vest under the LTSP, if the Supervisory Board is of the opinion that such adjustment(s) would produce a fairer reflection of the performance of Vopak and/ or of the individual members of the Executive Board. Upward or downward adjustment(s) may be made within the limits of the policy.

All performance-based incentive plans are subject to 'claw-back' provisions which may apply in the event that the company would be obliged to make a financial restatement. The Supervisory Board may decide to apply these claw-back provisions up to three years after the respective variable compensation was paid out/ vested.

A 'change in control' provision is incorporated in plan rules of the LTSP.

### **SHORT-TERM INCENTIVE PLAN (STIP)**

Executive Board members are eligible for a Short-term Incentive Plan (STIP) which incentivizes achievements of Vopak as well as the performance of the Executive Board, such to be realized in the performance year at hand. A mix of financial KPIs, which are an indicator of the financial soundness of the company, and non-financial KPIs, which reflect the company's frontline execution and are enablers of future growth, are selected. The STIP rewards the Executive Board if ambitious financial and non-financial targets are met. Currently, the KPIs for the Executive Board STIP are as follows:

- **Profitability (EBIT):** EBIT is defined as Net income, before income taxes, and before net finance costs. This performance indicator is used by the company to evaluate the financial performance of its operating entities. Targets are set with a clear focus on sustainable EBIT improvements.
- **Efficiency (Cost):** An ambitious cost efficiency program runs throughout the entire company. This performance indicator is used by the company in order to create and maintain cost awareness to ensure productivity improvements.
- **Frontline execution (Safety):** Vopak's 'License to Operate' and its 'License to Grow' are conditional upon its ability to operate with care for safety, health and the environment. Our ambition is to be the sustainability leader in our industry and to be as good as the safest and most sustainable of our customers. Safety is measured by means of 2 equally weighted quantitative performance criteria: Process Safety Event Rate (PSER) and Total Injury Rate (TIR). Process safety and the occupational health and safety of employees and contractors are the company's top priorities. The long-term aim is zero incidents and no serious harm to anybody working at a Vopak facility. Note that the pay-out on TIR will be reduced to 50%, in case of one fatal incident, and to zero in case of two or more fatal incidents during the performance year.
- **Frontline execution (Customer Service):** Vopak focuses on driving service performance to the next level in order to achieve its commercial and customer satisfaction ambitions. The realization of our Customer Satisfaction goals are directed by ambitious, quantitative Net Promoter Scores.
- **Growth (EB Effectiveness):** EB Effectiveness is a qualitative performance indicator, whereby the Supervisory Board assesses how well the Executive Board has implemented and realized the Board agenda for the financial year at hand. In that, both individual performance as well as the Executive Board's performance as a team are taken into account.

For the Executive Board, targets for each of the financial and non-financial KPIs are set at the level of Vopak as a whole. Financial KPIs are measured on a sliding scale ranging from a minimum target level which has to be met before any payout occurs (= threshold) to a maximum target level which results in a maximum payout if this level is met or exceeded. Target realization for the non-financial Vopak KPIs in the STIP is on a 'Meet – Not Meet' basis, i.e. no payout occurs in case performance is below target levels.

The table below is a graphic display of the Executive Board STIP design, including the KPI's and their weights:

KPIs in the STIP and their weights					
Strategy theme	KPI	Nature	Threshold	Target	Max
Profitability	EBIT	Financial	15%	30%	60%
Efficiency	Cost		10%	20%	40%
Frontline execution	Safety	Non-Financial		15%	
	Customer Service			15%	
Growth	EB Effectiveness			20%	
<b>Total</b>			<b>25%</b>	<b>100%</b>	<b>150%</b>

### LONG-TERM SHARE PLAN (LTSP)

The Long-term Share Plan (LTSP) rewards the Executive Board for the profitable growth of the company during a three-year period. The LTSP is intended to align the longer-term interests' of the Executive Board and other senior executives with the longer-term interests of investors and other shareholders, as well as serve as a retention tool for this group of staff.

The table below is a graphic display of the LTSPs that are awarded conditionally and their scheduled vesting in the period 2020 – 2023. The performance period of each LTSP is marked green. LTSP awards from earlier years which are scheduled to vest in the period 2020 – 2023 are also shown.

LTSP plan	Plan period and years of award and vesting									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
LTSP 2017 - 2019	conditional award			vesting						
LTSP 2018 - 2020		conditional award			vesting					
LTSP 2019 - 2021			conditional award			vesting				
LTSP 2020 - 2022				conditional award			vesting			
LTSP 2021 - 2023					conditional award			vesting		
LTSP 2022 - 2024						conditional award			vesting	
LTSP 2023 - 2025							conditional award			vesting

The design of the LTSP is as follows:

- **KPIs:** Two KPIs are used, Earnings per Share (EPS), and Strategic Direction.
  - **EPS** is used as the main economic indicator for shareholder value creation. Actual EPS realization during the performance period is measured against pre-set targets derived from the company's longer-term planning.
  - **Strategic Direction** is used to focus on the company's longer-term value creation, including sustainability. Realization of the company's strategic agenda during the performance period is rewarded, in particular the strategic shift in the company's asset portfolio, the transition to global, standardized and digitized systems and processes, and the company's sustainability ambitions, which the Executive Board and Supervisory Board have set out to achieve for the next years. The Supervisory Board, upon recommendation of the Remuneration Committee, will assess the progress made in the realization of the company's strategic agenda at the end of each year during the performance period; a final assessment will be made at the end of year 3. For this, it will take into account both quantitative and qualitative achievements.
- **Weights:** EPS and Strategic Direction are weighted equally, i.e. 50% - 50%.

