

CSR ANNUAL REPORT 2018



**THE TECHNOLOGY
INNOVATOR.**

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01 COMPANY PROFILE AND KEY FIGURES

COMPANY PROFILE

In an ever-changing political and economic landscape, Royal IHC enables its customers to execute complex projects from sea level to ocean floor in the most challenging of maritime environments. We are a reliable supplier of innovative and efficient equipment, vessels and services for the offshore, dredging and wet mining markets.

With a history steeped in Dutch shipbuilding since the mid-17th Century, we have in-depth knowledge and expertise of engineering and manufacturing high performance integrated vessels and equipment, and providing sustainable services. From our head office in The Netherlands and with around 3,500 employees working from sites and offices on a global basis, we are able to ensure a local presence and support on every continent.

Dredging operators, oil and gas corporations, offshore contractors, mining houses and government authorities all over the world benefit from IHC's high-quality solutions and services. With our commitment to technological innovation, in which sustainability and safety are key, we strive to continuously meet the specific needs of each customer in a rapidly evolving world

Royal IHC. The technology innovator.

KEY FIGURES

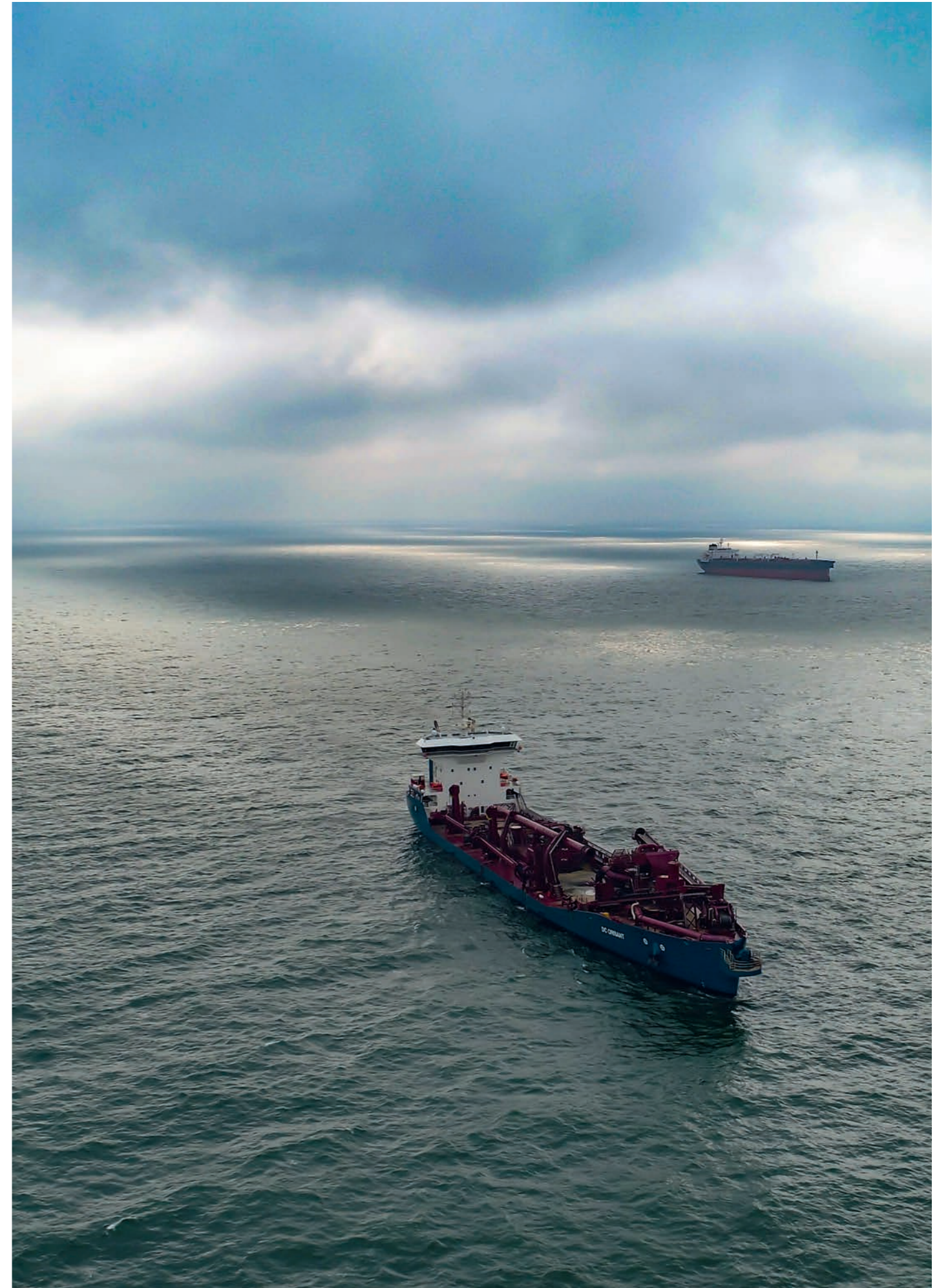
MILLIONS OF EUROS	2018	2017	2016	2015
Turnover	941.7	800.2	764.1	1,161.3
Profit or loss for the period	-79.4	-21.8	-21.6	27.9
Number of employees (FTE)	3,440	3,010	3,255	3,434
Lost Time Injuries (LTIs)	15 ²	16*	41	75
Lost Time Injuries Frequency (LTIF)	2.5 ²	3.2*	7.7	12.7
Absenteeism (%)	4.28	4.71	4.89	4.07
Electricity consumption (kWh)	23,382,487*	20,891,677*	24,758,452	32,078,135
Gas consumption (m ³)	2,041,418*	1,958,437*	1,939,988	2,257,422
Carbon footprint (kg CO ₂ / man hour)	3.65	3.65	3.96	4.49
Support for local communities (euros)	113,939 ¹	107,199*	111,791	110,690
Average training hours completed per FTE ³	13.6 ³			

