



Risk management & internal control

Vopak Control Framework – Risk Management and Internal Control Components

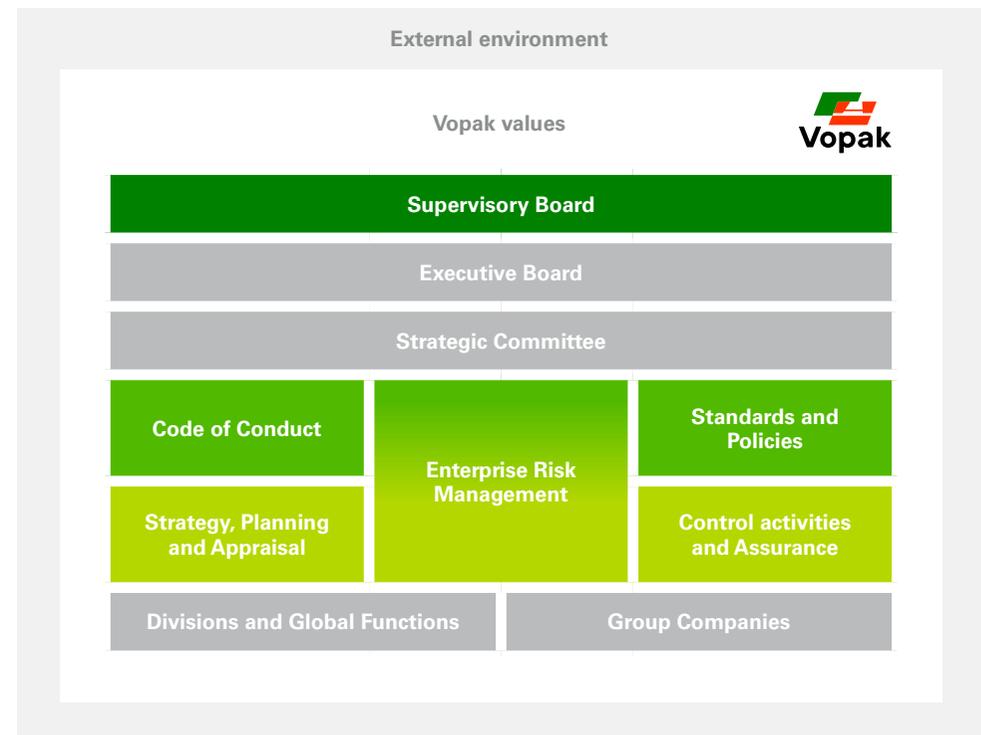
Risk Management and internal control activities are at the core of the Vopak Control Framework. This framework is applied at all layers and locations within the Group. These principles are also applied at the joint ventures and associates of the Group.

Risk Management and Internal Control

The Executive Board, under the supervision of the Supervisory Board, bears the responsibility for identifying and managing the risks associated with the company's strategy and activities. The Executive Board is assisted in carrying out these responsibilities by senior management across the business in managing (line management), monitoring (Divisions and Global Functions), advising (Risk Committee and Compliance Committee) and assurance (Global Internal Audit) activities.

Vopak applies the principles of the COSO Integrated framework – Internal Control and Risk Management – resulting in an integrated cohesive approach starting with determining Vopak's risk appetite, identifying the key risks that may prevent the Group from achieving the strategic objectives and then and how the identified risks are to be managed through internal controls.

Vopak Control Framework



- The foundation elements of the Vopak control framework define the principles that underpin the Vopak Group's activities.
- The management processes define activities critical to an effective control framework.
- The organization component defines how divisions and global functions organize and manage their activities and how the various operating companies involved relate to each other.



A cohesive approach: Managing risks and internal control



Enterprise Risk Management

Our Enterprise Risk Management (ERM) Framework, which is based on the principles of the 'COSO Enterprise Risk Management — Integrated Framework', is embedded within the quarterly functional performance reviews, the divisional performance reviews and the mandatory Enterprise Risk Management (ERM) reporting which takes place on a biannual basis.



Vopak's Risk Management Framework



Vopak's ERM process is guided and overseen by a global Risk Committee. The ERM process is aimed at ensuring the timely identification and mitigation of risks and risk trends while at the same monitoring that the Group remains within the defined risk appetite. It requires all operating companies to assess and report their principal risks, the likelihood, financial impact and the mitigating actions in place plus an assessment of the effectiveness of these actions. Divisions review, discuss, supplement and report on these risks as the basis for the biannual discussions between Division Management and representatives of the Risk Committee. A dialogue also takes place with Global Directors and other members of senior management and the outcome of the process is discussed by the full Risk Committee. The in-depth dialogue with the Executive Board concludes the process prior to sharing and discussion with the Audit Committee and the Supervisory Board.

Confirmation of the process is provided through the work of Global Internal Audit, which ensures that operating companies have a robust ERM process at the local level and that the Control Risk Self-Assessments (CRSAs) are providing a true and fair view. The Executive Board accordingly considers the ERM process to be effective.

