

# Remuneration report

This section of the Annual Report provides an overview of the implementation of Vopak's remuneration policy for the members of the Executive Board and the Supervisory Board during 2017.

## Remuneration Policy 2017

The Supervisory Board decides annually on a total remuneration package for the Executive Board, which is designed in a manner that ensures external competitiveness and internal consistency. This package is composed of the following four elements:

- An annual fixed base salary
- A short-term variable remuneration
- A long-term variable remuneration
- A pension plan

## External competitiveness

In defining the remuneration packages, the Remuneration Committee benchmarks with the help of an external advisor, the total remuneration of the Executive Board members of Vopak with those of similar positions in terms of job levels 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. The total remuneration packages for the Executive Board members and senior management are for the larger part aligned in terms of the remuneration elements and the design and targets of the short-term and long-term variable remuneration plans.

In addition to the external competitiveness and internal consistency alignment, the overall total remuneration of the CEO takes into consideration factors like the size of the Company, global presence, profile of the CEO and complexity of the business. Expressed as a ratio to the average total remuneration of Vopak employees globally, the CEO Pay Ratio for 2017 is 17.3 (2016: 23.4). This ratio is based on the total CEO remuneration including STIP, 3 year average IFRS cost of LTIP and pensions versus the total personnel costs (minus the total CEO remuneration) divided by the average FTE.

The characteristics of the short-term and long-term variable remuneration plans are summarized in the following table in terms of the type of incentive (cash or shares), the performance criteria (financial and non-financial) and the annualized incentive opportunities related to the targets set at the beginning of the year.

Variable component	Type of incentive	Performance criterion		Incentive as % of annual base salary		
				Threshold <sup>2</sup>	Target	Maximum
Short-term variable remuneration	Cash	50% <sup>1</sup> : Financial target (EBITDA) +/- 10% discretionary range on the financial incentive result	Chairman	15%	60%	90%
			Member	12.5%	50%	75%
Long-term variable remuneration	Shares <sup>3</sup>	Financial target (EPS) +/- 10% discretionary range on the financial incentive result	Chairman	50%	100%	150% <sup>4</sup>
			Member	40%	80%	120% <sup>4</sup>

1. 50%-50% distribution at target level. No payout of non-financial component in case performance is below target levels, for non-financial targets.

2. Threshold only applies to financial targets. No variable remuneration is paid below the threshold level.

3. Payout for the Long Term Share Plan 2015-2017 will be 50% in Shares and 50% in Cash, while the payout for the LTSP 2016-2018 and the LTSP 2017-2019, will be fully in shares, with the exception of Mr De Kreij, for whom the Plan will be cash-settled as per Plan rules, due to his retirement in 2018.

4. Annualized values of an award as a percentage of the average salary during the plan period.

In April 2017, the Annual General Meeting approved the proposal of the Supervisory Board to further align the incentive packages with the Dutch AEX/AMX job-level based market with an increase in the incentive opportunity from January 2017 as shown below.

### Variable compensation 2017

		Short-term variable remuneration		Long-term variable remuneration		Total variable remuneration	
		Target	Max	Target	Max	Target	Max
E.M. Hoekstra	2017	60%	90%	100%	150%	160%	240%
	2016	60%	90%	90%	135%	150%	225%
J.P. de Kreij and F. Eulderink	2017	50%	75%	80%	120%	130%	195%
	2016	50%	75%	70%	105%	120%	180%

In continuation of the 'roof tile' plan structure of Long-Term Share Plans which started with the Long-Term Share Plan 2014-2016, another 'roof tile' Plan has been granted in terms of the Long-Term Share Plan 2017-2019.

Long-Term Share Plan	Plan period and year of actual award					
	2015	2016	2017	2018	2019	2020
Long Term Share Plan 2015-2017				Award		
Long Term Share Plan 2016-2018					Award	
Long Term Share Plan 2017-2019						Award

In determining the set-up of the variable remuneration plans, the likely scenarios on possible outcomes and consequences of these outcomes on the total remuneration packages were analyzed and taken into consideration.

