

2010



Royal Vopak
Annual Report 2010



making clear choices in 2011. By pursuing operational excellence, the company should be able to achieve further improvements in the areas of safety, customer service, efficiency, sustainability and other focus areas contributing to strong results.

In order to retain its leading position, Vopak aims to grow further. This can be achieved by strengthening our leading position at existing locations and investing in collaboration with strategic partners. Growth is subject to our present customers' level of satisfaction with our services, which indicates that our customers consider Vopak as their preferred supplier. In addition, we must be extremely efficient at operational level. Thanks to smart processes, we are able to deliver the shortest possible operational lead times for our customers and build the strength to deal with economic setbacks.

The company pursues a leading position in three areas: service, operational excellence and growth. By improving on all fronts, we can build up a strong competitive position in the long run.

Safety

A healthy Vopak is a safe Vopak. The safety of our people is absolutely our top priority. There will always be risks, but it is essential that they are limited to the maximum extent possible. The standards we apply are strict. We focus not only on safe procedures, but also on safe conduct. An important indicator in the area of personal safety is the number of incidents per million worked hours of our own staff. In this area we have experienced a positive development whereby the number of incidents halved from 6.5 in 2009 to 3.2. The desired ambition level has not yet been reached throughout the business, but fortunately we are seeing a positive trend. Independent research shows that our safety culture is a good basis for the improvement we strive for.

The importance of sustainability

Vopak's history goes back almost four centuries. This long corporate history would not have been possible without sustainability being of paramount importance to us. For example, we are continuously developing innovative and sustainable storage concepts, such as the plans for large-scale storage of CO₂ in depleted gas fields under the North Sea. Slowly, these plans are reaching project phase. It is very inspiring to be part of the consortium engaged in a pioneering logistics solution that facilitates this type of storage.

Service

A passion for excellence that is how 2010 can be summarized for Vopak. The increased Net Promoter Score (NPS) that measures customer satisfaction and loyalty is a testimony of this fact. We planted the target of higher customer satisfaction in the organization and it was embraced by everybody throughout the business. All of our employees know what the score means for their own actions, and they were fully committed to doing their very best to make improvements. The same applies to Lean, the methodology Vopak uses to integrate its pursuit of improvements, efficiency and effectiveness into its corporate culture, with our customers' wishes occupying a central place. The project appeals to our people, and they enjoy working with it to improve processes, to enhance the service experience of our customers. For our people, the urge to optimize matters is innate.

Expanding around the globe

The implementation of our plans for expansion is well underway. By 2012, we will have added 4.5 million cbm to our tank terminal network. In China, in particular, we are working hard on expanding our storage capacity. Our chemicals terminal in Zhangjiagang is now the largest of its kind in China and new chemicals terminals are being constructed at two other strategic locations. As a result of recent developments, we have sold our equity stake in the terminal in the Bahamas in the beginning of 2011 causing the total storage capacity to decline by 3.4 million cbm.

Our people

Vopak is built on human talent. In order to grow, we must allow our people to develop themselves as much as possible. Based on this principle, we are investing in an innovative HR approach. Workforce planning, continuous education and training, talent recruitment and development, improved in-house promotion opportunities and succession planning must turn Vopak into a business where talent is leveraged, in any position in the company. The results of the engagement survey conducted among employees in early 2011 will drive the further improvement of our HR policies.

Vopak remains ambitious

Our ambitions for the coming years are great. In addition to becoming an even more effective organization, we aspire to transform into a business that is even more focused on efficiency and that is aware of its social responsibility. In this respect we wish to enable our people to leverage their qualities even better. We also aim to further increase the safety of our operations, knowing that only a combination of transparent risk analysis, appropriate measures and collective safety awareness can help to achieve that goal.

2. Short-term variable remuneration

Depending on Vopak's performance in relation to pre-agreed targets, Board members can earn short-term variable remuneration, for which the percentages were left unchanged in 2010.

The performance-related targets have been divided into financial targets and non-financial targets. At the target level, the financial target (50%) and the joint non-financial targets (50%) are weighted equally. At the beginning of the year, the Supervisory Board sets the targets, considering the company's past performance and its operational and strategic outlook for the next two years, as well as management's and shareholders' expectations, among other factors. Targets are selected so that they fit into the process of long-term value creation in the company.

The financial target is related to 'Growth in EBITDA': the improvement percentage of the 2010 EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) on the 2009 EBITDA.

