Storing vital products with care

Annual Report 2019

Storing vital products with care

We store products that are vital for everyday life. The energy that allows us to cook, heat or cool our homes and commute to work. The chemicals that enable us to manufacture millions of useful products. The edible oils to prepare our food. Vopak is the world's leading independent tank storage company and we take pride in **storing vital products with care**, for a growing world population.

Cover page

Our cover photograph shows Singapore, as one of the important markets for Vopak. The symbols used on the cover represent just some of the end-uses of the products we handle: polymers in clothes, fuel for cars and airplanes, coatings, paint and chemicals used in computers, mobile phones and insulating material.

Contents

Fuel for your plane
Chemicals to insulate your house
Gas for cooking your food
Edible oils in your food
Chemicals to make your mobile
Chemicals to make your suitcase

2019 highlights

at year-end

Royal Vopak is the world's leading independent tank storage company. With over 400 years of history and a focus on sustainability, we ensure safe, clean and efficient storage and handling of bulk liquid products and gases for our customers. By doing so, we enable the delivery of products that are vital to our daily lives, ranging from chemicals, oils, gases and LNG to biofuels and vegoils. We are determined to develop key infrastructure solutions for the world's changing energy systems, while simultaneously investing in digitalization and innovation. Vopak is listed on Euronext Amsterdam and is headquartered in Rotterdam, the Netherlands.

Number of terminals[1]
66

Number of countries
23

Storage capacity[1]
In million cbm
34.0
37.0 (2018) | 34.4 (2019)

Market capitalization
In EUR billions
6.2

Number of employees
In FTE
5,559
16% 84%

Total Injury Rate (TIR)
In 200,000 hours worked by own personnel and contractors
0.34
0.30 (2018) | 0.34 (2019)

FY2019 EBITDA[2]
in EUR millions
-excluding exceptional items-
830
Compared with 2018
+13%

FY2019 EPS[2]
in EUR
-excluding exceptional items-
2.80
Compared with 2018
+23%

FY2019 ROCE[2]
-excluding exceptional items-
12.4%
Compared with 2018
+0.8pp

1 Figures at year-end 2019 excluding divestments as from 31 January 2020.
2 For a reconciliation between the IFRS numbers and the amounts excluding exceptional items, reference is made to note 2.2 of the financial statements.

January

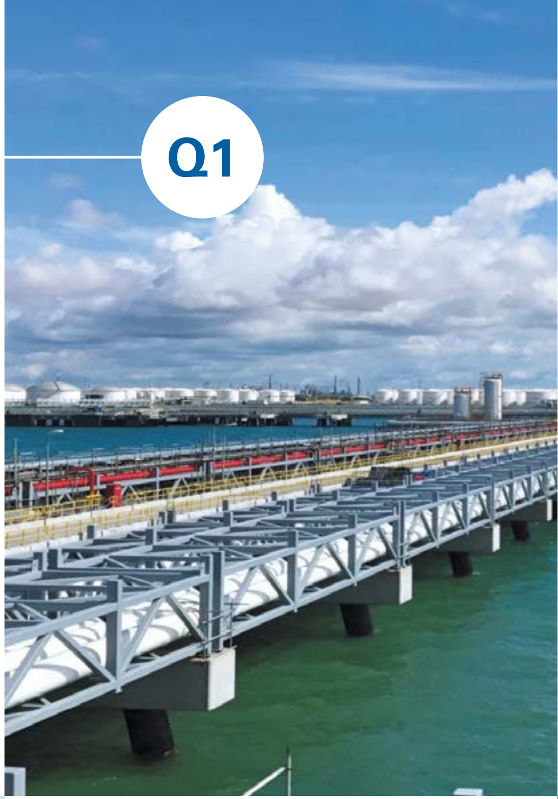
- Vopak increases its stake in the Engro Elengy Terminal in Pakistan to 44%; the facility, Pakistan's first LNG terminal, has been in operation since 2015.
- Vopak acquires an additional 35% stake in the Ningbo terminal, one of the busiest deep-water ports in China. Vopak now owns 85% of Vopak Ningbo Terminals.
- Associate industrial terminal PT2SB in Malaysia adds 718,000 cbm, bringing its total commissioned capacity to 1.5 million cbm.

February

- Vopak announces its investment in a new solar energy park adjacent to its terminal at Eemshaven in northern Netherlands. The investment will be made jointly with partners Whitehelm Capital and Groningen Seaports.
- Vopak announces plans to expand terminals in Mexico and Vietnam: an additional 110,000 cbm at Veracruz on the Gulf of Mexico for clean petroleum products and 20,000 cbm in Vietnam for chemicals storage and handling.

March

- Vopak commissions initial capacity of 120,000 cbm at its Bahia Las Minas greenfield terminal in Panama; another 200,000 cbm is commissioned throughout 2019.

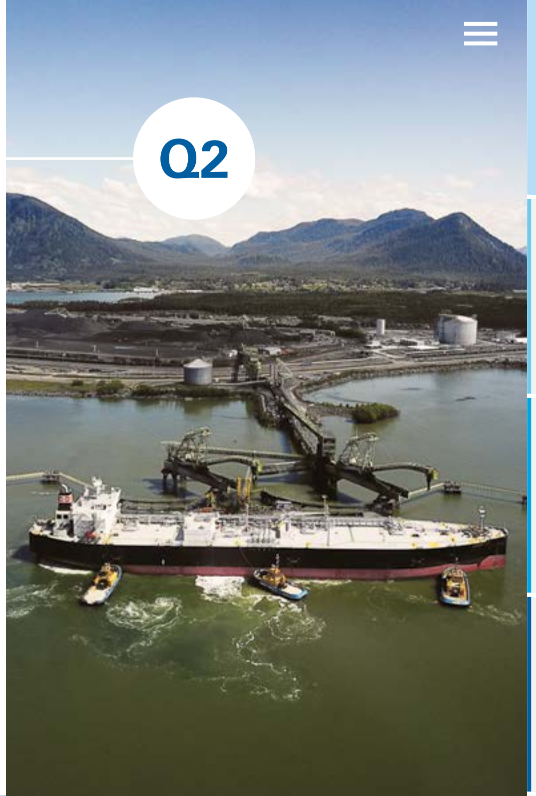


April

- Vopak and partner Global Ports Investments announce the sale of their joint venture in Estonia. The operations include oil storage capacity of just over 1 million cbm in the port of Tallinn.
- Shareholders approve the appointment of Nicoletta Giadrossi to Vopak's Supervisory Board. Mrs Giadrossi has broad international experience in the oil & gas industry and with private equity firms.

May

- The Ridley Island Propane Export Terminal (RIPET) in Prince Rupert, British Columbia, starts operations. The terminal – a joint venture of Vopak and AltaGas – is the first propane export facility in Canada.



July

- Vopak announces plans to add an additional 33,000 cbm at its Deer Park chemicals terminal in Houston.
- Vopak announces a 105,000 cbm expansion at Sydney in Australia to provide storage for clean petroleum products and aviation fuels.
- Vopak acquires a 10.7% stake in Hydrogenious LOHC Technologies GmbH. Hydrogenious is working on a new technology to allow safe and cost-effective transport of hydrogen.

September

- Vopak completes divestment of its oil terminals in Amsterdam and Hamburg; the divestment follows a strategic review of the company's terminal network.
- Vopak adds a fourth terminal to its LNG portfolio by acquiring a 49% stake in Sociedad Portuaria el Cayao (SPEC), in Cartagena, Colombia.
- Pengerang Independent Terminals (PITSB) commissions an additional 215,000 cbm in capacity at Pengerang in Malaysia.

October

- Vopak acquires the remaining 20% stake in the Algeciras terminal.

November

- Vopak announces new expansions in Belgium and Mexico:
  - 50,000 cbm for chemical products at the Linkeroever terminal in Antwerp.
  - 40,000 cbm at Altamira, Mexico, to meet growing demand for chemicals imports.
- Vopak announces that it will develop a joint venture industrial terminal in Qinzhou, South-West China, with an initial capacity of 290,000 cbm.
- Vopak is selected to design, build, own and operate a new 130,000 cbm industrial terminal at Corpus Christi on the US Gulf Coast.

December

- Vopak completes the sale of its 49% equity share in the joint venture Vopak SDIC Yangpu Terminal in Hainan, China.

CEO statement

In 2020 and beyond, Vopak will follow through on the transformation of the company to serve our purpose of storing vital products with care.

The world has profoundly changed in the past decade. So has our company. Climate change and sustainability have moved center stage, not only for concerned citizens, governments and activists, but just as much for companies. The world population has grown from almost 7 to close to 8 billion people, leading to increased demand for vital products like energy, chemicals and food. Poverty, inequality and fulfilling basic needs remain a struggle for millions of people. At the same time, extreme poverty has declined by half, 9 out of 10 people now have access to electricity and the share of renewables in the global energy mix is steadily growing. In the digital realm, developments like big data, the industrial Internet of Things and machine learning, have accelerated in ways we could not have imagined.

For Vopak, those developments present exciting opportunities. The past decade was marked by the celebration of our 400 years of history. A history of continuous change, during which, time and again, we reinvented ourselves. Today, our commitment to storing vital products with care helps both meet the needs of a growing population and reach society's broader goals. These goals include providing access to affordable, acceptable, sustainable and reliable energy, and facilitating the introduction of cleaner, low-carbon fuels; improving air quality; and contributing to a safe, healthy and inclusive work environment for our employees and contractors. In line with these ambitions, we have embraced four United Nations Sustainable Development Goals that connect to the heart of our activities.

Over the past decade, we have realized a significant shift in our portfolio of terminals, moving toward lighter fuels, gas and chemicals, and growing our activities to serve large industrial complexes. We also significantly increased Vopak's presence in our hub locations, and in markets in which population and income growth lead to a growing supply or demand in chemicals, gas and oil. Since 2010, we have divested over twenty terminals, made seven acquisitions and constructed close to 15 million cbm in new capacity. Finally, we have set out a strategy for new energies, centered around hydrogen, CO_2 storage, flow batteries and new feedstocks.

Colombia. We commissioned new capacity in Panama, Brazil and Malaysia, and completed the conversion of fuel oil tanks in Rotterdam and Singapore to store products that meet the IMO 2020 lower sulfur norms. In new energies, Vopak is one of the partners in the H-vision project, aimed at introducing low-carbon hydrogen to help decarbonize the Rotterdam industry. We also announced partnerships with start-ups that are developing innovative technologies for hydrogen storage, transportation and compression, as well as flexible solar foil. We are getting ready to play our role in creating new hydrogen supply chains.

> "Storing vital products with care helps both meet the needs of a **growing population and reach society's broader goals."**

The shift in our portfolio was clearly visible in 2019. We completed the divestment of oil terminals in Amsterdam, Hamburg, Tallinn and Hainan; the sale of Algeciras was completed early this year. Together with our partners, we fully commissioned the industrial terminal PT2SB, serving the RAPID petrochemical complex in Malaysia. We announced two new industrial terminal projects – one in South-West China and one in Corpus Christi on the US Gulf Coast. In gas, we celebrated the opening of the LPG export terminal RIPET in Canada, and expanded our LNG business through acquisitions in Pakistan and

In recent years, we have also embarked on a journey of digital transformation. Embracing new tools, defining new interfaces with our customers and better systems for operations are critical for our long-term success in delivering safe, clean and efficient storage. This is why we have been making significant investments in digital modernization and innovation. Our digital transformation is progressing well. We are now developing our own software for core processes and have started the global roll-out of our cloud-based digital terminal management system.

We are recruiting and training our people for the new digital reality. In parallel, we are experimenting with the use of sensors, drones, robots, 3D photography, big data and blockchain, realizing over 300 proofs of concepts so far. These investments are starting to contribute to improving safety and sustainability, asset maintenance and efficiency.

Looking ahead, I see two critical challenges. One concerns our own performance on personal safety. We need to realize our ambition to be as safe as the safest of our customers. The other relates to our industry as a whole. In my view, there is a discrepancy between the continuous pressure to cut costs, stricter rules and regulations, and our collective wish to improve sustainability. Companies like Vopak reinvest much of their margins in safety, sustainability and innovation. I believe it is a joint responsibility of the industry and its service providers to keep lifting our sustainability performance as a sector, and I will voice my plea to do so in the industry.

I will not venture to predict what will happen over the next ten years. However, I have spoken with students, employees, prominent thinkers, scientists, business leaders and entrepreneurs over the past six months to challenge my assumptions and better understand global trends. As a result, I am more convinced than ever that the drive to combat climate change and to build a safer, more prosperous, just and sustainable global society will speed up. And so it should.

Between now and 2022, we will continue to transform our company and hold the course we set out in previous years. We will invest more in industrial, gas and chemical terminals, shift further toward lighter fuels and more sustainable products, and pursue opportunities in new energies and feedstocks. Over the next decade, besides storing chemicals, oil products, gas, biofuels and edible oils, we aim to add products like hydrogen. Our ambition is to be climate neutral by 2050 and to remain the industry leader, as we explain in our sustainability section. To be successful in these endeavors we need to deliver short-term financial performance and long-term value.

We will also carry on empowering young people in our communities through the Vopak WeConnect Foundation. My colleagues involved in WeConnect projects around the world inspire all of us at Vopak and our joint ventures. They remind us that continuous engagement with our stakeholders is vital for companies if they are to make a meaningful contribution to a more sustainable and resilient society. And for Vopak to keep storing vital products with care.

I will continue to talk to a wide range of stakeholders to understand what society will need tomorrow, and how to keep diversifying and energizing our own global workforce.

On behalf of the Executive Board, I would like to thank our colleagues, contractors and partners for their commitment and hard work. I also thank our customers, shareholders, neighbors and the authorities for challenging us to outperform ourselves, for supporting us and for renewing their confidence at every step.

Eelco Hoekstra
Chairman of the Executive Board and CEO of Royal Vopak

"We will shift further toward lighter fuels and more sustainable products, **and pursue opportunities in new energies and feedstocks."**

The flexible, thin and lightweight Solar Powerfoil was applied on the roof of a storage tank at Vopak Vlaardingen (non-ATEX-environment). The main products stored at this terminal are edible oils. Energy is needed to handle these products because many edible oils easily solidify in our climate.

First solar power tank roof

The first solar power foil is tested at Vopak in the Port of Rotterdam

New energy carriers like hydrogen will play a crucial role in our society

Investing in Hydrogenious LOHC Technologies

Vopak has taken its first steps in becoming active in hydrogen supply chains by investing in Hydrogenious LOHC Technologies – a company developing innovative technology for safe and cost-effective logistics of hydrogen. This technology combined with Vopak's logistics knowledge has potential as a breakthrough in the storage and transportation of renewable energies.

Purpose **& strategy**

Our purpose: storing vital products with care

Demand for energy, food and chemicals is growing as populations increase and become more prosperous. As the world's leading independent tank storage company, we connect supply and demand for these products. To do so, we operate a global network of storage and logistics terminals at strategic locations along major trade routes. We ensure safe, clean and efficient storage and handling of bulk liquid products and gases for our customers.

Storing vital products

Our work enables people to meet basic needs: to cook and heat their homes, go to work and travel the world. We help maintain homes, allow factories to operate and companies to manufacture products that we all use in our daily lives. Our long-term success depends on our ability to innovate and respond to changing demand from both society and the market. Today, we store chemicals, oil, gases, biofuels and edible oils. In the future, we may well store products like hydrogen, electricity and CO_2.

...with care

While the products in our tanks are crucial to people's everyday lives and to the economy, they can impact people's health and the environment if badly stored or handled. It is our role and responsibility to ensure safe, clean and efficient storage. We have a commitment to care, which extends to all our stakeholders, including our colleagues and contractors, our customers and the communities in which we operate.

Our strategy

Vopak operates a global network of terminals worldwide. Through these terminals, we enable delivery of products for the energy, chemicals and food & agriculture industries.

Our terminal network supports our customers with delivering products to market. We adapt to constantly changing markets and product flows, resulting from shifts in climate policies, in geopolitics and the development of new energy sources and cleaner fuels. At the same time, we have seen increased digitalization and the introduction of new technologies – these create significant opportunities for our business. To respond effectively to these changes, we need to be flexible – we also need to have a long-term vision not only of the best locations for our terminals, but of the products and infrastructure that society will use in the years ahead.

Strategic pillars

Vopak's strategy is based on five 'pillars' – where we need to exercise leadership, so we can continue to create value for our customers and stakeholders.

1. Leading assets in leading locations

In our business, location is vitally important. Over the years, we have grown our portfolio of terminals; we have strengthened Vopak's value proposition across the company's four strategic terminal types:

- Industrial terminals
- Gas terminals
- Chemicals terminals
- Oil terminals.

Our aim is to have a diversified terminal portfolio – a strong asset base at a competitive cost of ownership.

In deciding where to locate our terminals, a number of factors are considered: patterns of supply and demand, international trade, industrial clusters, population growth and sustainability. Given that production often is not located close to demand, this growth will increase trade flows, and open up opportunities for Vopak.

2. Operational leadership

Vopak has high standards in safety, sustainability, service and costs – this is how we aim to differentiate ourselves from our competitors. Safety is our first priority. We abide by existing rules and regulations as a minimum – and adopt best practice where possible. Our aim is to be an industry leader in designing, engineering and commissioning new assets, in project management and in operating and maintaining our existing terminals. Vopak's terminals are governed by global standards that often go beyond local regulatory requirements. We realize that our 'license to operate' and our 'license to grow' depend on our ability to manage our facilities safely and responsibly. We have policies, standards, systems, toolkits and core processes (blueprints) that support our ambitions in this area. We provide extensive training programs for both employees and contractors. When selecting contractors, safety performance and experience are critical qualifying criteria. We look at ways of introducing new, safe and more sustainable technologies to improve our systems and processes. We also apply sustainability criteria to our key suppliers.

3. Service leadership

We operate efficiently, keep down costs and shorten processing times where we can. In doing so, we help improve customers' business performance. In this area, our goal is constant improvement – by listening to our customers and anticipating their needs. Wherever we operate, we want to be the 'best in port'. We continuously survey customers, so we can use their feedback to improve our services. Vopak plays a fundamental role in customers' supply chains. We realize we can add value here by providing easy access to real-time information – on loading and waiting times, for example. We build long-term trust with our customers not only through high levels of customer service, but also through our commitment to safety and sustainability, and our advanced sanction-compliance programs.

4. Technology leadership

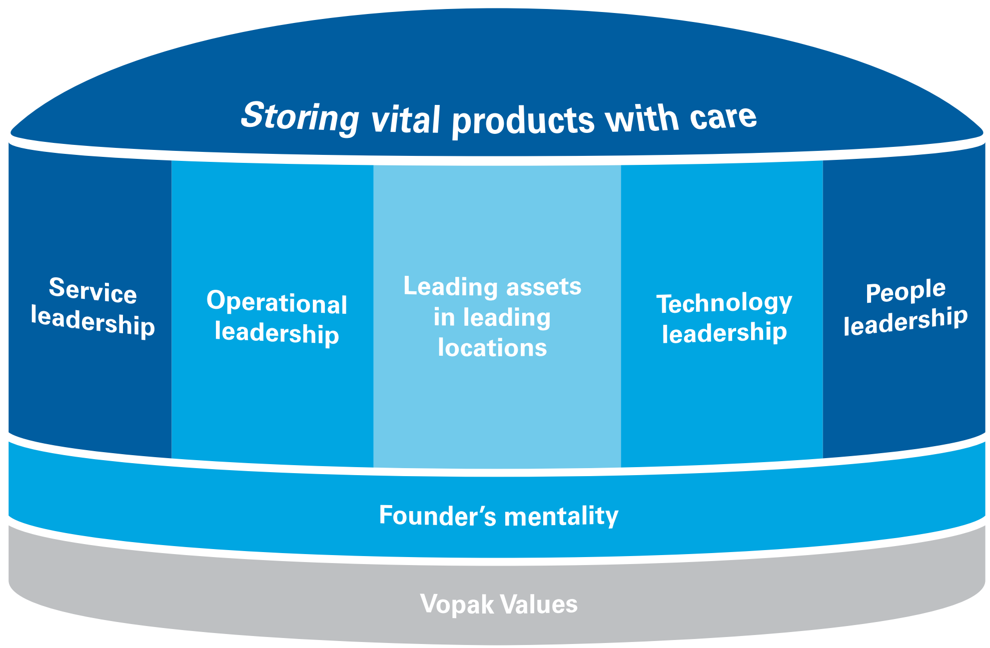
By innovating and bringing in new digital technologies, our aim is to improve safety and service – as well as to reduce costs by working more efficiently and saving energy. Increasingly, at Vopak, we work with mobile devices – we are also working more in real time. Thanks to technology, we aim to be better connected to our customers – we have unlocked data that we can use to improve efficiency, and speed up supply chains for both ourselves and our customers. Through our emerging API-based platform, we can also integrate external data sources quickly and effectively. We are using technology to reduce the number of safety incidents, and further improve service standards through more effective planning. We are strengthening cyber security – and looking at more sustainable technologies to help accelerate the transition to a low-carbon economy. The 'Internet of Things' technology, meanwhile, is helping us develop smarter terminals, and allowing us to schedule maintenance work more effectively.

5. People leadership

Our people are vital to our company and performance. As an employer, we want to inspire and challenge our people, we are helping them develop the right capabilities and leadership skills, and we aim to instill high standards of ethics and integrity. Our aim is for a highly motivated, skilled, agile and diverse workforce. We want to have the right people with the right skills, in the right place and time. We also need to attract new talent – to do so, we have a strong focus on career development and on-the-job learning. Our employee appraisals address not only past performance, but also future development. In our salaries and benefits, we look to reward individual performance, and encourage employees to pursue short or long-term assignments outside their home countries.

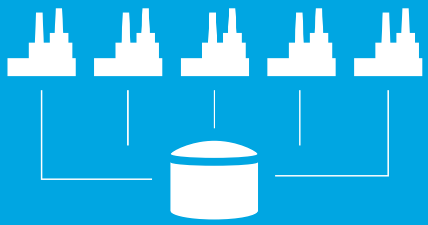
Foundation

Underpinning these leaderships is Vopak's 'foundation' – our founder's mentality: this goes all the way back to the company's origins, more than 400 years ago. It reminds us that we should not limit ourselves to what we know now, or what has worked in the past, but always be open to new solutions and opportunities – always to have an entrepreneurial approach. It is this foundation, along with the Vopak Values, that allows us to work together, to live up to the company's purpose – and to invest in the long-term success of both Vopak and its stakeholders.



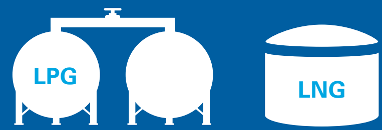
Our four strategic terminals

Industrial terminals



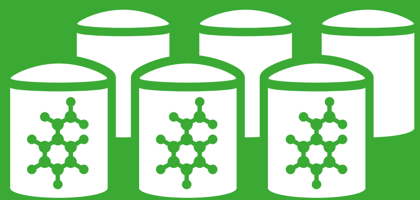
As petrochemical clusters are becoming larger and more complex, logistics integration is ever more crucial. Industrial terminals establish a single operator at the heart of the cluster, which typically serve multiple plants at the same time. They optimize the sites' logistics both by securing import and export flows to and from the cluster, and by ensuring reliable flows to feed the various plants inside the cluster. Due to the interdependency between the terminal and its customers, industrial terminals, typically have long-term customer contracts.

Gas terminals



Vopak is expanding its gas storage – in response to increased demand, partly from petrochemicals and plastics production, but also from gas-fired power plants and transport. We are introducing new infrastructure for cleaner fuels like LPG and LNG. In doing so, Vopak is contributing to the energy transition. We own and operate LPG terminals in the Netherlands, China and Singapore; we have LNG facilities in Mexico, the Netherlands, Pakistan and Colombia.

Chemical terminals



Demand for chemicals storage is growing. Vopak has a strong presence in key hub locations, including Antwerp, Rotterdam, Singapore and Houston. We operate a global chemicals distribution network. Besides growth opportunities, we are also looking at ways of operating our terminals more efficiently and strengthening customer service.

Oil terminals

Oil import, distribution and hub terminals are an important part of our business. We have hub terminals located strategically along major shipping routes, where suppliers, customers and traders are active. These include Rotterdam, Fujairah and the Singapore Strait. Vopak plays an important role in energy distribution in major oil markets with structural supply deficits.

Our value creation

We aim to create long-term value for all our stakeholders – from customers and business partners to investors, employees and local communities. Vopak's business, financial and investor strategies are founded on this principle.

Through the payment of taxes, dividends for shareholders and salaries for employees, we create financial value. Next to this financial value, we also create social value – the products we handle provide light, power, energy for cooking and heating, and form the basis of thousands of household goods.

We are aware that, through our business activities, we may also deplete value – through accidents, for example, or damage to the environment. That's why we work hard to minimize these impacts. In operating our business, we also consume resources – we invest in our facilities and terminals. We also invest in our people, and make use of natural resources like water and energy. We manage these resources as responsibly as possible.

Value creation model

Our value creation model[1] is shown on page 13. This model describes both the resources we consume (inputs) and the value we create or deplete during the course of our business (outputs). Importantly, this model allows us to identify, where particular strategies or investments may create value for one stakeholder group, but reduce value for another. The table opposite shows the principal value created by stakeholder group.

Summary of value created per stakeholder group

Customers
- Safe and efficient delivery of products
- Competitive, high-standard customer service
- Access to Vopak's expertise and know-how
- Real-time information on logistics and supply chain management

Employees
- Healthy, safe working environment
- Enabling career development
- Training in new skills
- Payment of salaries and benefits

Financial & capital markets
- Attractive returns on investments
- Strong business model

Local communities, neighbors & NGOs
- Protecting local environment and air quality (by reducing spills, emissions to soil, water, air etc.)
- Support for public services through taxation
- Employment and economic growth through business investments

Authorities & governments
- Development of best practice (beyond regulatory minimums)
- Support for international climate change and sustainable development ambitions
- Compliance with laws and regulations

Business partners & suppliers
- Continued investment in joint ventures and other partnerships
- Expansion of storage capacity in selected locations

1 Vopak's model is based on the framework published by the International Integrated Reporting Council (IIRC). For more information, see www.integratedreporting.org.

How we create value for our stakeholders and society

Input

People

Employees provide their time, expertise and knowledge. We also use contractors and other service providers in our operations. We invest in training and talent development to build a skilled, diverse workforce.

- 5,559 employees (in FTE) and more than 10,000 contractor 'man years'
- Average 50 hours of training per employee a year

Knowledge

We have company-wide standards. Our processes and systems ensure we handle products efficiently and safely. In some areas, we also develop our own software.

- Vopak standards, processes and procedures
- Total investment in IT systems (2019): EUR 37.6 million

Social & relationship

To carry out our business, we rely on relationships with stakeholders. These include our customers – in addition to our employees, suppliers, business partners and governments. We also need the continued goodwill of the local communities in which we operate. Together, these relationships provide our 'license to operate and grow'.

- More than 40 joint venture partners around the world
- 16 Vopak WeConnect projects supporting local communities around the world in 2019

Financial

Our shareholders and creditors provide funds. We rely on these funds to invest in our business, expand storage capacity, and explore new opportunities for growth.

- Total shareholders' equity: EUR 3.0 billion
- Net interest-bearing debt: EUR 2.3 billion

Manufactured

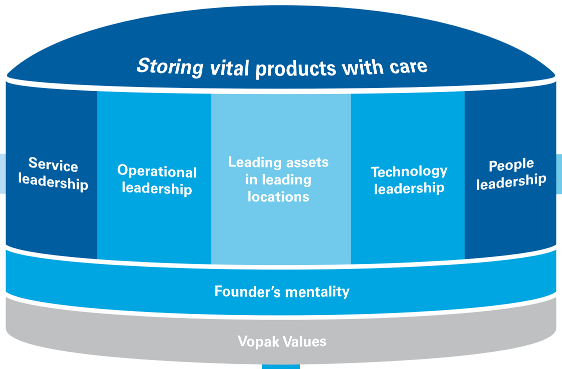
We operate a network of terminals around the world. These include storage tanks, pipelines, jetties and other facilities. It is this network that enables us to move products and connect up supply and demand.

- 66 terminals in 23 countries worldwide
- Total storage capacity at Vopak terminals: 34.0 million cbm

Natural

To run our business, we use natural resources, such as energy and water. We also hold areas of land and sea to build and operate our terminals.

- Total energy consumption (direct and indirect): 14.5 peta-joules
- 69% renewable energy (2018: 61%)



Business environment changes: energy transition & digital transformation

Outputs & outcomes

Impact[1]

People

We develop our people, train them in new skills, motivate them, and aim to provide a healthy and safe working environment for both employees and contractors.

- Employee engagement score: 85%
- Total injury rate (for every 200,000 hours worked): 0.34 (vs. 0.30 in 2018)

Knowledge

We work to continuously strengthen customer service and improve the efficiency of our systems and processes. To support this, we are digitizing more of our operations.

- Net Promoter Score: 65 (vs. 61 in 2018)
- Proprietary cloud-based terminal management system

Social & relationship

As Vopak, we handle often hazardous products with care. We ensure safe delivery of these products to our customers, providing a vital link in the supply chains for oil, gas, chemicals and vegoils. We facilitate novel clean(er) products through appropiate infrastructure.

- Total metric tons of product delivered: 187 million (vs. 174 million in 2018)
- Process safety events rate (for every 200,000 hours worked): 0.16 (vs. 0.12 in 2018)

Financial

We generate cash flows from our business. We use this to operate our terminals and invest in new growth; we also pay interest to our creditors, tax to authorities and dividends to our shareholders, as well as salaries and benefits to our employees.

- Total free cash flow before growth: EUR 346 million
- Total returns to investors (dividend and interest): EUR 230 million
- Total paid income tax: EUR 71 million

Manufactured

We maintain our terminals and other facilities – and invest in new storage capacity to open up flows of product to areas of high demand.

- Planned sustaining and service improvements capex (2020-2022): EUR 750 million – EUR 850 million
- Planned growth investments (2020): EUR 300 million – EUR 500 million

Natural

We work to minimize our negative effects on the environment – by reducing both vapor emissions and pollution to air, water and soil.

- Societal impact reduction of our VOC emissions: 6%
- Reduction in total amount of uncontained spills (in metric tons): 30%

1 More information on the four United Nations Sustainable Development Goals that connect to the heart of our activities can be found on page 15 and 16.

Our responsible business conduct

Vopak aims to create value for all our stakeholders and society. For us, sustainability – or our approach to responsible business conduct – is about caring for people, planet and profit.

This principle is built into our purpose as a company: storing vital products with care. We strive to be a responsible member of society and the communities in which we operate, a company that our employees and contractors are proud to work for. To achieve this, everyone at Vopak needs clear guidance, through ground rules and policies. This chapter gives an overview (not exhaustive) on how Vopak conducts business in a responsible way.

Our moral compass

Vopak Values

The Vopak Values are the foundation of our approach to business. It's vital that our employees, contractors and joint venture partners understand and share these values.

There are five values in all:

- Care for safety, health and the environment
- Integrity
- Team spirit
- Commitment
- Agility

These values are embedded in our policies and frameworks, including our Code of Conduct. They act as a guide to decision-making, and serve as the company's 'moral compass'.

Code of Conduct

Vopak's Code of Conduct sets out our expectations with regard not only to safety and the environment, but also to human rights, non-discrimination, fraud and corruption. The Code also includes provisions on anti-money laundering and compliance with international sanctions. These are important topics for Vopak – we operate worldwide, including in countries with high risk of corruption and poorer human rights. The Code is applicable to all Vopak employees and contractors – we provide regular training in the Code to ensure high standards. We also have a 'whistleblower' policy, allowing employees and other stakeholders to report alleged Code of Conduct violations in confidence. We follow up on all complaints, and take remedial action where needed.

Sustainability Policy

We are committed to minimizing the negative effects of our business activities on people's safety, health and well-being. We do this by maximizing personal and operational safety, and working hard to reduce our environmental footprint, including our carbon footprint. We invest in training, talent development and a diverse and inclusive workforce. We contribute to a more sustainable economy by introducing more sustainable technologies, processes and products, and facilitating the energy transition. Our choices today must contribute to our long-term relevance in society and the well-being and development of future generations. Our ambition is to be the sustainability leader in our industry and to be as good as the safest and most sustainable customers.

Safety and health

We handle hazardous products – so, safety is our number one priority. We have company-wide safety principles, the Vopak fundamentals. Care for safety, health and the environment is built into both our Code of Conduct and our Supplier Code. We provide rigorous safety training to those working at Vopak locations.

Vopak's safety fundamentals include guidelines on transferring products, on permits, motorized vehicles, 'lock-out, tag-out', managing change and working in confined spaces and at heights, a common cause of accidents in the industry. As a minimum, we comply with laws and regulations. We systematically discuss and report work-related injuries, fatalities and illnesses[1], as well as safety incidents like spills and fires. We are currently rolling out our Trust & Verify program. The aim of this program is to improve our overall Safety, Health & Environment (SHE) performance, to further increase awareness of safety issues, and to encourage a culture of personal accountability throughout the company. We are also bringing in more technology. Technology helps us identify risks sooner, often in 'real time'. This gives us the opportunity to intervene early and prevent incidents before they happen; it also allows us to work more remotely, and reduce the number of employees and contractors potentially at risk. All incidents – no matter how small – are reported, as are all near-misses. Reports are made directly in Enablon, our incident reporting system. Alerts are sent out following incidents, and every quarter management discusses safety performance and 'lessons learned'.

Environment

We work to minimize damage to the environment – through harmful emissions, for example, or accidental spills. We have a clear responsibility, in this respect, to the communities in which we operate. Vopak has a robust environmental management process. We use API RP 754 – the American Petroleum Institute's recommended practice for the refinery and petrochemical industries. Our Environmental Management System is included in Vopak's internal standards (as part of our Environmental Impact Assessment and Soil & Groundwater Management). As with safety, we go often beyond legal compliance.

We have put in place a program of improvements at our terminals – to further reduce emissions of VOCs (volatile organic compounds). VOCs can cause air pollution – and may pose a health risk, which is why we assess not only the emissions themselves, but also their overall 'social impact' – which we aim to reduce by at least 20%. Our direct carbon footprint is relatively small and we work to make it even smaller towards our ambition to be climate neutral by 2050. Even so, as a responsible corporate citizen, we also work to reduce our CO_2 emissions. Worldwide, we are responsible for approximately 1,500 hectares of land. So, it is important that we avoid spills that may contaminate local soil, groundwater, or the sea. Our aim is to have no uncontained spills. As part of our standards, we require our terminals to have 'secondary containment', often additional barriers or walls where there is risk of a spill – in tank pits, for example, pumps or loading stations. This 'secondary containment' helps prevent spills seeping into the nearby environment. As a result, spills that do occur are contained and cleaned up as quickly as possible.

With regard to biodiversity, Vopak's impact assessments cover not only air quality and possible contaminations, but also emissions of light (which can have an effect on bird behavior and migration), as well as noise and possible risks to archaeological sites. Hazardous waste is regulated through our Waste Management standard; this applies to all entities.

Preparing for emergencies

Given the nature of our business, there's always the possibility of a safety incident. Our Terminal Health Assessment (THA) and Assure program focus on major accident prevention. Terminals are regularly audited to make sure they meet the standards. Our assets – tanks, pipelines, pumps and jetties – are regularly maintained. We have a rolling three-year maintenance program. All assets are properly designed, with safety paramount. This is not just about assets and compliance, however. The program also helps us ensure we have employees with the right skills to maintain and operate our terminals safely. Also that our policies, processes and systems support an effective safety-first culture.
Vopak's terminals are equipped and tested annually on their emergency and crisis response. At our terminals, a typical Emergency Response Plan (ERP) includes different scenarios, as well as recommended responses and escalation procedures. Local authorities are also involved closely in drawing up these ERPs.

Human & labor rights

We respect international human and labor rights[2]. We screen all major investments for potential human rights issues. With regard to labor rights, we have identified locations most at risk of violations – in these locations, we verify that at least minimum conditions are being met. We also support the 'living wage' principle, and work directly with contractors on health & safety standards, human rights, ethics and integrity. For employees, we provide competitive salaries and benefits – we reward performance and work closely with trade unions and other employee representative groups at our terminals and facilities. In addition to our own staff, we employ thousands of contractors across our operations. During 2019, these contractors outnumbered Vopak employees. Contractors often work on construction sites, or on maintenance projects. We also provide regular safety and operational training to contractors; their obligations are set out clearly in our Supplier Code. Contractors and suppliers must comply with this Code, as well as with Vopak's Sustainability Policy, living wage approach and international human and labor rights standards[3].

Sustainable Development Goals

We have chosen four Sustainable Development Goals (SDGs) to act as a guide in our approach to sustainability. These are the areas where we believe we can create the most value for stakeholders and society as a whole – by supporting the transition to better, lighter fuels and low-carbon energies, in providing a safe working environment, in preventing air, water and soil pollution, and in building resilient, sustainable infrastructure at ports around the world (see next page).

1 Vopak applies OSHA 1904, relating to record-keeping and reporting of occupational injuries, fatalities and illnesses.
2 As set out in the International Bill of Human Rights (which includes the Universal Declaration of Human Rights, the International Covenant on Civil & Political Rights and the International Covenant on Economic, Social & Cultural Rights). Vopak's policies are also based on a number of other international agreements, including: the International Labor Organization's (ILO) fundamental principles, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Vopak seeks to uphold international labor and human rights across its operations, as well as with suppliers, business partners, works councils and trade unions, within the limits of local laws and regulations.
3 As set out by the International Labor Organization's (ILO) fundamental principles and the OECD Guidelines for Multinational Enterprises.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

SDG		Vopak's contribution	Ambitions & targets
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	We facilitate the energy transition by creating reliable access to energy and cleaner fuels and by exploring ways to develop storage and handling solutions for a low-carbon future. We aim to reduce our own footprint and improve our energy efficiency.	• Facilitate introduction of lighter, less polluting fuels (short to medium term) • Development of new infrastructure for cleaner, alternative fuels (to 2050)
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	In storing vital products today and tomorrow, safety is our first and foremost priority. This includes ensuring a safe and secure working environment for all people working at and for Vopak.	• Zero fatalities and reduced total injury rate (short to medium term) • Improve diversity in management in terms of both gender and nationality (short to medium term)
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	To realize our purpose, we develop, maintain and operate reliable, sustainable terminal infrastructure in ports around the world. We adopt and invest in environmentally sound technologies and processes. We explore the introduction of more sustainable technologies and processes and work on the digital transformation of our company.	Industry leader in: • Sustainability, service delivery and efficiency standards • Design and engineering of new assets • Project management and commissioning of new assets • Operating and maintaining existing assets throughout the Vopak network (all short to medium term)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	We strive for environmentally sound management of the products we store and handle, and we work hard to minimize any negative impact on the environment, in particular by reducing releases to air, water and soil.	• Reduce Process Safety Event Rate (PSER) • Reduce releases of harmful products to the environment • No uncontained spills

Transparency

Risk management

Safety, health and the environment are also built into our approach to risk management. We carry out regular risk surveys – and take action to mitigate risks. For 2019, the principal risks included climate change, the energy transition and the risk of a major safety incident.

Vopak's Executive Board has ultimate responsibility for risk management – we have an internal control framework, based on three 'lines of defense': operational controls at our terminals, oversight by divisional and global management, and internal audit, ensuring full compliance. Our internal control framework is regularly reviewed and updated, where necessary. On environmental controls, we support recommendations from the TCFD (Task Force for Climate-Related Financial Disclosures), and use this framework to assess climate-related risks and opportunities and stress-test our portfolio and strategy by using scenario analysis[1].

Responsible tax

Vopak acknowledges that paying tax is part of its social responsibility. In 2019, Vopak paid EUR 71 million in corporate income tax. In where we pay tax, Vopak's business strategy is leading. Vopak complies with the letter and spirit of the law. As a result, Vopak pays tax in the countries where its economic activities take place.

Our material issues

Vopak carries out periodic 'materiality' exercises. These enable us to identify 'material issues' – those topics that are most relevant to our stakeholders. The exercise is based on input from various stakeholder groups. For 2019, the most material issues emerging from our survey were: process safety, business ethics & integrity, air quality (VOC and other emissions), security (including cyber security), water pollution, occupational health & safety and innovation. These issues carry both opportunities and risks. Each is addressed directly by our strategy. Our previous materiality exercise took place in 2016. Comparing results, innovation has increased in importance, as has customer acceptance. In 2019, stakeholders put less emphasis on occupational health & safety. For more information on our materiality exercise (including the methodology used and our materiality matrix), see page 53.

Additional information

Further information on these subjects and Vopak's system of corporate governance may be found in the back-end of this Report in separate sections on Sustainability (pages 49-84) and Governance, Risk and Compliance (pages 85-119).

1 Based on our assessment, we are confident Vopak's strategy sufficiently addresses both the risks and opportunities arising from the transitional and physical effects of climate change. For further details see Climate change risks, opportunities and impacts in the Sustainability chapter.

Business & market

Letter of the Executive Board

2019 was a successful year for Vopak. We operated in a business environment with increased global economic uncertainty and growing awareness of sustainability by society and companies, while seeing digital technologies evolve at high speed. Our discipline and focus on short-term performance and long-term value creation supported the delivery of a strong EBITDA and significant increase in earnings per share. Additionally, we expanded storage capacity in growth markets and prepared our oil hub terminals for IMO 2020 lower sulfur norms. We delivered on our ambitions for the 2017-2019 strategic period with important steps in our portfolio transformation, the successful execution of our cost savings program and excellent progress with our digital transformation.

Delivering on our strategy

The targeted strategic portfolio transformation gained momentum throughout 2019. We implemented our 2017-2019 growth investment program. Over this period, we invested more than EUR 1 billion, adding 4.1 million cbm in capacity to meet growing customer demand, particularly in Asia and the Americas. At the same time, we divested oil terminals in Algeciras, Amsterdam, Hamburg, Tallinn and Hainan. In 2019, we expanded our LNG business in Pakistan and Colombia, and started construction of new industrial terminals in China and the US. We opened a new greenfield site in Panama and, together with our partners, commissioned the RIPET asset, a greenfield propane export terminal at Prince Rupert in western Canada. We successfully converted fuel oil capacity at our oil hub terminals at Rotterdam, Singapore and Fujairah to prepare for IMO 2020 – though this adversely affected occupancy rates during the year. Our current portfolio is well-positioned for future developments. As part of our new energies focus, we made our first investments in hydrogen and solar.

We delivered the value of our growth program. We also experienced construction and permitting delays for a few assets with delivery in 2020, most noticeably our South African projects Lesedi and Durban. The investment case for these assets remains very attractive and is unaffected by the delays.

The year also marked the completion of our 3-year cost program to support EBITDA margin improvements through organizational and operational efficiencies. Given the progress made with our program, we decided to increase our cost reduction target in 2018 and outperformed this higher target. At the end of 2019, we were operating the revised portfolio below the targeted cost level. For 2017-2019, we remained within the spending limit we set for sustaining and service improvement capital expenditure of EUR 750 million.

Implementation of our digital strategy is progressing well. We continued to roll-out our new cloud-based system for our terminals, as part of broader efforts to develop our digital architecture and bring our operational and IT systems closer together. Growing Vopak's digital capabilities and the use of data and platforms is key to both our short-term performance and long-term value creation. Over the period 2017-2019, we invested EUR 93 million in new technology, innovation programs and replacing legacy IT systems and remained within the set ceiling of EUR 100 million.

Performance

People

Despite continuous efforts to improve safety, we were not able to deliver on our promises with regard to personal safety. During the year, regrettably, a contractor lost his life during construction work as a result of a tragic incident at our joint venture PITSB terminal in Malaysia. We are committed to improving safety in 2020 with our Trust & Verify program. This program will further increase safety awareness and encourage a culture of personal accountability throughout the company, helping us prevent severe incidents and ensure a safe working environment. We stepped up efforts to strengthen customer service and create an inclusive environment with a more diverse workforce. Developing new skills, particularly in IT and data, remains a priority for the company. In 2019, we further strengthened customer satisfaction, increasing our Net Promoter Score (NPS) to 65, up from 61 in 2018.

Planet

With our commitment to storing vital products with care, we are helping meet the needs of both a growing population and society's wider goals. In 2019, together with our stakeholders, we conducted a materiality assessment to define our material social, environmental and economic topics. Safety for employees, contractors, communities and the environment remains our main priority. We will continue to seek opportunities to reduce our environmental footprint. Emissions of Volatile Organic Compounds (VOCs) constitute the most significant environmental risk from our operations. We announced a EUR 40 million investment program to reduce the social impact from our VOC emissions by 20%.

Following our 2019 Vopak Climate Day, we reconfirmed our assessment that, in terms of both our strategy and asset portfolio, we are well-placed to respond to risks and opportunities arising from the transitional and physical effects of climate change.

Profit

We delivered strong financial performance and significantly increased earnings per share. Our delivered EBITDA reflects good aggregate business performance. Occupancy rates were impacted by conversion activities related to IMO 2020 and ongoing market conditions at oil hub terminals; other market segments remained solid. Divestments during the year led to a significant cash inflow of EUR 550 million.

In accordance with our financial framework and priorities for cash, we will reinvest most of our capital to further develop our portfolio. We propose to increase our annual dividend by 5% over 2019 and start a EUR 100 million share buyback program to increase our distribution to shareholders. The share buyback program is complementary to our continued investments in growth, sustaining, service improvement and IT capex.

Looking ahead

In the period 2020-2022, we will continue the course we set in previous years to strategically position our company for long-term developments. As part of our growth strategy, we will be expanding storage, especially in industrial and gas terminals, to take advantage of both continued economic growth in Asia and the shift toward cleaner, more sustainable forms of energy and value chains.

- We aim to grow EBITDA over time with new contributions from growth projects and IMO 2020 converted capacity and replace the EBITDA from divested terminals, subject to general market conditions.
- In the period 2020-2022, Vopak may invest EUR 750 million to EUR 850 million in sustaining and service improvement capex, subject to additional discretionary decisions, policy changes and regulatory environment.
- To complete the Vopak's digital terminal management system build and roll-out, Vopak expects to spend annually EUR 30 million to EUR 50 million in IT capex over the period 2020-2022.
- We continue with further strengthening our cost culture and expect to compensate for annual inflation in our cost performance.
- We will continue to look for attractive ventures in new energies and innovative technologies.
- Growth investment for 2020 could amount to EUR 300 million to EUR 500 million.

For 2020 and beyond, we will keep storing vital products with care to make a meaningful contribution to a more sustainable society, enabled by our financial performance.

The Executive Board

From left to right:
Gerard Paulides Member of the Executive Board and CFO of Royal Vopak
Eelco Hoekstra Chairman of the Executive Board and CEO of Royal Vopak
Frits Eulderink Member of the Executive Board and COO of Royal Vopak

Our business environment

Vopak operates in an ever-changing environment.
Our business is global, but we're subject to local conditions.

Across our business, we're seeing an increase in regulation, and a shift to sustainability and to lighter, cleaner products.

Economic conditions

In recent years, we have seen rapid growth in emerging economies and an expansion in the middle classes, particularly in Asia and Latin America. In China, for example, by 2022, the middle class is expected to exceed 550 million people – more than one-and-a-half times the current US population. This, plus continued population growth and urbanization, is driving up consumption – cars, clothes, housing, mobile phones – and, in turn, demand for the products we handle. There is still considerable energy poverty in many parts of the world – so, over the long term, we expect demand will continue to increase.

Short-term, the situation is more complex. In 2019, the world economy grew by 3%[1] – its lowest level since the global financial crisis ten years before. Growth in emerging economies, like China and India, slowed. Overall, the growth in manufacturing output declined, and there was a slowdown in global trade, partly the result of the dispute between the US and China. There was increased political uncertainty: tensions between Russia and Europe, and continued conflict in the Middle East. International sanctions also had an effect on our markets – US restrictions, for example, diverted Venezuelan crude oil from the US to Asia. Sanctions against Iran meant stepped-up controls on shipments, particularly in and around the Persian Gulf. We also see changes in expectations of society.

Shale boom in the US

Production of shale oil and gas has grown significantly in the US. By the end of 2019, output of shale oil was running at more than 8 million barrels a day. Though there are signs it may be slowing, the boom has fundamentally changed the energy equation in the US. The result has been increased investment, not just in the US itself, but also in China and Europe. With the abundant production of shale oil and gas, new petrochemical complexes are coming on stream. There is more integration between oil and chemicals and an increased availability for light feedstock. For Vopak, this creates new opportunities, particularly for our industrial and hub terminals.

Clean air, climate change and energy transition

Worldwide, there's a clear shift toward sustainability and combating climate change. The 2015 Paris Climate Agreement marked a watershed in this respect. Since then, we have seen an increase in public and business awareness and in government regulation. Clearly, there are consequences for Vopak's business. We are seeing these already in environmental standards and regulations, though we expect the impact to be primarily long-term rather than immediate. These consequences include a switch away from fossil fuels. At the same time, demand for renewables, like wind and solar, will continue to grow. By 2030, the number of electric cars, for example, could exceed 130 million[2]. The expansion in renewables will require new technology, particularly in storage (flow) batteries and hydrogen use. In fuel oil, we are already seeing a move toward cleaner fuels and diesels as part of a broader transition to cleaner sources of energy. Regulation is an important factor in this. Regulations under IMO 2020 bring in new and stricter rules for sulfur emissions from ships (see page 32). Meanwhile, in China and India,

1 Source: International Monetary Fund (World Economic Outlook, October 2019).
2 Source: International Energy Agency (IEA) – Global EV Outlook 2019. In 2018, the number of electric cars totaled 5.1 million.

governments are tightening controls on air quality because of problems with pollution and smog in major cities. We realize that our terminals also face physical risks from climate change – from an increase in flooding, hurricanes and storm surges. For more information, see the climate chapter in the sustainability section on page 80.

Trends in our markets

Chemicals

We see strong fundamentals for our chemicals business, mainly from continued economic growth in Asia. Underlying demand for chemicals remains firm from both the construction and car industries. Consumption of plastics continues to grow, despite environmental concerns and increasing interest in a circular economy (for the time being, bioplastics remain a niche product). For the moment, impact from trade tensions is limited, though some end-markets – like electronics and consumer goods – are being affected. In the shorter term, markets vary. In some locations, we are seeing storage overcapacity and slower growth in flows as supply concentrates closer to demand with the construction of new petrochemical complexes. Addressing environmental concerns will require additional infrastructure investment and innovation.

Oil

Overall, global energy demand is increasing – the result of population growth and rising incomes. Relative to other energy sources, demand for oil will grow more slowly – oil will give way to cleaner alternatives, like LNG or renewables. At the same time, oil consumption will shift eastward – toward China and India. Demand for oil in the chemicals industry is growing. As a feedstock, oil is more competitive than it used to be thanks to the sharp increase in US shale production (this is also driving more product to oil hub terminals). Politics remains an important influence on oil flows – from instability in the Middle East to continued sanctions on major oil producers, like Iran and Venezuela.

Gas

The seaborne LPG market continues to grow, driven mainly by the US shale boom. We're seeing excess supply, but much of this excess is absorbed by new demand from India, South-East Asia and China. US LPG exports to China have dried up – after China's decision to impose a 25% tariff. Instead, US flows are heading to other markets in Asia, including Japan and South Korea. To secure supply, China is buying mostly Middle Eastern LPG at a premium.

LNG, meanwhile, is benefiting from demand, particularly in countries like China and India, anxious to reduce their consumption of coal. New production is coming on stream. Since 2000, output has been increasing at more than 7% a year. With the growth in LNG, European countries, like Germany, are putting in new infrastructure – part of broader efforts to secure long-term energy supplies.

Vegoils & biofuels

Over the past year, we have seen good global demand for vegoils. Chinese trade tariffs have pushed US ethanol exports toward India and other Asian markets. Volumes from Brazil to the US declined slightly, due to increased demand internally. During the year, facilities in Europe ran at close to capacity – US ethanol sales to the EU increased after import tariffs were dropped. In the Americas, demand remained strong, especially in Mexico.

New energies

In recent years, we have seen a sharp rise in consumption of renewables, like wind and solar power. According to the IEA, renewables are forecast to grow significantly over the next five years[1]. In the short term, it is likely that the world will remain dependent on traditional fossil fuels. Currently, only 4% of energy for transport, for example, comes from renewables.

Many industries cannot yet rely on renewable electricity to generate high-temperature heat. More work is also needed on battery technology to store renewable energy – and smooth out fluctuations in supply and demand.

Competition

Over the past several years, we have seen an influx of new capital into the sector, mostly from long-term financial investors like infrastructure funds, encouraged by low borrowing costs. In chemicals, competition is most intense in Rotterdam and Antwerp. Competitive pressure at chemicals distribution terminals comes mainly from local players. Overall, more market players are focusing on the growth in gas.

1 Source: International Energy Agency (IEA) – Renewables 2019 (Market analysis and forecasts to 2024).

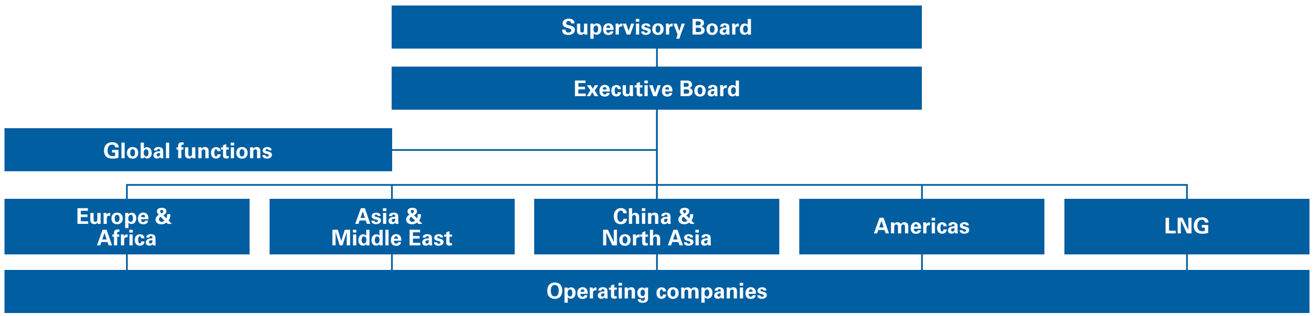
Our business

We ensure safe, clean and efficient storage and handling of bulk liquid products and gases for our customers. By doing so, we enable the delivery of products that are vital to our daily lives and economy.

Vopak and its predecessors have been serving customers for more than 400 years. We know how to adapt to changing times and identify opportunities in a world that is transforming faster than ever. We are building an organization that reflects smart insights from innovation and digitization. Our business is organized into five divisions: Europe & Africa, Asia & Middle East, China & North Asia, Americas and LNG. Vopak is headquartered in Rotterdam, and listed on Euronext Amsterdam.

We store and handle a variety of liquid products. These include:

- Chemicals (methanol, xylene, styrene, MEG[1])
- Gas (LNG, LPG, ethylene, butadiene)
- Oil products (crude oil, fuel oil, diesel, jet fuel, gasoline, naphtha)
- Vegoils and biofuels.



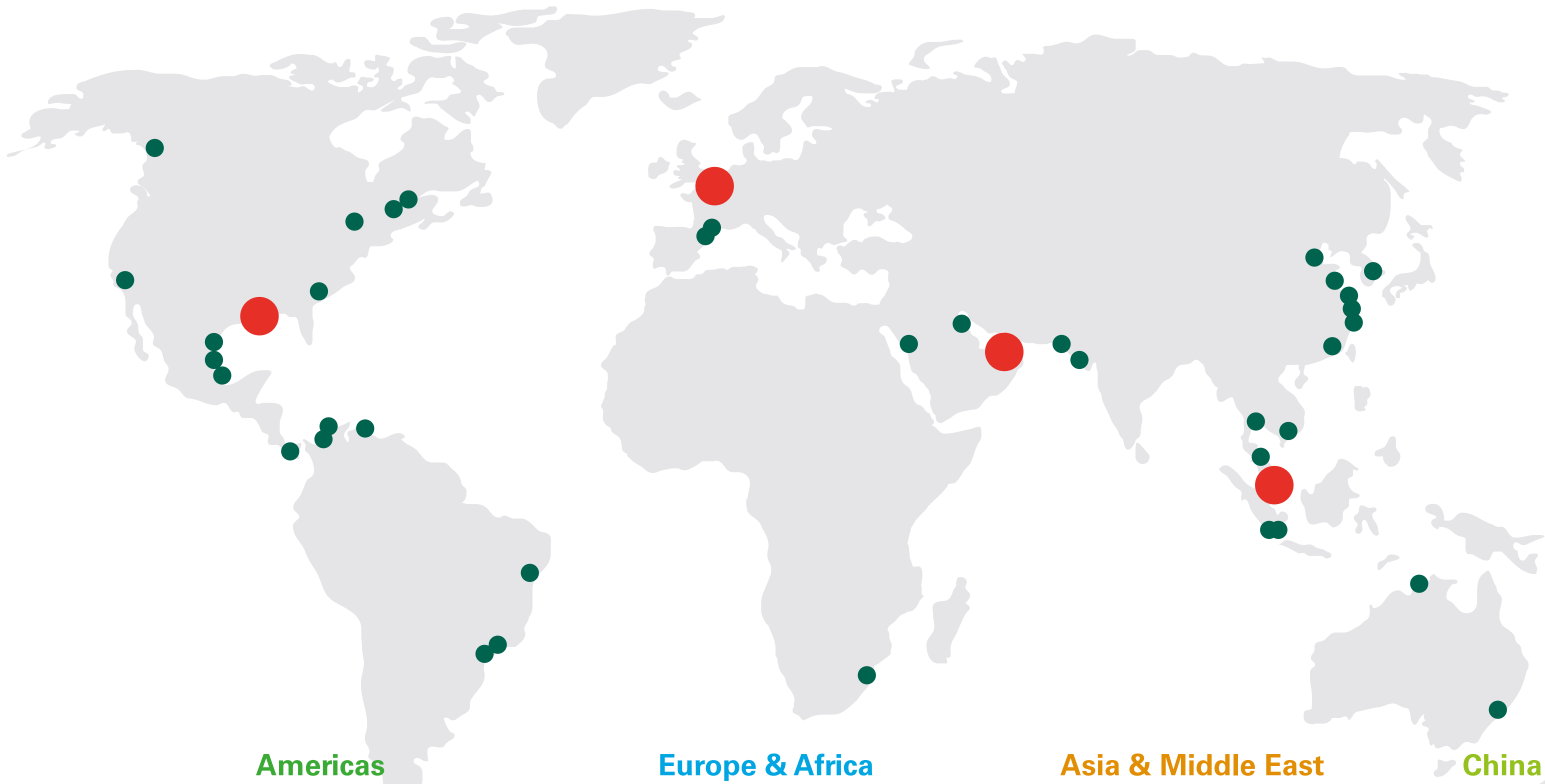
1 Mono-ethylene glycol.

Our customers

The products we handle are used by energy, industrial and manufacturing companies in their supply chains. These products are key inputs for chemicals and plastics for food and manufacturing – and for the energy and transport sectors. Our customers are producers, manufacturers, distributors, governments and traders. They include leading international, regional and national chemical, oil and gas companies. Vopak's terminals connect directly with national grids and distribution networks. In many cases, we handle feedstock (products used in industrial processes); in others, products go directly to end-users. Vopak provides common storage and logistics services to customers. Our customers benefit from economies of scale; they do not have the direct cost of owning and maintaining storage tanks, jetties, pipelines and other infrastructure. We help our customers optimize processes and operate more efficiently, saving time and money. Nearly 80% of our revenue comes from storage fees paid by customers. Vopak's ambition is to be a strong link in customers' supply chains. Much of our business is long term: typically, contracts for gas last 5-20 years. Chemicals and oil tend to be shorter term, with contracts of 0-5 years. In 2019, over 44% of our revenue came from contracts with an original contract duration of three years or more.

Our suppliers

Our suppliers vary from global qualified vendors, used for equipment and IT automation, to local service and construction suppliers. We aim for long-term partnerships and ensure continuous improvement on quality, efficiency and safety. In line with our Sustainability Policy and Vopak's Code of Conduct, we require our suppliers, contractors and their sub-tier suppliers and contractors to adhere to our Supplier Code.



LNG
Colombia: SPEC LNG
Mexico: LNG Terminal Altamira
Netherlands: Gate terminal (Rotterdam)
Pakistan: Engro Elengy Terminal

Number of terminals: 4
Storage capacity: 1.2 million cbm

Americas
Canada: RIPET, Hamilton, Montreal East, Montreal West, Quebec City
US: Deer Park (Houston), Long Beach, Los Angeles, Savannah
Brazil: União Vopak, Alemoa, Aratu
Colombia: Barranquilla, Cartagena
Mexico: Altamira, Coatzacoalcos, Veracruz
Panama: Bahia Las Minas, Vopak Panama

Number of terminals: 19
Storage capacity: 4.4 million cbm

Europe & Africa
Belgium: ACS (Antwerp), Eurotank (Antwerp), Linkeroever (Antwerp)
Spain: Terquimsa Barcelona, Terquimsa Tarragona
Netherlands: Maasvlakte Oil Terminal (Rotterdam), Botlek (Rotterdam), Chemiehaven (Rotterdam), Eemshaven, Europoort (Rotterdam), Laurenshaven (Rotterdam), TTR (Rotterdam), Vlaardingen, Vlissingen
South Africa: Durban

Number of terminals: 15
Storage capacity: 10.4 million cbm

Asia & Middle East
India: Kandla
Indonesia: Jakarta, Merak
Australia: Darwin, Sydney
Malaysia: Kertih, PITSB, PT2SB
Singapore: Banyan, Penjuru, Sakra, Sebarok, Jurong Rock Caverns
Thailand: Thai Tank Terminal
Saudi Arabia: Chemtank, SabTank – Al Jubail, Sab Tank – Yanbu
Pakistan: Engro Vopak Terminal
UAE: Vopak Horizon Fujairah

Number of terminals: 19
Storage capacity: 15.1 million cbm

China & North Asia
South Korea: Vopak Terminal Korea
China: Caojing (Shanghai), Haiteng, Ningbo, Shandong Lanshan, Tianjin Lingang, Zhangjiagang
Vietnam: Vopak Vietnam

Number of terminals: 8
Storage capacity: 2.8 million cbm

● Hub terminal ● Terminal

Note 1: Map shows Vopak terminals in operation at 11 February 2019.
Note 2: Our terminal in Venezuela is formally part of the Global functions and is not part of any of the divisions.

Stella Yang

Favorite vital product?
My mouse

And why?
The wireless mouse is fit for my hand and can be easily packed away. It makes me efficient at work and it's convenient for surfing the internet!

Connection with Vopak?
We store acrylonitrile, butadiene and styrene here in Caojing, needed to manufacture computer mouses.

What's your responsibility at Vopak?
"I'm the HR manager at Caojing terminal, China."

Ahmad Waisul Qorni

Favorite vital product?
Mosquito lotion

And why?
Before going to bed, I use mosquito lotion to protect me from mosquitos, so I can sleep more soundly and wake up early to be on time for work.

Connection with Vopak?
In our tanks, we store ethanol needed to produce mosquito lotion.

What's your responsibility at Vopak?
"I'm an operations technician from Jakarta, Indonesia."

Performance
& Outlook

Our performance

Key performance figures

	2019	2018
Safety performance		
Total Injury Rates (TIR), own employees and contractors (per 200,000 hours worked)	0.34	0.30
Lost-time Injury Rate (LTIR), own employees and contractors (per 200,000 hours worked)	0.18	0.12
Process Safety Events Rate (PSER), own employees and contractors (per 200,000 hours worked)	0.16	0.12
Financial performance (in EUR millions)		
Revenues	1,252.6	1,254.5
Group operating profit before depreciation and amortization (EBITDA)	1,038.5	754.8
Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items-	829.8	734.3
Group operating profit EBIT	747.8	481.7
Group operating profit EBIT -excluding exceptional items-	539.1	463.3
Net profit attributable to holders of ordinary shares	571.0	254.5
Net profit attributable to holders of ordinary shares -excluding exceptional items-	357.8	289.5
Cash flows from operating activities (gross)	709.7	687.0
Average capital employed	4,247.3	4,005.7
Return on capital employed (ROCE)	12.4%	11.6%
Return on equity (ROE)	12.5%	11.2%
EBITDA margin excluding result joint ventures and associates	50.8%	48.2%
Capital and financing (in EUR millions)		
Equity attributable to owners of parent	3,047.3	2,682.8
Net interest-bearing debt	2,335.3	1,825.0
Senior net debt : EBITDA	2.75	2.49
Interest cover (EBITDA : net finance costs)	10.4	8.5

	2019	2018
Key figures per ordinary share (in EUR)		
Basic earnings	4.47	1.99
Basic earnings -excluding exceptional items-	2.80	2.27
Diluted earnings	4.47	1.99
Diluted earnings -excluding exceptional items-	2.80	2.27
(Proposed) dividend	1.15	1.10
Total number of shares outstanding	127,835,430	127,835,430
Business performance		
Storage capacity end of period (in million cbm)	34.4	37.0
- subsidiaries	18.2	19.6
- joint ventures and associates	12.3	13.5
- operatorships	3.9	3.9
Occupancy rate subsidiaries (average rented storage capacity)	84%	86%
Total number of employees end of period (in FTE)	5,559	5,732
Contracts > 3 years (as % of revenues)	44%	51%
Contracts > 1 year (as % of revenues)	80%	85%
Information on a proportionate basis		
Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items-	980.7	821.6
Occupancy rate subsidiaries, joint ventures and associates	84%	84%
Sustaining, service improvement and IT capex	321.7	279.6
Net interest-bearing debt	3,280.2	2,592.4
Environmental performance		
Societal impact reduction of our VOC emissions	6%	-
Total amount of uncontained spills (metric tons)	21	30
- Soil & groundwater (metric tons)	19	29
- Water (metric tons)	2	1
Total carbon emissions (kilotons – scopes 1 and 2)[1]	408.5	417.4
Business ethics & integrity		
Fines for permit violations (amount, EUR million)	0	-
Employees completed the Code of Conduct training (in %)	>90%	-

1 According to CDP (Carbon Disclosure Project) definitions; scope 1 relates to direct emissions (from sources owned or controlled by Vopak), scope 2 to indirect emissions (from generation of purchased energy).

Financial performance

Operating results

Revenues

In 2019, Vopak generated revenues of EUR 1,252.6 million, comparable to EUR 1,254.5 million in 2018. Excluding the positive currency translation effect of EUR 20.2 million, the decrease amounted to EUR 22.1 million. This decrease was primarily caused by the divestments of the terminals in Amsterdam and Hamburg.

The effect of newly commissioned capacity in the US and Panama, was largely offset by lower rented capacity and pricing effects at the oil hub terminals in Rotterdam and Singapore caused by IMO2020 conversion projects and a less favorable storage market for oil.

The average occupancy rate for Vopak's subsidiaries (excluding joint ventures and associates) for 2019 of 84% was below the 86% in 2018. This movement was for a large part attributable to the oil hub terminals in Rotterdam and Singapore.

Vopak's worldwide storage capacity decreased with 2.6 million cbm from 37.0 million cbm per the end of 2018 to 34.4 million cbm per the end of 2019 reflecting divestments of 4.3 million cbm and new capacity of 1.7 million cbm.

Expenses

Personnel expenses

In 2019, personnel expenses -excluding exceptional items- amounted to EUR 346.0 million, an increase of EUR 9.7 million (3%) compared to EUR 336.3 million in 2018. Excluding the negative currency translation effect of EUR 4.3 million, the increase amounted to EUR 5.4 million and can mainly be attributed to the increased number of FTEs due to business development and construction projects and the efforts as part of our digital transformation and its related IT/OT and innovation projects. At the same time higher costs for the incentive plans contributed to the increase. This effect was offset by the effects of the divestment of the terminals in Amsterdam and Hamburg.

During 2019, Vopak employed, in FTEs, an average of 4,345 employees (2018: 4,063), excluding joint ventures and associates. This comprises 3,768 own employees (2018: 3,710) and 577 temporary employees (2018: 353).

An exceptional loss of EUR 1.0 million was recognized in 2019 (2018: exceptional gain of EUR 19.1 million). This was mainly the result of a provision recorded because of uncertainty with respect to renewal of an expiring land lease contract for our terminal in Quebec City in Canada.

Including exceptional items, total personnel expenses for 2019 amounted to EUR 347.0 million compared to EUR 317.2 million in 2018.

Other operating expenses

In 2019, other operating expenses -excluding exceptional items- amounted to EUR 286.7 million, which represents a decrease of EUR 43.0 million (-13%) compared to EUR 329.7 million in 2018. Excluding the negative currency translation effect of EUR 4.6 million, the positive IFRS 16 effect of EUR 49.9 million and the positive effects of the divestments of EUR 9.0 million, the increase amounted to EUR 11.3 million. This increase can mostly be related to new capacity, IT and business development projects.

An exceptional loss of EUR 1.5 million in 2019 (2018: exceptional loss of EUR 0.9 million) is mainly related to an environmental provision recognized because of uncertainty with respect to renewal of an expiring land lease contract for our terminal in Quebec City in Canada.

The Group's other operating expenses -including exceptional items- for 2019 amounted to EUR 288.2 million compared to EUR 330.6 million in 2018.

Result joint ventures and associates

In 2019, the result of joint ventures and associates -excluding exceptional items- amounted to EUR 176.5 million, an increase of EUR 62.6 million (55%) compared to EUR 113.9 million in 2018. Excluding the positive currency translation effect of EUR 3.1 million and the negative IFRS 16 effect of EUR 4.9 million, the increase amounted to EUR 64.4 million.

This increase was mainly due to good performance at the joint ventures and associates of the Asia & Middle East division and the commissioning of the industrial terminal PT2SB in Pengerang, Malaysia and the Ridley Island Propane Export Terminal in Canada in the first half of 2019, together with the positive impact of the customer settlements at Vopak Terminal Haiteng.

In 2019, an exceptional loss of EUR 14.7 million (2018: no exceptional items) was recognized in the result of joint ventures and associates relating to a tax provision that was recognized in a joint venture terminal in the Asia & Middle East division.

The Group's result of joint ventures and associates -including exceptional items- for 2019 amounted to EUR 161.8 million compared to EUR 113.9 million in 2018.

Group operating profit before depreciation and amortization

Group operating profit before depreciation and amortization (EBITDA) -excluding exceptional items- and including the net result of joint ventures and associates for 2019, amounted to EUR 829.8 million, which is EUR 95.5 million (13%)

higher compared to EUR 734.3 million in 2018. Excluding the positive currency translation effect of EUR 14.4 million and the positive IFRS 16 effect of EUR 45.0 million, the increase amounted to EUR 36.1 million. Better results and newly commissioned capacity for the joint ventures and associates compensated the lower revenues mainly as a result of the divestments of the terminals in Amsterdam and Hamburg and lower capacity rented caused by IMO2020 conversion projects and a less favorable market for oil storage.

Including exceptional items, Group operating profit before depreciation and amortization (EBITDA) for 2019 amounted to EUR 1,038.5 million compared to EUR 754.8 million in prior year.

ROCE -excluding exceptional items- of 12.4% compared to 11.6% in 2018 reflected higher EBIT and lower average invested capital.

Cash flows from operating activities and working capital
Cash flow from operating activities (gross) amounted to EUR 709.7 million in 2019 (2018: EUR 687.0 million). Excluding the presentation effect of the reclassification of most of the lease payments from operating cash flows to financing cash flows due to IFRS 16 of EUR 53.1 million, cash flow from operating activities (gross) amounted to EUR 656.6 million. This decrease of EUR 30.4 million was mainly related to lower results from subsidiaries among others due to the divestments, whilst the dividends received from joint ventures and associates increased with EUR 10.2 million.

Strategic investments and divestments

Cash flows from investing activities
In 2019 cash flows from investing activities amounted to a net cash outflow of EUR 256.1 million (2018: net cash outflow of EUR 589.4 million). Total investments amounted to EUR 806.7 million (2018: EUR 614.1 million), of which EUR 589.7 million was invested in property, plant and equipment (2018: EUR 504.0 million). Investments in joint ventures and associates, including acquisitions, amounted to EUR 180.4 million (2018: EUR 81.8 million).

Vopak continued to strengthen its global network of terminals, pursuing its long-term growth strategy, and invested EUR 499.8 million in the expansion of existing terminals and the construction of new terminals in 2019 (2018: EUR 341.0 million). For a few projects, we experienced construction and permitting delays, most noticeably South African projects Lesedi and Durban.

As part of the strategic direction for the period 2017-2019, Vopak indicated to invest approximately EUR 100 million in the period 2017-2019 in new technology and innovation programs as well as replacing its IT systems. In 2019 EUR 37.6 million (2018: EUR 28.3 million) was invested in IT projects.

Vopak indicated a budget of EUR 750 million for sustaining and service improvement capex for the period 2017-2019. Sustaining and service improvement capex for 2019 amounted to EUR 262.1 million (2018: EUR 237.3 million).

Divestments
In 2019, Vopak divested its 100% equity share in Amsterdam and Hamburg. In addition Vopak completed the divestment of its 50% share in the Estonian joint venture Vopak E.O.S. and its 49% share in the joint venture Vopak SDIC Yangpu Terminal in Hainan, China. The total divested capacity amounted to 4.3 million cbm. The total cash inflow for 2019 from these divestments was EUR 549.9 million. During 2018 no divestments occurred.