The pension plan for the Executive Board remained unchanged in 2017.

For further details of the Remuneration Policy 2017, reference is made to the [Vopak website](#).

### Actual remuneration entitlements Executive Board 2017

The table below shows the actual remuneration to which each member of the Executive Board was entitled in 2017. The actual costs for the period incurred by the company for the remuneration of the Executive Board including accrued amounts for the long-term incentive plans are disclosed separately.

In EUR thousands	Annual base salary		Short-Term Incentive		Long-Term Incentive		Pension		Total	
	2017	2016	2017	2016 <sup>1</sup>	2017	2016	2017	2016	2017	2016 <sup>1</sup>
E.M. Hoekstra	625	625	156	563	220	1,916	144	121	1,145	3,225
J.P. de Kreij	520	520	108	390	149	1,196	189	190	966	2,296
F. Eulderink	500	500	104	375	143	1,135	163	136	910	2,146
G.B. Paulides <sup>2</sup>	38	n/a	n/a	n/a	n/a	n/a	8	n/a	46	n/a
<b>Total</b>	<b>1,683</b>	<b>1,645</b>	<b>368</b>	<b>1,328</b>	<b>512</b>	<b>4,247</b>	<b>504</b>	<b>447</b>	<b>3,067</b>	<b>7,667</b>

- The short-term incentive amounts 2017 include the incentive for the customer service part assumed at target levels, since the actual NPS result will be available in March 2018. The total actual amount will be presented at the Annual General Meeting 2018.
- Mr Paulides has been employed by Vopak from 1 December 2017 but has formally become part of the Executive Board as CFO from 1 February 2018 replacing Mr De Kreij who retired as of that date.

With regard to the long-term incentive program, the 2014-2016 incentive plan vested fully and was settled 50% in cash and 50% in performance shares as per Plan rules, with a one-off multiplier of 3 to bridge the gap between the last long-term incentive payout in 2014 and the next payout in 2017 since no new plans were granted in interim years.

## Annual Base salary 2017

Results of external benchmarking on total compensation against similar positions in the AEX and AMX companies in the Netherlands indicated that the fixed pay levels of the Executive Board were generally in line with the market. The salaries of the Executive Board members, therefore, remained unchanged.

## Short-term variable remuneration 2017

The achievements on the pre-set short-term incentive (STI) targets for 2017 were evaluated beginning of 2018. The table below shows the results for each board member on the various performance criteria, both in target and actual percentage of the annual base salary.

In EUR thousands	Base Salary	Target results								Total STI 2017			
		Financial		Safety		Customer satisfaction		Effectiveness		Opportunity		Actual <sup>1</sup>	
		2017	Target	Actual	Target	Actual	Target	Actual <sup>1</sup>	Target	Actual	Target	Max	in %
E.M. Hoekstra	625	30%	0%	10%	5%	10%	10%	10%	10%	60%	90%	25%	156
J.P. de Kreij	520	25%	0%	8.33%	4.17%	8.33%	8.33%	8.33%	8.33%	50%	75%	20.83%	108
F. Eulderink	500	25%	0%	8.33%	4.17%	8.33%	8.33%	8.33%	8.33%	50%	75%	20.83%	104
G.B. Paulides <sup>2</sup>	38	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. The actual short-term incentive 2017 including the result on customer satisfaction, will be presented at the AGM 2018.

2. Mr Paulides has been employed by Vopak from 1 December 2017 but has formally become part of the Executive Board as CFO from 1 February 2018 replacing Mr De Kreij who retired as of that date.

### Financial

With regard to the financial target, EBITDA -excluding exceptional items- for 2017 amounted to EUR 763.2 million, which did not meet the threshold of the range set at the beginning of the year, after considering specific adjustments, which among others related to the impact of the divested terminals.