The non-financial element pertains to targets in three areas:

1. Sustainability, covering specific targets in the area of personal and process safety (incidents, product loss, fire, pollution) and KPIs from the Global Sustainability Reporting Initiative.
2. Employee satisfaction (in 2010) and Customer satisfaction (early 2011). Employee satisfaction is measured on the basis of an employee satisfaction survey conducted by an external party.
3. The performance of the Executive Board as assessed by the Supervisory Board, with current project results and the quality of new initiatives being key focus areas.

For commercial and competitive reasons, the specific financial and non-financial targets are not published.

In early 2011, the results achieved in relation to the targets set were evaluated. It was decided that the following short-term variable remuneration will be granted for the 2010 financial year.

	J.P.H. Broeders	J.P. de Kreij	F. Eulderink	E.M. Hoekstra
Gross in EUR				effective 01 Sept. 2010
Short-term variable remuneration	397,170	284,375	260,000	81,250

On the basis of the +17% Growth in EBITDA for the 2010 financial year, the maximum financial result was achieved. An important share of the non-financial targets was achieved, but they were not achieved in full. Please refer to the 2010 Sustainability Report for the results achieved in the area of sustainability.

Win-win situation

In launching its sustainable development policy, Vopak has taken a great leap into the 21st century. Sustainability, the single most important theme of the century, requires large-scale application in practice. We also wish to demonstrate our industry leadership in the area of sustainable entrepreneurship. To Vopak, seeking to do business in a sustainable way means creating a win-win situation that adds value for all our stakeholders and has no unacceptable impact on society and the environment, i.e. conducting operations in a climate-neutral manner. Our customers prefer to do business with business partners that are able to guarantee superior quality and a high degree of process safety based on sustainable operations.

People

Vopak invests in long-term relationships with employees and offers them a work environment that appeals to their talents and skills. Additionally, we seek to forge strong relationships with our employees by giving ample attention to matters they consider important in their work. Examples include job satisfaction, personal development, competitive terms of employment and a good balance between work and private life.

Vopak's entrepreneurial culture is one of its distinctive features. It is characterized by inclusiveness, clear target setting and performance management as well as by informal dealings with employees. The Vopak spirit, the loyalty and the enthusiasm pervade the entire business with so many different nationalities. We take pride in these valuable elements of our global culture and will do everything to maintain and strengthen them.

Vopak operates in over 30 countries, each of which has its own laws, culture and customs. In this context, Vopak applies the Vopak Values and endorses the principles of the United Nations' International Labour Organization and Universal Declaration of Human Rights. Vopak ensures that human rights are respected and, where necessary, safeguarded when carrying out its activities. Vopak has internal policies and a Code of Conduct that supplement local rules in the countries in which it operates to ensure that fundamental standards for employment and human rights are met throughout the world.

Local projects

As a sustainable entrepreneurial company, Vopak implements a range of projects benefiting local communities across the globe. They vary from educational projects for local communities to creating or improving the infrastructure near our terminals. We consider maintaining good relationships with those living close to our terminals a self-evident necessity. Community involvement by Vopak is organized at a local level by each Vopak terminal. This means that the communities in which we operate benefit directly from our efforts.

Safety and absenteeism

Vopak has a long track record in providing programs, procedures and training aimed at guaranteeing our employees, contractors and neighbors a safe working environment. The initial results of a company-wide engagement survey among employees into their job satisfaction show a high degree of commitment and enthusiasm. Our corporate strategy is understood and welcomed by a large proportion of our employees. We are delighted about our low average absenteeism rate, which in the year under review showed a further decline to 1.7% (2009: 1.8%).



Prevention

Safety has been and always will be a top priority in everything we do. Accordingly, preventing the occurrence of accidents and incidents is our primary concern. The lost time injury rate (LTIR) for our staff and contractors combined improved to 1.3 per million hours worked (2009: 1.4). The number of accidents related to the number of hours worked by our own employees (TIR) showed a significant decline to 3.2 accidents per million hours worked in 2010 (2009: 6.5) due to the efforts we initiated in 2009 and continued in 2010.

Planet

Vopak currently operates storage terminals in 30 countries, involving thousands of people, directly as well as indirectly, and large plots of land. This brings with it responsibilities for the surroundings, not just with respect to soil, water and air, but also towards the local communities and neighbors. Vopak aims to be a responsible neighbor. Our objective is to further reduce emissions, including those of gas and odor. In pursuing this objective, we consistently adhere to guidelines set out in operating licenses, legislation and our own global standards. Vopak acknowledges that taking measures aimed at curbing emissions may sometimes be in conflict with energy consumption, as some environmental measures require the use of energy. We aim to strike the right balance in this respect.