Risk-reward appetite

The applicable risk-reward appetite for each risk category (in accordance with the COSO) framework is defined by the Executive Board. It guides decisions on the types and amount of risk the Group is willing to accept in order to meet its strategic objectives, while ensuring compliance with laws and regulations. Our risk-reward appetite throughout 2021 remained unchanged compared to prior year.



Risk Category (COSO)	Strategic themes	Vopak's risk-reward appetite	Very low	Low	Moderate	High	Very high
Strategic risks	<ul style="list-style-type: none"> Leading assets in leading locations 	Dependent on the fit-for-purpose value creation opportunities and the corresponding future incremental expansion and growth options, the company evaluates the entrepreneurial risk-return profiles on an individual merit basis by consistently applying different metrics for different purposes					
Operational risks	<ul style="list-style-type: none"> Operational leadership Service leadership Technology leadership People leadership 	Safety and sustainability					
		Other areas/topics with alignment of targets and related cost, and a clear focus on sustainable EBIT growth.					
Legal and Compliance risks	<ul style="list-style-type: none"> Operational leadership People leadership 	The objective is to ensure full compliance with legal and regulatory environments.					
Financial and reporting risks		Aligned with the long-term nature of the business, the company wants to ensure a robust financing position and solid cash flow performance. Furthermore, the objective is to ensure full compliance with financial and non-financial reporting laws and regulations.					

Our principal risks and uncertainties and how we mitigate these General

The principal risks that could prevent Vopak from achieving its strategic objectives are described in the table below, together with their mitigating actions applied. When identifying our principal risks, we also take into account the industry-related trends that could lead to future opportunities and uncertainties as described in the chapter 'Storing vital products with care' of this Annual Report. Fourteen principal risks are reported.

The nature of Vopak's business model is long term, resulting in many risks being enduring in nature. Nonetheless, risks may develop and evolve over time due to internal and external developments. The risk overview should be read carefully when making an assessment of the company's business model, its historical and potential future performance, and the forward-looking statements contained in this Annual Report. Although the risk management process followed is considered to be effective, there is no absolute certainty that the mitigating actions with respect to the principal risks will be effective or that other risks may be prevented from occurring.

Covid-19 impact on our principal risks:

Whilst our principal risks have not changed as compared to those disclosed within the 2020 Annual Report, the pandemic spread of Covid-19 has impacted the company in many ways. The pandemic has led to higher levels of uncertainty in areas that were already addressed by our principal risks.

Since the start of the pandemic the company has monitored the latest developments closely. Scenario based contingency plans and other mitigating actions were prepared and were ready to be put in place when needed. To date, we have observed a limited impact on our operations. All our terminals are operational and there have been no significant disruptions to business continuity, notwithstanding the soft markets that characterized the years 2020-21.

Risk developments

Increasingly a number of principal risks mutually influence and potentially strengthen each other. Although the speed of change is uncertain and may differ from region to region, it is imminent that the global energy market is transitioning

