

## Remuneration policy Executive Board 2016

The prime objective of the Executive Board remuneration policy at Koninklijke Vopak N.V. (Vopak) is to attract and retain Executive Board members with the right experience and competencies to achieve the company's strategic objectives. In addition, Vopak would like to pay its Executive Board for their performance if specific objectives have been achieved.

### Total remuneration package

In view of the objective of the remuneration policy, the Supervisory Board has defined a total remuneration package that comprises the following main elements:

1. An annual fixed base salary;
2. Variable remuneration;
  - a. A short-term variable remuneration; an annual cash-based incentive opportunity related to the achievement on financial and non-financial targets for the respective year;
  - b. A long-term variable remuneration; a share-based incentive opportunity related to the achievement of financial targets for a three-year period;
3. A pension plan.

#### **1. Annual base salary**

The base salary will be set annually by the Supervisory Board based on the salary developments of comparable positions (job level based) in the Dutch general market of listed companies (AEX/AMX), as well as the developments and objectives of the company, all in the perspective of the total remuneration package value.

#### **2. Variable remuneration**

The package balances fixed, as well as short-term and long-term variable remuneration, with a relative emphasis on long-term variable remuneration. This emphasis is aligned with the company's long-term strategy, which requires multi-year decisions on and realization of terminal investments and often long-term customer contracts.

The actual variable remuneration depends on the achievement of ambitious and measurable targets, set by the Supervisory Board. For commercial and competitive reasons, the specific targets are not disclosed. However, the respective target realizations are shown in the Remuneration Report.

The short- and long-term incentive plans in terms of type of incentive, performance criteria and annualized incentive opportunities are summarized in the table below.

Variable component	Type of incentive	Performance criterion	Incentive as % of annual base salary			
			Threshold	Target	Maximum	
Short-term variable remuneration	Cash	50% <sup>1</sup> : Financial target (EBITDA) +/- 10% discretionary range on the financial incentive result	Chairman	15,0%	60%	90%
		50% <sup>1</sup> : Non-financial targets (personal and process safety, customer satisfaction and EB effectiveness)	Member	12,50%	50%	75,0%
Long-term variable remuneration	Shares	Financial target (EPS) +/- 10% discretionary range on the financial incentive result	Chairman	45%	90%	135%
			Member	35%	70%	105%

1. Distribution at target level

### **2.a. Short-term variable remuneration**

The Short-Term Incentive Plan (STIP) rewards the Executive Board if ambitious financial and non-financial targets, as defined by the Supervisory Board at the beginning of the year, are met.

The financial part of the incentive is based on the realized earnings before interest and tax, depreciation and amortization (EBITDA); excluding exceptional items. The target, threshold and maximum levels are defined and set out in a performance-incentive matrix. In addition, the Supervisory Board has the discretion to add or subtract 10% to or from the financial incentive result to reflect the quality of the company's financial result.

The non-financial targets, with an equal weight (1/3), cover:

1. Personal and process safety;
2. Customer satisfaction;
3. The performance of the Executive Board as a team in managing the global company and setting and implementing the strategy as agreed with the Supervisory Board.

### **2.b. Long-term variable remuneration**

The Long-Term Share Plan (LTSP) rewards the Executive Board for the long-term profitable growth of the company during a three-year period. Every year, a next long-term share plan with specific targets for the respective next three year period will conditionally be granted.

The actual level of pay-out at vesting depends on:

1. The development of the earnings per share (EPS) during the performance periods respectively 2014-2016, 2015-2017 and 2016-2018;
2. The development of the Vopak share price during the plan period.

The successful implementation of the realigned Vopak strategy will also be taken into account for the plans 2014-2016 and 2015-2017. As for the plan 2016-2018, the Supervisory Board has the discretion to add or subtract 10% to or from the financial incentive result to reflect the quality of the company's financial result.

