

Risk management & internal control

Vopak Control Framework – Risk Management and Internal Control Components

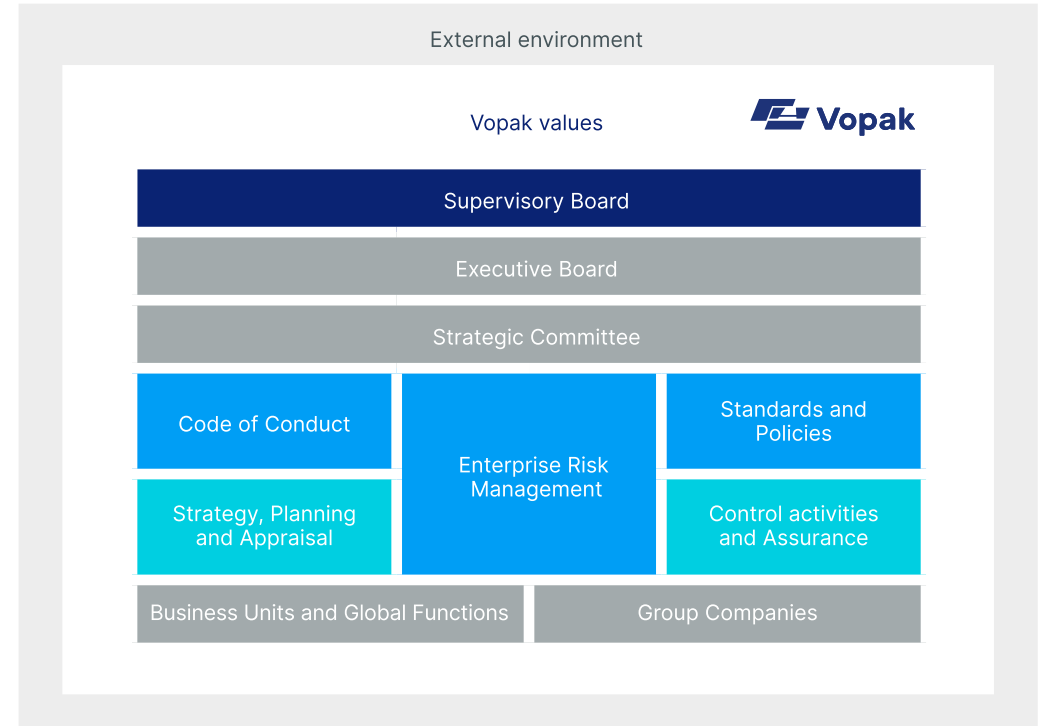
Risk Management and internal control activities are at the core of the Vopak Control Framework. This framework is applied at all layers and locations within the Group.

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 (Business Units and Global Functions), advising (Risk Committee and Compliance Committee) and assurance (Global Internal Audit) activities.

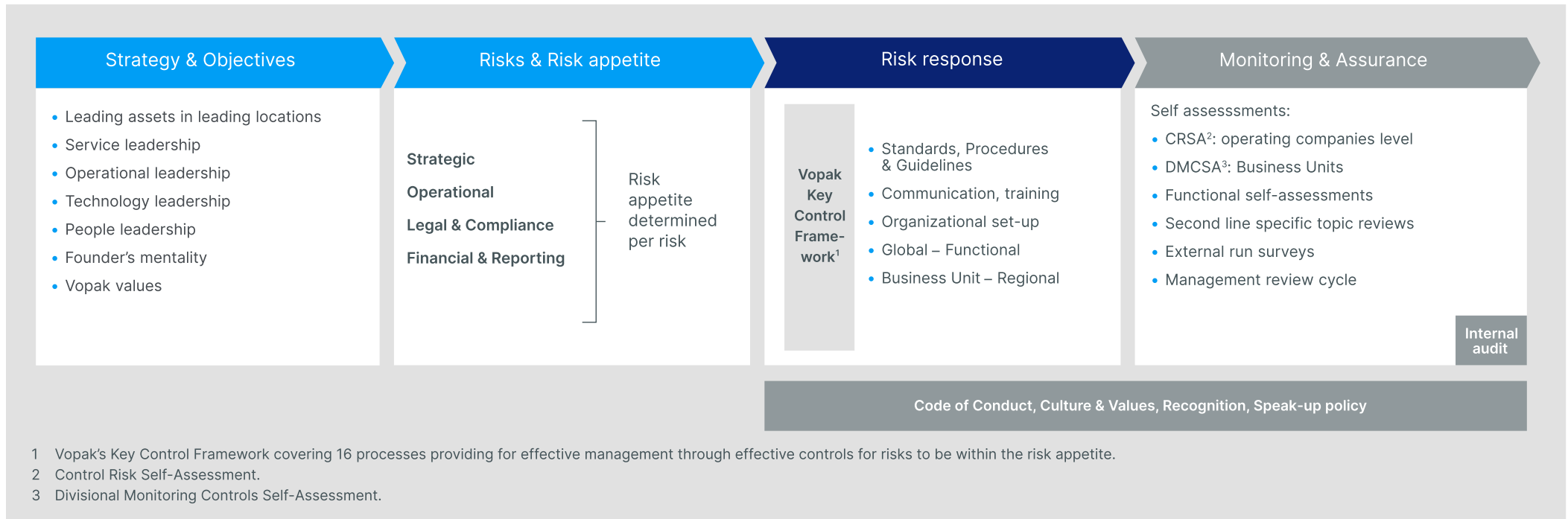
Vopak applies the principles of the COSO Integrated framework - Internal Control and Risk Management - resulting in an integrated cohesive approach starting with determining Vopak's risk appetite, identifying the key risks that may prevent the Group from achieving the strategic objectives and then and 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 business units and global functions organize and manage their activities and how the various operating companies involved relate to each other.