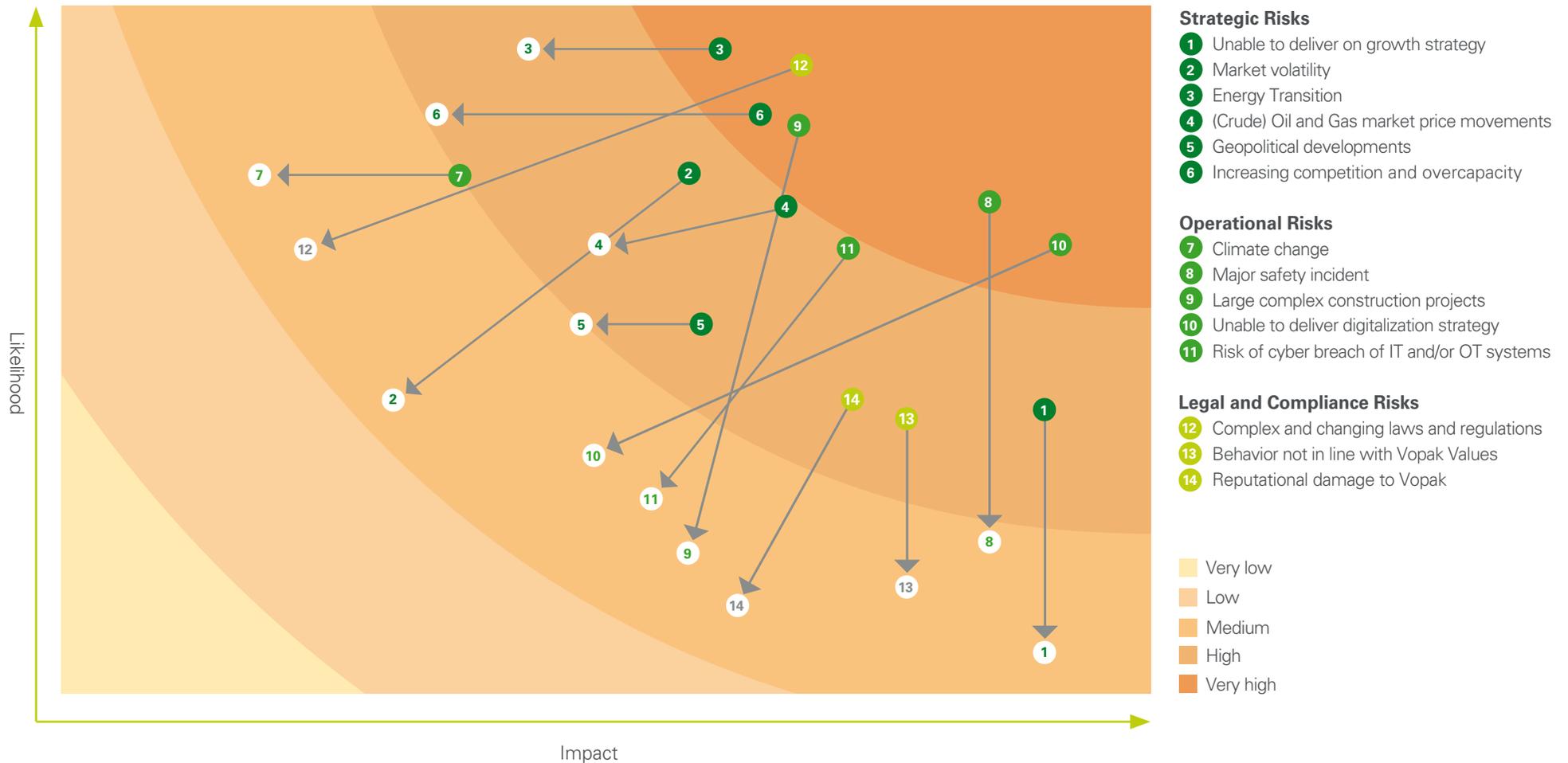


(principle risk #3). This also has an impact on market volatility (principal risk #2), representing both risks and opportunities to Vopak. Similarly it impacts price developments in the oil and gas markets (principal risk #4). This combination of factors, including increasing competition and overcapacity (principal risk #6) may pose risks to Vopak’s ability to successfully execute its growth strategy (principal risk #1), but it also presents new and potentially sizable avenues for growth.

Also, the frequency of cyber attacks and ransom demands (principal risk #11) is clearly on the rise. Vopak is actively mitigating these cyber security risks, amongst others through a comprehensive IT/OT security program, effectively reducing the residual risk.

The risk matrix and table below provides an overview of the principal risks of the company and management’s current view of the effects of mitigating actions in place:

From Inherent Risks to Residual Risks





Strategic risks

Risk	Risk description	Risk Horizon	Risk appetite	Mitigating actions	Development
1	<p>Unable to deliver on our growth strategy</p> <p>Achieving our strategic goals could be prevented by:</p> <ul style="list-style-type: none"> Not being able to find the right locations and right partners. Not having the right skills and capabilities to enable successful business development execution given the complexities involved. Estimated Project returns not meeting risk/return requirements. Not being able to successfully convert existing terminals to meet customer demands due to changing product flows. Projects being delayed or demand for storage and handling services decreasing due to the negative effects that the Covid-19 pandemic may have on the business of our customers. PT2SB. In March 2020 a fire incident took place in the adjacent RAPID facility, leading to a subsequent closure of the facility. One of PT2SB's anchor customers has since been out of operation, while plans to restart the refinery have repeatedly been delayed, most recently due to technical issues in the hydrogen production units. The prolonged refinery closure may impact PT2SB's financial performance in 2022. Mitigating the situation is a priority for PT2SB and its shareholders. 	Medium to long term	Low to high	<p>Clear growth strategy in place; fully understood by all relevant staff; Project evaluation criteria on a merit-by-merit basis, ensuring we have the right staff at the right location</p> <ul style="list-style-type: none"> Dedicated Divisional Business Development Teams supported by the Global Commercial and Business Development. Growth Funnel Execution Focus Dedicated team of central commercial analysts monitoring market developments among others in connection with the energy transition Relationship programs with customers, port authorities and other potential partners for growth projects. Instilling the Founder's Mentality in our culture, among others via the LEAD program for senior management. Applying a multi-dimensional and disciplined Risk/return approach to growth opportunities. 	➔
2	<p>Market volatility resulting in changing product flows with, in some circumstances, unprecedented speed of market change</p> <p>Changing industry market dynamics leading to structural changes in product flows and increased volatility which are not adequately addressed timely by the company.</p>	Short, medium to long term	Low to high	<p>Successful execution of our strategy, while maintaining a diversified global terminal network based on clear strategic criteria for certain product/ market combinations</p> <p>Continuous in-depth analyses of scenarios and global trends by Global Commercial & Business Development in conjunction with Divisions and Local teams with the objective that the company is able to timely identify changing market developments and respond accordingly. Updating our terminal portfolio based on the strategic criteria, shifting our portfolio further towards industrial terminals, chemicals, LNG, LPG and chemical gasses.</p>	➔
3	<p>Energy Transition brings both opportunities and uncertainties</p> <p>The speed and precise direction of the energy transition is not fully known. At the same time, it is observed that the Covid-19 pandemic appears to accelerate the energy transition. Nevertheless, it is clear that this development impacts global products flows:</p> <ul style="list-style-type: none"> Increased environmental legislation leading to higher capital expenditure levels (e.g.: improved vapor recovering treatment systems) and changing operating requirements. Environment-induced regulations also create opportunities (Europe: IMO 2020) with the need for further segregation of products considered to increase in storage tank demand. Demand for oil-based fuels decreasing in specific regions due to lower economic growth, electrification of vehicles, changes in oil-based fuels (diesel v gasoline) and more fuel-efficient cars. This may result in assets that service certain fuel types becoming obsolete. Increasing overall negative sentiment towards fossil fuel usage. This can for example have a negative impact on recruitment possibilities as potential employees inappropriately consider the company a pure fossil fuel player. 	Medium to long term	Low (legislation and infrastructure protection) to High (opportunities and adapting to changing market needs)	<p>Strategic assessment program takes into account the long-term impact of the energy transition</p> <p>Dedicated focus in considering potential energy market transition impacts and opportunities. Active role in developments demonstrating commitment to opportunities that the energy transition could bring:</p> <ul style="list-style-type: none"> Emphasizing the company as logistics service provider of vital products for end consumer use demonstrating a broad product base. Setting up a new global New Energies unit ensuring focus on technology and business development in the field of other vital products such as renewable energies. Continuous assessment of the impact on Vopak and the oil and gas industry of agreements and directions per United Nations Global Climate Change Conference (latest being COP26) and development of other international and national agreements Sustainability being an integral part of the management agenda. <p>Effective monitoring of:</p> <ul style="list-style-type: none"> Existing and changing compliance requirements in place and follow up of requirements as necessary. Longer-term expected changes in demand for certain product types in order to adjust the asset base in a timely manner (e.g. conversions, divestments, demolitions) to successfully adapt to these expected changes. 	⬆