Related to the Yangpu divestment, Vopak is entitled to receive an additional amount of approximately EUR 30 million. The settlement of this additional consideration is uncertain and subject to ongoing discussion and resolution in 2020 between the parties involved and therefore has not been recognized at year-end 2019.

Depreciation and amortization
Depreciation and amortization expenses -excluding exceptional items- amounted to EUR 290.7 million in 2019, an increase of EUR 19.7 million (7%) compared to EUR 271.0 million in prior year. Of these total expenses, EUR 15.4 million (2018: EUR 15.9 million) related to amortization of intangible assets. Excluding the increase due to negative currency translation effect of EUR 3.2 million and the negative effect of IFRS 16 of EUR 32.3 million, depreciation and amortization decreased with EUR 15.8 million. This decrease is mainly driven by the cessation of depreciation as per the end of March 2019 for the terminals in Algeciras, Amsterdam and Hamburg as these terminals were classified as held for sale.

Impairments
In 2019, impairments were recognized for the amount of EUR 17.2 million (2018: reversal of impairment gain of EUR 2.3 million), of which EUR 14.7 million is related to the Quebec City terminal in Canada. This terminal is facing uncertainty in relation to renewal of the lease concession. In addition, EUR 2.5 million was recognized in relation to the cancellation of (part of) an IT project as a result of portfolio developments. Impairments are classified as exceptional items.

Capital structure

Equity
The equity attributable to holders of ordinary shares increased by EUR 364.5 million to EUR 3,047.3 million (31 December 2018: EUR 2,682.8 million). This increase resulted mainly from the addition of the net profit for the year of EUR 571.0 million and the Other comprehensive income of EUR 13.1 million, partially offset by the dividend payments in cash of EUR 140.5 million and a reduction due to the initial application of IFRS 16 of EUR 85.1 million.

Net debt

The net interest-bearing debt decreased to EUR 1,770.4 million compared to EUR 1,825.0 million at year-end 2018. Excluding the upward currency translation effect of EUR 38.6 million, the decrease amounted to EUR 93.2 million mainly reflecting increased investments and divestments.

Net repayments of interest-bearing loans and short-term borrowings during 2019 amounted to EUR 38.6 million. The Revolving Credit Facility of EUR 1 billion was utilized for the amount of EUR 100 million as at year-end 2019 (2018: EUR 200 million).

As at 31 December 2019, an equivalent of EUR 1,467.2 million (2018: EUR 1,521.4 million) was drawn under private placement programs with an average remaining term of 6.3 years (2018: 7.3 years) in addition to EUR 66.2 million (SGD 100 million) funded by banks at the level of Vopak Terminals Singapore, with an average remaining term of 0.7 years.

The Senior net debt : EBITDA ratio amounted to 2.75 at year-end 2019 compared to 2.49 at year-end 2018. This is mainly the impact of divestments and capital expenditures during the year.

Net finance costs

In 2019, the Group's net finance costs -excluding exceptional items- amounted to EUR 87.5 million, an increase of EUR 5.1 million (6%) compared to EUR 82.4 million in 2018. Excluding the negative effect of IFRS 16 of EUR 20.4 million the net finance costs decreased with EUR 15.3 million to EUR 67.1 million as more interest was capitalized in connection with the construction projects.

The Group's net finance costs -including exceptional items- amounted to EUR 85.7 million (2018: EUR 132.6 million). 2018 included an exceptional loss of EUR 50.2 million related to the recycling of historical unrealized currency translation losses from equity to the income statement resulting from the deconsolidation of Vopak Venezuela.

In 2019 an exceptional gain of EUR 1.8 million was recognized related to a release of an historic constructive obligation upon divestment of the joint venture terminal Vopak SDIC Yangpu terminal in China.

The average interest rate over the reporting period was 4.1% (2018: 4.1%). The fixed-to-floating ratio of the long-term interest-bearing loans, including interest rate swaps, amounted to 85% versus 15% at year-end 2019, compared to 86% versus 14% in prior year.

Cash flows from financing activities

Cash flows from financing activities amounted to a net cash outflow of EUR 355.3 million (2018: net cash outflow of EUR 97.5 million). Excluding the accounting effect of IFRS 16 of EUR 53.1 million, the cash flows from financing activities amounted to EUR 302.2 million. This amount consisted mainly of dividend payments of EUR 179.3 million to ordinary shareholders and non-controlling interests, interest payments of EUR 89.5 million and the net repayments of borrowings of EUR 38.6 million.

Income taxes

Income tax expenses -excluding exceptional items- amounted to EUR 61.0 million in 2019, an increase of EUR 5.6 million (10%) compared to EUR 55.4 million in 2018. The effective tax rate -excluding exceptional items- was 13.5% compared to 14.5% in 2018. The main drivers behind the overall decrease in the effective tax rate was a lower average statutory tax rate and higher results from joint ventures and associates which fall under the participation exemption.

Income tax expenses -including exceptional items- amounted to EUR 58.3 million in 2019, a decrease of EUR 0.3 million compared to EUR 58.6 million in 2018. The effective tax rate -including exceptional items- was 8.8% compared to 16.8% in 2018. This decrease was mainly due to increased results from our joint ventures and associates and gains from divestments for which the participation exemption applied.

Net profit attributable to holders of ordinary shares

Net profit attributable to holders of ordinary shares -excluding exceptional items- amounted to EUR 357.8 million, an increase of EUR 68.3 million (24%) compared to EUR 289.5 million in 2018. Earnings per ordinary share -excluding exceptional items- amounted to EUR 2.80 in 2019, which was 23% higher compared to EUR 2.27 in 2018.

Net profit attributable to holders of ordinary shares -including exceptional items- amounted to EUR 571.0 million compared to EUR 254.5 million in 2018. Earnings per ordinary share -including exceptional items- amounted to EUR 4.47 (2018: EUR 1.99).

Joint ventures and associates

Joint ventures and associates are an important part of the Group, for which equity accounting is applied. The effects of non-IFRS proportionate consolidation on the statement of financial position and statement of income of the Group are presented in the section Additional information.

Dividend proposal

A dividend of EUR 1.15 per ordinary share (2018: EUR 1.10), payable in cash, will be proposed to the Annual General Meeting of 21 April 2020. Excluding exceptional items, the payout ratio will amount to 41% of earnings per ordinary share (2018: 48%).

Vopak's dividend policy targets to pay an annual stable to rising cash dividend in balance with a management view on a payout ratio range of 25-75% of the net profit excluding exceptional items attributable to holders of ordinary shares and subject to market circumstances. The net profit excluding exceptional items that forms the basis for dividends to be declared may be adjusted for instance for the financial effects of one-off events, changes in accounting policies, acquisitions and divestments.

Leading assets in leading locations

Over the past year, we have shifted more storage capacity to East of Suez and to the Americas, and continued to take opportunities for growth, particularly in industrial and gas terminals.

Factors driving 'leading assets in leading locations':

- Continued growth in Asian economies, led by China and India, pushing up demand for the products we handle
- Recent boom in US shale, creating an abundance of product and driving investment in crackers and new petrochemical complexes
- Rising concerns over climate change, accelerating demand for cleaner forms of energy and new business models.

Increasing storage capacity

- In gas, we pushed ahead with a number of new projects. We are planning further expansions at our Vlissingen terminal in the Netherlands, at our Caojing terminal in eastern China and together with our partners, we also opened RIPET, a propane export terminal at Prince Rupert in western Canada. RIPET will help us take advantage of increasing demand for LPG in Asia. In 2019, we acquired two LNG import terminals – one in Pakistan and one in Colombia. In both projects, we will be working closely with joint venture partners.
- In industrial terminals, we completed the commissioning of PT2SB, adding 718,000 cbm in new capacity; the expansion brings total capacity at the terminal to 1.5 million cbm, strengthening our foothold in the South-East Asian market. We also started the construction of new industrial terminals in both China and the US.
- In chemicals, we focused on improving operating margins. These have been under pressure, largely because of new capacity coming into the industry. We have upgraded the Vopak facility in Singapore, and added capacity in Houston, Rotterdam and Antwerp.
- In oil, we have expanded capacity in Pengerang (Malaysia) and Sebarok (Singapore) – a reflection of continued strong demand in Asia. We have also been growing in fuel distribution, generally in markets where there is population growth. Since 2017, we have added fuel distribution capacity in South Africa (Durban), Mexico (Veracruz), Brazil (Alemoa), Panama and Indonesia (Jakarta). Following a thorough strategic review, we divested oil terminals at Algeciras, Amsterdam, Hamburg, Tallinn and Hainan. Overall, we expect global demand for oil to grow, but this growth will take place outside the OECD.

New energies & Vopak Ventures

In the years ahead, sustainable energy demand will increase, especially as governments and consumers in some parts of the world turn away from fossil fuels. We have a new energies strategy, and set up Vopak Ventures to identify investment opportunities in start-ups and new technologies. In 2019, we announced an investment in Hydrogenious LOHC Technologies. The German firm is currently developing its innovative Liquid Organic Hydrogen Carrier (LOHC) technology; LOHC allows long-term storage and transport of hydrogen.

Looking ahead

For the coming years, we have a growth strategy that will focus on:

- Continuing to expand our footprint in both industrial and gas terminals. In industrial terminals, we will concentrate on China, Asia, the Middle East and the Americas. In gas, we will look at import and export of LPG and LNG projects worldwide but, again, with a strong focus on Asia.
- Further strengthening our current oil and chemicals hubs, where we already have a significant market share – as well as our chemicals distribution, supported by selective mergers & acquisitions.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

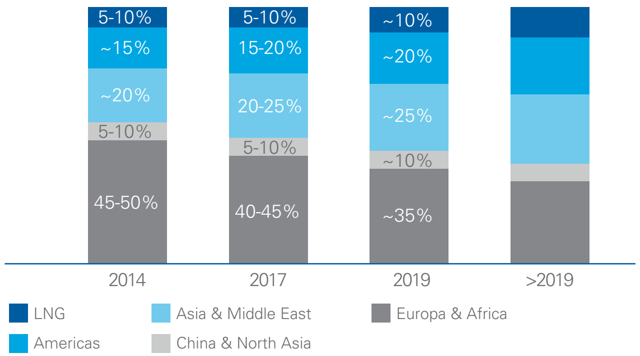
- Growing in fuels distribution in specific markets (where there are substantial – and increasing – deficits). At the same time, we will carefully monitor our presence in more mature markets.
- Investigating possible growth in new energies, with a focus on four areas: hydrogen, carbon capture storage, flow batteries, and opportunities for new feedstocks for the chemicals industry.

With this strategy, we will derive more of our revenues from industrial and gas terminals, and – relatively – less from oil. There will be a shift to cleaner fuels. This means, ultimately, a shift in balance between our four terminal types. We are planning new industrial and LNG import terminals. As part of this, we have already announced new industrial terminals at Qinzhou in China and at Corpus Christi in the US.

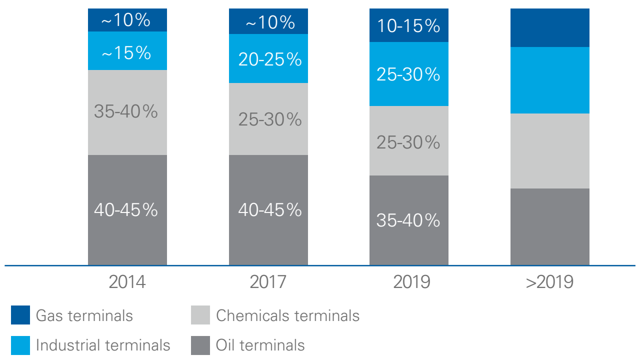
Expanding storage capacity should add to our revenues and operating profits. We are confident these investments can be made within Vopak's current debt commitment (senior net debt : EBITDA within target range 2.5 - 3.0). To finance new projects, a strong balance sheet will be important. For 2020, we are planning investments in new storage capacity of EUR 300 million – EUR 500 million.

In addition, our expansion in industrial terminals will depend on customers' own investments in integrated chemicals plants.

Proportionate revenue by division



Proportionate revenue by product category



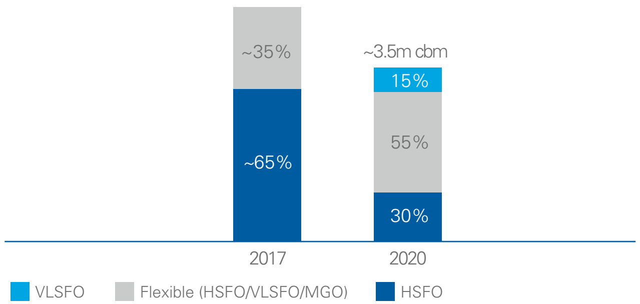
Converting to IMO 2020

At the start of 2020, the International Maritime Organization (IMO) brought in tighter rules for sulfur emissions from ships. With the new rules – known as IMO 2020 – ships will be prohibited from using fuels with a sulfur content above 0.5%; previously, the limit was 3.5%. IMO 2020 is part of broader international efforts to reduce air pollution.

As a result of the new rules, we are seeing an increase in demand for VLSFO – very-low sulfur fuel oils. By 2020, approximately 15% of Vopak's fuel oil capacity will be dedicated to VLSFO. At the same time, capacity for HSFO – high-sulfur fuel oils – will decline (in 2017, HSFO accounted for 65% of our fuel oil capacity; by 2020, we expect that will be down to less than a third). With the new rules, some shippers will switch straight away to VLSFO. There are other options: burning a cleaner fuel, like LNG or marine gas oil (MGO), or installing onboard scrubbers, which wash out the sulfur. Scrubbers, however, are expensive; installation also takes up to six months. For shippers, the decision depends on a number of factors: the availability of VLSFOs – and the premium for VSLFO fuels, compared with higher-sulfur fuels. For ports, there is also the question of how to deal with waste produced by scrubbing.

Over the past few years, Vopak has been working hard to convert its facilities. By the end of 2019, our terminals at Rotterdam, Singapore and Fujairah were all IMO 2020-ready – at an investment of EUR 40 million. That puts us in a position to meet new market requirements. In the meantime, however, conversion has had an impact on occupancy rates – inevitable, as we have had to take out capacity temporarily to separate storage and handling processes for high and low-sulfur fuels. In 2019, our occupancy rate declined to 84% (down from 86% the year before), largely as a result of the IMO 2020 conversion.

Fuel oil capacity
in %



Colombia LNG import facility

Partnering with Promigas of Colombia, Vopak acquired a stake in the Sociedad Portuaria el Cayao (SPEC) terminal in Cartagena, operational since 2016. The LNG import facility consists of an LNG jetty, onshore infrastructure, and a 9.2 kilometer gas pipeline connecting to the national gas grid. A chartered FSRU receives the LNG and transfers the gas onshore.

Record year for LNG in Rotterdam

Gate terminal (joint venture Gasunie and Vopak) had a successful year, surpassing 2018 records for gas delivered into the Dutch national pipeline network and total cargo unloaded. Additionally, the terminal celebrated eight years of operation with no loss time.

Operational leadership

In 2019, we continued to invest in improving our environmental performance. We increased our sustaining and service capex to maintain and improve our assets and increase efficiency.

Factors driving 'operational leadership':

- Commitment to safety and sustainability
- Need for greater efficiency – and high levels of customer service
- Increasing environmental controls and growing concerns over air pollution in major cities, particularly in China and India
- Advance in new digital technologies – growth in the 'Internet of Things' and machine learning.

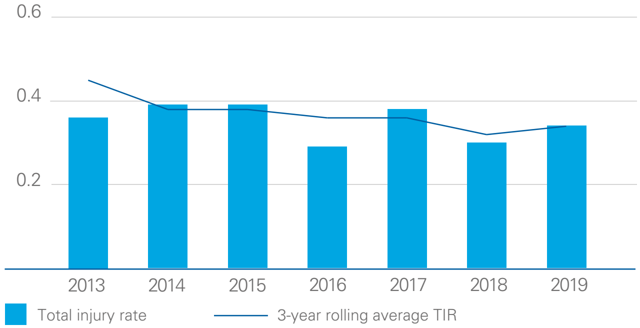
Commitment to safety

Regrettably, we had one fatality during the year. An employee of a contractor at our PITSB terminal in Malaysia fell from the roof of a tank during construction. Falling from heights is one of the largest safety risks at our terminals.

In 2019, the improvement trends in both our personal and process safety performance stalled. The total injury rate (TIR)[1] – Vopak's main measure of safety – worsened in 2019 to 0.34, up from 0.30 the previous year. Injury rates were highest in the Europe & Africa division. Process safety event rates (PSER) also went up; we have set clear targets for improvement.

Total injury rate

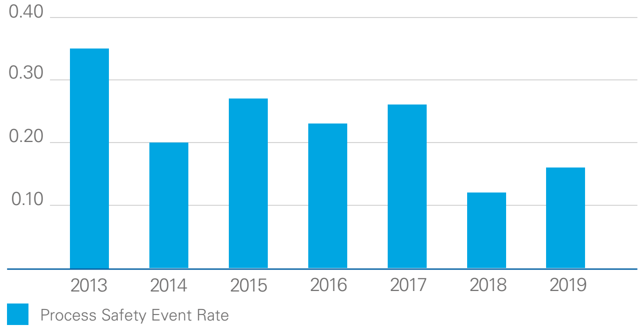
Own employees and contractors per 200,000 hours worked



We want to reduce serious accidents to zero, and by 2023, our aim is to bring our TIR three-year rolling average down to a maximum of 0.20, and our PSER to a maximum of 0.16. At the end of 2019, these averages stood at 0.34 and 0.16 respectively.

Process Safety Event Rate

Own employees and contractors per 200,000 hours worked



To improve safety, we are rolling out our Trust & Verify Program. This roll-out started in 2018. Trust & Verify is based on two very straightforward questions: "Am I in control?" and "How do I know that I am?" By answering these questions, our aim is to strengthen personal accountability for safety issues.

1 TIR measures the number of injuries occurring for every 200,000 hours worked by employees and contractors.

Trust & Verify covers all employees – from operators to members of the Vopak Executive Board. We regard safety as our first priority – it is also a key component in our social license to operate.

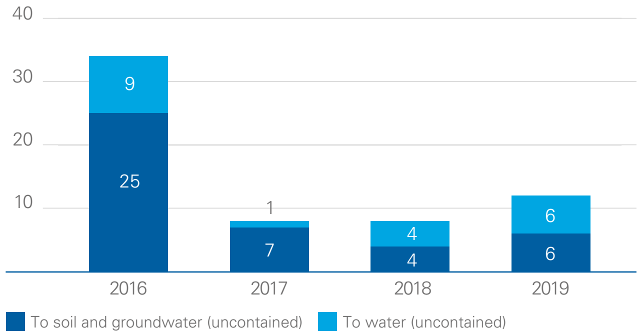
Alongside Trust & Verify, we have extensive training programs. In 2019, Vopak employees spent an average 50 hours in training. We have incorporated safety into internal policies and guidelines, including our Code of Conduct – it is an important part of our Learning Management System. Through our Assure and Terminal Health Assessment (THA) audit programs, we validate our terminals are being safely operated.

We are also using new digital technologies, like Safety Plus in China – a program that guides personnel through tasks, step by step, via a special handheld device. These technologies can help us identify risks, or even allow us to intervene before accidents occur. In addition, we are working on pilot projects to automate processes like cleaning or tank inspections. If successful, these will allow us to further reduce the number of staff working in hazardous situations.

Sustainability and environmental management

Part of operational leadership is making sure we do as little damage to the environment as possible. We keep VOC emissions to a minimum – to protect the health of both employees and communities living close to our facilities. Currently, we are investing EUR 40 million to reduce VOC emissions across our terminals. We are concentrating our efforts on areas with the highest social impact – in other words, where there are local communities, or where perhaps local standards fall short of best practice in the industry. With these new investments, our goal is to reduce this social impact by at least 20%, in 2019 we achieved 6%. Emissions of NO_x and SO_x were both lower.

Reportable spills
total number



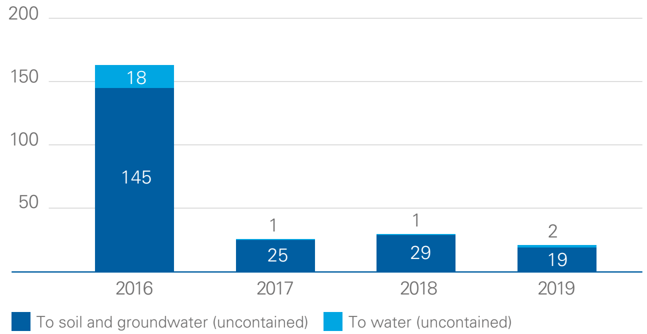
In addition to emissions, we also monitor complaints of odors and vapors from our facilities. Our aim is to minimize odors and vapors as much as possible.

Relatively speaking, Vopak is not a large emitter of carbon dioxide. We work to limit CO_2 emissions from our facilities (mainly by reducing energy consumption, where possible, or switching to renewables). In 2019, our scope 1 and 2 greenhouse gas emissions[1] totaled 408 thousand metric tons, down 2% from 2018.

We protect air quality, but we also work to avoid spills; our goal is for zero uncontained spills. In 2019, we reduced uncontained spills to 21 metric tons, down from 30 the year before.

With regard to procurement, minimum standards are set out in our Supplier Code. In 2019, we launched a pilot Supplier Performance Management Program. Under this pilot, we assessed leading suppliers' performance on health & safety, integrity, human rights and the environment, as well as on cost and quality. The aim behind the pilot is to minimize Vopak's supply chain risks. If successful, we plan to roll-out the program across the company.

Reportable spills
metric tons



For more detailed information on our safety and environmental performance, see pages 57 and 66 respectively. With regards to sustainability refer to pages 49 till 84.

Service and efficiency improvements

We invest constantly to maintain and upgrade our terminals. Aside from our commitment to safety and sustainability, we do this to improve service and efficiency. Clearly, regular investments are required to make sure terminals continue to remain competitive. We have Terminal Master Plans, based on these, we develop rolling three-year maintenance programs for each terminal. In 2019, we spent EUR 262 million on sustaining and service capex, 10% up from the previous year. Our operational maintenance expenditures, meanwhile, totaled EUR 61 million.

Our MOVES program, aimed at renewing our IT landscape, is being rolled out. We expect benefits to both service and efficiency, resulting from new, better systems and functionality. For further information on service improvement, see the service leadership paragraph on page 36 and for efficiency improvements, see page 38.

1 For more information, see page 82. Scope 1 relates to direct emissions from sources owned or controlled by Vopak, scope 2 to indirect emissions from generation of purchased energy.

Service leadership

With new digital technologies, we have an opportunity to further improve customer service and make supply chains more safe and efficient. There has been a steady increase in our Net Promoter Score (NPS); that score improved again in 2019.

Factors driving 'service leadership':

- Increased availability of real-time data, fueled by the advance in new digital technologies
- Demand among customers for higher standards of service and efficiency, as well as for more sustainable processes and business practices
- Heightened competition in some markets, due partly to an influx of new capital from financial investors
- Customers increasingly tendering out gas and industrial terminals projects.

Frontrunner in tank storage

We are shifting more storage capacity to 'East of Suez' and the Americas – where customer demand is growing. In the US, for example, we are building a new industrial terminal at Corpus Christi. Elsewhere, we're providing more flexibility at our terminals – in Pakistan, we are investing in floating storage for LNG, and we are looking for further opportunities in this area. Customers also appreciate our investment in safety – and in environmental controls, particularly in countries where there are concerns over pollution. At our hubs in Rotterdam, Singapore and Fujairah, we have made the switch to prepare for IMO 2020 – separating storage and handling processes, so our customers can choose to store either low or high sulfur fuels.

Enhanced customer service through connectivity

We invest constantly to improve customer service. Our aim is always to be 'best in port'. We work together with customers in regular operational reviews and stewardship meetings – also to develop new technologies. We realize that digital technologies could revolutionize the relationship between Vopak and its customers.

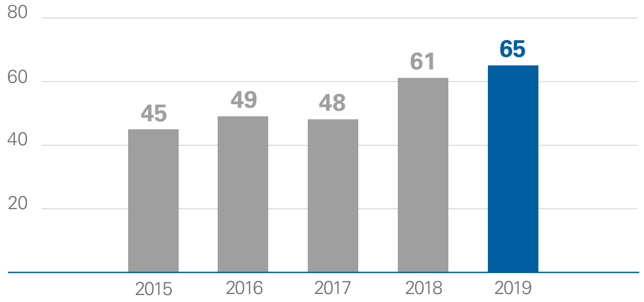
At the same time, new technologies have increased expectations. Customers will expect quick, frictionless service. Generally, they have access to more data, which makes it easier to compare prices and service levels. We are also sharing more real-time data with our customers. Within the next two years, we expect to be able to give customers more data access – so they can track the exact location and state of the products they store at Vopak terminals. Already, at our Savannah terminal in the US, we have made real-time data available internally, as a 'proof of concept'. We have also rolled out My Service – our terminal management software. Using technology has clear benefits for Vopak; we can be more efficient. This is also positive for customers: by increasing connectivity, we're allowing them to plan better and save both time and money.

At our Deer Park terminal in Houston, we're now using data analytics to reduce demurrage for customers. Our MOVES program supports this – by giving employees access to real-time data, and by further integrating operations and sales. We have also developed our own software for our two most critical processes. This gives us control where we need it most – 'order to cash' and 'arrival to departure', where customers typically demand flexibility and service differentiation. With this approach, our customer service teams have access to a real-time overview of planning and logistics.

Consistent customer experience and customer loyalty

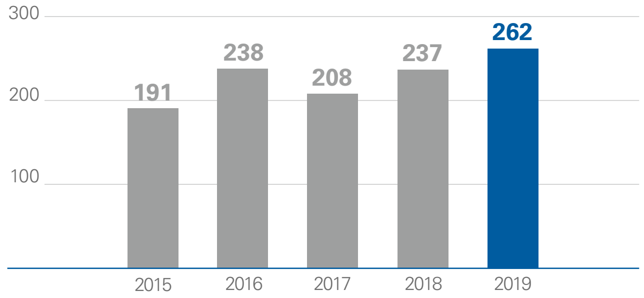
Our customers expect high levels of service from Vopak; through our operations, we provide consistent customer experience. Company-wide standards in areas such as safety and sustainability help us achieve this. In 2019, we reduced the number of process safety incidents. Through NPS[1], we are continuously measuring customer loyalty. In 2019, our NPS rose further to 65 points, up from 61 the previous year; most of this may be attributed to improvements over the past several years in front-line execution. We are committed to further improvements – important if we are to protect our leadership position.

Net Promoter Score



Sustaining & service improvement capex

in EUR million



1 With NPS, customers are asked how likely they are to recommend Vopak's services to others on a scale of 1-10 (1 being the lowest). NPS is calculated by subtracting the percentage of 'detractors' (those scoring 6 or below) from the percentage of 'promoters' (those scoring 9 or 10). Respondents scoring 7 or 8 are regarded as 'passives', and are excluded from the calculation.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Technology leadership

In 2019, Vopak continued to invest in digital technologies. These technologies will drive further improvements in client service, efficiency and safety.

Factors driving 'technology leadership':

- Continued advance in new technologies, including robotics, the industrial Internet of Things, Machine Learning and Artificial Intelligence
- Increased need for innovation both within companies and society as a whole
- Emergence of new cyber threats and growing importance of cyber security.

New technologies & innovation

In recent years, we have accelerated our use of new digital technologies. Since 2017, we have invested close to EUR 100 million in technology and innovation. We have four 'paths' to our approach: modernizing our internal IT systems; further digitizing and connecting our terminals; strengthening cyber security – and becoming more flexible, more agile in the way we work. Internally, we are changing over to a new, more efficient IT system. As part of the MOVES program, our old 'legacy' system will be phased out in 2022. For our two most critical processes – 'order to cash' and 'arrivals to departure' – we have developed our own software. For other 'non-core' processes, we are using off-the-shelf solutions (or SaaS – software as a service). This approach allows us to keep critical knowledge in-house. It is also a business development opportunity: Vopak's joint venture partners increasingly see the value of using our IT solutions – it is an additional reason to be part of Vopak's global network. We are also implementing standard procedures across the group. This should help efficiency and improve the control environment. For finance and procurement, for example, we have established a shared service center in Rotterdam. In 2020, we will start developing our own CRM (Customer Relationship Management) software to replace some of our legacy system. During the year, we also continued to invest in innovation, using more real-time data, robotics and other technologies to automate processes and systems (see below). We have dedicated terminals assigned for 'proofs of concept' and pilot projects. These focus on areas designated by our operations teams.

Data-driven company

We are working more with real-time data. This helps in a number of ways. There are efficiency gains – not just for Vopak. We can also cut down waiting and loading times for customers (avoiding demurrage), or optimize jetty use – one of the most important links in the delivery chain. It also helps with safety; we can identify problem areas and head off 'human error' – still the main cause of accidents. Using sensors, we track 'wear and tear' in infrastructure, so we can plan preventive maintenance more effectively.

Making our assets 'smart'

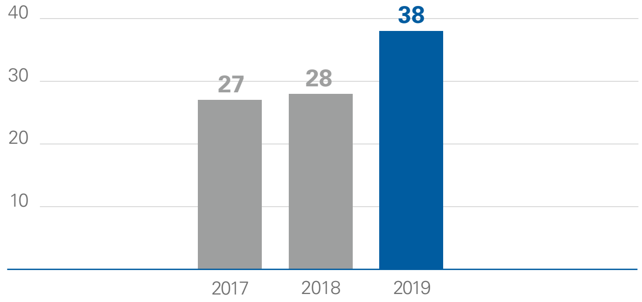
At the same time, we're also digitizing our terminals. Increasingly, we believe, OT – operational technology – will converge with IT. Digital terminals will pump out increasing amounts of real-time or 'near real-time' data. To digitize, we are bringing in new technologies. We are using special drones, for example, for inspections – and we're developing a data inspection platform linked to our maintenance application. At the end of 2018, we carried out the first-ever 'inside tank inspection by robot'. Because we used a robot, we didn't have to drain the tank, or take it out of service for the duration of the inspection. In Singapore, we are testing blockchain for fuel bunkering to help reduce congestion in ports. And, in 2020, we'll be introducing 4D modeling at three of our terminals. 4D modeling uses real-time data to monitor asset performance, safety and efficiency.

Cyber security: our COINS program

With new technologies come new risks. We are more connected than ever; so are our facilities and terminals. We have round-the-clock control of data flows at our terminals, through a special Network Operating Center in Rotterdam, established in 2018. On data security, since the introduction of our COINS program in 2017, we have reduced response times – the time we need to repair gaps in our digital fences – down to just two hours, from five days previously. Ultimately, we want to bring that figure down to just minutes. By connecting the sensors we use on pumps, valves and tanks, we can protect the flow of data, and ensure we're acting on the right information from the right sensor.

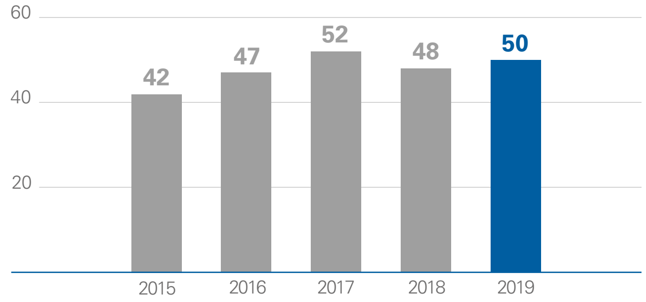
Investments in IT

in EUR million



Annual training hours

Average number of training hours by employee during year



People leadership

We're committed to an open and inclusive culture where our people can work safely and perform to their full potential, contributing to Vopak's long-term success. In an ever-changing world we need a diverse workforce able to adapt to ever-changing circumstances. Including our joint ventures and associates, we employ an international workforce of around 5,700 people.

Factors driving 'people leadership':

- Push for more diversity within our workforce
- Society's changing expectations with regard to working practices
- Need for new skills, due to further digitalization of our core systems and processes.

Living the Vopak Values

In 2019, we continued to emphasize the importance of Vopak's five values: care for safety, health and the environment; integrity; team spirit; commitment and agility. Our values provide guidance to employees, especially when they are making difficult decisions. We provide regular training to employees on our Code of Conduct (containing these values). In 2019, we focused on two topics especially: diversity & inclusion and the importance of 'speaking up'. By the end of the year, more than 90% of employees had completed Code of Conduct training. We also worked to further embed Vopak's Privacy Code, introduced in 2018.

People development & critical capabilities

Our People Strategy – 'Connecting People, Grow and Explore' – covers skills development, talent management and succession planning. In our approach to people development, we have a strong focus on enhancing personal and leadership capabilities where learning on the job is of great importance to gain the right experience.

Development needs are identified and translated into plans on a continuous basis as part of our performance management cycle.

In 2019, in cooperation with the Oxford Saïd Business school, we implemented our Accelerate 2 Lead program. Participants are Vopak employees nominated as potential successors for senior leaders around the world. In 2020, we aim to start a new Accelerate 2 Lead program. Leadership behavior is crucial in embedding and sustaining Vopak's values within the organization. Vopak's leadership profile is based on the Vopak Values. Connectivity and exchanging experience across the globe by this group of potential senior leaders is a key driver of Vopak's investment in leadership development.

With the implementation of the MOVES program, new technologies and further digitalization are being introduced. Technology is changing the way we work – this is as much about culture as digital change. To prepare ourselves for this future, it's clear that, across the company, we will need new skills to be developed or recruited.

Talent attraction & retention

We want to be a good employer in all countries we operate in. Our Employee Value Proposition (EVP) will be rolled out in 2020 in our hub locations – Houston, Rotterdam, Antwerp, Singapore and Shanghai. In our EVP, we tell future talent what we value, what our purpose as a company is, how we contribute to sustainability and how we achieve results. The EVP will enable us to attract and retain employees in the right locations and with the right skills, experience and knowledge required both for now and in the future.

As part of our EVP, we grow careers internally and promote career development within the company. This approach allows us to rejuvenate our workforce, and ensure that critical skills and experience can be passed from one generation to the next.

Diversity

Workforce diversity, we believe, contributes to the sustainability of our company, driven by better long-term decision-making. At a senior management level, we strive to be a reflection of the countries we operate in with a balanced gender diversity.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

The oil and gas industry traditionally has an imbalance in terms of gender representation. Going forward, we will widen access to a more diverse group of talent to ensure a more cultural and gender diverse workforce in the future.

As part of our approach, we are including diversity in appointment decisions and recruitment activities – driving diversity into our divisions and operating companies. At the same time, we are incorporating diversity into our talent management.

Employee engagement, salaries & benefits

Vopak engages continuously with its employees. In 2020, we plan to combine our separate employee engagement and safety surveys. Having one survey, we believe, will help emphasize the connection between safety and the commitment and engagement of our employees.

Pay & benefits are a key part of engagement and our EVP. In 2019, we paid EUR 419 million in employee expenses – 73% in salaries, the remainder in benefits (including social security charges and pensions). Over recent years, we have provided transparency in our approach to incentive and merit-based pay (see our Remuneration Report).

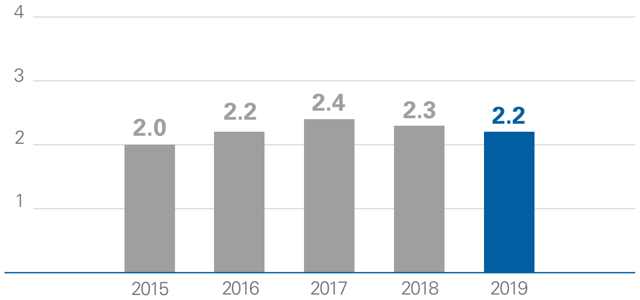
Enhancing HR capabilities

In 2020, to support our People Strategy, we will complete the roll-out of MyPulse, Vopak's HR platform. MyPulse acts as a springboard for employees to steer their own performance, targets, training and career development; it is part of Vopak's Global Learning Platform.

MyPulse has helped standardize and simplify our HR processes. We are planning a new Global Travel Policy and support more international mobility within Vopak's workforce.

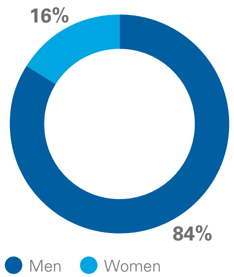
Sickness rate

As percentage of own employees

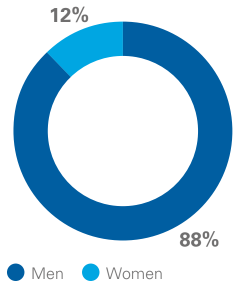


Gender diversity

All employees



Senior management[1]



Vopak WeConnect

Vopak encourages its employees to take an active part in their local communities. Through the Vopak WeConnect Foundation, employees work on projects to help young people, alongside community groups and NGOs. Set up in 2016, Vopak WeConnect has a clear mission: to open up professional horizons for young people, to increase their 'job readiness' and to inspire them to work with others across cultures, languages and social backgrounds. The Foundation is currently running 16 projects with local communities close to Vopak facilities in Africa, Asia, Latin America, the US and Europe.

Living wage

Vopak supports the 'living wage' principle in the UN's Declaration on Human Rights. This principle states that everyone who works has the right to basic, adequate remuneration. Our policy is to pay fair wages to all our employees – wages that provide enough for workers at least to meet their basic needs (this is also in line with Vopak's commitments under the UN Global Compact). Also in 2019, we carried out our annual 'living wage' assessment; this assessment found that the company's wages met or exceeded the living wage in all Vopak countries[2]. In addition to our own employees, the living wage principle is included in the Vopak Supplier Code.

1 Senior management composition: salary scales at or above 20, excluding Board level.
2 Due to the lack of official indicators and accurate benchmarks available to measure basic work and living standards as a result of the economic situation in the country, the Vopak wages paid to staff in Venezuela can only be assessed informally.

Europe & Africa

Division developments

During the year, we finalized the sale of terminals in Amsterdam and Hamburg, with a combined storage capacity of 1.9 million cbm. We also sold our 50% stake in Vopak E.O.S. at Tallinn in Estonia, with just over 1 million cbm. We completed the divestment of our terminal at Algeciras in southern Spain in January 2020, with a further 0.4 million cbm in capacity. These divestments followed a strategic review of our oil terminals in Europe, and are part of an overall shift in Vopak's portfolio. At the same time, we made investments to prepare our Europoort terminal for IMO 2020. We are expending chemicals storage at Rotterdam and Antwerp and gas storage at Vlissingen. Currently, we have 0.4 million cbm in new capacity under construction. With regard to new energies, we announced plans for a solar energy park adjacent to our terminal at Eemshaven. We also invested in hydrogen, buying a stake in Germany's Hydrogenious LOHC Technologies.

Market overview

In Europe, markets generally are mature; long-term growth rates are low, certainly compared with emerging economies in Asia and Latin America.

In 2019, European economies slowed, largely because of declines in manufacturing and trade. Across Europe, sustainability and the energy transition are growing in importance. This has long-term implications for Vopak's markets and investments. The increase in use of electric cars, for example, will reduce demand for traditional fuels. Cutting emissions, meanwhile, will require further investment in our terminals. Both are likely to impact product flows. Imports of chemicals and gases into Europe, meanwhile, are expected to continue growing, given the increased availability of competitive chemical feedstocks in both North America and the Middle East.

Financial performance

Our operations in Europe & Africa saw a decline in revenues in 2019. This decline was due, in part, to the impact of divestments during the year (the sale of oil terminals at Amsterdam and Hamburg). We also saw lower occupancy rates as a result of work needed to prepare terminals for IMO 2020. EBIT -excluding exceptional items- for the division was higher as a result of a decrease in operating expenses (in part due to IFRS 16) and lower depreciation linked to the divestments.

In EUR millions	2019	2018
Revenues	590.3	626.1
Operating profit before depreciation and amortization (EBITDA)[1]	299.9	302.8
Operating profit (EBIT)[1]	156.6	149.4
Average capital employed	1,867.2	1,830.1
Occupancy rate subsidiaries	83%	85%
Storage capacity (in million cbm)[2]	10.4	13.7

1 Excluding exceptional items.
2 At 11 February 2020.

"In Europe, the energy landscape is changing. The change is evident; the pace at which this change is taking place, less so. The energy transition will create opportunities – new low-carbon or carbon-neutral solutions require infrastructure and expertise in terms of storage, pipelines and jetties. In the main refineries in Rotterdam and Antwerp, we see optimization and further integration with downstream chemical plants. We have an excellent position not only to service and connect to these clusters, but also as a distribution hub for the region. Given the changing energy landscape and the continued need for chemicals, there are definite growth opportunities out there for Vopak in Europe."
Patrick van der Voort, President of Vopak Europe & Africa

Total Injury Rate (TIR)

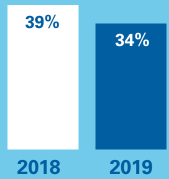
For every 200,000 hours worked for own personnel and contractors

0.95

Share of EBITDA

In % of total EBITDA from all divisions -excluding exceptional items-

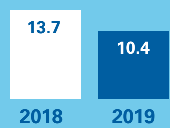
34%



Total storage capacity

In million cbm[2]

10.4

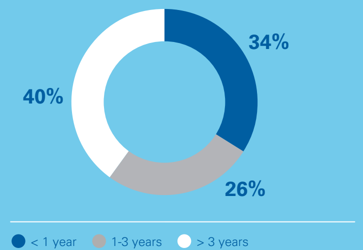


Europe & Africa

Number of terminals[2]

15

Original contract duration



Asia & Middle East

Division developments

We took further steps last year to expand storage capacity. In Malaysia, we successfully commissioned the remaining capacity of PT2SB, our new industrial terminal in Pengerang – and brought another 215,000 cbm on line at PITSB (Pengerang Independent Terminals). We also expanded capacity at Sebarok in Singapore, adding another 67,000 cbm for the storage of Marine Gasoil (MGO). In addition, we started a new expansion project in Sydney, Australia, to provide storage for clean petroleum products and aviation fuels.

Market overview

Demand remains strong across Asia. In chemicals, that has supported product flows from the Middle East, as well as to and from China. There has also been new investment in South-East Asia, supporting demand for petrochemicals. In the region, our focus remains on gas, chemical and industrial terminals. Pakistan and India are also growing markets, though future development will depend on government policy, particularly with regard to energy imports. In 2019, the distribution market was stable – oil, however, faced challenges, not least from continued political instability.

In the Middle East, tensions have been high. During the year, this pushed up demand for storage in Fujairah. In Singapore, occupancy rates were down due mainly to unfavorable oil market conditions for customers, out of service capacity during IMO conversions and the addition of capacity in the wider Singapore market.

Financial performance

For Asia & Middle East, we reported a 20% increase in EBIT -excluding exceptional items- for 2019. Earnings were boosted by income from joint ventures and associates, driven by new capacity. During the year, we commissioned new capacity at Pengerang in Malaysia. Our terminal at Fujairah also saw improved performance as tensions in the Middle East led to increased volumes. Occupancy rates and therefore revenues for 2019 were lower, partly due to conversion work at Singapore to prepare for IMO 2020.

In EUR millions	2019	2018
Revenues	305.0	312.9
Operating profit before depreciation and amortization (EBITDA)[1]	309.1	256.0
Operating profit (EBIT)[1]	245.8	204.0
Average capital employed	1,458.5	1,074.3
Occupancy rate subsidiaries	81%	86%
Storage capacity (in million cbm)[2]	15.1	14.1

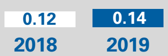
1 Excluding exceptional items.
2 At 11 February 2020.

"Across the region, we're seeing a lot of positive developments. The long-term chemical outlook in South-East Asia is good on the back of continued GDP growth. To support this trend, we brought in new capacity at our industrial terminal in Pengerang, Malaysia. In Singapore, we have successfully made the switch in preparation for IMO 2020 for which the outlook is positive. We are seeing good demand for the capacity that has been converted."
Dick Richelle, President of Vopak Asia & Middle East

Total Injury Rate (TIR)

For every 200,000 hours worked for own personnel and contractors

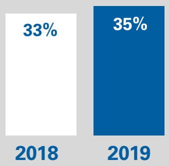
0.14



Share of EBITDA

In % of total EBITDA from all divisions -excluding exceptional items-

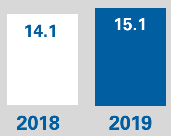
35%



Total storage capacity

In million cbm

15.1

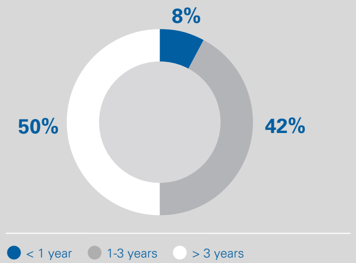


Asia & Middle East

Number of terminals

19

Original contract duration



China & North Asia

Division developments

In 2019, Vopak further expanded its business in China. We increased our stake in the Ningbo terminal to 85%; we also formed a joint venture to develop a new industrial terminal in Qinzhou, in the South-West of the country. Qinzhou will have a capacity of 290,000 cbm. Vopak will own 51% of the venture. We also secured a number of long-term industrial terminaling contracts at Caojing to support growth in our customers' businesses there. At the same time, we divested our 49% stake in the Yangpu oil terminal in Hainan. Outside China, we started construction of our expansion in Vietnam, adding 20,000 cbm for chemicals storage and handling, in response to growing demand in the local market.

Market overview

In recent years, we have seen strong growth in China. In 2019, GDP growth exceeded 6%, which – though slower than in previous years – still makes China one of the world's fastest growing major economies. In China, we are seeing continued investment in petrochemicals from both multinational and state-run companies, as well as other private investors. That is creating opportunities for Vopak in industrial terminals. In distribution, we are seeing pressure on both margins and occupancy rates.

In China, distribution is a much smaller part of our business. By contrast, our industrial terminals business is based on long-term contracts, therefore less vulnerable to short-term market fluctuations. Authorities continue to enforce tight controls on both safety and the environment to ensure China's economy grows sustainably. Wherever possible, Vopak applies best practice with regard to environmental controls both in China and elsewhere.

Financial performance

EBIT -excluding exceptional items- from China & North Asia rose by 15% to EUR 50.8 million. Income from joint ventures increased. Our industrial terminal at Haiteng made a full-year contribution to earnings in 2019 (having returned to regular operation in mid-2018) and benefited from final customer settlement, resulting in a one-off gain in December 2019. Occupancy rates remained under pressure, however – largely as a result of intense competition in the Chinese market. Long-term prospects for the division remain positive.

In EUR millions	2019	2018
Revenues	38.9	33.2
Operating profit before depreciation and amortization (EBITDA)[1]	62.4	53.4
Operating profit (EBIT)[1]	50.8	44.3
Average capital employed	404.0	378.4
Occupancy rate subsidiaries	75%	75%
Storage capacity (in million cbm)[2]	2.8	4.2

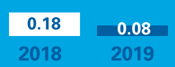
1 Excluding exceptional items.
2 At 11 February 2020.

"Vopak has established a strong competitive position in this region. We are seen as market leader on safety and service. In China, there is much stricter regulation these days on both safety and environmental protection. In certain areas, requirements are stricter even than in Europe or the Americas. As Vopak, we operate significantly above the market average on safety and environmental standards – we are really at the forefront in that respect. In the short term, these developments could require additional investments. Longer term, however, I'm confident it will differentiate us even more. Ultimately, people want to work with someone who has a good track record, someone they can trust."
Chen Yan, President of Vopak China & North Asia

Total Injury Rate (TIR)

For every 200,000 hours worked for own personnel and contractors

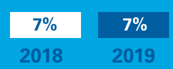
0.08



Share of EBITDA

In % of total EBITDA from all divisions -excluding exceptional items-

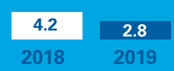
7%



Total storage capacity

In million cbm

2.8

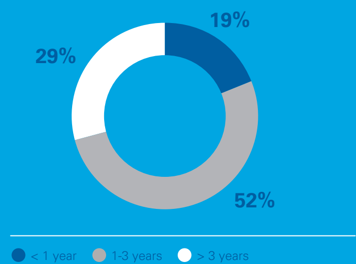


China & North Asia

Number of terminals

8

Original contract duration



Americas

Division developments

During 2019, RIPET (Ridley Island Propane Export Terminal) was officially opened in British Columbia. The terminal is a joint venture of Vopak and the Canadian firm AltaGas. RIPET will enable exports of Canadian propane to Asia – the terminal is designed to ship 1.2 million metric tons annually. In Mexico, we are expanding fuel imports through Veracruz. Of the 110,000 cbm planned at the terminal, 31,000 cbm is already operational; the remaining capacity will be commissioned in Q4 2020. We have also decided to expand our terminal in Altamira, adding another 40,000 cbm in chemicals storage. In Panama, we opened our independent terminal at Bahia Las Minas. Currently 320,000 cbm is operational and the last tank will be taken in operations in the first half of 2020. In Brazil, at the end of 2019, we added 106,000 cbm to our fuel import terminal in Santos, Alemoa.

Market overview

The boom in shale production has fundamentally changed the US energy landscape, transforming the US to a net energy exporter. The shale boom has also triggered investments in new pipelines and petrochemical facilities. Many of these investments are located on the US Gulf Coast, creating growth opportunities for Vopak. In response, we are expanding our Deer Park facility in Houston. We have also announced the construction of a new industrial terminal in Corpus Christi to serve Gulf Coast Growth Ventures (GCGV), the petrochemical joint venture between ExxonMobil and SABIC. Chemicals demand, meanwhile, remains strong – though, more recently, there have been signs the market may be softening. Trade disputes and sanctions have influenced customer product flows, and could continue to affect these flows, going into 2020. Outside the US, there are clear opportunities in Latin America; these stem from continued economic growth and energy sector deregulation. In 2019, to take advantage of these opportunities, we expanded capacity in both Brazil and Mexico.

Financial performance

Americas saw an increase in both revenues and EBIT -excluding exceptional items-. This was due to the positive demand in the US and elsewhere in the region. The business environment for chemicals storage was particularly positive. EBIT -excluding exceptional items- for the Americas rose by nearly 27% to EUR 108.5 million. Earnings were also boosted by new chemicals capacity at Deer Park, Houston, that came on stream at the end of 2018. An exceptional loss was recognized for our terminal in Quebec City in Canada as a result of uncertainty with respect to the renewal of an expiring land lease contract.

In EUR millions	2019	2018
Revenues	313.7	281.3
Operating profit before depreciation and amortization (EBITDA)[1]	165.2	129.0
Operating profit (EBIT)[1]	108.5	85.6
Average capital employed	707.8	477.9
Occupancy rate subsidiaries	91%	89%
Storage capacity (in million cbm)[2]	4.4	3.9

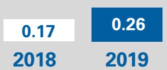
1 Excluding exceptional items.
2 At 11 February 2020.

"The abundance of supply in North America has been a real game changer. It has been – and still is – the trigger for a large number of petrochemical projects in the Americas, mainly on the US Gulf Coast, but also in Pennsylvania and West Canada, offering opportunities for Vopak as a logistics provider. In Latin America, the demand side of the market is creating a pull – that comes from the increase in average living standards and from energy deregulation. In the meantime, we are also looking at how we can support the energy transition and what opportunities that will offer us."
Boudewijn Siemons, President of Vopak Americas

Total Injury Rate (TIR)

For every 200,000 hours worked for own personnel and contractors

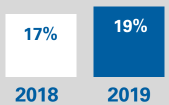
0.26



Share of EBITDA

In % of total EBITDA from all divisions -excluding exceptional items-

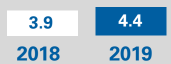
19%



Total storage capacity

In million cbm

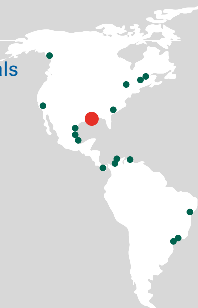
4.4



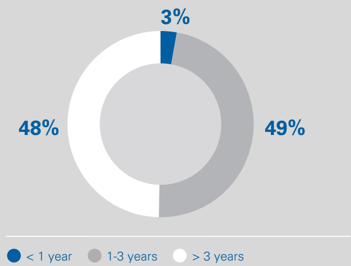
Americas

Number of terminals

19



Original contract duration



LNG

Division developments

In 2019, Vopak increased its stake to 44% in Pakistan's Engro Elengy Terminal. The terminal has been in operation since 2015. We also acquired a 49% share in Colombia's only import facility – Sociedad Portuaria el Cayao (SPEC), in Cartagena. Following these acquisitions, we now have four LNG terminals worldwide (including our existing facilities at Rotterdam in the Netherlands and Altamira in Mexico).

Market overview

In 2019, there was continued abundant supply of LNG. We estimate that, since 2000, supply has grown, on average, by more than 7% annually. Much of this has come from the US, Qatar and Australia, the world's three leading suppliers. New large-scale supply projects are planned elsewhere – for example in Canada, Russia and Mozambique. Asia has been absorbing much of the supply. Japan, South Korea and Taiwan are all mature markets for LNG. China's market, meanwhile, continues to grow. Other developing countries also show promise, particularly where there is population growth and a shift toward cleaner fuels for cooking and heating. In these markets, development depends on having the right infrastructure – not just the import terminal, but also an effective connection to the local supply grid.

The SPEC terminal in Colombia is connected directly to the country's gas network via a 9-kilometer pipeline. There's increased demand in Europe as well, especially with the move toward more sustainability. LNG provides a clean alternative to fossil fuels. Because it can be 'turned on and off', LNG also acts as a complement to renewables, smoothing out natural dips in supply.

Financial performance

EBIT -excluding exceptional items- from our LNG division increased by 9% to EUR 38.1 million, due among others to continued growth in demand and record throughput at our Gate terminal in Rotterdam. In 2019, we also took steps to expand business development in LNG, taking further stakes in joint ventures in Pakistan and Colombia.

In EUR millions	2019	2018
Operating profit before depreciation and amortization (EBITDA)[1]	38.1	34.9
Operating profit (EBIT)[1]	38.1	34.9
Average capital employed	282.9	196.3
Storage capacity (in million cbm)[2]	1.2	1.0

1 Excluding exceptional items.
2 At 11 February 2020.

"We're seeing a lot of growth. China has come into the equation in recent years, but it's already the world's second largest market for LNG. There are other areas too – South-East Asia, Latin America – where there is large demand for energy, often combined with a need to move away from more coal because of the pollution. Most of these markets, though, lack the infrastructure to import LNG. That's where Vopak comes in, of course. Last year was very important for us. We made the acquisition in Colombia, and we increased our stake in Pakistan. That takes our LNG footprint up from two terminals to four. We have several other projects at various stages of development, so we expect our LNG network to mature relatively quickly over the next few years."

Kees van Seventer, President of Vopak LNG

Total Injury Rate (TIR)

For every 200,000 hours worked for own personnel and contractors

0.00

Share of EBITDA

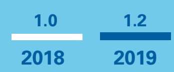
In % of total EBITDA from all divisions -excluding exceptional items-

4%

Total storage capacity

In million cbm

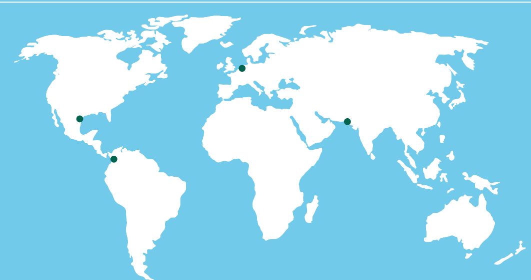
1.2



LNG

Number of terminals

4



Outlook

We have set out a clear growth strategy for our terminals. Next year, we will push ahead with this strategy, investing in additional storage capacity and expanding our use of new digital technologies.

In our business environment, we see opportunities for growth, but we recognize that growth is unlikely to be linear. Investment in the petrochemical sector is forecast to increase. Meanwhile, the shift to cleaner fuels will continue – though much depends on governments' implementing new, low-carbon strategies.

- In 2020, growth in the global economy is expected to increase to around 3%, according to the International Monetary Fund (IMF). The US is forecast to slow down as is China – this will be offset by stronger growth elsewhere, notably in India and Latin America. In Asia, the underlying trend remains positive – in part because of continued population growth. With our growth strategy, we will invest more in capacity East of Suez. Of course, there are continued economic risks – not least an increase in protectionism or new international trade disputes. For our end-markets, we see good growth over the next decade, particularly in packaging and construction (automotive, on the other hand, is expected to be slower).
- Worldwide, the shift to sustainability is gaining ground. This will drive continued change in the world's energy mix. We'll see more renewables – and proportionally less emphasis on coal and oil. Over the next two decades, the IEA predicts a 7% increase in renewables (compared with 0.4% for oil and just 0.1% for coal)[1]. The migration to the 'lighter end of the barrel' should also push up demand for other cleaner fuels, like LNG. Governments will play a key role through regulation and policy, introduced to support the 2015 Paris Climate Agreement objectives.
- In 2020, we expect continued investment in the petrochemical sector – to its highest level for at least a decade (in terms of planned new capacity). Investment may slow after that, but will most likely remain on average much higher than during the 2010s. We are already seeing the rise of overcapacity in some areas. New investments have been fueled by the US shale boom. Growth in US shale is slowing, though there are sufficient resources to maintain high output for several years ahead. We expect regulators to continue their focus on safety and environmental standards, particularly after industrial fires last year in the US, Malaysia and Norway[2].

1 Source: International Energy Agency (IEA) – World Energy Outlook 2018.
2 In 2019, fires occurred at terminal facilities in San Francisco Bay (US), Deer Park – Houston (US) and onboard a vessel moored at Sture (Norway). None of these terminals was owned or operated by Vopak.

Barbara Ham

Favorite vital product?
My contact lenses

And why?
My contact lenses enhance and sharpen my vision of the world.

Connection with Vopak?
My soft contact lenses are made from polymers, which we store in our tanks.

What's your responsibility at Vopak?
"I am a Training Officer within the MyService Academy."

Bianca Rouw

Favorite vital product?
Peanut butter

And why?
Before going for a run I always eat two peanut butter sandwiches. As the whole family loves peanut butter, the jars just cannot be big enough!

Connection with Vopak?
We store edible oils in our tanks, used in making peanut butter.

What's your responsibility at Vopak?
"I'm a management assistant at the Global Office."

Sustainability

Introduction to sustainability

Vopak aims to create value for all its stakeholders. We aim to be a responsible member of the communities in which we operate. In our view, sustainability is about caring for people, planet and profit. Our choices today must contribute to our long-term relevance in society and the well-being and development of current and future generations.

The Executive Board determines Vopak's purpose, strategy, value creation, business and performance (all including sustainability) and is ultimately responsible for the implementation of Vopak's Sustainability Policy as an integrated part of our activities. This responsibility is delegated to division management and to the management of our operating companies. The global departments support the divisions and operating companies in acting on this responsibility. All Vopak employees have a shared responsibility with regard to sustainability as laid down in the Vopak Values, Code of Conduct, and our Sustainability Policy.

As reflected in our Sustainability Policy, our ambition is to be the sustainability leader in our industry. The approach and programs to achieve this are integrated into both our strategy and our operational standards (Vopak Way Standards).

Targets on our key indicators are set at group, divisional and operating company level. Progress is monitored by the Executive Board and Supervisory Board as part of regular business monitoring and systematically reviewed on a quarterly basis.

Structure of this sustainability section

The purpose of the sustainability information in our Annual Report covering the financial year 2019, is to:

- Respond to the key topics and expectations from our stakeholders
- Respond to relevant societal topics
- Comply with laws and regulations.

This, together with our interpretation of people, planet and profit, and our acknowledgment of their interdependencies, is used as the basis for the structure and information in this section:

- Care for our societal impact (people)
- Care for our environment (planet)
- Our economic impact (profit)
- Climate change risks, opportunities and impacts.

Impact of Vopak versus impact on Vopak

This sustainability section presents information about the impacts of Vopak's activities on the society, environment and economy linked to our value creation process.
The determination of (sustainability related) threats and opportunities that could potentially impact Vopak's portfolio and/or strategy forms an integral part of our strategic planning cycle. This is fully integrated into our risk management process, reference is made to the Governance, risk and compliance section.

Disclosures on the potential impact(s) of climate change on Vopak and our impact on climate change (through GHG emissions) are included within a separate chapter in this sustainability section.

We aim to be clear and transparent towards our stakeholders regarding our vision, our sustainability policy, objectives and performance. Vopak informs its stakeholders actively about its sustainability performance. This has two benefits:

- It enhances the support for and credibility with regard to the way Vopak manages its sustainability goals and related topics
- It enables a dialogue with stakeholders and the communities in which Vopak operates, which helps us gain insights and improve our performance in the area of sustainability.

Materiality versus demand for other topics to be reported

We strive to be transparent and report relevant and balanced information. This section contains an explanation of our societal, environmental and economic impacts, our ambitions, how we want to achieve these and presents the developments and performance in 2019 based on topics identified as material for Vopak.
We face an increase of requests from ratings agencies and other stakeholders, for information that is not material to our business. We respond to such requests directly and these are not included within this report.

Vopak's GRI Content Index provides all necessary references to those GRI indicators in scope (as well as explanation for any indicators not reported on). This Index can be found on our website: https://www.vopak.com/sustainability/GRIContentIndex.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Governance and basis of preparation

Note 1. Basis of preparation

Reporting criteria

In recognition of the fact that sustainability is a core element of our strategy and operations, we combine our Sustainability Report with our Annual Report.

The information on Vopak's sustainability performance in this report has been prepared in accordance with the Sustainability Reporting Standards Comprehensive option of the Global Reporting Initiative (GRI Standards as published in 2016, unless stated otherwise), to communicate and understand organizations' societal, environmental and economic impacts. The Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability for organizations.

We subscribe to the view that good corporate reporting should result in the communication of a clear, concise and integrated story that explains how company's resources are creating value for its stakeholders. As such, Vopak's Annual Report also applies the principles of the Integrated Reporting Framework by the International Integrated Reporting Council (IIRC).

Climate-related disclosures have been prepared by using the framework as issued by the Task force on Climate-related Financial Disclosures (TCFD).

Financial KPIs are reported based on information included in the company's Financial Statements, prepared in accordance with IFRS as adopted by the European Union.

Reporting principles

Our sustainability reporting principles are based on the reporting principles in the GRI Standards, where necessary supported by internally developed standards and guidelines unless otherwise specified. Throughout the Annual Report, we have indicated how we applied the GRI reporting principles, such as materiality, stakeholder inclusiveness and reliability.

Reporting period

The reporting period for the sustainability information in this Annual Report is the 2019 financial year, covering Vopak's activities from 1 January 2019 to 31 December 2019. This report builds on the previous Annual (Sustainability) Reports.

Reporting process and assurance

As in previous years, Vopak has voluntarily requested its external auditor to provide limited assurance on its sustainability reporting. For the Assurance Report of our independent auditor, reference is made to the Assurance report of the independent auditor.

The sustainability data used in this report was obtained from our global consolidation and management reporting system, and additionally from the HR management, compliance management, operational (safety and environment) management reporting systems and other management reporting systems.

All data is consolidated by our Global Operations function and reviewed by the Global Control and Business Analysis function. Responsibility for reporting on sustainability is currently assigned to the Global Operations function. We have a continuous focus to further embed the material topics into the responsibilities of relevant departments, strengthening our non-financial data collection process and proceeding with further integration into our reporting processes. At least on a quarterly basis, key sustainability topics are reported to the Executive Board and the Supervisory Board. Once a year, we organize a full day review of our strategy and a thematic day on climate change. Key topics and stakeholder concerns were discussed in Supervisory Board meetings. For more information, reference is made to the Supervisory Board report.

For further details on the governance and control framework, reference is made to the Governance, risk and compliance section.

Change in reporting policies for 2019

Vopak has not applied any new reporting standards for 2019. In 2018, Vopak applied a change in reporting policy in relation to API RP 754 from 1 January 2018 to align with the second edition of API RP 754 published in 2016.

Reporting adjustments of historical data

There have been no adjustments to information provided in previous reports. The unit of measurement of NO_x emissions, that reflected our N_2O emissions, was changed from kilograms to metric tons. This has been adjusted in the comparative numbers of N_2O emissions in this Annual Report.

Basis of consolidation

For sustainability reporting purposes, Vopak consolidates data from its headquarters, division offices and those entities under its operational control (unless acquired within the last 12 months), and from entities that report voluntarily although they are not under our operational control.
An entity under operational control implies:

- Application of Vopak´s operational standards
- Adoption of Vopak´s Code of Conduct
- Being part of the three-year cycle of Vopak´s Terminal Health Assessments (THA) or equivalent.

In consolidating data, we apply the following principles:

- **Greenfield** Undeveloped land acquired to build a new terminal is deemed to be within reporting scope from the day of acquisition
- **Brownfield** When an existing terminal is expanded, these activities are deemed to be within reporting scope
- **Acquisition** When a terminal is acquired and operations are continued, there is a grace period of one year before the terminal is brought within the scope of sustainability reporting. During this grace year, all data must be reported and monitored in our internal reporting system
- **Divestment** When terminals are closed or sold, they are removed from reporting scope from the date of divestment, data until the date of divestment is still included.

Unless otherwise stated, the sustainability information in this report includes all information for Vopak's principal subsidiaries, joint ventures and associates (as noted in Note 9.11 Principal subsidiaries, joint ventures, associates and investments of the Consolidated Financial Statements) that meet the consolidation criteria, accounted for and consolidated based on a 100% basis.

Consolidation scope and boundaries

One terminal does not meet the consolidation criteria, but does report sustainability information voluntarily: Vopak Terminals Korea. Entities that do not meet the consolidation criteria are shown in the table below, which reconciles the storage capacity reported in the financial statements to that used for sustainability reporting purposes:

In million cbm	2019	2018	2017	2016	2015
Total storage capacity according to Vopak Financial Statements	**34.4**	**37.0**	**35.9**	**34.7**	**34.3**
Temporarily out-of-scope due to grace period after acquisition[1]					
Bahia Las Minas, Panama	–	–	–	-0.5	n/a
Elengy Terminal Pakistan	-0.2	-0.2	n/a	n/a	n/a
SPEC, Colombia	-0.2	n/a	n/a	n/a	n/a
Out-of-scope as no operational control					
Sabtank (Jubail), Saudi Arabia[2]	-1.5	-1.5	-1.5	-1.5	-1.4
Sabtank (Yanbu), Saudi Arabia[2]	-0.3	-0.3	-0.3	-0.3	-0.3
Chemtank (Jubail), Saudi Arabia	-0.6	-0.5	-0.5	-0.2	-0.2
Maasvlakte Olie Terminal (MOT), The Netherlands	-1.1	-1.1	-1.1	-1.1	-1.1
Ridley Island Propane Export Terminal (RIPET), Canada	-0.1	n/a	n/a	n/a	n/a
Vopak Ventures - equity investments	0.0	0.0	n/a	n/a	n/a
Estonian Railway Services (ERS - part of Vopak E.O.S.), Estonia[3]	n/a	0.0	0.0	0.0	0.0
Total out of scope for sustainability reporting	**-4.0**	**-3.6**	**-3.4**	**-3.6**	**-3.0**
Total storage capacity according to the sustainability reporting scope	**30.4**	**33.4**	**32.5**	**31.1**	**31.3**

1 In 2016, Vopak started to manage and operate Chevron's existing 509,000 cbm terminal at Bahia Las Minas, in Panama. According to the consolidation criteria, the terminal is in scope for sustainability reporting as from 1 January 2017. Elengy Terminal Pakistan (acquired as per end of December 2018) will be in scope as from 1 January 2020 and SPEC, Colombia (acquired as per end of September 2019) will be in scope as from 1 January 2021.
2 The Sabtank terminals report on safety data only for our internal reporting purposes, but has been excluded for external reporting purposes since we started sustainability reporting in 2008.
3 Vopak E.O.S. is divested as per April 2019.

For capacity developments, reference is made to the Leading assets in leading locations chapter of the Annual report, and notes 3.1 Acquisition and divestment of subsidiaries and 3.5 Joint ventures and associates of the Consolidated Financial Statements.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Note 2. From stakeholder engagement to materiality

Together with our stakeholders, we define the material societal, environmental and economic topics for our company. In 2019, we conducted a full materiality assessment. For the methodology used, details on the materiality process and changes since our last report, reference is made to our website: https://www.vopak.com/sustainability/stakeholder-engagement.

The table below summarizes the expectations and interests of our stakeholders and the topics that they regard as key topics. It should be noted that this reflects the overall outcome per stakeholder group from our stakeholder engagement. Expectations, interests and key topics vary for each individual stakeholder.

Our response to the overall key topics and concerns of our stakeholders is embedded in the notes to the topics in this Sustainability section.

Stakeholder group	Expectations	Key topics	How we engage them
Youth	To be relevant in the future, young people deem it important that a company as Vopak acts responsible in its environmental and societal behavior.	• Air quality: VOC and other air emissions • Greenhouse gas emissions • Soil and groundwater pollution • Water pollution	• Vopak WeConnect projects • Face-to-face meetings • Information on our website and social media channels
Customers	Increasingly put sustainability high on their agenda and require Vopak, as an important link in their supply chain, to at least align its sustainability policy with theirs.	• Business ethics and integrity • Applications of best practices • Occupational health and safety • Process safety	• Face-to-face meetings • Calls, emails, conferences • Net Promoter Score (NPS) survey to measure customer satisfaction • Internal & external audits
Business partners	Looking for long-term relationships to realize growth based on mutual trust and value creation.	• Application of best practices • Process safety • Customer acceptance and continuation	• Face-to-face meetings • Calls, emails, conferences • Internal & external audits
Authorities & governmental organizations	Respect (stricter) regulations, control and perform safely.	• Business ethics and integrity • Nuisance • Air quality: VOC and other air emissions • GHG emissions	• Face-to-face meetings • Written contacts • Information on our website • Open houses & site visits • Participation in public hearings & conferences
Financial and capital markets	Increasingly take a long-term appreciative view of companies that aim for sustainable profitability.	• Financial performance • Business ethics and integrity • Customer acceptance and continuation	• Presentations, webcasts, roadshows with analysts and investors at least every quarter • Individual meetings • Capital Markets Day • General Meeting of Shareholders
Neighbors and local communities	Increasingly require Vopak to engage with them to address issues such as stench and odors.	• Air quality: VOC and other air emissions • Business ethics and integrity	• Face-to-face meetings • Written contacts • Information on our websites and social media channels • Open houses & site visits • Participation in public hearings & conferences • Vopak WeConnect projects
NGOs	NGOs expect Vopak to be a responsible, transparent, cooperative and trustworthy partner.	• Air quality: VOC and other air emissions • Business ethics and integrity • Process safety • Water pollution	• Face-to-face meetings • Written communications • Information on our websites and social media channels • Open houses & site visits • Participation in public hearings & conferences • Vopak WeConnect projects
Suppliers	Suppliers of assets value long-term relationships. Suppliers of services (e.g. contractors) expect a safe and healthy workspace and fair treatment.	• Supplier acceptance and continuation • Customer acceptance and continuation • Financial performance	• Face-to-face meetings • Quarterly calls with Tier 1 and Tier 2 suppliers • Contracts • Site visits • Supplier visits
Employees	Value a company that cares, helps to develop their talents and offers training programs to develop the full potential of every individual.	• Process safety • Financial performance • Occupational health and safety	• Daily work relationships • Training and human resources cycles • Biennial employee engagement survey
Senior management	Determines the overall long-term strategy on our 'License to Operate' and our expansion plans and ensures continued value creation for stakeholders.	• Process safety • Business ethics and integrity	• Ongoing internal dialogues • LEAD program

Materiality matrix

Vopak's materiality matrix covers 24 topics:

- **Key topics** We aim to fulfill a leading role with regard to these topics and have integrated these topics into our strategic sustainability priorities
- **Topics to monitor** We want to demonstrate our social responsibility with regard to these topics. We measure and report on parts of these topics in our report
- **Other topics** These are important topics for Vopak and are managed accordingly.

According to the ranking of topics determined as most relevant across stakeholder groups (vertical axis), and ranked as most significant impact of our business (horizontal axis), six key topics emerged as being the most material.

We report in detail on the six key topics. All other topics reported in this section are based on compliance with regulatory requirements and our response to actual societal topics. On these other topics, we report our management approach.

Main changes compared to our previous materiality assessment

Compared to our previous assessment, Innovation became a key topic, while Application of best practices and Soil and groundwater pollution moved to 'Topics to monitor' and Training and education moved to 'Other topics. The topics (Cyber)security threats and Threats of natural disasters were removed from the 2019 assessment as these relate impacts on Vopak. The materiality matrix covers reflects the impacts of Vopak on the society, the environment and the economy. More information on the process can be found on our website.

**Reporting on greenhouse gas (GHG) emissions*

Although GHG emissions is not ranked as key topic in our stakeholder engagement, the Executive Board considers this to be strategic. Therefore, we have set a long-term target and report transparently on our GHG emissions as part of our climate chapter. Reference is made to Note 26. Our impact on climate change: GHG emissions.

Materiality matrix

Environmental topics

1. **Air quality: VOC and other air emissions**
2. Soil and groundwater pollution
3. **Water pollution**
4. Waste
5. Greenhouse Gas (GHG) emissions*
6. Energy use
7. Water management
8. Biodiversity

Economic topics

9. **Business ethics and integrity**
10. Application of best practices
11. Customer acceptance and continuation
12. Financial performance
13. **Innovation**
14. Remuneration
15. Supplier acceptance and continuation
16. Taxation

Societal topics

17. **Process safety**
18. **Occupational health and safety**
19. Training and education
20. Nuisance
21. Labor conditions
22. Human rights
23. Diversity
24. Community engagement and charity

Note 3. Connectivity

The set-up of this sustainability section is based on the topics and outcomes from Vopak's materiality assessment. The table below reconciles the six key topics to our value creation model, the strategic leadership areas, the corresponding risks, disclosures on management approach, performance and outlook, and the topic-specific GRI Standards. It also provides the link with the UN Sustainable Development Goals (SDGs).