A cohesive approach: Managing risks and internal control



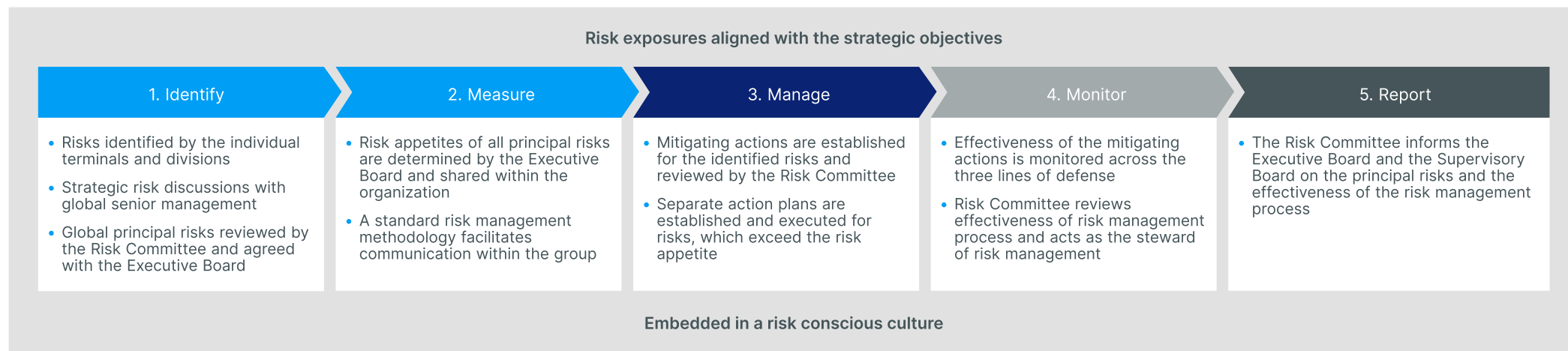
Enterprise Risk Management

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 Business Unit performance

reviews and the mandatory Enterprise Risk Management (ERM) reporting which takes place on a biannual basis.



Vopak's Risk Management Framework



Vopak's ERM process is guided and overseen by the global 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 key risks, the likelihood, financial impact and the mitigating actions in place plus an assessment of the effectiveness of these actions. Business Unit management will review, discuss, supplement and report on these risks as the basis for the biannual discussions between Business Unit 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 the ERM process to be effective.

Risks

Vopak's purpose is to help the world flow forward. Our activities involve risks which include safety and financial dimensions. Risks in general cannot be entirely eliminated. However risk management does provide valuable insight into these risks, so that we can take informed decisions about these risks and risk management measures.

Risk levels can be subdivided into five categories, ranging from very low to very high. The risk category depends on two factors: the probability of occurrence and the impact hereof on our strategic objectives. The potential impact on our objectives is assessed based on various aspects. Based on their probability and impact, each risk is assigned a place in the risk matrix.