* Part of the KPMG Assurance scope

¹ Scope now also covers donations from the UK Charity Focus Group

² Scope has changed in comparison to 2017 and now includes international entities

³ Training hours is new in the reporting scope as of 2018



02 FOREWORD

We are pleased to present you with our 2018 annual report containing our results for this past year. For IHC, it was a year of challenges. Numerous new orders showed our services were in high demand and as a growing organisation with an expanding international presence, we worked on projects featuring tight budgets and deadlines. For that reason, the priority during 2018 was: OSBIT (on time, within budget and according to specification) completion of projects. Nevertheless, in 2018 we also worked hard on our corporate social responsibility and making the right choices, not just financially but also for people and the planet. Our efforts in this area are reflected by the fact that our CSR policy is strengthened by the core values of the organisation which were reformulated in 2018: commitment, partnership and innovation. In terms of CSR too, these values are key for minimising our impact on the environment and stimulating cooperation internally and with our customers and suppliers. This will enable us to deliver products that are efficient and sustainable in use and respond to the customer's needs.



As in previous years, our CSR policy had three pillars: social responsibility, sustainable entrepreneurship and environmental accountability. The themes within these three pillars or material themes remained the same over 2018 and will continue to be key for policy in 2019 too. This direction is strengthened after discussions with customers, suppliers, employees and the Supervisory Board of IHC. We are seeing an increasing social awareness and a rising sense of urgency regarding climate change.

In 2018, various results were achieved within the three pillars mentioned. Within the pillar of social responsibility, we were again awarded the golden health management iHMQ certificate. Another positive development is that our international sites are increasingly in alignment with the objectives of the CSR policy. This has become visible through the award of the ISO:9001:2015 multi-site certification and an audit of two important CSR indicators by four international IHC entities. The international streamlining of our indicators gives us a better picture of our impact and enables us to respond even more at a strategic level.

Furthermore, for the second pillar of sustainable entrepreneurship, a cross-sector programme was set up to scan the sustainability of suppliers, the so-called CSR Supplier Scan. IHC made an important contribution to its establishment. Together with partners in the shipping sector, with this project we are trying to attract and stimulate more chain partners by means of a joint sustainability scan. This demonstrates that we are taking a proactive approach with our CSR policy and that we are a knowledge-intensive company.