For more information on our strategic leadership areas, reference is made to the Performance & Outlook section. Our governance with regard to the sustainability-related risks and opportunities is integrated into our governance and risk management processes; for more information, reference is made to the Governance, risk and compliance section. Topic-related KPIs are included in Consolidated Sustainability performance and corresponding notes.

Key topic Vopak	Corresponding value creation capital	Corresponding SDG	Corresponding strategic pillar	Corresponding risk in risk chapter	Corresponding performance notes	Corresponding GRI Standard
Care for our societal impact (people)						
Occupational health and safety	People	8 Decent work and economic growth	Operational leadership People leadership	8	Note 4. Occupational health and safety	• GRI 403: Occupational Health and Safety (2018 version)
Process safety	Natural Social & Relationship	12 Responsible consumption and production	Operational leadership Service leadership	8	Note 5. Process safety	No corresponding GRI topic-specific standard
Care for our environment (planet)						
Air quality: VOC and other air emissions	People Natural	12 Responsible consumption and production	Operational leadership	8	Note 11. Air quality: VOC and other air emissions	No corresponding GRI topic-specific standard
Water pollution	Natural	12 Responsible consumption and production	Operational leadership	8	Note 12. Water pollution	No corresponding GRI topic-specific standard
Care for our economic impact (profit)						
Business ethics and integrity	People Social & Relationship		People leadership	13	Note 19. Business ethics and integrity	• GRI 205: Anti-Corruption • GRI 307: Environmental Compliance • GRI 419: Socio-economic Compliance
Innovation	Knowledge Manufactured	7 Affordable and clean energy 9 Industry, innovation and infrastructure	Operational leadership Technology leadership	3, 10	Note 20. Innovation	No corresponding GRI topic-specific standard

Consolidated Sustainability Performance

	2019 target	Performance 2019	2018	2017	2016	2015	2020 target	Long-term target	Note
Care for our societal impact (people)									
Occupational health and safety									4
Fatalities, own employees and contractors	0	1	2	2	0	1	0	Our first priority is to have zero fatalities and zero major incidents	
Total Injury Rate (TIR), own employees and contractors (per 200,000 hours worked)	0.27	0.34	0.30	0.38	0.29	0.39	0.27		
Process safety									5
Major process incidents	0	0	0	0	0	0	0	Our first priority is to have zero major process incidents	
Process Safety Events Rate (PSER), own employees and contractors (per 200,000 hours worked)	0.20	0.16	0.12	0.26	0.23	0.27	0.17		
Human rights and decent work									6
Total number of employees (in headcount)		5,697	5,833	5,657	5,555	5,930		A living wage for all own employees and our main suppliers and contractors	
- Percentage of employees with a living wage	100%	100%	100%	100%	N.R.	N.R.	100%		
Diversity									7
Percentage of women in senior management positions		12%	N.R.	N.R.	11%	N.R.	Progress to achieve long-term target	Increase the proportion of women in Vopak's senior management positions to at least 20%	
Care for our environment (planet)									
Air quality: VOC and other air emissions									11
Societal impact reduction of our VOC emissions		6%	Q.R.	Q.R.	Q.R.	N.R.	Progress to achieve long-term target	Reduce our societal impact by more than 20% compared to 2016	
Water pollution									12
Total number of reportable spills	Ensure effective spill prevention and secondary containment in high risk areas	6	4	1	9	N.R.	Ensure effective spill prevention and secondary containment in high risk areas	Ensure integrity of the environment: Zero uncontained spills of harmful products	
Total product spilled (reportable spills in metric tons)		2	1	1	18	N.R.			
Soil and groundwater pollution									13
Total number of uncontained reportable spills		6	4	7	25	N.R.			
Total product spilled (uncontained reportable spills in metric tons)		19	29	25	145	N.R.			
Our economic impact (profit)									
Business ethics and integrity									19
Number of fines from permit violations		1	0	2	2	3	0	Zero permit violations and no violations of Code of Conduct	
Amount of fines from permit violations (in EUR thousands)		0	0	2,124	96	27	0		
Total number of breaches of Code of Conduct	0	13	3	8	3	12	100% completion of Code of Conduct training for own employees		
Innovation		Q.R.	N.R.	N.R.	N.R.	N.R.	Annual EUR 10 million investment available to achieve long-term target	Our aim is to remain industry leader by improving safety, service and efficiency	20
Climate change risks, opportunities and impacts									
GHG emissions									26
Total GHG emissions - scope 1 & 2 (metric tons)	Increase energy efficiency and seek opportunities for renewables	408,475	417,409	402,256	426,576	449,330	Increase energy efficiency and seek opportunities for renewables	Our ambition is to be climate neutral by 2050 and to remain the industry leader in sustainability in the period up to 2030 and 2050	
- Direct GHG emissions - scope 1 (metric tons)		154,807	165,720	166,917	186,142	189,320			
- Indirect GHG emissions - scope 2 (metric tons)		253,668	251,689	235,339	240,434	260,010			

N.R. Not reported as topic was not in sustainability reporting scope.

Q.R. Only qualitative reporting.

Care for our societal impact (people)

We aim to ensure that all the products we store are taken care of in the right environment and the right manner. We are aware that safety depends, in part, on the way we build our terminals. The products in our tanks are useful for society, but can be potentially harmful to the environment or can endanger people's health if stored or handled inappropriately. Our first responsibility is to provide safe, clean and efficient storage. We must ensure that our employees and contractors can return home safely after each working day, and create value for all our stakeholders, from shareholders to neighboring communities. 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. We strive to be a responsible member of the communities in which we operate.

Connection to our value creation model

Value creation capital	Input	Output & Outcome	Impact
People	Employees provide their time, expertise and knowledge. We also use contractors and other service providers in our operations. We invest in training and talent development to build a skilled, diverse workforce.	We develop our people, train them in new skills, motivate them, and aim to provide a healthy and safe working environment for both employees and contractors.	8 DECENT WORK AND ECONOMIC GROWTH
Social & Relationship	To carry out our business, we rely on relationships with stakeholders. These include our customers – in addition to our employees, suppliers, business partners and governments. We also need the continued goodwill of the local communities in which we operate. Together, these relationships provide our 'license to operate and grow'.	As Vopak, we handle often hazardous products with care. We ensure safe delivery of these products to our customers, providing a vital link in the supply chains for oil, gas, chemicals and vegoils. We facilitate novel clean(er) products through appropriate infrastructure.	7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Natural	To run our business, we use natural resources, such as energy and water. We also hold areas of land and sea to build and operate our terminals.	We work to minimize our negative effects on the environment – by reducing both vapor emissions and pollution to air, water and soil.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Note 4. Occupational health and safety

Definition, reporting policies and boundaries

Related topic	Materiality matrix no. 18
Occupational health and safety	*This includes the impact of fatalities, incidents, sickness, exposures to operational hazards and long-term exposure to chemicals.*

8 DECENT WORK AND ECONOMIC GROWTH

Reporting policies

Occupational health and safety are managed and reported according to OSHA 1904.

The safety rates (Total Injury Rate (TIR) and Lost Time Injury Rate (LTIR)) are calculated as number of incidents per 200,000 hours worked.

Boundaries

Safety relates not only to Vopak employees, but also to the employees of our contractors when they are working on our sites. Sickness is only reported for our own employees.

Management approach

At Vopak, we operate at a global network of terminals and we handle a wide range of liquid and gaseous products and feedstock for the chemical, petrochemical and agricultural industry. If handled incorrectly the products that we store can endanger the health and safety of our employees, contractors and everyone within the community surrounding our facilities.

Therefore, we store and handle these products according to the latest standards, best practices and relevant legislation. It is our responsibility to keep our employees, contractors and neighbors safe from any incident occurring during the operation of our facilities and storage of the products.

Our global standards cover key operational and maintenance processes. In the daily operation and maintenance of our terminals, we encounter non-routine activities that are managed with additional control measures such as control of work procedures. Every Vopak employee, contractor and service provider is required to adhere to our Safety, Health and Environmental requirements, which are formalized through employment and service contracts, in all locations and at all times. Safety committees are organized on a terminal level at all terminals. In addition to safety, we strive for a healthy workforce. In several countries, Vopak encourages its employees to incorporate more healthy elements into their lifestyle through, for instance, company sports events, health checks, advice on diet, a healthy variety of food in the company's canteens and work-life balance initiatives.

We monitor and report any safety incident at our facilities involving our own employees, contractors and third parties. We also monitor our employees periodically for any effects of exposure to the chemicals we handle and store. It is the obligation of everyone at a Vopak facility to report any (potential) safety or health issue in the reporting system Enablon accessible by all employees. We strongly believe that all safety incidents can be prevented and are committed to the goal of zero personal incidents.

Occupational safety

	2019 Target	2019 Performance	Long-term target
Occupational health and safety			Our first priority is to have zero fatalities and zero major incidents
Fatalities (own employees and contractors)	0	1	
Total Injury Rate (TIR), own employees and contractors (per 200,000 hours worked)	0.27	0.34	

Regrettably, a fatal incident occurred with a subcontractor during construction work at our PITSB terminal in Pengerang (Malaysia) in March 2019. An extensive tripod investigation was conducted leading to recommendations that were shared and actively discussed through our safety alerts throughout the organization, and beyond.

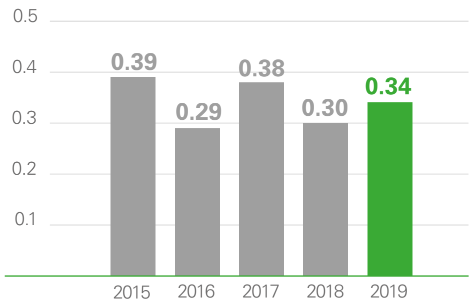
Next to this, we had one high severity incident resulting in a permanent disability. A contractor lost his hand during cement mixer cleaning operations at our Veracruz terminal in Mexico.

Safety is our first and foremost priority. At the end of each working day, each person at our terminals is entitled to return safely to their homes and families. We have to maintain our focus on how to further improve our safety culture, systems and hardware to ensure a safe working place for all.

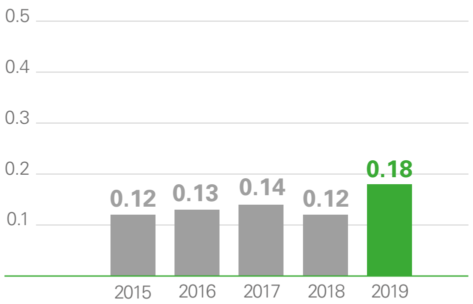
Occupational safety performance

	Own employees		Contractors		Combined	
	2019	2018	2019	2018	2019	2018
Fatalities	0	0	1	2	1	2
Lost time injuries (LTIs)	18	13	17	10	35	23
Restricted work cases (RWCs)	6	7	16	11	22	18
Medical treatment cases (MTCs)	2	5	7	10	9	15
Total Injury Count (TIC)	**26**	**25**	**40**	**31**	**66**	**56**
Total Injury Rate (TIR)	**0.49**	**0.46**	**0.28**	**0.23**	**0.34**	**0.30**
Lost Time Injury Rate (LTIR)	**0.34**	**0.24**	**0.12**	**0.07**	**0.18**	**0.12**

Total Injury Rate



Lost Time Injury Rate



Occupational safety rates per division

	Total Injury Rate		Lost Time Injury Rate	
	2019	2018	2019	2018
Europe & Africa	0.95	0.97	0.58	0.43
Asia & Middle East	0.14	0.12	0.06	0.04
China & North Asia	0.08	0.18	0.04	0.09
Americas	0.26	0.17	0.08	0.03
LNG	0.00	0.29	0.00	0.29
Global HQ	0.00	0.00	0.00	0.00
Total Vopak	**0.34**	**0.30**	**0.18**	**0.12**

Despite continuous efforts to improve safety, in 2019, we were not able to deliver on our target with regard to personal safety.

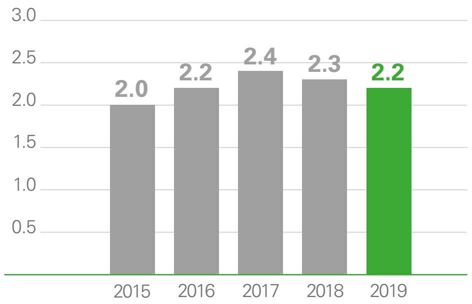
Evaluation of the root causes of the personal incidents learns us that most cases occurred due to manual handling activities, slips, trips and falls.

We are committed to improving safety in 2020 with our 'Trust and Verify' program. This program will further increase safety awareness and encourage a culture of personal accountability throughout the company, helping us prevent severe incidents and ensure a safe working environment. More information on this program can be found in the Operational leadership chapter.

Occupational health

Sickness Rate

in %



Sickness rate per division

	Sickness Rate %	
	2019	2018
Europe & Africa	4.5	4.3
Asia & Middle East	1.6	1.5
China & North Asia	0.7	0.6
Americas	1.2	1.3
LNG	4.4	3.4
Global HQ	1.6	3.5
Total Vopak	**2.2**	**2.3**

In 2019, 47% of Vopak staff worked in areas of higher accident risk (mainly operational and maintenance staff at our terminals), compared with 47% the previous year. There were no reported cases of employees suffering from occupational diseases.

Note 5. Process safety

Definition, reporting policies and boundaries

Related topic	Materiality matrix no. 17
Process safety	*This includes incidents of product contaminations, damages to installations, spills and other product losses of primary containment.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reporting policies

Process safety is managed and reported according to the API standard RP 754 and events are measured based on the significance of the incident, with Tier 1 as the most significant.

Major process incidents are those Tier 1 events with the highest severity and catastrophic impact.

According to our materiality assessment, the topic of process safety includes incidents of contamination, damage and loss of primary containment (LOPC).

A (product) contamination is any situation where a customer's product is out of contract specification and cannot be used as intended or is reduced in value, or needs unplanned after treatment (e.g. mixing, blending, sparging) due to the action of another substance on that product.

Contaminations and damages could be both process and non-process related. Both types of incidents are reported in this note. Examples of non-process contaminations are product damaged by overheating due to tank or line heating systems or due to lack of failure of nitrogen inerted atmosphere.

All Tier 1 and Tier 2 LOPCs are reported in this note. For more detailed reporting on spills, reference is made to Note 12. Water pollution and Note 13. Soil and groundwater pollution. Both terms - 'spills' and 'LOPCs' - are used to refer to the same definition: an unplanned or uncontrolled release of material from primary containment, including non-toxic and non-flammable materials.

The process safety event rate (PSER) is calculated as total number of Tier 1 and Tier 2 incidents per 200,000 hours worked.

Boundaries

All Tier 1 and Tier 2 process safety events are reported in this note. This includes process-related incidents that create personal injuries involving employees, contractors and third parties.

With regard to damages, we have only included damages with a cost larger than EUR 50,000.

Management approach

The processes of storing and handling liquids and gases at a Vopak facility requires safety measures to prevent any incident related to the operations. All staff working at Vopak facilities are obliged to report process safety incidents via Enablon. Another core element is the constant monitoring and reporting of every process incident at our facilities and investigating the root cause in order to prevent similar incidents. We share the results of these investigations with all of our facilities by means of a written alert.

The 'Assure' program has enabled us to prioritize our process safety initiatives, and helped us meet our own expectations with regard to major accident prevention.
Assure is based on global Vopak tools that were already available within our company. These include a selection of the 'Vopak Way Standards', 'Vopak Fundamentals' and key modules from 'My Learning Operations'. The program focuses on compliance in four areas:

- **Assets** focuses on adequate maintenance of safety-critical assets and ensuring that new assets are properly designed and commissioned
- **People** focuses on having a workforce with sufficient essential skills to safely operate and maintain our terminals, whilst generating and maintaining a good safety culture
- **Processes** focuses on having in place the key organizational processes controlled through procedures and methodologies to safely operate and maintain our terminals
- **Legal requirement** focuses on compliance with all legislation relating to major accident prevention. Implicit in this requirement is to know what legislation must be complied with, what this legislation demands and to be able to demonstrate that there are no gaps in our compliance.

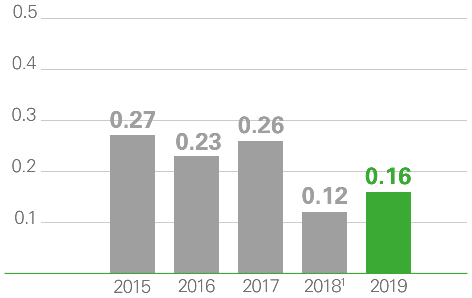
Asset integrity is secured through the 3-Year Maintenance Program (3YMP), in which a risk-based approach is used to determine the level of maintenance required for key assets such as tanks, pipelines and plant control systems. The 3YMP is reviewed annually during the budget cycle, in addition to the routine maintenance activities.

Consequently, the progress against this program is measured quarterly and benchmarked against the original plan, as part of our divisional reviews. In cases where additional maintenance is required, these requests are assessed and resourced to ensure that asset integrity is not at risk.

For all products stored at our terminals, we require Material Safety Data Sheet from our customers in order to appropriately store and handle these products.

	2019 Target	2019 Performance	Long-term target
Process safety Major process incidents	0	0	Our first priority is to have zero major process incidents
Process Safety Event Rate (PSER), own employees and contractors (per 200,000 hours worked)	0.20	0.16	

Process Safety Event Rate



1 The significant improvement in our 2018 process safety performance is partially explained by the changed threshold levels of API RP 754. Our process safety incident classification has been aligned with the new API 754 standard. This means that some incidents have been downscaled to a lower tier classification, due to the impact of the incident (such as non-flammable edible oils). The impact of the application of the new standard in 2018 is that six LOPCs occurred in 2018, are classified as Tier 3 instead of Tier 2.

Process safety performance per division

	Tier 1 PSE Count		Tier 2 PSE Count		Tier 1 & Tier 2 PSER	
	2019	2018	2019	2018	2019	2018
Europe & Africa	10	4	6	7	0.44	0.34
Asia & Middle East	3	2	5	4	0.10	0.09
China & North Asia	1	0	1	0	0.09	0.00
Americas	1	0	1	2	0.05	0.06
LNG	1	0	0	0	0.30	0.00
Global HQ	0	0	0	0	0.00	0.00
Total	**16**	**6**	**13**	**13**	**0.16**	**0.12**

For 2019, we were able to meet our target. However, the increased number of Tier 1 LOPCs is an area of concern. There is no specific explanation for this increase.

Process safety events per type

	Tier 1 PSE Count		Tier 2 PSE Count		Tier 1 & Tier 2 PSE	
	2019	2018	2019	2018	2019	2018
Fatality	0	0	0	0	0	0
Lost time injury (LTI)	4	1	0	0	4	1
Restricted work case (RWC)	0	0	0	0	0	0
Medical treatment case (MTC)	0	0	2	0	2	0
Loss of primary containment (LOPC)	12	5	11	13	23	18
Fire	1	0	0	0	1	0
PRD activation	0	0	0	0	0	0
Total[1]	**16**	**6**	**13**	**13**	**29**	**19**

1 In 2019, the Tier 1 Fire and one of the Tier 1 LOPCs occurred by the same event, therefore counted as one event in the total Tier 1 PSE Count.

Product contaminations

	2019			2018		
	PSE	Non-PSE	Total	PSE	Non-PSE	Total
Europe & Africa	0	13	13	2	14	16
Asia & Middle East	0	8	8	2	7	9
China & North Asia	0	2	2	0	1	1
Americas	3	2	5	3	1	4
LNG	0	0	0	0	0	0
Global HQ	0	0	0	0	0	0
Total	**3**	**25**	**28**	**7**	**23**	**30**

Damages

	2019			2018		
	Property	Product	Total	Property	Product	Total
Europe & Africa	5	0	5	10	2	12
Asia & Middle East	7	1	8	1	0	1
China & North Asia	1	0	1	0	0	0
Americas	2	0	2	2	0	2
LNG	0	0	0	0	0	0
Global HQ	0	0	0	0	0	0
Total	**15**	**1**	**16**	**13**	**2**	**15**

Note 6. Human rights and decent work

Related topic	Materiality matrix no. 22
Human rights	*This includes (but is not limited to) the fair treatment of employees and (sub-)contractors, respect for the rights of indigenous people and land use rights, as stated in our Code of Conduct and Supplier Code.*

Related topic	Materiality matrix no. 21
Labor conditions	*This includes, (but is not limited to) complying with the OECD guidelines, the possibility for employees to participate in collective labouragreements and Vopak ensuring that all its employees and contractors earn a living wage as stated in our Code of Conduct and Suppliers code.*

8 DECENT WORK AND ECONOMIC GROWTH

	2019 Target	2019 Performance	Long-term target
Human rights and decent work Total number of employees (in headcount)		5,697	A living wage for all own employees and our main suppliers and contractors
Percentage of employees with a living wage	100%	100%	

Our workforce

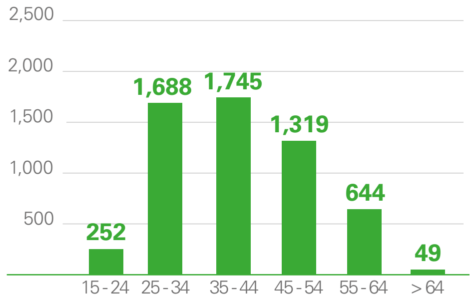
	2019	2018	2017	2016	2015
Total number of employees (in headcount)	5,697	5,833	5,657	5,555	5,930
- Percentage of male employees	84%	84%	84%	85%	84%
- Percentage of female employees	16%	16%	16%	15%	16%
- Percentage of employees with a living wage	100%	100%	100%	N.R.	N.R.

Breakdown of our workforce as per 31 December 2019

	Head-count	Gender		Employment type		Employment contract	
	31-Dec-19	Men	Women	Full-time	Part-time	Permanent	Fixed term
Europe & Africa	1,605	84%	16%	91%	9%	93%	7%
Asia & Middle East	1,474	86%	14%	99%	1%	92%	8%
China & North Asia	1,068	84%	16%	100%	0%	48%	52%
Americas	935	83%	17%	100%	0%	97%	3%
LNG	179	85%	15%	94%	6%	94%	6%
Global HQ[1]	436	75%	25%	90%	10%	91%	9%
Total Vopak	**5,697**	**84%**	**16%**	**96%**	**4%**	**85%**	**15%**

1 Global HQ includes our terminal in Venezuela (as from 1 January 2019)

Age distribution per 31 December 2019



Approximately 41% (2018: 42%) of our employees are employed under a Collective Labor Agreement (CLA), most of these employees work in the operations and maintenance departments at our terminals. We strive for long-lasting relationships with unions and works councils all over the world in the best interest of our employees and the Company.

Number of contractors

During 2019, Vopak hired contractors for in total over 10,000 man-years. The majority of our contractors are working on construction and maintenance projects.

Human rights

Vopak respects human rights as described in the United Nations (UN) Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and accepts the responsibility for ensuring that all our entities respect human rights when conducting business.

Human rights is not seen as principal risk to our business as we are a service company facilitating product movements and connecting the supply and demand market. We do not produce nor own the products we store or handle.

The higher risk of potential human rights issues is in the area of construction and maintenance activities, which are often performed by contractors under our supervision. Driven by the many greenfield projects, as well as maintenance activities at our existing terminals, our contractors' exposure hours equal and mostly exceed that of our own employees, making contractor management equally important as that of Vopak employees.

Major investment proposals are required to be screened for potential human rights issues. Our screening is based on the country in which the project is being carried out and the characteristics of the investment proposal. The screening includes an assessment of the regions where the risks of human rights issues are high. For these projects, specific agreements are made between all the stakeholders in the project which detail the manner in which parties will uphold human rights. All partners, contractors and suppliers are required to adhere to the Vopak Code of Conduct and the Supplier Code, which also cover human rights.

In 2019, we launched a pilot performance management program for our suppliers and contractors, which includes assessing whether appropriate human rights policies are in place, communicated and followed. This program will be implemented from 2020. During the pilot, 19 of our Global Tier 1 and Tier 2 suppliers participated as per end of December 2019, no issues were noted.

According to our whistleblower policy, all employees and other stakeholders are allowed to report any human rights issues or other violations of our Code of Conduct or Supplier Code in confidence. The Trusted Person follows up on all complaints and takes remedial action where needed. For all cases reported during 2019, reference is made to Note 19. Business ethics and integrity.

In 2019, we acted on our approach to inclusiveness following signals received from employees and had extensive dialogue on our expectations and our practices.

Decent work

Labor rights

In line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, we base our decent work objectives and commitments on the International Covenant on Civil and Political Rights, on the International Covenant on Economic, Social and Cultural rights and on the fundamental rights set out in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

We seek to uphold these rights in our operations and in our relationships with our suppliers, our business partners, work councils and unions within the boundaries of local laws and regulations.

Living wages

In line with Vopak's commitments under the UN Global Compact, Vopak supports the 'living wage' principle in the UN's Declaration on Human Rights. The goal of a living wage is to allow a worker to afford a basic, adequate standard of living through employment without government subsidies. Our policy is to pay local Vopak staff at least the living wage norms reflecting the wage levels required to meet their basic needs for living. According to our whistleblower policy, breaches to our living wage principle can be reported by all employees and other stakeholders.

To ensure the wages provided to all of our employees in the countries we operate in, meet (or exceed) the living wage standards, we carry out a 'living wage' assessment annually, in order to verify that the company's wages meet or exceed the living wage standards. Please note that due to the lack of official indicators and accurate benchmarks available to measure basic work and living standards as a result of the economic situation in the country, the Vopak wages paid to staff in Venezuela can only be assessed informally. In 2019, all countries were found compliant with the living wage principle and no issues were noted (2018: no issues).

Additionally, the living wage principle is included in the Vopak Supplier Code and in the supplier and contractor performance management program, so that its application is not limited to Vopak employees only.

Compensation ratios

For our countries of significant operations (Netherlands, Singapore, USA), we disclose the ratio between the total remuneration package of the highest paid employee and the total average remuneration of Vopak employees in that country, in accordance with the GRI Standards.
The calculation method for the calculation of these compensation ratios is consistent with the method used to calculate the CEO Pay Ratio as shown in the Remuneration report.

	2019 ratios	2018 ratios
Global CEO Pay Ratio	21.5	20.8
Pay ratio The Netherlands	*14.9*	*14.1*
Pay ratio Singapore	*9.1*	*8.6*
Pay ratio United States	*4.0*	*3.7*

Note 7. Diversity

Related topic	Materiality matrix no. 23
Diversity	*This includes diversity in gender, nationality, culture, age, physical abilities and competencies.*

8 DECENT WORK AND ECONOMIC GROWTH

Vopak is a multicultural company with operations around the globe. This means our workforce is diverse and includes people from many different cultures, nationalities and beliefs. We respect this diversity and nurture the many different approaches and perspectives each culture brings to our business. Whatever their backgrounds, our people share our company's passion for service and want to perform to the best of their ability.

Traditionally, our industry has been male dominated - and our workforce still comprises predominantly men. Our focus is on having the right expertise and skills available in key areas of the business, rather than on putting people into roles to meet diversity targets. To ensure sufficient competencies worldwide, we expect to increase international mobility of our employees.

On a senior management level, we strive to be a reflection of the countries we operate in with a balanced gender diversity.

Senior management composition (salary scales at or above 20, excluding Board level)

	2019 Performance	Long-term target
Diversity Percentage of women in senior management positions	12%	Increase the proportion of women in Vopak's senior management positions to at least 20%

Management composition (salary scales at or above 15)

	Executive Board		Terminal and divisional management teams		Global staff directors		Global staff HQ	
% employees	2019	2018	2019	2108	2019	2018	2019	2018
Gender								
Men	100%	100%	79%	79%	69%	62%	77%	77%
Women	0%	0%	21%	21%	31%	38%	23%	23%
Nationality								
Dutch	100%	100%	28%	29%	92%	92%	82%	83%
Other	0%	0%	72%	71%	8%	8%	18%	17%

Note 8. Training and education

Related topic	Materiality matrix no. 19
Training and education	*This refers to having competent people qualified to do their job and awareness of any safety topic related to their jobs.*

8 DECENT WORK AND ECONOMIC GROWTH

Attracting, developing and retaining talent is critical to our success. Vopak's environment is changing rapidly. Therefore, different skills and backgrounds are needed, now and in the future. At the same time, we need to retain critical skills to build on our existing experience and knowledge. This is even more challenging outside Europe where the Vopak brand is less visible and less well known outside the industry. These are often the countries of high growth or higher growth potential.

Our core approach to talent management is having a strong development focus and facilitating learning on the job. Another important program that we have used successfully is our Management Trainee program. As part of our Employee Value Proposition, we grow careers internally and promote career development within the company. This approach allows us to rejuvenate our workforce, and ensure that critical skills and experience can be passed from one generation to the next.

We believe in internal career growth and development and therefore we focus as much as possible on recruitment from within the company where possible to fill vacancies.

People development

Our people development efforts are geared towards having the right people with the right skills in the right place at the right time in order to strengthen our organization and enable further growth. Opportunities for personal growth and development are also a key component for retention of our staff.

Our performance review process not only focuses on measuring employees' past performance, but also on steering long-term development. Many Vopak employees participate in this process. The Vopak performance management process has a strong focus on performance delivery, (360 degree) feedback and the Vopak Values. Development needs are identified and translated into plans based on a yearly cycle.

We believe that leadership behavior is crucial in embedding and sustaining the Vopak Values in the organization. We have made further efforts to strengthen leadership development through our LEAD (Leadership Excellence And Development) program for senior management and high potential leaders. We also launched the Accelerate 2LEAD for managers program in 2018 to prepare them for a future that will be increasingly digital, sustainable and transparent.

Introduction | Purpose & strategy | Business & market | Performance & Outlook | Sustainability | Governance, risk & compliance | Financial Statements | Additional information

Equipping our people - Vopak fundamentals and processes

Vopak expects all employees and contractors working at its terminals to care for safety, health and the environment. It is part of our company values. My Learning Operation (MLO) has been one of our most effective tools in training and assessing proficiency in the Vopak Fundamentals on Safety. In 2019, 87% (2018: 85%) of our employees completed compulsory annual training on the Vopak Fundamentals. The percentage is below 100% due to joiners during the year. In addition to our Vopak Fundamentals, we have 14 other safety-critical modules available within MLO (e.g. personal protective equipment (PPE), pumps, lines and valves, etc), which are also used to train and assess our field employees.

We are also using MLO to train and assess operational employees on our core operational processes, such as ship and truck handling. These training programs will be administered and monitored through our MLO system.

We introduced an online Code of Conduct training for all Vopak employees. More than 90% of invited employees have completed this training as per end of December 2019. This training will be done every two years, alternated with a new online training launched in 2019 focusing on inclusive behavior.

Training hours per employee

	2019	2018
Europe & Africa	53	44
Asia & Middle East	61	65
China & North Asia	51	49
Americas	39	37
LNG	76	91
Global HQ	N.R.	N.R.
Total Vopak	**50**	**48**

Note 9. Nuisance

Related topic	Materiality matrix no. 20
Nuisance	*This refers to the fact that Vopak is trying to minimize its effects from nuisance on its neighbours by monitoring and addressing smell, noise and other complaints,by installing facilities to mitigate these nuisances.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We strive to maximize our positive impact and minimize the negative impact on the communities where we operate.

Vapor, odor and stench complaints

Number of complaints	2019	2018
Europe & Africa	50	22
Asia & Middle East	7	4
China & North Asia	0	0
Americas	3	1
LNG	0	0
Global HQ	0	0
Total	**60**	**27**

During 2019, we received 60 stench complaints (2018: 27), that originated from 12 individual incidents at 9 locations.

Note 10. Community engagement

Related topic	Materiality matrix no. 24
Community engagement and charity	*This refers to the ambition of Vopak to support the local communities in which Vopak operates (e.g. through our We-Connect program).*

Vopak aims to create value for its stakeholders, not just by delivering products safely and efficiently, but also by supporting local communities, stimulating job creation and economic growth through business investments and by minimizing harm to the environment. We strive to be a responsible member of the communities in which we operate.

While topics identified through the materiality survey are relevant to Vopak's operations worldwide, other topics are essentially at a local level. This concerns topics ranging from the preservation of archeological sites to mitigating the impact of truck movements during construction activities. Engaging with our neighbors and local communities is an essential part of our business to address these concerns and respond to them in a timely manner.

The desire to build sustainable relations with our communities and maintain our commitment to empowering young people, led us to continue our commitment to the Vopak WeConnect Foundation.

Vopak WeConnect Foundation

Vopak encourages its employees to take an active part in their local communities. With support of the Foundation, employees initiate projects to help empower young people in the communities in which we operate. Set up in 2017, Vopak WeConnect Foundation has a clear mission: to open up professional horizons for young people, to increase their 'job readiness' and to inspire them to work with others across cultures, languages and social backgrounds. So far, employees at Vopak and its joint ventures, in cooperation with local NGOs, schools or other community groups, started around 30 WeConnect projects close to Vopak facilities in Africa, Asia, Latin America, the USA and Europe.

Care for our environment (planet)

We aim to ensure that all the products we store are taken care of in the right manner. We are well aware that the products in our tanks can negatively impact the environment if stored or handled inappropriately. We want to minimize our impact on biodiversity, land, soil, air and water.

Connection to our value creation model

Value creation capital	Input	Output & Outcome	Impact
Natural	To run our business, we use natural resources, such as energy and water. We also hold areas of land and sea to build and operate our terminals.	We work to minimize our negative effects on the environment – by reducing both vapor emissions and pollution to air, water and soil.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
People	Employees provide their time, expertise and knowledge. We also use contractors and other service providers in our operations. We invest in training and talent development to build a skilled, diverse workforce.	We develop our people, train them in new skills, motivate them, and aim to provide a healthy and safe working environment for both employees and contractors.	8 DECENT WORK AND ECONOMIC GROWTH

Note 11. Air quality: VOC and other air emissions

Definition, reporting policies and boundaries

Related topic	Materiality matrix no. 1
Air quality: VOC and other air emissions	*This refers to the reporting of Vopak's VOC and other emissions and its program to reduce the emissions based on the societal impact of these emissions.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reporting policies

As field measurement to obtain a total emission figures is not yet feasible, we make use of globally acknowledged calculation programs (TANKS 4.0 and Caruso) to assess our Volatile Organic Compound (VOC) emissions. These emissions occur during the storage and handling of products and are therefore an effect of our own operations.

The NO_x, SO_x and $PM_{2.5}$ emissions are calculated based on our energy consumption. We have applied the following conversion factors:

- NO_x emissions: **IPCC Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories**
- SO_x emissions: **2015 Specific emission factors per energy source stream**
- $PM_{2.5}$ emissions: **Database for particulate matters from Dutch National Institute for Public Health and the Environment.**

Boundaries

Data in this note includes information for all in-scope entities as noted in Note 1. Basis of preparation.

Management approach

Our prime responsibility is to comply with (local) legislation on air emissions. Our objective is to reduce our VOC emissions, sometimes beyond this legal obligation. To meet this objective, we are focusing our efforts on those areas where the societal impact is largest. We developed a model in 2017 to provide guidance to the organization on possible reduction measures and their societal impact (according to the True Value method). This helps us ensure that our efforts and investments, beyond what is required from a regulatory perspective, are targeted at areas where the impact on society is greatest.

	2019 Performance	Long-term target
Air quality: VOC and other air emissions Societal impact reduction of our VOC emissions	6%	Reduce our societal impact by more than 20% compared to 2016

VOC reduction program

In 2017, we analyzed our VOC emissions based on 2016 data for our 17 largest terminals. We estimated that these represent roughly 75% of our emissions globally. For this assessment, we applied the emission calculation model used by the authorities in the Netherlands (Caruso 4.0). Approximately 15-20% of the emissions at these terminals relates to standing emissions from storage. The remaining 80-85% is due to handling (loading, unloading, roof landings).

We aim to mitigate our vapor emissions to meet new legislation and, beyond what is legally required, reduce the societal impact by more than 20%. As part of this we planned more than 25 projects (with a total investment of over EUR 40 million).

In 2019, 11 projects of these are completed at six locations with a total spend of over EUR 6.3 million, resulting in a societal impact reduction of 6% compared to 2016.

The seven projects in 2018 were not part of the aforementioned societal impact reduction program and were all related to meeting new legislation.

Other air emissions

In metric tons	2019	2018	2017	2016	2015
NO_x emissions	402	434	439	492	501
SO_x emissions	2.7	2.9	2.8	3.2	3.4
Particulate matters ($PM_{2.5}$)	15.0	15.8	16.0	15.1	15.7

Approximately 70-75% of our NO_x emissions are originated from the combustion of natural gas and 75-80% of all our fine dust ($PM_{2.5}$) emissions originated from the combustion of diesel oil.

Note 12. Water pollution

Definition, reporting policies and boundaries

Related topic	Materiality matrix no. 3
Water pollution	*This includes the quantity and quality of discharge into surface water.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reporting policies

All spills of more than 200kg are reported as reportable spills. This also includes process safety-related Tier 1 and Tier 2 loss of primary containment according to API RP 754.

Boundaries

Data in this note includes information for all in-scope entities as noted in Note 1. Basis of preparation.

Management approach

As almost all our terminals are situated by open waterways, we particularly seek to avoid any unwanted discharge of product to the surface water. Prevention takes place through our focus on asset integrity, adherence to operational procedures, specifically designed containment and drainage facilities at our jetties and piers. In the event that product is discharged to the surface water, mitigation takes place through specific equipment present at every pier or jetty, supported by services to recover and prevent further spread of contaminants.

Vopak principles on water pollution

The principles of our Environmental Management System (EMS), set out in the Vopak Way Standards, based on international laws and regulations, are:

- Prevention: for soil contamination, this means that secondary containment, which is mandatory at every new terminal, should also be implemented at our older terminals (whenever this can be implemented simultaneously with our maintenance schedules)
- A spill response program on how to act in case of a spill occurs, applicable to both soil and water.

We measure the effectiveness of the prevention of spills to surface and sewage water as part of our Assure and Terminal Health Assessment (THA) programs.

	2019 Target	2019 Performance	Long-term target
Water pollution Total number of reportable spills Total product spilled (reportable spills in metric tons)	Ensure effective spill prevention and secondary containment in high risk areas	6 2	Ensure integrity of the environment: Zero uncontained spills of harmful products

	2019	2018	2017	2016	2015
Total number of reportable spills	6	4	1	9	N.R.
Total product spilled (reportable spills in metric tons)	2	1	1	18	N.R.

We had 6 reportable spills into surface and sewage water in 2019 (2018: 4), with a total of 2 metric tons of product being spilled. Where possible, all product that was spilled into water was removed. One of the spills did lead to a permit violation, reference is made to Note 19. Business ethics and integrity.

Note 13. Soil and groundwater pollution

Related topic	Materiality matrix no. 2
Soil and groundwater pollution	*This is related to soil and groundwater pollution caused by Vopak's operations, controlling existing soil contamination and taking remediation measures in case of the event that an accident occurs.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reporting policies

All spills of more than 200kg are reported as reportable spills. This includes process safety-related Tier 1 and Tier 2 loss of primary containment according to API RP 754.

The identification and remediation of emissions to soil and groundwater are guided by local legislation and the requirements stated in our Vopak Way Standards 'Spill control' and 'Soil and groundwater management'.

	2019 Target	2019 Performance	Long-term target
Soil and groundwater pollution Total number of uncontained reportable spills	Ensure effective spill prevention and secondary containment in high risk areas	6	Ensure integrity of the environment: Zero uncontained spills of harmful products
Total amount of uncontained reportable spills (metric tons)		19	

As the owner and/or user of approximately 1,550 hectares of land, with almost 5,000 tanks, Vopak has a responsibility for taking care of this land. The majority of our tanks are equipped with a secondary protection system to prevent spills and other contaminants from entering the soil and groundwater.

Vopak Principles on soil contamination

The principles of our Environmental Management System (EMS), set out in our Vopak Way standards, based on international laws and regulations, are:

- Prevention: for soil contamination, this means that secondary containment, which is mandatory at every new terminal, should also be implemented at our older terminals (whenever this can be implemented simultaneously with our maintenance schedules)
- A spill response program on how to act in case of a spill occurs, applicable to both soil and water.

Specific locations where the risk of spillage is higher, such as pumping pits, truck loading stations and jetty manifolds, are already equipped with secondary containment to prevent damage to the environment. We continue to improve the coverage of secondary containment and, led by a risk-based approach, we continue to improve the protection of the subsoil and groundwater at our terminals.

In this risk-based approach, we took into account that 78% of our terminals are in the vicinity of areas of high biodiversity and that extra precautions (e.g. vertical barrier that isolates the Vopak location from external areas) are taken to prevent any contamination of these areas. If a spill or any unwanted discharge takes place, emergency mitigation procedures (e.g. scooping up contaminated soil) are in place at all our terminals, in accordance with the Vopak Standards: 'Spill control' and 'Soil and groundwater management'.

	2019	2018	2017	2016	2015
Total number of uncontained reportable spills	6	4	7	25	N.R.
Total product spilled (uncontained reportable spills in metric tons)	19	29	25	145	N.R.

	2019			2018		
	Contained	Uncontained	Total	Contained	Uncontained	Total
Total number of reportable spills	36	6	42	40	4	44
Total product spilled (reportable spills in metric tons)	290	19	309	187	29	216

The major spills were:

- Spill of 92 metric tons of fuel oil at our Sebarok terminal (Singapore)
- Spill of 34 metric tons of gas oil at our Sebarok terminal (Singapore).

All reportable spills were remediated immediately according to the requirements stated in our Vopak Way standards 'Spill control' and 'Soil and groundwater management'; however, our aim is no uncontained spills.

Besides prevention, Vopak is also engaged in a process of remediation of 14 existing contaminated locations, reference is made to environmental provisions in Note 9.5 Provisions of the Consolidated Financial Statements. As all 2019 reportable spills were remediated immediately, these did not require additional provisions. The cost of remediation is reported as part of environmental, safety and cleaning expenses under Note 2.6 Other operating expenses of the Consolidated Financial Statements.

Note 14. Biodiversity

Related topic	Materiality matrix no. 8
Biodiversity	*This applies to 78% of Vopak terminals and specifically refers to areas and classified as:* • *Natura 2000 sites (Europe)* • *Areas falling under the UNESCO and the Biosphere Program* • *Areas defined by Bird Life International* • *Wetlands according to the Ramsar Convention.*

In 2019, the United Nations declared the decade of biodiversity ended. The goal was to mainstream biodiversity at different levels. At the beginning of this decade (2011), Vopak has identified the areas of high biodiversity in the vicinity of its terminals. For this, Vopak asked the University of Wageningen to conduct a study of the impacts that a newly built terminal could have on its environment. It proved that the impact could be significant (NO_x depositions, sound and light disturbances) at a distance of 5 miles from the terminal.

Based on these conclusions, Vopak has drawn up a list of areas that could be impacted, including a comprehensive list of species (birds, mammals, Amphibia's plants and other living organisms). Mitigation actions are taken for those areas that are under immediate risks of our operations. Measures taken are: installing groundwater protection to prevent contaminated groundwater flowing towards these area's and adapting the lighting of our terminals to minimize the disturbances for bird migrations.

These issues are in the design phase of every new terminal embedded through our global standard on Environmental Impact Assessment. For example the new jetty at the terminal in Panama was designed to prevent the disturbance of a (small) coral reef.

Vopak will continue its approach to biodiversity.

Note 15. Energy use

Related topic	Materiality matrix no. 6
Energy use	*This includes energy derived from natural gas, LNG/propane, heating fuel, gas/diesel oil, biofuels, purchased steam, district heating, and renewable energy.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reporting policies

Vopak's reporting on energy use encompasses direct energy use from the combustion of fossil fuels (scope 1) and indirect energy use from electricity and steam purchased for our own use (scope 2). To calculate energy, we have applied the following conversion factors:

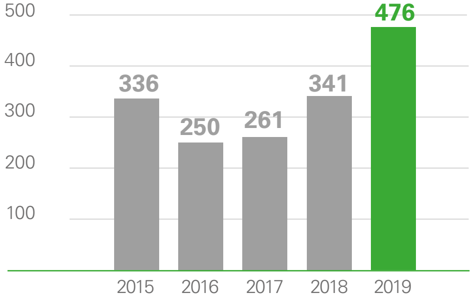
- Conversion of consumption to energy in terajoules: **Dutch list of fuels and standard CO_2 emission factors, version January 2016 (from the Netherlands Enterprise Agency)**
- Conversion of natural gas consumption to energy in terajoules: **the Energy Information Administration (EIA) and for Belgium and Singapore location-specific conversion factors**.

In terajoules (TJ)	2019	2018	2017	2016	2015
Natural gas	1,917	2,143	2,180	2,589	2,610
LPG / Propane	220	171	150	148	173
Heating fuel	18	19	15	18	19
Gas / Diesel oil	387	416	427	383	396
Total direct energy	**2,542**	**2,749**	**2,772**	**3,138**	**3,198**
Electricity	1,852	1,706	1,595	1,578	1,695
Steam	31	4	1	13	20
Renewable energy	10,058	6,944	4,125	3,036	5,611
Total indirect energy	**11,941**	**8,654**	**5,721**	**4,627**	**7,326**
Total energy	**14,483**	**11,403**	**8,493**	**7,765**	**10,524**
Total renewable energy as % of total energy	**69%**	**61%**	**49%**	**39%**	**53%**

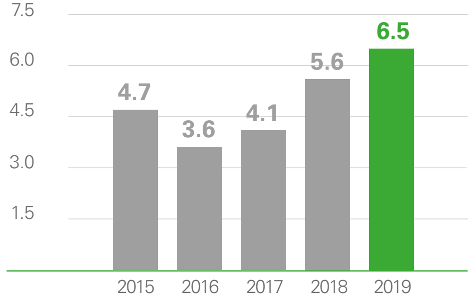
The increased energy consumption over the past two years is mainly due to the increased activities at our LNG operations. At Gate Terminal (the Netherlands), we convert the imported LNG into gas using process water from a nearby electrical power plant. At our LNG Terminal in Altamira (Mexico), we use regular (i.e. unprocessed) sea water. This means that the terminals do not have to use additional energy sources to heat and vaporize LNG at the terminals, which is considered best practice.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Energy use intensity
Terajoules per million cbm storage capacity[1]



Energy use intensity
Terajoules per million EUR revenue[2]



1 Storage capacity as per 31 December of the reporting year for the entities in-scope for sustainability reporting.
2 Revenue on a 100% basis for the entities in-scope for sustainability reporting.

The energy consumption of our conventional liquid bulk storage and handling operations is used for the production of steam for heating purposes (gas consumption) or through electricity consumption for powering our pumps and, to a lesser extent, for heating and cooling. The amount depends on (1) the products we store for our customers, (2) the weather conditions and (3) the amount of product pumped (electricity consumption).

Short-term energy-saving programs focus therefore on improving the processes of heat exchange and efficiencies within the system.

We are driving various efficiency improvement projects in different parts of our network. As heating is a large component of our energy consumption, we are looking for methods to reduce our energy consumption for this purpose. Some of the examples are:

- The energy-efficiency program in the Netherlands (reduction of the energy consumption with 8% in 2017 - 2020) which will serve as a blueprint to increase our energy efficiency around the globe.
- Ongoing program for insulating our tanks
- We announced plans for a solar park in Eemshaven (the Netherlands)
- We also conducted a successful pilot with solar foil at our terminal in Vlaardingen (the Netherlands)
- Installation of industrial LED lighting.

Note 16. Water management

Related topic	Materiality matrix no. 7
Water management	*This refers to the, e.g. treatment of rainwater, of water used for tank cleaning and discharged.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Water management is an important responsibility, especially the quality and quantity of discharge to surface water. We are committed to responsible water-care systems at our terminals. The objective is to make a clear distinction between flows of good quality water (i.e. clean rainwater) and contaminated water.

The principle is that clean water should remain clean and not be mixed with process water, while process water will be treated in a water treatment plant. Water used during operations is recycled through a water treatment plant (at or outside Vopak) before release into surface water or sewers.

Vopak has developed a modular model for the engineering and optimizing the design of wastewater treatment plants. This model is based on local legislation and the amount and composition of the wastewater that needs to be cleaned. Next to this engineering tool, we are supporting the developments of new innovative wastewater cleaning techniques.

Note 17. Waste

Related topic	Materiality matrix no. 4
Waste	*This refers to the amounts of hazardous waste streams that are not reused by the customers. This flow is, in general, less than 10% of the total amount.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

In addition to the waste water as described in Note 16. Water management, during operations there are several types of waste:

- **Hazardous waste**: Slobs and residual products from tanks, pipelines. Each time a tank is emptied, a (small) amount of residual product, contaminated with other material (such as water), remains. This product is mostly returned to the owner of the product. The remaining part is treated as chemical waste and removed from the site and discharged
- **Industrial waste**: Generated by means of maintenance and/or demolition. Demolition waste, e.g. steel from the tanks is directly recycled by the contractor
- **Soil remediation waste**: Contaminated soil transported out of the Vopak site for treatment and replaced by clean soil. Further reference is made to Note 13. Soil and groundwater pollution
- **Household waste:** Normal garbage waste generated by offices.

All waste has to be treated according to the Vopak Way Standard on Waste Management, even when the terminal's host country requires a lower standard.

Note 18. Circularity

Circularity for Vopak is to minimize the waste and to maximize the reuse of waste of construction, operating and demolishing our assets, in such following the Cradle to Cradle principles.

1. **Design for the future**: We are incorporating (new) digital technologies in our design process. Further we are bound by our standards to the right materials, to design for appropriate lifetime and for extended future use. This is embedded in the Vopak way standards and our - repeatable formula, where we define the building blocks for our assets
2. **Supply**: We work together throughout the supply chain, internally within organizations and with the public sector to increase transparency and create joint values, as laid down in our- supplier policy
3. **Use of assets**: While assets are in use, we will maintain, repair and upgrade our assets to maximise their lifetime
4. **Demolition of assets**: We have a system in place to reuse the main materials of our assets, such as steel and concrete.

Our economic impact (profit)

Sustainability is about caring for people and the planet while sustaining profit. This means innovating, bringing in new digital technologies, transforming our company and holding the course we set out in previous years, while living the Vopak Values and staying true to our business ethics. Through our storage and handling services, the payment of taxes, dividends for shareholders and salaries for employees, we create economic value.

Connection to our value creation model

Value creation capital	Input	Output & Outcome	Impact
Knowledge	We have company-wide standards. Our processes and systems ensure we handle products efficiently and safely. In some areas, we also develop our own software.	We work to continuously strengthen customer service and improve the efficiency of our systems and processes. To support this, we are digitizing more of our operations.	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Financial	Our shareholders and creditors provide funds. We rely on these funds to invest in our business, expand storage capacity, and explore new opportunities for growth.	We generate cash flows from our business. We use this to operate our terminals and invest in new growth; we also pay interest to our creditors, tax to authorities and dividends to our shareholders, as well as salaries and benefits to our employees.	8 DECENT WORK AND ECONOMIC GROWTH
Manufactured	We operate a network of terminals around the world. These include storage tanks, pipelines, jetties and other facilities. It is this network that enables us to move products and connect up supply and demand.	We maintain our terminals and other facilities – and invest in new storage capacity to open up flows of product to areas of high demand.	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
People	Employees provide their time, expertise and knowledge. We also use contractors and other service providers in our operations. We invest in training and talent development to build a skilled, diverse workforce.	We develop our people, train them in new skills, motivate them, and aim to provide a healthy and safe working environment for both employees and contractors.	8 DECENT WORK AND ECONOMIC GROWTH
Social & Relationship	To carry out our business, we rely on relationships with stakeholders. These include our customers – in addition to our employees, suppliers, business partners and governments. We also need the continued goodwill of the local communities in which we operate. Together, these relationships provide our 'license to operate and grow'.	As Vopak, we handle often hazardous products with care. We ensure safe delivery of these products to our customers, providing a vital link in the supply chains for oil, gas, chemicals and vegoils. We facilitate novel clean(er) products through appropriate infrastructure.	7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Note 19. Business ethics and integrity

Definition, reporting policies and boundaries

Related topic	Materiality matrix no. 9
Business ethics and integrity	*Ethical behaviour refers to behaviour in accordance with the Vopak Values and Code of Conduct, including anti-corruption and anti-bribery, compliance with l egislative regulations, prevention of fraud and political funding.*

Reporting policies

All significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the societal, environmental and economic area are reported.

Boundaries

Data in this note includes information for all in-scope entities as noted in Note 1. Basis of preparation.

Management approach

In order to fulfill our role in society, we consider it vital that employees, contractors, suppliers and joint venture partners understand and share our Vopak Values, i.e. Care for Safety, Health & Environment, Integrity, Team Spirit, Commitment and Agility. We expect them to act accordingly when conducting business.

The company encourages employees and other stakeholders to raise any concern or doubt they may have with regard to business conduct. In the case of employees, this can be with their direct manager. External parties can contact the Vopak contact person or the designated Trusted Person (via mail: whistleblower@vopak.com). Concerns raised are addressed with care, confidentiality and respect.

We do not pay contributions to any political party nor related purposes, worldwide.

Completion of Code of Conduct training

In 2018, all employees in MyPulse were engaged in company-wide training on all aspects of the Code of Conduct, including anti-corruption, and over 90% have completed the training as per end of December 2019. For 2020, we aim that 100% of our employees have completed the Code of Conduct training (excluding joiners in the last two months).

Incidents of discrimination, fraud, corruption and bribery

In 2019, 23 whistleblower cases (2018: 35) were reported to the confidential officer. All whistleblower cases were followed up and reported to the Executive Board and Supervisory Board. Appropriate action was taken, including further strengthening of internal controls where necessary. None of the whistleblower cases related to discrimination (2018: one). A total of 13 cases of fraud (2018: three) have come to the attention of the company, one was via the whistleblower channel. None of the fraud cases have had a material financial consequence. All our employees are required to adhere to our anti-corruption and anti-bribery policy and our Code of Conduct.

Permit violations

In general, permit violations and fines are related to three compliance issues:

- Non-compliance with operating permits (or expired permits)
- Non-compliance with environmental regulations and/or limits
- Non-compliance with safety regulations.

One of the permit violations in 2019 resulted in a minor fine of EUR 217,- (spill to water).

Note 20. Innovation

Related topic	Materiality matrix no. 13
Innovation	*Innovation relates to the digital transformation of the company, as well as other innovations that improve efficiency, safety and logistics.*

By innovating and bringing in new digital technologies, our aim is to improve our services to the customers, operational performance and facilitate the energy transition and limit climate change.

Over the period 2017-2019, we invested EUR 93 million in new technology, innovation programs and replacing legacy IT systems and within the set ceiling of EUR 100 million. For more details, reference is made to Technology leadership.

Our Moves program, in which we renew our IT landscape, is under development. We expect both service and efficiency benefits as a result once rolling out new systems and functionality. For further information, reference is made to Service leadership.

In 2019, we announced investments in:

- Hydrogenious LOHC Technologies GmbH. Hydrogenious is working on a new technology to allow safe and cost-effective transport of hydrogen
- a new solar energy park adjacent to our terminal at Eemshaven in northern Nederlands (jointly with partners Whitehelm Capital and Groningen Seaports).

We will continue to look for attractive ventures in new energies and innovative technologies.
For more details, reference is made to Leading assets in leading locations.

Note 21. Our responsibility towards taxation

Related topic	Materiality matrix no. 16
Taxation	*This refers to the transparency of Vopak's reporting on tax and its responsibility towards taxation.*

Vopak's Global Tax policy, which includes the company's tax strategy, views taxation as an integral part of the business and as an important contributor to Vopak's position in the marketplace and to society, by reflecting the company's attitude towards taxation as part of its corporate social responsibility towards a wide range of stakeholders. As such, tax is an integral part of the company's sustainability policy:

Vopak's Global Tax policy includes the following elements

- **Vopak's business strategy is leading:** Vopak aims to achieve an effective tax rate that does not exceed the weighted average statutory tax rate by avoiding double taxation, that does not trigger anti-abuse regulations and that does not result in losing loss utilization opportunities. In addition, Vopak aims to optimize the use of tax incentives and investment schemes for the purposes for which these have been designed. By following these principles, it is ensured that Vopak commits to its corporate social responsibility. In striving to achieve this goal, Vopak will only optimize real business structures and transactions and will not set-up legal entities or transactions solely for the purpose of tax savings or tax avoidance. The business strategy is leading. Vopak acts in line with the letter and the spirit of the law
- Vopak aims to **fully comply with laws and regulations** in technical and procedural matters. Tax positions benefiting Vopak are only taken when sufficiently substantiated. Intercompany transactions are conducted 'at arm's length'
- When possible and allowed by laws and regulations Vopak aims to **minimize its cash tax to free up funds for sustainable and long-term growth**. This is achieved, for example, by making use of tax deferral facilities and other facilities which have established by the authorities to encourage such investments
- As a principle **Vopak does not use 'tax havens'**. Vopak will only have entities in countries perceived as 'tax havens', when real economic activity takes place in the country. In the rare situations where an entity in a 'tax haven' is acquired as part of a larger transaction, Vopak will assess whether the entity meets the requirements of the Global Tax policy and will take appropriate actions where necessary
- **Taxes that are merely collected by Vopak should not impact profit or interfere with the day-to-day business.** Automation of these collecting activities should be maximized for the purpose of efficiency improvement and cost reduction
- **Reliability and efficiency are key in Vopak's service offering.** As Vopak and its customers are continuously faced with customs and other duties during primary processes, Vopak aims to achieve reliable, fast and cost-efficient handling of customs and other duties without disturbing primary processes, when possible by applying for an Authorized Economic Operator qualification or standards set for non-EU equivalents

- In ensuring and further improving the accuracy and reliability of all its tax and customs processes and the related tax reporting, **Vopak strives to make use of innovative information technology** to the extent that there is a proper balance between the investment and the return. Examples are the use of XBRL filings and data analytics
- **Vopak maintains and builds mutual professional and respectful relations with local tax authorities** based on open and transparent communications both verbal and in writing. Where possible, Vopak aims to enter into cooperative compliance programs (e.g. In the Netherlands, the company participates in the 'Horizontaal Toezicht' program, which is a cooperative compliance program with the Dutch tax authorities) and obtain upfront certainty, but only when fully in line with Vopak's Tax policy principles and Vopak Values
- To support the above, **'tax surprises' are unwanted** (irrespective whether positive or negative) as these could have a financial and reputational impact. Tax risks not aligned with the company's risk appetite are undesirable. Tax risk management and management of tax opportunities are embedded in the (tax) control framework as well as in our enterprise risk management process. Adherence to the company's risk appetite is also monitored by, among other, the Global Risk Committee
- Vopak will always **adhere to the Vopak Values** when executing its tax policy. In the unlikely situation that 'ethical dilemmas' regarding tax occur within the Group, these are dealt with in accordance with the Vopak Values, the Company's Code of Conduct and the Global Tax Policy. Observed tax dilemma's which are not aligned with the Vopak Values, are required to be reported via the whistleblower line, in adherence with the whistleblower policy of Vopak. Such dilemmas did not occur in the years reported on. On a regular basis, all Vopak staff is trained on the Vopak Values. As part of the informal ethical dilemma dialogues throughout the year, tax is addressed as a standard topic. This approach ensures that our staff is sufficiently equipped to identify and address tax dilemmas when encountered.

The tax policy applies to all countries where Vopak operates and where it is able to control adherence to this policy. The Global Tax policy serves as guidance for Vopak Board Members in joint ventures and associates. Adherence to the Global Tax policy is monitored by the Global Tax department supported by other Global functions where relevant. For operating companies where the company has joint control or only significant influence, the company strives to apply the concepts of the tax policy as it cannot unilaterally enforce compliance.

The Global Tax policy was further updated and approved by the Executive Board and implemented in 2017. Developments during 2019, did not give rise to an update of the tax policy.

Vopak's approach to tax has been discussed with our stakeholders as part of the stakeholder engagement dialogue. For more information on this dialogue, reference is made to Note 2. From stakeholder enagement to materiality. This dialogue did not result in a revision of the Global Tax policy. Vopak complies with the requirements for country-by-country reporting. As IFRS requires that the Vopak Group is consolidated in the financial statements of HAL Holding N.V. (HAL), a company listed and traded on Euronext in Amsterdam, Vopak is not entitled to file its own company country-by-country report with the tax authorities and has provided the required information to HAL. HAL has confirmed to Vopak that it filed the HAL country-by-country report, which includes the Vopak information.

In December 2019, a new GRI Standard, GRI 207: Tax 2019, was released that comes into effect from 1 January 2021. This new standard enables organizations to better understand and communicate information about their tax practices publicly. Vopak is in the process of reviewing the contents of this new standard and assessing whether it will be beneficial to the company to voluntarily apply this new standard. At the same time it is observed that many of the principles of this new standard are already applied by the company.

Effective tax rate per main country

Vopak pays a fair tax in the countries in which it operates. The largest operations are located in the Netherlands, Singapore and the United States.

For an overview of the effective tax rate per main country per (geographical) division, reference is made to the table on the next page and the Financial performance chapter where a narrative explanation on the effective tax rate for the year is provided. For more information on the segments and other financial information per segment, reference is made to note 2.1 of the Consolidated Financial Statements.

For more information on the total tax position and tax charge of the Group (including the weighted average statutory tax rate and the mandatory effective tax rate reconciliation), reference is made to section 8 of the Consolidated Financial Statements.

Effects of the joint ventures and associates on the effective rate

As the Group extensively operates via investments in joint venture and associates, which fall under the Dutch participation exemption, and of which the profits have been taxed in the country of establishment while the net profits of these entities are part of the EBIT(DA) of the Group, the effective tax rate of the Vopak Group is per definition always lower than the weighted average tax rate of that of its subsidiaries.

To obtain a proper insight into the economic effective tax rate of the Group, including the tax paid by the joint ventures and associates, reference is made to the Non-IFRS proportionate financial information that is included in the Additional information section.

	Including exceptionals		Excluding exceptionals	
	Statutory tax rate	**Effective tax rate**	**Statutory tax rate**	**Effective tax rate**
Europe & Africa	**28.2%**	**0.0%**	**26.2%**	**-5.2%**
of which:				
Netherlands (incl. head office)	25.0%	-2.8%	25.0%	-5.2%
Belgium	29.7%	39.1%	29.7%	39.1%
Germany	33.0%	4.4%	33.0%	29.9%
Asia & Middle East	**20.9%**	**16.0%**	**21.3%**	**15.0%**
of which:				
Australia	30.0%	31.8%	30.0%	31.8%
Singapore	17.0%	19.7%	17.0%	19.7%
China & North Asia	**24.9%**	**4.9%**	**24.9%**	**7.5%**
Americas	**24.4%**	**24.5%**	**24.6%**	**24.8%**
of which:				
United States of America	21.0%	21.5%	21.0%	21.5%
Mexico	30.0%	41.0%	30.0%	41.0%
Brazil	34.0%	21.7%	34.0%	21.7%
LNG	**25.0%**	**0.0%**	**25.0%**	**0.0%**
Total Vopak	**24.7%**	**8.8%**	**23.0%**	**13.5%**

The effective tax rate -excluding exceptional items- based on the proportionate financial information was 22.5% (2018: 22.8%). For more information, reference is made to the Statement of income in the chapter Non-IFRS proportionate financial information.

Tax risk and risk management

The principal risks of Vopak and the mitigating actions applied by management are disclosed in this Annual Report. Although the company has no principal risks relating specifically to tax, tax is an integral part of the risk management process of the company. For an overview of the principal risks of the company, reference is made to the section Risk management and internal control in the Governance, risk and compliance section.

Furthermore, Vopak's Key Control Framework has a dedicated section stipulating the internal controls, which address the risks related to tax and which enforce compliance with the global tax policy. The In-control statement by the Executive Board, as included in this Annual Report, is based on the effectiveness of Vopak's internal controls, including those relating to tax. For more information, including the involvement of Global Internal Audit in the monitoring of the effectiveness of internal controls, reference is made to section Risk management and internal control in the Governance, risk and compliance section.

Assurance on tax and tax related matters

In line with the principle that taxation is an integral part of the business, Vopak did not request its auditor to provide separate assurance on tax. Nevertheless, as compliance with relevant tax laws and the related accounting is a material item in our financial statements, it is covered by the reasonable assurance obtained via the unqualified audit opinion included in the Independent auditor's report. In addition, this Note on 'Our responsibility towards taxation', is part of our sustainability information on which limited assurance is provided by our auditor via a separate assurance report. For more information on the assurance level provided by our auditor, reference is made to the Independent auditor's report included in the section 'Financial statements'.

The company is of the opinion that the current assurance levels provided by the external auditors on all material tax and tax related matters are sufficient and that a separate tax audit would not lead to a material increased level of assurance compared to the current situation.

Effectiveness of internal controls and control environment related to tax

In line with the principle that taxation is an integral part of the business, no separate in-control statement is provided by the Executive Board on tax. However, as tax is a material item within the Group the Executive Board declaration by definition also covers the tax processes of the Group.

Note 22. Participation and partnerships

Vopak participates in numerous forums, industry associations, think tanks and research institutes, technical working groups, corporate networks and public-private partnerships, at local, national, regional and international levels. These partnerships and memberships help us to stay tuned to changing stakeholder demands and societal needs, signal new laws and changing market conditions, share best practice and learn from other individuals or organizations. They also allow us to participate in international and national debates on policy issues, to contribute to the energy transition, for example, and to support our own internal digital transformation.

Currently, we are participating in several feasibility studies to explore the potential of hydrogen as a source of low-carbon energy for the industry and power sector in the Netherlands and elsewhere, including through the H-vision project in Rotterdam and the Institute for Sustainable Process Technology (ISPT). We are also a supporting member of the international Hydrogen Council and the Dutch H2Platform, while exploring other possible partnerships to develop hydrogen supply chains, renewables, Carbon Capture, Usage and Storage, new feedstocks and flow batteries.

In the field of innovation, our partnerships include SmartPorts, which supports the port of Rotterdam in its ambition to develop into Europe's leading port and industrial complex of the future, as well as PortXL and iTanks, fostering innovation in the port and accelerating startups.

We also engage in dialogues and studies about sustainability, climate change and the energy transition as part of the Clingendael International Energy Program (CIEP), the International Energy Forum (IEF), the World Energy Council (WEC) and the World Economic Forum (WEF).

We value these platforms and partnerships, as we realize that they are becoming increasingly important to keep our company relevant, healthy and fit for the future, and help us deliver on our commitment to continue storing the vital products that society will need tomorrow.

Industry associations includes, but are not limited to:

- The Dutch and European associations of tank storage companies (VOTOB and FETSA) that aim in particular to lift industry safety standards; various national and regional associations of the chemical, gas or petrochemical industries
- Technical affiliations like the Chemical Distribution Institute - Terminals (CDI-T)
- The Oil Companies International Marine Forum (OCIMF), a voluntary association of oil companies with an interest in the shipment and storage of crude oil, oil products, petrochemicals and gases
- The Engineering Equipment and Materials Users' Association (EEMUA)
- The Nederlands Normalisatie Instituut which sets guidelines and technical standards in the Netherlands (NEN)
- A sub-committee of the World Association for Waterborne Transport Infrastructure (PIANC), where we helped design technical guidelines for marine terminal infrastructure.

External benchmarks

Participation in various benchmarks, as well as feedback from the organizations behind them, also trigger reflection and action on sustainability topics. Although benchmarks certainly have a clear added value, completing questionnaires requires time and effort that cannot be devoted to other activities. We, therefore, decided to limit our active participation to benchmarks that are either leading at a global level or relevant in a local context (these are detailed in the table below).

Benchmark	Brief description	Rating	Strengths	Weaknesses
CDP	CDP represents institutional investors; its aim is to offer transparent guidance to investors on climate-related opportunities and risks for companies.	February 2019: **C–** (climate) (rating scale: D– to A)		• No targets on reductions of GHG emissions and waste
EcoVadis	EcoVadis operates the first online platform providing Supplier Sustainability Ratings for global supply chains that enables companies to monitor the CSR performance of their suppliers worldwide. EcoVadis analyses CSR policy, implementation and performance with respect to environmental and social aspects, in the area of ethics and supply chain responsibility.	December 2019: **59** April 2017: **56** (rating scale: 0 – 100)	• Labor practices	• No information on reporting on sustainable procurement issues. • No third party due diligence on ethics issues. • Environmental fines during the past 5 years
MSCI ESG Rating	MSCI ESG Ratings assess a company's performance based on environmental, social and governance (ESG) themes, focusing on key ESG issues identified for the industry.	August 2019: **AAA** October 2018: **AAA** (rating scale: CCC to AAA)		
Sustainalytics	Sustainalytics rates the sustainability of listed companies based on their environmental, social and corporate governance (ESG) performance and risks on ESG.	July 2019: **70** 2018: **No rating received** (0 = low, 100 = high)	• Environmental performance (carbon emissions & environmental impact, land use & biodiversity)	• Community relations • Waste reduction
ISS	ISS QualityScore is a data-driven scoring and screening solution designed to help institutional investors (1) to review a company's governance quality and assess risk and (2) to measure and identify areas of environmental and social risk through company disclosure.	Score as per January 2020: Environmental: **2** (Jan 2019: **1**) Social: **2** (Jan 2019: **2**) Governance: **2** (Jan 2019: **1**) (10 is High risk, 1 is Low risk)	• Audit & risk oversight • Environmental risk & opportunities • Labour, health & safety	• Shareholder rights • Waste & toxicity"
NL Transparency Benchmark	The Transparency Benchmark is a biennial study by the Ministry of Economic Affairs and Climate and the Dutch Professional Association of Accountants (NBA) into the transparency of corporate social reporting at Dutch companies.	November 2019: **74** (scale 0 - 100) November 2017: **129** (scale 0 - 200) (0 = low, 100 = high)	• Governance • Communication on issues • Environmental policies	• Stakeholder management • Impacts of value creation • Limited instead of reasonable assurance • Reporting on CO_2 in the supply chain
VBDO Tax	The Dutch Tax Transparency Benchmark provides an overview of Dutch stock listed companies' fiscal transparency and is based on the principles for good tax governance. Each principle is further separated into various elements and converted into measurable criteria. These measurable criteria are tested against publicly available information on tax payments.	November 2019: **26** November 2018: **20** (rating scale: 0 – 35)	• Define and communicate a clear strategy • Respect the spirit of the law. Tax-compliant behaviour is the norm • Know and manage tax risks	• Disclosure of country-by-country tax • Tax assurance

Climate change risks, opportunities and impacts

We acknowledge the Intergovernmental Panel on Climate Change (IPCC) assessment that human influence is clear and physical impacts are already being felt. There is a growing need for governments, business and citizens to adapt to and mitigate the impacts and risks of climate change.

As citizens of this planet, we share concerns with people around the world: how the world can be provided with the energy it needs while reducing pollution and greenhouse gas emissions.

We believe that the world must pursue both objectives of limiting climate change to well below 2 degrees Celsius, in line with the Paris agreements, while providing access to affordable, acceptable and sustainable energy for all. To reach that goal, there needs to be an acceleration of efforts to drive energy efficiency and develop & deploy low-emissions technology.

Vopak actively contributes to the energy transition around the world by reducing our environmental and carbon footprint, facilitating a switch to lighter fuels and feedstocks, and developing infrastructure solutions for new energies. These solutions center around hydrogen, carbon capture, utilisation and storage (CC(U)S), flow batteries and new feedstocks.

In this chapter we aim to provide transparency about the potential impact of climate change on both Vopak's physical assets and our business activities, by disclosing the information on our efforts in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD).

For the impact of Vopak on climate change, reference is made to Note 26. Our impact on climate change: GHG emissions.

Note 23. Governance, strategy and risk management

The determination of threats and opportunities driven by climate change forms an integral part of the company's strategic planning cycle. Our governance with regard to climate-related risks and opportunities is integrated into our governance and risk management processes. For more information, reference is made to the Governance, risk and compliance section.

Our journey on addressing climate-related risks and opportunities for Vopak

Since 2014, we assessed the risks and opportunities related to climate change as part of the sustainability program and reported on this in our Annual Report.

In 2017, we started using the TCFD framework in our reporting.

In 2018, we conducted our Climate Day to stress test our strategy, including growth and our asset portfolio against the International Energy Agency scenarios (transitional) and the IPCC scenarios (physical) for the first time.

In 2019, we conducted our Climate Day, together with our Strategic Committee and external guest speakers , with the purpose to stress test our strategy, including growth and our asset portfolio against physical and transitional climate-change impacts.

Compared to Climate Day 2018 we went through updated IEA scenarios with a detailed study on the potential impact of electric vehicle (EV) penetration on our fuel distribution terminals, added climate change policy developments around the world and performed a more in- depth analysis on the higher risk areas for physical impacts.

Note 24. Climate-related risks and opportunities

The risks and opportunities may be categorized into the following segments:
- **Transition**: this includes changes in market dynamics, policy actions, reputation and new technology and product developments
- **Physical risks**: this includes acute risks such as increased severity of extreme weather events and chronic risks such as rising sea levels, temperature and precipitation changes.

Transitional risks and opportunities

The international commitment to combat climate change and lower CO_2 emissions is having a profound impact on energy markets and industries. This development represents risks for Vopak, as most of our business relates to fossil-based products. At the same time, we see tremendous opportunities, given the fact that the daily and seasonal fluctuations in wind and solar energy are likely to increase the need for storage of low-carbon and clean energy sources like hydrogen, as well as CO_2 storage solutions, pipeline infrastructure and new technologies.