Risk appetite

To achieve our strategic objectives, we sometimes need to accept risks to a certain extent. The extent to which we are prepared to run risks in attaining our objectives (i.e. our "risk appetite") varies from risk to risk:

- Where strategic risks are concerned, we seek the right balance between the risks and our longer-term ambitions.
- When it comes to safety and other operational risks, we take no risk whatsoever. All risks are excluded, where possible and realistic.

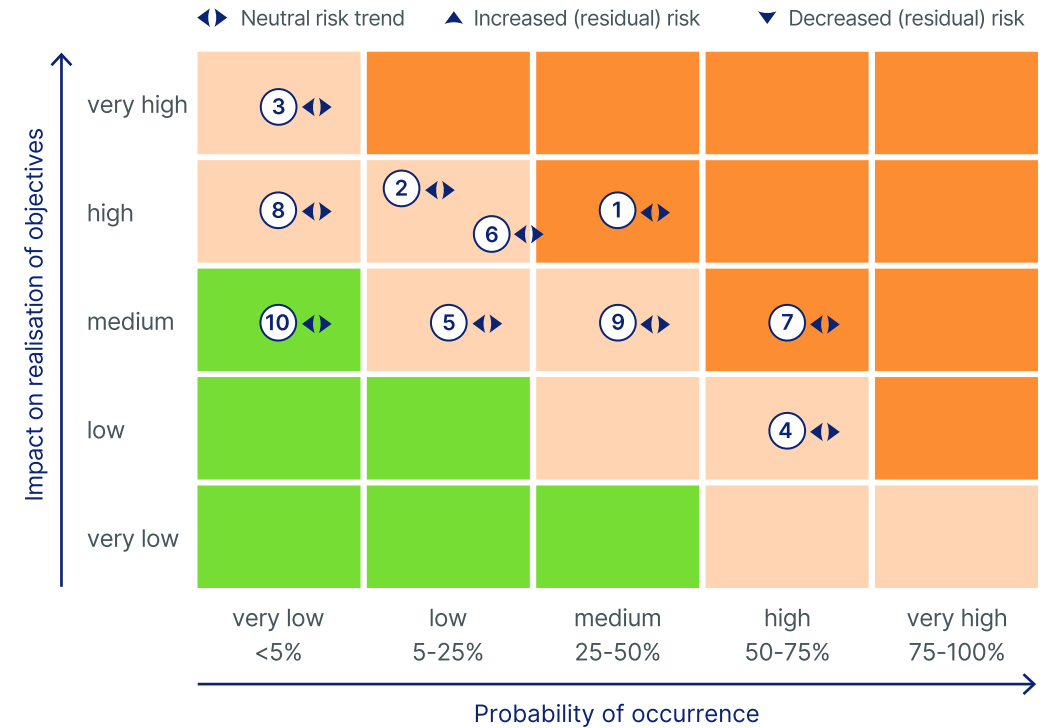
- Our risk appetite is low when it comes to legal and compliance risks. We are expected to comply with laws and regulations and are committed to acting in accordance with internal standards and procedures and the Vopak Code of Conduct.
- We have a low appetite for financial and reporting risks. This ensures that we have a healthy financial basis and meet our key financial ratios.

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.

Overall risk development

Overall the risk profile of the company has not materially changed compared to 2022. Geopolitical risk continues to be on the rise. China remains a source of uncertainty, and the continuing invasion of Russia in Ukraine, as well as the war between Hamas and Israel have spurred shocks across the world. The 10 principal risks that could prevent Vopak from achieving its strategic objectives are described in this section, together with the risk development and their mitigating actions applied.

Our current principal risks



Strategic risks

- ① Executing growth strategy in ITL, LNG and new energies
- ② The pace of the energy transition
- ③ Geopolitical risks
- ④ Market volatility

Operational risks

- ⑤ Physical effects of climate change
- ⑥ Cyber security
- ⑦ People
- ⑧ Safety, health and environment