For details on the EBITDA development during 2017, reference is made to the section Financial performance in the Executive Board report chapter. The Supervisory Board decided not to use the +/-10% discretionary range on the financial incentive result.

Results on the pre-set non-financial performance targets for the short-term incentive, related to safety (personal safety and process safety), customer satisfaction and effectiveness of the Executive Board as a team, are as follows:

### Safety

Vopak's 'License to Operate' and its 'License to Grow' are conditional upon its ability to operate safely and responsibly. The long-term aim is Zero Incidents and no harm to anybody working at a Vopak facility or to the environment. Process safety and the occupational health and safety of employees and contractors is the Company's top priority. Further initiatives have been introduced during 2017 like measuring key performance based upon actual and potential incident severity, measuring actual performance through lagging indicators and increasing the use of leading indicators to drive improvements.

The 2017 personal safety target measured by the Total Injury Rate (TIR) was not met, notably due to two fatalities and unsatisfactory safety performances in Vopak China, Vopak EMEA and Vopak Netherlands with the other divisions showing year-on-year improvement as compared to target. The process safety performance was overall in line with the internal target set for the year based on the consolidation principles for sustainability reporting purposes.

For further details on our safety results, reference is made to the Sustainability chapter of this Annual Report.

### Customer Satisfaction

Our customer service improvement efforts have further increased in 2017 in order to remain in the top league of service providers in the world. Vopak further intensified the service dialogues with its customers and also other service providers to its customers operating in the same supply chain and having interactions with various terminals, focusing on driving the service level performance to the next level in order to reach the Best in Port

ambition. Finally Vopak strives to accelerate the performance of their lowest performing terminals to reduce the gap against their top performers.

Since the customer satisfaction survey measuring the Net Promoter Score runs until end of February 2018, actual data for the STI 2017 are not yet available and therefore assumed at target levels in the STI calculations. The actual STI amounts will be reported at the Annual General Meeting of Shareholders in April 2018.

### Team effectiveness

Based on individual evaluation meetings with the Executive Board, on the implementation and realization of the agenda of the Executive Board for 2017 as set at the beginning of the year, the Supervisory Board evaluated the team performance of the Executive Board as 'effective'.

### Long-term variable remuneration 2017

The EPS realization for the Long-Term Share Plan 2015-2017 was above threshold level and will result in a vesting payout in 2018.

For further details on the Long-Term Incentive Plans, reference is made to the Remuneration Policy 2017 on the [Vopak website](#) and [note 6.2](#) of the Consolidated Financial Statements.

### Share ownership

The share portfolios of each of the Executive Board members at year-end 2016 and 2017 are indicated in the following table. The table distinguishes between privately invested shares acquired at the own cost and risk of the individual Executive Board members over the past years, and performance shares acquired on a net basis as rewards under the long-term incentive plans vested since 2011.

The overview does not include potentially awarded shares under the Long-Term Share Plans 2015-2017, 2016-2018 and 2017-2019. These plans will be settled respectively in 2018, 2019 and 2020.

In number of shares	Rewarded performance shares year-end 2017	Privately invested shares year-end 2017	Total shares year-end 2017	Total shares year-end 2016
E.M. Hoekstra	34,698	9,582	44,280	22,871
J.P. de Kreij	63,652	300,000	363,652	350,286
F. Eulderink	17,100	1,750	18,850	5,173

1. The Vopak share price at the end of 2017 and 2016 was EUR 36.57 and EUR 44.88 respectively.

The performance shares may be sold by the Executive Board members. However, the remaining value of the portfolio of performance shares must be equal to two years' annual base salary for the CEO and one year base salary for the CFO and COO. Thus with a 3-year performance period of each Long Term Plan and the additional portfolio requirement of two years for the CEO and one year for the CFO and COO, a long-term element has been sufficiently incorporated.

In accordance with its policy, Vopak did not provide any personal loans, advances or guarantees to the Executive Board members.