In the 2018 stress-testing of our strategy against the IEA New Policy scenario of 2017 as well as the IEA Sustainable Development scenario of 2017, resulted in the following main insights:
- Under all scenarios, the petrochemical and gas markets continue to grow, with a possible decline in gas markets in Europe and North America beyond 2040 under the sustainable development scenario
- The transition to electric vehicles and consequent decline in traditional fuels accelerates under the New Policy (2017) and Sustainable Development (2017) scenarios, but this still has a limited impact on oil markets. We are confident that Vopak's growth strategy adequately addresses these trends, but may have to adapt to an increased pace of change going forward
- There are growing opportunities in serving the new energy and renewable markets and in facilitating low-carbon product flows.

The 2019 stress-testing against the 2018 IEA scenarios and assessing policy developments around the world learned us that:
- Gas opportunity seems somewhat shorter in US and Europe in case of the Sustainable Development Scenario
- Carbon pricing is gaining momentum and affecting us directly (NL) and our customers / markets. This is only the beginning though, as much more needs to be done to meet the Paris goals (initiatives and higher pricing levels).

Physical risks and opportunities

To assess the physical climate-related risks, in 2019, we re-assessed the 2018 outcome of the potential impact of three IPCC scenarios for 2050 (RCP 2.6, 4.5/6.0, 8.5), which are based on global warming of respectively 2 degrees, 3 degrees and 4.5 degrees Celsius. The sensitivity analysis demonstrated potential acute and chronic impact on our current assets in the following areas by 2050:
- Possible damage and business interruptions from storms and hurricanes in the Gulf of Mexico, South China and Southeast Asia
- Rising sea levels possibly affecting our operations in Houston (US) and Jakarta (Indonesia)
- Rising sea levels and drought possibly affecting our operations in Sydney (Australia) and Spain
- Smog and extreme heat possibly affecting health and operations in Canada and California (United States).

The more in-depth analysis on these higher risk areas for physical impacts learned us that:
- The intensity of events is expected to be increased, mainly for storms and hurricanes in the Gulf of Mexico, South China and Southeast Asia
- In addition there is a higher risk for possible damage and business interruptions from sea level rise in Singapore straits and Indonesia, coastal erosions in Vietnam and increased exposure to swell and jetty outage in Western Indian Ocean.

The consequence of these potential developments could be an increase in (preventive and maintenance) investments, an increase in insurance costs for these areas. These concern not only Vopak, but also other actors in affected port areas. Therefore, we engage with these stakeholders and strive to stay ahead of the developments.

Note 25. Our response to potential risks and opportunities on Vopak

Based on the stress test and subsequent analysis in 2019, we are confident that our strategy sufficiently addresses both the risks and opportunities arising from the physical effects of climate change, as well as those related to the transition to a low-carbon economy. We will continue to aim for growth acceleration in the chemical and gas markets. In addition, we engage in developing opportunities to facilitate low-carbon solutions for a sustainable energy future. In this respect, we defined three lines of action to play our role in the energy transition:

I - Reducing our environmental footprint and lowering our carbon emissions
II - Facilitating a switch to lighter fuels and new feedstocks for customers
III - Developing infrastructure solutions for new energies, centering on hydrogen, carbon capture, utilisation and storage (CC(U)S), flow batteries and new feedstocks

Our ambition is to further develop our business in support of the Paris climate goals. We welcome and support the new initiatives to improve and drive the convergence of standards and practices in business disclosures related to climate risks, such as the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD). We will continue to engage with investors and other stakeholders in order to further improve our disclosures of material climate-related risks and opportunities, taking into consideration the recommendations of the TCFD and other relevant developments.

Note 26. Our impact on climate change: GHG emissions

Related topic	Materiality matrix no. 5
Greenhouse Gas (GHG) emissions	*This refers to CO_2 and other greenhouse gas emissions resulting from direct energy use in Vopak's own operations (Scope 1) and indirect energy use resulting from energy electricity Vopak purchased (Scope 2).*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

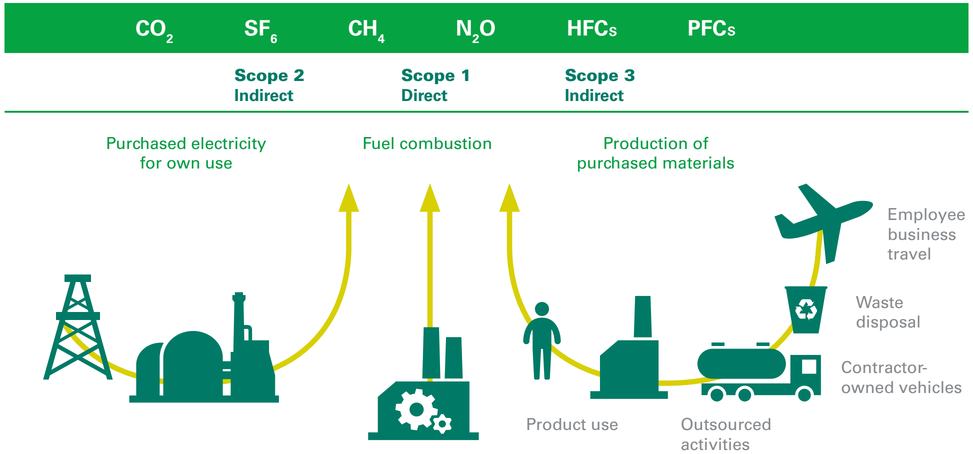
Reporting policies

To calculate GHG emissions from energy use, we have applied the following conversion factors:

- Direct energy conversion to carbon emissions: ***Dutch list of fuels and standard CO_2 emission factors, version January 2016 (from the Netherlands Enterprise Agency)***
- Conversion of electricity to carbon emissions: ***the International Energy Agency (IEA)***
- For the conversion of Methane emissions (CH_4) and Nitrous oxide (N_2O) to CO_2 equivalents, we have used: ***Global Warming Potential Value from IPCC Fifth Assessment Report (AR5)***. We also applied this for the calculation of methane emissions over the comparative years 2015 - 2018. This is a change compared to the disclosed methane emissions in our previous reports, which was based on IPCC AR4 and only related to venting in our LNG activities. Under AR5, we now also account for methane slip in our combustion processes in addition to the venting of methane in our LNG activities.

Boundaries

Vopak's reporting on GHG emissions (calculated based on energy use), encompasses scope 1 (direct energy use and emissions from the combustion of fossil fuels) and scope 2 emissions (indirect energy use and emissions from electricity and steam purchased for our own use). Our reporting on GHG emissions includes carbon dioxide (CO_2), methane (CH_4) and N_2O.



Other GHG emissions such as hydrofluorocarbons (HFC_s), perfluorocarbons (PFC_s) and sulphur hexafluoride (SF_6) or related source products are not stored or handled by Vopak.

	2019 Target	2019 Performance	Long-term target
GHG emissions Total GHG emissions (metric tons)	Increase energy efficiency	408,475	Our ambition is to be climate neutral by 2050 and to remain the industry leader in sustainability in the period up to 2030 and 2050
- Direct GHG emissions - scope 1 (metric tons)		154,807	
- Indirect GHG emissions - scope 2 (metric tons)		253,668	

The majority of our GHG emissions are generated through operational processes such as production of steam for heating purposes (gas consumption) or through electricity consumption for powering our pumps and, on a lower level, for heating and cooling. The amount depends on (1) the products we store for our customers, (2) the weather conditions and (3) the amount of product pumped (electricity consumption).

We also see greater energy efficiency as a way to reduce our carbon footprint and we are driving various efficiency improvement projects in different parts of our network. We are particularly looking for ways to reduce energy consumption from heating - heating accounts for a large part of our current energy use.

Energy efficiency teams at our terminals strive to reduce our energy use through smarter equipment, smarter processes and digital innovation, including the use of sensors. We also increase energy savings worldwide through insulation, variable speed drives and led lights.

We work on the use of sensors to gather data and detect at an earlier stage and with more accuracy where pipelines and tanks need maintenance, which helps reduce energy consumption.

We are looking at ways to develop and use renewable energy at or around our sites and on our buildings.

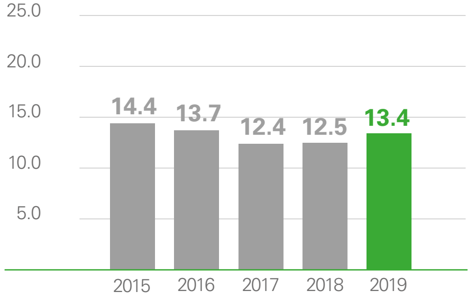
GHG emissions by emission type

In metric tons of CO_2 equivalents	2019	2018	2017	2016	2015
Carbon dioxide (CO_2)	406,244	416,561	401,377	426,329	449,077
Methane (CH_4)	2,110	718	747	111	113
Nitrous oxide (N_2O)	121	130	132	136	140
Total GHG emissions	**408,475**	**417,409**	**402,256**	**426,576**	**449,330**

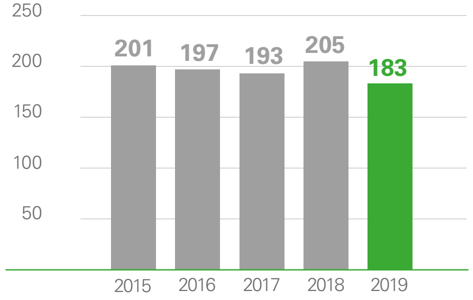
In order to achieve our ambition of lowering our carbon emissions in support of the Paris Climate goals, we have made next steps in improving energy efficiency, reference is made to Note 15. Energy use.

As from 2017 we included venting in our LNG operations in the reporting of methane (CH_4) emissions. The increase of methane emissions in 2019 is mainly due to venting as a result of cleaning activities in our LNG operations.

GHG emissions intensity
Metric tons per thousand cbm storage capacity[1]



GHG emissions intensity
Metric tons per million EUR revenue[2]



1 Storage capacity as per 31 December of the reporting year for the entities in-scope for sustainability reporting.
2 Revenue on a 100% basis for the entities in-scope for sustainability reporting.

Our relative GHG emissions per cbm storage capacity increased as we have divested terminals during the year. Emissions are included until date of divestment where as the storage capacity is per year-end is used in this calculation (excluding divested terminals).

Dilemma 1: Increased carbon emissions as result of reducing our VOC emissions

We are investing in Vapor Treatment Units (VTUs) in order to reduce our VOC emissions. This brings us the challenge that the use of these VTUs will result in an increase of carbon emissions as support gas combustion (mostly LPG) is needed.

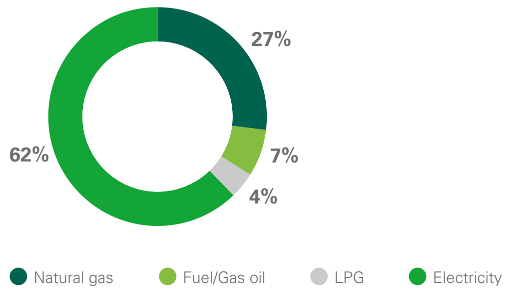
The current technology combined with the nature of the products we store requires vapour treatment by means of combustion. We continuously seek opportunities to handle vapours in a more sustainable manner.

Dilemma 2: Portfolio shift towards cleaner fuels like LNG will result in increased energy consumption

LNG operations are more process-oriented than the conventional liquid bulk storage & handling operations and require a significant amount of energy for the regasification of LNG. This brings us the challenge of investing in cleaner fuel solutions for our customers and society, while increase of energy is needed for our operations which could not result in increased carbon emissions.

We aim to avoid increasing carbon emissions as a result of the increased need of energy by seeking renewable energy sources for this process. At Gate Terminal (the Netherlands), we convert the imported LNG into gas using process water from a nearby electrical power plant. At our LNG Terminal in Altamira (Mexico), we use regular (i.e. unprocessed) sea water. This means that the terminals do not have to use additional energy sources to heat and vaporize LNG at the terminals. The electricity used in the LNG operations is mainly used for pumping and is not yet from renewable resources.

GHG emissions by fuel source



GHG emissions per division

In metric tons of CO_2 equivalents	2019	2018	2017	2016	2015
Direct GHG emissions (scope 1)	154,807	165,720	166,917	186,142	189,320
of which Europe & Africa	*53,790*	*73,450*	*75,858*	*90,559*	*100,438*
of which Asia & Middle East	*27,386*	*29,369*	*29,838*	*26,594*	*26,252*
of which China & North Asia	*1,516*	*2,465*	*2,981*	*4,008*	*6,287*
of which Americas	*69,863*	*59,670*	*57,445*	*64,827*	*56,085*
of which LNG	*2,098*	*764*	*797*	*155*	*259*
Indirect GHG emissions (scope 2)	253,668	251,689	235,339	240,434	260,010
of which Europe & Africa	*54,124*	*75,253*	*77,912*	*72,904*	*87,305*
of which Asia & Middle East	*56,256*	*49,430*	*46,807*	*47,437*	*43,620*
of which China & North Asia	*47,327*	*46,845*	*45,716*	*64,300*	*61,863*
of which Americas	*19,008*	*22,820*	*23,313*	*22,691*	*23,598*
of which LNG	*75,728*	*56,384*	*40,747*	*32,439*	*43,227*
Total GHG emissions	**408,475**	**417,409**	**402,256**	**426,576**	**449,330**

Other indirect GHG emissions (scope 3)

Our 2019 other indirect GHG emissions (scope 3) from business travel and employee commuting is 4,960 metric tons. This includes transportation of employees for business-related activities (air travel and automotive travel by leased cars). Emissions from fuels used in vehicles at our terminals are reported as part of our scope 1 emissions.

Governance, risk **& compliance**

Supervisory Board report

Supervision

The Supervisory Board oversees and advises the Executive Board in performing its management tasks and guides the company's operational and financial development. In performing their duties, the members of the Supervisory Board are guided by the interests of Vopak and all its stakeholders.

The Supervisory Board met six times face-to-face in regular meetings during 2019, next to three additional meetings to discuss investment proposals and divestments. All of these meetings were held jointly with the full Executive Board present. Almost all plenary sessions of the Supervisory Board were accompanied by an executive session with the CEO in attendance and by a session held solely between the members of the Supervisory Board. Between meetings, the Chairman of the Supervisory Board had regular contact with the CEO to discuss the current state of affairs of the company and to prepare for meetings.

In 2019, the average attendance at the regular and additional meetings combined was 94%.

Strategy is one of the Supervisory Board's main priorities and is an integral part of its considerations and decision making processes. In 2019, a two-day session was fully dedicated to discussing the execution of the Vopak strategy with the Executive Board centering around growth, competitive efficiency and the application of innovative technologies aimed at long-term value creation. By means of an in-depth and permanent dialogue, the Supervisory Board is constantly involved in developing, regularly monitoring and evaluating the company's strategy. For instance, new business opportunities are always assessed against their strategic rationale and the principal risks both for the short and long-term are evaluated thoroughly. Choices proposed by the management can thereby be challenged and the underlying arguments weighed against each other.

The Supervisory Board approved the strategy as being effectuated by the Executive Board. The fundamentals of the current strategy are considered still being valid and a refined look has been taken to determine the strategy ambitions for the period 2020-2022. In executing the strategy, the company will make clear choices while continuing to allocate the available capital in the right manner and to the right locations.

During its 2019 meetings, the Supervisory Board discussed a number of recurring topics at each meeting. The Supervisory Board lends particular importance to sustainability (safety, environment and people) in its discussions. Other topics included the company's operational and financial objectives and financial performance, financing of the company, corporate responsibility and succession planning for senior management.

The Supervisory Board discussed and approved the 2020 budget, quarterly reports and numerous investment proposals related to greenfield projects, expansions at several existing locations and acquisition opportunities. An important attention point this year was the sales process of the terminals in Algeciras, Amsterdam, Hamburg, Hainan and Tallinn following the strategic review of these terminals. The Supervisory Board also reviewed the progress of ongoing projects and the portfolio of new projects.

External auditors were present at two meetings of the Supervisory Board in which the annual results and half-year results were discussed. The interim report and auditor's report issued by the external auditors were reviewed during these meetings. The minutes of all the meetings of the Audit Committee, Remuneration Committee and the Selection and Appointment Committee were shared with and reviewed by the Supervisory Board.

The Supervisory Board discussed the operation of the company's risk management and control systems. In the absence of the Executive Board members, the Supervisory Board discussed the performance of the Executive Board and the proposal by the Remuneration Committee for the remuneration of the Executive Board.

The Supervisory Board evaluated its own performance in 2019 and that of its committees. In preparation and as part of the self-assessment procedure, each member completed a questionnaire. Observations in regard to the functioning of the Supervisory Board, its relationship with the Executive Board and other stakeholders of the company were hereby taken into account. This was discussed and assessed by the Supervisory Board. Main topics and conclusions of the evaluation related to the effectiveness of the Supervisory Board in fulfilling its tasks, the effectiveness of the committees and of the individual members. Where necessary required actions were taken. The relationship with the Executive Board and engagement with the organization were also included in the evaluation process. The outcome of the evaluation process showed that it meets the governance requirements. The self-assessment gives insight in how the Supervisory Board effectively functions and contributes to the corporate decision making process. This includes the so-called softer issues. Certain boardroom challenges were identified in the self-assessment that can further improve the performance of the Supervisory Board and that will encourage and support the Executive Board in its efforts to create an inclusive and safe culture throughout the organization.

Composition of the Supervisory Board

The Supervisory Board currently comprises six members: Mr Noteboom (Chairman), Mr Groot (Vice-Chairman), Mrs Foufopoulos - De Ridder, Mrs Giadrossi, Mr Van der Veer and Mr Zwitserloot. At the AGM held on 17 April 2019, Mrs Giadrossi was appointed member of the Supervisory Board for a term of four years.

For more information about the Supervisory Board members, reference is made to the Supervisory Board members paragraph in this report.

The Supervisory Board recognizes its own role in the company's corporate governance structure, with members receiving updates and information to adequately fulfill their roles and responsibilities. Ongoing education is an important part of good governance. As part of the induction program, new members of the Supervisory Board visit various terminal locations and meet with divisional and local management. They also attend induction sessions at which they are informed about financial, reporting, internal audit, HR, commercial and business development, IT, legal and governance related affairs.

All Supervisory Board members, except for one, as permitted by the Code, qualify as independent in the meaning of best practice provision 2.1.7 of the Dutch Corporate Governance Code. Mr Groot does not satisfy all independence criteria. In 2019, there was no actual or potential conflict of interest between Vopak, any Supervisory Board or Executive Board member.

The Supervisory Board has three committees: the Audit Committee, the Selection and Appointment Committee and the Remuneration Committee. Their roles are described below in more detail. The committees generate, review and discuss detailed information and prepare recommendations relating to their specific areas while the full Supervisory Board retains overall responsibility and always takes the final decisions. In each case, the Committee Chair reports the Committee's main considerations and findings to the full Supervisory Board, usually immediately after the relevant Committee meeting.

The Audit Committee assists the Supervisory Board in its responsibility to oversee Vopak's financing, financial statements, financial reporting, compliance and system of internal business controls, risk management and audit findings. Non-financial topics are also reviewed as part of risk management including whistleblower cases. The Remuneration Committee primarily makes recommendations regarding the remuneration and the remuneration policy of the Executive Board and the Supervisory Board.

Audit Committee

The Audit Committee met five times in 2019. The attendance rate was 90%. All meetings were attended by the CFO, the Global Director Control and Business Analysis and the Global Director Internal Audit. The external auditor was also present at all of these meetings. The Audit Committee discusses with the external auditor at the end of the meetings for the half year and full year, without management being present, its assessment of Vopak's activities, risk assessment and internal control systems as well as collaboration with the Executive Board and the organization.

A core task of the Audit Committee was to extensively review the financial reports and the budget before consideration by the full Supervisory Board. The Audit Committee also discussed topics related to Vopak's financing structure, analyses of the financial ratios, pensions, status of legal claims and proceedings, tax matters, sustainability, IT and cyber security, fraud and whistleblowing reports, reports on the risks associated with the company's operational, commercial, financial and other activities, compliance matters as well as the company's management reporting. It also discussed the dividend proposal and the company's views on notifications from Dutch corporate governance platform organizations and the Dutch regulator (AFM).

The Audit Committee considered the 2019 audit plan of the external auditor and the Internal Audit department's plan for 2020. Both audit plans were approved by the Supervisory Board. The main topics of the external audit plan include the materiality levels, the audit scope, the key audit risks and the key elements of the audit approach as well as the auditor's assessment of the risk of fraud within the company. The audit reports from Internal Audit performed during 2019 and the progress realized in implementing recommendations from audits, were also considered. The Audit Committee reviewed the risk management and internal control processes. It discussed the recommendations in the management letter and the relationship with the external auditor. Deloitte Accountants B.V. was nominated as the external auditor of the company to audit the annual statements of the company for the financial year ending 31 December 2019.

The Audit Committee monitored the independence of the external auditor. During 2019, non-audit services were not provided by the group's external auditor but only audit or audit-related services were provided. The performance of the external auditor was assessed by the Audit Committee itself in which process satisfaction survey was used as conducted among the divisions, operating companies and relevant global functions. This assessment included a consideration of the quality of the audit work, the expertise and composition of the audit team, the audit fee and the quality control within the audit firm.

Finally, the Audit Committee assessed its own performance throughout the year and its regulations, supported by an extensive questionnaire that was discussed by all Audit Committee members. The Audit Committee's performance met the requirements in all areas. During 2019, Mr Van der Veer acted as financial expert.

Selection and Appointment Committee

The Selection and Appointment Committee is primarily tasked with advising on candidates to fill vacancies in both the Executive Board and the Supervisory Board. An important activity of the Selection and Appointment Committee is also succession planning of senior management up to and including the members of the Executive Board. The Selection and Appointment Committee met two times in 2019. The attendance rate was 100%. During these meetings the Selection and Appointment Committee discussed various relevant topics in detail.

This includes diversity-related topics to ensure that the composition of both Boards represents a good balance in terms of diversity (including experience, gender, and nationality). Diversity in a broad sense continues to be a topic on the Supervisory Board agenda and is therefore discussed by the Selection and Appointment Committee on a regular basis. In line with the company's diversity program the Supervisory Board supports the efforts of the company to strive for a global workforce that is a reflection of society and to create a working environment where all employees feel included. As part of its regular activities, the Selection and Appointment Committee discussed extensively, among others, the rotation schedule, the future composition of the Supervisory Board and the specific profiles of the Supervisory Board members. In 2019 the members of the Selection and Appointment Committee performed on behalf of the Supervisory Board an evaluation of the effectiveness of the Executive Board members both individually as well as performing as a team in leading the company and implementing the strategy. This evaluation was performed in consultation with the Executive Board members and based on the Supervisory Board members' own knowledge and opinions. The conclusion of this evaluation was positive and no major actions were considered necessary in view of the conclusions of the evaluations which conclusion was supported by the full Supervisory Board.

The recruitment process makes use of the specific profiles for the various positions within the Executive Board and the Supervisory Board. These profiles are drawn up against the background of the full Executive and Supervisory Board's profile. These profiles take into account the specific nature of the company, its stakeholders and its activities.

The desired expertise and background relating to economic, environmental and social topics are also considered. The process is aimed at maintaining a composition consisting of a well-balanced mix of competencies and experienced professionals who deal with key areas in an appropriate manner. External search agencies are being engaged for the fielding of candidates for succession and nomination.

Remuneration Committee

The Remuneration Committee met three times in regular meetings in 2019. The attendance rate was 89%. In addition, the Committee held regular informal consultations and consulted professional internal and external advisors. For the following topics that recur annually, proposals were developed and submitted to the Supervisory Board for approval:

- The annual base salary and incentive plans opportunities in 2020
- The key performance indicators and target setting for the 2020 short-term incentive plan and the 2020-2022 long-term incentive plan
- The actual short-term incentive for 2019 (performance results and payout)
- The vesting of the long-term incentive plan 2017-2019 and the conditional awards of the long-term incentive plan 2019-2021.

In 2019 no material changes have been made to the Executive Board remuneration policy and this policy also encompasses the so-called SRD II requirements. With respect to the short-term incentive plan 2020, the Remuneration Committee proposed to largely maintain the set-up. In line with the strategic portfolio plans of the company, the Remuneration Committee reviewed the key performance indicators for the long-term incentive plans to reflect the company's strategic objectives.

The Remuneration Committee conducted its annual comprehensive and in-depth analysis of the total compensation levels and individual components thereof, of the Executive Board, against the benchmark sets of companies with the help of external consultants. The Remuneration Committee took into consideration various benchmarks and other market data, as well as information on internal equity and the CEO pay ratio. The 2019 and proposed 2020 remuneration packages of the Executive Board are well-positioned against relevant peers and:

- have a focus on long-term value creation
- take into account the internal pay ratios within Vopak on a total remuneration basis
- are reflective of the outcomes of scenario analyses carried out to validate payout results.

The Remuneration Committee also took note of the views of the individual Executive Board members on the structure and amount of their total remuneration when drafting the remuneration proposal for 2020 as required in the Dutch Corporate Governance Code. The remuneration policy for the Executive Board is designed in a manner that is reflective of the Vopak Values and is designed to ensure full alignment with the company's stakeholders interests and expectations. The remuneration policy supports the company's purpose of storing vital products with care and being meaningful to society by ensuring safe, clean and efficient storage of products that are needed to meet the basic needs of people.

For further details on the actual remuneration during 2019 and the shareholding positions of the Executive Board and the Supervisory Board, reference is made to the Remuneration report. For further details on the remuneration policy, reference is made to the Vopak website.

The members of the Supervisory Board have signed the financial statements in order to comply with the statutory obligation pursuant to article 2:101 paragraph 2 of the Dutch Civil Code.

The Supervisory Board would like to express its sincere appreciation to the Executive Board and all Vopak employees for their dedication and hard work in achieving a successful 2019.

Rotterdam, 11 February 2020

The Supervisory Board
B.J. Noteboom (Chairman)
M.F. Groot (Vice-Chairman)
L.J.I. Foufopoulos - De Ridder
N. Giadrossi
B. van der Veer
R.G.M. Zwitserloot

2019 attendance at regular Supervisory Board and committee meetings for the appointment period

Member	Supervisory Board	Audit Committee	Selection and Appointment Committee	Remuneration Committee
B.J. Noteboom	100%	100%	100%	100%
M.F. Groot	83%	100%	100%	
L.J.I. Foufopoulos - De Ridder	100%	60%		67%
N. Giadrossi	100%	100%		
B. van der Veer	100%	100%		
R.G.M. Zwitsersloot	100%			100%

Supervisory Board members

Mr Ben Noteboom

Chairman of the Selection and Appointment Committee and
Member of the Remuneration Committee

Mr Ben Noteboom (Dutch, 1958) was previously CEO of Randstad Holding N.V. Mr Noteboom was first appointed to the Supervisory Board on 20 April 2016. His current term ends in 2020. He is a member of the Supervisory Boards of Aegon N.V. and Royal Ahold Delhaize. He is also chairman of Stichting Prioriteit Ordina Groep. He owns 3,500 Vopak shares.

Mr Mel Groot

Member of the Audit Committee and
Member of the Selection and Appointment Committee

Mr Mel Groot (Dutch, 1959) is Chairman of the Executive Board of HAL Holding N.V. Mr Groot was first appointed to the Supervisory Board on 18 December 2014. His current term ends in 2022. He is a member of the Supervisory Boards of GrandVision N.V. and Anthony Veder Group N.V. Mr Groot is also a Non-Executive Director of Safilo SpA. He does not own any Vopak shares.

Mrs Lucrèce Foufopoulos – De Ridder

Member of the Audit Committee and
Member of the Remuneration Committee

Mrs Lucrèce Foufopoulos – De Ridder (Belgian, 1967) is currently member of the Executive Board of Borealis AG as Executive Vice President Polyolefins and Innovation & Technology. Mrs Foufopoulos – De Ridder was first appointed to the Supervisory Board on 18 April 2018. Her current term ends in 2022. She is member of the Supervisory Board of Borouge Pte. Ltd. She does not own any Vopak shares.

Mrs Nicoletta Giadrossi

Member of the Audit Committee

Mrs Nicoletta Giadrossi (Italian, 1966) was President of Technip France SAS and Executive VP/Head of Operations AKER Asa. Mrs Nicoletta Giadrossi was first appointed to the Supervisory Board on 17 April 2019. Her current term ends in 2023. She is Non-Executive Member of the Board of Cairn Energy plc, Brembo SpA (until April 20) and IHS Markit Ltd., and a nominee for the Supervisory Board of Bilfinger SE. She is also Senior Advisor of Bain Capital Partners, and Chair of TecHouse A.S. in Norway. She does not own any Vopak shares.

Mr Ben van der Veer

Chairman of the Audit Committee

Mr Ben van der Veer (Dutch, 1951) was previously Chairman of the Executive Board of KPMG N.V., until September 2008. Mr Van der Veer was first appointed to the Supervisory Board on 18 April 2018. His current term ends in 2022. He is a member of the Supervisory Board of Aegon N.V. He does not own any Vopak shares.

Mr Rien Zwitserloot

Chairman of the Remuneration Committee

Mr Rien Zwitserloot (Dutch, 1949) was previously Chairman of the Executive Board of Wintershall Holding A.G. Mr Zwitserloot was first appointed to the Supervisory Board on 1 October 2009. His current term ends in 2021. He is a member of the Supervisory Boards of TenneT Holding B.V., ACT Commodities Group B.V., ACT Financial Solutions B.V. and Vroon Group B.V. He does not own any Vopak shares.

Executive Board members

Eelco Hoekstra

Chairman of the Executive Board and CEO of Royal Vopak
Nationality Dutch
Year of birth 1971
Education Master's Degree in Economics
Career Eelco Hoekstra has been active in the international tank storage industry since 1995 and joined Vopak in 2003. At Vopak, he held various management positions in the Middle East, Latin America and Asia. Eelco Hoekstra was President of Vopak Asia until his appointment to the Executive Board in November 2010. He has been Chairman of the Executive Board and Chief Executive Officer of Royal Vopak since January 2011.

Frits Eulderink

Member of the Executive Board and COO of Royal Vopak
Nationality Dutch
Year of birth 1961
Education PhD in Astrophysics and two cum laude Master's Degrees in Mathematics and in Astronomy
Career Frits Eulderink joined the Royal Dutch Shell Group in 1990, where he held various technical and management positions in the Netherlands, North America, Africa and the Middle East, including in the fields of Research, Manufacturing, Exploration and Production. Until the end of 2009, Frits Eulderink was Vice-President Unconventional Oil in Houston (United States). He has been a member of the Executive Board and Chief Operating Officer of Royal Vopak since April 2010.

Gerard Paulides

Member of the Executive Board and CFO of Royal Vopak
Nationality Dutch
Year of birth 1963
Education Master's Degree in Business Economics
Career Before joining Vopak, Gerard Paulides was a senior finance executive within Royal Dutch Shell for 30 years fulfilling several Finance, Investor Relations and M&A related positions. He led the IPO for Shell Midstream Partners MLP and was in charge of the Royal Dutch Shell and BG Group transaction. Gerard Paulides has been a member of the Executive Board and Chief Financial Officer since February 2018.

Remuneration report

This section of the Annual Report provides an overview of the implementation of Vopak's remuneration policies for the members of the Executive Board and the Supervisory Board during 2019.

These remuneration policies are designed in a manner that reflects the Vopak Values and ensures a focus on value creation for the company and its stakeholders both in the short- and longer-term. The Remuneration Committee advises the Supervisory Board on these policies and individual remuneration packages, as well as any changes thereto.

Key highlights

2019 performance

For the evaluation of the Executive Board remuneration, the Supervisory Board takes into account the following considerations with regard to the short-term company performance results and delivery on the strategic direction in 2019:

- 2019 was a successful financial year for Vopak. Full year EBIT -excluding exceptional items- increased by 16%, and a strong EBITDA was realized. As a result, Vopak significantly increased its earnings per share.
- As part of the execution of Vopak's longer-term strategic portfolio transformation, the divestment of 4 non-strategic oil terminals was completed in 2019. These divestments led to a significant cash inflow of EUR 550 million.
- A multi-year program of EUR 1 billion investments in new growth projects was committed earlier to further realize its strategic portfolio transformation. In 2019, the following growth projects were realized:
  - Vopak's LNG business expanded by further acquisitions in Pakistan and Colombia. Additionally, the construction of new industrial terminals in China and the US commenced.
  - Oil distribution capacity in future growth markets was expanded.
  - As part of Vopak's new energies focus, the first investments in hydrogen and solar were made.

  Overall, at the start of 2020, Vopak's portfolio is well-positioned to be sustainable for future developments.
- Growing Vopak's digital capabilities and use of data are key to both Vopak's short-term performance and long-term value creation, as well as Vopak's position as the leading independent tank storage company. Delivery of Vopak digital strategy progressed well during 2020. As part of Vopak's broader efforts to develop the digital architecture and bring the operational and IT systems closer together, the roll-out of Vopak's new cloud-based system for the terminals progressed well.

The Supervisory Board concludes that the Executive Board has delivered on the promise of short- and long-term value creation for Vopak's stakeholders during 2019, and that as a result the 2019 objectives for the delivery on Strategic Direction have been met.

Changes to the 2019 remuneration policy

Changes to the KPIs in the Executive Board long-term incentive plan were presented to the Annual General Meeting on 17 April 2019. Also, a continuation of the 2017 Supervisory Board policy, including fees, was proposed. Both proposals were adopted by the General Meeting, by a majority vote of 99.41% and 99.98% respectively.

Board composition

For details on the composition of the Executive Board and Supervisory Board during 2019 reference is made to the chapter Supervisory Board and Executive Board members in this section.

Executive Board Remuneration in 2019

During 2019, the Executive Board remuneration policy was executed in line with the resolutions adopted at the Annual General Meeting in April 2019. No deviation or derogation was applied. For a full account of the 2019 Executive Board remuneration policy, reference is made to the company's website.

Executive Board Remuneration - components

Individual remuneration packages for Executive Board members are designed in a manner that ensures external competitiveness and internal consistency. Their remuneration packages comprise the following main elements:

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

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

2019 total remuneration

The table on the next page shows the total 2019 remuneration to which each member of the Executive Board was entitled, as well as the break-down in components. Also, the related costs for the company (as recognized in the 2019 Consolidated Statement of Income) are shown. The 2019 total remuneration amounts are within the limits of the Executive Board remuneration policy. Overall costs increased from EUR 4.37 million in 2018 to EUR 6.0 million in 2019. For further details on the costs of the Long-Term Share Plans for the company, reference is made to note 7.2 to the Consolidated Financial Statements.

2019 Executive Board remuneration entitlements [1] and IFRS costs (audited) for the company

	Fixed compensation						Variable compensation							
	Annual base salary		Pension contributions[2]		Other[3]		Short-term incentive		Long-term incentive		Total		Proportion fixed vs variable compensation (%)	
In EUR thousands	2019	2018	2019	2018	2019	2018	2019[4]	2018[5]	2019	2018	2019	2018	2019	2018
E.M. Hoekstra														
entitlement	700	634	164	146	12	13	599	542	849[6]	296[11]	2,323	1,631	37.7% / 62.3%	48.6% / 51.4%
costs (IFRS)									1,052[7]	504[12]	2,526	1,840		
F. Eulderink														
entitlement	545	508	179	165	1	5	388	362	538[6]	184[11]	1,651	1,224	43.9% / 56.1%	55.4% / 44.6%
costs (IFRS)									664[7]	316[12]	1,777	1,356		
G.B. Paulides[8]														
entitlement	506	460	120	80	9	14	361	328	n/a	n/a	995	882	63.8% / 36.2%	62.8% / 37.2%
costs (IFRS)									345[7]	70[12]	1,340	952		
J.P. de Kreij[9]														
entitlement	n/a	43[9]	n/a	16	n/a	2	n/a	n/a	541[6,10]	182[11]	541	243	0% / 100%	25.2% / 74.8%
costs (IFRS)									361[7,10]	160[10,12]	361	221		
Total entitlements	**1,751**	**1,645**	**463**	**407**	**22**	**34**	**1,348**	**1,232**	**1,928[6]**	**662[11]**	**5,510**	**3,980**	**40.6% / 59.4%**	**52.4% / 47.6%**
Total costs (IFRS)									**2,422[7]**	**1,050[12]**	**6,004**	**4,368**		

1 Entitlements are defined as payments (cash) and vestings (shares) which relate to the financial year in question, i.e. fixed remuneration (annual base salary, pension contributions, and other fixed remuneration), the short-term variable incentive which relates to the performance year 2019 and which will be paid out in 2020, and the long-term variable incentive of which the performance period ended on 31 December 2019 (2017 – 2019 LTSP), and which is scheduled to vest in 2020.
2 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 the Vopak contributions 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 statutory tax withholdings. The gross value of these allowances is included in the pension contributions as stated in this table.
3 The column 'Other' includes certain perquisites provided to individual Executive Board members in 2019, such as a life-cycle allowance and an employer contribution to the Dutch statutory health insurance. The IFRS costs to the company of these perquisites shown in this table are defined as equal to the entitlement amounts, and are excluding the annual employer contributions to the Dutch social security. For Eelco Hoekstra, Gerard Paulides, and Frits Eulderink the 2019 employer social security contributions amounted to EUR 10,406 (2018: EUR 10,303). For Jack de Kreij, these were nil in 2019 (2018: EUR 859). In line with the SRD II guidelines, these amounts are now included in this table, resulting in a restatement of the 2018 individual amounts and the total amounts.
4 This is the STIP related to the 2019 performance year which will be paid out in 2020.
5 This is the STIP related to the 2018 performance year which was paid out in 2019.
6 This is the value of the 2017 – 2019 LTIP performance shares at 31 December 2019 based on the performance realized and the closing share price at 31 December 2019 of EUR 48.33. These shares are scheduled to vest in April 2020.
7 This amount reflects the recognized IFRS costs accrued by the company during the financial year 2019 for the unvested performance shares awarded conditionally to individual Executive Board members under Long-Term Share Plans 2017 – 2019, 2018 – 2020, and 2019 – 2021.
8 Gerard Paulides joined the Executive Board as CFO on 1 February 2018. For clarity and transparency purposes, the 2018 figures represent the remuneration he received during the whole of 2018.
9 Jack de Kreij stepped down from the Board as CFO on 31 January 2018. The amounts of his 2018 remuneration shown in the table above reflect the month of January 2018 only.
10 Jack de Kreij retired early. He remained eligible for vesting of the LTSP 2016 – 2018 and the LTSP 2017 – 2019. All LTSP vestings after retirement are settled in cash.
11 This is the value of the 2016 – 2018 LTIP performance shares based on the performance realized and the closing share price at 31 December 2018 of EUR 39.68. These shares vested in April 2019. The value at the date of vesting is shown in the table '2019 movements in outstanding LTSP awards made to the Executive Board' in this Remuneration Report.
12 This amount reflects the recognized IFRS costs accrued by the company during the financial year 2018 for the unvested performance shares awarded conditionally to individual Executive Board members under Long-Term Share Plans 2016 – 2018, 2017 – 2019, and 2018 – 2020.

2019 annual base salary

The 2019 annual base salaries of the Executive Board were as follows:

- Eelco Hoekstra: EUR 700,000
- Frits Eulderink: EUR 545,000
- Gerard Paulides: EUR 506,000

In its review of the Executive Board members' remuneration, the Supervisory Board considered both internal consistency, in particular staff salary increases, as well as the results of external benchmarking against similar positions in AEX and AMX listed companies[1] in the Netherlands, as well as selected European peers (Akzo Nobel, Borealis, Boskalis, Clariant, Covestro, DSM, Enagas, Linde, OMV, SBM Offshore). Benchmarks were carried out on the basis of similar job size, Board position, the company's revenues and market capitalization, such in various compositions, before arriving at an informed decision. 2019 Executive Board base salaries were increased in order to bring these more in line with the various benchmarks as mentioned above.

2019 Short-term variable compensation

At the beginning of 2020, the results against targets for the 2019 Executive Board short-term incentive (STIP) were evaluated. The table below shows the 2019 STIP payouts for each Board member, both in target and actual percentage of their annual base salary, and split per KPI. The Supervisory Board decided not to apply any discretionary adjustment to the results on the financial KPIs. The 2019 STIP will be paid out in April 2020, after approval of the 2019 financial statements by the General Meeting.

Financial KPIs

In 2019, Vopak reported an EBIT (excluding exceptional items) of EUR 539.1 million. This is a maximum result compared to the 2019 target, resulting in a corresponding payout on this KPI. For further details on the EBIT performance during 2019, reference is made to the section Financial performance in chapter Performance & Outlook.

The target level of the Cost KPI was met, resulting in the realization of a payout at maximum on this KPI.

Non-financial KPIs

2019 performance on the non-financial KPIs Safety, Customer Satisfaction and Executive Board Effectiveness, was as follows:

Safety

Vopak's 'License to Operate' and its 'License to Grow' are conditional upon its ability to operate safely and responsibly. Vopak's long-term aim is zero incidents and no harm to anybody working at a Vopak facility. Process safety and the occupational health and safety of employees and contractors are the company's top priorities. During 2019, the Trust and Verify program was rolled out further into the organization.

The 2019 target on the personal safety KPI, measured by the Total Injury Rate (TIR) for Vopak as a whole was not met. Additionally, one fatal incident occurred during the year. There will be no payout on this KPI. The 2019 target on the process safety KPI, measured by the Process Safety Event Rate (PSER) for Vopak as a whole, was met, resulting in a target payout on this KPI.

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

2019 STIP for the Executive Board

	2019 payout opportunity			2019 realized performance as a % of the overall payout										Total 2019 STIP	
	2018 Target [2]	2019 Target [2]	Max	EBIT		Cost [2]		Safety		Customer Satisfaction		Executive Board Effectiveness		Actual payout	
	% of base salary			Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	% [3]	In EUR thousands
E.M. Hoekstra	72%	72%	90%	18%	36%	24%	24%	9%	4.5%	9%	9%	12%	12%	85.5%	599
F. Eulderink	60%	60%	75%	15%	30%	20%	20%	7.5%	3.75%	7.5%	7.5%	10%	10%	71.25%	388
G.B. Paulides	60%	60%	75%	15%	30%	20%	20%	7.5%	3.75%	7.5%	7.5%	10%	10%	71.25%	361

1 In 2019, the AEX and AMX peer groups and benchmark results were established after Takaway.com's listing at the Euronext exchange in Amsterdam, and prior to the listing of Prosus.
2 The 2018 and 2019 at-target payout opportunity percentage for which the individual Executive Board members are eligible, includes a payout at maximum for the Cost KPI, which is applicable if the Cost target is met.
3 Expressed as a percentage of their 2019 annual base salary.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Customer Satisfaction
Vopak focuses on continuous improvement of our service performance in order to achieve our Best-in-Port ambition. To realize this ambition, ambitious Net Promoter Score targets are set at various levels within the organization, as well as for Vopak as a whole.

As part of our customer-oriented efforts in 2019, we continued our initiative to intensify service dialogues with our customers and with other service providers of our customers. Also, we continued our focus on shortening response times, ensuring improved interactions between all parties operating in the same supply chain.

We have also undertaken further improvement actions to accelerate the performance of our lowest performing terminals to reduce the gap between them and our top performers.

The 2019 NPS score for Vopak as a whole was met, resulting in a target payout on this KPI.

Executive Board effectiveness
Based on individual evaluation meetings with the Executive Board, in which the implementation and realization of the agenda of the Executive Board for 2019 as set at the beginning of the year was discussed, the Supervisory Board assessed the performance of the Executive Board as effective.

2019 Long-term variable compensation

The performance period of the conditional awards made under the Long-Term Share Plans 2016 – 2018, ended on 31 December 2018. The realized EPS performance resulted in vesting at minimum. After the Annual General Meeting of shareholders on 17 April 2019, the awards of performance shares under this Plan vested and were settled in shares (100%) in accordance with the Plan rules. The Supervisory Board decided not to apply any discretionary adjustment. The (gross) value of the vested shares to each Executive Board member is shown in the table on the next page as well as in the table '2019 Executive Board remuneration entitlements and IFRS costs for the company' in this Remuneration Report.

The performance period of the conditional awards made under the Long-Term Share Plans 2017 – 2019, ended on 31 December 2019. The company's EPS performance that was realized was above target level and – after approval of the 2019 financial results by the General Meeting on 21 April 2020 – will result in vesting at 120% of the target level. The Supervisory Board decided not to apply any discretionary adjustment.

At the beginning of 2019, a conditional award of performance shares under the 2019 – 2021 LTSP was made to each Executive Board member. These conditional awards are scheduled to vest in 2022, subject to performance realization.

During the whole of 2019, the conditional awards of performance shares made under the Long-Term Share Plans 2018 – 2020 were outstanding. These conditional awards are scheduled to vest in 2021, subject to performance realization.

The table on the next page shows the LTSP movements during the year. Because Executive Board members are required to hold a continuous portfolio of Vopak shares calculated as a percentage of their annual base salary (200% for the CEO and 100% for the CFO and COO), the retention periods for the vested shares under each of the LTSPs are not included in this table.

For the number of vested performance shares held by individual Executive Board members, reference is made to the table in the section 'Share Ownership' in this Remuneration Report.

Pension arrangements

Executive Board members participate in the same company pension plan as other staff employed by Vopak in the Netherlands. The company contributions made in respect of each Executive Board member are shown in the table '2019 Executive Board remuneration entitlements and IFRS costs for the company' in this Remuneration Report. These equal the costs for the company as stated in the same table. For more details, reference is also made to note 9.4 to the Consolidated Financial Statements.

Share ownership

Executive Board members' ownership of Vopak shares is shown in the table below. This table contains the total number of shares acquired by the individual Executive Board members as a result of performance shares vesting under the company's Long-Term Share Plans, as well as any additional ordinary shares bought at members' own expense (personal investments).

In 2019, the CEO was required to own a minimum number of company shares with a value equivalent to two times the 2019 annual base salary. For the Vopak's CFO and COO, this minimum shareholding requirement was one time the 2019 annual base salary. Vopak shares owned by individual Executive Board members

Number of shares	# of vested performance shares on 31 December 2019	# of privately invested shares on 31 December 2019	Total # of shares owned on 31 December 2019 [1]	Total # of shares owned on 31 December 2018 [2]
E.M. Hoekstra	40,955	9,582	50,537	47,312
F. Eulderink	22,704	1,750	24,454	20,814
G.B. Paulides	n/a	6,200	6,200	5,200

1 The share price at the end of 2019 was EUR 48.33.
2 The share price at the end of 2018 was EUR 39.68.

Other

Executive Board members did not receive any remuneration from group companies. Vopak has not provided any personal loans, advances or guarantees to Executive Board members during 2019.

2019 movements in outstanding LTSP awards made to the Executive Board[1]

	LTSP	Start date performance period	End date performance period	(Scheduled) vesting date	Gross value of target award at the date of award [2] (EUR)	Share price at the date of award [2] (EUR)	Gross # of shares awarded (target) at the date of award [3]	Gross # of shares under deferral at 1 January 2019	Gross # of shares held under deferral at 31 December 2019	Gross # of shares that lapsed during 2019	Gross # of shares that vested during 2019	Share price at the date of vesting (EUR)	Gross market value of vested award at the date of vesting (EUR)
E.M. Hoekstra	LTSP 2016 - 2018	1 Jan 2016	31 Dec 2018	17 April 2019	565,313	37.860	14,932	14,932	n/a	7,466	7,466	43.630	325,742
	LTSP 2017 - 2019	1 Jan 2017	31 Dec 2019	21 April 2020	653,125	44.625	14,636	14,636	14,636	0	0	n/a	n/a
	LTSP 2018 - 2020	1 Jan 2018	31 Dec 2020	AGM 2021	634,375	36.138	17,554	17,554	17,554	0	0	n/a	n/a
	LTSP 2019 - 2021	1 Jan 2019	31 Dec 2021	AGM 2022	700,000	40.274	17,380	n/a	17,380	0	0	n/a	n/a
F. Eulderink	LTSP 2016 - 2018	1 Jan 2016	31 Dec 2018	17 April 2019	351,750	37.860	9,290	9,290	n/a	4,645	4,645	43.630	202,661
	LTSP 2017 - 2019	1 Jan 2017	31 Dec 2019	21 April 2020	414,000	44.625	9,277	9,277	9,277	0	0	n/a	n/a
	LTSP 2018 - 2020	1 Jan 2018	31 Dec 2020	AGM 2021	406,000	36.138	11,235	11,235	11,235	0	0	n/a	n/a
	LTSP 2019 - 2021	1 Jan 2019	31 Dec 2021	AGM 2022	436,000	40.274	10,826	n/a	10,826	0	0	n/a	n/a
G.B. Paulides	LTSP 2018 - 2020	1 Jan 2018	31 Dec 2020	AGM 2021	368,000	36.138	10,183	10,183	10,183	0	0	n/a	n/a
	LTSP 2019 - 2021	1 Jan 2019	31 Dec 2021	AGM 2022	404,800	40.274	10,051	n/a	10,051	0	0	n/a	n/a
J.P. de Kreij [4]	LTSP 2016 – 2018	1 Jan 2016	31 Dec 2018	17 April 2019	364,000	37.860	9,614	9,614	n/a	4,807	4,807	43.630	209,729
	LTSP 2017 – 2019	1 Jan 2017	31 Dec 2019	21 April 2020	416,000	44.625	9,322	9,322	9,322	0	0	n/a	n/a

1 Reference is made to note 7.2 of the Consolidated Financial Statements for more details on the costs of these awards for the company.
2 The share price at the date of award is the average closing price of a Royal Vopak NV ordinary share listed on Euronext Amsterdam during the calendar quarter immediately preceding the performance period of the respective LTSP.
3 All shares awarded conditionally under the company's LTSPs to Executive Board members are subject to performance conditions.
4 Jack de Kreij retired early. He remained eligible for vesting of the LTSP 2016 – 2018 and the LTSP 2017 - 2019. All LTSP vestings after retirement are settled in cash.

5-Year comparison

The annual change of Vopak's Supervisory Board and Executive Board Members' remuneration, the performance of the company, and the average remuneration of employees of the company over the five most recent financial years, are presented in a comparative manner in this section.

The tables on the next page jointly provide a 5-year comparative overview of the performance of the company (as reflected by the results on the individual KPIs used in the Executive Board STIP and LTIP, as well as captured in the Executive Board STIP and LTIP overall outcomes) and the annual total remuneration of the Supervisory Board members and Executive Board members (entitlements). In order to provide a full comparison, the increases in annual base salary of individual Executive Board members are also included in this table.

The comparison between the developments in the annual total remuneration of Executive Board members and the average remuneration on a fulltime equivalent basis of employees of the company other than directors is shown by the developments in the CEO pay ratio, the CEO being the highest paid Executive Board member.

The CEO pay ratio reflects the value of the CEO's annual total remuneration as a percentage of the value of the annual average total remuneration of Vopak employees globally in the respective financial year. 5-year developments of this ratio are shown in the graph on the next page. In 2019, the CEO pay ratio was 21.5 in 2019 (20.8 in 2018).

The CEO's total remuneration package includes the short-term incentive related to 2019, the value of the long-term incentive awards which were awarded, outstanding and vested in 2019 (based on the historical 3-year average IFRS costs), and the 2019 company costs for the employer contributions to the pension arrangements in which the CEO participates. The average 2019 total remuneration package for Vopak employees globally is calculated as the total remuneration-related costs for all Vopak employees globally spent in the financial year, whereby the long-term incentive costs are calculated on the same 3-year average IFRS cost basis as for the CEO. The CEO is excluded from this calculation. This number is then divided by the average number of employees (on a full-time-equivalent basis) during the financial year.

5-year comparison between company performance, Supervisory Board and Executive Board total remuneration, and average total employee remuneration

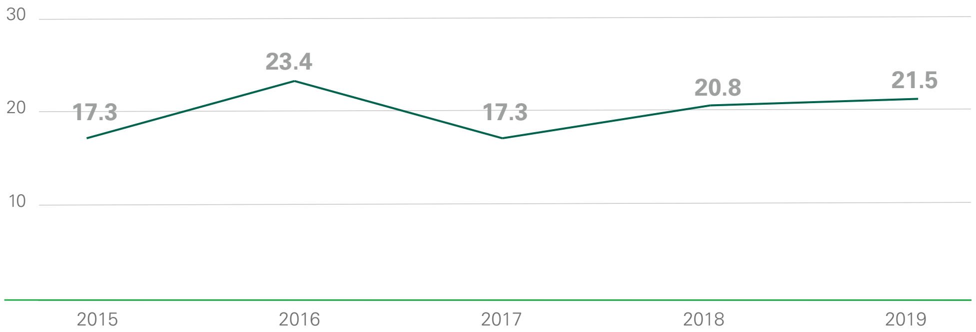
Company performance	2015	2016	2017	2018	2019
EBIT[1]	555.5	558.4	490.4	463.3	539.1
EBITDA[1]	811.5	822.3	763.2	734.3	829.7
Cost[1]	704.6	664.0	675.9	666.0	632.7
EPS[2]	2.55	2.56	2.25	2.27	2.80
TIR[3]	0.39	0.29	0.38	0.30	0.34
PSER[3]	0.27	0.23	0.26	0.12	0.16
NPS	45	49	48	62	65
Overall STIP result[4]	125%	150%	41.67%	142.5%	142.5%
Overall LTSP result[4]	124%	124%[5]	50%	50%	120%

Executive Board total remuneration[5]	2015	2016	2017	2018	2019
CEO	1,854[6]	1,948[6]	1,145	1,633	2,323
COO	1,324[6]	1,389[6]	910	1,224	1,651
CFO (current)	n/a	n/a	46	882	995
CFO (former)	1,441[6]	1,499[6]	966	243	499

Executive Board annual base salary increases[7]	2015	2016	2017	2018	2019
CEO	2.1%	0.0%	0.0%	1.5%	10.3%
COO	4.2%	1.0%	0.0%	1.5%	7.4%
CFO (current)	n/a	n/a	n/a	0%	10%
CFO (former)	2.0%	0.0%	0.0%	n/a	n/a

Supervisory Board total remuneration[5]	2015	2016	2017	2018	2019
Chairman (current)	n/a	47.7	100.06	111.5	111.5
Vice-chairman (current)	68.5	68.5	78.5	78.5	78.5
Member (current)	n/a	n/a	n/a	56.5	80.5
Member (current)	n/a	n/a	n/a	21.67	73.5
Member (current)	n/a	n/a	n/a	78.0	80.0
Member (current)	65.0	65.0	75.0	75.0	75.0
Chairman (former)	91.5	91.5	33.57	n/a	n/a
Member (former)	70.0	70.0	80.0	23.9	n/a
Member (former)	63.5	61.75	70.0	20.9	n/a
Member (former)	62.0	10.4	n/a	n/a	n/a
Member (former)	n/a	n/a	51.14	9.5	n/a

CEO Pay ratio



1 In EUR million. EBITDA was used as a financial KPI in the Executive Board short-term incentive plan up until and including 2017; as of 2018, EBITDA was replaced by EBIT and Cost. Cost figures shown reflect personnel expenses and other operating expenses. EBIT, EBITDA and Cost figures shown are excluding exceptional items.
2 In EUR. EPS figures shown are excluding exceptional items.
3 Expressed as a percentage per 200,000 hours worked (own personnel and contractors). For TIR and PSER, a decrease is aimed for year-on-year, i.e. a decline in injuries and events.
4 Payout/ vesting as a % of target (=100%).
5 In EUR thousands. Entitlements of total remuneration figures are shown. Payouts under the Executive Board STIP are included in the financial year which also encompasses the performance year. Vestings of the Executive Board LTSP are included in the year in which the performance period ended (year 3).
6 In 2015 no LTSP vested, because no LTSP award was made in 2013. The LTSP 2014 – 2016 encompassed 3 years of LTSP awards, i.e. for 2014, 2015 and 2016; as a result, the vesting of the 2014 – 2016 LTSP award included in the 2016 figures reported earlier was 3 times the annual vesting. For comparison purposes in this table, the vesting of the LTSP 2014 – 2016 is distributed equally to 2014, 2015 and 2016 (1/3, 1/3, 1/3). This equal distribution is in line with the performance period of this LTSP 2014 - 2016. The amounts of entitlements as disclosed in the 2015 and 2016 Annual Reports were as follows. For the CEO, this was 1,215 (2015) and 3,225 (2016) respectively. For the CFO, this was 1,042 (2015) and 2,296 (2016) respectively. For the COO, this was 946 (2015) and 2,146 (2016) respectively.
7 As a % of the annual base salary of the previous year.

Remuneration of the Supervisory Board

The table below shows the gross amounts of Supervisory Board fees each Supervisory Board member received in 2019, resulting in a total cost to the company of EUR 0.50 million, as compared to EUR 0.45 million in 2018. The increase in costs was due to changes in the composition of the Board.

In addition to the remuneration as stated in the table below, the company reimbursed Supervisory Board members living outside the Netherlands for actual travel expenses made. Supervisory Board members did not receive any other fixed allowances or performance-related incentives (neither in cash nor in shares), nor any other remuneration, such in accordance with the policy.

Vopak did not provide any personal loans, advances or guarantees to Supervisory Board members.

No Supervisory Board members held any Vopak shares at year-end 2019, except for Ben Noteboom, who held 3,500 shares (2018: 3,500).

For further details, reference is made to note 7.3 of the Consolidated Financial Statements.

2019 Supervisory Board remuneration

In EUR thousands	Supervisory Board	Audit Committee	Selection and Appointment Committee	Remuneration Committee	Total 2019	Total 2018
B.J. Noteboom (Chairman)	97.5	n/a	7.0	7.0	111.5	111.5
M.F. Groot (Vice-Chairman)	65.0	8.5	5.0	n/a	78.5	78.5
L.J.I. Foufopoulos – De Ridder (member as of 18 April 2018)	65.0	8.5	n/a	7.0	80.5	56.5
N. Giadrossi (member as of 17 April 2019)	65.0	8.5	n/a	n/a	73.5	21.67
B. van der Veer (member as of 18 April 2018)	65.0	15.0	n/a	n/a	80.0	78.0
R.G.M. Zwitserloot (member)	65.0	n/a	n/a	10.0	75.0	75.0
F.J.G.M. Cremers (member until 18 April 2018)	n/a	n/a	n/a	n/a	n/a	23.9
C.J. van den Driest (member until 18 April 2018)	n/a	n/a	n/a	n/a	n/a	20.9
H.B.B. Sørensen (member until 16 February 2018)	n/a	n/a	n/a	n/a	n/a	9.5
Total	**422.5**	**40.5**	**12.0**	**24.0**	**499.0**	**453.8**

Corporate Governance

Vopak is incorporated and based in the Netherlands. As a result, Vopak's governance structure is based on the requirements of Dutch legislation including securities laws, the company's articles of association, complemented by internal policies and procedures. Given the worldwide exposure of its businesses, the international context is of vital importance and relevant international developments are closely monitored.

Good corporate governance is a key component of Vopak's way of doing business and is embedded in its core values. The corporate governance is supported by a strong focus on integrity, transparency and clear and timely communication. Good governance and proper supervision are important prerequisites for generating and maintaining trust in the company.

Vopak's business, financial and investor strategy is focused on long-term value creation for the company and its affiliated enterprises as formulated by the Executive Board under the guidance of the Supervisory Board. Value creation is closely connected with the culture within the company, the view on sustainability matters and long-term value creation requires a culture aimed at that. Long-term value creation also requires awareness and anticipation of new developments in technology that can contribute to the continuing success of the company. All stakeholder interests are hereby taken into careful consideration.

The leadership style within Vopak stimulates a culture that promotes desired behavior and encourages employees to act with integrity and to lead by example. By communicating this culture with its corresponding values, incorporating it into the enterprise and maintaining it, guidance is provided in making everyday decisions and monitoring ethical conduct by people in all tiers of the organization. The top of the company has regular contact with employees at all levels of the company as it is essential to know how the culture is experienced within the organization. Culture is also monitored via the employee engagement survey. More information on the culture within Vopak is provided in the People Leadership chapter.

The Vopak Code of Conduct is based on the Vopak corporate values to provide the conditions for a healthy culture and effectively encourage an atmosphere of openness. Neither leadership nor culture are considered tick the box items or treated as such. All Vopak employees, partners, contractors and suppliers are required to adhere explicitly to the Code of Conduct. Compliance is regularly checked for example as part of the CRSA and internal business audits. These monitoring tools also show and measure the effectiveness of the Code of Conduct.

Vopak complies with the vast majority of the principles and best practices laid down in the 2016 Dutch Corporate Governance Code (the Code). The exceptions are explained in the following paragraphs.

Set-up and policy

Vopak aims to strike a sound balance between the interests of the company's various stakeholders. Integrity, openness, supervision, transparent reporting and accountability are the cornerstones of our corporate governance policy. The company has also developed a clear policy with regard to reporting for financial matters and sustainability. For details of the Sustainability Policy, reference is made to the Vopak website.

Vopak confirms that the principles reflected in the Code are applied by Vopak except for the deviations from the Code that are explained in the following paragraphs.

Vopak has a two-tier governance structure requiring a well-managed relationship between the Executive Board solely composed of executive directors and the Supervisory Board solely composed of non-executive directors. The two Boards are independent of each other and have their own roles and responsibilities in the governance structure.

The Executive Board is responsible for the management of the company and for the realization of its objectives. These include the objectives for strategy and policy, health, safety, the environment (part of sustainability), quality, as well as results.

The Executive Board is assisted in fulfilling its responsibilities by the Risk Committee, the Compliance Committee and the Disclosure Committee. The activities of the Risk Committee include facilitating and challenging risk reporting within the company, providing oversight of main risks and related risk management activities. The primary objective of the Compliance Committee is to support and advise the Executive Board in fulfilling its oversight responsibilities on all compliance matters relevant to Vopak's activities. The Disclosure Committee assists the Executive Board with ensuring that information is disclosed accurately and timely to the outside world in line with the applicable laws and regulations.

The Supervisory Board reviews Vopak's overall performance, including the policies pursued and results achieved by the Executive Board, the company's financial situation, its financial statements, key risks and opportunities.

The Supervisory Board also reviews and approves the strategy of Vopak, as proposed by the Executive Board. Similarly, it approves important proposals for capital expenditure, acquisitions and divestments, changes in financial and other corporate policies and the annual budget. The Supervisory Board evaluates the performance of the Executive Board as a whole and that of its individual members, and proposes any changes to the composition of the Executive Board to the General Meeting. Similarly, the Supervisory Board reviews its own performance annually and proposes changes to the composition of the Supervisory Board to the General Meeting.

Finally, the Supervisory Board ensures that the company's policies are formulated and pursued in the interest of all its stakeholders, including shareholders and employees, and that these policies are sustainable and meet the highest ethical standards.

The Supervisory Board is carefully selected to include members with diverse backgrounds and experience in areas relevant to Vopak's core business and the foreign markets in which it operates. Their experience ranges from economic, financial, technical, operational and social areas, to political and business-related areas. The Supervisory Board, in performing its duties, focuses on the realization of the objectives of the company, the strategy and its implementation. The Supervisory Board appoints an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee from among its members. In accordance with the provisions of the Code, Vopak has further specified the role and powers of these committees in specific regulations that apply to them.

The General Meeting has the authority to appoint, suspend and dismiss members of the Executive Board and Supervisory Board and other authorities such as passing resolutions for legal mergers and split-offs, adopting financial statements, and the appropriation of profits available for distribution on ordinary shares. Furthermore, the General Meeting determines the remuneration policy for the Executive Board and has to approve any significant amendments to this policy. The General Meeting also sets the remuneration of the members of the Supervisory Board.

The remuneration of the members of the Executive Board is set by the Supervisory Board on the basis of a proposal from the Remuneration Committee, in accordance with the remuneration policy as adopted by the General Meeting. Vopak will continue to facilitate proxy voting. Dutch law provides for a mandatory registration date to exercise voting and attendance rights 28 days before the date of the General Meeting.

The Dutch Corporate Governance Code

Vopak has evaluated its corporate governance structure against the Code and concluded that in 2019 it satisfied the principles and best practice provisions of the Code, with the exception of the following two items:

1. Principle 2.1 and best practice provision 2.1.1 (Composition, size and profile of the Supervisory Board)

These provisions relate to diversity and state that the Supervisory Board should strive for a diverse composition as to gender and age and should formulate concrete targets to achieve this. The Supervisory Board of Vopak strives to achieve a diverse composition of its members and has formulated key elements of its membership profile. These elements are available in the Corporate Governance section of the Vopak website. Vopak does not strictly follow the recommendation to set an explicit target for diversity in terms of gender or age. This deviation could therefore continue for more than one financial year without a set time period for when to comply with this best practice provision. As an alternative measure attaining the purpose of this best practice provision, for diversity in terms of gender, age or area of expertise the overriding principle for Vopak is that the Supervisory Board has a diverse composition of members taking into account various factors including a valuable contribution in terms of broad international management experience and knowledge of the oil, petrochemical or LNG industries in the regions in which Vopak is active, or other relevant business knowledge for the independent tank terminal business. Diversity in a broad sense is a topic on the Supervisory Board agenda and is discussed in the Selection and Appointment Committee meetings.

2. Best practice provision 3.1.2 (blocking period of five years for shares granted to the Executive Board without financial consideration)

The blocking period of five years is not included in the Long-Term Incentive Plans (LTIPs). This deviation will continue for more than one financial year without a set time period for when to comply with this best practice provision. As an alternative measure, the remaining value of the portfolio of performance shares must be at least equal to two years annual base salary for the CEO and one year base salary for the CFO and COO.

Vopak has several regulations in place governing the performance of its various bodies and ensuring implementation of the rules applicable within Vopak. These regulations are drafted in line with the Code, applicable legislation and decisions made by the Executive Board and the Supervisory Board. The regulations can be found in the Corporate Governance section of the Vopak website.

These regulations concern:
- Regulations of the Executive Board
- Regulations of the Supervisory Board
- Regulations of the Audit Committee of the Supervisory Board
- Regulations of the Remuneration Committee of the Supervisory Board
- Regulations of the Selection and Appointment Committee of the Supervisory Board
- Vopak Insider Trading Policy
- Regulations on suspected irregularities ('whistleblower regulations')
- Diversity policy.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

The following items also appear on the Vopak website:

- Articles of Association
- Information on the members of the Executive Board and Supervisory Board and the composition of the core committees
- Profile of the Supervisory Board
- Schedule of resignation for the Supervisory Board members
- Schedule of resignation for the Executive Board members
- Policy related to bilateral contacts with shareholders
- Code of Conduct
- Sustainability Policy
- Corporate Governance Compliance Manual
- Remuneration report, containing the main points of the remuneration policy.

Response measures

Vopak's principal defense against a (hostile) takeover is the ability to issue cumulative preference shares ('protective preference shares') to Stichting Vopak. Such defensive preference shares will be issued in the event that Stichting Vopak exercises its option right. On 18 October 1999, the General Meeting decided to grant Stichting Vopak the right to take up protective preference shares up to a maximum nominal amount equal to 100% of the share capital issued at that time to third parties in the form of ordinary and financing preference shares, less one ordinary share. Vopak and Stichting Vopak further formalized their relationship with regard to the option right in an option agreement of 1 November 1999. This agreement was amended on 5 May 2004, whereby the original put option granted to Vopak was cancelled. In light of the possible introduction in the future of other classes of shares, the Extraordinary General Meeting of 17 September 2013 resolved to expand Stichting Vopak's right to acquire protective preference shares in such a way that it is not only related to share capital issued to third parties in the form of ordinary and financing preference shares at the time Stichting Vopak exercises this, but to all shares in the share capital of Vopak issued to third parties at such time, less one ordinary share. The option agreement with Stichting Vopak was amended on 17 September 2013 to reflect this change. Exercise by Stichting Vopak of its option right in part does not affect its right to acquire the remaining protective preference shares under the option granted to Stichting Vopak. The option agreement provides that in the event that Stichting Vopak exercises its option right and the results thereof are fully or partially cancelled (for instance as a result of the cancellation of the protective preference shares issued), Stichting Vopak will continue to be able to exercise its option right.

The granting of the call option to Stichting Vopak has been entered in the Company Registry. The objective of Stichting Vopak is to promote the interests of Vopak and companies affiliated to the Vopak group. It does this in a way that safeguards the interests of Vopak and its stakeholders to the greatest possible extent and, to the best of its ability, it resists influences opposing those interests, which could impair the independence and/or continuity and/or identity of Vopak. It undertakes all actions relating to or conducive to these objectives. The board of Stichting Vopak therefore determines whether and when it is necessary to issue the protective preference shares.

These measures can be taken for example (but not necessarily limited to) in the event of a (hostile) takeover bid if the board of Stichting Vopak believes it is in the interest of Vopak and its stakeholders to establish its position in respect of the hostile party and its plans, and to create opportunities to seek alternative scenarios.

Information referred to in Section 1 of the Takeover Directive (Article 10) Decree

Capital structure

A description of Vopak's capital structure, the various classes of shares and the rights and obligations attached to them can be found in note 5.1 to the Consolidated Financial Statements. On 31 December 2019 a total of 127,835,430 ordinary shares had been issued with a nominal value of EUR 0.50 each. No financing preference shares and no protective preference shares have been issued on 31 December 2019.

Restrictions on the transfer of shares

Vopak's Articles of Association do not provide for a restriction on the transfer of ordinary shares. They do, however, provide for a restriction on the transfer of financing preference shares. Financing preference shares may only be transferred to natural persons, subject to specific exceptions for a legal entity holding the financing preference shares for the purpose of administration and other parties pursuant to Article 10A, paragraph 7 of the Articles of Association. With regard to the protective preference shares, the Articles of Association provide that any transfer requires the approval of the Executive Board.

Major holdings subject to mandatory disclosure

More information on major shareholdings that are subject to mandatory disclosure pursuant to the Financial Markets Supervision Act can be found in the section Shareholder information. Furthermore, additional information on the transactions with major shareholders can be found in note 7.3 of the Consolidated Financial Statements.

System of control over employee share plans

Information on share plans can be found in note 7.2 to the Consolidated Financial Statements of this Annual Report.

Rules governing the appointment and dismissal of members of the Executive Board and Supervisory Board and the amendment of the Articles of Association. Under Vopak's Articles of Association, members of the Executive Board and Supervisory Board are appointed and dismissed by the General Meeting. The Supervisory Board makes a non-binding nomination for the appointment of members of the Executive Board. Upon the appointment of members of the Supervisory Board, the Supervisory Board may make a non-binding nomination.

The General Meeting may only resolve to amend the Articles of Association following a proposal from the Executive Board that is subject to approval by the Supervisory Board. Such a resolution of the General Meeting requires a majority of at least two-thirds of the number of votes validly cast.

Share issuance and repurchase

The General Meeting or the Executive Board, if so designated by the General Meeting, resolves or decides on the issuance of shares. Any share issuance is subject to approval by the Supervisory Board. On 31 December 2019, no authorization to issue shares had been granted to the Executive Board.

The Executive Board is authorized until 18 October 2020 to repurchase fully paid-up ordinary shares in Vopak's capital, subject to approval by the Supervisory Board. Any repurchase must be limited to the maximum number held by virtue of the law and the Articles of Association (10% at 31 December 2019). Their purchase price must be between the nominal value of the ordinary shares and 110% of the average share price listed on the five most recent trading days prior to the date of the purchase.

Key agreements containing change of control provisions

Reference is made to the change of control provisions in connection with loans in note 5.5 to the Consolidated Financial Statements.

With respect to agreements entered into with members of the Executive Board and employees that provide for payment upon termination of their employment following a public bid, reference is made to the description of the remuneration policy on the Vopak website.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Corporate Governance statement

This statement is included in pursuance of Section 2a of the Decree of 23 December 2004 for the adoption of further regulations governing the contents of the management report (the 'Decree'). It sets out the statements referred to in Sections 3, 3a, and 3b of the Decree.

Compliance with the Dutch Corporate Governance Code

Vopak complies with the 2016 Dutch Corporate Governance Code (the 'Code') and has amended its rules and policies accordingly. The English and Dutch versions of the Code can be downloaded from www.commissiecorporategovernance.nl. The statement on compliance with the principles and best practice provisions of the Code addressed specifically to the Executive Board or Supervisory Board can be found in the 'Corporate Governance' chapter of the Annual Report.

Management and control systems

The statement on the principal features of the management and control systems of Vopak and of the group whose financial information is included in its financial statements can be found in the 'Risk management and internal control' section of the Annual Report.

The General Meetings

Vopak's shareholders exercise their rights in the Annual and Extraordinary General Meetings. The Annual General Meeting must be held no later than 30 June each year. The agenda for the meeting must state certain subjects as described in Vopak's Articles of Association or in the law, including the adoption of the financial statements. Extraordinary General Meetings are held at the request of the Executive Board, the Supervisory Board, or one or more holders of shares or depositary receipts that, solely or jointly, represent at least one tenth of the company's issued share capital.

A subject for which discussion has been requested in writing by one or more holders of shares or depositary receipts that, solely or jointly, represent at least one-hundredth of the company's issued share capital, will be stated in the convocation of the meeting or announced in the same manner, provided that Vopak receives such request no later than on the sixtieth day before the date of the meeting. In General Meetings, resolutions may be passed by absolute majority of the number of votes cast, unless Vopak's Articles of Association or the law prescribe a larger majority.