Legal and compliance risks








- ⑨ Laws and regulations







Financial and reporting risks







- ⑩ Access to capital









Strategic risks

Risk description	Risk Trend	Risk appetite & horizon	Link to strategy
<p>① Executing growth strategy in ITL, LNG and new energies</p>		<p>Risk appetite Medium</p> <p>What is the risk? As part of our Shaping the Future strategy, we seek to grow our base in Industrial (ITL) and Gas terminals, and accelerate towards new energies and sustainable feedstock. Projects related to ITL, LNG and new energies can be complicated. The regulatory framework is often complex. For new energies projects a myriad of stakeholders is involved and often entire supply chains need to be lined up for a project to be successful. In addition there can be uncertainty related to technology development and market demand. There is a risk that economic returns for these projects will initially be lower.</p> <hr/> <p>Risk horizon Medium to long-term</p> <p>How is the risk managed? Global Business Development is orchestrating and supporting Vopak's efforts to identify, select and execute growth opportunities in LNG, LPG, ITL and New Energies. The local Business Units are responsible for the execution of growth projects. To that end, business development professionals have been appointed for the key regions, supported by central technical- and project management capabilities provided by Global Business Development. A disciplined opportunity funnel management is in place to ensure that resources are allocated to those opportunities that have the highest strategic fit, and have the highest chances of exceeding Vopak's financial return criteria.</p> <hr/> <p>What is the risk trend? Neutral.</p> <hr/> <p>Who is the risk owner? Executive Vice-President Global Business Development</p>	 Grow  Accelerate
<p>② The pace of the energy transition</p>		<p>Risk appetite Medium</p> <p>What is the risk? The pace and extent of the energy transition could pose a risk to Vopak if our own actions to decarbonize our operations and transform our terminal portfolio move at a different speed relative to society. If we move slower than society, it would reduce the demand for our services, and adversely affect our reputation, besides materially affecting our earnings and financial results. If we move faster than society, we risk stepping away from profitable markets, and investing in technologies or markets that are unsuccessful because there is limited demand for them. This could also have a material adverse effect on our earnings, operating cash flow return and financial condition.</p> <hr/> <p>Risk horizon Medium to long-term</p> <p>How is the risk managed? The Vopak Sustainability Roadmap sets out clear sustainability ambitions and priorities and integrates them into annual budget cycles, business agendas, work programs and daily activities. The Roadmap clearly sets Vopak's ambition to be climate neutral by 2050. It also addresses the challenges that are posed by the dual objectives of limiting climate change on the one hand, and Vopak's key role in providing access to affordable, acceptable and sustainable energy and feedstocks for all on the other hand. Vopak has set ambitious targets of reducing its own environmental footprint and lowering its own emissions of greenhouse gasses (GHG). In this respect Volatile Organic Compounds (VOCs) are one of the important issues for Vopak to address. Reducing VOC emissions is one of the priorities addressed in the Sustainability Roadmap. Actions are defined to meet the 30% reduction target (versus 2016) by 2025. Also the protection of biodiversity is part Vopak's Sustainability Roadmap.</p> <hr/> <p>What is the risk trend? Neutral</p> <hr/> <p>Who is the risk owner? Executive Vice-President Global Operations & Customer Care</p>	 Improve  Grow  Accelerate

Risk description	Risk Trend	Risk appetite & horizon		Link to strategy
<p>3</p> <p>Geopolitical risks</p>	<p></p>	<p>Risk appetite</p> <p>Medium</p>	<p>What is the risk?</p> <p>We operate in more than 25 countries that have different degrees of political, legal and fiscal stability. This exposes us to a wide range of political- and country risks that could result in changes to laws and regulations. In addition it includes tensions between nation states, such as the war between Hamas and Israel, Russia's invasion of Ukraine, and the US-China relationship.</p>	<p> Improve</p>
		<p>Risk horizon</p> <p>Medium-to long-term</p>	<p>How is the risk managed?</p> <p>We continually monitor geopolitical developments and societal issues relevant to our interests. Our Legal and Tax functions support our businesses in ensuring compliance with local laws and fiscal regulations. The well-diversified global terminal network of Vopak supports different market/product combinations, reducing dependency of locations and products. In seeking growth opportunities, Vopak avoids 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. The Global Risk Committee regularly conducts country risk assessments.</p>	<p> Grow</p>
			<p>What is the risk trend?</p> <p>Neutral</p>	<p> Accelerate</p>
			<p>Who is the risk owner?</p> <p>Chairman Global Risk Committee</p>	
<p>4</p> <p>Market volatility</p>	<p></p>	<p>Risk appetite</p> <p>Medium</p>	<p>What is the risk?</p> <p>In our end markets we are exposed to market volatility that can lead to changes in product flows. Changing industry market dynamics can lead to structural changes in product flows and increased volatility. Exposure to (crude) oil and gas market price developments can lead to both risks and opportunities. Fluctuating movements in (crude) oil and gas market pricing have consequences for our customers putting pressure on the value chain, although this can offer storage opportunities in the short term. Differences per region exist.</p>	<p> Improve</p>
		<p>Risk horizon</p> <p>Short-to medium term</p>	<p>How is this risk managed?</p> <p>We have a diversified global terminal network based on clear strategic criteria for certain product/ market combinations. We continuously conduct in-depth analyses of scenarios and global trends by Global Business Development in conjunction with the Business Units. The objective is that the company is able to timely identify changing market developments and respond accordingly. In addition we are continuously reviewing and updating our terminal portfolio based on the strategic criteria, shifting our portfolio further towards industrial terminals, chemicals, LNG, LPG and chemical gasses.</p>	<p> Grow</p>
			<p>What is the risk trend?</p> <p>Neutral.</p>	
			<p>Who is the risk owner?</p> <p>Executive Vice-President Global Business Development</p>	