Risk	Risk description	Risk Horizon	Risk appetite	Mitigating actions	Development
4	<p>Exposure to (crude) oil and gas market price developments leading to risks and opportunities</p> <p>Fluctuating movements in (crude) oil and gas market pricing has consequences for our customers putting pressure on the value chain although this can offer storage opportunities in the short term. Differences per region are observed.</p>	Short to medium term	Low - high	<p>Continued focused strategy execution</p> <p>Providing storage and handling services for structural product flows; limiting exposure to potentially more volatile trading markets. In addition, having a well-diversified global terminal network supporting different market/product combinations.</p>	
5	<p>Geopolitical developments, unpredictable by nature, continue to present challenges to our business going forward in both emerging and non-emerging markets</p> <p>Geopolitical developments such as trade sanctions and renegotiation of trade agreements can lead to unexpected and significant changes in product flows. In addition, changes in governments can lead to uncertainty of the Government's stance towards energy programs.</p>	Medium to long term	Low - medium	<p>The well-diversified global terminal network of Vopak supports different market/product combinations, reducing dependency of locations and products</p> <p>In seeking growth opportunities, Vopak avoids business development projects in countries with an undue high geopolitical risk profile unless the risk can be mitigated or is compensated by higher returns. Developments are continuously monitored – including impact assessments by a combination of local management, Division and Global.</p> <p>The diversified terminal portfolio of the Group ensures that adverse geopolitical developments in a specific region has a significant undue effect.</p>	
6	<p>Increasing competition and overcapacity can affect our market position and earnings potential</p> <p>Increased storage capacity constructed by existing and new competitors, which increases competition, together with the potential future effects of the energy transition, puts pressure on our occupancy rates, pricing and contract durations. The extent varies per location and terminal type.</p>	Medium to long term	Low - medium	<p>Service Leadership and Operational Leadership are cornerstones of our competitive position</p> <p>Service improvement objectives and optimisation of assets are key elements of our strategy to at least maintain our competitive position in each market in which we operate.</p> <p>Good insight into existing markets combined with local entrepreneurship which ensure that we capture business development opportunities before the competition does. Leadership programs for senior management aimed at harnessing a better competitive position and improving our way of doing business.</p> <p>Increasing digitisation (MOVES) moving to real-time data to improve service performance and cost efficiency. Dedicated programs to invest in innovation and new technologies will further improve Vopak's service offering and reduce costs.</p>	