The principal powers of the General Meeting are:

- Adopting the financial statements
- Approving a dividend proposal
- Discharging members of the Executive Board from liability
- Discharging members of the Supervisory Board from liability
- Adopting the remuneration policy with respect to the members of the Executive Board
- Adopting the remuneration of the members of the Supervisory Board
- Appointing, suspending, and dismissing members of the Executive Board
- Appointing, suspending, and dismissing members of the Supervisory Board
- Appointing an external auditor
- Authorizing the Executive Board to repurchase shares
- Issuing shares and granting rights to acquire shares (option rights), and designating the Executive Board as the body competent to make such decisions during a set period
- Excluding or limiting shareholders' rights of first refusal when issuing shares and granting rights to acquire shares, and designating the Executive Board as the body competent to make such decisions during a set period
- Approving decisions taken by the Executive Board pertaining to a major change in Vopak's identity, nature or enterprise
- Resolving to amend Vopak's Articles of Association, dissolve Vopak, or enter into a merger or demerger.

Membership and working methods of the Executive Board

Details of the members of the Executive Board can be found in section 'Executive Board report' of the Annual Report.

The members of the Executive Board are collectively responsible for managing Vopak as well as for its general affairs and that of the group companies affiliated with it. In doing so, they aim to create long-term shareholder value.

A more detailed description of the working methods of the Executive Board can be found in the Executive Board Rules, which can be found on Vopak's website.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

The responsibilities of the Executive Board include:

- Evaluating Vopak's objectives from time to time and, where appropriate, adjusting them
- Achieving Vopak's objectives
- Determining the strategy and associated risk profile and the policy designed for the achievement of Vopak's objectives
- Managing Vopak's general affairs and results;
- The financing of Vopak
- Identifying and managing the risks connected to the business activities
- Seeking to make ongoing improvements to safety, health, and environmental performance
- Considering corporate social responsibility issues that are relevant to Vopak's activities
- Ensuring effective internal risk management and control systems and reporting on this in the Annual Report
- Adopting values that contribute to a culture aimed at long-term value creation for Vopak
- Making preparations for and managing the financial reporting process, which includes safeguarding the quality and completeness of the financial reports to be published
- Closely involving the Supervisory Board in a takeover process if a takeover bid for the shares in Vopak is under preparation or has been made
- Complying with legislation and regulations
- Complying with the Code and maintaining Vopak's corporate governance structure
- Publishing in Vopak's Annual Report, on its website and otherwise, the corporate governance structure and other information required under the Code and providing an explanation regarding compliance with the Code
- Preparing Vopak's financial statements, annual budget and important capital investments
- Rendering advice for the nomination of Vopak's external auditor.

The Executive Board Rules include rules for internal decision-making, which are in compliance with the relevant provisions of the Code and follow broadly applicable laws and regulations in case of a conflict of interest of one or more members of the Executive Board. Both Vopak's Articles of Association and the Executive Board Rules can be found on Vopak's website.

Details of the remuneration of the members of the Executive Board can be found in the 'Remuneration report'.

Membership and working methods of the Supervisory Board and its committees

Details of the members of the Supervisory Board and membership of its committees can be found in the chapter 'Supervisory Board members' of the Annual Report.

The Supervisory Board's duty is to supervise and advise on the management of Vopak and the general affairs of Vopak and the enterprise connected with it. In discharging its duties, the Supervisory Board is guided by the interests of Vopak and its group companies, taking into account the relevant interests of Vopak's stakeholders (which include its shareholders), aimed at creating long-term value for Vopak. The Supervisory Board is responsible for the quality of its own performance.

The responsibilities of the Supervisory Board include:

- Supervising, monitoring and advising the Executive Board on: (i) the achievement of Vopak's objectives, (ii) Vopak's strategy and the risks inherent to its business activities, (iii) the structure and management of the internal risk management and control systems including the internal audit function, (iv) the financial reporting process, (v) the application of information and communication technology (ICT), (vi) compliance with legislation and regulations; (vii) the relationship with shareholders; (viii) a takeover process if a takeover bid for the shares in Vopak is under preparation or has been made; (ix) the aspects of corporate social responsibility that are relevant to the enterprise and (x) the values that contribute to a culture aimed at long-term value creation for Vopak
- Disclosing, complying with and enforcing Vopak's corporate governance structure
- Approving Vopak's annual accounts, annual budget, and major capital expenditures
- Selecting, nominating and evaluating Vopak's external auditor
- Selecting and nominating members of the Executive Board for appointment, proposing the remuneration policy for members of the Executive Board for adoption by the general meeting, setting the remuneration (in accordance with the remuneration policy) and the contractual terms and conditions of employment of the members of the Executive Board
- Selecting and nominating members of the Supervisory Board for appointment by the general meeting and proposing the remuneration of its members for adoption by the general meeting
- Evaluating and assessing the functioning of the Executive Board and the Supervisory Board as well as their individual members, and evaluating the profile for the Supervisory Board and the induction, education and training program
- Handling and deciding on reported (potential) conflicts of interest between Vopak, on the one hand, and members of the Executive Board, the external auditor, or the major shareholder(s), on the other
- Handling and deciding on reported alleged irregularities that relate to the functioning of the Executive Board.

The Supervisory Board Rules include rules for internal decision-making which are in compliance with the relevant provisions of the Code and follow broadly applicable laws and regulations in case of a conflict of interest of one or more Supervisory Board members and Vopak. The Supervisory Board Rules can be found on Vopak's website.

Details of the remuneration of the members of the Supervisory Board can be found in the 'Remuneration report'.

Details on the committees of the Supervisory Board can be found in the section 'Supervisory Board report' of the Annual Report.

The Supervisory Board has drawn up a diversity policy for the composition of the Executive Board and the Supervisory Board addressing the diversity aspects, the specific objectives set in relation to diversity, and the policy implementation. The diversity policy can be found on Vopak's website.

For information referred to in Section 1 of the Takeover Directive (Article 10) Decree, reference is made to the statement in this respect as included in the Annual Report in the section 'Corporate Governance' of the Annual Report.

Risk management & internal control

Vopak Control Framework - Risk Management and Internal Control Components

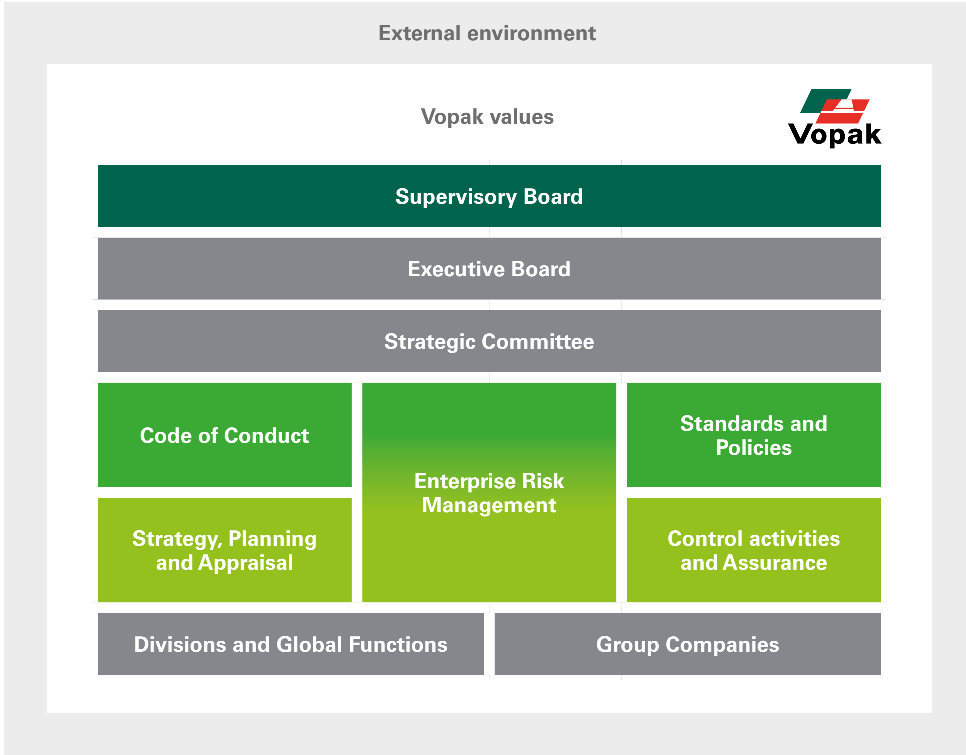
Risk Management and internal control activities are at the core of the Vopak Control Framework. This comprehensive framework is applied at all layers and locations within the Group. These principles are also applied at the joint ventures and associates of the Group.

Risk Management and Internal Control

The Executive Board, under the supervision of the Supervisory Board, bears the ultimate 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 OpCos involved relate to each other.

A cohesive approach: Managing risks and internal control

Strategy & Objectives

- Leading assets in leading locations
- Service leadership
- Operational leadership
- Technology leadership
- People leadership
- Founder's mentality
- Vopak values

Risks & Risk appetite

Strategic

Operational

Legal & Compliance

Financial & Reporting

Risk appetite determined per risk category

Risk response

Vopak Key Control Frame-work[1]

- Standards, Procedures & Guidelines
- Communication trainings
- Organizational set-up
- Global - Functional
- Divisional - Regional

Monitoring & Assurance

Self assesssments:

- CRSA[2]: OpCo level
- DMCSA[3]: Divisions
- Functional self-assessments
- Second line specific topic reviews
- External run surveys
- Management review cycle

Internal audit

Code of Conduct, Culture & Values, Recognition, Whistleblower

1 Vopak's Key Control Framework covering 16 processes providing for effective management through effective controls for risks to be within the risk appetite.
2 Control Risk Self-Assessment.
3 Divisional Monitoring Controls Self-Assessment.

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

Risk exposures aligned with the strategic objectives

1. Identify
- Risks identified by the individual terminals and divisions
- Strategic risk dialogs with global senior management
- Global principal risks reviewed by the Risk Committee and agreed with the Executive Board

2. Measure
- Risk appetites of all principal risks are determined by the Executive Board and shared within the organization
- A standard risk management methodology facilitates communication within the group

3. Manage
- Mitigating actions are established for the identified risks and reviewed by the Risk Committee
- Separate action plans are established and executed for risks, which exceed the risk appetite

4. Monitor
- Effectiveness of the mitigating actions is monitored across the three lines of defense
- Risk Committee reviews effectiveness of risk management process and acts as the steward of risk management

5. Report
- The Risk Committee informs the Executive Board and the Supervisory Board on the principal risks and the effectiveness of the risk management process

Embedded in a risk conscious culture

Vopak's ERM process is guided and overseen by the 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 our 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 2019 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	• 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	• 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	• Operational leadership • People leadership	The objective to ensure full compliance with legal and regulatory environments.					
Financial and reporting risks		Aligned with the long-term nature of the business, the company's objective is to ensure a robust financing position and solid cash flow performance and remain compliant with the debt covenants. Furthermore, the objective is to ensure full compliance with financial and non-financial reporting laws and regulations.					

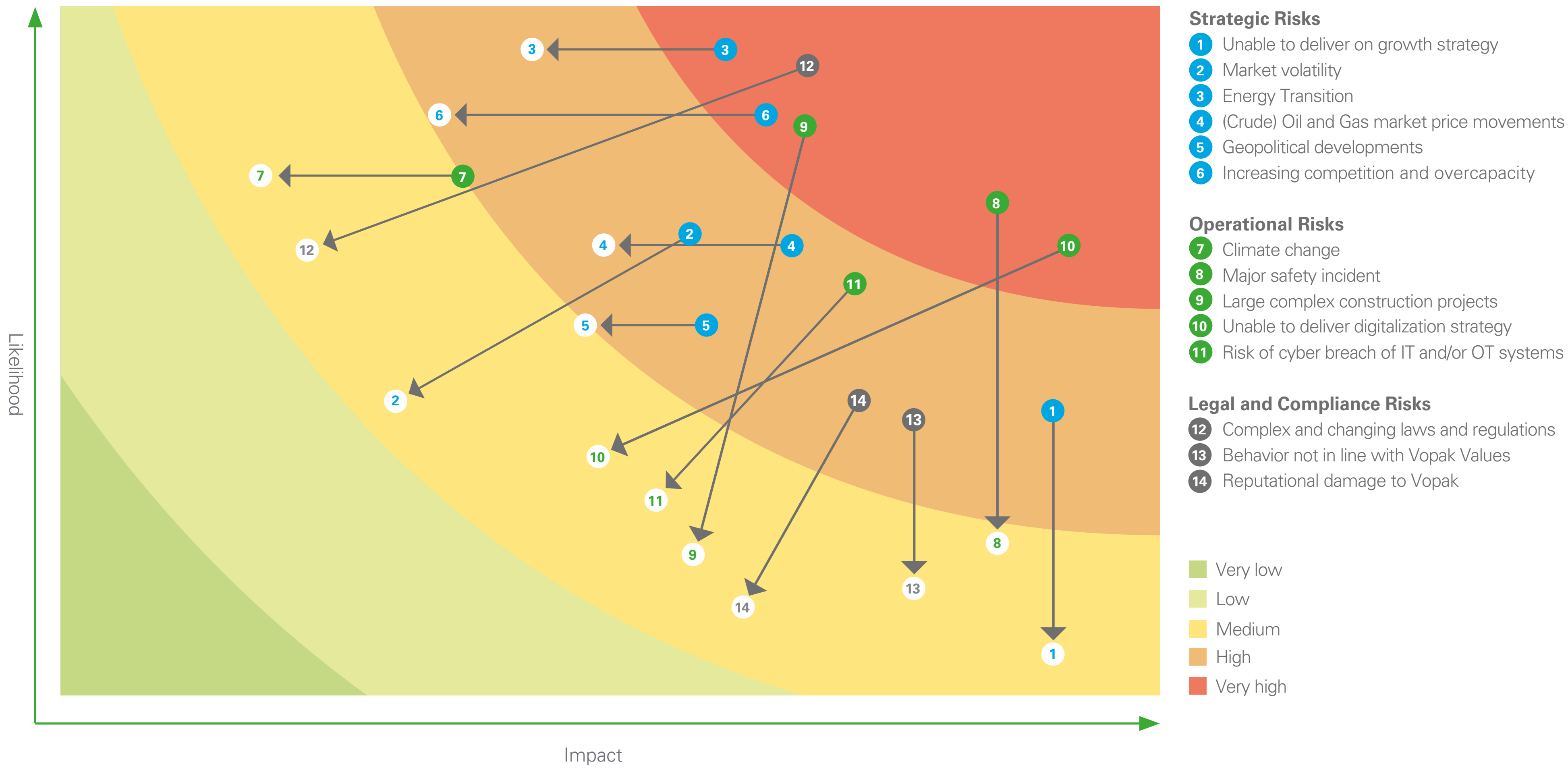
Our principal risks and uncertainties and how we mitigate these

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. Reputational damage, as a result of increased awareness and attention to topics such as sustainability, climate change and societal developments, is considered an additional principal risk compared to last year.

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.

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



Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Strategic risks

Risk	Risk description	Risk appetite	Mitigating actions	Development
1	**Unable to deliver on our growth strategy** Achieving our strategic goals could be prevented by: • 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.	**Low to high**	**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** • Dedicated Divisional Business Development Teams supported by the Global Commercial and Business Development. • Growth Funnel Execution Focus • Relationship programs with customers, port authorities and other potential partners for growth projects. • Insitlling 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	**Market volatility resulting in changing product flows with, in some circumstances, unprecedented speed of market change.** Changing industry market dynamics leading to structural changes in product flows and increased volatility which are not adequately addressed timely by the company.	**Low to high**	**Successful execution of our strategy, while maintaining a diversified global terminal network based on clear strategic criteria for certain product/ market combinations.** 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 gases.	➡
3	**Energy Transition brings both opportunities and uncertainties.** The speed and precise direction of the energy transition is not fully known. However, it is clear that this development impacts global products flows: • 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 and overall negative sentiment towards fossil fuel usage. This can for example have a negative impact on recruitment possibilities as potential employees may inappropriately consider the company a pure fossil fuel player.	**Low** (legislation and infrastructure protection) **to high** (opportunities and adapting to changing market needs)	**Strategic assessment program takes into account the long-term impact of the energy transition.** 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: • Emphasising the company as logistics service provider of vital products for end-consumer use demonstrating a broad product base. • Gaining experience with new energy sources such as hydrogen and solar energy. • 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 COP25) and development of other international and national agreements • Sustainability being 'top of mind' in many decisions being made by the company. Effective monitoring of: • Existing and changing compliance requirements in place and follow up of requirements as necessary. • Need for reinforcements of infrastructure against adverse weather and climate induced conditions and leverage of Global expertise and technical knowledge for optimal cost-effective solutions.	➡

Risk	Risk description	Risk appetite	Mitigating actions	Development
4	**Exposure to (crude) oil and gas market price developments leading to risks and opportunities** 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.	**Low to high**	**Continued focused strategy execution** 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. Updating our terminal portfolio based on the strategic criteria, shifting our portfolio further towards industrial terminals, chemicals, LNG, LPG and chemical gases.	
5	**Geopolitical developments, unpredictable by nature, continue to present challenges to our business going forward in both emerging and non-emerging markets.** 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 Government's stance towards energy programs.	**Low to medium**	**The well-diversified global terminal network of Vopak supports different market/product combinations, reducing dependency of locations and products.** In seeking growth opportunities, Vopak avoidings 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. The diversified terminal portfolio of the Group prevents that adverse geopolitical developments in a specific region has a significant undue effect on the group.	
6	**Increasing competition and overcapacity can affect our market position and earnings potential** Increasing competition (increased storage capacity constructed by existing and new competitors) puts pressure on our occupancy rates, pricing and contract durations. The extent varies per location.	**Low to medium**	**Service Leadership and Operational Leadership are cornerstones of our competitive position.** 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. 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. The successful realization of the cost-efficiency program in the 2017-2019 period reduced Vopak's future cost base. In addition, continuous assessment whether highest value can be realized via either divestment or continued operation of the terminal within the Vopak network. Increasing digitization (MOVES) moving to real-time data to improve service performance and cost efficiency. Dedicated program to invest in innovation and new technologies adding to service and operational leadership offering.	

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk and compliance
Financial Statements
Additional information

Operational risks

Risk	Risk description	Risk appetite	Mitigating actions	Development
7	**Climate Change: a global issue presenting both risks and opportunities for Vopak.** 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).	Low to high	**Vopak has embraced and embedded the TCFD framework in its process to create awareness and assess exposures and developments.** 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. This has for example led to enhanced investments in flood protection.	→
8	**Occurrence of a major personal and/or process safety incident and environmental risk.** 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. Indicidents expose the company to potential liabilities and will most likely have an adverse effect on the company's reputation.	Very low	**Safety is our highest priority.** Within Vopak, we have continuous attention to ensuring our safety culture is at the required high level, through every level of the organisation. 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. We have an Annual Audit Plan, Trust and Verify program, Assure program and Behavioral Safety Reviews in place to safeguard adherence to the required safety and quality standards.	→
9	**Large complex construction projects, not delivered timely, within budget or with the required quality.** 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.	Low	**Vopak Project Management standard for mandatory application to all projects that fit within the criteria for its usage.** 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.	→
10	**Unable to deliver digitalization strategy** 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.	Low	**Dedicated approach and governance structure for program management in place for MOVES with full Senior Leadership Focus.** 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 digitalization requires. Full Business Impact Analysis has taken place at each location prior to the roll-out. A robust project management approach is applied and governance in place ensuring sufficient attention given to the needs of legacy systems.	→
11	**Risk of cyber breach of our IT and/or OT systems.** 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.	Low	**Cyber security is a 'top of mind' priority within Vopak.** 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. The IT/OT conversion, for which clear accountability and responsibilities are defined, is centrally managed by the Global Director IT and is supported by Global function Operations, Divisions and Operating Companies.	→

Legal and compliance risks

Risk	Risk description	Risk appetite	Mitigating actions	Development
12	**Complex and changing laws and regulations can negatively impact being Business, Operational and Environmental compliant** 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. More stringent demands on environmental requirements as required by our permits may lead to additional sustaining capex investments.	**Very low**	**Operating and Business compliance is non-negotiable** Terminal management is primarily responsible for maintaining a robust general and permit compliance program. Division/Global supports and involvement of external specialists are used when unclear. Operating permit compliance is being monitored at various levels within the company and is a critical element of Vopak's Global Assure program. Permit status is considered a critical path in all project development activity and is actively monitored through Steering Committees. 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.	→
13	**Behavior not in line with Vopak values** 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.	**Very low**	**Clear guidance on culture, values and behavior for every employee** 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. Whistleblower rules are available globally for all terminals. All whistleblower cases are followed up and investigated in line with Vopak's policies.	→
14	**Reputational damage to Vopak as a brand, company and employer.** 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,	**Very low**	**Vopak is very much aware of its social responsibility, role and involvement in today's society.** It is Vopak's responsibility to do what is reasonably possible to maximize our contribution 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	↑

Other general (inherent) risks not considered principal risks

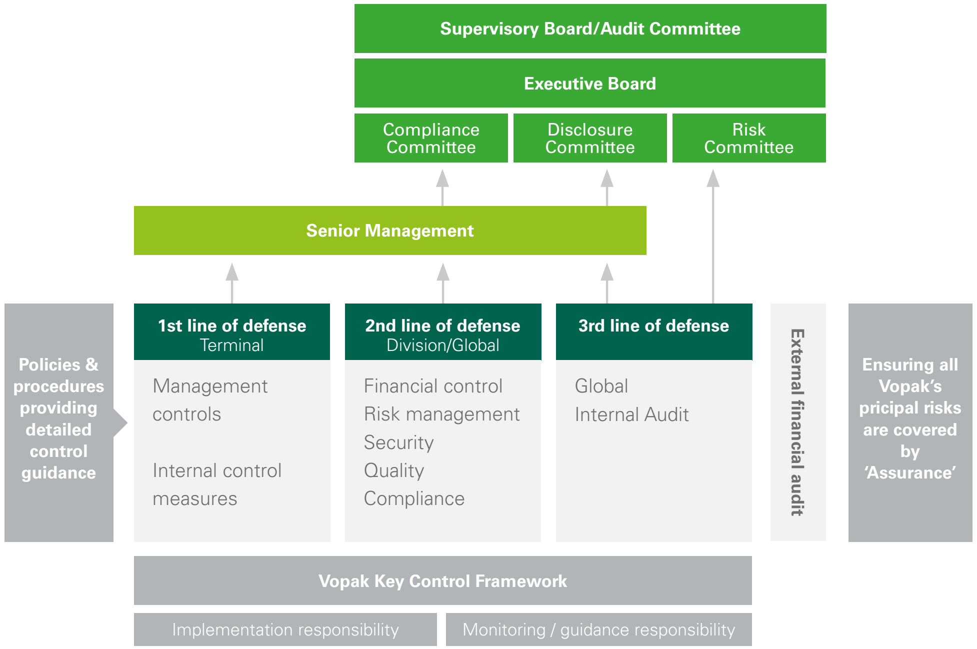
Strategic theme	Description
Foreign Exchange	As a globally-operated company, Vopak is confronted with money flows that are not in its functional (Euro) currency. Operating globally provides an extent of 'natural hedging' but foreign exchange exposure risk exists. This risk is continuously reviewed and 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 2019. 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.

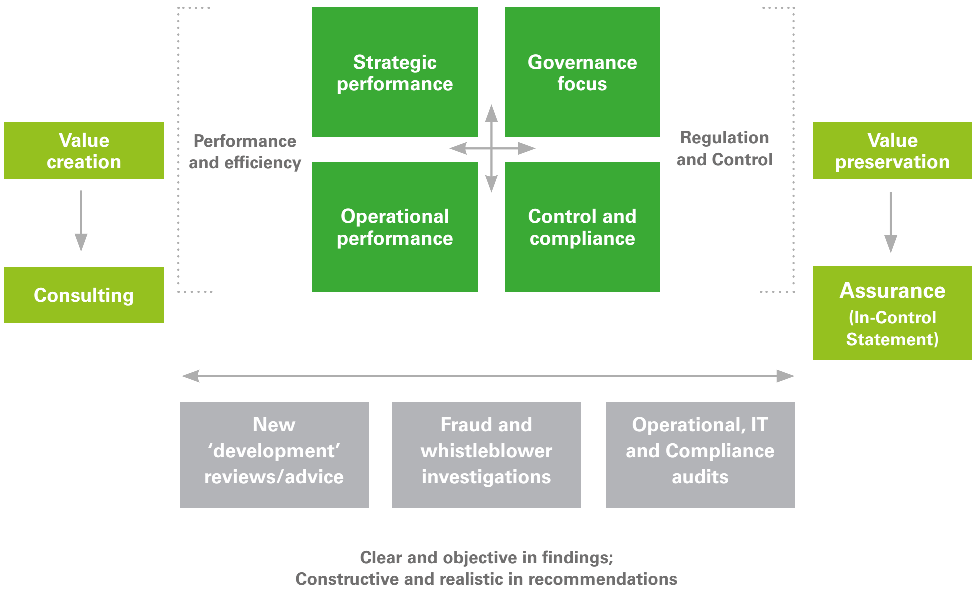
Management Review Cycle

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.

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.

Shareholder information

In EUR	2019	2018
Share price start of the year	39.12	36.74
Highest share price	51.96	44.88
Average closing share price	43.77	40.03
Lowest share price	36.05	32.94
Share price at year-end	48.33	39.68
Free float	52%	52%
Average number of shares traded per day	319,733	383,574
Market capitalization at year-end (in EUR billion)	6.2	5.1

Share price movement in 2019

In %

Investor Relations

Vopak is transparent and non-discriminatory in disclosing information to investors and other stakeholders. A separate agreement on information sharing has been concluded with our major shareholder HAL Holding N.V. We refer to note 7.3 of the Consolidated Financial Statements for more information. Our objective is to provide information to stakeholders about developments at Vopak and to ensure that this information is equally and simultaneously accessible to all parties. Information is disclosed through annual and half-year reports, interim updates, press releases and presentations, which are all available on the Vopak website.

Members of the Executive Board, together with the Investor Relations team, held more than 250 meetings with shareholders, as well as interested investors during 2019, including (reverse) roadshows, conferences, and telephone calls. Vopak held press conferences in connection with the publication of its annual results and half-year results and organized a meeting with financial analysts following the publication of the annual results. The publication of the quarterly results was followed by a telephone conference with analysts. These sessions could be attended via the company's website via audio webcast. Information presented at these meetings was also published on the company's website. Vopak complies with the rules and regulations of the Dutch Financial Markets Authority (AFM) and International Financial Reporting Standards (IFRS), as endorsed by the European Union, in all its publications.

Information per ordinary share of EUR 0.50

In EUR	2019	2018
Basic earnings	4.47	1.99
Basic earnings -excluding exceptional items-	2.80	2.27
Diluted earnings	4.46	1.99
Diltuted earnings -excluding exceptional items-	2.80	2.27
Equity attributable to holders of ordinary shares	23.88	21.01
Dividend (proposal)	1.15	1.10
Payout ratio -excluding exceptional items-	41%	48%

Shares outstanding

	2019	2018
Basic weighted average number of ordinary shares	127,637,900	127,659,039
Weighted average number of ordinary shares including dilutive effect	127,983,107	127,782,646
Total number of shares outstanding (including treasury shares end of period)	**127,835,430**	**127,835,430**
Treasury shares end of period	209,984	170.597
Total voting rights at year-end	**127,625,446**	**127.664.833**

Share price movement last 10 years
In EUR

Stock exchange listing

Vopak shares are listed on the Euronext stock exchange in Amsterdam, the Netherlands, and Vopak is a constituent of the Amsterdam Exchange Index (AEX), ticker symbol VPK (ISIN no. NL0009432491). Options on Vopak shares are also traded on Euronext Amsterdam.

Silent periods

Silent periods are the periods prior to the publication of financial results. In principle, no meetings are held with and no presentations are given to financial analysts and investors during this period. No other communication with analysts and investors takes place unless it relates to the factual clarification of previously disclosed information. The length of the silent period is four weeks prior to full-year results (and the publication of the Annual Report), the half-year results and Q1 and Q3 interim updates.

Bilateral contracts

Vopak may engage in bilateral contacts with existing and potential shareholders. The main objective would be to explain Vopak's strategy and operational performance and answer questions. Vopak takes the Dutch Corporate Governance Code (December 2016) into account when engaging in bilateral contacts with shareholders.

The following guidelines apply:

- A dialogue with shareholders outside the context of a formal shareholders' meeting can be useful for both investors and Vopak
- Vopak reserves the right to determine, at its sole discretion, whether it will accept invitations from shareholders, or parties representing shareholders, to engage in such a dialogue. Vopak may ask for further clarification of the views, aims and investment objectives of such shareholders before accepting or rejecting an invitation to engage in dialogue outside the context of a formal shareholders' meeting
- Vopak communicates as openly as possible to maximize transparency
- Responses to third-party publications, such as analyst reports or draft reports, are only given by referring to public information and published guidance. Comments on these reports are given only with regard to incorrect factual information
- Vopak's contacts with investors and sell-side analysts shall, at all times, comply with the applicable rules and regulations, in particular those concerning selective disclosure, price sensitive information and equal treatment.

Dividend policy

Vopak targets to pay an annual stable to rising cash dividend in balance with a management view on a payout ratio range of 25-75% of the net profit excluding exceptional items attributable to holders of ordinary shares and subject to market circumstances.

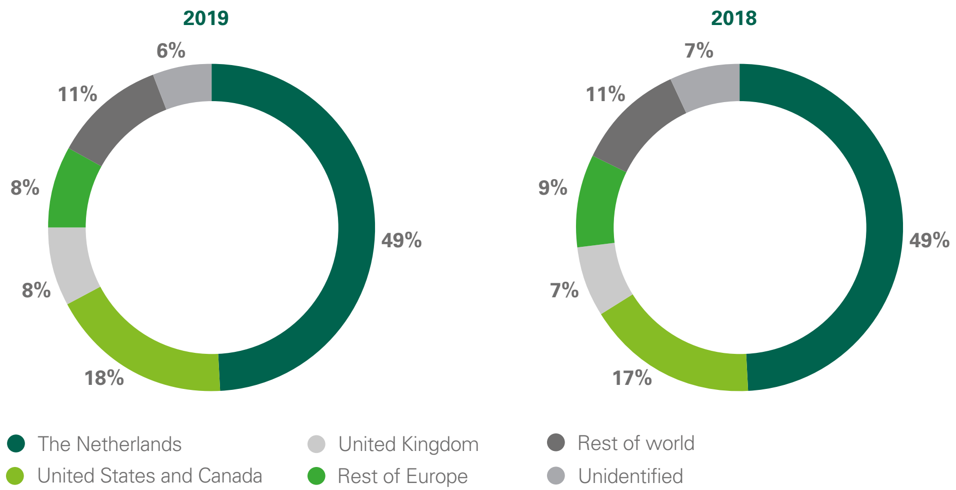
The net profit excluding exceptional items that forms the basis for dividends to be declared may be adjusted, for instance, for the financial effects of one-off events, such as changes in accounting policies, acquisitions and divestments.

Royal Vopak shareholders

Pursuant to the Financial Supervision Act, a shareholding of 3% or more in a Dutch company must be disclosed. Vopak has received the following notifications concerning such holdings of shares as at 11 February 2020.

	Ordinary shareholdings	Date of notification
HAL trust	48.15%	01/01/2015
Maple-Brown Abbott	>3.00%	10/10/2017
Magellan Asset Management Ltd	>3.00%	13/06/2019
BlackRock, Inc	>3.00%	19/11/2019

Geographical distribution of holders of ordinary shares outstanding



Financial calendar

21 April 2020	Publication of 2020 first-quarter interim update
21 April 2020	Annual General Meeting
23 April 2020	Ex-dividend quotation
24 April 2020	Dividend record rate
29 April 2020	Dividend payment date
29 July 2020	Publication of 2020 half-year results
6 November 2020	Publication of 2020 third-quarter interim update
17 February 2021	Publication of 2020 full-year results

Connecting with young people in Alemoa

Since Vopak's project kicked off in 2018, colleagues at the Alemoa terminal have organized a range of activities including soccer, cultural events and lectures on health topics. The project is helping empower young people, and reinvigorating the community as a whole.

Empowering young people in local communities

We work safely – or we don't work at all

Global SHE Day 2019

Our number one priority is safety, and every year we come together with colleagues, contractors and stakeholders to celebrate our Global SHE Day, raising awareness for Safety, Health and Environment at our terminals. The Day gives us a perfect opportunity to highlight the importance of maintaining a safe working environment at all Vopak facilities.

Financial Statements

Financial Statements and notes

Consolidated Financial Statements

Consolidated Statement of Income

In EUR millions	Note	2019	2018
Revenues	2.3	1,252.6	1,254.5
Other operating income	2.4	276.5	31.9
Total operating income		**1,529.1**	**1,286.4**
Personnel expenses	2.5	347.0	317.2
Depreciation and amortization	3.7	290.7	273.1
Impairment	3.8	17.2	-2.3
Other operating expenses	2.6	288.2	330.6
Total operating expenses		**943.1**	**918.6**
Operating profit		**586.0**	**367.8**
Result joint ventures and associates	2.7	161.8	113.9
Group operating profit (EBIT)		**747.8**	**481.7**
Interest and dividend income	5.6	8.8	9.4
Finance costs	5.6	-94.5	-142.0
Net finance costs		**-85.7**	**-132.6**
Profit before income tax		**662.1**	**349.1**
Income tax	8.1	-58.3	-58.6
Net profit		**603.8**	**290.5**
Net profit attributable to non-controlling interests	5.4	-32.8	-36.0
Net profit attributable to holders of ordinary shares		**571.0**	**254.5**
Basic earnings per ordinary share (in EUR)	9.1	**4.47**	**1.99**
Diluted earnings per ordinary share (in EUR)	9.1	**4.46**	**1.99**

Consolidated Statement of Comprehensive Income

In EUR millions	Note	2019	2018
Net profit		**603.8**	**290.5**
Exchange differences on translation of foreign operations	5.2, 5.4	47.2	17.5
Net investment hedges	5.2	-13.3	-22.7
Use of exchange rate differences on translation of foreign operations and use of net investment hedges	5.2, 5.4	-12.2	52.9
Effective portion of changes in fair value of cash flow hedges	5.2, 5.4	10.0	14.0
Use of effective portion of cash flow hedges to statement of income	5.2	-2.6	-2.1
Share in other comprehensive income of joint ventures and associates	3.5, 5.2	-14.9	-2.1
Other comprehensive income that may be reclassified to statement of income in subsequent periods		**14.2**	**57.5**
Fair value change other investments	5.2, 9.6	9.1	9.4
Remeasurement of defined benefit plans	5.3, 9.4	-5.5	15.5
Other comprehensive income that will not be reclassified to statement of income in subsequent periods		**3.6**	**24.9**
Other comprehensive income, net of tax		**17.8**	**82.4**
Total comprehensive income		**621.6**	**372.9**
Attributable to:			
Holders of ordinary shares		584.5	334.8
Non-controlling interests		37.1	38.1
Total comprehensive income		**621.6**	**372.9**

Items are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 8.1.

Consolidated Statement of Financial Position

In EUR millions	Note	31-Dec-19	31-Dec-18
ASSETS			
Intangible assets	3.2	164.8	155.9
Property, Plant & Equipment - owned assets	3.3	3,640.8	3,736.3
Property, Plant & Equipment - right-of-use assets	3.4	503.0	–
- Joint ventures and associates	3.5	1,272.8	1,081.7
- Finance lease receivables	9.2	28.5	27.9
- Loans granted	9.2	86.7	25.1
- Other financial assets	9.6	30.1	11.2
Financial assets		1,418.1	1,145.9
Deferred taxes	8.2	30.8	7.6
Derivative financial instruments	6.2	19.4	23.4
Other non-current assets	9.3	6.3	23.8
Total non-current assets		**5,783.2**	**5,092.9**
Trade and other receivables	4.2	296.1	288.9
Prepayments		27.3	27.2
Derivative financial instruments	6.2	28.5	28.4
Cash and cash equivalents	5.5	94.5	77.5
Assets held for sale	3.6	143.9	–
Total current assets		**590.3**	**422.0**
Total assets		**6,373.5**	**5,514.9**

In EUR millions	Note	31-Dec-19	31-Dec-18
EQUITY			
- Issued capital	5.1	63.9	63.9
- Share premium	5.1	194.4	194.4
- Treasury shares	5.1	-8.9	-7.3
- Other reserves	5.2	-105.9	-124.5
- Retained earnings	5.3	2,903.8	2,556.3
Equity attributable to owners of parent		**3,047.3**	**2,682.8**
Non-controlling interests	5.4	147.8	161.5
Total equity		**3,195.1**	**2,844.3**
LIABILITIES			
Interest-bearing loans	5.5	1,394.5	1,731.1
Lease liabilities	5.5	534.7	–
Derivative financial instruments	6.2	–	19.5
Pensions and other employee benefits	9.4	42.4	49.4
Deferred taxes	8.2	181.5	207.7
Provisions	9.5	35.9	32.0
Other non-current liabilities		20.8	20.5
Total non-current liabilities		**2,209.8**	**2,060.2**
Bank overdrafts and short-term borrowings	5.5	184.5	81.9
Interest-bearing loans	5.5	285.9	89.5
Lease liabilities	5.5	30.2	–
Derivative financial instruments	6.2	38.3	22.6
Trade and other payables	4.3	344.1	338.6
Taxes payable		42.1	47.0
Pensions and other employee benefits	9.4	1.3	1.3
Provisions	9.5	24.2	29.5
Liabilities related to assets held for sale	3.6	18.0	–
Total current liabilities		**968.6**	**610.4**
Total liabilities		**3,178.4**	**2,670.6**
Total equity and liabilities		**6,373.5**	**5,514.9**

Consolidated Statement of Changes in Equity

In EUR millions	Note	Equity attributable to owners of parent							
		Issued capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017		**63.9**	**194.4**	**-8.0**	**-189.3**	**2,419.0**	**2,480.0**	**155.9**	**2,635.9**
Net profit		–	–	–	–	254.5	254.5	36.0	290.5
Other comprehensive income, net of tax		–	–	–	64.8	15.5	80.3	2.1	82.4
Total comprehensive income		**–**	**–**	**–**	**64.8**	**270.0**	**334.8**	**38.1**	**372.9**
Dividend paid in cash	5.3, 5.4	–	–	–	–	-134.0	-134.0	-37.6	-171.6
Capital injection	5.4	–	–	–	–	–	–	5.1	5.1
Measurement of equity-settled share-based payment arrangements	5.3, 7.2	–	–	–	–	2.0	2.0	–	2.0
Vested shares under equity-settled share-based payment arrangements	5.3, 7.2	–	–	0.7	–	-0.7	–	–	–
Total transactions with owners		**–**	**–**	**0.7**	**–**	**-132.7**	**-132.0**	**-32.5**	**-164.5**
Balance at 31 December 2018		**63.9**	**194.4**	**-7.3**	**-124.5**	**2,556.3**	**2,682.8**	**161.5**	**2,844.3**
Initial application IFRS 16		–	–	–	–	-85.1	-85.1	-9.4	-94.5
Balance at 1 January 2019		**63.9**	**194.4**	**-7.3**	**-124.5**	**2,471.2**	**2,597.7**	**152.1**	**2,749.8**
Net profit		–	–	–	–	571.0	571.0	32.8	603.8
Other comprehensive income, net of tax		–	–	–	18.6	-5.5	13.1	4.7	17.8
Total comprehensive income		**–**	**–**	**–**	**18.6**	**565.5**	**584.1**	**37.5**	**621.6**
Dividend paid in cash	5.3, 5.4	–	–	–	–	-140.5	-140.5	-38.8	-179.3
Capital injection	5.4	–	–	–	–	–	–	4.1	4.1
Transaction with non-controlling interests	5.4	–	–	–	–	–	–	-9.0	-9.0
Step-acquisition subsidiaries	5.4	–	–	–	–	–	–	1.9	1.9
Purchase treasury shares	5.1	–	–	-2.6	–	–	-2.6	–	-2.6
Measurement of equity-settled share-based payment arrangements	5.3, 7.2	–	–	–	–	8.6	8.6	–	8.6
Vested shares under equity-settled share-based payment arrangements	5.3, 7.2	–	–	1.0	–	-1.0	–	–	–
Total transactions with owners		**–**	**–**	**-1.6**	**–**	**-132.9**	**-134.5**	**-41.8**	**-176.3**
Balance at 31 December 2019		**63.9**	**194.4**	**-8.9**	**-105.9**	**2,903.8**	**3,047.3**	**147.8**	**3,195.1**

Consolidated Statement of Cash Flows

In EUR millions	Note	2019	2018
Cash flows from operating activities (gross)	2.9	**709.7**	**687.0**
Interest received	5.6	5.6	4.1
Dividend received	5.6	2.4	0.9
Income tax paid		-71.2	-52.4
Cash flows from operating activities (net)		**646.5**	**639.6**
Investments:			
Intangible assets	3.2	-29.5	-20.7
Property, plant and equipment - growth capex	3.3	-319.4	-259.2
Property, plant and equipment - sustaining, service improvement and IT capex	3.3	-270.3	-244.8
Joint ventures, associates and other equity investments	3.5	-75.6	-48.0
Loans granted	9.2	-8.6	-7.5
Other non-current assets		-0.4	-0.1
Acquisitions of subsidiaries, including goodwill	3.1	1.9	–
Acquisitions of joint ventures and associates	3.5	-104.8	-33.8
Total investments		**-806.7**	**-614.1**
Disposals and repayments:			
Intangible assets	3.2	0.1	–
Property, plant and equipment	3.3	4.0	0.8
Joint ventures and associates	3.5	28.6	23.9
Loans granted	9.2	2.0	8.9
Finance lease receivable	9.2	4.9	4.7
Assets held for sale/divestments	3.1	521.3	–
Total disposals and repayments		**560.9**	**38.3**
Cash flows from investing activities (excluding derivatives)		**-245.8**	**-575.8**
Settlement of derivatives (net investment hedges)		-10.3	-13.6
Cash flows from investing activities (including derivatives)		**-256.1**	**-589.4**

In EUR millions	Note	2019	2018
Financing:			
Repayment from interest-bearing loans	5.5	-797.7	-86.5
Proceeds from interest-bearing loans	5.5	640.1	286.5
Repayment lease liabilities	3.4	-30.7	–
Interest expenses paid on lease liabilities	3.4	-22.4	–
Finance costs paid		-89.5	-90.5
Settlement of derivative financial instruments		12.7	-19.5
Dividend paid in cash	5.3	-140.5	-134.0
Dividend paid to non-controlling interests	5.4	-38.8	-37.6
Transactions with non-controlling interest	5.4	-4.9	5.1
Purchase treasury shares	5.1	-2.6	–
Proceeds and repayments in short-term financing		119.0	-21.0
Cash flows from financing activities		**-355.3**	**-97.5**
Net cash flows		**35.1**	**-47.3**
Exchange differences		0.8	-0.6
Net change in cash and cash equivalents due to deconsolidation		–	-0.4
Net change in cash and cash equivalents due to assets held for sale		-2.5	–
Net change in cash and cash equivalents (including bank overdrafts)		**33.4**	**-48.3**
Net cash and cash equivalents at 1 January (including bank overdrafts)		**54.6**	**102.9**
Net cash and cash equivalents at 31 December (including bank overdrafts)		**88.0**	**54.6**

Section 1 Basis of preparation

Taking into account the characteristics of Vopak's business and business model, the notes to the financial statements have been grouped into eight thematic sections rather than in consecutive order based on line items in the Consolidated primary statements. Each note in a section starts with the Group's accounting policies as well as the critical accounting estimates and judgments made.

This section contains the disclosures relevant for understanding the basis of preparation of the Consolidated financial statements:

- Reporting entity
- Statement of compliance
- Functional and presentation currency
- Basis of measurement
- Changes in accounting policies for 2019
- Going concern
- Basis of consolidation
- Foreign currency translation
- Accounting policies, not attributable to a specific section
- Use of key accounting estimates and judgments

Note 1.1 Basis of preparation

Reporting entity

Koninklijke Vopak N.V. (Royal Vopak) has its registered office in Rotterdam (the Netherlands). Vopak is listed on the Euronext Amsterdam. The Consolidated financial statements of the company for the year ending on 31 December 2019 contain the financial figures of the company and its subsidiaries (jointly referred to as the 'Group'), as well as the interests of the Group in joint ventures and associates.

Vopak is the world's leading independent tank storage provider, specialized in the storage and handling of liquid chemicals, gases and oil products.

Statement of compliance

The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable. The accounting policies based on IFRS, as described in this section, have been applied consistently for the years presented by all entities. There were no material changes in the accounting policies applied compared to the previous year, except as disclosed hereafter.

The financial statements were prepared by the Executive Board and approved by the Supervisory Board on 11 February 2020 and are subject to adoption by the shareholders during the Annual General Meeting.

Functional and presentation currency

The Consolidated financial statements are presented in euros (EUR), which is the functional and presentation currency of the Vopak Group. All amounts are presented in EUR million and have been rounded to the nearest EUR 100k, unless otherwise stated.

Basis of measurement

The Consolidated financial statements are based on the historical cost basis except for the following assets and liabilities, which are measured at fair value: derivative financial instruments, other financial assets (measured at fair value through other comprehensive income), assets held for sale (when measured at fair value less cost of disposal) and defined benefit pension plans (plan assets measured at fair value).

Changes in accounting policies for 2019

The applied accounting principles adopted in the preparation of the Consolidated financial statements are consistent with those described in Vopak's 2018 Annual Report, except for the following:

Interest Rate Benchmark Reform

The Group has early adopted the Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 as published by the IASB in September 2019 and endorsed by the EU on 15 January 2020.

IFRS 16 - Leases

Introduction

The Group applied IFRS 16 'Leases' as per 1 January 2019. It resulted in a situation where almost all leases are recognized on the balance sheet, as the distinction between operating and finance leases was removed for lessees. Under the new standard, a lease asset (the right to use the leased item) and a financial lease liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The application of IFRS 16 has no economic and/or cash impact on the Group. The new standard does impact the classification of expenditures and cash flows, while at the same time it also impacts the timing of recognition of expenses and their classification in the income statement. Expenses related to leases previously classified as operating leases are for the larger part presented as Depreciation and amortization (part of Group operating profit) and Finance costs. Furthermore, payments related to leases previously classified as operating leases are for the largest part presented under Cash flows from financing activities instead of Cash flows from operating activities.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting. It was concluded that in most cases the services that Vopak provides to its customers do not contain a lease due to the absence of an identified asset. As the definition of a lease under IFRS 16 is substantially the same as under the previous lease standard IAS 17, this conclusion is the same under both standards. As such, Vopak does not act as a lessor for most contracts in line with the previous accounting treatment.

Financial effects of initial application

The effects on the Statement of Financial Position of applying this new standard as per 1 January 2019 and the effects on the Statement of Cash Flows for the period are disclosed in the table below:

In EUR millions		1-Jan-19
Assets:		
Property, plant and equipment - owned assets	3.3	-21.5
Property, plant and equipment - right-of-use assets	3.4	613.5
Joint ventures and associates[1]	3.5	-32.2
Non-current assets	9.3	-17.5
Deferred tax assets	8.2	4.3
Total Assets		**546.6**
Liabilities:		
Interest-bearing loans	5.5	23.1
Lease liabilities	5.5	-677.6
Deferred tax liabilities	8.2	11.7
Other provisions	9.5	1.7
Total Liabilities		**-641.1**
Equity:		
Retained earnings	5.3	85.1
Non-controlling interest	5.4	9.4
Total Equity		**94.5**

In EUR millions	2019
Statement of Cash flows:	
Operating cash flows	53.1
Financing cash flows	-53.1
	–

1 Figures were updated primarily as a result of the completion of the purchase price allocations for the acquired associates, since earlier disclosure per half-year 2019.

IFRS 16 has a material effect on the financial results and financial position, as the Group has a large portfolio of long-term land leases and leases of other non-current assets. The application of IFRS 16 has no effect on the debt covenants of the Group as the related ratios are based on the accounting policies that were applicable on the date of entering into the debt agreements ('frozen GAAP').

Comparison with prior year

In addition, in order to allow comparison of the 2019 results with previous years Vopak provides on a voluntary basis 'pro forma excluding IFRS 16 effects results', where the cash expenditures for the period for the former operating leases are recognized as operating expenses while the depreciation on the 'right-of-use assets (leased assets)' and the interest expenses on the lease liabilities are eliminated, resulting in an accounting treatment similar (but not equal) to the lease accounting treatment in previous years. The pro forma results are disclosed in the segmentation in note 2.1 and in the Management Report earlier in this report.

Initial application approach

In applying IFRS 16, the Group has elected to apply the modified retrospective approach where the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings on 1 January 2019. The comparative information was not restated. For the largest land lease contracts, the carrying amount of the leased assets were calculated as if IFRS 16 had been applied since the commencement date, while applying the incremental borrowing rate as at 1 January 2019. For all other lease contracts the carrying value of the 'leased assets' was determined at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments that were recognized in the consolidated balance sheet immediately before the date of initial application.

Furthermore, the Group has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group has therefore not applied the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

At initial application, the Group has elected to make use of the exemptions on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value (e.g. computers, printing and photocopying machines, furniture and communication equipment).

The table below provides a reconciliation between the operating lease commitments as disclosed in note 9.6 of the 2018 Annual Report and the lease liability that was recognized in the Consolidated statement of financial position of the Group at 1 January 2019, the date of initial application of IFRS 16.

In EUR millions	
Operating lease commitments disclosed as at 31 December 2018	**992.8**
-/- Short-term leases[1]	-3.2
-/- Low-value leases	-2.6
-/- Effect of discounting by using the incremental borrowing rate	-332.5
Increase in lease liabilities resulting from initial application of IFRS 16	**654.5**
+/+ Finance lease liabilities recognized as at 31 December 2018	23.1
Lease liability recognized as at 1 January 2019	**677.6**

1 The short-term leases contained an amount of EUR 3.1 million related to expired lease contracts which were in the process of being renegotiated.

The weighted average incremental borrowing rate applied to the lease liabilities (including those classified as held for sale) recognized at the initial application date of 1 January 2019 was 3.6%. The remaining weighted average lease term was 25.6 year at this date.

The accounting policies and regular disclosures required by the new standard can be found in note 3.4.

Several IFRS amendments apply for the first time in 2019; however, these do not materially impact the Group's Consolidated financial statements.

For an overview of the estimated effect of issued, but not yet effective new and amended IFRS standards and IFRICs on the Vopak Group, reference is made to note 9.10.

Going concern

The Executive Board has assessed the going-concern assumptions, during the preparation of the Group's Consolidated financial statements. The Executive Board believes that no events or conditions give rise to doubt about the ability of the Group to continue in operation in the next reporting period. This conclusion is drawn based on knowledge of the Group, the estimated economic outlook and identified risks and uncertainties in relation thereto. Furthermore, this conclusion is based on a review of the budget for the next financial year, including expected developments in liquidity and capital, current credit facilities available including contractual and expected maturities and covenants. Consequently, it has been concluded that it is reasonable to apply the going-concern concept as the underlying assumption for the financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Vopak controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated financial statements from the date on which control commences until the date on which control ceases, using consistent accounting policies.

Non-controlling interests in equity and in results are presented separately. Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with shareholders. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net asset of the subsidiary is recorded directly in equity. Gains or losses on disposals of non-controlling interests are also recorded directly in equity.

Upon initial recognition, a non-controlling interest is measured either at its proportionate interest in the fair value of the net assets acquired or full fair value, which is elected on a transaction-by-transaction basis.

The Group's interests in equity-accounted investees comprise interests in joint ventures and associates.

A ***joint venture*** is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates are entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies.

Upon ***loss of control***, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income are reclassified to the income statement.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Transactions eliminated on consolidation: all inter-company balances and transactions, including unrealized gains and losses on transactions, are eliminated on consolidation. Unrealized gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the equity. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

For a list of the principal subsidiaries, joint ventures and associates, reference is made to note 9.11 of this report.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Foreign currency transactions are translated into the functional currency using the exchange rate at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in other comprehensive income as qualifying cash flow hedges or net investment hedges.

Upon consolidation, the assets and liabilities of non-Euro entities, including goodwill and fair value adjustments at the time of the acquisition, are translated into euros at the year-end rates of exchange (closing exchange rates). The items of the statement of income of foreign activities are translated at the average exchange rates for the reporting period. The resulting translation differences of the net investments in foreign operations are recognized as foreign currency translation reserve (translation reserve) in other comprehensive income. The same applies to exchange differences arising from loans drawn and other financial instruments to the extent that these hedge the currency risk related to the net investment.

Upon disposal of all or part of an interest in an entity, or upon liquidation of an entity, cumulative currency translation differences related to that entity are recognized in the income statement. When the Group disposes of only part of its interest in a subsidiary with a foreign operation, while retaining control, the relevant portion of the cumulative amount is not transferred to profit or loss but reattributed to non-controlling interests. Upon disposal of a foreign activity with a non-controlling interest, the cumulative amount relating to the non-controlling interests shall be derecognized, but shall not be reclassified to profit or loss. A share capital or share premium distribution by an entity is not considered to be a partial disposal when the Group retains its relative legal share in the entity.

The following main exchange rates are used in the financial statements:

	Closing exchange rate		Average exchange rate	
EUR 1.00 is equivalent to	2019	2018	2019	2018
US dollar	1.12	1.14	1.12	1.18
Singapore dollar	1.51	1.56	1.53	1.59
Chinese yuan	7.83	7.87	7.73	7.81
Australian dollar	1.60	1.62	1.61	1.58
Brazilian real	4.50	4.43	4.42	4.31

Accounting policies, not attributable to a specific section

The Group's significant accounting policies are described in the relevant individual notes to the Consolidated financial statements or otherwise stated below. A list of the notes is shown in the table of contents preceding the financial statements.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Cash flow statement

The cash flow statement is prepared based on the indirect method. Cash flows denominated in foreign currencies are translated at average exchange rates. Exchange and translation gains and losses on cash and cash equivalents (including current liabilities arising from short-term credit facilities) are presented separately.

The Consolidated statement of cash flows shows the Group's cash flows from operating, investing and financing activities for the year.

Use of key accounting estimates and judgments

Preparing the Consolidated financial statements means that the Group must use insights, estimates and assumptions that could affect the reported assets and liabilities and the information provided on contingent assets and liabilities as at the statement of financial position date as well as the reported income and expenses. The actual results may ultimately differ from these estimates. The estimates and the underlying assumptions are reviewed on a regular basis. Adjustments are made in the period in which the estimates were reviewed if the adjustment affects that period, or in the relevant period and the future periods if the adjustment affects both current and future periods.

Management insights, estimates and assumptions that could have a significant impact on the financial statements are:

- The lease term of our land lease contracts (note 3.4)
- Assets held for sale (note 3.6)
- Useful life and residual value of property, plant and equipment (note 3.7)
- Impairment tests (note 3.8)
- Derivative financial instruments (note 6.2)
- Deferred tax (note 8.2)
- Provisions (note 9.5).

Section 2 Group operating performance

This section comprises notes which provide specifications and explanations related to the Group's operating performance for the year, including disclosures on segmentation.

The following notes are presented in this section:

Note 2.1 Segment information

Accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described throughout the notes when relevant.

Reportable segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board, which is the chief operating decision maker. The division structure is primarily based on geographical markets. Business activities that cannot be allocated to any other segment are reported under 'Global functions, corporate activities and others'. These include primarily the head office costs, the Global IT costs and expenses related to other interests.

Effective per 1 January 2018, the five divisions are Europe & Africa, Asia & Middle East, China & North Asia, Americas and LNG.

The EBITDA and Group operating profit of the divisions include the net effects of the company-wide cost allocations. Costs that cannot be allocated to the divisions are part of the 'Global functions, corporate activities and others'. The actual allocated costs can differ per reporting period.

Due to the application of IFRS 16 as per 1 January 2019, the internal reporting provided to the Executive Board 2019 contained profit measures both including and excluding the effects of IFRS 16 to allow comparison with prior year. Both profit measures were presented with equal prominence.

Statement of income

	Europe & Africa		of which Netherlands		Asia & Middle East		of which Singapore		China & North Asia		Americas		of which United States		LNG		Global functions and corporate activities		Total	
In EUR millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues[1]	590.3	626.1	424.4	444.8	305.0	312.9	234.0	242.2	38.9	33.2	313.7	281.3	194.5	171.0	–	–	4.7	1.0	1,252.6	1,254.5
Other operating income	5.8	3.1	3.6	1.9	19.3	21.5	9.8	1.1	3.8	3.6	0.5	0.1	0.1	–	3.8	3.5	0.2	0.1	33.4	31.9
Operating expenses	-298.3	-329.1	-206.3	-216.8	-97.3	-113.0	-66.2	-74.2	-21.7	-19.1	-156.4	-153.4	-92.4	-89.3	-9.3	-8.3	-49.7	-43.1	-632.7	-666.0
Result of joint ventures and associates	2.1	2.7	0.7	1.1	82.1	34.6	0.7	0.7	41.4	35.7	7.4	1.0	0.2	0.8	43.6	39.7	-0.1	0.2	176.5	113.9
EBITDA	**299.9**	**302.8**	**222.4**	**231.0**	**309.1**	**256.0**	**178.3**	**169.8**	**62.4**	**53.4**	**165.2**	**129.0**	**102.4**	**82.5**	**38.1**	**34.9**	**-44.9**	**-41.8**	**829.8**	**734.3**
Depreciation and amortization	-143.3	-153.4	-103.8	-108.9	-63.3	-52.0	-47.1	-38.5	-11.6	-9.1	-56.7	-43.4	-32.0	-23.1	–	–	-15.8	-13.1	-290.7	-271.0
Total EBIT excluding exceptional items	**156.6**	**149.4**	**118.6**	**122.1**	**245.8**	**204.0**	**131.2**	**131.3**	**50.8**	**44.3**	**108.5**	**85.6**	**70.4**	**59.4**	**38.1**	**34.9**	**-60.7**	**-54.9**	**539.1**	**463.3**
Exceptional items:	218.3	14.2			-14.8	-4.6			24.6	4.8	-16.8	-0.9			–	–	-2.6	4.9	208.7	18.4
Total EBIT including exceptional items	**374.9**	**163.6**			**231.0**	**199.4**			**75.4**	**49.1**	**91.7**	**84.7**			**38.1**	**34.9**	**-63.3**	**-50.0**	**747.8**	**481.7**
Reconciliation consolidated net profit[2]																				
Net finance costs																			-85.7	-132.6
Profit before income tax																			**662.1**	**349.1**
Income tax																			-58.3	-58.6
Net profit																			**603.8**	**290.5**

1 The Group has one single global customer who contributed both years presented just above 10% of the consolidated revenues. All divisions provided services to this single global customer.

2 As the Group neither allocates interest expenses to segments, nor accounts for taxes in them, there is no segmented disclosure of the net profit.

Pro forma income statement excluding IFRS 16 effects
In order to allow comparison of the 2019 results with previous years Vopak prepared for internal and external reporting purposes 'pro forma excluding IFRS 16 effects results', where the cash expenditures for the period for the former operating leases are recognized as operating expenses while the depreciation on the 'leased assets' and the interest expenses on the lease liabilities are eliminated, resulting in an accounting treatment similar (but not equal) to the lease accounting treatment in previous years.

Pro forma statement of income

	Europe & Africa		of which Netherlands		Asia & Middle East		of which Singapore		China & North Asia		Americas		of which United States		LNG		Global functions and corporate activities		Total	
In EUR millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues[1]	590.3	626.1	424.4	444.8	305.0	312.9	234.0	242.2	38.9	33.2	313.7	281.3	194.5	171.0	–	–	4.7	1.0	1,252.6	1,254.5
Other operating income	5.8	3.1	3.6	1.9	19.3	21.5	9.8	1.1	3.8	3.6	0.5	0.1	0.1	–	3.8	3.5	0.2	0.1	33.4	31.9
Operating expenses	-316.7	-329.1	-218.4	-216.8	-117.1	-113.0	-80.0	-74.2	-22.4	-19.1	-164.9	-153.4	-97.7	-89.3	-9.3	-8.3	-52.2	-43.1	-682.6	-666.0
Result of joint ventures and associates	2.2	2.7	0.7	1.1	84.0	34.6	0.7	0.7	41.4	35.7	7.4	1.0	0.2	0.8	46.5	39.7	-0.1	0.2	181.4	113.9
EBITDA	**281.6**	**302.8**	**210.3**	**231.0**	**291.2**	**256.0**	**164.5**	**169.8**	**61.7**	**53.4**	**156.7**	**129.0**	**97.1**	**82.5**	**41.0**	**34.9**	**-47.4**	**-41.8**	**784.8**	**734.3**
Depreciation and amortization	-132.5	-153.4	-95.6	-108.9	-51.7	-52.0	-39.2	-38.5	-10.9	-9.1	-50.1	-43.4	-28.1	-23.1	–	–	-13.2	-13.1	-258.4	-271.0
Total EBIT excluding exceptional items	**149.1**	**149.4**	**114.7**	**122.1**	**239.5**	**204.0**	**125.3**	**131.3**	**50.8**	**44.3**	**106.6**	**85.6**	**69.0**	**59.4**	**41.0**	**34.9**	**-60.6**	**-54.9**	**526.4**	**463.3**
Exceptional items:	218.2	14.2			-14.7	-4.6			24.6	4.8	-16.7	-0.9			–	–	-2.5	4.9	208.9	18.4
Total EBIT including exceptional items	**367.3**	**163.6**			**224.8**	**199.4**			**75.4**	**49.1**	**89.9**	**84.7**			**41.0**	**34.9**	**-63.1**	**-50.0**	**735.3**	**481.7**
Reconciliation consolidated net profit[2]																				
Net finance costs																			-65.3	-132.6
Profit before income tax																			**670.0**	**349.1**
Income tax																			-59.2	-58.6
Net profit																			**610.8**	**290.5**

1 The Group has one single global customer who contributed both years presented just above 10% of the consolidated revenues. All divisions provided services to this single global customer.
2 As the Group neither allocates interest expenses to segments, nor accounts for taxes in them, there is no segmented disclosure of the net profit.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Statement of financial position at 31 December

	Europe & Africa		of which Netherlands		Asia & Middle East		of which Singapore		China & North Asia		Americas		of which United States		LNG		Global functions and corporate activities		Total	
In EUR millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets of subsidiaries	2,265.4	2,308.5	1,477.0	1,536.3	1,282.0	904.3	883.1	632.9	220.9	174.3	1,066.7	870.6	404.3	357.7	1.2	3.2	264.5	172.3	5,100.7	4,433.2
Joint ventures and associates	19.1	19.8	1.6	2.2	472.4	449.5	1.2	1.2	287.1	263.7	140.0	101.5	49.7	46.4	354.7	246.7	-0.5	0.5	1,272.8	1,081.7
Total assets	**2,284.5**	**2,328.3**	**1,478.6**	**1,538.5**	**1,754.4**	**1,353.8**	**884.3**	**634.1**	**508.0**	**438.0**	**1,206.7**	**972.1**	**454.0**	**404.1**	**355.9**	**249.9**	**264.0**	**172.8**	**6,373.5**	**5,514.9**
Total liabilities	**412.8**	**270.9**	**258.3**	**118.9**	**616.5**	**249.2**	**487.7**	**210.0**	**36.1**	**24.3**	**252.3**	**200.5**	**126.4**	**111.3**	**1.8**	**1.4**	**1,858.9**	**1,924.3**	**3,178.4**	**2,670.6**

Investments[1]

	Europe & Africa		of which Netherlands		Asia & Middle East		of which Singapore		China & North Asia		Americas		of which United States		LNG		Global functions and corporate activities		Total	
In EUR millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Intangible assets	2.6	2.1	1.7	1.6	0.7	0.2	0.6	0.1	0.2	–	1.3	0.1	0.5	–	–	–	24.7	19.4	29.5	21.8
Property, plant and equipment[2]	343.1	248.7	194.9	142.0	91.2	56.9	66.3	46.3	21.9	13.5	167.9	195.7	39.2	56.7	–	–	2.9	2.7	627.0	517.5
Other non-current assets	–	–	–	–	0.2	0.1	0.2	0.1	–	–	0.2	0.1	–	–	–	–	–	–	0.4	0.2
Joint ventures and associates	–	0.5	–	0.5	3.8	5.1	–	–	6.5	–	32.2	32.3	2.1	1.1	4.8	9.1	–	1.0	47.3	48.0
Total	**345.7**	**251.3**	**196.6**	**144.1**	**95.9**	**62.3**	**67.1**	**46.5**	**28.6**	**13.5**	**201.6**	**228.2**	**41.8**	**57.8**	**4.8**	**9.1**	**27.6**	**23.1**	**704.2**	**587.5**

1 Excluding loans granted, finance lease receivables and acquisition of subsidiaries, joint ventures and associates.
2 Relates only to owned Property, plant and equipment.

Note 2.2 Exceptional items

Group policy

The items in the statement of income include items that are exceptional by nature from a management perspective based on their size and/or nature. For the definition of exceptional items applied by the company, reference is made to the Glossary. The material exceptional items are disclosed separately in the notes when relevant in order to increase transparency.

Exceptional items

In EUR millions	Note	2019	2018
Gains on assets held for sale / divestments	2.4	243.1	–
Loss on assets held for sale / divestments	2.6	–	-0.9
Depreciation	3.7	–	-2.1
Impairments	3.8	-17.2	-4.6
Reversal impairments	3.8	–	6.9
Personnel expenses	2.5	-1.0	19.1
Other expenses	2.5	-1.5	–
Operating profit		**223.4**	**18.4**
Exceptional items included in Result joint ventures and associates	2.7, 3.5	-14.7	–
Group operating profit		**208.7**	**18.4**
Finance costs	5.6	1.8	-50.2
Profit before income tax		**210.5**	**-31.8**
Tax on above-mentioned items	8.1	2.7	-3.2
Total effect on net profit		**213.2**	**-35.0**

For more information on the individual exceptional items, including their amount and nature, reference is made to the corresponding notes. A reconciliation between the income statement based on IFRS and the income statement excluding exceptional items, is presented in the next table.

	2019			Pro forma 2019	2018
In EUR millions	IFRS figures	Exceptional items	Excluding exceptional items	Excluding exceptional items	Excluding exceptional items
Revenues	1,252.6	–	1,252.6	1,252.6	1,254.5
Other operating income	276.5	243.1	33.4	33.4	31.9
Total operating income	**1,529.1**	**243.1**	**1,286.0**	**1,286.0**	**1,286.4**
Personnel expenses	-347.0	-1.0	-346.0	-346.0	-336.3
Impairment	-17.2	-17.2	–	–	–
Other operating expenses	-288.2	-1.5	-286.7	-336.6	-329.7
Result joint ventures and associates	161.8	-14.7	176.5	181.4	113.9
Group operating profit before depreciation and amortization (EBITDA)	**1,038.5**	**208.7**	**829.8**	**784.8**	**734.3**
Depreciation and amortization	-290.7	–	-290.7	-258.4	-271.0
Group operating profit (EBIT)	**747.8**	**208.7**	**539.1**	**526.4**	**463.3**
Interest and dividend income	8.8	–	8.8	8.8	9.4
Finance costs	-94.5	1.8	-96.3	-75.9	-91.8
Net finance costs	**-85.7**	**1.8**	**-87.5**	**-67.1**	**-82.4**
Profit before income tax	**662.1**	**210.5**	**451.6**	**459.3**	**380.9**
Income tax	-58.3	2.7	-61.0	-61.9	-55.4
Net profit	**603.8**	**213.2**	**390.6**	**397.4**	**325.5**
Non-controlling interests	-32.8	–	-32.8	-33.3	-36.0
Net profit holders of ordinary shares	**571.0**	**213.2**	**357.8**	**364.1**	**289.5**
Basic earnings per ordinary share (in EUR)	**4.47**		**2.80**	**2.85**	**2.27**
Diluted earnings per ordinary share (in EUR)	**4.46**		**2.80**	**2.85**	**2.27**

Note 2.3 Revenues

The Group operates bulk liquids and gas storage terminals in key strategic ports. The Group owns and operates specialized facilities including tanks, jetties, truck loading stations and pipelines. In many instances, the Group stores the customers´ products for extended periods at the terminals, often under strict specified conditions such as controlled temperatures. The Group also blends components according to customer specifications.

The Group ensures safe, clean and efficient storage and handling of bulk liquid products and gases for its customers. By doing so, the Group enables the delivery of vital products, ranging from chemicals, oil, gases and LNG to biofuels and vegoils.

Accounting policies

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods. Revenues excludes amounts collected on behalf of third parties and are net of discounts and value added taxes. Monthly storage rates and prices for other services are contractually agreed before the services are rendered and do not contain material variable components. When it is probable that the future economic benefits will flow to the Group, the recognition in the statement of income is in proportion to the stage of the rendered performance as at the end of the reporting period.

The Group has a right to a consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's services completed to date. Tank storage rentals, including minimum guaranteed throughputs, are recognized on a straight-line basis over the contractual period during which the services are rendered. Revenues from excess throughputs, heating/cooling, homogenization, product movements and other services are recognized when these services are rendered. Customers simultaneously consume and benefit from the services at the moment that these are rendered, resulting in a situation where revenue is recognized over time. Modifications of property, plant and equipment upfront paid by customers are accounted for as prepaid revenues and recognized in the statement of income over the contractual period on a straight-line basis.

Storage fees are mostly invoiced upfront in the month preceding the month to which the storage fees relate. Handling and other services are generally invoiced afterwards, based on the actual usage. Invoices are generally paid by customers at relatively short notice in agreement with the payment terms of the contracts.

Within the revenue related to storage and handling services, the following categorization is made:

- *Storage services*: relates to revenues from renting of storage capacity
- *Product movements*: revenues related to product movements
- *Storage and handling related services*: relates to revenues for storage and handling related services, such as blending, homogenization, temperature control
- *Other services*: primarily relates to the agency services that vopak provides to customers via Vopak Agencies.

The Group does not make any significant judgments with regards to revenue recognition, among others due to the nature of the business.

Revenues

The table below provides an overview of the revenue per type of service that the Group provides to its customers.

In EUR millions	2019	2018
Storage services	980.1	996.4
Product movements	107.9	99.2
Storage and handling related services	110.6	109.5
Other services	54.0	49.4
Revenues	**1,252.6**	**1,254.5**

The table below provides an overview of the revenues per product type per reportable segment (product-market combinations).

	Europe & Africa		Asia & Middle East		China & North Asia		Americas		Other		Total	
In EUR millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Chemical Products	182.5	178.8	141.3	137.8	38.0	31.7	165.5	145.6	–	–	527.3	493.9
Oil Products	296.2	326.3	136.2	148.5	0.5	1.2	99.4	83.2	–	–	532.3	559.2
Vegoils & Biofuels	61.5	69.6	3.2	2.6	–	–	32.6	35.9	–	–	97.3	108.1
Gas Products	32.1	32.7	9.5	9.0	0.3	0.3	–	–	–	–	41.9	42.0
Other	18.0	18.7	14.8	15.0	0.1	–	16.2	16.6	4.7	1.0	53.8	51.3
Revenues	**590.3**	**626.1**	**305.0**	**312.9**	**38.9**	**33.2**	**313.7**	**281.3**	**4.7**	**1.0**	**1,252.6**	**1,254.5**

The table below provides an overview of the assets and liabilities recognized in relation to contracts with customers and their movements during the periods presented.

	2019				2018			
In EUR millions	Trade Receivables	Provision for impairment	Deferred Revenues	Total	Trade Receivables	Provision for impairment	Deferred Revenues	Total
Balance at 1 January	**101.9**	**-0.8**	**-21.8**	**79.3**	**108.0**	**-1.9**	**-28.0**	**78.1**
Recognized as revenue in current period	1,230.8	–	21.8	1,252.6	1,226.5	–	28.0	1,254.5
Payments	-1,218.8	0.2	-16.6	-1,235.2	-1,231.1	–	-21.8	-1,252.9
Impairments	–	-0.1	–	-0.1	–	-0.1	–	-0.1
Reversal of impairments	–	–	–	–	–	0.2	–	0.2
Receivables written off during the year as uncollectible	-0.2	0.3	–	0.1	-1.0	1.0	–	–
Exchange differences	1.4	–	–	1.4	-0.5	–	–	-0.5
Balance at 31 December	**115.1**	**-0.4**	**-16.6**	**98.1**	**101.9**	**-0.8**	**-21.8**	**79.3**

Note 2.4 Other operating income

Accounting policies

Gains on the sale of assets and the divestment of interests in other entities are deemed realized at the time the benefits and the risks of the assets are entirely borne by the buyer and there is no uncertainty as to whether the agreed payment will be received. Gains on the sale of subsidiaries, joint ventures and associates are realized at the time control respectively joint-control or significant influence is no longer exercised.

Other operating income

In EUR millions	2019	2018
Management fee joint ventures and associates	8.6	9.1
Gains on sale of property, plant & equipment	1.1	0.2
Gains on step-acquisition and divestments	243.1	–
Other	23.7	22.6
Total	**276.5**	**31.9**

2019

In 2019 an amount of EUR 243.1 milion was recognized as Other operating income in relation to divested terminals and a step-acquisition. For more information reference is made to note 3.1 and note 3.5.

There were no other individually material items recognized in Other operating income in 2019.

2018

In the first half year of 2018, legal and commercial positions in Australia were settled in favor of Vopak, resulting in a total net gain of EUR 9.8 million that was recognized as Other operating income.