Finally, with respect to attention for people and the planet, our environmental accountability, we have drawn up a plan for the better streamlining of recycling within our company and we explore how we can expand CSR with knowledge from the circular economy. In particular, we also explore how we can develop new business models for IHC in this respect. So that we can bring CSR and business operations closer together. A huge challenge but one that is very important to IHC. We look forward to integrating our circular vision in 2019 with our CSR policy and taking concrete steps in this area.

From the customer survey that we held last year, we found that there's a desire to do more on co-creation for the various challenges. I therefore invite you to talk to us and transform our joint ambitions into realistic projects.

On behalf of the Board of Management,

Arie Vergunst
CFO, CSR Steering Group

CASE STUDY JOINT APPROACH FOR RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Responsible supply chain management is one of the materiality themes of IHC, but certainly not an easy theme, particularly considering that in 2018 we used over 6,000 suppliers worldwide. How do you approach this as an organisation? We were not the only organisation which sought an answer to this question, which is why the CSR Supplier Scan was launched. The CSR Supplier Scan, a digital assessment method for the maritime sector, was initiated in 2017 to achieve a uniform assessment method and thus improve the sustainability of the supply chain within the maritime sector. The aspects covered by the CSR Supplier Scan can be seen in the image attached.

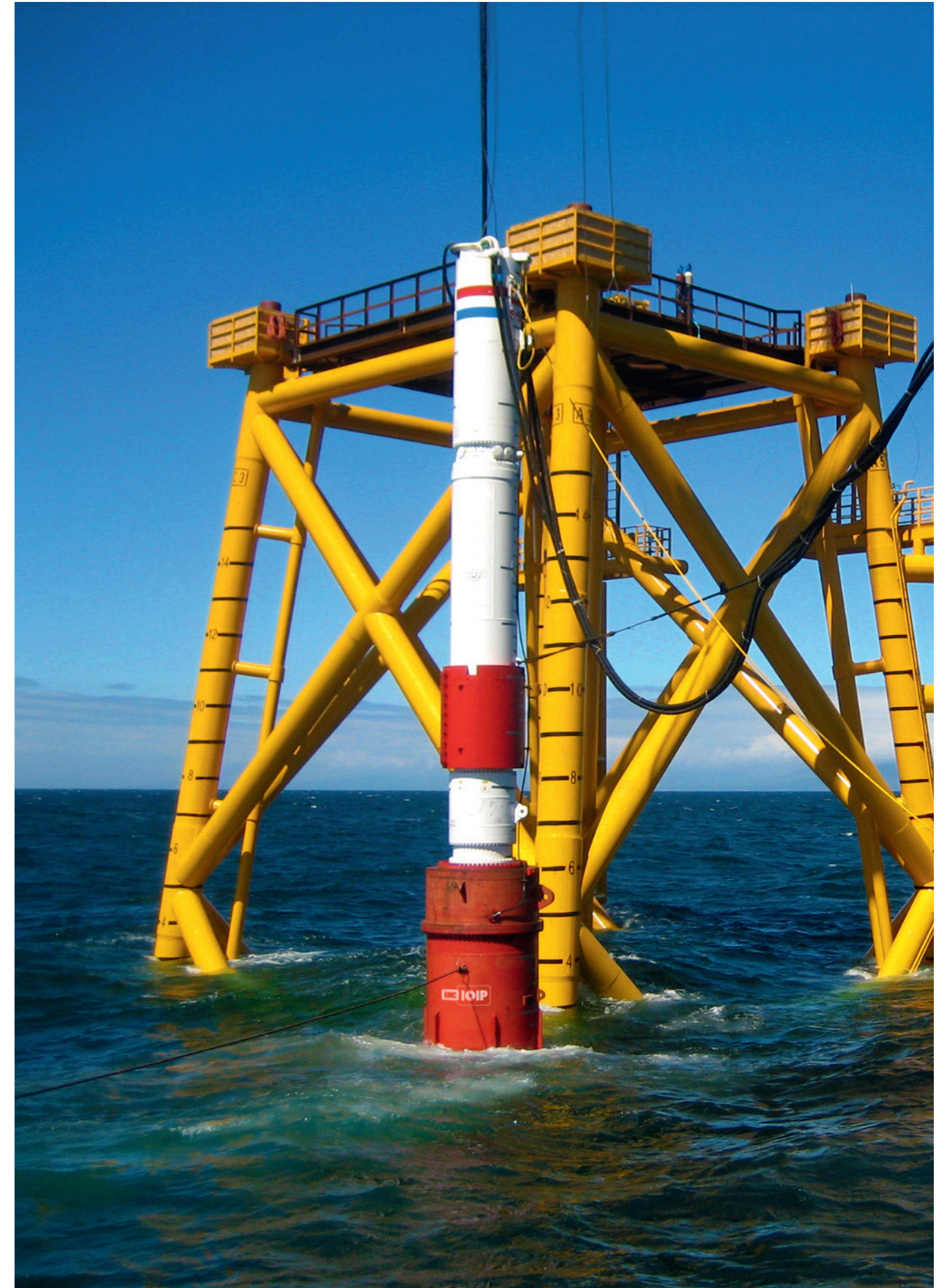
Together with various industry peers, it was decided to use this solution together to integrate the audit process. This creates clarity for all suppliers with respect to expectations from the industry. The more extensively this is applied by the Dutch maritime sector, the more effect this will have worldwide on the entire maritime value chain. Because we all feel this is important, it is much better to work together on this rather than each of us applying our own methods. With this online tool in the form of an app sustainability levels of the suppliers can be estimated and information between partners in the maritime network can be shared.