	Risk description	Risk Trend	Risk appetite & horizon	Link to strategy
5	Physical effects of climate change		<p>Risk appetite Medium</p> <p>What is the risk? 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).</p> <hr/> <p>Risk horizon Long-term</p> <p>How is the risk managed? Vopak has embraced and embedded the TCFD framework in its process to create awareness and assess exposures and developments. The process has resulted in a risk and opportunity assessment, based on IPCC and IEA scenarios, regarding physical risks, market risks and policy developments. Vopak is performing stress tests for various terminals to identify the exposure to climate change and extreme weather events. This has led to enhanced investments in measures against adverse weather and climate induced conditions.</p> <hr/> <p>What is the risk trend? Neutral</p> <hr/> <p>Who is the risk owner? Executive Vice-President Global Operations & Customer Care</p>	  
6	Cyber security		<p>Risk appetite Low</p> <p>What is the risk? We heavily rely on information technology systems in our operations. Cyberattacks with a political or terrorist motive are increasingly targeting vital infrastructure. Ransomware – maliciously encrypting files and systems before demanding a ransom to make them accessible again – has developed to such a degree that it poses a risk to the national security in many countries. Disruptions to or outages of our infrastructure can lead to disruptions of supply chains that are vital to the economy and to society at large.</p> <hr/> <p>Risk horizon Short term</p> <p>How is this risk managed? The CISO Office has overall responsibility for the entire process of information security and therefore has a key role in managing cyber risks. We continually measure and improve our cyber-security capabilities. To reduce the likelihood of successful cyber attacks, our cyber security capabilities are embedded into our IT and OT systems. Our systems are protected by preventive, detective and responsive technologies and controls. We protect Vopak from cyber risks by managing risks and by having a culture in which security is a given. We detect risks by actively monitoring identified threats and we respond effectively by resolving and further investigating security incidents. Finally, risk control is set up to enable recovery when cyber risks occur: we have organized business continuity management and set up Disaster Recovery Plans for this purpose.</p> <hr/> <p>What is the risk trend? Neutral. Although the threat landscape is increasing, Vopak is continuously strengthening its cyber resilience. Furthermore, increasingly insurance is available to mitigate the financial impact of cyber incidents.</p> <hr/> <p>Who is the risk owner? Corporate Information Security Officer</p>	

	Risk description	Risk Trend	Risk appetite & horizon		Link to strategy
7	People		Risk appetite Medium	What is the risk? Our ability to attract, develop and retain a diverse range of skilled people is critical if we are to compete and grow effectively. This is especially true in emerging markets, including New Energies, where there can be a high level of competition for a limited talent pool. It is also true for our companies that operate in relatively remote geographical locations where it is difficult to attract the right talent. The loss of management or other key personnel or the inability to identify, attract and retain qualified personnel could make it difficult to manage the business and could adversely affect operations and financial results.	 Improve  Grow  Accelerate
Risk horizon Short-to medium term	How is this risk managed? Our Sustainability Roadmap provides the basis for a strong narrative regarding Vopak’s transition to a more sustainable future, which we believe is key to attract and retain talent. In addition we are rebalancing staff competencies in response to the shift in the Vopak portfolio to industrial, gas and new energies infrastructures. Also, we are promoting the Vopak Employee Value Proposition (EVP), positioning Vopak as an employer of choice				
	What is the risk trend? Neutral				
	Who is the risk owner? Executive Vice-President Human Resources & Communications				
8	Safety, health and environment		Risk appetite Low	What is the risk? The nature of our operations exposes us, and the communities in which we work, to a wide range of health, safety, security and environmental risks. If a major risk materializes, such as an explosion or a spill, this could result in injuries, loss of life, environmental harm, and disruption of business activity.	 Improve
Risk horizon Short term	How is the risk managed? We have a large number of safety- and operational standards and a clear governance structure to help manage safety, health and environmental risks and avoid potential adverse effects. The standards and governance structure also help us to develop mitigation strategies aimed at ensuring that if such a risk materializes, we avoid catastrophic consequences and have ways of trying to remediate any environmental damage. We routinely practice implementing our emergency response plans to significant risks (such as a spill, toxic substances, fire or explosion).				
	What is the risk trend? Neutral.				
	Who is the risk owner? Executive Vice-President Global Operations & Customer Care				