Note 2.5 Personnel expenses

Accounting policies

Short-term employee benefits: wages, salaries, social security contributions, annual leave and sickness absenteeism, incentives and non-monetary benefits are recognized in the year in which the related services are rendered by employees.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes a restructuring provision that involves the payment of termination benefits.

The Group recognizes a provision for *incentive plans* where contractually obliged or where there is a past practice that has created a constructive obligation.

For the accounting policies related to share-based compensation, other types of remuneration and pensions and other employee benefits reference is made to the notes 7.2 and 9.4.

Capitalized personnel expenses: costs of employee benefits arising directly from the construction of Intangible assets or Property, plant and equipment and which meet the recognition criteria, are capitalized as part of the cost of the asset concerned.

Personnel expenses

In EUR millions	Note	2019	2018
Wages and salaries		307.3	278.1
Social security charges		37.7	34.4
Contribution to pension schemes (defined contribution)		30.8	15.9
Pension charges (defined benefit plans)	9.4	6.3	-0.3
Long-term incentive plans	7.2	8.6	4.0
Early retirement		3.2	4.2
Other personnel expenses		25.1	34.0
Capitalized personnel expenses		-72.0	-53.1
Total		**347.0**	**317.2**

2019

In 2019, expenses of EUR 3.2 million, (2018: EUR 4.2 million) were recognized in connection with organizational alignments at various locations within the Group. An exceptional item of EUR 0.8 million was recognized for our terminal in Quebec City Canada as a result of uncertainty with respect to renewal of an expiring land lease contract. For more information, reference is made to note 3.8 and 9.5.

An exceptional item of EUR 0.2 million was recorded relating to the divestment of the Estonian terminal Vopak E.O.S. For more information, reference is made to note 3.5.

2018

The 2018 line-item Pension charges (defined benefit plans) contained an exceptional gain of EUR 19.1 million related to the settlement of the Dutch defined benefit pension plan. Due to the settlement the Dutch pension plan was classified as a defined contribution plan at the settlement date. For more information reference is made to note 9.4.

Average number of employees (in FTEs)

During the year under review, the Group employed on average 4,345 employees and temporary staff (in FTEs) (2018: 4,063). The movements in the number of own employees at subsidiaries (in FTEs) were as follows:

In FTEs	2019	2018
Number at 1 January	**3,663**	**3,639**
Joiners	668	602
Leavers	-447	-437
Acquisition	47	–
Divestment / deconsolidation	-209	-141
Number at 31 December	**3,722**	**3,663**

Note 2.6 Other operating expenses

Accounting policies

Operating expenses are recognized in the income statement when incurred. They are caused by a decrease in future economic benefits related to a decrease of an asset or an increase of a liability that has arisen and can be measured reliably.

Losses on the sale of assets are presented under Other operating expenses and are recognized as soon as they are foreseen. Costs relating to the identification and selection phases of business development projects are recognized in the statement of income in the year in which the costs are incurred.

Up to and including 2018, leased assets, of which the benefits and risks remained substantially with the lease provider, were regarded as operating leases. Payments made for operating leases were charged to the statement of income on a straight-line basis over the term of the lease. As per 1 January 2019, the Group applies IFRS 16 which changed the accounting for former operating leases. For more information, reference is made to note 1.1.

Other operating expenses

In EUR millions	2019	2018
Maintenance	61.0	59.1
Energy and utilities	41.0	42.8
Environmental, safety and cleaning	35.9	36.4
Advisory fees	20.3	22.4
Insurance	16.3	16.1
Rents and rates	21.6	18.8
Third party logistics	11.6	11.4
IT	21.3	19.0
Lease expenses - IFRS 16	11.0	–
Operating lease - IAS 17	–	52.5
Other	48.2	52.1
Total	**288.2**	**330.6**

2019

In 2019, an exceptional item of EUR 1.4 million was recognized in relation to an environmental provision for our terminal in Quebec City in Canada as a result of uncertainty with respect to renewal of the land lease contract. For more information, reference is made to note 3.8 and 9.5. Furthermore, an amount of EUR 2.0 million was recognized in relation to environmental provisions at the Europe & Africa division. For more information, reference is made to note 9.5.

An exceptional item of EUR 0.1 million was recorded relating to the divestment of the Estonian terminal Vopak E.O.S. For more information, reference is made to note 3.5.

The application of IFRS 16 per 1 January 2019, resulted in a decrease of the Operating expenses of EUR 49.9 million compared to 2018. For more information on the effects of the application of IFRS 16, reference is made to note 1.1.

2018

In 2018, other operating expenses were recognized as exceptional items for the total amount of EUR 0.9 million in connection with the deconsolidation of the terminal in Venezuela. For more information, reference is made to note 3.1.

Note 2.7 Result of joint ventures and associates

Accounting policies

Joint ventures and associates are accounted for using the equity method. For the accounting policies relating to joint ventures and associates, reference is made to note 3.5.

Result of joint ventures and associates

In EUR millions	Note	2019	2018
Result of joint ventures and associates (including exceptional items)	3.5	161.8	113.9
Total		**161.8**	**113.9**

Joint ventures are an important part of the Group. Summarized financial information of our joint ventures and associates on an IFRS basis is presented in note 3.5.

In addition, the effects of unaudited non-IFRS proportionate consolidation on the statement of financial position and statement of income of the Group are presented under 'Additional information' accompanying this report.

Note 2.8 Translation and operational currency risk

The Group is exposed to a low level of currency risk on the transaction level, since operating income and operating expenses are, as a rule, largely denominated in the same currency. However, in some countries (in particular, in Latin America and Asia), a substantial portion of the income flow is in US dollars, whereas the operating expenses are largely denominated in local currencies. In these countries, the aim is to hedge the transaction risk naturally. Any material net transaction position can be hedged in full by means of forward exchange contracts or other derivatives.

The Group is, however, exposed to risk in connection with the translation of income statements and net assets of foreign entities into euros, since a significant portion of the Group's results is generated in foreign entities.

Sensitivity to exchange rates arising from the translation of the results of foreign currency operations

The translation risk of converting the net result of foreign entities into euros mainly concerns the Singapore dollar and the US dollar. The sensitivity to these currencies, based on a reasonable change in the exchange rate at the reporting date, is as follows:

A 10 dollar cent change in the EUR/USD exchange rate approximately affects Vopak's figures as follows (based on figures for 2019, excluding exceptional items):

- Revenues would differ by EUR 22.8 million (2018: EUR 18.7 million)
- Group operating profit before depreciation and amortization (EBITDA) would differ by EUR 17.6 million (2018: EUR 10.8 million)
- Group operating profit (EBIT) would differ by EUR 13.4 million (2018: EUR 8.1 million)
- Net profit would differ by EUR 11.6 million (2018: EUR 6.7 million).

A 10 dollar cent change in the EUR/SGD exchange rate approximately affects Vopak's figures as follows (based on figures for 2019 excluding exceptional items):

- Revenues would differ by EUR 15.4 million (2018: EUR 15.3 million)
- Group operating profit before depreciation and amortization (EBITDA) would differ by EUR 12.0 million (2018: EUR 10.6 million)
- Group operating profit (EBIT) would differ by EUR 8.9 million (2018: EUR 8.2 million)
- Net profit would differ by EUR 4.6 million (2018: EUR 4.5 million).

Note 2.9 Cash flows from operating activities (gross)

In EUR millions	Note	2019	2018
Net profit		**603.8**	**290.5**
Adjustments for:			
- Depreciation and amortization	3.7	290.7	273.1
- Impairment	3.8	17.2	-2.3
- Net finance costs	5.6	85.7	132.6
- Income tax	8.1	58.3	58.6
- Movements in other non-current assets		-4.9	1.0
- Movements in other long-term liabilities		-0.1	2.7
- Movements in provisions excluding deferred taxes		1.3	-39.9
- Result joint ventures and associates	2.7	-161.8	-113.9
- Measurement of equity-settled share-based payment arrangements	5.3	8.6	2.0
- Result on sale of property, plant and equipment	2.4	–	0.9
- Result on sale of assets held for sale excluding transaction expenses	2.4, 3.5	-240.9	–
Total adjustments		**54.1**	**314.8**
Realized value adjustments of derivative financial instruments		5.8	10.0
Movements in other current assets (excluding cash and cash equivalents)		-56.0	-47.3
Movements in other current liabilities (excluding bank overdrafts and dividends)		8.2	40.4
Dividend received from joint ventures and associates	3.5	91.2	81.0
Effect of changes in exchange rates on other current assets and liabilities		2.6	-2.4
Cash flows from operating activities (gross)		**709.7**	**687.0**

Section 3 Strategic investments and divestments

This section presents details on the core operating assets that form the basis for the activities of the Vopak Group, including the main developments with regard to these assets during the financial years presented.

The following notes are presented in this section:

- 3.1 Acquisition and divestment of subsidiaries
- 3.2 Intangible assets
- 3.3 Property, plant and equipment - owned assets
- 3.4 Leases
- 3.5 Joint ventures and associates
- 3.6 Assets held for sale
- 3.7 Depreciation and amortization
- 3.8 Impairment tests and impairments

Note 3.1 Acquisition and divestment of subsidiaries

Accounting policies

Business combinations

Acquired businesses are recognized in the Consolidated financial statements from the acquisition date, which is the date when the Group effectively obtains control of the acquired business. Businesses that are divested or wound up are recognized in the Consolidated financial statements until the date of divestment or winding-up. Comparative figures are not restated for businesses acquired, divested or wound up.

When the Group obtains control of a business, the acquisition method is applied. The identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if separable or if they arise from contractual or other legal rights. Deferred tax related to fair value adjustments is also recognized.

Any excess of the fair value of the consideration transferred, the recognized amount of any non-controlling interests and the fair value of any existing equity interest in the acquired entity over the fair value of identifiable assets, liabilities and contingent liabilities, is recognized as goodwill. When the excess is negative, a bargain purchase gain is recognized in the statement of income at the acquisition date.

If parts of the consideration are conditional upon future events (contingent consideration) or satisfaction of agreed terms, these parts are recognized at fair value at the acquisition date. Transaction costs that the Group incurs in connection with the business combination are expensed as incurred under Other operating expenses.

Divestments

Gains or losses on the divestments or winding-up of subsidiaries, joint ventures or associates are measured as the difference between the consideration received adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of allocated goodwill.

Acquisitions, divestments and deconsolidations

The table below provides an overview of the results realized as part of the Other operating income on all (step-)acquisitions and divestments completed during 2019 and 2018, including joint ventures and associates. Reference is also made to note 2.4.

In EUR millions	2019	2018
Result from step-acquisition Vopak Terminal Ningbo	1.1	–
Sale JV Vopak E.O.S.	16.7	–
Sale of subsidiaries Amsterdam and Hamburg Terminals	201.8	–
Sale JV SDIC Yangpu Terminal	23.5	–
Total	**243.1**	**–**

There were no acquisitions and divestments of subsidiaries in 2018. For the results of the deconsolidation of Vopak Venezuela, reference is made to the last paragraph of this note.

For more information on the cash proceeds, reference is made to the Consolidated Statement of Cash Flows.

The results realized on the (step-)acquisition, divestments and deconsolidation of subsidiaries are disclosed in the paragraph below. For an overview of the acquisitions and divestments of joint ventures and associates, reference is made to note 3.5.

Acquisitions of subsidiaries

2019

Step-acquisition of Vopak Terminal Ningbo:
The Group acquired an additional 35% equity share in the joint venture Vopak Terminal Ningbo (China) on 25 January 2019, bringing the total share in equity to 85% and obtaining control. The total consideration paid (excluding cash acquired) amounted to EUR 4.5 million. The step-acquisition resulted in a minor exceptional gain of EUR 1.1 million. The acquisiton had no material effects on the financial statement in 2019.

Acquisition of 20% minority share for Vopak Terminal Algeciras:
On 9 October 2019, an update was provided related to the earlier announced divestment of Vopak Terminal Algeciras in Spain.This transaction was linked to the divestment of the terminals in Amsterdam and Hamburg. It was announced that Vopak concluded the discussions with the minority shareholder in Vopak Terminal Algeciras and had acquired the remaining 20% of the shares held by the minority shareholder. Vopak had an agreement with First State Investments for the sale of 100% of the shares in Vopak Terminal Algeciras. As a subsequent event, the Group completed on 31 January 2020 the divestment of Vopak Terminal Algeciras. For more information, reference is made to note 9.12.

Divestments and deconsolidations of subsidiaries

2019

Divestment of Vopak Terminal Amsterdam and Vopak Terminal Hamburg:
On 30 September 2019, Vopak completed the earlier announced divestment of its terminals in Amsterdam and Hamburg. The total recognized exceptional gain before taxation was EUR 193.8 million. Total cash consideration received for the Group's investment in the equity of these terminals amounted to EUR 378.2 million. At the same time additionally the intercompany loans that were provided by the Group were repaid by these entities for the amount of EUR 178.6 million. The amount of cash and cash equivalents held by the terminals upon divestment amounted to EUR 35.5 million.

Contingent consideration recognized in relation to disvestment of Vopak Terminal Amsterdam and Vopak Terminal Hamburg:
In December 2019, an additional exceptional gain of EUR 8.0 million was recognized in relation to the divestment of the terminals in Amsterdam and Hamburg. The divestment transaction of these terminals contained a contingent consideration related to succesfully completing the divestment of Vopak Terminal Algeciras. The divestment of all three terminals was negotiated as one package deal. At year-end 2019, management determined that it was virtually certain, that Vopak Terminal Algeciras would be divested, and that the contingent consideration would be received.

This gain is also classified as an exceptional item, and brings the total exceptional gain recognized in 2019 in relation to the divestment of the terminals in Amsterdam and Hamburg to EUR 201.8 million. For more information, reference is made to note 2.4.

2018

Deconsolidation of Vopak Venezuela:
At the end of September 2018, Vopak deconsolidated its wholly-owned terminal in Venezuela (Americas division), reflecting the conclusion that the Group no longer has control from an accounting perspective. It was observed that the economic, legal, social and political environment in which the terminal operates was continuously deteriorating. Strict currency controls continued to be applicable and inflation exceeded one million percent in 2018. This triggered the reassessment of the accounting treatment of this terminal as of the end of the third quarter of 2018.

This event led to recycling of historical unrealized currency translation losses from equity to the income statement in 2018. In total the reported net income was reduced with EUR 51.1 million as an exceptional item. Of the total exceptional loss EUR 0.9 million was included in the EBITDA as Other operating expenses and the remainder in the net finance costs. After deconsolidation, the participation in the terminal is accounted for as an investment measured at fair value through OCI (FVOCI).

The deconsolidation of Vopak Venezuela per the end of September 2018 had no direct effect on the cash flows of the Group.

Vopak continues to monitor the situation and will periodically assess whether facts and circumstances have changed and whether control has been regained over the entity in Venezuela. Vopak remains the 100% shareholder in the entity and continues to operate the company in line with Vopak's standards.

Note 3.2 Intangible assets

Accounting policies

Intangible assets include goodwill, internally developed software, contractual relationships, concessions and favorable leases ensuing from business combinations. Goodwill represents the difference between the purchase price and Vopak's share in the fair value of the acquired identifiable assets, liabilities and contingent liabilities of the company acquired at the time Vopak obtains control (acquisition method). Goodwill is carried at cost less accumulated impairments.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the operating segments (divisions), which represents the lowest level within the Vopak Group at which the goodwill is monitored for internal management purposes.

Goodwill relating to an associate or joint venture is included in the carrying amount of the investment in the associate or joint venture and is not tested for impairment separately, but is part of the impairment testing of the investment in the associate or joint venture.

Software is carried at historical cost, net of straight-line amortization based on its expected useful life and any potential impairment.

Other intangible assets are carried at their initial fair value at the time of the acquisition, net of straight-line amortization and impairments.

Other items are mainly licenses that are carried at historical cost, net of straight-line amortization.

Movements in intangible assets

In EUR millions	Note	Goodwill	Software	Other	Under Development	Total
Purchase price of operating assets		40.4	128.8	58.8	9.9	237.9
Accumulated amortization and impairment		–	-80.2	-8.9	–	-89.1
Carrying amount at 31 December 2017		**40.4**	**48.6**	**49.9**	**9.9**	**148.8**
Movements:						
Additions		–	0.1	–	20.6	20.7
Reclassification		–	17.4	–	-16.3	1.1
Disposal	3.6	-0.7	–	–	–	-0.7
Amortization	3.7	–	-14.0	-1.9	–	-15.9
Exchange differences		–	0.3	1.6	–	1.9
Carrying amount at 31 December 2018		**39.7**	**52.4**	**49.6**	**14.2**	**155.9**
Purchase price of operating assets		39.7	146.5	60.3	14.2	260.7
Accumulated amortization and impairment		–	-94.1	-10.7	–	-104.8
Carrying amount at 31 December 2018		**39.7**	**52.4**	**49.6**	**14.2**	**155.9**
Movements:						
Acquisitions		–	–	0.5	–	0.5
Additions		–	0.9	–	28.6	29.5
Disposal		–	-0.1	–	–	-0.1
Reclassification to held for sale / divestments		–	-1.7	-5.4	-0.6	-7.7
Reclassification		–	17.1	–	-14.6	2.5
Amortization	3.7	–	-14.1	-1.3	–	-15.4
Impairment	3.8	–	-2.5	-0.8	–	-3.3
Exchange differences		1.7	0.2	0.9	0.1	2.9
Carrying amount at 31 December 2019		**41.4**	**52.2**	**43.5**	**27.7**	**164.8**
Purchase price of operating assets		41.4	142.2	55.2	27.7	266.5
Accumulated amortization and impairment		–	-90.0	-11.7	–	-101.7
Carrying amount at 31 December 2019		**41.4**	**52.2**	**43.5**	**27.7**	**164.8**

The increase in intangible assets in both years presented, is primarily related to internally developed IT projects. For more information on the impairment recognized in 2019 related to one of our IT projects, reference is made to note 3.8.

Note 3.3 Property, plant and equipment - owned assets

Accounting policies

Property, plant and equipment mainly relate to the owned terminals assets of the company which are used to service the customers in the various countries where the Group operates. Property, plant and equipment are broken down into their components and carried at historical cost, net of accumulated straight-line depreciation and less any impairment losses. Interest during construction is capitalized (see also note 5.6). Historical cost includes the initial acquisition cost plus other direct acquisition costs (such as unrecoverable taxes or transport) and construction costs that can be allocated directly (such as hours of own employees and advisory fees). To the extent that dismantling obligations exist at the end of the useful life, these estimated costs and any amendments thereto are included in the cost of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of repairs and maintenance that do not increase the future economic benefits and are part of the day-to-day servicing of the assets are recognized as expenses.

Finance leases included in Property, plant and equipment before 2019

Up till 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The finance cost was charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases were depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the Group would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Due to the application of IFRS 16 Lease as per 1 January 2019, the accounting requirements for lease contracts changed. For more information, reference is made to note 1.1.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Movements in property, plant and equipment - owned assets

In EUR millions	Note	Land	Buildings	Tank storage terminals	Machinery and equipment	Under Development	Total
Purchase price of operating assets		43.8	293.9	5,293.9	211.3	338.7	6,181.6
Accumulated depreciation and impairment		–	-144.6	-2,412.4	-136.5	–	-2,693.5
Carrying amount at 31 December 2017		**43.8**	**149.3**	**2,881.5**	**74.8**	**338.7**	**3,488.1**
Movements:							
Additions		–	1.9	43.3	2.2	470.8	518.2
Disposals		–	-0.1	-1.5	-0.1	–	-1.7
Reclassification		0.2	19.3	236.1	-9.3	-247.0	-0.7
Deconsolidation		–	–	-0.1	–	–	-0.1
Depreciation	3.7	–	-12.5	-230.7	-14.0	–	-257.2
Impairment	3.8	–	0.5	1.7	0.1	–	2.3
Exchange differences		-1.0	0.4	-11.4	0.3	-0.9	-12.6
Carrying amount at 31 December 2018		**43.0**	**158.8**	**2,918.9**	**54.0**	**561.6**	**3,736.3**
Purchase price of operating assets		43.0	309.7	5,578.0	163.3	561.6	6,655.6
Accumulated depreciation and impairment		–	-150.9	-2,659.1	-109.3	–	-2,919.3
Carrying amount at 31 December 2018		**43.0**	**158.8**	**2,918.9**	**54.0**	**561.6**	**3,736.3**
Initial application IFRS 16	1.1	–	–	-15.7	-0.4	-5.4	-21.5
Carrying amount at 1 January 2019		**43.0**	**158.8**	**2,903.2**	**53.6**	**556.2**	**3,714.8**
Movements:							
Acquisitions		–	0.6	4.4	1.8	–	6.8
Additions		–	7.6	44.2	3.3	571.9	627.0
Disposals		–	-3.9	6.4	-4.6	-1.5	-3.6
Reclassification to assets held for sale / divestments	3.6	–	-25.9	-434.0	-9.3	-21.7	-490.9
Reclassification		–	11.6	418.5	4.7	-437.3	-2.5
Depreciation	3.7	–	-12.1	-219.4	-10.6	–	-242.1
Impairment	3.8	–	-0.2	-13.0	-0.5	–	-13.7
Exchange differences		1.4	1.5	32.2	0.7	9.2	45.0
Carrying amount at 31 December 2019		**44.4**	**138.0**	**2,742.5**	**39.1**	**676.8**	**3,640.8**
Purchase price of operating assets		44.4	285.7	5,404.3	134.2	676.8	6,545.4
Accumulated depreciation and impairment		–	-147.7	-2,661.8	-95.1	–	-2,904.6
Carrying amount at 31 December 2019		**44.4**	**138.0**	**2,742.5**	**39.1**	**676.8**	**3,640.8**

For an overview of the investment commitments of the Group in relation to property, plant and equipment reference is made to note 9.7.

Note 3.4 Leases

Accounting policies

In line with the nature of its activities, the Group has a large portfolio of long-term land leases and leases of other non-current assets such as jetties, offices and other equipment. Most of the contracts contain extension options.

Contracts typically contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The non-lease components are normally relatively small.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements in general do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes by the Group.

Determining the right-of-use asset and the lease liability

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees (normally not present)
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

When it is reasonably certain that a lease extension option will be exercised, lease payments that are to be made under these extension options are also included in the measurement of the liability.

Determining the discount rate

The lease payments are in allmost all instances discounted using the incremental borrowing rate of the Vopak entity entering into the lease. This is because the interest rate implicit in the lease can in most instances not be readily determined. The incremental borrowing rate is the rate that the individual entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment with similar terms, security and conditions.

Lease expenses

Lease payments are allocated between a principal and interest expense. The interest expense is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term and low-value leases

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise IT and communication equipment and small items of office furniture. Short-term leases may also relate to long-term (land) leases for which the original maximum contract term has expired and a new contract is currently under negotiation.

The risks associated with leases

The group is exposed to the risk of potential future increases in the periodic lease payments based on an index or rate, which are not included in the lease liability until they take effect. When such adjustments to lease payments occurr, the lease liability is reassessed and adjusted against the right-of-use asset.

Furthermore, the Group also runs the risks that critical lease contracts such as lease contracts expire and cannot be renewed. In such instances the Group has to decommission the terminal by either handing over the site together with the assets to the lessor, or by demolishing the assets, cleaning up the site and handing over the site to the lessor. In most instances the Group is able to enter into a new lease contract, yet frequently at higher rates.

Initial application of IFRS 16

Until 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. Due to the application of IFRS 16 as per 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. For more information on the effects of the initial application of IFRS 16, reference is made to note 1.1.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Key accounting estimates and judgments

Determining the term of a lease contract

Extension and termination options are included in most lease contracts held by the Group. These options are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. This is explicitly the case for the land lease contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land, sea and jetties the following factors are normally the most relevant:

- Remaining useful lives of the tank terminal assets which depend on the lease term of the lease contract
- Remaining duration of long-term customer contracts
- The amount of the penalties to terminate (or not extend)
- Other factors, including historical lease durations and the costs and business disruption that is expected to be incurred to replace the leased asset.

For most of the land lease contracts it was assessed by management that it was reasonably certain that the extension options will be exercised. The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

No other material estimates and judgments are applied by the Group with regards to leases.

Movements in right-of-use assets and related lease liabilities

Set out below, are the carrying amounts of the Group's leased (right-of-use) assets and lease liabilities and the movements during the period.

	Note	Land	Buildings	Tank storage terminals	Machinery and equipment	Total	Lease liabilities
Opening balance at 31 December 2018		**–**	**–**	**–**	**–**	**–**	**–**
Initial application IFRS 16[1]	1.1	551.4	29.0	24.2	8.9	613.5	-677.6
Opening balance at 1 january 2019		**551.4**	**29.0**	**24.2**	**8.9**	**613.5**	**-677.6**
Movements:							
Additions		3.0	0.5	–	1.1	4.6	-4.6
Disposal		–	–	-0.4	–	-0.4	–
Depreciation	3.7	-24.2	-4.9	-0.7	-3.4	-33.2	–
Impairment / reversal of impairment	3.8	-0.2	–	–	–	-0.2	–
Remeasurement		3.6	1.7	0.2	0.1	5.6	-5.6
Unwinding interest		–	–	–	–	–	-22.4
Payments		–	–	–	–	–	53.1
Divestments / reclassification to assets held for sale		-78.7	–	-17.3	-0.8	-96.8	104.3
Exchange rate differences		9.8	0.1	–	–	9.9	-12.1
Carrying amount at 31 December 2019		**464.7**	**26.4**	**6.0**	**5.9**	**503.0**	**-564.9**

1 Right-of-use assets include an amount of EUR 21.5 million related to former finance leases. The lease liabilities include an amount of EUR 23.1 million related to former finance leases.

The weighted average incremental borrowing rate applied to the lease liabilities (including those classified as held for sale) recognized at the end of 2019 was 3.3%. The remaining weighted average lease term was 26.6 year at 31 December 2019.

The total cash outflows for leases, including short-term and low-value leases, amounted to EUR 64.1 million (2018: EUR 63.2 million).

Amounts recognized in the income statement

Set out below are the amounts recognized in the income statement during the period.

In EUR millions	2019
Low-value assets leases	0.9
Short-term leases	8.3
Variable lease payments	1.8
Depreciation right-of-use assets	33.2
Impairment right-of-use assets	0.5
Reversal of impairment right-of-use assets	-0.3
Interest expenses on lease liabilities	22.4
Total	**66.8**

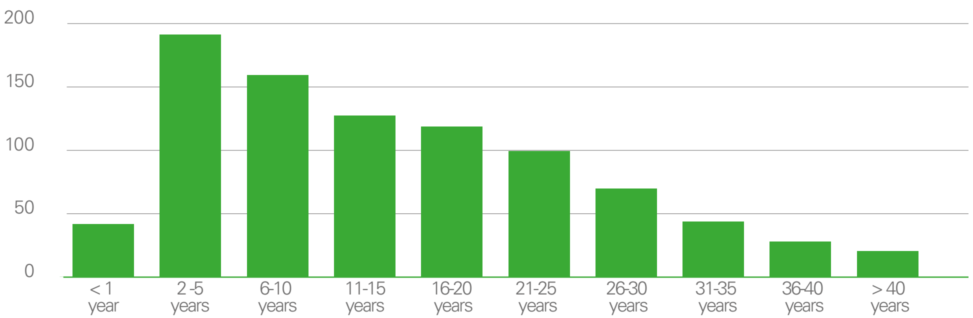
Maturity profile of lease contract portfolio

The table below analyzes the Group's contractual lease obligations into relevant maturity categories based on the remaining period at the end of the reporting period. It includes the nominal payments of the lease liabilities that are recognized in the balance sheet as well as the nominal payments related to the short-term and low-value lease contracts. In addition, also a graph is including depicting the maturity profile of the lease contract portfolio in a graphical manner.

In EUR millions	< 1 year	2 -5 years	6-10 year	11-15 years	16-20 years	21-25 years	26-30 years	31-35 years	36-40 years	2060+	Total
Nominal contractual lease obligation	43.4	198.3	164.5	132.4	123.0	102.5	72.1	45.2	29.3	20.5	931.2

Nominal contractual lease obligation

In EUR millions



As per 31 December 2019, there are no material lease contracts to which the Group is committed but which have not yet commenced.

Note 3.5 Joint ventures and associates

Vopak's interest in the principal joint ventures and associates at year-end 2019 consists of 25 (2018: 28) unlisted joint ventures and 8 (2018: 8) unlisted associates. Although the Group conducts a large part of its activities by means of these joint ventures and associates, none of these entities are currently individually material for the Group. The nature of, and changes in, the risks associated with its interests in joint ventures and associates is primarily linked to the region and/or the activities. For the disclosure of the nature, extent and financial effects of our joint ventures and associates, we make a distinction in the activities of the divisions Europe & Africa (limited number of oil and chemical terminals), Asia & Middle East, (all types of storage terminals, except LNG), LNG (joint ventures and associates with long-term contracts), and China & North Asia (mainly industrial terminals). The Americas division currently has a limited number of joint ventures and associates operating gas and chemical terminals.

No significant judgments were made by the Group with regard to the classification of joint ventures and associates. All material joint arrangements are currently classified as joint ventures because joint control is established by contract and the Group only has rights to the net assets of these entities. The Group currently has no material investment in a joint operation.

The Group has three majority ownerships which qualify as joint ventures: a 60% majority ownership in LNG Terminal Altamira in Mexico, a 51% majority ownership in Vopak Terminals Korea Ltd. and a 51% majority ownership in Vopak (Qinzhou) Jetty Co., Ltd. in China. In Mexico, the Group has 50% of the voting rights. In Korea, the partner owns an exercisable call option right at any time of 1% of the shares and therefore the substantive voting rights of the Group are limited to 50%. In China all decisions about the relevant activities of the entity are made based on unanimous consent of the shareholders in accordance with the shareholders agreement concerned.

The Group has a 10% equity interest in Vopak Terminal Eemshaven in the Netherlands which is classified as an associate as it was concluded that the Group has significant influence. The Group has been appointed as operator of this terminal. As operator, Vopak has the right to appoint the management board of the terminal. In addition, as 10% shareholder in the entity, Vopak is entitled to appoint one of the three members of the Supervisory Board and is able to participate in the decision-making process of the entity.

Reference is made to note 9.11 for an overview of the principal joint ventures and associates.

Accounting policies

Joint ventures and associates are accounted for using the equity method, which involves recognition in the Consolidated statement of income of Vopak's share of the net result of the joint ventures and associates for the year. Accounting policies of joint ventures and associates have been aligned where necessary to ensure consistency with the policies adopted by the Group. Vopak's interest in a joint venture or associate is carried in the statement of financial position at its share in the net assets of the joint venture or associate together with goodwill paid on acquisition, less any impairment loss. When the share in the losses exceeds the carrying amount of an equity-accounted company (including any other receivables forming part of the net investment in the company), the carrying amount is written down to nil and recognition of further losses is discontinued, unless we have incurred legal or constructive obligations relating to the company in question.

Group's share of the total comprehensive income and the carrying amount of joint ventures and associates

		Joint ventures		Associates		Total	
In EUR millions		2019	2018	2019	2018	2019	2018
Vopak's share in net assets		700.7	655.1	309.0	243.2	1,009.7	898.3
Goodwill on acquisition		66.1	64.4	5.9	6.0	72.0	70.4
Carrying amount at 31 December		**766.8**	**719.5**	**314.9**	**249.2**	**1,081.7**	**968.7**
Initial application IFRS 16	1.1	-21.1	–	-11.1	–	-32.2	–
Carrying amount at 1 January		**745.7**	**719.5**	**303.8**	**249.2**	**1,049.5**	**968.7**
Share in profit or loss	2.7	94.4	97.7	67.4	16.2	161.8	113.9
Other comprehensive income	5.2	2.0	3.1	-16.1	-4.4	-14.1	-1.3
Comprehensive income		**96.4**	**100.8**	**51.3**	**11.8**	**147.7**	**112.6**
Dividends received	2.9	-78.8	-75.7	-8.6	-0.5	-87.4	-76.2
Investments		17.2	8.0	30.1	40.0	47.3	48.0
Acquisitions		–	–	100.7	33.8	100.7	33.8
Redemption share capital		–	–	–	-23.9	–	-23.9
Transfers due to change in ownership		-6.8	–	-0.8	–	-7.6	–
Exchange differences		14.8	14.2	7.8	4.5	22.6	18.7
Carrying amount at 31 December		**788.5**	**766.8**	**484.3**	**314.9**	**1,272.8**	**1,081.7**
Vopak's share in net assets		721.6	700.7	473.9	309.0	1,195.5	1,009.7
Goodwill on acquisition		66.9	66.1	10.4	5.9	77.3	72.0
Carrying amount at 31 December		**788.5**	**766.8**	**484.3**	**314.9**	**1,272.8**	**1,081.7**

Other comprehensive income is primarily related to the effective portion of changes in the fair value of cash flow hedges within the joint ventures, which are recognized through the statement of comprehensive income.

For more information on the impairments recognized on the investments in joint ventures and associates, reference is made to note 3.8.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Investments and divestments of joint ventures and associates

2019

Pakistan - increase in share

On 23 January 2019, Vopak acquired an additional share of 15% in the associate Engro Elengy Terminal (LNG division), bringing the total share in this associate to 44%.

The total consideration paid for the entire 44% (29% in December 2018 and 15% in January 2019), including transaction costs, amounted to EUR 49.4 million. Total goodwill recorded by Vopak as part of the carrying amount of the associate amounted to EUR 4.5 million. In the second half of 2019 the Group completed the notional purchase price allocation for this associate.

China - step-acquisition

The Group acquired on 25 January 2019, an additional 35% share in Vopak Terminal Ningbo bringing the total share the Group has in the equity of the terminal to 85%. By means of this transaction the Group obtained control over the terminal and the interest held in the terminal was classified as a subsidiary and no longer as a joint venture.

The consideration paid for the additional 35% share amounted to EUR 4.5 million. The financial impact of this acquisition on the Group going forward is considered to be minor. Furthermore, this step-acquisition resulted in a minor exceptional gain of EUR 1.1 million.

Estonia - divestment

On 3 April 2019, Vopak completed the divestment of its 50% share in the Estonian terminal Vopak E.O.S. (Europe & Africa division) resulting in an exceptional gain of EUR 16.4 million (including transaction expenses), which was fully recognized in EBITDA in the second quarter of 2019. Total cash flows from this divestment amounted to EUR 10.2 million. This divestment was the outcome of the earlier announced strategic review.

Colombia - acquisition

On 11 September 2019, Vopak acquired a 49% shareholding in Sociedad Portuaria el Cayao (SPEC) in Cartagena, Colombia. SPEC is the only LNG import facility in Colombia, with a capacity of 170,000 cbm and has been in operation since 2016. The total consideration paid, including transaction costs, amounted to EUR 85.2 million. There was no material goodwill recorded as part of the carrying amount of the associate.

China - divestment

In December 2019, Vopak divested its 49% equity share in the joint venture Vopak SDIC Yangpu Terminal in Hainan, China. The terminal had a storage capacity of 1,339,000 cbm for the storage of crude and petroleum products. This divestment was the outcome of the strategic review of the terminal, announced in February 2018.

The transaction resulted in an exceptional gain of EUR 25.3 million, of which EUR 23.5 million is recognized as part of the Other income. This amount includes a gain of EUR 5.2 million related to the realization of accumulated currency translation differences that were previously recognized in equity. An amount of EUR 1.8 million is recorded as part of the net finance costs which is related to the release of a provision. For more information, reference is made to note 5.6.

Total cash flows received from this divestment amounted to EUR 18.3 million.

Related to this divestment, Vopak is entitled to receive an additional amount of approximately EUR 30 million. The settlement of this additional consideration is uncertain and subject to ongoing discussion and resolution in 2020 between the parties involved and therefore has not been recognized at year-end 2019 since the criteria for recognizing a gain are not satisfied. This remaining consideration may materialize going forward, depending on how events develop.

2018

Pakistan - acquisition

The Group acquired a 29% share in the associate Engro Elengy Terminal Pakistan Ltd. (EETPL) in December 2018. This LNG import facility, located in Port Qasim, consists of an LNG jetty and high pressure gas pipeline. EETPL holds a 15 year Floating Storage and Regasification Unit (FSRU) time charter (capacity of 151,000 cbm).

The total consideration paid for this initial 29%, including transaction costs, amounted to EUR 33.8 million. Reference is also made to the disclosure earlier in this note.

Summarized information of joint ventures and associates on a 100% basis

The following information reflects the amounts presented in the financial statements of the joint ventures and associates adjusted for differences in accounting policies between the Group and the joint ventures and associates and, when applicable, the effects of the purchase price allocation performed by the Group with regard to the acquisition of the joint venture or associate.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Summarized statement of total comprehensive income

In EUR millions	Europe & Africa joint ventures		Asia & Middle East joint ventures		China & North Asia joint ventures		Americas joint ventures		LNG joint ventures		Other joint ventures		Total joint ventures		Total associates		Total associates & joint ventures	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues	38.3	56.1	294.0	247.5	149.6	155.7	6.2	6.1	233.0	224.2	–	–	721.1	689.6	531.0	225.8	1,252.1	915.4
Operating expenses[1]	-21.8	-40.7	-81.2	-86.0	-43.9	-47.8	-7.4	-5.5	-36.1	-39.0	0.2	0.3	-190.2	-218.7	-41.7	-66.5	-231.9	-285.2
Depreciation, amortization and impairment	-8.4	-7.8	-68.4	-58.4	-37.2	-35.9	-0.5	-0.6	-55.5	-46.7	–	–	-170.0	-149.4	-129.7	-60.3	-299.7	-209.7
Operating profit (EBIT)	**8.1**	**7.6**	**144.4**	**103.1**	**68.5**	**72.0**	**-1.7**	**–**	**141.4**	**138.5**	**0.2**	**0.3**	**360.9**	**321.5**	**359.6**	**99.0**	**720.5**	**420.5**
Net finance costs	-1.6	-0.8	-18.5	-13.7	6.9	4.1	3.1	2.6	-39.4	-36.5	–	–	-49.5	-44.3	-68.7	-26.9	-118.2	-71.2
Income tax	-1.3	-0.9	-53.6	-19.1	-21.6	-21.7	-0.3	-0.4	-27.7	-27.7	–	–	-104.5	-69.8	-48.1	-13.4	-152.6	-83.2
Net profit	**5.2**	**5.9**	**72.3**	**70.3**	**53.8**	**54.4**	**1.1**	**2.2**	**74.3**	**74.3**	**0.2**	**0.3**	**206.9**	**207.4**	**242.8**	**58.7**	**449.7**	**266.1**
Other comprehensive income	–	–	-0.5	2.4	–	–	–	–	4.7	4.1	–	–	4.2	6.5	-60.7	-14.7	-56.5	-8.2
Total comprehensive income	**5.2**	**5.9**	**71.8**	**72.7**	**53.8**	**54.4**	**1.1**	**2.2**	**79.0**	**78.4**	**0.2**	**0.3**	**211.1**	**213.9**	**182.1**	**44.0**	**393.2**	**257.9**
Vopak's share of net profit	1.9	2.3	25.6	28.2	26.0	26.2	0.5	1.1	40.3	39.8	0.1	0.1	94.4	97.7	67.4	16.2	161.8	113.9
Vopak's share of other comprehensive income	–	–	-0.3	1.1	–	–	–	–	2.3	2.0	–	–	2.0	3.1	-16.1	-4.4	-14.1	-1.3
Vopak's share of total comprehensive income	**1.9**	**2.3**	**25.3**	**29.3**	**26.0**	**26.2**	**0.5**	**1.1**	**42.6**	**41.8**	**0.1**	**0.1**	**96.4**	**100.8**	**51.3**	**11.8**	**147.7**	**112.6**

1 The Operating expenses for total associates 2019 includes an amount of EUR 116.8 million for other income (2018: EUR 5.0 million).

In the first half of 2019, the associate industrial terminal PT2SB in Malaysia (Asia and Middle East division) commissioned additional capacity, bringing its total capacity to 1,496,000 cbm. This led to a significant increase in the results from associates for the year.

In January 2020, as a subsequent event, PT2SB repaid part of its preference share capital, which resulted in a cash inflow of EUR 85.2 milion for the Group. For more information, reference is made to note 9.12.

In the fourth quarter of 2019, an exceptional loss of EUR 14.7 million was recognized by the Group as part of the result of joint ventures due to the recognition of a tax provision that was recognized in one of the joint ventures in the Asia & Middle East division. In relation to the provision, management has assessed that based on the current facts and circumstances it is no longer more likely than not that the court case will be won.

In December 2019, a total one-off gain (net Vopak share) was recognized at our associate Vopak Terminal Haiteng (China & North Asia division) for the amount of EUR 7.8 million. This total amount is mainly related to the final customer settlements. In 2018 a total one-off gain of EUR 6.3 million was also recognized related to this terminal.

Summarized statement of financial position at 31 December

In EUR millions	Europe & Africa joint ventures 2019	Europe & Africa joint ventures 2018	Asia & Middle East joint ventures 2019	Asia & Middle East joint ventures 2018	China & North Asia joint ventures 2019	China & North Asia joint ventures 2018	Americas joint ventures 2019	Americas joint ventures 2018	LNG joint ventures 2019	LNG joint ventures 2018	Other joint ventures 2019	Other joint ventures 2018	Total joint ventures 2019	Total joint ventures 2018	Total associates 2019	Total associates 2018	Total associates & joint ventures 2019	Total associates & joint ventures 2018
Non-current assets	104.5	87.0	1,242.0	1,096.4	455.8	670.2	187.9	154.8	1,200.3	1,044.9	–	–	3,190.5	3,053.3	3,386.9	2,157.0	6,577.4	5,210.3
Cash and cash equivalents	3.4	14.9	75.2	68.1	71.9	100.5	1.8	2.2	67.2	66.5	–	0.6	219.5	252.8	618.2	210.4	837.7	463.2
Other current assets	8.9	14.1	142.9	102.8	35.8	32.8	1.0	2.1	17.7	15.3	–	0.1	206.3	167.2	284.8	135.8	491.1	303.0
Total assets	**116.8**	**116.0**	**1,460.1**	**1,267.3**	**563.5**	**803.5**	**190.7**	**159.1**	**1,285.2**	**1,126.7**	**–**	**0.7**	**3,616.3**	**3,473.3**	**4,289.9**	**2,503.2**	**7,906.2**	**5,976.5**
Financial non-current liabilities	51.0	33.1	396.1	240.8	68.4	306.3	20.4	–	698.6	570.9	–	–	1,234.5	1,151.1	2,217.2	1,168.3	3,451.7	2,319.4
Other non-current liabilities	4.1	3.3	26.8	25.7	10.0	10.7	–	–	177.5	193.7	0.8	0.9	219.2	234.3	232.5	69.9	451.7	304.2
Financial current liabilities	9.8	12.2	43.8	52.3	5.2	12.1	–	–	74.4	71.3	–	–	133.2	147.9	99.4	65.4	232.6	213.3
Other current liabilities	10.7	24.5	321.7	259.6	39.0	48.7	5.0	1.8	32.3	23.3	0.2	0.8	408.9	358.7	206.6	123.6	615.5	482.3
Total liabilities	**75.6**	**73.1**	**788.4**	**578.4**	**122.6**	**377.8**	**25.4**	**1.8**	**982.8**	**859.2**	**1.0**	**1.7**	**1,995.8**	**1,892.0**	**2,755.7**	**1,427.2**	**4,751.5**	**3,319.2**
Net assets	**41.2**	**42.9**	**671.7**	**688.9**	**440.9**	**425.7**	**165.3**	**157.3**	**302.4**	**267.5**	**-1.0**	**-1.0**	**1,620.5**	**1,581.3**	**1,534.2**	**1,076.0**	**3,154.7**	**2,657.3**
Vopak's share of net assets	19.0	19.8	271.6	278.0	218.0	210.1	51.4	48.0	162.1	145.3	-0.5	-0.5	721.6	700.7	473.9	309.0	1,195.5	1,009.7
Goodwill on acquisition	–	–	5.5	5.5	0.5	0.5	–	–	60.9	60.1	–	–	66.9	66.1	10.4	5.9	77.3	72.0
Vopak's carrying amount of net assets	**19.0**	**19.8**	**277.1**	**283.5**	**218.5**	**210.6**	**51.4**	**48.0**	**223.0**	**205.4**	**-0.5**	**-0.5**	**788.5**	**766.8**	**484.3**	**314.9**	**1,272.8**	**1,081.7**

Contingent assets and liabilities

The joint ventures and associates of the Group are currently, and may from time to time become, involved in a number of legal proceedings, including inquiries from, or discussions with, governmental authorities (including tax authorities) that are incidental to their operations. For the contingent liabilities of the joint ventures and associates as at year-end related to legal cases, it is based on the current facts and circumstances not believed that they may have a material adverse effect on the financial position or profitability of the Group. Due to inherent uncertainties, the Group cannot make any accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings referred to in this report, however costs in complex litigation may be substantial.

For an overview of the commitments and contingent liabilities relating to our joint ventures and associates, reference is made to note 9.8.

Note 3.6 Assets held for sale

Accounting policies

Non-current assets and disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable at the end of the reporting period. They are stated at the lower value of the carrying amount and the fair value less expected selling costs. When the criteria for the held for sale classification have been met, the non-current assets subject to depreciation and amortization are no longer depreciated or amortized. In addition, equity accounting for joint ventures and associates ceases once classified as held for sale.

Key accounting estimates and judgments

At the end of the reporting period, management has to assess if the value of the assets will be recovered principally through a divestment transaction rather than through continued use and what the likelihood is that an asset will be divested within a year. This assessment is based on the facts and circumstances at that date. These facts and circumstances may change and could result in a situation where assets are divested, which were not classified as held for sale at year-end.

When classifying non-current assets as held for sale, management makes estimates of their fair value (sales price and expected costs to sell). Depending on the nature of the non-current assets, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Measurement of the fair value of non-current assets is categorized as level 2 in the fair value hierarchy as measurement is not based on observable market data.

Assets and liabilities classified as held for sale

In EUR millions	31-Dec-19	31-Dec-18
Property, plant and equipment	132.6	–
Other non-current assets	8.3	–
Current assets	3.0	–
Total assets held for sale	**143.9**	**–**
Provisions	1.5	–
Other non-current liabilities	14.5	–
Current liabilities	2.0	–
Total liabilities related to assets held for sale	**18.0**	**–**
Net assets held for sale of disposal groups	**125.9**	**–**

For the divestments realized during 2019 and 2018, reference is made to note 3.1. and note 3.5.

2019

On 9 October 2019, Vopak announced that it concluded the discussions with the minority shareholder in Vopak Terminal Algeciras and that it had acquired the 20% of the shares held by the minority shareholder. At the same time, Vopak held an agreement for the sale of 100% of the shares in Vopak Terminal Algeciras to First State Invesments. This terminal was classfied as held for sale as at year-end 2019. The terminal was divested on 31 January 2020. For more information, reference is made to note 9.12.

2018

As at year-end 2018 there were no assets and liabilities classified as held for sale.

Note 3.7 Depreciation and amortization

Accounting policies

The expected useful life of software is normally subject to a maximum of seven years. Amortization of other intangible assets and licenses is based on the term of the validity of the contract or term of the validity period and varies from 5-30 years.

Depreciation of property, plant and equipment is computed from the date the asset is available for use, using the straight-line method over the expected useful life and taking the estimated residual value into account. The useful life of the main assets is as follows: for buildings 10-40 years, for main components of tank storage terminals 10-40 years, for IT hardware 3-5 years, for machinery, equipment and fixtures 3-10 years. Land is not depreciated.

The residual value and useful life of intangible assets and property, plant and equipment are reviewed annually and adjusted if necessary.

For the accounting policies related to the amortization of the right-of-use assets recognized in relation to the leases of the Group, reference is made to note 3.4.

Key accounting estimates and judgments

Property, plant and equipment form a substantial part of the total assets of the company, while periodic depreciation charges form a substantial part of the annual operating expenses. The useful life and residual value determined by the Executive Board based on its estimates and assumptions have a major impact on the measurement and determination of results of property, plant and equipment. The useful life of property, plant and equipment is partly estimated based on their useful productive lives, experiences related to such assets, the maintenance history and the period during which the company has the economic benefits from the utilization of the assets. Periodic reviews show whether changes have occurred in estimates and assumptions as a result of which the useful life and/or residual value need to be adjusted. Such an adjustment will be made prospectively.

For the key accounting estimates and judgments made with regards to the right-of-use assets recognized in relation to the leases of the Group, reference is made to note 3.4.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Depreciation and amortization

In EUR millions	Note	2019	2018
Amortization intangible assets	3.2	15.4	15.9
Depreciation owned assets	3.3	242.1	257.2
Depreciation right-of-use assets	3.4	33.2	–
Total		**290.7**	**273.1**

Note 3.8 Impairment tests and impairments

Accounting policies

The carrying amount of goodwill is tested for impairment annually in the fourth quarter (unless there is reason to do so more frequently), while all assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If it is determined that assets are impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs of disposal and value in use.

Impairments of a cash-generating unit are allocated to the assets of the cash-generating unit on a proportionate basis. Impairments of intangible assets and property, plant and equipment are presented in the statement of income under Impairment. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

All financial assets, including joint ventures and associates, are reviewed for impairment. If there is objective evidence of impairment as a result of one or more events after initial recognition, an impairment loss is recognized in the statement of income. The impairments for joint ventures and associates are presented under Result of joint ventures and associates.

Estimates used to measure the recoverable amount

Value in use is determined as the amount of estimated discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash flows. The cash flow projections are based on revenues, operating expenses and sustaining capital expenditures of the approved budget for the coming year and the two subsequent planning years. Cash flows beyond the previously mentioned period of three years are extrapolated, using a stable or decreasing growth rate, unless an increasing rate can be substantiated. Given that the cash flows are estimated before taxes, the discount rates used to calculate the present value of the cash flows are pre-tax rates based on the risk-free rates for 15-year bonds issued by the government in the relevant market, adjusted for a risk premium and specific risks relating to the countries and risks specific to the assets. The 15-year bonds period reflects the average remaining useful life of the principal assets. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.0% (2018: 6.0%).

Key accounting estimates and judgments

Impairment analyses

When performing an impairment test, management makes an assessment of whether the cash-generating unit (mostly an individual terminal) will be able to generate positive net cash flows that are sufficient to support the value of the intangible assets, property, plant and equipment, and financial assets.

For value in use, the assessment is based on estimates of future expected cash flows (value in use) made on the basis of the budget for the coming year and two subsequent plan years, which form the basis for the 15-year period discounted cash flow model. Key assumptions applied are: the expected occupancy, the estimated storage rate per cbm (for revenues not covered by long-term contracts), sustaining capex expenditures, expected growth rates and the estimated terminal value after the 15-year period, together with the applied discount rates.

Fair value less cost of disposal is primarily based either on comparable market-multiples and/or (indicative) (non-)binding bids or discounted cash flow models from the perspective of a willing buyer in an orderly transaction.

In certain situations, the fair value less cost of disposal of a termwinal may be based on (preliminary) offers received from interested parties (level 2 fair value). Although such offers are conditional/preliminary by nature, management considers whether these offers may be representative of the fair value of the terminals concerned and assesses whether it is probable that these terminals will be sold in the coming twelve months after the reporting period, resulting in a situation where the carrying amount will be recovered principally through a sale instead of through continued use.

These key assumptions are based on the current facts and circumstances and information available to management. By nature, these assumptions are subject to developments and change in later periods. This could potentially lead to (reversal of) impairments of individual terminals going forward.

Impairment test results

In EUR millions	Note	2019	2018
Intangible assets	3.2	3.3	–
Property, plant and equipment - owned assets	3.3	13.7	4.6
Property, plant and equipment - right-of-use assets	3.4	0.2	–
Reversal impairment property, plant and equipment - owned assets	3.3	–	-6.9
Total		**17.2**	**-2.3**

Intangible assets - Goodwill

A summary of the carrying amount of goodwill by geographical area, which is equal to the operating segments, is presented below. An operating segment is also the level at which goodwill is tested for impairment.

In EUR millions	2019	2018
Europe & Africa	1.8	1.8
Asia & Middle East	19.6	18.9
China & North Asia	4.4	4.3
Americas	15.6	14.7
Carrying amount at 31 December	**41.4**	**39.7**

The Group has limited goodwill balances as it mostly develops its own greenfield terminals instead of acquiring new subsidary terminals.
No impairments of goodwill were recognized in 2019. The deconsolidation of the terminal in Venezuela as per the end of September 2018 led to an impairment of goodwill of EUR 0.7 million.

Assumptions applied

The recoverable value of an operating segment, which includes goodwill, is based on the value in use. In the impairment tests, the growth factors for years four through fifteen were based on the inflation rate within the range of 1.6% to 2.6% depending on the operating segment (2018: 2.1% to 3.3%). The pre-tax discount rate used depends on the (average) risk profile of the cash-generating unit and was 7.0% (2018: 8.7%) for Asia & Middle East, 10.7% (2018: 11.5%) for Americas and 9.2% (2018: 9.8%) for China & North Asia. The operating profit included in the calculations is based on the approved budget for 2020 and the subsequent plan years.

Sensitivity

The value in use calculations indicated more than sufficient headroom, such that a reasonably possible change in key assumptions would not result in an impairment of the related goodwill.

Other intangible assets

In the third quarter of 2019, Vopak recognized an impairment of EUR 2.5 million related to the cancellation of (part of) an IT project as a result of portfolio developments. An amount of EUR 0.8 million was recognized relating to the Quebec City Terminal. Refer to paragraph Terminals in operation later in this note for more information.

No material impairments were recognized in other intangible assets in 2018.

Property, plant and equipment

Cancelled projects

There were no material impairments related to cancelled projects in both years presented.

Terminals in operation

Based on consistently applied methodology, management has assessed that the value in use for a very limited number of terminals in operation, is lower than the carrying amount. For these individual terminals, also the fair value less cost of disposal has been calculated in order to assess whether this value exceeds the value in use and the carrying amount of the assets. In such situations, the fair value less cost of disposal for terminals or assets which are actively being marketed by the company, may be based primarily on offers received from interested parties (level 2 fair value).

For the other terminals, the fair value less cost of disposal is primarily based on a combination of the estimated normalized EBITDA and transaction multiples observable in the merger and acquisition (M&A) markets for comparable terminals (level 2 fair value) together with discounted cash flow models (level 3 fair value).

The value in use and fair value less cost of disposal assessments may change over time, among others due to changes in the business environment and/or outcome of decisions taken by management, and when applicable could result in (reversal of) impairment.

2019

Vopak Terminals of Canada - Quebec City (impairment)

In the fourth quarter of 2019, the Intangible assets and Property, plant and equipment of our oil terminal in Quebec City in Canada were fully impaired for EUR 14.7 million. Additional provisions for the terminal for EUR 2.2 million were recognized (note 9.5). This impairment is triggered by the fact that the current land lease agreement expires in 2020, and no agreement has been reached yet on the renewal of the lease, which is subject to ongoing discussions.

2018

Vopak Terminal Vietnam (reversal of impairment)

A reversal of an impairment of EUR 6.9 million, offset by depreciation expenses of EUR 2.1 million, resulted in an exceptional item of EUR 4.8 million in 2018. This reversal of the historical impairment results from the structural performance improvement of the terminal, aided among others by favorable market conditions due to strong domestic consumption and a robust manufacturing sector.

Vopak Terminal Kandla - India (impairment)

An impairment of EUR 4.6 million was recognized due to the uncertainty this terminal is experiencing in relation to the renewal of the concessions for some of its land leases. Due to this situation some of the tank capacity is currently not permitted to be upgraded and is therefore not in operation.

Joint ventures and associates

There were no impairments recognized on joint ventures and associates for both years presented.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Section 4 Working capital

This section presents details on the working capital items that the Group uses for operating our assets and providing services to our customers. In line with the nature of the business, the net working capital is only a relatively small part of the total assets of the Group.

This section comprises notes to understand the developments in working capital:

- 4.1 Changes in working capital
- 4.2 Trade and other receivables and related credit risk
- 4.3 Trade and other payables

Note 4.1 Changes in working capital

In EUR millions	Note	2019	2018
Movements in other current assets (excluding cash and cash equivalents)	2.9	-64.0	-47.3
Movements in other current liabilities (excluding bank overdrafts and dividends)	2.9	8.2	40.4
Total		**-55.8**	**-6.9**

Note 4.2 Trade and other receivables and related credit risk

Trade and other receivables are exposed to credit risk which could result in impairment losses. This note includes general information about trade and other receivables as well as specifications and explanations of the related risk.

Accounting policies

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are recognized initially at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore the Group measures them subsequently at amortized cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Trade receivables are written off (impaired) when objective evidence indicates that there is no reasonable expectation of recovery. This is based on an individual review for impairment due to an increase of the credit risk of the customer, past due amounts and taking into account any retention right on product stored for this customer.

The creation and release of a provision for impaired trade receivables are recognized under Other operating expenses in the income statement.

Other receivables also include the dividend receivables from joint ventures and associates for which the decision about dividend distribution was taken before year-end.

Trade and other receivables

In EUR millions	2019	2018
Trade debtors gross	115.1	101.9
Provision for impairment of trade debtors	-0.4	-0.8
Trade debtors net	**114.7**	**101.1**
Taxes receivable	45.5	40.6
Other receivables	135.9	147.2
Total	**296.1**	**288.9**

The effect of the recognized expected credit losses is negligible for both years presented. There was no indication as at the statement of financial position date that these receivables will not be recovered, other than as already provided for. The Group does not have a significant credit risk exposure on a single customer. For more information reference is also made to note 2.3.

Trade receivables

Ageing of trade receivables

	2019			2018		
In EUR millions	Gross	Provision	Net	Gross	Provision	Net
Not past due	79.8	–	79.8	69.9	–	69.9
Past due up to 3 months	28.1	–	28.1	28.7	-0.1	28.6
Past due 3 to 6 months	3.2	–	3.2	1.0	–	1.0
Past due more than 6 months	4.0	-0.4	3.6	2.3	-0.7	1.6
Total	**115.1**	**-0.4**	**114.7**	**101.9**	**-0.8**	**101.1**

Provision for bad debt

In EUR millions	2019	2018
Balance at 1 January	**-0.8**	**-1.9**
Impairments	-0.1	-0.1
Reversal of impairments	–	0.2
Receivables written off during the year as uncollectible	0.3	1.0
Payments	0.2	–
Balance at 31 December	**-0.4**	**-0.8**

Exposure to bad debts is mostly related to rendering services to international manufacturers and traders. The value of the products stored for these customers usually exceeds the value of the receivables and Vopak generally has the right of retention.

Historically, amounts written off as uncollectible have been very low, in line with the nature of the business model, which is also the case for the years presented.

Other receivables

The total dividend receivable from joint ventures and associates amounted to EUR 4.2 million at the end of 2019 (2018: EUR 8.2 million). There were also no material amounts overdue nor impaired for the other items included in the Other receivables.

Note 4.3 Trade and other payables

Accounting policies

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables

In EUR millions	2019	2018
Trade payables	41.0	36.7
Accrued expenses	127.8	134.5
Deferred revenues	16.6	21.8
Accrued interest expenses	5.7	4.9
Wage tax and social security charges	6.4	6.4
Other creditors	146.6	134.3
Total	**344.1**	**338.6**

Section 5 Capital structure

Vopak is a capital-intensive company. Vopak's funding strategy is focused on ensuring continuous access to capital markets so that funding capital is available at a time of the company's choice and at an acceptable cost. The notes in this section provide insight into the capital structure and financing items of the Group.

In this section, the following notes are presented:

Equity:
- 5.1 Issued capital, share premium, treasury shares and capital management
- 5.2 Other reserves
- 5.3 Retained earnings
- 5.4 Non-controlling interests

Borrowings:
- 5.5 Interest-bearing loans and net debt
- 5.6 Net finance costs

The financial risk management applied by the Group can be found in Section 6 Financial Risk Management.

EQUITY

Note 5.1 Issued capital, share premium, treasury shares and capital management

Accounting policies

Treasury shares that are reacquired are recognized at cost and deducted from equity until the shares are cancelled or reissued. Upon cancellation, treasury shares are deducted from the share capital at their nominal value of EUR 0.50 per share. Any difference between the carrying amount and the consideration received when treasury shares are reissued, is recognized directly in equity.

Share capital

The company´s authorized share capital amounted to EUR 190,800,000 as at 31 December 2019 divided into 140,000,000 ordinary shares, 190,800,000 protective preference shares and 50,800,000 cumulative finance preference shares, all with a nominal value of EUR 0.50 each.

The issued share capital at 31 December 2019 consisted of 127,835,430 ordinary shares, of which 209,984 were held in the treasury stock in connection with existing commitments under the long-term incentive plans. No cumulative finance preference shares were issued at year-end 2019.

	Numbers				Amounts in EUR millions		
	Issued ordinary shares	Financing preference shares	Total shares	Treasury shares	Issued capital	Share premium	Treasury shares reserve
Balance at 31 December 2017	**127,835,430**	**–**	**127,835,430**	**-190,000**	**63.9**	**194.4**	**-8.0**
Vested shares under equity-settled share-based payment arrangements	–	–	–	19,403	–	–	0.7
Balance at 31 December 2018	**127,835,430**	**–**	**127,835,430**	**-170,597**	**63.9**	**194.4**	**-7.3**
Purchase treasury shares	–	–	–	-65,370	–	–	-2.6
Vested shares under equity-settled share-based payment arrangements	–	–	–	25,983	–	–	1.0
Balance at 31 December 2019	**127,835,430**	**–**	**127,835,430**	**-209,984**	**63.9**	**194.4**	**-8.9**

Capital management

Vopak is a capital-intensive company. Vopak's financing policy is directed at establishing and maintaining an optimal financing structure that takes due account of the current asset base and the current and future investment programs. Vopak seeks access to capital markets and flexibility at acceptable finance costs.

A solid capital structure supports Vopak's objective to create long-term shareholder value while meeting the agreed debt covenants (see note 5.5) and other requirements with its other capital providers.

Vopak aims to maintain a healthy financial position through capital-disciplined investment decisions, effective working capital management, long-term funding and a balanced dividend policy and is continuously reviewing its capital structure options, including but not limited to equity(-linked) or other (debt) capital instruments, to effectively finance the future growth that Vopak aims for. The Group works actively to maintain and further develop the already established diversified funding base, with regard to the number of markets and the number of investors.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Note 5.2 Other reserves

In EUR millions	Translation reserve	Revaluation reserve derivatives	Revaluation reserve financial assets	Other reserves	Total other reserves
Balance at 31 December 2017	**-70.9**	**-119.7**	**–**	**1.3**	**-189.3**
Exchange differences on net investments	14.7	–	–	–	14.7
Effective part of hedges of net investments	-22.7	–	–	–	-22.7
Tax effect on exchange differences and hedges	0.9	–	–	–	0.9
Use of exchange differences on net investments (to statement of income)	52.9	–	–	–	52.9
Fair value change other investments	–	–	9.4	–	9.4
Movements in effective part of cash flow hedges	–	22.8	–	–	22.8
Tax effect on movements in cash flow hedges	–	-9.0	–	–	-9.0
Use of effective part of cash flow hedges (to statement of income)	–	-2.8	–	–	-2.8
Tax effect on use of cash flow hedges	–	0.7	–	–	0.7
Movements in effective part of cash flow hedges joint ventures	–	-2.1	–	–	-2.1
Balance at 31 December 2018	**-25.1**	**-110.1**	**9.4**	**1.3**	**-124.5**
Exchange differences on net investments	41.8	–	–	–	41.8
Effective part of hedges of net investments	-13.3	–	–	–	-13.3
Tax effect on exchange differences and hedges	0.3	–	–	–	0.3
Use of exchange differences on net investments (to statement of income)	-12.2	–	–	–	-12.2
Fair value change other investments	–	–	9.1	–	9.1
Movements in effective part of cash flow hedges	–	10.2	–	–	10.2
Tax effect on movements in cash flow hedges	–	0.2	–	–	0.2
Use of effective part of cash flow hedges (to statement of income)	–	-3.3	–	–	-3.3
Tax effect on use of cash flow hedges	–	0.7	–	–	0.7
Movements in effective part of cash flow hedges joint ventures	–	-14.9	–	–	-14.9
Balance at 31 December 2019	**-8.5**	**-117.2**	**18.5**	**1.3**	**-105.9**

The translation reserve includes all exchange differences resulting from the translation of the financial statements of foreign entities. It also includes the exchange differences on liabilities and the effective currency component of fair value changes of derivative financial instruments (net of tax), to the extent that they hedge the net investments of the Group in foreign entities and hedge accounting is applied.

The Group has elected to recognize changes in the fair value of specific investments in equity securities in other comprehensive income. These changes are accumulated within the Revaluation reserve financial assets. Amounts are transferred from this reserve to retained earnings when the equity securities concerned are derecognized.

The revaluation reserve derivatives contains the effective part of the accumulated change in the fair value of the cash flow hedges, net of tax, in respect of which the hedged future transaction has not yet taken place. The table below provides an overview of the estimated maturity profile of the revaluation reserve derivatives.

In EUR millions	2020	2021	2022	2023	2024	> 2024	Total
Use of revaluation reserve derivatives	53.5	9.9	7.7	33.2	4.3	8.6	117.2

Note 5.3 Retained earnings

In EUR millions	2019	2018
Balance at 31 December	**2,556.3**	**2,419.0**
Initial application IFRS 16	-85.1	–
Balance at 1 January	**2,471.2**	**2,419.0**
Dividend paid in cash	-140.5	-134.0
Remeasurements of defined benefit plans	-5.5	15.5
Measurement of equity-settled share-based payment arrangements	8.6	2.0
Vested shares under equity-settled share-based payment arrangements	-1.0	-0.7
Net profit attributable to owners of parent	571.0	254.5
Balance at 31 December	**2,903.8**	**2,556.3**

Of the reserves, EUR 2,305.7 million (2018: EUR 2,040.3 million) can be distributed freely (see note 4 of the Company Financial Statements). The actual dividend paid in cash per ordinary share in 2019 was EUR 1.10 (2018: EUR 1.05).

For the proposed dividend per share, reference is made to the paragraph Profit Appropriation.

Note 5.4 Non-controlling interests

In EUR millions	2019	2018
Balance at 31 December	**161.5**	**155.9**
Initial application IFRS 16	-9.4	–
Balance at 1 January	**152.1**	**155.9**
Net profit	32.8	36.0
Dividend paid in cash	-38.8	-37.6
Capital injection	4.1	5.1
Movements in effective part of cash flow hedges	-0.4	0.2
Acquisitions	1.9	–
Transaction with non-controlling interests	-9.0	–
Exchange differences	5.1	1.9
Balance at 31 December	**147.8**	**161.5**

The Group has one subsidiary with a material non-controlling interest (NCI). The aggregated information of NCI and the information of the material subsidiary is shown in the table below.

	NCI %		Profit allocated to NCI (in EUR millions)		Dividends paid to NCI (in EUR millions)		Accumulated NCI (in EUR millions)	
	2019	2018	2019	2018	2019	2018	31-Dec-19	31-Dec-18
Total			**32.8**	**36.0**	**38.8**	**37.6**	**147.8**	**161.5**
of which Vopak Terminals Singapore Pte. Ltd.	30.5%	30.5%	29.1	32.4	35.2	35.1	105.1	115.4

The summarized financial information (at 100%) regarding Vopak Terminals Singapore Pte. Ltd. is as follows:

In EUR millions	31-Dec-19	31-Dec-18
Total non-current assets	796.6	559.6
Cash and cash equivalents	9.2	9.9
Other current assets	54.0	44.7
Total assets	**859.8**	**614.2**
Current liabilities	168.9	53.8
Total non-current liabilities	366.9	202.8
Total liabilities	**535.8**	**256.6**
Total net assets	**324.0**	**357.6**

In EUR millions	2019	2018
Revenues	234.0	242.2
Net profit	94.1	104.7
Other comprehensive income	12.8	9.3
Total comprehensive income	**106.9**	**114.0**
Operating cash flow	160.3	137.5
Increase/decrease (-) in cash and cash equivalents	-0.7	-12.5

BORROWINGS

Note 5.5 Interest-bearing loans and net debt

Accounting policies

Interest-bearing loans and borrowings are recognized initially at fair value net of directly attributable transaction costs. After initial recognition, these items are subsequently measured at amortized cost, applying the effective interest method unless the interest rate has been converted in a hedge relation from fixed into floating by means of a fair value hedge. In that case, the carrying amount is adjusted for the fair value changes caused by the hedged risk.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as pre-payment for liquidity services and amortized on a straight-line basis over the period of the facility to which it relates.

For the accounting policies of the Lease liabilities, reference is made to note 3.4.

Net debt reconciliation

In EUR millions	Cash and cash equivalents	Short-term borrowings	Interest-bearing loans	Net interest-bearing debt[1]	Interest-bearing loans - lease liabilities	Total interest-bearing debt
Carrying amount at 31 December 2017	**102.9**	**-80.0**	**-1,556.8**	**-1,533.9**	**–**	**-1,533.9**
Cash flows	-47.3	21.0	-200.0	-226.3	–	-226.3
Other non-cash movements	-0.4	–	-1.2	-1.6	–	-1.6
Exchange differences	-0.6	–	-62.6	-63.2	–	-63.2
Carrying amount at 31 December 2018	**54.6**	**-59.0**	**-1,820.6**	**-1,825.0**	**–**	**-1,825.0**
Initial application IFRS 16	–	–	23.1	23.1	-677.6	-654.5
Carrying amount at 1 January 2019	**54.6**	**-59.0**	**-1,797.5**	**-1,801.9**	**-677.6**	**-2,479.5**
Cash flows	35.1	-119.0	157.6	73.7	53.1	126.8
Other non-cash movements	-2.5	–	-1.1	-3.6	71.7	68.1
Exchange differences	0.8	–	-39.4	-38.6	-12.1	-50.7
Carrying amount at 31 December 2019	**88.0**	**-178.0**	**-1,680.4**	**-1,770.4**	**-564.9**	**-2,335.3**
Current assets	94.5	–	–	94.5	–	94.5
Non-current liabilities	–	–	-1,394.5	-1,394.5	-534.7	-1,929.2
Current liabilities	-6.5	-178.0	-285.9	-470.4	-30.2	-500.6
Carrying amount at 31 December 2019	**88.0**	**-178.0**	**-1,680.4**	**-1,770.4**	**-564.9**	**-2,335.3**

1 Net interest-bearing debt forms the basis for the net-debt : EBITDA calculation mentioned in our debt coventants.

During 2019 the Group fully repaid its subordinated debt for the amount of EUR 92.0 million. As at year-end 2019, the Group had not issued any sub-ordinated debt.

For more information, on the effects of IFRS 16 on the total interest-bearing debt, reference is made to note 3.4.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Financial ratios reconciliation

To provide insight into how financial ratios for debt covenant purposes are calculated and on how these reconcile to the IFRS figures, a financial ratios reconciliation is provided in the table below:

In EUR millions	Note	2019	2018
EBITDA		**1,038.5**	**754.8**
-/- Result joint ventures and associates		161.8	113.9
+/+ Gross dividend received from joint ventures and associates		95.1	84.1
-/- IFRS 16 Adjustment in operating expenses for former operating leases	1.1, 3.4	49.9	–
-/- Exceptional items		223.4	20.5
-/- Divestments full year adjustment		45.2	–
EBITDA for ratio calculation		**653.3**	**704.5**
Total interest-bearing debt		**-2,335.3**	**-1,825.0**
-/- IFRS 16 Adjustment in lease liabilities for former operating leases	1.1, 3.4	-564.9	–
Derivative financial instruments (currency)		56.2	67.5
Credit replacement guarantees	9.8, 9.9	-87.1	-84.2
-/- Subordinated loans		–	-90.5
Cash equivalent included in HFS assets		2.5	–
Senior net debt for ratio calculation		**-1,798.8**	**-1,751.2**
Financial ratios			
Senior net debt : EBITDA		2.75	2.49
Interest cover[1]		10.4	8.5

1 Interest cover is the ratio of the EBITDA and the net finance costs.

With a Senior net debt : EBITDA ratio of 2.75 (2018: 2.49) and an interest cover ratio of 10.4 (2018: 8.5), Vopak met the applicable financial ratios as at 31 December 2019.

The application of IFRS 16 had no effect on the debt covenants of the Group as the related ratios are based on the accounting policies that were applicable on the date of entering into the debt agreements ('frozen GAAP'). For more information, reference is made to note 1.1.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Average remaining maturities and main covenant ratios

At year-end 2019, the interest-bearing loans mainly consisted of unsecured Private Placements (PPs) in the US and Asian market, the Revolving credit facility of Royal Vopak, Money Market Loans as well as a bank loan and a credit facility of Vopak Terminal Singapore Pte Ltd. (VTS). The PPs consisted of various financing programs entered into in 2009, 2010 and 2012. For further details on currency and interest rate risks, reference is made to notes 6.3 and 6.4 and 9.9.