Operational risks

Risk	Risk description	Risk Horizon	Risk appetite	Mitigating actions	Development
7	<p>Climate Change: a global issue presenting both risks and opportunities for Vopak</p> <p>Climate Change consists of various segments of risks to which Vopak is (potentially) exposed. These segments could briefly be categorized in physical risks (chronic risks and extreme weather events), market risks (changing market dynamics, product- and technological developments) and policy developments (legislation, reputation).</p>	Medium to long term	Low to high	<p>Vopak has embraced and embedded the TCFD framework in its process to create awareness and assess exposures and developments</p> <p>The process is guided by a multidisciplinary team and resulted in a risk and opportunity assessment, based on IPCC and IEA scenarios, regarding physical risks, market risks and policy developments. The results of the assessment were shared during the 'Climate Day', involving senior management of Vopak. Regarding the physical risks, Vopak has performed stress tests for various terminals to identify the exposure to climate change and extreme weather events.</p> <p>This has led to enhanced investments in measures against adverse weather and climate induced conditions and leverage of Global expertise and technical knowledge for optimal cost-effective solutions.</p> <p>Vopak has set ambitious targets of reducing its own environmental footprint and lowering its own emissions of greenhouse gasses (GHG). While Vopak's direct carbon footprint is relatively small, it aims at making it even smaller. Vopak's ambition is to be climate neutral by 2050.</p> <p>In this respect Volatile Organic Compounds (VOCs) are one of the important issues for Vopak to address. VOCs cause air pollution and may pose health risks due to their toxicity. Reducing VOC emissions is one of the priorities addressed in the Sustainability Roadmap. By 2020, 55 projects were completed at 17 locations with a total spend of over EUR 20 million, resulting in a societal impact reduction of 19% compared to 2016. Actions are defined to meet the 30% reduction target (versus 2016) by 2025.</p>	
8	<p>Occurrence of a major personal and/or process safety incident and environmental risk</p> <p>Incidents negatively affect the lives and health of not only staff working at a Vopak location but also those in close proximity. Our 'License to Operate' could be affected, impacting our earnings. Incidents expose the company to potential liabilities and will most likely have an adverse effect on the company's reputation.</p>	Short term	Very low	<p>Safety is our highest priority</p> <p>Within Vopak, we have continuous attention to ensuring our safety culture is at the required high level, through every level of the organization. Vopak Fundamentals, Safety Standards and Vopak Way Standards are critical tools for clearly providing procedures and instructions for safe working practices – regardless of geography or local laws and regulations that could be less strict.</p> <p>We have an Annual Audit Plan, 'Trust and Verify' Program, and a 'Terminal Health Assessment' Program in place to safeguard adherence to the required safety and quality standards.</p>	
9	<p>Large complex construction projects, not delivered timely, within budget or with the required quality</p> <p>Projects under development represent sizeable long-term investments and are recognized as being individually complex due to different business, engineering, financing, environmental, cultural and political circumstances. When projects are not effectively managed in terms of safety, cost, time and quality, increased costs and lost revenues can be detrimental to the desired end result.</p>	Medium to long term	Low	<p>Vopak Project Management standard for mandatory application to all projects that fit within the criteria for its usage</p> <p>A robust multi-disciplinary investment proposal decision-making process is in place. Guidance is provided by the global functions and (external) experts during all stages of the project. The use of Global Engineering and Global Projects provides a common approach and the sharing of experience in developing new projects. Lessons learned reviews are performed and shared within the company for future developments.</p>	



Risk	Risk description	Risk Horizon	Risk appetite	Mitigating actions	Development
10	<p>Unable to deliver digitalization strategy</p> <p>Key to our strategy is effective digitalization including innovation, organized centrally providing improved service offering and process efficiency through real-time data availability. The impact on our current way of working and organizational change is significant but necessary in order to harness the full benefits. This requires clear leadership embracing the changes and opportunities offered. Legacy systems until full roll-out of new systems have to be maintained but are ageing with the risk of disruption.</p>	Medium to long term	Low	<p>Dedicated approach and governance structure for program management in place for MOVES with full Senior Leadership Focus</p> <p>Vopak considers full embedding of system usage critical for success. Dedicated sessions at Leadership courses have been organized to ensure Senior Leadership is trained to embrace and drive the change that successful digitalisation requires. A Business Impact Analysis is taking place at each location prior to the roll-out. A robust project management approach is applied and governance in place ensuring sufficient attention is given to the needs of legacy systems. Core systems are developed in-house to ensure that the functionality of the systems meets the business requirements to the highest extent possible.</p> <p>At the end of 2021 significant progress is made in implementing the MOVES program.</p>	
11	<p>Risk of cyber breach of our IT and/or OT systems</p> <p>A cyber breach could have various causes, e.g. via virus and malware attacks, ransomware and unauthorized access attempts. Such a breach could lead to confidentiality, integrity and availability (data) issues for the company or hamper our operations, negatively impacting our reputation, financial position, operations, and potentially lead to costs related to recovery and forensic activities.</p>	Short to medium term	Low	<p>Cyber security is a 'top of mind' priority within Vopak</p> <p>We have our comprehensive IT/OT security program (COINS) in place to address IT and OT security globally. On a daily basis we monitor 'cyber' attacks on our global systems for follow up.</p> <p>At the end of 2021 significant progress is made with regard to the implementation of the COINS program.</p>	