	Risk description	Risk Trend	Risk appetite & horizon		Link to strategy
9	Laws and regulations		Risk appetite Low	What is the risk? We are exposed to extensive laws, including those relating to bribery and corruption, sanctions, taxation, antitrust, financial markets regulation and rules, environmental protection, use of hazardous substances, product safety and dangerous goods regulations, employment of labor and occupational health and safety standards. Failure to comply with laws and regulations could expose us to civil and/or criminal actions leading to damages, fines and criminal sanctions against the company with possible consequences for our corporate reputation. Changes to laws and regulations, including more stringent environmental requirements, could have a material impact on the cost of doing business.	 Improve  Grow  Accelerate
			Risk horizon Short-term	How is this risk managed? Terminal management is primarily responsible for maintaining a robust general and permit compliance program. Business Units and the Global Office support, and involvement of external specialists is used when necessary. Operating permit compliance is being monitored at various levels within the company and is a critical element of Vopak's Terminal Health Assessment (THA) 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 reviews that appropriate compliance processes are in place for dedicated compliance topics and for the identification and mitigation of principal compliance risks	
				What is the risk trend? Neutral. Who is the risk owner? Executive Vice-President Legal	
10	Access to capital		Risk appetite Low	What is the risk? Vopak is a capital-intensive company with long-term investments. Long-term access to external funding is critical for achieving the strategic objectives of the company. Our failure to successfully access capital markets would severely limit our ability to engage in desired activities and may mean that we will not have sufficient funds available for our growth strategy.	 Improve  Grow  Accelerate
			Risk horizon Medium-to long-term	How is this risk managed? Vopak's financing strategy is focused on supporting the business, safeguarding liquidity and securing funding for our long term growth strategy through flexible access to various capital markets and funding sources, at competitive terms and conditions while maintaining a robust implied investment grade rating profile and within the applicable financial covenants. The development of our Senior Net Debt: EBITDA ratio is continuously monitored and discussed on a regular basis with the Executive Board, the Audit Committee and the Supervisory Board to ensure that the company remains within its covenant ratios. A clear financing 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.	
				What is the risk trend? Some financial markets are more volatile than others, overall neutral. Who is the risk owner? Senior Vice-President Treasury & Insurance	