	Interest-bearing loans								
In EUR millions	USPPs	Asian PPs	VTS bank loan	RCFs	Other	Bank loans	Total	Interest-bearing loans - lease liabilities	Total interest bearing loans
Non-current	1,273.8	158.4	63.9	205.1	29.9	–	1,731.1	–	1,731.1
Current	89.2	–	–	–	0.3	59.0	148.5	–	148.5
Carrying amount at 31 December 2018	**1,363.0**	**158.4**	**63.9**	**205.1**	**30.2**	**59.0**	**1,879.6**	**–**	**1,879.6**
Average remaining terms (in years)	5.2	22.0	1.7	4.4	32.0	–	6.6		
Non-current	1,123.2	164.0	–	100.0	7.3	–	1,394.5	534.7	1,929.2
Current	180.0	–	66.2	39.7	–	178.0	463.9	30.2	494.1
Carrying amount at 31 December 2019	**1,303.2**	**164.0**	**66.2**	**139.7**	**7.3**	**178.0**	**1,858.4**	**564.9**	**2,423.3**
Average remaining terms (in years)	4.5	21.0	0.7	2.6	3.1	–	5.2	26.6	
Required ratios									
Senior net debt : EBITDA (maximum)	3.75	3.75	3.75	3.75	3.75	3.75			
Interest cover (minimum)[1]	3.50	3.50	3.50	3.50	3.50	3.50			

1 Interest cover is the ratio of the EBITDA and the net finance costs.

Before the initial application of IFRS 16 in 2019, the Other category in the table above primarily comprised the financial lease liabilities of the Group. The fair value of the interest-bearing loans is disclosed in note 9.9.

Change of control clauses

Certain lenders have the right to demand complete repayment of the outstanding amounts in case any person or any group of persons acting together, except for the shareholders with a shareholding of more than 5% as at the end of 2010, acquires control of more than 50% of the voting rights of Koninklijke Vopak N.V.

Cash and cash equivalents

In EUR millions	31-Dec-19	31-Dec-18
Cash and cash equivalents	86.8	76.8
Short-term deposits	7.7	0.7
Total	**94.5**	**77.5**

Cash and cash equivalents include all cash balances, short-term deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of specific outstanding bank overdrafts when they are considered an integral part of the Group's cash management. In 2018 and 2019 there were no material short-term deposits positions outstanding per year-end.

The reconciliation with the Consolidated Cash Flow Statement and the net debt reconciliation is as follows:

In EUR millions	31-Dec-19	31-Dec-18
Cash and cash equivalents	94.5	77.5
Bank overdrafts	-6.5	-22.9
Total	**88.0**	**54.6**

The cash and cash equivalents were at the free disposal of the Group for the years presented.

Note 5.6 Net finance costs

Accounting policies

General and specific borrowing costs, including the cost of hedging, that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time (> 1 year) to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

Interest income from granted loans and dividends from other financial assets (over whose financial and operating policies the Group has no significant influence) are presented under Interest and dividend income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Dividend income is recognized when the right to receive payment is established. All dividend income is related to dividends from equity investments held at Fair value through Other comprehensive income (FVOCI).

Finance costs consist primarily of interest, fair value gains/losses on derivatives not in a hedge relationship and exchange differences on loans drawn and of results on hedging instruments recognized in the statement of income. Interest expenses are recognized in the period to which they relate, taking into account the effective interest rate.

Net finance costs

In EUR millions	2019	2018
Interest income	6.4	8.5
Dividends received from other financial assets	2.4	0.9
Interest and dividend income	**8.8**	**9.4**
Interest expense on interest-bearing loans[1]	95.4	90.0
Interest expense on lease liabilities	22.4	1.3
Capitalized interest	-28.0	-14.6
Interest component of provisions	0.2	0.3
Fair value movements of derivative financial instruments (no hedge accounting)	-3.5	-51.7
Exchange differences on underlying items[2]	6.3	111.3
Other	1.7	5.4
Finance costs	**94.5**	**142.0**
Net finance costs	**85.7**	**132.6**

1 Interest expense includes the impact of interest rate derivatives that are part of a fair value hedge accounting relationship and/or the recycling of results from the cash flow hedge reserve.

2 Exchange differences on underlying items includes the impact of foreign currency derivatives that are part of a fair value hedge accounting relationship and/or the recycling of results from the cash flow hedge reserve.

2019

In 2019, the Group's net finance costs -excluding exceptional items- amounted to EUR 87.5 million, an increase of EUR 5.1 million (6%) compared to EUR 82.4 million in 2018. The main drivers of this increase were the higher interest expenses due to the implementation of IFRS 16, partially offset by higher capitalized interest expenditures in connection with construction projects.

The net finance costs include an increase of EUR 20.4 million of interest expenses related to IFRS 16. As IFRS 16 was applied as per 1 January 2019 with no adjustment of the prior year comparitives, interest expenses on the per 1 January 2019 recognized lease liabilities were not present in 2018.

The Group recognized a constructive obligation in 2017 in relation to the joint venture terminal Vopak SDIC Yangpu terminal in China, which was recognized under the provisions with a corresponding loss in the net finance expenses. This terminal was divested in December 2019, as a result the remaining amount of the historic constructive obligation was released to the income statement for the amount of EUR 1.8 million. This gain is classified as an exceptional item. For more information, reference is made to note 3.5.

In 2019, capitalized interest during construction was subject to an average interest rate of 5.5% (2018: 6.2%).

2018

The 2018 finance costs included an exceptional loss for the amount of EUR 50.2 million related to the deconsolidation of the operations in Venezuela. This event led to recycling of historical unrealized currency translation losses from equity to the income statement. For more details, reference is made to note 3.1.

Section 6 Financial risk management

As a global player in the capital-intensive tank terminal industry, the Vopak Group is exposed to a number of financial risks inherent in the nature of its operations. This section comprises the disclosures on the Group's financial risk management objectives and policies, as well as the Vopak Group's exposure to currency risk, interest rate risk, equity securities price risk, liquidity risk and credit risk together with the policies and procedures established to monitor and manage these risks.

In addition, a sensitivity analysis is also provided in this section detailing how these risks could affect the Group's future financial performance.

The following notes are presented in this section:

- 6.1 General
- 6.2 Derivatives and hedge accounting
- 6.3 Currency risk (market risk)
- 6.4 Interest rate risk (market risk)
- 6.5 Equity securities price risk (market risk)
- 6.6 Credit risk
- 6.7 Liquidity risk

Note 6.1 General

Overview of financial risk management by the Group

The table below provides an overview of the financial risks to which the Group is exposed, where these financial risks are arising from and how these risks are measured and managed by the Group.

Note	Risk	Where is the risk exposure arising from	How is the risk exposure measured	How is the risk management by the Group
6.3	**Currency risk** (market risk)	• Recognized financial assets and liabilities denominated in a currency other than the functional currency of the entity concerned • Future transactions • Net investments in foreign operations	• Sensitivity analysis • Cash flow forecasting	Vopak hedges its foreign currency risk exposure resulting from net interest-bearing debt and intercompany positions in principle in full. This is primary done via forward exchange contracts and cross-currency interest rate swaps (CCIRSs). • Of the total interest-bearing debt denominated in another currency than the functional currency concerned, 41% was hedged by means of cash flow hedges per year-end 2019. • Of the total net investments in foreign currencies held by the Group 39% was under a net investment hedge. • The remaining currency risk on the net interest-bearing debt and intercompany positions for which neither cash flow hedge accounting or net investment hedge accounting is applied, is hedged via currency derivatives. Since no hedge accounting is applied the gains and losses on the derivatives and the foreign currency gains and losses on the net interest-bearing debt are always recognized in the income statement in the same period, establishing the same effect as when hedge accounting would be applied.
6.4	**Interest rate risk** (market risk)	• Net interest bearing debt at variable interest rates	• Sensitivity analysis • Fixed-to-floating ratio	Per year-end 2019, 83% of the total interest-bearing loans was financed at a fixed interest rate. For both years presented no use was made of Interest rate swaps (IRSs) and cross-currency interest rate swaps (CCIRSs) to hedge the interest rate risk.
6.5	**Equity securities price risk** (market risk)	• Investments in equity securities	• Sensitivity analysis	The group has a limited number of equity investments which are measured at fair value through OCI. The total carrying value of these investments is EUR 30.1 million.
6.6	**Credit risk** (customer and counterparty)	• Cash and cash equivalents • Trade and other receivables • Finance lease receivables • Derivatives • Loans granted • Committed credit facilities	• Aging analysis • Credit ratings • Exposure per counterparty	• Operational receivables: relatively short payment periods, combined with in many instances a retention right on the stored product in connection with trade receivables. • Loans granted relate to financing of Vopak network companies (joint ventures and associates). • Spreading of liquidity investments across a select group of high rated financial institutions limiting undue exposure to one financial institution. • During the years presented no material impairments were recognized on financial receivables.
6.7	**Liquidity risk**	Net interest bearing debt, other (current) liabilities and off-balance sheet commitments	• Long-term scenario planning • Cash flow forecasts (incl. annual budget cycle) • Amount of unused credit facilities	Diversified funding and availability of committed and uncommitted credit facilities. At year-end 2019 the Group had unused committed credit facilities of EUR 926.5 million.

Financial risk management

The Group is exposed to a number of financial risks inherent in its day-to-day operations. These risks are connected with the effects of movements in exchange rates and interest rates. The Group is also exposed to credit risk and liquidity risk.

Financial risk management, except for customer credit risk and operational working capital management, is controlled by Global Treasury, the central treasury department, based on policies approved by the Executive Board. Global Treasury identifies the financial risks and discusses these, together with the related hedge proposals, in detail with the CFO. The Executive Board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest risk, counterparty credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Reports on risk and risk management are submitted on a regular basis.

Hedging alternatives are discussed by the Global Treasury and Global Control departments in close co-operation with the CFO prior to approval being requested from the Executive Board.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

In order to control the risks attached to fluctuations in foreign currencies and interest rates, Vopak uses derivative financial instruments in accordance with a currency risk management policy approved by the Executive Board. This financial policy is designed to control the effects of such risks on cash flows, equity and results. Derivatives are used exclusively for hedging purposes and are not permitted to be used as trading or speculative instruments.

The areas involving the most significant financial risks are trade and other receivables, foreign currency exchange risk arising from future commercial transactions, recognized assets and liabilities and net investments in foreign operations, net finance costs resulting from fluctuations in market interest rates and liquidity risks.

Detailed information on the specific risk exposures is included in the relevant disclosure notes in this section.

The Group has not identified additional financial risk exposures in 2019 compared to the previous year. The approach to capital management and financial risk management activities remained unchanged compared to prior year. Reference is also made to note 5.1.

Note 6.2 Derivatives and hedge accounting

In order to control the risks attached to fluctuations in foreign currencies and interest rates, Vopak uses derivative financial instruments in accordance with a financial policy approved by the Executive Board. This financial policy is designed to control the effects of such risks on cash flows, equity and results. Speculative positions are not allowed.

The main derivative financial instruments used by the Group are forward exchange contracts (Forwards), interest rate swaps (IRSs) and cross-currency interest rate swaps (CCIRSs).

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged loans, and removing the currency exposure from loans and receivables as well as purchases of property, plant and equipment at the fixed foreign currency rate for the hedged items.

Accounting policies

Derivative financial instruments are recognized in the statement of financial position on the transaction date and measured at fair value. Changes in fair value are recognized in the statement of income unless hedge accounting is applied. With respect to hedge accounting, Vopak makes a distinction between fair value hedges, cash flow hedges and hedges of net investments in foreign operations.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes.

At the inception of the hedging transaction, the Group formally designates and documents the economic relationship between eligible hedging instruments and hedged items to which it will apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Fair value hedges

The Group only applies fair value hedge accounting for hedging fixed-interest risk on loans drawn. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The gain or loss relating to the effective portion of the derivative is recognized in the income statement within Net finance costs, together with changes in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within Finance cost.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the period to maturity using a recalculated effective interest rate.

Cash flow hedges

A cash flow hedge is applicable for those derivatives qualifying and designated as a hedge of the change in cash flows to be received or paid relating to a recognized asset or liability or a highly probable forecasted transaction. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and thus a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the dollar offset method to assess effectiveness.

The effective parts of changes in the fair value of derivative financial instruments are recognized in Other comprehensive income. Ineffectiveness on cash flow hedges is recognized where the cumulative change in the designated component value of the hedging instrument exceeds, on an absolute basis, the change in value of the hedged item attributable to the hedged risk.

The gain or loss as a result of ineffectiveness and the interest component that is a result of the time value of money in the valuation of the derivative financial instrument are recognized directly in the statement of income. This also applies to the credit risks on derivatives, unless the cumulative change in the fair value of the hedging instrument is lower than the hedged item.

Amounts accumulated in equity are reclassified to profit or loss at the same date as the hedged transaction affects profit or loss or if the hedged transaction is no longer probable. The effects are shown under Finance costs. If the established agreement or the foreseeable transaction that is hedged results in the recognition of a non-financial asset, the accumulated gains or losses previously deferred in equity are reclassified from equity and recognized in the initial recognition of the asset or liability.

If a hedging instrument or the hedge relationship is terminated but the hedged transaction is still expected to take place, the accumulated gains or losses will remain in equity at that time and will subsequently be recognized in the statement of income when the previously hedged transaction takes place.

Net investment hedges

Net investments in foreign operations can be hedged (net investment hedge) by qualifying and designated derivative financial instruments or debt instruments denominated in foreign currency. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in the translation reserve (equity component) via OCI to the extent that they relate to the hedging of net investments in foreign activities. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Reversal through the statement of income takes place proportionately if all or part of the underlying position is sold. The ineffective part and the interest component are recognized directly in the statement of income.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement and are included in the Finance costs. This mainly comprises derivatives that are used to hedge the foreign currency risk on intra-group positions. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

Key accounting estimates and judgments

The fair value of a derivative financial instrument not traded on active markets is measured as the present value of the expected future cash flows under the contract (level 2 fair value). In determining this value, a valuation model is used that is based on the interest rates and the exchange rates as at the end of the reporting period. Reference is made to note 9.9 for more information.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Reconciliation of derivative financial instruments

The next table shows the effects of combining the currency derivative financial instruments (see note 6.3) and the interest derivative financial instruments (see note 6.4) as well as the offsetting applied on the individual contractual positions and a reconciliation to the Consolidated statement of financial position.

		31 December 2019			31 December 2018		
In EUR millions	Note	Assets	Liabilities	Total	Assets	Liabilities	Total
Currency derivative financial instruments	6.3	61.4	51.8	9.6	84.7	75.0	9.7
Total derivative financial instruments		**61.4**	**51.8**	**9.6**	**84.7**	**75.0**	**9.7**
Offsetting		-13.5	-13.5	–	-32.9	-32.9	–
Total		**47.9**	**38.3**	**9.6**	**51.8**	**42.1**	**9.7**
Non-current		19.4	–	19.4	23.4	19.5	3.9
Current		28.5	38.3	-9.8	28.4	22.6	5.8
Total		**47.9**	**38.3**	**9.6**	**51.8**	**42.1**	**9.7**

The table below shows the movements in the Group's total derivative portfolio for the year.

In EUR millions	Note	Forwards	Swaps	Total
Carrying amount at 31 December 2018		**37.7**	**-28.0**	**9.7**
Settlement of derivatives	2.9	4.5	-12.6	-8.1
Effective part of hedges of net investments to other comprehensive income	5.2	4.6		4.6
Effective part of cash flow hedges to other comprehensive Income	5.2		10.2	10.2
Use of effective part of cash flow hedges (to statement of income)			-3.3	-3.3
Fair value movement of derivatives not in a hedge relationship	5.6	-3.5		-3.5
Carrying amount at 31 December 2019		**43.3**	**-33.7**	**9.6**

For an overview of the movements in the hedging reserve in shareholders' equity, reference is made to note 5.2.

Note 6.3 Currency risk

The Group is exposed to foreign currency exchange risks. These arise mainly from the US dollar (USD) and Singapore dollar (SGD). Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The primary objective of the currency risk management policy is to protect Vopak against fluctuations in the value of the assets, liabilities and expected cash flows caused by changes in currency exchange rates. Account is taken of future cash flows from investments and disposals as well as cash flows from operating and financing activities. Each quarter, currency risks are identified and the hedging strategy is reviewed and subsequently presented to the Executive Board for approval. The main derivative financial instruments used by the Group to hedge currency risks are forward exchange contracts and cross-currency interest rate swaps (CCIRSs).

The table below provides an overview of the contractual currencies of the interest-bearing loans and short-term borrowings (excluding transaction costs):

	Local currency		Euro	
In millions	2019	2018	2019	2018
Euro (EUR)	304.0	337.1	304.0	337.1
US dollar (USD)	1,369.7	1,444.6	1,223.0	1,258.0
Pound sterling (GBP)	35.0	35.0	41.0	38.8
Canadian dollar (CAD)	25.0	25.0	17.1	16.0
Singapore dollar (SGD)	160.0	108.0	105.9	69.0
Japanese yen (JPY)	20,000.0	20,000.0	164.0	158.4
India Rupee (INR)	500.0	500.0	6.3	6.3
Total			**1,861.3**	**1,883.6**

Currency risk arising from operating activities

The risks associated with commercial transaction positions arising from operating activities are limited for Vopak, as operating income and operating expenses are, as a rule, largely denominated in the same currency. However, in some countries (in particular, in Latin America), a substantial portion of the income flow is in US dollars whereas the operating expenses are largely denominated in local currencies. In these countries, the aim is to hedge the transaction risk naturally. Any material remaining net transaction position can be hedged in full by means of forward exchange contracts.

Intra-group financing

All intra-group long-term financing is provided by Vopak's Global Treasury function which acts as an in-house bank. In principle, all intra-group financing is denominated in the functional currency of the local entity concerned. This set-up exposes the Vopak Group to foreign currency risk for long-term intra-group positions which are not part of a net-investment. Following the Group's currency risk management policy this currency risk is fully hedged by means of derivatives where possible. The derivatives used to hedge these positions are not included in a hedge relationship and as a result movements in the fair value of these derivatives are directly recognized in the income statement. The timing of these fair value movements coincides with the timing of the recognition of the foreign currency gains/losses on the intra-group loans and receivables denominated in a currency other than the Euro, which are effectively offset.

Currency risk arising from the investments in foreign operations

Net investment in foreign activities are hedged by loans in the same currency and/or forward exchange contracts, while applying net investment hedge accounting. The amount of the hedge is determined mainly by limiting the maximum net exposure per currency taking into account a maximum impact on the total net investment position.

Currency risk arising from net-debt position

Due to the Private Placements and other net-debt items in foreign currency, the Group is exposed to currency risk. It is the Group's policy to hedge this exposure to leave the Group with no material risks by making use of foreign currency contracts, cross-currency swaps and natural hedges (net investment hedges). All currency hedges for the years presented were highly effective.

Currency risk arising from lease liabilities

The Group is also exposed to currency risk related to lease liabilities in the limited instances where the contract currency is different from the functional currency of the entity concerned. This primarily concerns joint ventures and associates and not subsidiaries. These currency risks are normally not hedged.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

The effects of the foreign currency related hedging instruments on the Group's financial position and financial results are shown in the table below:

		Carrying amount					
In EUR millions	Maturity	Assets[1]	Liabilities[1]	Notional amount	Hedge ratio	Change in value of hedged item	Ineffectiveness recognized in income statement
31 December 2018							
Forward foreign currency contracts[2]	< 1 year	1.3	0.3	234.0	100%		
Total net investment hedges		**1.3**	**0.3**	**234.0**	**100%**	**0.8**	**–**
Cross-currency interest rate swaps[3]	< 1 year	28.1	24.3	266.9	100%		
Cross-currency interest rate swaps[3]	1-5 years	51.5	47.6	418.8	100%		
Cross-currency interest rate swaps[3]	> 5 years	–	–	–	100%		
Total cash flow hedges		**79.6**	**71.9**	**685.7**	**100%**	**75.1**	**2.8**
Forward foreign currency contracts	< 1 year	3.8	2.8	688.4	n/a		
Total derivatives no hedge accounting		**3.8**	**2.8**	**688.4**	**n/a**	**n/a**	**n/a**
Total derivative financial instruments		**84.7**	**75.0**	**1,608.1**	**100%**	**75.9**	**2.8**
31 December 2019							
Forward foreign currency contracts[2]	< 1 year	0.1	0.2	142.4	100%		
Total net investment hedges		**0.1**	**0.2**	**142.4**	**100%**	**-4.5**	**–**
Cross-currency interest rate swaps[3]	< 1 year	29.0	24.9	209.2	100%		
Cross-currency interest rate swaps[3]	1-5 years	31.8	12.3	209.6	100%		
Cross-currency interest rate swaps[3]	> 5 years	–	–	–	100%		
Total cash flow hedges		**60.8**	**37.2**	**418.8**	**100%**	**10.2**	**3.3**
Forward foreign currency contracts	< 1 year	0.5	14.4	787.8	n/a		
Total derivatives no hedge accounting		**0.5**	**14.4**	**787.8**	**n/a**	**n/a**	**n/a**
Total derivative financial instruments[4]		**61.4**	**51.8**	**1,349.0**	**100%**	**5.7**	**3.3**

1 At fair value.
2 Foreign currency forwards accounted for as hedges on net investments.
3 Cross-currency interest rate swaps accounted for as cash flow hedges are used to hedge currency (2019: USD 486 million and JPY 5 billion; 2018: USD 771 million and JPY 10 billion) on fixed debt denominated in foreign currency.
4 This is the ineffectiveness resulting from the FX as well as the interest part of the hedge.

Of the total amount of interest-bearings debt denominated in a foreign currency per year-end 2019, 100% is hedged via derivatives for which either cash flow hedge accounting, net investment hedge accounting or no hedge accounting is applied. At year-end 2019, 41% of the currency risk was hedged via cash flow hedges.

The total nominal amount of net investments (hedged items) included in a net investment hedge relationship amounted to EUR 799.0 million as at year-end 2019 (2018: EUR 1,206.5 million). Of this amount EUR 656.2 million (2018: EUR 535.1 million) was hedged via foreign currency interest-bearing debt and EUR 142.9 million (2018: EUR 671.1 million) via derivatives. Also taking into account the investment in EUR entities, the total unhedged position amounted to EUR 2,194.6 million or 27% (2018: EUR 1,176.6 million or 35%).

Reference is made to note 6.2 for a reconciliation between the amounts presented in the table above and the amounts recognized in the Consolidated Statement of Financial Position.

For all cash flow hedges related to currency and interest rate risk, a loss of EUR 117.2 million, net of tax was recognized in equity via OCI up to 31 December 2019 (2018: loss of EUR 110.1 million) (see note 5.2).

Currency translation risk

Furthermore, a foreign currency translation risk results from investments in foreign operations of which the net assets are exposed to foreign currency translation risk. The Group result is also impacted by translating the results of these foreign currency operations. This non-economic currency risk is caused by the accounting conventions applied for translating the net assets and results of foreign operations to the presentation currency of the Group, which is the euro. For more information, reference is made to note 2.8.

Sensitivity of exchange rate changes of financial instruments on net profit and equity

The value of debt and hedging instruments denominated in currencies other than the functional currency of the entities holding them is subject to exchange rate movements. The sensitivity analysis for the main currencies and their positions at 31 December 2019 and 31 December 2018 shows how changes in exchange rates by 10% affect net profit and equity, while taking into account the effect of the use of derivatives and the hedge accounting applied.

	Depreciation[1]		Appreciation[1]	
In EUR millions	Net profit	Equity	Net profit	Equity
31 December 2018				
USD	-0.9	-27.6	1.1	33.7
SGD	0.4	-27.5	-0.5	33.6
CNY	–	-25.3	-0.1	31.0
BRL	–	-7.6	0.1	9.2
JPY	–	-3.7	–	4.5
Total effect	**-0.5**	**-91.7**	**0.6**	**112.0**
31 December 2019				
USD	-0.9	-24.9	1.1	30.5
SGD	0.4	-25.6	-0.5	31.2
CNY	-0.1	-24.7	0.1	30.2
BRL	–	-8.9	0.1	10.9
JPY	–	-3.7	–	4.5
Total effect	**-0.6**	**-87.8**	**0.8**	**107.3**

1 Foreign currency against the euro.

Note 6.4 Interest rate risk

Vopak's policy on interest rate risks aims to control the interest expenses resulting from fluctuations in the financial market interest rates, to protect the projected gross result of Vopak and taking into account the long-term profile of the company. Fixed-rate debt exposes the Group to fair value risk. Floating-rate debt exposes the Group to cash flow risk. The specification of the total interest-bearing loans is disclosed in note 5.5. It is Vopak's long-term policy to manage its interest exposure to an acceptable level of fixed/floating to optimize net finance expenses and reduce volatility on the net result within the bandwidth of the interest related financial covenants.

Interest rate swaps may be used in order to minimize the interest rate risks associated with the financing of the Group and at the same time optimize the net interest costs. Interest rate risks are identified and possible hedges considered when obtaining or providing new financing.

There were no interest rate derivatives present in the years presented.

As at 31 December 2019, taking into account the interest rate swaps, 83% (2018: 85%) of the total interest-bearing loans and bank loans of EUR 1,858.4 million (2018: EUR 1,879.6 million) was financed at a fixed interest rate with remaining terms of up to 20 years (2018: 21 years).

The average fixed interest and the average floating interest on the interest-bearing loans and bank loans (excluding short-term loans) at 31 December 2019 were 4.3% (2018: 4.1%) and 1.4% (2018: 0.7%) respectively. The following statement provides insight into the interest repricing calendar for the interest-bearing loans and the bank loans at the statement of the financial position date, while taking into account the effects of the derivatives that may be present and the hedge accounting applied. All interest-bearing loans with a floating interest rate are re-priced within one year.

	31 December 2019			31 December 2018		
In EUR millions	Floating	Fixed	Total	Floating	Fixed	Total
< 1 year	-217.7	-246.2	-463.9	-59.0	-89.5	-148.5
1-2 years	–	-134.2	-134.2	-5.1	-242.4	-247.5
2-3 years	–	0.4	0.4	–	-131.1	-131.1
3-4 years	-106.3	-269.7	-376.0	–	-0.3	-0.3
4-5 years	–	-163.2	-163.2	-206.3	-263.6	-469.9
> 5 years	–	-721.5	-721.5	–	-882.3	-882.3
Total	**-324.0**	**-1,534.4**	**-1,858.4**	**-270.4**	**-1,609.2**	**-1,879.6**

Sensitivity to changes in market interest rates

The sensitivity analysis shows how changes in market interest rates affect net profit and equity, while taking into account the effects of the derivatives and the hedge accounting applied and assuming that all other variables remain constant. Due to the volatility of market interest rates, Vopak has used a fixed percentage of 25% as a reasonable change at year-end 2019 and year-end 2018.

		Increase 25%		Decrease 25%	
In EUR millions	Closing level 3-month	Net profit	Equity[1]	Net profit	Equity[1]
31 December 2018					
EUR	-0.31%	-0.4	9.7	0.3	-10.1
USD	2.81%	–	-1.1	–	1.7
SGD	1.92%	0.5	1.4	-0.5	-1.4
JPY	-0.07%	–	-2.4	–	2.5
Total effect		**0.1**	**7.6**	**-0.2**	**-7.3**
31 December 2019					
EUR	-0.38%	-0.3	2.8	-0.3	-2.8
USD	1.91%	–	2.7	–	-2.9
SGD	1.54%	0.1	0.8	-0.1	-0.8
JPY	-0.05%	–	-0.7	–	0.7
Total effect		**-0.2**	**5.6**	**-0.4**	**-5.8**

1 Revaluation reserve derivatives through Other comprehensive income.

Note 6.5 Equity securities price risk

Accounting policies

Equity investments that are not classified as a subsidiary, joint venture or associate are measured at fair value (level 3). Gains and losses on these investments will either be recorded in the Income statement or Other comprehensive income, depending on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The fair value is based on the discounted cash flow approach.

Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statement following the divestment of equity investment. Dividends from equity investments are recognized in the income statement as Interest and dividend income when the Group's right to receive payments is established.

The Group has four equity investments for a total amount of EUR 30.1 million at year-end 2019 (2018: EUR 11.2 million), of which the investment in SabTank (Saudi Arabia) is the largest. Our 100% investment in Venezuela is also classified as an equity investment. The others are investments held by Vopak Ventures B.V. The Group elected to measure all investments at fair value through Other comprehensive income as these entities are part of the Vopak network, provide storage and handling (related services) and are not held for trading.

For more information on the equity investments, other than investments in subsidiaries, joint ventures and associates, reference is made to note 9.6.

Note 6.6 Credit risk

Credit risk arises when a customer or other counterparty of a financial instrument fails to discharge its contractual obligation.

Vopak's credit risk arises primarily from loans granted, trade and other receivables, cash and cash equivalents, and derivative financial instruments. Vopak's maximum exposure to credit risks is the carrying amount of these financial assets, amounting to EUR 525.2 million (2018: EUR 443.3 million), and the credit replacing guarantees amounting to EUR 87.1 million (2018: EUR 84.2 million). Of this amount, nil was recognized in the statement of financial position at year-end 2019 (2018: nil).

No loans were granted to joint ventures and associates at year-end 2019. Loans to other third parties are generally secured, and mainly relate to loans to non-controlling shareholders.

For more information on the credit risk of the trade receivables, reference is made to note 4.2.

Risk management

The credit risk with regard to trade receivables and lease receivables from customers is limited as the value of the product stored for these clients usually exceeds the value of the receivables and Vopak generally has the right of retention although other claims may have priority ranking over the right of retention in a bankruptcy case. Vopak constantly monitors the outstanding receivables and the value of the stored products. See note 4.2 for further details.

Vopak has spread its cash and cash equivalents and other liquidity investments across a select group of high rated financial institutions while daily limiting the cash and cash equivalents within the Group and assessing the exposure to each financial institution. Vopak applies credit limits per institution, depending on their credit ratings and credit default swap spread, and regularly reviews these limits. These treasury activities are concluded with financial institutions that have at least an 'A-' Standard & Poor's credit rating. At 31 December 2019, the maximum risk in the event of the default of a single financial institution amounted to EUR 19.0 million (2018: EUR 29.3 million).

The derivative financial instruments will be settled on a gross basis. The credit risk of derivative financial instruments with a positive value is mitigated by ISDA Master Agreements with counterparties, which have the option to settle all gross amounts on a net basis in the event of a default of the counterparty, and by setting qualitative and financial limits for the derivative counterparties. For JPY CCIRSs, which have an initial maturity of 30 years, break clauses are applicable to reduce the credit risk to a period shorter than 10 years. The Group maintains a control system that includes the authorization, reporting and monitoring of derivative activities including the Credit Default Swaps developments of counterparties observed on the secondary market. Vopak believes there are no material credit risks related to derivatives in the Group's financial position. At year-end 2019, the derivatives with a counterparty credit risk amounted to EUR 17.2 million (2018: EUR 8.4 million).

Assessing the financial positions of customers and other counterparties is part of the Group's credit risk management and tendering process; however, this cannot exclude all credit risk.

Note 6.7 Liquidity risk

The primary objective of liquidity management is providing sufficient cash and cash equivalents at all times to enable Vopak to meet its payment obligations.

Cash management

The liquidity requirements are monitored continuously and funding is planned in such a way as to avoid excessive short-term financing needs. The long-term liquidity risk is assessed prior to every major investment obligation. Active cash management is a daily responsibility and the liquidity requirements are identified each quarter based on thorough scenario planning. Surplus cash is invested, if available, in interest-bearing current accounts and deposit accounts.

Vopak's Global Treasury function acts as an in-house bank that allocates funds internally, which are raised centrally, within the Group. Surplus cash held by the operating entities over and above balances required for working capital management is transferred to Global Treasury and operating companies are normally funded by a combination of equity and inter-company loans. Exceptions to this are the bank loan of EUR 66.2 million (SGD 100 million), drawdowns under the revolving credit facilities of EUR 39.7 million (SGD 60 million) of Vopak Terminals Singapore Pte. Ltd. and the bank loan of EUR 6.3 million (INR 500 million) of our terminal in India which have been raised locally.

Joint ventures and associates, where possible, are normally funded optimally with external debt on a non-recourse basis for Vopak, taking into account local circumstances and contractual obligations. Reference is made to note 9.8 for more information with regard to commitments and guarantees provided to joint ventures and associates.

Available credit facilities

At year-end 2019, the company had two revolving credit facilities (RCFs) which provide flexibility to finance Vopak´s long-term growth strategy.

	31 December 2019			31 December 2018		
In EUR millions	Total facility[1]	Used	Unused	Total facility[1]	Used	Unused
Royal Vopak - Revolving credit facility	1,000.0	100.0	900.0	1,000.0	200.0	800.0
VTS - Revolving credit facility	66.2	39.7	26.5	63.9	5.1	58.8
Total committed facilities	**1,066.2**	**139.7**	**926.5**	**1,063.9**	**205.1**	**858.8**
Royal Vopak - Bank loan facilities	330.0	178.0	152.0	230.0	59.5	170.5
Total uncommitted facilities	**330.0**	**178.0**	**152.0**	**230.0**	**59.5**	**170.5**
Total facilities	**1,396.2**	**317.7**	**1,078.5**	**1,293.9**	**264.6**	**1,029.3**

1 At nominal value.

On 1 June 2018, Vopak reached agreement with all 15 lenders of the EUR 1 billion senior unsecured multicurrency revolving credit facility regarding a second extension of the facility. The maturity date has been extended until 1 June 2023. This facility was utilized for the amount of EUR 100 million at year-end 2019 (2018: EUR 200 million).

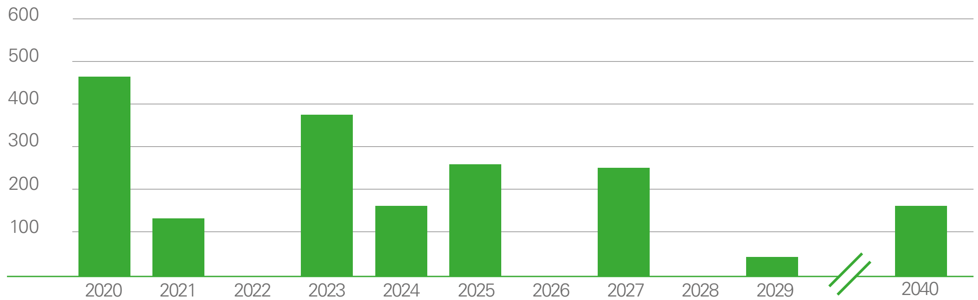
At 31 December 2019, the Group also had unused lines of credit of EUR 152.0 million (2018: EUR 170.5 million) that are available to meet short-term liquidity needs. The Group can be requested to repay these short-term loans on demand. There are no significant restrictions on the use of these facilities.

Maturity analysis

The graph below provides an overview of the repayment profile of the Group's interest-bearing loans (excluding lease liabilities) based on the contractual undiscounted cash flows. For the maturity overview of the lease liabilities, reference is made to note 3.4.

The table below analyzes the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity categories based on the remaining period at the end of the reporting period to the contractual maturity date. Derivative financial instruments are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The table also analyzes the maturity profile of financial assets in order to provide a complete overview of the contractual commitments and liquidity. The amounts disclosed in the table are the contractual undiscounted cash flows. The financial guarantees and securities issued (see note 9.8) are included for their full amount and it is assumed for disclosure purposes that these can be called within one year.

Repayment Schedule Net interest-bearing debt



	< 1 year		1-2 years		2-5 years		> 5 years	
In EUR millions - at 31 December	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	94.5	77.5	–	–	–	–	–	–
Trade and other receivables	296.1	288.9	–	–	–	–	–	–
Loans to joint ventures and associates	54.9	–	–	–	–	–	–	2.0
Other loans	–	–	–	–	–	–	31.8	23.1
Finance lease receivable	5.0	4.8	5.2	5.0	22.0	21.2	57.7	57.7
Total undiscounted financial assets (excluding gross settled derivatives)	**450.5**	**371.2**	**5.2**	**5.0**	**22.0**	**21.2**	**89.5**	**82.8**
Bank overdrafts	6.5	22.9	–	–	–	–	–	–
Redemption of interest-bearing loans	287.2	89.5	135.0	245.9	539.6	599.7	721.5	884.2
Short-term borrowings	178.0	59.0	–	–	–	–	–	–
Lease liabilities	43.4	–	44.1	–	154.2	–	689.5	–
Interest payments	62.7	70.2	55.3	60.8	128.1	145.3	120.8	153.5
Interest rate swaps	1.4	6.0	1.7	3.2	2.5	6.9	–	–
Trade and other creditors (excluding non-financial instruments)	175.2	177.4	–	–	–	–	–	–
Total undiscounted financial liabilities (excluding gross settled derivatives)	**754.4**	**425.0**	**236.1**	**309.9**	**824.4**	**751.9**	**1,531.8**	**1,037.7**
Derivative financial instruments outflow	-209.2	-266.9	–	-209.2	-209.6	-209.6	–	–
Derivative financial instruments inflow	233.7	288.9	–	228.1	241.3	236.1	–	–
Total undiscounted gross settled derivatives	**24.5**	**22.0**	**–**	**18.9**	**31.7**	**26.5**	**–**	**–**
Financial guarantees and securities issued	133.9	176.2	–	–	–	–	–	–
Total financial guarantees and securities	**133.9**	**176.2**	**–**	**–**	**–**	**–**	**–**	**–**
Liquidity movements	**-413.3**	**-208.0**	**-230.9**	**-286.0**	**-770.7**	**-704.2**	**-1,442.3**	**-954.9**

Section 7 Governance

This section comprises notes related to the Governance of the company, including Board Remuneration, External Auditor fees and transactions with related parties.

The following notes are presented in this section:

- 7.1 Remuneration of Board members
- 7.2 Long-term incentive plans (LTIPs)
- 7.3 Related parties
- 7.4 Fees paid to auditors appointed at the Annual General Meeting

Note 7.1 Remuneration of Board members

Reference is made to the section of the Remuneration report for information regarding the remuneration and related costs of the Supervisory Board members and the Executive Board members.

Note 7.2 Long-term incentive plans (LTIPs)

At year-end 2019, as in prior year, the Group operated three Long-Term Share Plans (LTSPs) and Long-Term Cash Plans (LTCPs).

For the Executive Board, all share-based payment plans are 100% equity-settled. As an exception, the LTSP 2016-2018 and the LTSP 2017-2019 were amended into fully cash-settled for the former Executive Board member Jack de Kreij in accordance with the plan rules, following his decision and announcement to step down early 2018.

For eligible senior management, the LTSPs also consisted of equity-settled share-based compensation plans, with the exception of the LTSP 2016-2018 which was 50% equity-settled and 50% cash-settled.

The LTCPs are other long-term remuneration plans settled in cash. The periods to which the plans relate are presented below:

- LTSP and LTCP 2017-2019
- LTSP and LTCP 2018-2020
- LTSP and LTCP 2019-2021

The LTSP and LTCP 2016-2018 were vested and settled during 2019.

Accounting policies

Share-based compensation

The fair value of equity-settled share-based compensation plans is determined at the date of granting and expensed in the statement of income based on the Group's estimate of the shares that will eventually vest over the period in which the service is rendered (vesting period) with a corresponding adjustment directly in equity. The fair value of cash-settled share-based compensation plans is determined at the date of granting and is remeasured at each reporting date until the liability is settled and is recognized over the vesting period as an expense to the extent to which participants have rendered services to date.

Generally, the compensation cost is recognized on a straight-line basis over the vesting period. The amounts expensed are adjusted over the vesting period for changes in the estimate of the number of shares and the equivalent in cash that will eventually vest. Adjustments are made at the end of each reporting period to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions, such as profitability growth targets and remaining an employee of the Group over a specified time period.

An equity-settled share-based payment award with a net settlement feature for withholding tax obligations is treated as equity-settled in its entirety.

Other long-term remuneration

Long-term remuneration settled in cash that depends on the development of the earnings per ordinary share (EPS) during a period of three years is allocated to these years based on the latest estimates of the EPS and are not treated as share-based payment plans. Liabilities are remeasured at the end of each reporting period.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Costs of long-term incentive plans

In EUR thousands	LTSP 2019 equity-settled	LTSP 2018 equity-settled	LTSP 2017 equity-settled	LTSP 2017 cash-settled[1]	Cash Plan	Total 2019	Total 2018
E.M. Hoekstra	324.8	271.5	455.3	n/a	n/a	1,051.6	503.7
F. Eulderink	202.3	173.8	287.6	n/a	n/a	663.7	316.3
G.B. Paulides	187.9	157.5	n/a	n/a	n/a	345.4	69.6
Members Executive Board	**715.0**	**602.8**	**742.9**	**n/a**	**n/a**	**2,060.7**	**889.6**
J.P. de Kreij (retired)	n/a	n/a	n/a	360.5	n/a	360.5	159.5
Former members Executive Board	**n/a**	**n/a**	**n/a**	**360.5**	**n/a**	**360.5**	**159.5**
Other	1,089.8	869.9	1,414.9	96.4	2,939.0	6,410.0	2,986.1
Total	**1,804.8**	**1,472.7**	**2,157.8**	**456.9**	**2,939.0**	**8,831.2**	**4,035.2**

1 The total carrying amount of liabilities for cash-settled share-based payment at 31 December 2019 was EUR 0.7 million (31 December 2018: EUR 1.0 million).

Gerard Paulides was appointed as Chief Financial Officer and member of the Executive Board for a period of four years, effective 1 February 2018. He does not participate in the LTSP 2017-2019.

For the former Executive Board member Jack de Kreij, the service period for the LTSP 2017-2019 ended on 31 January 2018 due to his resignation. The costs of this LTSP were recognized in the income statement on a pro-rata basis from the start of the service period to the end of the service period in January 2018.

For more information on the remuneration policy and the remuneration of the Executive Board members and the Supervisory Board members, reference is made to the Remuneration report as included in the Governance and compliance chapter.

Long-Term Share Plans

The current LTSPs reward participants for the increase in Vopak's Earnings per Share (EPS) performance during the three-year performance period, respectively from start date of the plan to the end date of the plan (either 2017-2019, 2018-2020 or 2019-2021), at pre-set EPS targets. If a considerable, ambitious improvement in the EPS has been achieved during the three-year performance period, a long-term remuneration will be awarded based on a percentage of their (average) annual salaries for all plans that are active.

The incentive ranges that apply to the various plans for the different groups of participants are presented in the following table.

Incentive opportunities	LTSP 2019	LTSP 2018	LTSP 2017
E.M. Hoekstra	0% to 150%	0% to 150%	0% to 150%
F. Eulderink	0% to 120%	0% to 120%	0% to 120%
G.B. Paulides	0% to 120%	0% to 120%	n/a
J.P. de Kreij (retired)	n/a	n/a	0% to 120%
Eligible senior management	0% to 60% / 0% to 45%	0% to 60% / 0% to 45%	0% to 60% / 0% to 45%

Long-Term Cash Plans

For other senior managers who are not eligible to participate under the LTSP but who contribute significantly to the company´s shareholder value, three-year Cash Plans have been granted. The LTCPs provide for additional pay in the form of deferred compensation under the terms and conditions of the plan after the vesting period. The financial performance is measured by the EPS development during the three-year performance period, the incentive can rise from 0% to a maximum of 22.5% or 30.0% per annum of the salary at the grant date.

Movements in the number of conditional awards

In numbers	E.M. Hoekstra	F. Eulderink	G.B. Paulides	J.P. de Kreij (retired)	Other	Total
Outstanding at 31 December 2017	**41,277**	**26,246**	**–**	**27,134**	**160,810**	**255,467**
Vested	-12,128	-7,856	–	-8,198	-49,212	-77,394
Change in expected average salary[1]	–	–	–	–	-394	-394
Forfeited	–	–	–	–	-448	-448
Newly awarded	17,554	11,235	10,183	–	65,194	104,166
Outstanding at 31 December 2018	**46,703**	**29,625**	**10,183**	**18,936**	**175,950**	**281,397**
Vested and settled	-14,932	-9,291	–	-9,614	-57,708	-91,545
Change in expected average salary[1]	419	178	–	–	–	597
Forfeited	–	–	–	–	-9,376	-9,376
Newly awarded	17,380	10,826	10,052	–	58,650	96,908
Outstanding at 31 December 2019	**49,570**	**31,338**	**20,235**	**9,322**	**167,516**	**277,981**

1 The conditional awards under the LTSP 2017 for the Executive Board, is based on an average salary over the 3-year performance period. The estimated average salaries are updated annually, which could result in an increase or decrease of the number of conditional awards at target level. For LTSP 2018 and 2019, the conditional awards are based on the salary on the date of grant.

Valuation and cost allocation

Long-term incentive plans (LTIPs) valuation (former) Executive Board members and other senior executives

	Conditional awards[1]		Number of expected shares[2]			Allocated cost to[3]	
In EUR thousands	Number	Value at grant	Number	Value at vesting	Value for cost allocation	2019	2018
LTSP 2019, equity-settled (conditional)	17,380	721.8	26,070	n/a	1,082.7	324.8	–
LTSP 2018, equity-settled (conditional)	17,554	701.7	16,325	n/a	652.5	271.5	120.0
LTSP 2017, equity-settled (conditional)[1]	14,636	577.3	17,563	848.8	692.8	455.3	48.8
LTSP 2016, equity-settled (settled)	14,932	669.7	7,466	296.3	334.9	–	334.9
Total E.M. Hoekstra	**64,502**	**2,670.5**	**67,424**	**1,145.1**	**2,762.9**	**1,051.6**	**503.7**
LTSP 2019, equity-settled (conditional)	10,826	449.6	16,239	n/a	674.4	202.3	–
LTSP 2018, equity-settled (conditional)	11,235	449.1	10,448	n/a	417.6	173.8	76.8
LTSP 2017, equity-settled (conditional)[1]	9,277	365.9	11,133	538.1	439.2	287.6	31.2
LTSP 2016, equity-settled (settled)	9,291	416.7	4,645	184.3	208.3	–	208.3
Total F. Eulderink	**40,629**	**1,681.3**	**42,465**	**722.4**	**1,739.5**	**663.7**	**316.3**
LTSP 2019, equity-settled (conditional)	10,052	417.5	15,078	n/a	626.2	187.9	–
LTSP 2018, equity-settled (conditional)	10,183	407.0	9,470	n/a	378.5	157.5	69.6
Total G.B. Paulides	**20,235**	**824.5**	**24,548**	**–**	**1,004.7**	**345.4**	**69.6**
Members Executive Board	**125,366**	**5,176.3**	**134,437**	**1,867.5**	**5,507.1**	**2,060.7**	**889.6**
LTSP 2017, cash-settled (conditional)[1,4]	9,322	367.7	11,187	540.7	540.7	360.5	-31.2
LTSP 2016, cash-settled (settled)[4]	9,614	431.2	4,807	190.7	190.7	–	190.7
Total J.P. de Kreij (retired)	**18,936**	**798.9**	**15,994**	**731.4**	**731.4**	**360.5**	**159.5**
Former members Executive Board	**18,936**	**798.9**	**15,994**	**731.4**	**731.4**	**360.5**	**159.5**
Total LTIPs (former) members Executive Board	**144,302**	**5,975.2**	**150,431**	**2,598.9**	**6,238.5**	**2,421.2**	**1,049.1**
Of which vested and settled in 2019	33,837	1,517.6	16,918	671.3	733.9	–	733.9
Outstanding LTIPs 31 December 2019	**110,465**	**4,457.6**	**133,513**	**1,927.6**	**5,504.6**	**2,421.2**	**315.2**
LTSP 2019, equity-settled (conditional)	58,650	2,442.2	87,980	n/a	3,663.5	1,089.8	–
LTSP 2018, equity-settled (conditional)	59,941	2,303.3	55,744	n/a	2,142.0	869.9	415.3
LTSP 2017, equity-settled (conditional)	46,431	1,851.6	55,717	2,692.8	2,221.9	1,414.9	155.7
LTSP 2017, cash-settled (conditional)	2,494	99.5	2,993	144.7	144.7	96.4	-5.6
LTSP 2016, equity-settled (settled)	27,714	1,170.1	13,856	549.8	585.0	0.7	585.0
LTSP 2016, cash-settled (settled)	29,994	1,266.3	15,121	600.0	600.0	0.6	599.4
Other senior executives	**225,224**	**9,133.0**	**231,411**	**3,987.3**	**9,357.1**	**3,472.3**	**1,749.8**
Of which vested and settled in 2019	57,708	2,436.4	28,977	1,149.8	1,185.0	1.3	1,184.4
Outstanding LTIPs 31 December 2019	**167,516**	**6,696.6**	**202,434**	**2,837.5**	**8,172.1**	**3,471.0**	**565.4**

1 On a target level of 100%. For the LTSP 2017 of the Executive Board, the conditional awards are based on the average salary over the vesting period since date of appointment. For LTSPs 2018 and 2019 of the Executive Board, the conditional awards are based on the salary on the date of grant. The value at grant is the conditional number of shares multiplied by the average share price at the grant date.

2 The value for cost allocation for the equity-settled LTSPs is based on the number of expected or vested shares and multiplied by the fair value per share award at the grant date, which has been reduced with the expected discounted future dividends payable during the respective vesting periods since the holders of shares are not entitled to receive dividends during the vesting period. The value for cost allocation for the cash-settled LTSPs is based on the number of expected or vested shares and multiplied by the fair value per award at the reporting date less discounted expected future dividend payments. Expected dividends have been applied in accordance with the dividend policy of the company. The estimated vesting percentages of the LTSPs are based on a Monte Carlo simulation scenario analysis.

3 The (fair) value of the employee services received in exchange for the awards is recognized rateably over the vesting period of the plan.

4 On 15 November 2016, Mr. de Kreij, Chief Financial Officer and Vice Chairman of the Executive Board has informed the Supervisory Board that he has decided to step down as per 1 February 2018. The recognition of the LTSPs 2016 and 2017 was amended into fully cash-settled for Mr De Kreij in accordance with the plan rules, due to his announced resignation early in 2018. The costs of the LTSP were allocated to the remaining period of service.

Note 7.3 Related parties

Transactions with Supervisory Board members and Executive Board members

For the remuneration of Supervisory Board members and Executive Board members, the key management of the Group, reference is made to the sections Remuneration Supervisory Board and Actual Remuneration 2019 of the Remuneration report, which are deemed part of these financial statements.

No loans, advances or guarantees have been provided to current or former members of the Supervisory Board and the Executive Board.

For both years presented, the Group has not conducted any transactions with companies in which Executive Board members and/or persons closely related to them have a significant financial interest.

Transactions with joint ventures and associates

The transactions with our joint ventures and associates, other than providing equity and receiving dividends, principally consist of fees for services provided by the Group, loans issued by the Group and the related interest income.

	Joint ventures		Associates		Total	
In EUR millions	2019	2018	2019	2018	2019	2018
Other operating income	8.0	7.1	0.6	1.9	8.6	9.0
Amounts owed by	54.9	2.0	–	–	54.9	2.0

Transactions with major shareholders

Besides the annual dividend distribution, no material related party transactions have been entered into with the major shareholders during the years presented.

Vopak has been informed by HAL Holding N.V. ('HAL'), that it is technically required for HAL to consolidate Vopak in its Consolidated financial statements as from 1 January 2014. Accordingly, HAL has requested Vopak to provide detailed accounting information with respect to the Consolidated financial statements in order for HAL to be able to consolidate Vopak in its Consolidated statements. To facilitate HAL in complying with its obligations under IFRS 10, a Memorandum of Understanding was signed between Vopak and HAL with respect to confidentiality, the process of exchanging information, subsequent events procedures, external auditor involvement and attendance rights to the Audit Committee meetings for an independent financial expert on behalf of HAL.

Transactions with pension funds

Related party transactions with Vopak's pension funds are presented in note 9.4.

Note 7.4 Fees paid to auditors appointed at the Annual General Meeting

The fees listed in the table below relate to the procedures applied to the company and its consolidated Group entities by Deloitte Accountants B.V., the Netherlands, the external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based Deloitte individual partnerships and legal entities, including their tax services and advisory groups.

In EUR millions	2019	2018
Financial statements audit fees	1.4	1.4
Other assurance fees	0.1	0.1
Total	**1.5**	**1.5**

The financial statements audit fees include the aggregate fees in 2019 and 2018 for professional services rendered for the audit of Vopak's annual financial statements and annual statutory financial statements of subsidiaries or services that are normally provided by the auditor in connection with the audits.

The other assurance fees include the aggregate fees invoiced for assurance and services for other audit services, which generally only the company's independent auditor can reasonably provide, such as comfort letters, and audit of grant statements.

In line with the Dutch independence legislation, no tax advisory, compliance services or other non-audit services were provided in 2019 and 2018.

The total fees charged by Deloitte Accountants B.V., the Netherlands to the company and its consolidated Group entities amounted to EUR 0.7 million in 2019 (2018: EUR 0.8 million). Of the 2019 fees, an amount of EUR 0.1 million (2018: EUR 0.2 million) relates to non-recurring fees for the 2019 audit.

Section 8 Income taxes

This section comprises all relevant disclosures and specifications regarding tax recognized in the Consolidated financial statements.

The following notes are presented in this section:

- 8.1 Income taxes
- 8.2 Deferred taxes

Note 8.1 Income taxes

Accounting policies

Taxes on profit or loss for the financial year comprise current and deferred taxes. Taxes are recognized in the statement of income unless they relate to items directly recognized in Other comprehensive income or directly in equity.

Current taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, plus any adjustments to prior-year tax payable.

Deferred taxes are provided for, using the liability method, whereby provisions are made for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. No deferred taxes are provided for the following temporary differences: goodwill not deductible for tax purposes; the initial recognition of assets and liabilities that neither affect accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The calculation is based on tax rates enacted or substantively enacted, at the end of the reporting period.

Deferred tax assets, including assets arising from losses carried forward, are recognized to the extent that it is probable that future taxable profits will be available against which these temporary differences or unused tax losses can be utilized. Deferred tax assets and liabilities are stated at nominal value.

The Group recognizes liabilities for potential tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

A provision is formed for tax, principally regarding withholding tax, for which a liability might arise in connection with the distribution of retained earnings if a decision has been made to distribute such earnings.

Income tax recognized in the Consolidated statement of income

In EUR millions	2019	2018
Current taxes		
Current financial year	61.7	54.7
Adjustments for prior years	1.0	-3.5
	62.7	**51.2**
Deferred taxes		
Adjustments for prior years	-12.5	3.2
Temporary differences	15.6	15.6
Recognition of tax losses and tax credits	-7.3	-5.0
Changes in tax rates	-0.2	-6.4
	-4.4	**7.4**
Tax on profit	**58.3**	**58.6**
Income tax paid	71.2	52.4
Movements in current and deferred tax balances	-12.9	6.2
Income tax expense	**58.3**	**58.6**

In 2019, EUR 2.7 million of exceptional gain was recognized in the income tax expenses (2018: expense of EUR 3.2 million). For both years presented, these related to the tax effects on the exceptional items.

The main difference between the tax expenses for the year and the current tax charge was caused by deferred tax expenses mostly related to differences in the depreciation rates of Property, plant and equipment as well as lease accounting. For further details on the deferred tax position, reference is made to note 8.2.

Tax expenses per share

The tax expense per share amounted to EUR 0.46 in 2019 as well as 2018.

More information on Vopak's responsibility towards taxation can be found in the Sustainability chapter.

Reconciliation of effective tax rate

In EUR millions	2019		2018	
Profit before income tax		662.1		349.1
Tax on profit		58.3		58.6
Effective tax rate		**8.8%**		**16.8%**
Composition:	*Amount*	*%*	*Amount*	*%*
Weighted average statutory tax rate	166.3	25.1	75.5	21.6
Participation exemption	-106.1	-16.0	-28.2	-8.1
Non-deductible expenses	6.5	1.0	22.6	6.5
Changes in tax rates	-0.8	-0.1	-6.5	-1.8
Recognition of tax losses and tax credits	2.1	0.3	-1.7	-0.5
Tax facilities	-0.8	-0.1	-1.4	-0.4
Movements in prior-year taxes	-11.5	-1.7	-0.3	-0.1
Other effects	2.6	0.3	-1.4	-0.4
Effective tax (rate)	**58.3**	**8.8**	**58.6**	**16.8**

Income tax expenses -including exceptional items- amounted to EUR 58.3 million in 2019, a decrease of EUR 0.3 million compared to EUR 58.6 million in 2018. The effective tax rate -including exceptional items- was 8.8% compared to 16.8% in 2018. This decrease was mainly due to increased results from our joint ventures and associates and gains from divestments for which the participation exemption applied.

Income tax expenses -excluding exceptional items- amounted to EUR 61.0 million in 2019, an increase of EUR 5.6 million (10%) compared to EUR 55.4 million in 2018. The effective tax rate -excluding exceptional items- was 13.5% compared to 14.5% in 2018. The main drivers behind the overall decrease was a lower average statutory tax rate and higher results from joint ventures and associates which fall under the participation exemption. Reference is made to note 3.1 and 3.5 for more information.

The Non-deductible expenses category which is included as part of the effective tax reconciliation includes business expenses which are not tax deductible under local (tax) law. The Movements in prior-year taxes includes several tax positions which have been confirmed by the local tax authorities resulting in a true-up of tax provisions.

For an overview of the effects of the joint ventures and associates on the effective tax rate of the Group, as well as the proportionate effective tax rate, reference is made to note 20 of the Sustainability section.

Income tax recognized in other comprehensive income

In EUR millions	Note	2019	2018
On changes in the value of cash flow hedges	5.2	-0.2	9.0
On exchange differences and hedges	5.2	-0.3	-0.9
On use of cash flow hedges	5.2	-0.7	-0.7
On remeasurements of defined benefit plans		-1.8	5.2
Total		**-3.0**	**12.6**

Note 8.2 Deferred taxes

Key accounting estimates and judgments

Deferred tax assets, including those arising from carry-forward losses, are recognized if it is probable that taxable profit is available against which losses can be offset. In determining this, Vopak uses estimates and assumptions that also affect the measurement of the deferred tax assets. A maturity schedule of the unrecognized carry-forward losses is shown on the next page.

Accounting policies

Deferred tax assets and liabilities are offset against each other to the extent that this is a legally enforceable right and the deferrals belong to the same fiscal unit. The decision to account for deferred tax assets is taken periodically for each fiscal unit after critically assessing whether conditions are sufficient to realize these deferred tax assets, based on the strategic plans and related tax plans.

Deferred tax assets and liabilities

In EUR millions	Carry forward losses	Temporary differences: Property, plant and equipment	Temporary differences: Loans granted	Temporary differences: Employee benefits	Temporary differences: Lease Liabilities	Temporary differences: Other	Other	Offset assets and liabilities	Statement of financial position
Assets	7.5	6.2	–	29.4	–	32.4	0.3	-71.0	4.8
Liabilities	–	- 231.5	-0.3	-0.1	–	-22.1	–	71.0	-183.0
Balance 31 December 2017	**7.5**	**- 225.3**	**-0.3**	**29.3**	**–**	**10.3**	**0.3**	**–**	**-178.2**
Movements:									
- Statement of income	4.9	- 4.2	–	-10.4	–	2.4	-0.3		-7.6
- Other comprehensive income	–	–	–	-5.2	–	-8.3	–		-13.5
- Exchange differences	-1.0	- 1.4	–	0.3	–	1.3	–		-0.8
Balance 31 December 2018	**11.4**	**- 230.9**	**-0.3**	**14.0**	**–**	**5.7**	**–**		**-200.1**
Assets	11.4	1.2	–	14.2	–	23.2	–	-42.4	7.6
Liabilities	–	- 232.1	-0.3	-0.2	–	-17.5	–	42.4	-207.7
Balance 31 December 2018	**11.4**	**- 230.9**	**-0.3**	**14.0**	**–**	**5.7**	**–**	**–**	**-200.1**
Initial application IFRS 16	–	- 117.4	–	–	133.4	-	–		16.0
Balance 1 January 2019	**11.4**	**-348.3**	**-0.3**	**14.0**	**133.4**	**5.7**	**–**	**–**	**-184.1**
Movements:									
- Statement of income	7.0	0.8	0.4	0.4	0.4	-4.5	–		4.5
- Other comprehensive income	–	1.2	–	1.0	–	-2.2	–		–
- Acquisitions/divestments	–	46.3	–	-3.1	-18.4	8.3	–		33.1
- Exchange differences	0.5	-7.2	–	0.3	2.2	–	–		-4.2
Balance 31 December 2019	**18.9**	**- 307.2**	**0.1**	**12.6**	**117.6**	**7.3**	**–**		**-150.7**
Assets	18.9	2.0	0.4	12.6	117.6	24.0	–	-144.7	30.8
Liabilities	–	-309.2	-0.3	–	–	-16.7	–	144.7	-181.5
Balance 31 December 2019	**18.9**	**-307.2**	**0.1**	**12.6**	**117.6**	**7.3**	**–**	**–**	**-150.7**

In determining the deferred tax liabilities, withholding tax and any other tax due for unremitted earnings of subsidiaries were not recognized. These earnings have been permanently reinvested.

Deferred tax assets not recognized in the Consolidated statement of financial position

Carry-forward losses for which deferred tax assets have not been recognized amounted to EUR 4.7 million at 31 December 2019 (2018: EUR 6.9 million). The maturity schedule is as follows:

In EUR millions	2020	2021	2022	2023	2024+	unlimited	Total
Offsettable carry-forward losses	1.7	–	–	–	–	3.0	4.7

Deferred tax assets regarding these carry-forward losses have not been recognized because it is not probable that sufficient taxable profit will be available to utilize the deferred tax asset in time.

Section 9 Other disclosures

This section provides details on items that are not included in other sections, but which are of statutory or secondary importance for understanding the Group's financial performance of the Group due to their nature. A list of principal subsidiaries, joint ventures and associates of the Vopak Group is also included in this section.

The following notes are presented in this section:

- 9.1 Earnings per ordinary share - number of shares
- 9.2 Loans granted and finance lease receivables
- 9.3 Other non-current assets
- 9.4 Pensions and other employee benefits
- 9.5 Provisions
- 9.6 Investments and other financial assets
- 9.7 Investment commitments undertaken
- 9.8 Contingent assets and contingent liabilities
- 9.9 Financial assets and liabilities and credit risk
- 9.10 New standards and interpretations not yet implemented
- 9.11 Principal subsidiaries, joint ventures and associates
- 9.12 Events after the reporting period

Note 9.1 Earnings per ordinary share - number of shares

Basic earnings per ordinary share are calculated by dividing the net profit attributable to holders of ordinary shares by the time-weighted average number of outstanding ordinary shares (excluding the average number of treasury shares). The weighted average number of outstanding shares was 127,637,900 in 2019 (2018: 127,659,039).

In calculating the diluted earnings per ordinary share, the weighted average number of outstanding shares is adjusted for the dilutive effects of all dilutive potential ordinary shares, such as share-based payment arrangements.

The composition of the weighted average number of outstanding shares and of the diluted weighted average number of outstanding shares is as follows:

In thousands	Note	2019	2018
Outstanding ordinary shares at 1 January	5.1	127,665	127,645
Movements treasury shares	5.1	-27	14
Basic weighted average number of ordinary shares		**127,638**	**127,659**
Dilutive effect of LTSPs (equity-settled part)		345	124
Weighted average number of ordinary shares including dilutive effect		**127,983**	**127,783**

At 31 December 2019, the company owned 209,984 treasury shares (2018:170,597). The treasury shares have no voting rights attached to them, nor are they eligible for dividends during the period when these are held by the company.

When the vesting conditions of the equity-settled share-based payment arrangements are met, the settlement will result in an increase of the number of shares outstanding, which will have a dilutive effect. During 2019, the LTSP 2016-2018 share-based payment arrangement was settled resulting in the transfer of 25,983 treasury shares to eligible employees (2018: 19,403 shares).

The LTSP 2017-2019 will be settled in 2020. For more information, reference is made to note 7.2.

Note 9.2 Loans granted and finance lease receivable

Accounting policies

The Group classifies its loans granted and other debt investments at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All loans granted and other debt investments meet these criteria and are measured at amortized cost.

At initial recognition, the Group measures loans granted at its fair value plus directly attributable transaction costs. Subsequently, these items are carried at amortized cost using the effective interest method.

Assets held under a finance lease are presented in the Statement of financial position as a receivable at an amount equal to the net investment in the lease. The income on the finance lease receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease and is presented as Other income.

The expected credit losses associated with its loans granted and other issued debt instruments carried at amortized cost are assessed by the Group on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

	Loans to joint ventures and associates		Other loans		Total loans granted		Finance lease receivable	
In EUR millions	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount at 1 January	**2.0**	**2.0**	**23.1**	**26.6**	**25.1**	**28.6**	**27.9**	**29.2**
Movements:								
Additions	53.5	–	8.6	7.5	62.1	7.5	–	–
Repayments	-2.0	–	–	-8.9	-2.0	-8.9	-4.9	-4.7
Finance lease interest income	–	–	–	–	–	–	5.1	5.1
Exchange differences	1.4	–	0.1	-2.1	1.5	-2.1	0.4	-1.7
Carrying amount at 31 December	**54.9**	**2.0**	**31.8**	**23.1**	**86.7**	**25.1**	**28.5**	**27.9**
Non-current receivables	54.9	2.0	31.8	23.1	86.7	25.1	28.5	27.9
Current receivables	–	–	–	–	–	–	–	–
Carrying amount at 31 December	**54.9**	**2.0**	**31.8**	**23.1**	**86.7**	**25.1**	**28.5**	**27.9**

In 2019, the movements of EUR 53.5 million for Loans to joint ventures and associated is related to a position with one of our joint ventures in the Asia and Middle East division. In addition the increase of the Other loans granted includes a loan to the non-controlling shareholder of our terminals in South Africa (Europe & Africa division). Apart from these movement, there were no material movements in the loans granted and finance lease receivables during the years presented.

Loans granted do not include any subordinated loans.

Reference is made to note 9.9 for the fair value information and note 6.7 on the remaining period at the end of the reporting period to the contractual maturity date.

With respect to the loans granted and the finance lease receivables, which are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Note 9.3 Other non-current assets

Until 2018, the Other non-current assets primarily related to prepaid land use rights. As per 2019, these amounts are part of the lease accounting in accordance with IFRS 16 and are no longer recognized as Other non-current assets. Until 2018, these prepaid land use rights were allocated to the period to which they relate.

For more information on the initial application of IFRS 16, reference is made to note 1.1.

Note 9.4 Pensions and other employee benefits

The majority of employees are either covered by defined benefit plans, defined contribution plans or mandatory external pension plans. The defined benefit plans are plans that apply in the United States, Germany and Belgium. These countries mostly operate final-pay pension plans, administrated by pension funds separate from the company.

Accounting policies

Defined benefit plans

The Group's net pension obligation is calculated by an independent actuary, using the projected unit credit method. This calculation is performed separately for each plan by estimating the amount of the benefit that employees have earned in relation to their past services. The liability recognized in the balance sheet is the present value of these benefits at the end of the reporting period (defined benefit obligation) less the fair value of plan assets. The defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds with durations matching the terms of the benefits.

The increase in the defined benefit obligation due to the passage of time and the expected return on plan assets, using the same interest rate as for the defined benefit obligation, are included in the pension costs.

Past-service costs are recognized immediately in the statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in equity via Other comprehensive income in the period in which they arise.

When a plan is changed, settled or when a plan is curtailed, the resulting change in the defined benefit obligation that relates to past-service or the gain or loss on curtailment is recognized immediately in the statement of income under Personnel expenses. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plans

Contributions to defined contribution plans are recognized as an expense in the statement of income as incurred.

Accounting estimates and judgments applied

The defined benefit obligation is determined on the basis of assumptions for future developments in variables such as salary increase, price index increase, life expectancy and discount rate. All assumptions are assessed at the reporting date. Changes in the assumptions may significantly affect the liabilities and pension costs under the defined benefit plans. The weighted average of these assumptions as well as sensitivities of key assumptions are disclosed in this note.

Pensions and other employee benefits

The table below provides an overview of the movements in the plan assets and defined benefits obligation for the years presented, showing separately the amounts that were recognized in the income statement, the statement of other comprehensive as well as the cash flows for the period.

	Plan assets		Defined Benefit Obligation		Total	
in EUR millions	2019	2018	2019	2018	2019	2018
Opening balance defined benefits position at 1 January	**97.5**	**1,177.4**	**-145.3**	**-1,286.4**	**-47.8**	**-109.0**
Movements:						
Current service costs	–	–	-4.7	-19.9	-4.7	-19.9
Administration costs and taxes	–	–	-0.4	-0.9	-0.4	-0.9
Interest income/(expenses)	3.9	14.8	-5.1	-16.6	-1.2	-1.8
Settlements	–	-1,113.0	16.0	1,135.9	16.0	22.9
Components of defined benefit income/(costs) recorded in profit or loss	**3.9**	**-1,098.2**	**5.8**	**1,098.5**	**9.7**	**0.3**
Return on plan assets (excluding interest income on plan assets)	13.1	1.9	–	–	13.1	1.9
Actuarial gains (-) and losses from changes in demographic assumptions (remeasurement)	–	–	0.4	2.6	0.4	2.6
Actuarial gains (-) and losses from experience	–	–	1.3	-0.1	1.3	-0.1
Actuarial gains (-) and losses from changes in financial assumptions (remeasurement)	–	–	-22.1	16.8	-22.1	16.8
Components of defined benefit income/(costs) recorded in other comprehensive income	**13.1**	**1.9**	**-20.4**	**19.3**	**-7.3**	**21.2**
Benefits paid from the pension fund	-5.7	-28.7	4.3	4.0	-1.4	-24.7
Employer's contibutions	4.5	40.5	1.4	24.6	5.9	65.1
Employees' contributions	–	1.0	–	-1.0	–	–
Exchange differences	1.9	3.6	-2.3	-4.3	-0.4	-0.7
Closing balance at 31 defined benefits position December	**115.2**	**97.5**	**-156.5**	**-145.3**	**-41.3**	**-47.8**
Net pension obligation under defined contribution plans	–	–	-2.4	-2.9	-2.4	-2.9
Total pension position recognized at 31 December	**115.2**	**97.5**	**-158.9**	**-148.2**	**-43.7**	**-50.7**
Current liabilities					-1.3	-1.3
Non-current liabilities					-42.4	-49.4
Net pension obligation recognized at 31 December					**-43.7**	**-50.7**

1 The defined benefits obligation related to unfunded pension plans amounted to EUR 3.3 million at year-end 2019 (2018: EUR 18.0).

	Defined Benefit Obligation	
in EUR millions	2019	2018
Defined benefits obligations Allocated to the plans' participants:		
Active members	-76.5	-68.6
Deferred members	-30.5	-26.0
Pensioners	-49.5	-50.7
Defined benefit obligation at 31 December	**-156.5**	**-145.3**

The defined benefit costs recorded in profit and loss include a settlement result of EUR 16.0 million in relation to the unfunded defined benefit plans of the divested German terminals.

Settlement of Dutch Defined Benefit Pension Plan

In July 2018, Vopak formalized the agreement regarding a new pension plan in the Netherlands effective per 1 January 2018. The new pension plan qualifies as a defined contribution plan under IAS 19. Going forward, Vopak has the sole obligation to pay a contribution based on a fixed percentage of the pensionable salary. This agreement resulted in the third quarter of 2018 in an additional cash contribution by the company to the Dutch pension fund of EUR 18.0 million.

The total exceptional (non-cash) net gain before tax for the year from the release of the IAS 19 pension provision was EUR 19.1 million. Of this total exceptional gain, an amount of EUR 3.8 million was already recognized as an exceptional loss in the first half of 2018. This amount was the difference between the IFRS defined benefit costs and the actual defined contribution cash outflows for the period that were agreed effective per 1 January 2018.

Market volatility had a negative impact on the Group's defined benefit plans in 2019, which resulted in remeasurement loss (gross) of EUR 7.3 million (2018: gains of EUR 21.2 million), being recorded, net of tax, in other comprehensive income. These remeasurements were caused by the defined benefit obligation impact of deviations from the assumptions set at the beginning of the year which were only partly offset by the higher than expected return on plan assets. The amounts are more limited compared to prior year as during 2019 the Dutch pension plan no longer qualified as a defined benefits plan.

Change in the fair value of plan assets and major classes of plan assets

The following tables summarize the characteristics/main elements of the plan assets at 31 December.

	Total	
in EUR millions	2019	2018
Major classes of plan assets		
Bonds - investment grade	48.3	39.1
Bonds - high yield	19.8	23.2
Equity instruments	47.1	35.2
Fair value of plan assets at 31 December	**115.2**	**97.5**

The investments consist of participations in investment funds from reputable asset managers and are therefore well-diversified, such that the failure of any single investment would not have a material impact on the overall value of the investment fund.

The pension fund has not invested directly in shares of Royal Vopak, parts of the Group or in real estate of the Group.

Expected maturity, contribution and impact on result

The expected maturity analysis of undiscounted pension benefits at 31 December 2019 is as follows:

In EUR millions	2020	2021	2022	2023	2024	2025+	Total
Undiscounted pension benefits	5.2	5.5	6.0	6.7	6.0	230.0	259.4

The employer's contribution for defined benefit plans decreased from EUR 40.5 million in 2018 to EUR 4.5 million in 2019 as a result of the settlement of the defined benefit pension plan in the Netherlands in 2018. Based on the latest funding agreements, the employer's contribution is expected to be around EUR 4.4 million in 2020.

Assumptions and sensitivity analysis

Assumptions

	Total	
	2019	2018
Assumptions based on weighted average at 31 December		
Discount rate on net liability	2.89%	3.52%
Expected general salary increase	4.35%	4.17%
Expected price index increase	2.74%	2.63%
Average life expectancy in years for women (age 65)	23.0	23.0
Average life expectancy in years for men (age 65)	20.6	20.6

The discount rates used in the determination of defined benefit obligations and pension expenses are based on high quality corporate bonds (AA) with a duration matching the duration of the pension liabilities. In addition, the calculations were based on recent mortality tables, taking future developments in mortality rates into account through projections or surpluses. Local historical data were used for employee turnover and disability assumptions.