Legal, compliance and social risks

Risk	Risk description	Risk Horizon	Risk appetite	Mitigating actions	Development
12	<p>Complex and changing laws and regulations can negatively impact being Business, Operational and Environmental compliant</p> <p>Obtaining, renewal and/or revisions to permits and licenses for product storage from local and national governments, as well as compliance with local laws and regulations are essential to start or continue operating our terminals. Governments are becoming stricter often due to failings/incidents in the industry, regulations are frequently changing and/or can be unclear making 100% compliance at all times at all locations globally a challenge. However, Vopak's objective is to ensure full compliance. Uncertainties given changing or unclear requirements can also arise when applying for permit renewals/applications.</p> <p>More stringent demands on environmental requirements as required by our permits may lead to additional sustaining capex investments which can not always be recovered from customers.</p>	Short to medium term	Very low	<p>Operating and Business compliance is non-negotiable</p> <p>Terminal management is primarily responsible for maintaining a robust general and permit compliance program. Division/Global support and involvement of external specialists is used when necessary. Operating permit compliance is being monitored at various levels within the company and is a critical element of Vopak's Terminal Health Assessment program. Permit status is considered a critical path in all project development activity and is actively monitored through Steering Committees.</p> <p>Global policies and guidelines are in place addressing business compliance requirements. The compliance committee ensures that appropriate compliance processes are in place for dedicated compliance topics and that the principal compliance risks are identified and mitigated</p> <p>Commercial teams are in continuous dialogue with our customers on increasing compliance and sustainability investment with the aim of recovering (part of) these additional investments via the storage and handling fees.</p>	➔
13	<p>Behavior not in line with Vopak values</p> <p>Individuals and/or groups of individuals can behave in a manner that is not in line with our values which can lead to financial, business and reputational consequences. It is recognized that certain regions/countries are more susceptible to having a culture not in line with the Vopak Values.</p>	Short to medium term		<p>Clear guidance on culture, values and behavior for every employee</p> <p>At all levels of the company, management sets the highest standards in respect of desired culture, values and behavior based on the five global Vopak Values and the Vopak Code of Conduct. Our Vopak Values are globally implemented and positively and actively embedded in our culture. Adhering to the Vopak Values is non-negotiable. Whistleblower rules are available globally for all terminals. All whistleblower cases are followed up and investigated in line with Vopak's policies.</p>	➔
14	<p>Reputational damage to Vopak as a brand, company and employer</p> <p>Sustainability, Climate Change and societal developments are becoming increasingly important topics. The (public) perception in terms of sustainable developments and societal developments is both a risk and opportunity to Vopak.</p>	Short to medium term	Very low	<p>Vopak is very much aware of its social responsibility, role and involvement in today's society</p> <p>It is Vopak's responsibility to do what is reasonably possible to contribute to society and the environment and minimize the negative impact the company may have on both. We work hard to reduce our environmental footprint and minimize any negative impact of our operations on people's safety, health and wellbeing. The Vopak Values and Code of Conduct serve as our moral compass and we embrace selected UN Sustainable Development Goals (SDGs) to create a focus on where we can contribute to society. 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.</p>	➔



Other general (inherent) risks not considered principal risks

Theme	Description
Foreign Exchange	As a globally-operated company, Vopak is confronted with money flows that are not in its functional (Euro) currency. Operating globally provides an extent of 'natural hedging' but foreign exchange exposure risk exists. This risk is continuously reviewed and measures taken to limit the exposure in line with the foreign exchange policy of Global Treasury. Our financial risks are described in detail in Section 6 of the Consolidated Financial Statements .
Refinancing and liquidity	Vopak is a capital-intensive company with long-term investments. Long-term access to funds is critical for achieving the strategic objectives of the company. Refinancing and liquidity risks are not considered principal risks due to the effectiveness of the mitigating actions. Vopak's funding strategy is focused on ensuring continued access to capital markets so that funding capital is available at a time of our choice and at an acceptable cost. The development of our Senior Net Debt: EBITDA ratio is continuously monitored and discussed on a regular basis in the Strategic Finance Committee, the Executive Board, the Audit Committee and the Supervisory Board to ensure that the company remains within its covenant ratios. A clear funding policy with respect to subsidiaries and joint ventures is in place. Group liquidity requirements are monitored continuously. Long-term liquidity risks are reviewed each quarter and before every significant investment. Active cash management takes place on a daily basis. Liquidity risks are described in more detail in Section 6 of the Consolidated Financial Statements .
Insurance	A general business risk exists that losses are suffered due to inappropriate coverage of the incident by third-party insurers. Our Global Insurance Policy aims to strike the right balance between arranging insurance to cover Vopak's risks and financing adverse implications ourselves. The principal factors underlying our insurance policy are risk tolerance and risk transfer costs. On this basis, Vopak has purchased worldwide insurance cover for a wide range of risks, such as environmental and third-party liability, property damage, business interruption and cyber-related activities. The financial credit ratings of the insurance companies involved are reviewed on a regular basis and, where appropriate, risks are spread across several insurance companies.
Tax and Tax related	Vopak operates terminals and other activities in many different countries. As tax laws and regulations differ per country and can be complex, the company runs the inherent risk of non-compliance with the local tax legislation and the tax policy of the company. The Vopak Control Framework has a dedicated section stipulating the internal controls to address the risks related to tax and which enforce compliance with the group tax policy. Furthermore, the highly skilled tax experts at the Global Tax department assist local and divisional management in complying with the tax requirements and monitoring the effectiveness of the internal controls relating to tax as well as the tax position of the group.