After the end of the performance period, the actual incentive will be awarded for 100% in shares. Executive Board members may sell the awarded performance shares, according to the company's trading rules and on the condition of maintaining a portfolio of performance shares with a value of at least one annual base salary for the CFO and COO and two annual base salaries for the CEO.

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

From a risk management perspective, a 'change in control' provision is incorporated in the long-term incentive plan.

Note 6.2 to the Consolidated Financial Statements provides further details on the long-term incentive plan valuation according to the IFRS accounting principles, as well as the cost related to the plan.

### **3. Pension**

As of 1 January 2015 Vopak's Executive Board members participate in the Vopak pension plan. The Vopak pension plan is a hybrid plan and is composed of:

- a defined benefit plan, based on average pay, for the salary up to (EUR 54.244 (2016)),
- a gross defined contribution plan for the salary from EUR 54.244 up to EUR 100.000 and
- a gross cash compensation to finance a voluntary net defined contribution plan for the salary above EUR 100.000. As for all Vopak employees, the gross cash compensation effectuates a cost neutral transition from the applicable pension arrangement before 1 January 2015.

The retirement age under the Vopak pension plan has been set at 67 and includes various early retirement options on a cost neutral basis. The accrual in the defined benefit plan amounts to 1.875% per annum for the old age pension. The gross defined contribution (excluding risk premiums and costs) for the Executive Board members ranges from 12.4% to 19.8%, depending on their age.

The Vopak pension plan is fully compliant with (fiscal) legislation as of 1 January 2015. The costs related to the pension arrangement for the Executive Board members are disclosed in the annual account.

#### **External consistency**

In defining the remuneration packages, the Remuneration Committee compares the packages of the Executive Board members of Vopak with those of similar positions in terms of job level of Dutch listed large and medium-size companies (AEX and AMX).

#### **Internal consistency**

The Supervisory Board considers the internal consistency as important as the external consistency with the reference market, recognizing that this is the responsibility of the Executive Board. Total remuneration packages for the Executive Board members and management in the next tiers of the organization are well aligned in terms of the remuneration elements and the design and targets of the short-term and long-term variable remuneration plans.

## **Governance**

For decisions on the remuneration of the Executive Board, the Supervisory Board takes the recommendations of the Dutch Corporate Governance Code carefully into account.

The Supervisory Board ensures transparency of the total remuneration package by giving a clear explanation of the remuneration policy in the company's annual report. In addition, the actual variable income, to the extent it relates to financial and safety performance, is based on data audited by the external auditor and published in the company's annual report.

All performance-based incentives are subject to a 'claw-back provision' that applies if the company is obliged to make a financial restatement. The claw-back provision applies to a three-year period following the date of the actual reward.

The Supervisory Board also has a discretionary power to decide in exceptional situations and based on fairness and reasonableness, to adjust individual variable remuneration upwards or downwards. Examples of exceptional situations are those where the result of the performance is influenced by effects of accounting changes, major acquisitions, share split or share issues. Exceptional situations also include those situations in which a result is, in retrospect, based on incorrect data, and/or is not or not sufficiently in line with the performance of the company as assessed by the Supervisory Board.

To safeguard shareholders' interests, the Supervisory Board regularly undertakes risk assessments based on scenarios related to several parameters of the remuneration policy.

Decisions on the remuneration of the Executive Board are made by the Supervisory Board, based on proposals of the Remuneration Committee which is supported by internal and external independent specialists. Decisions are made in absence of the Executive Board.

Moreover, the Executive Board employment contracts are governed by Dutch employment law and aligned with the current Dutch Corporate Governance Code, except for the provisions made in the employment contract of Mr. De Kreij. Executive Board members are appointed for a term of four years. The contract ends when either party gives notice (six months for the employee and twelve months for the employer) or automatically upon retirement. The employment contract provides for a compensation for the loss of income resulting from a non-voluntary termination of employment, limited to one year's base salary, unless this termination is due to misconduct.

For further information on governance please refer to section Corporate Governance of the Annual Report.