The liabilities and pension expenses related to defined benefit plans are subject to risks regarding changes in discount rates, plan assets and returns derived from these assets, future salary increases, inflation and life expectancy. Such changes can negatively or positively influence the liabilities and necessitate additional future pension charges under IAS 19. The table below shows the estimated impact on the defined benefit obligations for defined benefit plans for each risk variable.

Sensitivity analysis

In EUR millions	Change	Increase	Decrease
Sensitivity assumptions			
Price inflation	1.0%	6.1	-5.3
Salary growth	0.25%	1.7	-1.4
Discount rates	1.0%	-23.0	29.1
Life expectation	1 year	7.8	n/a

The sensitivity analysis is based on changes that are realistically possible as at the end of the financial year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

Note 9.5 Provisions

Accounting policies

Provisions are recognized for legal or constructive obligations that arose in the past, the amount of which, though uncertain, can be reliably estimated and where it is probable that the settlement of the obligations will entail a cash outflow. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

In accordance with current legislation, environmental plans and other measures to be adopted are agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other statutory obligations arise, a provision is formed based on the most reliable estimate possible of the future expenses.

A provision for reorganization is formed when Vopak has approved a detailed and formalized reorganization plan and when the reorganization has either commenced or been announced.

Provisions for other deferred long-term employee benefits, other than pensions and other employee benefits, for example, redundancy benefits, anniversary incentives and long-term remuneration settled in cash, are calculated using the method for defined benefit plans. Any actuarial results arising are recognized immediately in the statement of income. The same applies to any changes relating to past service.

Key accounting estimates and judgments

The amount recognized as a provision is management's best estimate of the amount required to settle the obligation. The outcome depends on future events that are uncertain by nature. In assessing the likely outcome of lawsuits and tax disputes, management also bases its assessment on external legal assistance and established precedents.

The Group is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites have to be decontaminated before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate of possible future expenses. Given the degree of difficulty in making estimates, this does not guarantee that no additional costs will arise in the future.

Movements in provisions

In EUR millions	Environmental liabilities	Other	Total
Non-current liabilities	12.8	19.2	32.0
Current liabilities	4.6	24.9	29.5
Balance at 31 December 2018	**17.4**	**44.1**	**61.5**
Initial application IFRS 16	–	-1.7	-1.7
Balance at 1 January 2019	**17.4**	**42.4**	**59.8**
Movements:			
Additions	3.7	13.8	17.5
Withdrawals	-3.4	-6.2	-9.6
Releases	-0.1	-7.8	-7.9
Interest accrual	0.1	–	0.1
Exchange differences	0.2	–	0.2
Balance at 31 December 2019	**17.9**	**42.2**	**60.1**
Non-current liabilities	14.8	21.1	35.9
Current liabilities	3.1	21.1	24.2
Balance at 31 December 2019	**17.9**	**42.2**	**60.1**
Expected withdrawals			
< 1 year	3.1	21.1	24.2
2nd year	4.3	13.8	18.1
3rd year	1.1	1.3	2.4
4th year	0.2	1.4	1.6
5th year	1.6	1.8	3.4
> 5th year	7.6	2.8	10.4
Total	**17.9**	**42.2**	**60.1**

Environmental provisions

Vopak is obliged to clean up soil contamination at different locations. In general, an accurate and reliable estimate of the provision for this environmental risk can only be made after conducting a thorough survey and drawing up a management plan for the site, on the basis of which the governmental authorities issue an order.

The environmental provisions primarily relate to historical contaminations. Financial exposures to potential new soil contaminations in relation to products spills are very limited. If a spill or any unwanted discharge takes place, emergency mitigation procedures are in place at all the terminals which contain and remediate the spill immediately, according to the Vopak standards.

At year-end 2019, the total provision for environmental liabilities amounted to EUR 17.9 million (2018: EUR 17.4 million). The provision is mainly related to environmental liabilities at various terminals in the divisions Europe & Africa and Americas. During 2019 an amount of EUR 3.4 million (2018: EUR 5.7 million) was recognized in relation to environmental provisions for a terminal in Belgium and our terminal in Quebec City in Canada (reference is also made to note 3.8).

Other provisions

The other provisions primarily relate to legal and claims-related provisions and the provisions for the LTIPs. Many of the claims-related provisions concern insured events, for which the receivable on the insurance company is recognized separately under the Other receivables.

LTIPs

Other provisions included an amount of EUR 3.8 million (2018: EUR 1.7 million) for the LTCPs (see note 7.2), and EUR 0.7 million (2018: EUR 1.0 million) for the cash-settled share-based payments of the LTSPs (see note 1 to the first table of note 7.2). EUR 2.6 million of the total provision in relation to the LTIPs will be settled in 2020 (2019: EUR 1.5 million).

The movement in the provisions in connection with the LTIPs recognized in the income statement amounted to EUR 3.4 million in 2019 (2018: expense of EUR 2.0 million). Reference is also made to note 7.2.

Other

At year-end 2019, EUR 37.7 million (2018: EUR 39.6 million) was recognized under the Other provisions, which primarily comprises various smaller legal cases and claim settlements mainly in the divisions Europe & Africa and Americas, of which the larger part was related to insured events. On balance, EUR 4.1 million (2018: EUR 5.1 million) was added for expected claims in 2019.

The divestment of the joint venture Vopak SDIC Yangpu Terminal (China) in December 2019, resulted in the release of a constructive obligation for the amount of EUR 1.8 million in 2019. For more information, reference is made to note 3.5.

No other individual items within the remaining provisions are considered to be individually material. The company expects that the current cases provided for will be substantively resolved within the coming five years.

Note 9.6 Investments and other financial assets

The group has investments in the equity of other entities which do not classify as either a subsidiary, joint venture or associate. These investments primarily concern the investment Sabtank in Saudi Arabia, Vopak Terminal Venezuela and the investments held by Vopak Ventures B.V. These investments in unlisted entities are not held for trading and are considered to be strategic investments.

Accounting policies

The group makes an irrevocable election on an investment-by-investment basis at the time of initial recognition to measure these investments either as:

- Fair value through profit and loss (FVPL); or
- Fair value through Other comprehensive income (FVOCI).

Investments and other financial assets are measured at fair value (level 3). At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets measured at FVPL are expensed in profit or loss, while these are recognized in Other comprehensive income for financial assets measured at FVOCI.

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as dividend income as part of the net finance costs. Reference is also made to note 5.6.

At year-end 2019, all equity investments are classified as FVOCI.

The total fair value of the investments amounted to EUR 30.1 million (2018: EUR 11.2 million) at year-end 2019. The total dividend income in 2019 from these investments amounted to EUR 2.4 milion (2018: EUR 0.9 million).

Note 9.7 Investment commitments undertaken

The investment commitments undertaken by the Group for subsidiaries amounted to EUR 329.9 million as at 31 December 2019 (2018: EUR 458.6 million), and were primarily related to property, plant and equipment.

Note 9.8 Contingent assets and contingent liabilities

Contingencies in respect of joint ventures and associates

	Joint ventures		Associates		Total	
In EUR millions	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Commitments to provide debt or equity funding	117.5	21.9	8.6	33.0	126.1	54.9
Guarantees and securities provided	107.4	104.5	11.4	57.0	118.8	161.5

The 2019 increase in commitments related primarily to the announced construction projects for industrial terminals in the Americas and the China & North Asia division.

The 2018 commitments related primarily to expansion projects in the Asia & Middle East division and RIPET (Canada).

The amounts of guarantees and securities can potentially be called within one year.

The joint venture and associates of the Group are currently, and may from time to time become, involved in a number of legal proceedings, including inquiries from, or discussions with, governmental authorities (including tax authorities) that are incidental to their operations. For the contingent liabilities of the joint ventures and associates as at year-end related to legal cases, it is based on the current facts and circumstances not believed that they may have a material adverse effect on the financial position or profitability of the Group. Due to inherent uncertainties, the Group cannot make any accurate quantification of any cost, or timing of such cost, which may arise from any of the legal proceedings referred to in this report, however costs in complex litigation may be substantial.

Guarantees and securities included in ratio calculations

The notional amount of guarantees and securities provided on behalf of participating interests in joint ventures and associates, which is also included in ratios, increased from EUR 84.2 million at 31 December 2018 to EUR 87.1 million at 31 December 2019. Of this amount, nil was recognized in the statement of financial position (2018: nil). Reference is also made to note 5.5.

Other contingencies

Environmental obligations

The Group is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites have to be decontaminated and restored to their original condition before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate possible of future expenses. The Executive Board is of the opinion that the currently recognized provisions are adequate, based on information currently available. However, given the degree of difficulty in making estimates, this does not guarantee that no additional costs will arise going forward.

Other legal proceedings and risks

As a result of its day-to-day activities, the Group is involved in a number of other legal proceedings. The Executive Board is of the opinion that for the legal cases and risks for which no provisions have been recognized, it is not probable at year-end that the final outcome will result in a cash outflow, therefore no provisions have been formed. Furthermore, as explained in the Risks and risk management section, the Group can be held liable for any non-compliance with laws and regulations. The risks in connection with non-compliance, as well as the potential impact on the company, are disclosed in the Internal control and risk management section of this report.

As part of divestments of terminals and assets, Vopak has provided certain customary representations and warranties in the relevant sales purchase agreements. These representations and warranties will generally terminate, depending on their specific features, a number of years after the relevant transaction completion date. Based on the current facts and circumstances, management has determined that for the items for which no provision is currently recognized, the likelihood of a cash outflow relating to these items is considered to be remote.

Note 9.9 Financial assets and liabilities and credit risk

Financial assets and liabilities

In EUR millions	Note	Carrying amount 2019	Carrying amount 2018	Fair value 2019	Fair value 2018
Other financial assets		30.1	11.2	30.1	11.2
Currency derivatives		9.6	9.7	9.6	9.7
Financial instruments at fair value		**39.7**	**20.9**	**39.7**	**20.9**
Loans granted	9.2	86.7	25.1	86.7	25.1
Trade and other receivables	4.2	296.1	288.9	296.1	288.9
Cash and cash equivalents	5.5	94.5	77.5	94.5	77.5
Finance lease receivable	9.2	28.5	27.9	28.5	27.9
Loans and receivables		**505.8**	**419.4**	**505.8**	**419.4**
Bank overdrafts and short-term borrowings	5.5	-184.5	-81.9	-184.5	-81.9
US Private Placements	5.5	-1,303.2	-1,363.0	-1,451.2	-1,477.4
JPY Private Placement	5.5	-164.0	-158.4	-230.9	-216.6
Bank loans	5.5	-66.2	-63.9	-67.7	-73.0
Lease liabilities	5.5	-564.9	–	-564.9	–
Credit facilities and other long-term loans	5.5	-147.0	-235.3	-147.0	-235.3
Trade creditors	4.3	-41.0	-36.7	-41.0	-36.7
Other creditors	4.3	-146.6	-134.3	-146.6	-134.3
Other financial liabilities		**-2,617.4**	**-2,073.5**	**-2,833.8**	**-2,255.2**
Net at amortized cost		**-2,111.6**	**-1,654.1**	**-2,328.0**	**-1,835.8**
Standby credit facility	5.5			926.5	858.8
Standby bank facility				152.0	170.5
Unrecognized financial instruments				**1,078.5**	**1,029.3**

Determination of fair value for financial instruments

A number of the Group's accounting policies and disclosures require the determination of fair value for the financial instruments. A fair value measurement is an estimate of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). In the absence of such information, other observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices), are used to estimate fair values (level 2). No material financial instruments were measured at fair value using level 3 (inputs not based on observable market data). Inputs derived from external sources are corroborated or otherwise verified, as appropriate.

The fair values of the Private Placements, revolving credit facility and other long-term bank loans are measured by discounting the future cash flows using observable market interest information (level 2) as no similar instrument is available due to the specific profiles of the instruments. The calculations include credit spreads based on the most recent borrowing contracts.

The fair values of interest rate swaps, cross-currency interest rate swaps and forward foreign exchange contracts are determined by discounting the future cash flows using the applicable period-end observable yield curve, taking into account credit risk and the risk of non-performance.

In view of the short-term nature or the magnitude of the amounts, the Group considers that the fair value of loans granted, trade and other receivables, cash and cash equivalents, bank overdrafts, credit facilities, other long-term loans and trade creditors are not materially different from their carrying value.

The fair value of the Other equity investments (level 3) are based on discounted cash flow projections based on reliable estimates of future cash flows.

The initial measurement at the trade date of all financial instruments is the fair value. Except for derivatives, the initial measurement of financial instruments is adjusted for directly attributable transaction costs.

Note 9.10 New standards and interpretations not yet implemented

There are no new accounting standards, amendments to existing standards or new IFRIC interpretations published that are not yet effective that are expected to have a material impact on the Group in future reporting periods and on foreseeable future transactions.

Note 9.11 Principal subsidiaries, joint ventures, associates and investments

Overview as per 31 December 2019.

SUBSIDIARIES

Europe, Middle East & Africa

Belgium
Vopak Agencies Antwerpen NV
Vopak Terminal Eurotank NV
Vopak Chemical Terminals Belgium NV

Germany
Vopak Agencies Germany GmbH

The Netherlands
Vopak Agencies Amsterdam B.V.
Vopak Agencies Rotterdam B.V.
Vopak Agencies Terneuzen B.V.
Vopak Chemicals Logistics Netherlands B.V.
Vopak EMEA B.V.
Vopak Global Engineering Services B.V.
Vopak Europe & Africa B.V.
Vopak Finance B.V.
Vopak Global IT B.V.
Vopak Global Procurement Services B.V.
Vopak Global Shared Services B.V.
Vopak LNG Holding B.V.
Vopak Nederland B.V.
Vopak Terminal Botlek B.V.
Vopak Terminal Chemiehaven B.V.
Vopak Terminal Europoort B.V.
Vopak Terminal Laurenshaven B.V.
Vopak Terminals North Netherlands B.V.
Vopak Terminal TTR B.V.
Vopak Terminal Vlaardingen B.V.
Vopak Terminal Vlissingen B.V.
Vopak Ventures B.V.

South Africa
Vopak Terminal Durban (Pty) Ltd. (70%)
Vopak South Africa Developments (Pty) Ltd. (70%)
Vopak Reatile Richards Bay (Pty) Ltd. (70%)

Spain
Vopak Terminal Algeciras S.A. (100%)

Switzerland
Monros AG

United Kingdom
Vopak Holding Bacrippuls Ltd

Asia Pacific

Australia
Vopak Terminals Australia Pty Ltd.
Vopak Terminals Sydney Pty Ltd.
Vopak Terminal Darwin Pty Ltd.

China
Vopak China Management Company Ltd.
Vopak Terminal Zhangjiagang Ltd.
Vopak Terminal Shangdong Lanshan Ltd. (60%)[1]
Vopak Terminal Ningbo Co. Ltd. (85%)

India
Vopak Terminals Kandla (CRL Terminals Pvt, Ltd.)

Indonesia
PT Vopak Terminal Merak (95%)

Singapore
Vopak Agency Singapore Pte Ltd
Vopak Asia Pte. Ltd.
Vopak Terminals Singapore Pte. Ltd. (69.5%)[2]
Vopak Terminal Penjuru Pte. Ltd. (100%)[3]
Vopak Gas Terminal LLP (80%)[4]
Monros Insurance Pte. Ltd.

Vietnam
Vopak Vietnam Co. Ltd.

Americas

Brazil
Vopak Brasil S.A.
VPK Participações e Serviçoes Portuários Ltda.

Canada
Vopak Terminals of Canada Inc.
Vopak Terminals of Eastern Canada Inc.

Colombia
Vopak Colombia S.A.

Mexico
Vopak Mexico S.A. de C.V.

Panama
Vopak Panama Atlantic Inc.

United States
Vopak North America Inc.
Vopak Terminals North America Inc.
Vopak Terminal Deer Park Inc.
Vopak Terminal Corpus Christi[5]
Vopak Terminal Savannah Inc.
Vopak Terminal Los Angeles Inc.
Vopak Terminal Long Beach Inc.
Vopak Agencies Americas Corp.

1. Vopak Terminal Penjuru Pte. Ltd. 60% ownership in Vopak Terminals Shangdong Lanshan.
2. Vopak Holding Singapore Pte. Ltd 69.5% ownership in Vopak Terminals Singapore Pte. Ltd.
3. Vopak Terminals Singapore Pte. Ltd. 100% ownership in Vopak Terminals Penjuru Pte. Ltd.
4. Vopak Terminals Singapore Pte. Ltd. 80% ownership in Vopak Gas Terminal LLP.
5. Legally part of Vopak Terminal Deer Park Inc.

JOINT VENTURES

Europe, Middle East & Africa

Germany
German LNG Terminal GmbH (33.3%)

The Netherlands
Gate terminal B.V. (50%)
MultiCore CV (25%)

Spain
Terminales Quimicos SA (Terquimsa) (50%)

Sweden
Vopak Agencies Sweden A.B. (50%)

United Arab Emirates
Vopak Horizon Fujairah Ltd. (33.33%)

Asia Pacific

China
Vopak Shanghai Logistics Co. Ltd. (50%)
Vopak Nanjiang Petrochemicals Terminal Tianjin Co. Ltd. (50%)
Vopak Bohua (Tianjin) Terminal Co. Ltd. (50%)
Tianjin Lingang Vopak Bohua Jetty Co. Ltd. (30%)
Vopak (Qinzhou) Jetty Co. Ltd. (51%)

Indonesia
PT Jakarta Tank Terminal (49%)

Korea
Vopak Terminals Korea Ltd. (51%)

Malaysia
Kertih Terminals Sdn. Bhd. (30%)[1]
Pengerang Terminals Sdn. Bhd. (49%)[2]
Pengerang Independent Terminals Sdn. Bhd. (90%)[3]

Pakistan
Engro Vopak Terminal Ltd. (50%)

Singapore
Banyan Cavern Storage Services Pte. Ltd. (45%)[4]

Thailand
Thai Tank Terminal Ltd. (49%)

Americas

Brazil
Uniao-Vopak Armazens Gerais Ltda. (50%)

Mexico
Terminal de Altamira de S. de R.L. de C.V. (60%)

Panama
Payardi Terminal Company S. de R.L. (50%)

United States
Vopak Moda Houston LLC (50%)

ASSOCIATES

Canada
Ridley Island LPG Export GP Inc. (30%)

China
Zhangzhou Gulei Haiteng Jetty Investment and Management Co. Ltd. (30%)

Colombia
Sociedad Portuaria El Cayo SA ESP (SPEC) (49%)

Malaysia
Pengerang Terminals (Two) Sdn. Bhd. (25%)[5]

Saudi Arabia
Jubail Chemicals Storage & Services Company LLC / Chemtank (25%)

Pakistan
Engro Elengy Terminal Pakistan Ltd (44%)

The Netherlands
Vopak Terminal Eemshaven B.V. (10%)
Maasvlakte Olie Terminal N.V. (16.67%)

INVESTMENTS

Germany
Hydrogenious LOHC Technologies GmbH (10.3%)

The Netherlands
TWTG Group B.V. (30%)

Saudi Arabia
SABIC Terminal Services Company Ltd / Sabtank (10%)

Venezuela
Vopak Venezuela S.A. (100%)

1. Vopak Terminal Penjuru Pte. Ltd. 30% ownership in Kertih Terminals Sdn. Bhd.
2. Vopak Terminal Pengerang B.V. 49% ownership in Pengerang Terminals Sdn. Bhd.
3. Pengerang Terminals Sdn Bhd. 89.8% ownership in Pengerang Independent Terminals Sdn. Bhd.
4. Vopak Terminals Singapore Pte. Ltd. 45% ownership in Banyan Cavern Storage Services Pte. Ltd.
5. Economic shareholding in PT2SB temporarily increased to 30%; legal ownership is 25%

Note 9.12 Events after the reporting period

The following events occurred after 31 December 2019:

Partial repayment of preference share capital PT2SB

In January 2020 the associate industrial terminal PT2SB in Malaysia repaid part of its preference share capital, which resulted in a cash inflow of EUR 85.2 milion for the Group.

Vopak divested its 100% share in Vopak Terminal Algeciras (Spain)

On 31 January 2020, Vopak completed the earlier announced divestment of its 100% shareholding in the terminal in Algeciras, Spain generating a cash inflow of EUR 135 million in the first quarter of 2020. The total recognized exceptional loss after taxation was around EUR 2 million.The total cash received for the shares and the repayment of the intercompany loans amounted to EUR 134.7 million.

Expansion of the Vopak Shanghai - Caojing Terminal

On 12 February 2020, Vopak announces the expansion of the Vopak Shanghai - Caojing Terminal with 65,000 cbm for chemical gas products. This industrial terminal serves the chemical plants that are located in the Shanghai Chemicals Industrial Park and its adjacent areas. The additional storage capacity has been fully rented out under long-term contracts and is expected to be commissioned in the second half of 2022.

Start of share buyback program

On 12 February 2020, Vopak announces the start of a share buyback program to return EUR 100 million to shareholders following the completion of the divestment of the terminals in Algeciras, Amsterdam and Hamburg.

Company Financial Statements

Company Statement of Financial Position before Profit Appropriation

In EUR millions	Note	31-Dec-19	31-Dec-18
Participating interests in group companies	2	2,004.7	2,004.9
Property, plant & equipment - owned assets		6.7	7.5
Property, plant & equipment- leased assets		18.6	–
Loans granted	3	2,486.5	2,233.8
Derivative financial instruments	6	19.4	23.4
Deferred taxes		24.7	–
Total non-current assets		**4,560.6**	**4,269.6**
Trade and other receivables		3.7	2.1
Taxes receivable		0.4	0.3
Prepayments		3.4	0.9
Derivative financial instruments	6	28.0	24.2
Total current assets		**35.5**	**27.5**
Bank overdrafts		3.3	9.5
Interest-bearing loans	5	180.0	89.2
Lease liabilities		3.1	–
Derivative financial instruments	6	24.6	20.0
Trade and other payables		22.7	22.9
Pension and other employee benefits	7	0.8	0.9
Provisions		2.9	2.9
Total current liabilities		**237.4**	**145.4**
Current assets less current liabilities		**-201.9**	**-117.9**
Total assets less current liabilities		**4,358.7**	**4,151.7**

In EUR millions	Note	31-Dec-19	31-Dec-18
Interest-bearing loans	5	1,287.2	1,432.0
Lease liabilities		16.9	–
Derivative financial instruments	6	–	19.5
Deferred taxes		–	8.8
Pension and other employee benefits	7	–	0.8
Provisions		7.3	7.8
Non-current liabilities		**1,311.4**	**1,468.9**
Share capital		63.9	63.9
Share premium		194.4	194.4
Legal reserve for participating interests	4	383.8	306.9
Translation reserve		-8.5	-25.1
Revaluation reserve derivatives		-117.2	-110.1
Revaluation reserve assets		18.5	9.4
Transaction reserve non-controlling interest		1.3	1.3
Other reserves	4	1,940.1	1,987.6
Unappropriated profit	4	571.0	254.5
Shareholders' equity		**3,047.3**	**2,682.8**
Total		**4,358.7**	**4,151.7**

Company Statement of Income

In EUR millions	Note	2019	2018
Other operating income		0.8	0.7
Total operating income		**0.8**	**0.7**
Personnel expenses	8	33.6	13.4
Other operating expenses		28.2	26.6
Depreciation and amortization		3.5	0.8
Total operating expenses		**65.3**	**40.8**
Interest and similar expenses		-76.9	-77.7
Result before income tax		**-141.4**	**-117.8**
Income tax	9	37.9	31.4
Share in result of subsidiaries and participations		674.5	340.9
Net profit		**571.0**	**254.5**

Notes to the Company Financial Statements

Note 1. General

Koninklijke Vopak N.V. (Vopak) has its registered office in Rotterdam, the Netherlands. Vopak is listed on the Euronext Amsterdam and is part of the AEX index. Vopak is the world's leading independent tank storage provider, specialized in the storage and handling of liquid chemicals, gases and oil products.

The company is registered at the Company Registry of the Rotterdam Chamber of Commerce under number 24295332.

All amounts are in EUR millions, unless stated otherwise.

Accounting policies

The Company financial statements have been drawn up in accordance with Dutch law (Part 9 of Book 2 of the Dutch Civil Code). In doing so, the company made use of the possibility to apply the accounting policies (including the policies for the presentation of financial instruments as equity or loan capital) used in the Consolidated financial statements to the Company financial statements, as provided for in Section 362 (8) of Book 2 of the Dutch Civil Code.

The accounting policies applied in the Company financial statements are the same as those applied in the Consolidated financial statements, unless stated otherwise.

Vopak applied IFRS 16 'Leases' as per 1 January 2019. It resulted in a situation where almost all leases are recognized on the balance sheet, as the distinction between operating and finance leases was removed for lessees. Under the new standard, a lease asset (the right to use the leased item) and a financial lease liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. For more information on IFRS 16, including accounting policies, reference is made to note 1.1 and note 3.4 of the Consolidated Financial Statements.

The effect of IFRS 16 on the Financial Position for the Company financial statements as per 1 January 2019 is summarized below:

- Participating interests in group companies: EUR 85.1 million (decrease)
- Right-of-use assets: EUR 20.8 million (increase)
- Lease liabilities: EUR 22.5 million (increase)
- Provisions: EUR 1.7 million (decrease)
- Other reserves: EUR 85.1 million (decrease)

Participating interests in Group companies

Interests in Group companies and other companies over which Vopak exercises control or which it manages are carried at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the result according to the accounting policies applied in the Consolidated financial statements.

Note 2. Participating interests in Group companies

In EUR millions	2019	2018
Carrying amount at 31 December	**2,004.9**	**3,384.7**
Initial application IFRS 16	-85.1	–
Carrying amount at 1 January	**1,919.8**	**3,384.7**
Investments	50.5	12.8
Dividend	-640.3	-1,813.9
Exchange differences	-9.8	59.6
Hedging	15.5	16.7
Unrealized actuarial gains and losses	-5.5	4.1
Profit	674.5	340.9
Carrying amount at 31 December	**2,004.7**	**2,004.9**

The majority of 2019 dividend relates to settlement of intra-group positions by intra-group dividends (upstreaming of dividends).

For an overview of the investments in subsidiaries, joint ventures and associates held (indirectly) by the company, reference is made to note 9.11 of the Consolidated financial statements.

Note 3. Loans granted

In EUR millions	2019	2018
Carrying amount at 1 January	**2,233.8**	**660.3**
Loans granted	974.6	1,938.2
Repayments	-721.9	-364.7
Carrying amount at 31 December	**2,486.5**	**2,233.8**

Loans granted mainly related to various loans to subsidiaries. At 31 December 2019 loans granted did not include any subordinated loans (2018: nil).

Note 4. Shareholders' equity

Reference is made to note 5.1 to the Consolidated Financial Statements for movements in the number of shares, share capital and share premium.

The share premium can be distributed in full, free of tax.

For the translation reserve, the revaluation reserve derivatives, the revaluation reserve assets and the transaction reserve of non-controlling interests (NCI), reference is made to note 5.2 to the Consolidated Financial Statements.

Movements in the remaining components of shareholders' equity for the years presented are shown in the following tables.

Legal reserve for participating interests

In EUR millions	2019	2018
Carrying amount at 1 January	**306.9**	**272.5**
Dotation from Other reserves	76.9	34.4
Carrying amount at 31 December	**383.8**	**306.9**

Other reserves

In EUR millions	2019	2018
Carrying amount at 31 December	**1,987.6**	**1,903.1**
Initial application IFRS 16	-85.1	–
Carrying amount at 1 January	**1,902.5**	**1,903.1**
Profit appropriation from Unappropriated profit	114.0	101.4
Remeasurement of defined benefit plans	-5.5	15.5
Measurement of equity-settled share-based payment arrangements	8.6	2.0
Vested of equity-settled share-based payment arrangements (other reserves)	-1.0	-0.7
Purchase treasury shares	-2.6	–
Vested shares under equity-settled share-based payment arrangements (treasury shares)	1.0	0.7
Release to Legal reserves	-76.9	-34.4
Carrying amount at 31 December	**1,940.1**	**1,987.6**

The other reserves as presented in the Company Statement of Financial Positions includes a legal reserve for internally developed intangibles of EUR 79.9 million (2018: EUR 66.6 million).

Unappropriated profit

In EUR millions	2019	2018
Carrying amount at 1 January	**254.5**	**235.4**
Profit appropriation to Other reserves	-114.0	-101.4
Dividend in cash	-140.5	-134.0
Profit for the year	571.0	254.5
Carrying amount at 31 December	**571.0**	**254.5**

After adjustment for the legal reserves at 31 December 2019, a total of EUR 2,305.7 million (2018: EUR 2,040.3 million) is freely distributable from reserves, including unappropriated profit for the year.

Note 5. Interest-bearing loans

	Nominal value in EUR millions		> 5 years in EUR millions		Average term in years		Average interest in %	
	2019	2018	2019	2018	2019	2018	2019	2018
Current portion	180.0	89.2						
Non-current portion	1,287.2	1,432.0	721.5	862.6				
Total	**1,467.2**	**1,521.2**	**721.5**	**862.6**	**6.3**	**7.3**	**3.9**	**4.0**

Note 6. Derivative financial instruments

In EUR millions	Maturity	31 December 2019 Assets[1]	Liabilities[1]	Notional amount	31 December 2018 Assets[1]	Liabilities[1]	Notional amount
Forward foreign currency contracts[2]	< 1 year	0.1	0.2	142.4	0.9	0.3	224.3
Total net investment hedges		**0.1**	**0.2**	**142.4**	**0.9**	**0.3**	**224.3**
Cross-currency interest rate swaps[3]	< 1 year	29.0	24.9	209.2	28.1	24.3	266.9
Cross-currency interest rate swaps[3]	1-5 years	31.8	12.3	209.6	51.5	47.6	418.8
Total cash flow hedges - currency part		**60.8**	**37.2**	**418.8**	**79.6**	**71.9**	**685.7**
Forward foreign currency contracts	< 1 year	0.1	0.8	192.0	–	0.2	98.3
Total derivatives no hedge accounting		**0.1**	**0.8**	**192.0**	**–**	**0.2**	**98.3**
Total derivative financial instruments		**61.0**	**38.2**	**753.2**	**80.5**	**72.4**	**1,008.3**
Offsetting		-13.6	-13.6		-32.9	-32.9	
Total		**47.4**	**24.6**		**47.6**	**39.5**	
Non-current		19.4	–		23.4	19.5	
Current		28.0	24.6		24.2	20.0	
Total		**47.4**	**24.6**		**47.6**	**39.5**	

1 At fair value.
2 Forward foreign currency contracts accounted for as hedges on net investments.
3 Cross currency swaps accounted for as cash flow hedges are used to hedge currency (2019: USD 486 million and JPY 5 billion; 2018: USD 771 million and JPY 10 billion) on fixed debt denominated in foreign currency.

Note 7. Pension and other employee benefits provisions

In EUR millions	2019	2018
Net pension obligations under defined contribution plans	0.8	1.7
Net pension obligations recognized at 31 December	**0.8**	**1.7**
Non-current liabilities	–	0.8
Current liabilities	0.8	0.9
Net pension obligations recognized at 31 December	**0.8**	**1.7**

Reference is made to note 9.4 Pensions and other employee benefits which contains further information on pensions and other employee benefits of the Netherlands.

Note 8. Personnel expenses

During the year under review, the company employed an average of 156 employees and temporary staff (in FTEs) (2018: 148).

In EUR millions	2019	2018
Wages and salaries	21.8	22.5
Social security charges	1.6	1.4
Contribution to pension schemes (defined contribution)	3.2	11.7
Pension charges (defined benefit plans)	–	-14.0
Long-term incentive plans	3.5	1.7
Other personnel expenses	2.8	–
Recharged to group companies	0.7	-9.9
Total	**33.6**	**13.4**

Note 9. Income taxes

Royal Vopak is the head of a fiscal unity which includes almost all Dutch wholly-owned subsidiaries. The company is therefore jointly and severally liable for the tax liabilities of the fiscal unity as a whole. The tax expense of Royal Vopak represents the tax impact of its share in the taxable income of the fiscal unity based on Royal Vopak's earnings.

In EUR millions	2019		2018	
Result before income tax		-141.4		-117.8
Income tax		37.9		31.4
Effective tax rate		**26.8%**		**26.7%**
Composition:	*Amount*	*%*	*Amount*	*%*
Weighted average statutory tax rate	35.4	25.0	29.4	25.0
Non-deductible expenses	1.1	0.8	0.4	0.3
Recognition of tax losses and tax credits	1.4	1.0	1.6	1.4
Effective tax (rate)	**37.9**	**26.8**	**31.4**	**26.7**

The 2019 effective tax rate of 26.8% (2018: 26.7%) deviates slightly from the applicable tax rate of 25.0% as a result of non-deductible expenses.

Note 10. Remuneration of Supervisory Board members and Executive Board members

For the remuneration of the Supervisory Board members and the Executive Board members, reference is made to the section of the Remuneration report.

Note 11. Contingent liabilities

Guarantees and security provided on behalf of participating interests and third parties amounted to EUR 119.9 million (2018: EUR 176.2 million). Guarantees and security provided on behalf of Group companies amounted to EUR 43.7million (2018: EUR 52.8 million).

Joint and several liability undertakings for an amount of EUR 80.0 million (2018: EUR 80.0 million) were issued for bank credits granted to Royal Vopak. Furthermore, joint and several liability undertakings for an amount of EUR 63.3 million (2018: EUR 75.0 million) were issued for bank credits granted to subsidiaries.

The company has filed joint and several liability undertakings (403 exemptions) for a number of its Dutch Group companies at the office of the Company Registry in whose area of jurisdiction the Group company concerned has its registered office. The list of interests filed at the office of the Company Registry for inspection states for which Group companies Royal Vopak has issued joint and several liability undertakings.

The members of the Executive Board have signed the financial statements in order to comply with the statutory obligation pursuant to article 2:101 paragraph 2 of the Dutch Civil Code and article 5:25c sub c of the Act on Financial Supervision (Wft).

Rotterdam, 11 February 2020

The Executive Board
E.M. Hoekstra - Chairman of the Executive Board and CEO
F. Eulderink - Member of the Executive Board and COO
G.B. Paulides - Member of the Executive Board and CFO

The Supervisory Board
B.J. Noteboom (Chairman)
M.F. Groot (Vice-chairman)
L.J.I. Foufopoulos - De Ridder
N. Giadrossi
B. van der Veer
R.G.M. Zwitserloot

Executive Board declaration

In-control statement

In the 'Internal control and risk management' paragraph, we set out in detail our risks and risk management framework, as well as the responsibilities of the Executive Board.

The Executive Board is responsible for the design and operation of the internal risk management and control systems and processes. In discharging this responsibility, the Executive Board has made an assessment of the effectiveness of the design and operation of the internal control and risk management systems and processes. The Executive Board concluded, on the basis of such assessment, that the internal risk management and control systems and processes are operating adequately.

On the basis of this report and in accordance with best practice 1.4.3 of the Dutch corporate governance code of December 2016, and Article 5:25c of the Financial Supervision Act, the aforementioned assessment, the current state of affairs and to the best of its knowledge and belief, the Executive Board confirms that:

- the internal risk management and control systems and processes of the Group provide reasonable assurance that the financial statements give a true and fair view of the Group's financial position, profit or loss, and cash flows;
- there have been no material failings in the effectiveness of the internal risk management and control systems and processes of the Group;
- this report states those material risks and uncertainties that are relevant to the expectation of the continuity of the Group's operations in the coming twelve months; and
- there is a reasonable expectation that the Group will be able to continue its operations and meet its liabilities for at least twelve months, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Please note that our internal risk management and control systems and processes are unable to offer absolute assurance that the strategic, operational and financial objectives will be fully achieved, or that laws and regulations are always complied with. Furthermore, the systems and processes cannot prevent all human errors of judgments and mistakes. It is also inherent that in business, cost-benefit assessments must be made for the acceptance of risks and the implementation of controls. We continuously monitor the effectiveness of our internal risk management and control systems and processes, and when needed these are further improved and optimized.

Executive Board declaration

In view of all of the above, the Executive Board confirms that, to the best of its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report ('***bestuursverslag***') in this Annual Report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year, together with a description of the principal risks and uncertainties that the company faces.

Rotterdam, 11 February 2020

The Executive Board
E.M. Hoekstra - Chairman of the Executive Board and CEO
F. Eulderink - Member of the Executive Board and COO
G.B. Paulides - Member of the Executive Board and CFO

External auditor’s reports

Independent auditor's report

To the shareholders and Supervisory Board of Koninklijke Vopak N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our Opinion

We have audited the accompanying financial statements 2019 of Koninklijke Vopak N.V. ("company" or "group"), based in Rotterdam, The Netherlands. The financial statements include the Consolidated Financial Statements and the Company Financial Statements.

In our opinion:

- The accompanying Consolidated Financial Statements included in the Annual Report give a true and fair view of the financial position of Koninklijke Vopak N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying Company Financial Statements included in the Annual Report give a true and fair view of the financial position of Koninklijke Vopak N.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Consolidated Financial Statements comprise:

- The Consolidated Statement of Financial Position as at 31 December 2019.
- The following statements for 2019: the Consolidated Statement of Income, Comprehensive Income, Changes in Equity and Cash Flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The Company Financial Statements comprise:

- The Company Statement of Financial Position before Profit Appropriation as at 31 December 2019.
- The Company Statement of Income for 2019.
- The notes comprising a summary of the accounting policies and other explanatory information.`

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Koninklijke Vopak N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountants-organisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 22.0 million. The materiality is primarily based on 5% of profit before income tax, adjusted for certain non-recurring items. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that uncorrected misstatements in excess of EUR 1.1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Koninklijke Vopak N.V. is the head of a group of entities. The financial information of this group is included in the Consolidated Financial Statements of Koninklijke Vopak N.V.

Because we are ultimately responsible for the opinion, we are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

The group's financial statements are a combination of:

- Consolidated reporting entities, comprising the operating terminals under the group's control and centralized functions.
- Unconsolidated reporting entities comprised of operating terminals under joint control with unrelated parties (joint ventures) and operating terminals where the group exercises significant influence (associates); all accounted for under the equity method.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the reporting entities by the group engagement team, by component auditors from other Deloitte network firms and by component auditors from non-Deloitte network firms primarily working under our instruction at the joint ventures. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting entities so as to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole. For each reporting entity we determined whether we required an audit of their complete financial information or whether other procedures would be sufficient. Those where a full audit was required included the three largest (consolidated) reporting entities (Netherlands, Singapore and United States of America), because they each make up more than 10% of the group's revenue or underlying profits.

We included additional reporting entities in the scope of our group audit to have audit coverage on the group's consolidated financial statements and to cover a geographic spread across the group's divisions.

Audit coverage

- Audit coverage of consolidated revenues: 86%
- Audit coverage of group operating profit: 93%
- Audit coverage of total assets: 82%

In addition, we performed other procedures with respect to the remaining reporting entities.

The group consolidation, financial statements disclosures and a number of complex items were audited by the group engagement team. These include impairment testing of terminal assets and joint ventures, general IT controls, derivative financial instruments, hedge accounting, share-based payments and the implementation of the new lease accounting standard IFRS 16. The group engagement team participated in component auditor closing meetings and also visited group entities in several countries to direct the planning, review the work undertaken and assess the findings.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Impairment testing of terminal assets and joint ventures

Description	Our response	Our observations
The group controls a number of tank storage terminals with a total carrying value of owned property, plant and equipment of EUR 3,640.8 million as per 31 December 2019 (note 3.3). Furthermore, the group has an interest in a number of joint ventures and associates, with a total carrying value of EUR 1,272.8 million as per 31 December 2019 (note 3.5). This area is significant to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment. Such judgment focuses predominantly on future cash flows, which are, among others, dependent on economic conditions, the continued attractiveness of the terminal location for users along the major shipping routes and local market circumstances and is inherently surrounded by uncertainties.	Our impairment testing included, among others, evaluating the group's policies and procedures, including internal controls, to identify triggering events for potential impairment of terminal assets and joint ventures and associates. For the terminal locations that triggered management's impairment testing, we evaluated the policies and procedures regarding impairment testing, we challenged management's primary cash flow assumptions and corroborated them by comparison to commercial contracts, customer relationship management information, available market reports, historic trend analyses or market multiples from recent tank terminal sales transactions in the region. Further, we involved our valuation experts to validate the weighted average cost of capital as applied by the group and the appropriateness of certain assumptions in the applied value in use calculations or, where applicable, the fair value less cost of disposal calculations. We further assessed whether the main assumptions and related uncertainties are appropriately reflected in the disclosures in the financial statements.	As described in note 3.8 of the financial statements, the group recognized impairments at an amount of EUR 17.2 million in 2019. The group has provided disclosures for its key accounting estimates in note 3.8 of the financial statements which include disclosures of: • The impairment recognized on Vopak Terminals of Canada – Quebec City. • The uncertainties with respect to the recoverable value of the group's other investments. Based upon our procedures performed we consider management's key assumptions in measuring the recoverable amounts to be reasonable in light of the measurement objectives of EU-IFRS and the recognized impairments are considered to be appropriate. We consider both the management's key assumptions and the recognized impairments are appropriately disclosed in the financial statements. By nature, the assumptions applied in measuring the recoverable amount are subject to developments and change in later periods. This could potentially lead to (reversal of) impairments of individual terminals going forward.

IFRS 16 'Leases' implementation

Description	Our response	Our observations
IFRS 16 'Leases' is effective as per 1 January 2019, resulting in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed for lessees. As described in note 3.4 of the Financial Statements, the group has elected to apply the modified retrospective approach where the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of the comparative information. Resulting from the large portfolio of long-term land leases and leases of other non-current assets, the implementation of IFRS 16 has a material effect on the financial results and financial position of the group as per 1 January 2019. The implementation of IFRS 16 is considered a key audit matter due to the significant impact on the financial position as per 1 January 2019 and the impact on the consolidated statement of income and management's judgment in establishing the key assumptions underlying the calculation of the lease liability and right-of-use asset.	Our procedures included, among others, evaluating the group's lease accounting policies and key judgments made by management including whether extension options are considered reasonably certain if they will be exercised. Further, we validated the calculation of the lease liabilities and the right-of-use assets based on the contractual obligations and assessment of extension options. We further involved our valuation experts to validate the appropriateness of the incremental borrowing rates applied by the group.	The group has appropriately implemented IFRS 16 'Leases' and appropriately recognized the lease liabilities, the right-of-use assets and the adjustment to the opening balance of retained earnings of the group as per 1 January 2019. We further validated that management appropriately recognized the effects for the year 2019 of the new lease accounting standard and appropriately applied the new disclosure requirements in the financial statements.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- Management report.
- Supervisory Board report.
- Remuneration report.
- Other information as required by Part 9 Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard on Auditing 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Annual General Meeting as auditor of Koninklijke Vopak N.V. on 23 April 2014 as of the audit for the year 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company's or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Consideration of fraud in the audit of financial statements

Description	Our response
An auditor conducting an audit in accordance with Dutch Standards on Auditing is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We have exercised professional judgement and have maintained professional scepticism throughout our audit in identifying and assessing the risks of material misstatement of the financial statements due to fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.	We performed the following procedures: • We made inquiries of management, those charged with governance and others within Vopak regarding the risk of material misstatements in the financial statements due to fraud, their process for identifying and responding to the risk of fraud, the internal communication regarding their views on business practices and ethical behavior and whether they have knowledge of any actual, suspected or alleged fraud affecting the company. • We obtained an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the company and the internal control that management has established to mitigate these risks. • We evaluated whether unusual or unexpected relationships have been identified in performing analytical procedures, including those related to revenue accounts, that may indicate risks of material misstatement due to fraud. • We held discussions amongst team members and component auditors to identify fraud risk factors and considered whether other information obtained from our risk assessment procedures indicated risks of material misstatement due to fraud. • In our risk assessment, we made use of a forensic specialist. • We determined overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level or at the assertion level by: - assigning and supervising personnel with the adequate knowledge, skills and ability; - evaluating whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting; - incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures. Among others, these include a periodical reassessment of the group audit scope, visits of the group entities and expanding the group audit scope where appropriate. Reference is made to the section "Scope of the group audit"; - tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; - evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 1.1 of the financial statements. Impairment testing of terminal assets and joint ventures is a significant area to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment. Reference is made to the section "Our key audit matters"; - performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements; - for significant transactions evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

Consideration of laws and regulations in the audit of financial statements

Description	Our response
We are responsible for obtaining reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error taking into account the applicable legal and regulatory framework. However, we are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the auditing standards. In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following: • There are many laws and regulations, relating principally to the operating aspects of an entity, that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting. • Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor. • Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body. Ordinarily, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance.	We performed the following procedures: • As part of obtaining an understanding of Vopak and its environment we obtained a general understanding of (i) the legal and regulatory framework applicable to Vopak and the industry in which it operates and (ii) how Vopak is complying with that framework. • We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as tax and pension laws and regulations. • Our procedures are more limited with respect to other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. These laws and regulations compliance may be fundamental to the operating aspects of the business, to Vopak's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. • Our procedures are limited to (i) inquiry of management, the Supervisory Board and others within Vopak as to whether the company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

For an overview of our responsibilities we refer to NBA's website.

Rotterdam, 11 February 2020

Deloitte Accountants B.V.
Signed on the original: M.J. van der Vegte

Assurance report of the independent auditor with respect to the 2019 Sustainability Information of Koninklijke Vopak N.V.

To the shareholders and Supervisory Board of Koninklijke Vopak N.V.

Our Conclusion

We have reviewed the 2019 Sustainability Information included in the chapter 'Sustainability' in the 2019 Annual Report ("the sustainability information") of Koninklijke Vopak N.V. at Rotterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the thereto related events and achievements for the year 2019

in accordance with the reporting criteria as included in the section 'reporting criteria'.

The sustainability information consists of the performance information in the chapter 'Sustainability' in the 2019 Annual Report.

Basis for our conclusion

We have performed our review on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports) which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This assurance engagement is aimed at obtaining limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information'.

We are independent of Koninklijke Vopak N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. Koninklijke Vopak N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in the chapter 'Sustainability, Basis of preparation' of the 2019 Annual report.

Responsibilities of management and the Supervisory Board for the sustainability information

The Management Board is responsible for the preparation of the sustainability information in accordance with reporting criteria as included in the section 'Basis of preparation' as disclosed in the chapter 'Sustainability', including the identification of stakeholders and the definition of material matters. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarised in the chapter 'Sustainability' of the annual report.

The Management Board is also responsible for such internal control as the management board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of Koninklijke Vopak N.V.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review engagement included:

- Performing an external media analysis to obtain insight into relevant social themes and issues.
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialog and the reasonableness of management's estimates.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Obtaining an understanding of the procedures performed by the internal audit department of Koninklijke Vopak N.V.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error.
- Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and terminals to visit. The visits to terminals are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls and validation procedures;
    - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
    - Reviewing, on a limited test basis, relevant internal and external documentation;
    - Performing an analytical review of the data and trends;
- Evaluating the consistency of the sustainability information with the information in the annual report which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information;
- To consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.
- Assessing whether the Report has been prepared in accordance with the Sustainability Reporting Standards Comprehensive option of the Global Reporting Initiative.

We communicated with the Management and Supervisory Board regarding, among other matters, the planned scope, timing and outcome of the review and significant findings that we identify during our review.

Rotterdam, 11 February 2020

Deloitte Accountants B.V.
Signed on the original: M.J. van der Vegte

Additional information

Non-IFRS proportionate financial information (unaudited)

Proportionate information

Basis of preparation

Vopak provides Non-IFRS proportionate financial information -excluding exceptional items- in response to requests by multiple investors to provide additional operational performance insights on a comparable basis for subsidiaries, joint ventures and associates. In this disclosure, the joint ventures and associates and the subsidiaries with non-controlling interests are consolidated based on the economic ownership interests of the Group in these entities.

In the tables in this section, we provide the proportionate financial information for the statement of income, the statement of financial position, and the segment information for each of our reportable segments. Where applicable, we show a reconciliation with our IFRS figures in order to create comparability with the proportionate information. Other information is based on the same principles as applied for the proportionate financial information.

Statement of income

	2019				Pro forma 2019	2018			
In EUR millions	IFRS figures	Exclusion exceptional items	Effects proportionate consolidation	Proportionate consolidated	Proportionate consolidated	IFRS figures	Exclusion exceptional items	Effects proportionate consolidation	Proportionate consolidated
Revenues	1,252.6	–	400.5	1,653.1	1,653.1	1,254.5	–	286.9	1,541.4
Net operating expenses	-358.7	240.6	-73.1	-672.4	-723.4	-615.9	18.2	-85.7	-719.8
Results of joint ventures and associates	161.8	-14.7	-176.5	–	–	113.9	–	-113.9	–
Impairment	-17.2	-17.2	–	–	–	2.3	2.3	–	–
Group operating profit before depreciation and amortization (EBITDA)	**1,038.5**	**208.7**	**150.9**	**980.7**	**929.7**	**754.8**	**20.5**	**87.3**	**821.6**
Depreciation and amortization	-290.7	–	-99.3	-390.0	-341.9	-273.1	-2.1	-68.1	-339.1
Group operating profit (EBIT)	**747.8**	**208.7**	**51.6**	**590.7**	**587.8**	**481.7**	**18.4**	**19.2**	**482.5**
Net finance costs	-85.7	1.8	-41.7	-129.2	-93.7	-132.6	-50.2	-25.2	-107.6
Income tax	-58.3	2.7	-42.7	-103.7	-105.2	-58.6	-3.2	-30.0	-85.4
Net profit	**603.8**	**213.2**	**-32.8**	**357.8**	**388.9**	**290.5**	**-35.0**	**-36.0**	**289.5**
Non-controlling interests	-32.8	–	32.8	–	–	-36.0	–	36.0	–
Net profit owners of parent	**571.0**	**213.2**	**–**	**357.8**	**388.9**	**254.5**	**-35.0**	**–**	**289.5**

Statement of financial position

In EUR millions	31-Dec-19 IFRS figures	31-Dec-19 Effects proportionate consolidation	31-Dec-19 Proportionate consolidated	Pro forma 2019 Proportionate consolidated	31-Dec-18 IFRS figures	31-Dec-18 Effects proportionate consolidation	31-Dec-18 Proportionate consolidated
Non-current assets (excl. joint ventures and associates)	4,510.4	2,222.2	6,732.6	5,961.3	4,011.2	1,804.6	5,815.8
Joint ventures and associates	1,272.8	-1,272.8	–	–	1,081.7	-1,081.7	–
Current assets	590.3	504.7	1,095.0	1,095.0	422.0	340.6	762.6
Total assets	**6,373.5**	**1,454.1**	**7,827.6**	**7,056.3**	**5,514.9**	**1,063.5**	**6,578.4**
Non-current liabilities	2,240.0	1,312.2	3,552.2	2,688.1	2,060.2	963.4	3,023.6
Current liabilities	938.4	289.7	1,228.1	1,168.0	610.4	261.6	872.0
Total liabilities	**3,178.4**	**1,601.9**	**4,780.3**	**3,856.1**	**2,670.6**	**1,225.0**	**3,895.6**
Equity attributable to owners of parent	3,047.3	–	3,047.3	3,200.2	2,682.8	–	2,682.8
Non-controlling interests	147.8	-147.8	–	–	161.5	-161.5	–
Total equity	**3,195.1**	**-147.8**	**3,047.3**	**3,200.2**	**2,844.3**	**-161.5**	**2,682.8**

Other information

	2019	Pro forma 2019	2018
EBITDA margin -excluding exceptional items-	57.1%	56.3%	52.4%
Occupancy rate subsidiaries, joint ventures and associates	84.0%		84.0%
Sustaining, service improvement and IT capex (in EUR million)	321.7		279.6

Total interest-bearing debt

In EUR millions	31-Dec-19	Pro forma 2019	31-Dec-18
Non-current portion of interest-bearing loans	3,109.7	2,245.6	2,583.7
Current portion of interest-bearing loans	340.1	280.0	168.6
Total interest-bearing loans	**3,449.8**	**2,525.6**	**2,752.3**
Short-term borrowings	185.9	185.9	67
Bank overdrafts	6.5	6.5	22.9
Cash and cash equivalents	-362	-362	-249.8
Total interest-bearing debt	**3,280.2**	**2,356.0**	**2,592.4**

Statement of income

In EUR millions	Europe & Africa		of which Netherlands		Asia & Middle East		of which Singapore		China & North Asia		Americas		of which United States		LNG		Global functions and corporate activities		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues	601.6	642.1	427.4	448.0	433.4	372.7	164.1	169.7	127.9	122.7	322.4	284.4	194.5	171.0	163.1	118.5	4.7	1.0	1,653.1	1,541.4
EBITDA	**301.5**	**301.5**	**223.9**	**232.0**	**326.6**	**256.3**	**123.5**	**117.4**	**100.6**	**84.1**	**164.1**	**128.2**	**101.3**	**81.5**	**132.8**	**93.3**	**-44.9**	**-41.8**	**980.7**	**821.6**
Total EBIT excluding exceptional items	**156.4**	**147.8**	**119.3**	**122.5**	**230.0**	**182.3**	**91.0**	**91.0**	**67.7**	**54.2**	**107.2**	**84.5**	**69.0**	**58.2**	**90.1**	**68.7**	**-60.7**	**-55.0**	**590.7**	**482.5**

Statement of income - Pro forma

In EUR millions	Europe & Africa		of which Netherlands		Asia & Middle East		of which Singapore		China & North Asia		Americas		of which United States		LNG		Global functions and corporate activities		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues	601.6	642.1	427.4	448.0	433.4	372.7	164.1	169.7	127.9	122.7	322.4	284.4	194.5	171.0	163.1	118.5	4.7	1.0	1,653.1	1,541.4
EBITDA	**282.7**	**301.5**	**211.5**	**232.0**	**307.1**	**256.3**	**113.8**	**117.4**	**99.0**	**84.1**	**155.5**	**128.2**	**96.0**	**81.5**	**128.5**	**93.3**	**-43.1**	**-41.8**	**929.7**	**821.6**
Total EBIT excluding exceptional items	**148.8**	**147.8**	**115.3**	**122.5**	**223.2**	**182.3**	**86.9**	**91.0**	**67.7**	**54.2**	**105.3**	**84.5**	**67.7**	**58.2**	**99.1**	**68.7**	**-56.3**	**-55.0**	**587.8**	**482.5**

Revenue per Product Type per Reporting Segment

In EUR millions	Europe & Africa		Asia & Middle East		China & North Asia		Americas		LNG		Global functions and corporate activities		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Chemical Products	189.4	185.4	194.7	174.8	103.5	117.3	167.2	147.5	–	–	–	–	654.8	625.0
Oil Products	296.6	332.3	199.2	165.7	3.0	4.4	99.4	83.2	–	–	–	–	598.2	585.6
Vegoils & Biofuels	62.3	69.9	3.2	2.6	–	–	32.5	35.9	–	–	–	–	98.0	108.4
Gas Products	32.1	32.7	17.3	8.5	20.9	0.4	5.6	–	163.0	118.5	–	–	238.9	160.1
Other	21.2	21.8	19.0	21.1	0.5	0.6	17.7	17.8	–	–	4.8	1.0	63.2	62.3
Total	**601.6**	**642.1**	**433.4**	**372.7**	**127.9**	**122.7**	**322.4**	**284.4**	**163.0**	**118.5**	**4.8**	**1.0**	**1,653.1**	**1,541.4**

Profit Appropriation

Articles of Association Provisions Governing Profit Appropriation

The Articles of Association provisions governing profit appropriation are contained in Articles 19 and 27.

The relevant paragraphs of these articles are as follows:

Article 19.2.
In the Annual General Meeting of Shareholders:
b. the annual accounts as prepared by the management board will be presented to the general meeting for adoption and the allocation of profits will – with due observance of the provisions of article 27 – be determined.

Article 27.12.
The profits remaining after application of the previous paragraphs shall be at the free disposal of the general meeting, with due observance of the fact that no dividend can be distributed when, at the time of the distribution, the dividend reserve finance preference shares has a positive balance and furthermore provided that no further distributions shall be made on the anti-takeover preference shares and the finance preference shares and no profits shall be (further) reserved for the account of the finance preference shares.

Proposed Profit Appropriation

The proposal to the Annual General Meeting will be to distribute a dividend in cash of EUR 1.15 (2018: EUR 1.10 in cash) per ordinary share, with a nominal value of EUR 0.50. Provided that the Annual General Meeting adopts the financial statements, the dividend for the 2019 financial year will be made payable on 29 April 2020.

Stichting Vopak (Vopak Foundation)

The objectives of Stichting Vopak, established in Rotterdam, are to promote the interests of Koninklijke Vopak N.V. (Royal Vopak) and all those involved with the company and any of its affiliated companies in order to safeguard, among other things, Royal Vopak's and these companies' continuity and/or identity and/or independence.

During the year 2019, the Board of Stichting Vopak met twice. At these meetings, it discussed the protection of Vopak and its effectiveness, the composition of the Board of Stichting Vopak as well as the financing of Stichting Vopak. Furthermore, the Board of Stichting Vopak was briefed by the Chairman of the Executive Board of Royal Vopak on developments in the company. The Chairman of the Supervisory Board attended these meetings as an observer.

The current members of the Board of Stichting Vopak are:
- Mr. J.H.M. Lindenbergh, Chairman
- Mr. M.H. Muller
- Mrs. A.P. Aris
- Mr. J.C.M. Schönfeld

No cumulative preference shares in Royal Vopak had been issued at the date of the statement of financial position.

Cumulative preference shares will be issued if Stichting Vopak exercises its option right. On 18 October 1999, the AGM decided to grant the right to Stichting Vopak to acquire protective preference shares to a maximum amount of the full nominal value of the share capital issued to third parties in the form of ordinary and financing preference shares, less the nominal value of one ordinary share. Royal Vopak and Stichting Vopak have specified their mutual relationship with regard to the option in an option agreement dated 1 November 1999, which was amended on 5 May 2004 in such a manner that the original put option granted to Royal Vopak was cancelled.

On 17 September 2013, the EGM resolved to increase the right of Stichting Vopak to acquire cumulative preference shares in such a way that the right to acquire cumulative preference shares is related to all shares in the share capital of Vopak issued to third parties at such time, less one ordinary share. Pursuant to this Royal Vopak and Stichting Vopak amended on 17 September 2013 the option agreement accordingly.

The Board of Stichting Vopak decides independently whether and when there is a need to exercise its option right for the issue of protective preference shares to Stichting Vopak.

Rotterdam, 11 February 2020

Stichting Vopak

Declaration of independence

In the opinion of the Board of Stichting Vopak and the Executive Board of Royal Vopak, Stichting Vopak is independent as meant by Section 5:71(1c) of the Financial Supervision Act.

Rotterdam, 11 February 2020

Stichting Vopak **Koninklijke Vopak N.V. (Royal Vopak)**

Principal company officers at 11 February 2020

Europe & Africa
Division management
- Patrick van der Voort - Division President
- Marcel van der Kar - Commercial & Business Development
- Frank Jan Thijssen - Operations & Technology
- René van Tatenhove - Finance & Control
- Mathilde de Winter - Human Resources

Business units
- Walter Moone - Rotterdam Botlek, The Netherlands
- Janhein van den Eijnden - Rotterdam Europoort, The Netherlands
- Rob Boudestijn - Vlaardingen, The Netherlands
- Tjeerd van der Voorn - Agencies
- Alexander Fokker - Vlissingen, The Netherlands
- Paul Demeyere - Belgium
- Paul Cox - South Africa

Joint ventures and associates
- Eduardo Sanudo - Terquimsa, Spain

Asia & Middle East
Division management
- Dick Richelle - Division President
- Marina Surzhenko - Commercial & Business Development
- Niek Verbree - Operations & Technology
- Samantha Xu - Finance & Control
- Mariah Ismail - Human Resources

Business units
- Fulco van Geuns - Australia
- Wilfred Lim - Malaysia
- Sjoerd Bazen - Singapore
- Deepak Dalvi - India
- Lars Schaumann - Indonesia

Joint ventures and associates
- Jahangir Piracha - Engro Vopak Terminal, Pakistan
- Hashbal Al Shahrani - Jubail Chemicals Storage and Services Company (Chemtank), Saudi Arabia
- Surizan Khalil - Kertih Terminals, Malaysia
- Wilfred Lim - Pengerang Independent Terminals , Malaysia
- Aqeel Hussain - Pengerang Terminals 2, Malaysia
- Ian Cochrane - SabTank, Saudi Arabia
- Theerapol Muenpakdee - Thai Tank Terminal, Thailand
- Say Huat Law - Vopak Horizon Fujairah, UAE
- Lars Schaumann - Vopak Terminal Jakarta. Indonesia

China & North Asia
Division management
- Yan Chen - Division President
- Chen Peng - Commercial & Business Development
- Mike Lai - Operations & Technology
- Wim Samlal - Finance & Control
- Whitney Wu - Human Resources
- David Gai - Projects

Business units
- Teng Bo - Zhangjiagang, China
- Edwin Hui - Shandong Lanshan, China
- George Wang - Ningbo, China
- Jasper Jansen - Vietnam

Joint ventures and associates
- Wayne Wang - Zhangzhou Gulei Haiteng Terminals, China
- Xiaomei Liu - Tianjin Lingang, China
- Biwei Yan - Caojing Shanghai, China
- Jeremy Pei - Vopak Terminal Qinzhou, China
- J.H. Lee - Ulsan, Korea

Americas
Division management
- Boudewijn Siemons - Division President
- Heidi Herzog - Commercial & Business Development
- Gert-Jan Krispijn - Operations & Technology
- Mark Verwest - Finance & Control
- Hernán Rein - Human Resources

Business units
- Chris Robblee - U.S. Southern Region, United States
- Mike LaCavera - West Coast, United States
- Francois Trudelle - Canada
- Christian Pérez - Mexico
- Michael Mulford - Colombia
- Ignacio González - Brazil
- Alvaro Perez - Panama

Joint ventures and associates
- Ralf van der Ven - Vopak Moda Houston, United States
- Francois Trudelle - Ridley Island Propane Export Terminal (RIPET), Canada

LNG
Division management
- Kees van Seventer - Division President
- Jarmo Stoopman - General Manager
- Casper Pieper - Commercial & Business Development
- Michaël Naert - Operations & Technology
- Anne-Marie Kroon - Finance & Control
- Stella Zerbo - Human Resources

Joint ventures and associates
- Wim Groenendijk - Gate Terminal, The Netherlands
- José Luis Vitagliano Novoa - LNG Terminal Altamira, Mexico
- Jahangir Piracha - Elengy Terminal Pakistan Limited, Pakistan
- José Maria Castro Martelo - SPEC LNG, Colombia
- Rolf Brouwer - German LNG Terminal

Global staff
- Karen Beuk - Communication & Investor Relations
- Wim Bloks - Sourcing & Procurement
- Leo Brand - Information Technology
- Michiel van Cortenberghe - Control & Business Analysis
- Michiel Gilsing - Commercial & Business Development
- Marjan Groeneveld - Treasury
- Ard Huisman- Internal Audit
- Anne-Marie Kroon - Tax
- Dick Meurs - Moves IT Program
- Jan Bert Schutrops - Operations & Technology
- Peter Paul Smid - Legal Affairs & Corporate Secretary
- Edwin Taal - Human Resources
- René Wiezer - Insurance

Five-year consolidated summary

In EUR millions	2019[1]	2018	2017	2016	2015
Consolidated abridged statement of income					
Revenues	1,253	1,254	1,306	1,347	1,386
Other operating income	276	32	23	303	106
Total operating income	**1,529**	**1,286**	**1,329**	**1,650**	**1,492**
Operating expenses	-635	-647	-676	-681	-737
Depreciation and amortization	-291	-273	-273	-264	-256
Impairment	-17	2	-2	-6	-4
Total operating expenses	**-943**	**-918**	**-951**	**-951**	**-997**
Operating profit	**586**	**368**	**378**	**699**	**495**
Result of joint ventures and associates	162	114	44	60	54
Group operating profit (EBIT)	**748**	**482**	**422**	**759**	**549**
Net finance costs	-86	-133	-122	-107	-105
Profit before income tax	**662**	**349**	**300**	**652**	**444**
Income tax	-58	-58	-25	-72	-117
Net profit	**604**	**291**	**275**	**580**	**327**
Non-controlling interests	-33	-36	-40	-46	-45
Net profit holders of ordinary shares	**571**	**255**	**235**	**534**	**282**
Consolidated abridged statement of income excluding exceptional items					
Operating profit	**363**	**349**	**379**	**435**	**451**
Result of joint ventures and associates	176	114	111	123	104
Group operating profit (EBIT)	**539**	**463**	**490**	**558**	**555**
Net finance costs	-87	-82	-98	-107	-103
Profit before income tax	**452**	**381**	**392**	**451**	**452**
Income tax	-61	-55	-65	-79	-82
Net profit	**391**	**326**	**327**	**372**	**370**
Non-controlling interests	-33	-36	-40	-46	-45
Net profit holders of ordinary shares	**358**	**290**	**287**	**326**	**325**

In EUR millions	2019[1]	2018	2017	2016	2015
Consolidated abridged statement of financial position					
Intangible assets	165	156	149	146	90
Property, plant and equipment	4,144	3,736	3,488	3,553	3,496
Financial assets	1,418	1,146	1,019	1,138	1,108
Deferred tax	31	8	5	15	14
Other	25	47	41	122	148
Total non-current assets	**5,783**	**5,093**	**4,702**	**4,974**	**4,856**
Total current assets	**590**	**422**	**413**	**608**	**641**
Total assets	**6,373**	**5,515**	**5,115**	**5,582**	**5,497**
Total equity	**3,195**	**2,844**	**2,636**	**2,559**	**2,160**
Total non-current liabilities	**2,240**	**2,060**	**1,978**	**2,453**	**2,762**
Total current liabilities	**938**	**611**	**501**	**570**	**575**
Total liabilities	**3,178**	**2,671**	**2,479**	**3,023**	**3,337**
Total equity and liabilities	**6,373**	**5,515**	**5,115**	**5,582**	**5,497**

1 The Group has applied IFRS 16 per 1 January 2019 and the comparative figures are not revised.

Glossary

3YMP
Three-Year Maintenance Program

AFM
Dutch Authority for Financial Markets

AGM
Annual General Meeting

API (connection)
Application Programming Interface

API RP 754
American Petroleum Institute Recommended Practice 754, Process Safety Performance Indicators for the Refining and Petrochemical Industries

Assure program
Focuses on the prevention of major accidents and minimizing the consequences if such accidents would occur.

Audit Committee
Committee within the Supervisory Board that assists the Supervisory Board in performing the supervisory tasks relating to matters such as, the integrity of the financial statements, the financial reporting, the internal audit procedures and the relationship with and the independence of the external auditors

Brownfield
Expansion of an existing terminal

Capex
Capital expenditure

Capital employed
Total assets less current liabilities, excluding assets and current liabilities not related to operational activities

Cbm
Cubic meter

CCIRS
Cross-currency interest rate swap

CDI-T
The Chemical Distribution Institute audit protocol for Terminals

Contamination
Any situation where a customer's product is out of contract specification and cannot be used as intended or is reduced in value, or needs unplanned after treatment (e.g. mixing, blending, sparging), due to the action of another substance on that product and not classified as a process safety contamination. A contamination is independent of its financial loss

Contractor
A contractor is any person who is not an employee of Vopak but is providing contract-based services to the Vopak company or one of its subsidiaries, joint ventures or associates either on Vopak premises or off the Vopak premises, where Vopak exercises supervisory or procedural control

Corporate Governance
The manner in which the company is managed and the supervision of management is structured

COSO
Committee of Sponsoring Organizations of the Treadway Commission, an international organization whose aim is to create a model for information on and management of business risks

CRSA
Control Risk Self-Assessment

Damage
The loss of, impaired functioning, or impaired condition of anything (except people) which is considered to have some value, including company assets, the environment, and third party losses

DMCSA
Divisional Monitoring Controls Self-Assessment

EBIT - Earnings Before Interest and Tax
Net income, before income taxes, and before net finance costs. This performance measure is used by the company to evaluate the operating performance of its operating entities

EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization
Net income, before income taxes, before net finance cost, and before amortization and depreciation expenses. EBITDA is a rough accounting approximate of gross cash flows generated. This measure is used by the company to evaluate the financial performance of its operating entities

EGM
Extraordinary General Meeting of Shareholders

Employee
An employee is any person who has a permanent or temporary, written or unwritten employment contract with a Vopak company or one of its subsidiaries, joint ventures or associates

EPS
Earnings Per Share

ERM
Enterprise Risk Management

ERP
Emergency Response Plan

Exceptional items
A limited set of events pre-defined by the company which are not reflective of the normal business of the company and which are exceptional by nature from a management perspective. These exceptional items include impairments, reversed impairments, additions to and releases from provisions for restructuring, results on assets sold, gains on the sale of subsidiaries, joint ventures and associates, any other provisions being formed or released and any significant change in estimates

The Group does not apply a threshold for impairments, reversal of impairments, disposal of investments and discontinued operations. For the other items, the Group considers an event exceptional when the effect exceeds the threshold of EUR 10.0 million

FSRU
Floating Storage Regasification Unit

FTE
Full-time Equivalent

GDP
Gross Domestic Product

GHG
Greenhouse gases

Greenfield
Building a new terminal on undeveloped land

GRI
Global Reporting Initiative (for more information visit www.globalreporting.org)

Gross assets / Gross capital employed
Gross assets are based on the carrying amount of non-current assets, excluding loans granted, and are grossed up by means of adding back the accumulated depreciation, amortization and impairment. Subsequently, the net trade working capital (trade debtors minus trade creditors) is added. Balances related to assets under construction are excluded from the gross assets. The average historical investment is based on the quarter-end balances in the measurement period relevant to the quarter concerned

Hub
Regional storage and transport center

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

IMO
International Maritime Organization

IPCC
Intergovernmental Panel on Climate Change

IRS
Interest Rate Swap

ISDA
International Swaps and Derivatives Association

ISPT
Institute for Sustainable Process Technology

IT/OT
Information Technology/Operational Technology

LTI
Lost Time Injury

LTIP
Long-term Incentive Plan

LTIR
Lost Time Injury Rate; number of accidents entailing absence from work per 200,000 hours worked (of own personnel and contractors at subsidiaries, joint ventures and associates)

LTSP
Long-term Share Plan

Management Report
The ‘Management Report’ (‘bestuursverslag’), within the meaning of section 2:391 of the Dutch Civil Code, comprises the chapters CEO Statement up to and including Internal Control and Risk Management, with the exception of the chapters Supervisory Board Members, Supervisory Board Report and Remuneration Report

MLO
My Learning Operations

NCI
Non-Controlling Interest

NGO
Non-Governmental Organization

NO_x
NO_x is a generic term for mono-nitrogen oxides NO and NO_2 (nitric oxide and nitrogen dioxide)

NPS
Net Promoter Score; a method of measuring the strength of customer loyalty for an organization

N.R.
Not reported

OCI
Other comprehensive income

OECD
Organization for Economic Cooperation and Development

Other information
The ‘Other information’ (‘overige gegevens’), within the meaning of section 2:392 of the Dutch Civil Code, comprises the chapters Independent Auditor’s Report, the Profit Appropriation and Stichting Vopak

PP
Private Placement, US Private Placement (USPP), Asian Private Placement (APP)

Introduction
Purpose & strategy
Business & market
Performance & Outlook
Sustainability
Governance, risk & compliance
Financial Statements
Additional information

PSER
Process safety incidents per 200,000 hours worked for own personnel and contractors

Q.R.
Qualitative reporting

RCF
Revolving Credit Facility

ROCE - Return On Capital Employed Before Interest and Tax
EBIT -excluding exceptional items- as a percentage of the average capital employed. This performance measure is used by the company to assess the profitability and the efficiency of its operations in relation to the capital employed

ROE - Return On Equity After Interest and Tax
Net income -excluding exceptional items- as a percentage of the average equity employed. This performance measure is used by the company to assess the return that the company generates with the equity funds provided by its shareholders

SaaS
Software as a Service

SDG
Sustainable Development Goal

SHE
Safety, Health and Environment

SO_x
SO_x refers to all sulphur oxides, the two major ones being sulphur dioxide (SO_2) and sulphur trioxide (SO_3)

THA
Terminal Health Assessment

Throughput
Volume of a product handled by a terminal in a given period, calculated as (in + out)/2

TIR
Total number of injuries per 200,000 hours worked (own personnel)

VOC
Volatile Organic Compound

VPM
Vopak Project Management

Royal Vopak
Global Communication & Investor Relations
Telephone: +31 (0)10 400 2911
Email: global.communication@vopak.com
www.vopak.com

Visiting address
Westerlaan 10
3016 CK Rotterdam
The Netherlands

Postal address
P.O. Box 863
3000 AW Rotterdam
The Netherlands

Media contact
Liesbeth Lans
Telephone: +31 (0)10 400 2777
Email: global.communication@vopak.com

Investor Relations contact
Laurens de Graaf
Telephone: +31 (0)10 400 2776
Email: investor.relations@vopak.com

Sustainability contact
Willem van der Zon
Telephone: +31 (0)10 400 2561
Email: willem.van.der.zon@vopak.com

Credits
Consultancy, concept and design
DartGroup, Amsterdam

Technical realization
DartGroup, Amsterdam

Photography of the Executive Board
Timo Sorber Photography

Vopak