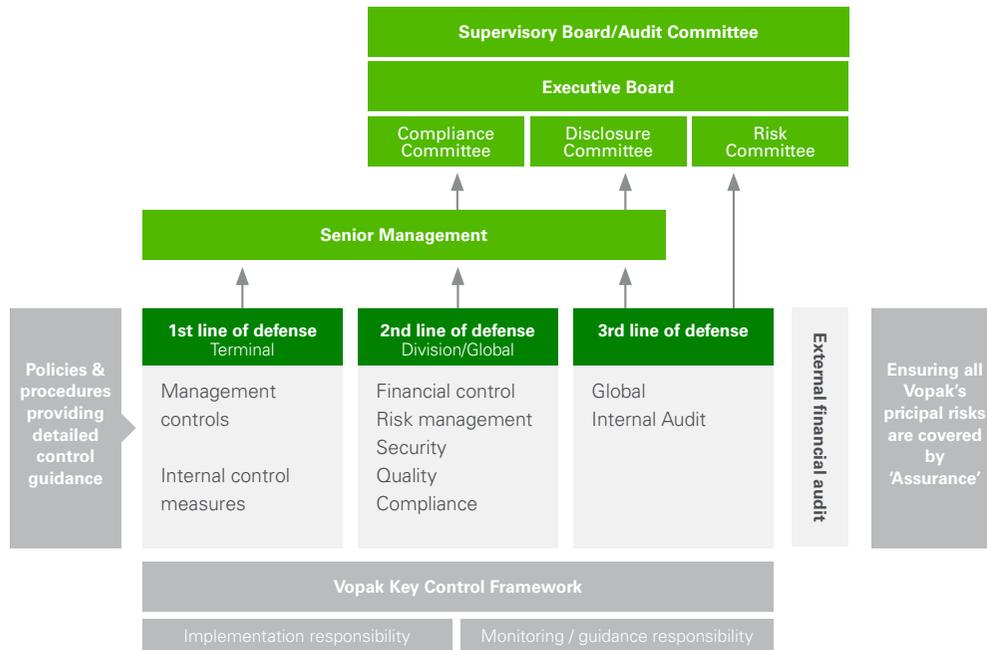


Internal Control

Vopak has identified sixteen key business processes and has internal controls, designed in a principle-based manner, to address risks foreseen in each of the processes. This principle-based internal control framework is rolled out to all operating companies.

Local management ('first line'), supported by Divisions and Global Functions, is responsible for ensuring this framework is implemented, operating effectively and key risks are managed. Divisions and Global Functions are 'second line' responsible for the monitoring of internal controls locally including assessing their effectiveness. The 'third line' is Global Internal Audit providing independent assurance on internal control existence and effectiveness.

Internal control framework



In addition to audits executed by Global Internal Audit, which includes a fraud vulnerability assessment when a business process audit is executed, the maturity of key control implementation per operating company is assessed each year through the completion of the Control Risk Self-Assessment (CRSA). The CRSA covers the sixteen key processes and related controls including those specifically directed at fraud and corruption.

Complementing the CRSA, are a number of additional functional- and regional-specific monitoring activities undertaken throughout the year by the Global Functions all with the objective to assess the extent of implementation and effectiveness of expected controls and establish further improvements from a functional responsibility perspective.

Policies continued to be updated as appropriate during 2021. The introduction of new IT systems via the MOVES program improves our control environment through the further standardization of processes, systems and allowing for increased transparency and monitoring of actions.

The Executive Board is assisted in fulfilling its responsibilities with regards to internal controls by the Risk Committee, the Compliance Committee and the Disclosure Committee. These three Committees have an important role in the company's overall internal control framework by providing cross-functional and cross-divisional advisory insight on key topics directly to the Executive Board.

The internal control framework is reviewed and updated periodically to ensure control design and guidance remains relevant and effective for the organization.

Management Review Cycle

Key to the control process is the regular reporting cycle. Monthly and quarterly management reports are prepared by all operating companies and Divisions including joint ventures in line with clearly defined mandatory reporting requirements. The reports and related discussions between senior management, including but not limited to the Executive Board, cover not only financial but also key operational, sustainability, human resources and commercial performance indicators aimed at monitoring the achievement of strategic objectives.