Standardization

We are standardizing our approach at a global level and are mapping out the impact our operations may have on the environment. This helps us address the question as to how to minimize our impact, including our operations' carbon footprint. We are committed to developing a sound waste management system and minimizing our energy consumption, soil contamination, air and surface water pollution and water consumption.

Risk of insufficient number of people and of people without the right competencies

Vopak is a rapidly growing company, meaning that in future years we could be short of sufficient and capable people in key positions. As a company with worldwide operations and as a leader in the independent tank storage market, we always face the possibility that our people will be approached and recruited by competitors or customers.

The following measures are being taken:

- We aim to take on sufficient people to cover the expected outflow, offering a balanced remuneration package and an environment in which new employees can develop quickly in the organization.
- Our HR strategy has been tightened and is in line with our three strategic pillars. There are further developments on the agenda of HR instruments, such as the Leadership Fundamentals, talent management, performance management based on a worldwide talent management strategy, leadership and management development, and further improvements to the HR organization with more efficient processes and a supporting HR information system. Our succession and personnel policy for senior management is coordinated centrally.
- Previous surveys showed that our employees are prepared to make every effort. Their satisfaction is high, as is their pride in the company and their willingness to stay. All in all, we are trying to retain what is good, and implement improvements as required. This applies to matters such as salary, personal development and opportunities for growth, and work pressure. Our employee satisfaction survey will be continued.

Further, we face the challenge of balancing between continuous improvement/growth projects and the potential high work pressure that results from that. Through clear priority setting and support in the personal development of employees, we aim to realize a balanced match with our high performance ambition.

Integrity, availability of IT systems

The integrity of 'fit for purpose' IT systems might be impacted by increasingly aggressive IT viruses (cyber war), impacting our service reliability but also the safety at our terminals. Our current security IT governance is already set up to mitigate this risk, but through the full implementation of ISO27001 we will be even better protected or prepared to timely resolve most issues.

Insurable risks

Vopak's enterprise risk management (ERM) approach offers insight into the potential dangers the company could face. Our insurance policy aims to strike the right balance between arranging insurance cover for the Group's risks and financing them ourselves, or transferring such risks to external insurance companies. The principal factors underlying our insurance policy are risk tolerance and risk transfer costs. On this basis, Vopak has purchased world-

wide insurance cover for such risks as product and third-party liability, fire and business interruption.

Vopak's insured risks are partly covered by a Vopak captive reinsurance company and by transferring risks to the insurance market. The financial credit ratings of the insurance companies involved are reviewed on a regular basis and, where appropriate, risks are spread across multiple insurance companies.

Legal and tax risks

Some stocks (e.g. ethanol) that we store and transport for customers are subject to import duties. As more products with import duties are handled, Vopak's financial risk exposure has risen, requiring continuous attention for adequate procedures, processes and controls. Adequate working capital, inventory management and supportive processes are preconditions that we safeguard through a key control framework and a global diagnostic instrument. Where necessary, control mechanisms are being tightened. The effects of stricter environmental regulation are covered as far as possible by making specific and sustainable investments and by sharing the risks with customers.

Financial risks

Our financial risks are considered in detail on page 99.

Currency and exchange rate risks

The currency exchange risks associated with foreign activities are limited. As a rule, income, expenditure and financing are in the same currency.

The main foreign currency risk is known as the translation risk. This arises on conversion of the results on the one hand, and capital invested on the other, from Singapore dollars and US dollars to euros. The euro is the currency we use in our financial reporting.

Sensitivity to exchange rate movements of the Singapore dollar (SGD) and the US dollar (USD) is as follows. A movement of 10 cents in the USD exchange rate against the euro affects Vopak's net profit by EUR 3.3 million. A movement of 10 cents in the SGD exchange against the euro affects Vopak's net profit by EUR 3.6 million. As required by IFRS 7, a sensitivity analysis has been performed on the balance sheet items. The results are set out on page 101.

Each quarter, exchange rate risks relating to the translation of capital invested in foreign operations, comprising equity and internal financing, are established and the optimum hedging/financing strategy is reviewed and submitted to the Executive Board for approval. Net investment in foreign activities is generally hedged by loans in the same currency, supplemented where necessary with cross-currency interest rate swaps and forward exchange contracts, and hedge accounting is applied.