

# Executive Board Remuneration Policy 2019

The prime objective of the Executive Board remuneration policy of 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 aims to reward its Executive Board for the achievement of specific objectives.

The remuneration policy for the Executive Board is designed in a manner that is reflective of the Vopak Values as well as ensures focus on the short- and longer-term value creation for the company and its stakeholders.

## External competitiveness

The Remuneration Committee is informed by external advisors about the total remuneration levels of similar Board Memberships in relevant markets. The Remuneration Committee uses various benchmarks to arrive at an informed position. Factors like the size of the company, global presence, nature and complexity of the business, and Board exposure are taken into account. Medium size and large Dutch stock-listed companies, as included in the AEX and AMX, are considered most relevant.

## Internal consistency

The Remuneration Committee places a similar emphasis on internal consistency. Executive Board positions are subject to the same job evaluation methodology as other positions in the company. Alignment between the remuneration packages for the Executive Board members and senior executives is created through a similar design in the remuneration policies, plans and components.

## Fixed versus variable compensation

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.

## 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).

## Executive Board Remuneration - components

Annually, the Remuneration Committee reviews the levels of total remuneration for the Executive Board, as well as each remuneration component of their package, such on behalf of the Supervisory Board. In doing so, the Remuneration Committee takes the following considerations into account.

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

1. Annual base salary;
2. Variable compensation;
  - a. 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;
  - b. Long-term variable compensation; a share-based incentive opportunity related to the achievement of financial and strategic targets during a three-year performance period;
3. Pension arrangement.

## 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 above.

## Overview variable compensation plans

The design of 2019 Short-term incentive plan (STIP) and the 2019 – 2021 Long-term share plan (LTSP) are outlined in the following table.

Variable compensation plan	Type of incentive	Key performance indicator		Incentive as a % of annual base salary		
				Minimum (= threshold)	Target	Maximum
Short-term incentive plan (STIP)	Cash	Financial: EBIT (30%)	CEO	9% <sup>1</sup>	60%	90% <sup>1</sup>
		Cost (20%)				
		Non-financial: Safety (15%)	CFO	7.5% <sup>1</sup>	50%	75% <sup>1</sup>
		Customer Satisfaction (15%)				
		Personal: Executive Board effectiveness (20%)	COO			
Long-term share plan (LTSP) <sup>2</sup>	Performance shares	Financial: Earnings per Share (50%)	CEO	50%	100%	150%
		Non-financial: Strategic Direction (50%)				
			CFO	40%	80%	120%
			COO			

<sup>1</sup> No payout on the Cost, non-financial Vopak and Personal KPIs in the STIP, in case performance is below target levels. Payout on the Cost KPI is at maximum in case of at-target or above target performance. Payout on the non-financial KPIs remains at the at-target level in case of above target performance.

<sup>2</sup> Awards as a % of annual base salary at April 1 of the first year of the applicable performance period.

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 were 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 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 LTIP, if the Supervisory Board is of the opinion that such adjustment(s) would produce a fairer reflection of the performance of Royal Vopak and/ or of the individual members of the Executive Board. Such adjustment(s) may be downwards or upwards and are - within the limits of the policy - not restricted.

All performance-based incentive plans are subject to 'claw-back' provisions which 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 a whole as well as the performance of the Executive Board, such to be realized in the performance year at hand. The STIP rewards the Executive Board if ambitious financial and non-financial targets are met. The STIP design, and related payout opportunities for individual Executive Board members, are shown in the table below:

### 2019 STIP: weighting of KPIs

Criterion	KPI	Threshold	Target	Max	
<b>Financial</b>	EBIT	15%	30%	60%	} Profitability
	Cost		40%		
<b>Non-Financial</b>	Safety		15%		} Frontline execution
	Customer Service		15%		
	EB Effectiveness		20%		
<b>Total</b>		15%	120%	150%	

### Long-term share plan (LTSP)

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

Annually, a new LTSP plan is issued under which conditional awards of performance shares are made to Executive Board members. Also, annually, the LTSP of which the performance period ended on 31 December of the prior year, is scheduled to vest (such only, if the results would permit). As a result, a 'roof tile' plan structure of LTSPs is created. See table below for a graphic display of the LTSPs that are awarded conditionally, outstanding and are scheduled to vest in 2019.

Long-term share plan	Plan period and years of award and vesting						
	2016	2017	2018	2019	2020	2021	2022
Long-term share plan 2016 - 2018	conditional award			vesting			
Long-term share plan 2017 - 2019		conditional award			vesting		
Long-term share plan 2018 - 2020			conditional award			vesting	
Long-term share plan 2019 - 2021				conditional award			vesting

The design of the 2019 - 2021 LTSP plan is as follows:

- **KPIs:** Two KPIs are used, Earnings per Share (EPS), and Strategic Direction.
  - **EPS** is used as the main 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** reflects the company's strategy realization during the performance period, in particular the strategic shift in the company's asset portfolio and digitization transition, which the Executive and Supervisory Boards have set out to achieve for the next years. The Supervisory Board, upon recommendation of the Remuneration Committee, will assess the progress made in 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%.

After the end of the performance period, any vesting will be in Vopak shares. Upon vesting, Executive Board members are not eligible for receiving the dividends accrued during the performance period on outstanding, conditional performance shares.

## Pension arrangement

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 (2019: EUR 13,231), 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 57,766 (2019);
- Surplus arrangement for that part of the annual pensionable salary from EUR 55,850 up to EUR 107,593 (2019);
- Net Surplus arrangement for that part of the annual pensionable salary above EUR 107,593 (2019). 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.

For Executive Board members who were in service prior to January 1, 2015 (in 2019: Eelco Hoekstra, and Frits Eulderink), the difference between the Vopak contributions to the current pension plan and to the pension arrangement in place prior to January 1, 2015, is compensated for by a separate pension contribution allowance paid out to the individual, subject to tax withholdings.

## 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

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

Executive Board appointments are governed by Dutch employment law and aligned with the current Dutch Corporate Governance Code. Executive Board members are appointed for a term of four years. The contract ends when either party gives notice (six months for the individual and twelve months for the employer) or automatically upon retirement.

Compensation for non-voluntary termination of employment, if any, is limited to a maximum of one year's base salary, unless this termination is due to misconduct or other irregularities.

## 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 absence of the Executive Board.

In the determination of the Executive Board Remuneration Policy and actual remuneration to individual Executive Board members, the Supervisory Board takes the recommendations of the Dutch Corporate Governance Code into consideration carefully.

The Supervisory Board ensures transparency by disclosing the Remuneration Policy for the Executive Board on the company's website. Also, in the Remuneration Report section of the company's Annual Report, the Supervisory Board provides an explanation of the application of the policy in the financial year at hand and any changes to be made to the policy for the upcoming year, as well as the details of the remuneration packages of individual Executive Board members and the related costs for the company.

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