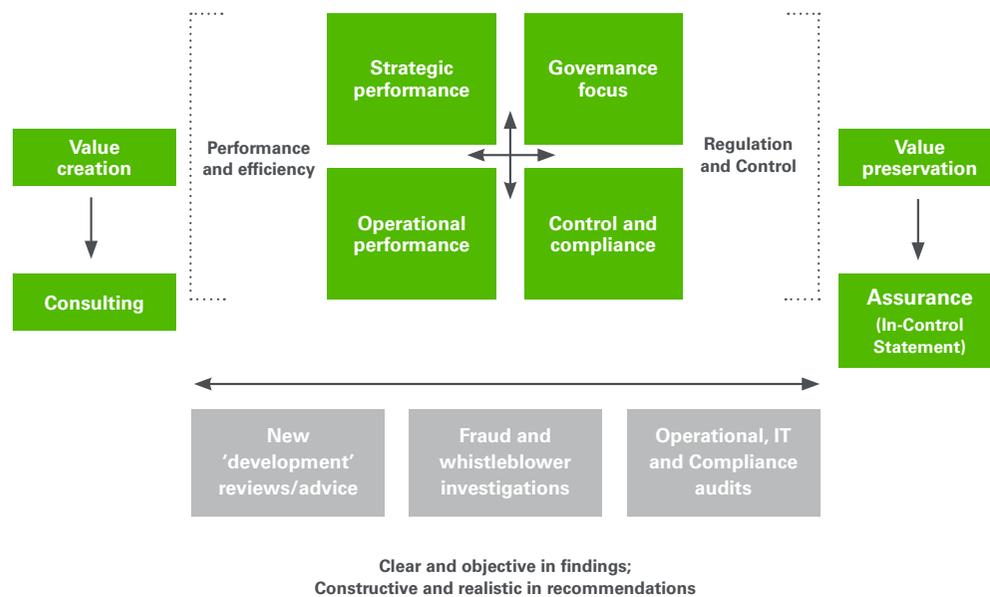


A critical element of these discussions is comparing progress against prior-year performance and Vopak's Annual Budget which, together with the two subsequent plan years, is reviewed and approved by the Executive Board for all Divisions and operating companies each year.

Role of Internal Audit

The primary role of Global Internal Audit is to provide independent assurance and advise the Executive Board in relation to its responsibility to ensure both the existence and effectiveness of internal controls in order to safeguard the company's goals. A broad range of audits are executed of an operational, investigative and compliance nature with the audit of financial external reports being the responsibility of Vopak's external statutory auditor. Advising and consulting activities also take place providing internal control input to projects undertaken by the organization to support functional owners.

Internal audit to preserve and create value



Global Internal Audit reports directly to the Executive Board. Its activities are also overseen by the (Audit Committee of the) Supervisory Board. The Internal Audit Charter is endorsed by both the Executive Board and the Audit Committee. The core audit team is located at the Global Head office, often supplemented by subject matter experts either from the business or external support as appropriate.

The annual internal audit plan is developed using a risk-based approach focusing on key objectives of the company and risks relating to those objectives. The Global Internal audit universe includes all processes, entities and activities within the company, including Global and Divisional functions. The plan takes into account the feedback resulting from the dialogue with Senior Leadership. Throughout the year, the results of all audits and advisory activities are shared and discussed with the Executive Board and discussed each quarter with the Audit Committee. Progress against the plan is reported.

The follow up of audit findings is the responsibility of the auditee with monitoring thereof and subsequent closure being the responsibility of the Division and/or Global as appropriate. The outcome of this process is formalized biannually with reporting to Global Internal Audit through the 'audit findings follow-up' system. Exceptions to what is expected are followed up proactively with Divisions by Global Internal Audit. The audit findings follow-up meetings also take into account follow-up from reviews undertaken by commercial and external financial auditors.

Continuous evaluation of the Global Internal Audit function takes place. The results are reported to the Executive Board and Audit Committee on an annual basis. In addition, an externally performed quality assurance audit by the Dutch Institute of Internal Auditors takes place on a five-year basis. The first review at the end of 2016 was positive and re-confirmed that work is performed in accordance with the International Internal Auditing Standards. An evaluation of the function by the Executive Board and the Audit Committee has taken place during the year.



Management assessment, Letters of Representation and In-Control Statement

Management consider that the processes in place as described including those in the Corporate Governance chapter are of a maturity that enables implementation and effectiveness of risk management and internal control to be assessed with the view that there have been no material deficiencies in the internal risk management and control systems relating to the risks observed during the financial year. Further improvements noted, such as ongoing policy refinement and the update of the IT systems, serve to further improve our maturity level and not to change the processes. The view that there are no material deficiencies is underpinned by the Letter of Representation that is signed by Terminal Management, Divisional Finance Directors, Division Presidents and Global Directors at the end of each half year and full year. This Letter represents the key elements of internal control and full disclosure of deviations to that control as appropriate. The results of this process including deviations are specifically discussed with the Executive Board and, together with the results of the various monitoring and assurance activities as described above (which are explicitly re-evaluated by both Global Control & Business Analysis and Global Internal Audit for the purposes of the In-Control Statement at year end) provide input for the In-control statement issued by our Executive Board.

The In-Control Statement issued by the Executive Board is included directly after the Financial Statements.