- **Performance period:** three years, from 1 January of the year in which the conditional award is made (= year 1) until 31 December of year 3.
- **Vesting:** Vesting takes place at the date of the first Annual General Meeting held after the end of the performance period, such subject to the satisfaction of the performance and other conditions and approval of the General Meeting. Any vesting will be in Vopak shares.

### Share ownership

The CEO is required to keep a portfolio of Vopak shares to the value of two years annual base salary. For the CFO and COO, this requirement is to keep a portfolio of Vopak shares to the value of one year annual base salary. Similar shareholding requirements are in place for senior executives. New Board members are to accrue their required shareholding over time by way of vesting of the LTSP awards.

Executive Board members may choose to sell the performance shares they receive as a result of vesting under the company's LTSP plans (if any), in accordance with the company's insider trading rules. After such sale, the value of their portfolio of performance shares will still need to meet the applicable shareholding requirement.

### Other compensation

For Executive Board members who are recruited externally, the Supervisory Board may decide to provide additional one-off remuneration in the form of a sign-on bonus and/or a buy-out arrangement (to compensate for any variable compensation forfeited as a result of joining Vopak), if the Supervisory Board would deem this fair and appropriate and in line with established market practices. In addition, if such Executive Board members would come from abroad, they may be eligible for expatriate benefits in cash or in kind, including tax assistance, depending on their personal circumstances and in line with the Vopak Global Mobility policies applicable to all Vopak staff.

### Benefits and other emoluments

Executive Board members are entitled to certain company benefits and emoluments per the policies, plans and arrangements for all Vopak non-CLA staff in the Netherlands. Certain emoluments are subject to personal choice. Of these the Vopak pension plan is most notable.

#### EXECUTIVE BOARD PENSION ARRANGEMENTS

Vopak's Executive Board members participate in the same company pension plan as other staff employed by Vopak in the Netherlands. As of January 1, 2018, this plan is a defined contribution plan funded by contributions from both Vopak and participants. The retirement age under the Vopak pension plan has been set at age 68 and includes various early retirement options on a cost neutral basis. In the calculation of the pensionable base salary, an offset for state pension entitlements, and a part of the actual annual bonus paid out in the year at hand under the Short-Term Incentive Plan (STIP), such to a maximum of 15% of the pensionable base salary, are included. With regard to death and disability, risk insurances apply. The pension plan includes three contribution arrangements, dependent on annual pensionable salary levels:

- Basic arrangement for that part of the annual pensionable salary up to EUR 59,545 (2020).
- Surplus arrangement for that part of the annual pensionable salary from EUR 59,545 up to EUR 110,111 (2020).
- Net Surplus arrangement for that part of the annual pensionable salary above EUR 110,111 (2020). Due to Dutch fiscal regulations, the employer contributions to this arrangement are made to participants in the form of gross cash compensation subject to tax withholdings, which can be used to fund a voluntary net defined contribution plan.
- The caps in these three arrangements are set by the Board of the Vopak Pension Plan, and are largely driven by fiscal considerations as offered by the Dutch tax authorities. They apply to all participants in the Vopak NL Pension Plan, including to Executive Board members. Any changes in these caps are not subject to further approval of the General Meeting.



Executive Board members who are appointed as Executive Board member after 1 January 2015, a 4% employee contribution is withheld from their gross salary, such in line with all Vopak employees in the Netherlands. For Executive Board members who were in service prior to 1 January 2015, the difference between the Vopak contributions to the current pension plan and to the Executive Board pension arrangement in place prior to 1 January 2015, is compensated for by a separate gross pension contribution allowance paid out to the individual (subject to tax withholdings).

In line with all Vopak employees in the Netherlands, Executive Board members who were employees of the company prior to 1 January 2006, and Executive Board members who are appointed as Executive Board member after 1 January 2015, are eligible for a gross cash allowance of 1.5% of their annual base salary (subject to tax withholdings), which replaces the company contributions to earlier pre-pension arrangements abolished in 2006.

## **APPOINTMENT AND TERMINATION**

Executive Board appointments and severance pay are governed by Dutch employment law and aligned with the current Dutch Corporate Governance Code.

## **OTHER**

The company will provide the necessary business means to Executive Board members as required for the execution of their role and responsibilities. Their use is for business purposes only, and is subject to the general policies as applicable to all staff, which among others restricts the use of these means for private purposes, where applicable.

Reasonable expenses will only be reimbursed to individual Executive Board members, if these are incurred in the course of performing their duties; approval of such business expenses is per the Vopak policies and procedures for such expenses.

The company will not provide any personal loan, advance or guarantee to Executive Board members.

## **GOVERNANCE**

The Executive Board remuneration policy and actual remuneration to individual Executive Board members are set by the Supervisory Board, based on proposals of the Remuneration Committee which is supported by internal and external independent specialists. Decisions are made in the absence of the Executive Board. In case of revisions, the policy is put forward to the General Meeting for approval. If the policy remains unaltered during a period of four years from the last change, it will again be put forward to the General Meeting for confirmation of approval. The Supervisory Board considers the design of this remuneration policy in line with the company's purpose, business strategy and business environment, applicable laws and regulations, as well as the views of its stakeholders and society at large.

Changes in the Vopak Netherlands benefits and emoluments policies, plans and/ or arrangements applicable to all Vopak non-CLA staff, and for which Executive Board members are also eligible, follow the regular legal and company governance processes for such changes. In case a change in any of these policies, plans and/ or arrangements would affect the entitlements of Executive Board members under these policies, such changes are not subject to the approval of the General Meeting.

The Supervisory Board ensures transparency by disclosing the Executive Board remuneration policy on the company's website. In the Remuneration Report section of the company's Annual Report, the application of the policy in the financial year at hand is set out in detail. For further information on governance please refer to section Corporate Governance of the Annual Report of the financial year concerned.