Reference is also made to [note 6.3](#) of the Consolidated Financial Statements.

## Remuneration of the Supervisory Board 2017

The Remuneration of the Supervisory Board was fixed for a two-year period (2017 and 2018) and was approved by the shareholders in the Annual General Meeting in 2017. The table below shows the amounts each member received in 2017, resulting in a total cost to the company of EUR 0.49 million, as compared to EUR 0.41 million in 2016. The increase in cost was due to changes to the remuneration levels and Board composition.

In EUR thousands	Supervisory Board	Audit Committee	Selection and Appointment Committee	Remuneration Committee	Total 2017	Total 2016
A. van Rossum (Chairman upto 19-4-2017)	29.36		2.11	2.11	33.57	91.50
B.J. Noteboom (Chairman from 20-4-2017)	87.71	2.56	4.89	4.89	100.06	47.70
M.F. Groot (Vice Chairman)	65.00	8.50	5.00		78.50	68.50
F.J.G.M. Cremers	65.00	15.00			80.00	70.00
C.K. Lam (upto 01-3-2016)						10.40
H.B.B. Sørensen (from 20-4-2017)	45.20	5.94			51.14	-
C.J. van den Driest	65.00		5.00		70.00	61.75
R.G.M. Zwitserloot	65.00			10.00	75.00	65.00
<b>Total</b>	<b>422.27</b>	<b>32.00</b>	<b>17.00</b>	<b>17.00</b>	<b>488.27</b>	<b>414.85</b>

In accordance with the policy, Supervisory Board members did not receive any fixed allowance or performance-related incentives.

The company reimbursed travel costs for Supervisory Board members living outside the Netherlands, which is not included in the table above.

Vopak did not provide any personal loans, advances or guarantees to Supervisory Board members. No Supervisory Board member held any Vopak shares at year-end 2017, except for Mr Noteboom, who held 3,500 shares at year-end 2017. Reference is also made to note 6.3 of the Consolidated Financial Statements.

## Additional information

### Cost of the remuneration of the Executive Board 2017 (audited)

The total cost for the company for Executive Board remuneration as recognized in the 2017 Consolidated Statement of Income decreased in 2017 from EUR 6.2 million to EUR 2.1 million. The amounts for annual base salary and pension are equal to the amounts the Executive Board members are entitled to for 2017, including those for Mr Paulides who joined the Executive Board per 1 February 2018. However, the short-term incentive and long-term incentive amounts refer to the recognized IFRS costs accrued by the company during the financial year 2017 for the Long-Term Incentive Plans.

For further details on the cost of the Long-Term Incentive Plans reference is made to [note 6.2](#) to the Consolidated Financial Statements.

In EUR thousands	Annual base salary		Short-Term Incentive		Long-Term Incentive		Pension		Total	
	2017	2016	2017	2016 <sup>1</sup>	2017	2016	2017	2016	2017	2016 <sup>1</sup>
E.M. Hoekstra	625	625	156	563	-237	1,191	144	121	689	2,500
J.P. de Kreij	520	520	108	390	-78	814	189	190	740	1,914
F. Eulerink	500	500	104	375	-148	726	163	136	619	1,737
G.B. Paulides <sup>2</sup>	38	n/a	n/a	n/a	n/a	n/a	8	n/a	46	n/a
<b>Total</b>	<b>1,683</b>	<b>1,645</b>	<b>368</b>	<b>1,328</b>	<b>-463</b>	<b>2,731</b>	<b>504</b>	<b>447</b>	<b>2,094</b>	<b>6,151</b>

- The short-term incentive amounts 2017 include the incentive for the customer service part assumed at target levels, since the actual NPS result will be available in March 2018. The total actual amount will be presented at the Annual General Meeting 2018.
- Mr Paulides has been employed by Vopak from 1 December 2017 but has formally become part of the Executive Board as CFO from 1 February 2018 replacing Mr De Kreij who retired as of that date.