Other general (inherent) risks not considered principal risks

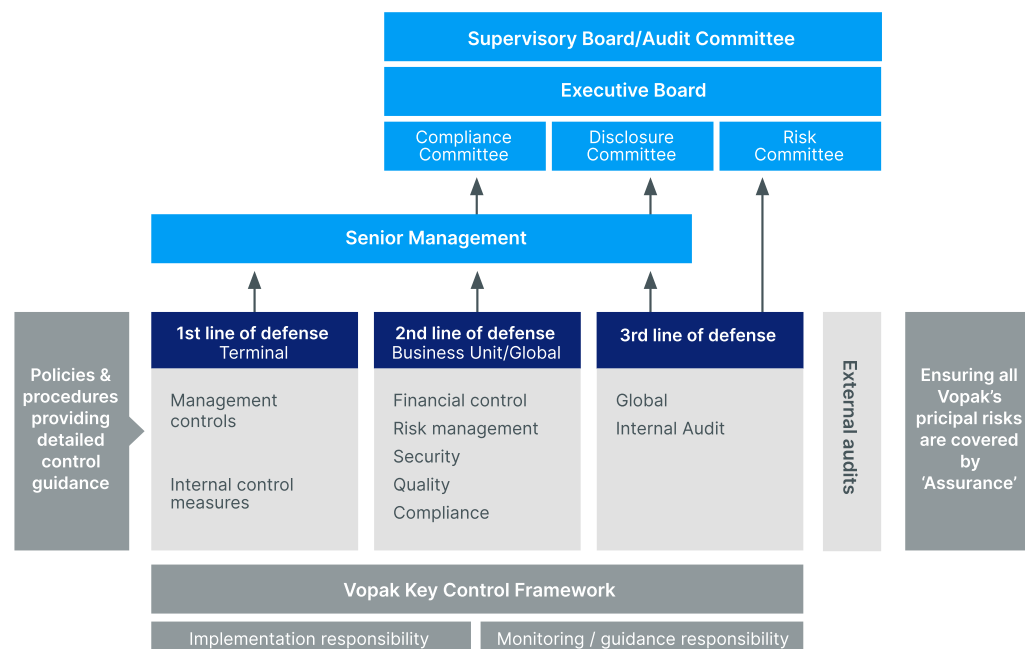
Risk	Risk description
Foreign Exchange	As a globally-operated company, Vopak is confronted with money flows that are not in its functional (Euro) currency. Operating globally provides an extent of 'natural hedging' but foreign exchange exposure risk exists. This risk is continuously reviewed and measures 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.
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. Vopak's risk appetite in this area is low. 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 Business Unit 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 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.

Business Units ('first line') are responsible for ensuring this framework is implemented, operating effectively and key risks are managed. 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 include 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 key

processes and related controls including those specifically directed at fraud and corruption.

Complementing the CRSA, are a number of additional functional- and region-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 2023. The introduction of new IT systems improves our control environment through the further standardization of processes and systems and by enabling 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-Business Unit 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.

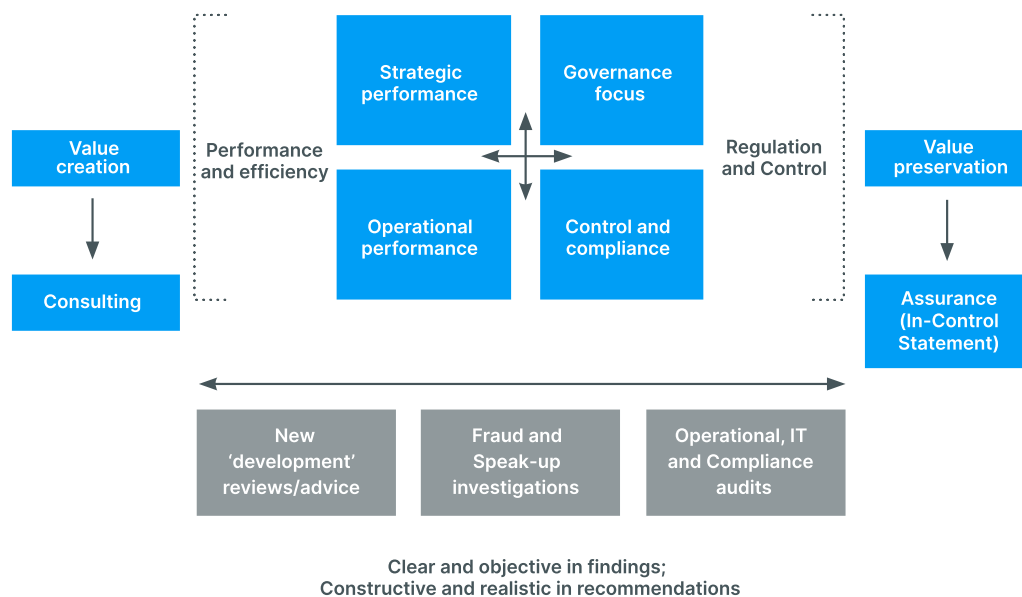
Management Review Cycle

Key to the control process is the regular reporting cycle. Monthly and quarterly management reports are prepared by all Business Units 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 Business Units 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 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 audit universe includes all processes, entities and activities within the company, including Global and Business Unit functions. The plan takes into account the feedback resulting from the dialogue with senior management. 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 Business Unit 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 the Business Units 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 (IIA) 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. The IIA certificate was successfully renewed in 2022. The evaluation of the internal audit function by the Executive Board and the Audit Committee has taken place during the year.

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, BU Management, 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.