This project was further developed in 2018 and is expected to be applied with the first suppliers in 2019. Based on the input of the supplier and the associated burden of proof, a score is established. Because the maritime sector now uses a uniform method, in the long term a score can be determined for the entire suppliers' chain of IHC.

CSR SUPPLIER SCAN

In the CSR Supplier Scan methodology, suppliers are evaluated on the basis of the criteria listed below. Based on the input from the supplier and the accompanying evidence, a score is determined. Because the maritime sector now works with a uniform method, a score can eventually be determined for the entire IHC supply chain.

INTRODUCTION		
GENERAL INFORMATION		
I. ORGANISATIONAL GOVERNANCE	SUSTAINABLE PROCUREMENT	
II. CSR MANAGEMENT	RESPONSIBLE SOURCING POLICY	
SOCIAL TRANSPARANCY	ENVIRONMENTAL PERFORMANCE	FAIR OPERATING PRACTICES
HUMAN RIGHTS	ENERGY & EFFICIENCY	CUSTOMER SATISFACTION
LABOUR RIGHTS	CARBON EMISSIONS	
LABOUR PRACTICES	WASTE MANAGEMENT	
	WATER MANAGEMENT	



03 — TRENDS

International and national discussions about the climate are gathering pace, with legislation and regulations rapidly responding. Companies can no longer stay behind and are trying to find their own way. Particularly in the maritime industry, with products which have a relatively long lifecycle, it's important to know what kind of design changes are required to be future-proof. Sustainability and innovation are therefore important themes for optimal preparation.

THERE IS AN ACCELERATED ENERGY TRANSITION

In April 2018, the International Maritime Organisation (IMO) established its initial ambition level to reduce the CO₂ emissions of shipping in compliance with the Paris Climate Agreement. In 2050, international shipping must have halved the emission of greenhouse gases compared with 2008. To achieve this goal, in 2030 vessels must already have reduced their CO₂ emissions by 40%. Not only is the sector becoming stricter with respect to CO₂ emissions, it is also taking concrete steps with respect to ambitions relating to reducing sulphur and particulates. From 2020, worldwide fuel may not contain more than 0.5% of sulphur. In addition, the emissions of other harmful substances must also be reduced. IHC is taking advantage of this trend by increasing its development of LNG vessels and electrified beavers. In the Netherlands, we saw the Climate Agreement implemented in 2018 with the key aim being to reduce national greenhouse gas emissions by 49% in 2030 compared with 1990. Companies are being stimulated to produce a CO₂ reduction plan and extended regulations for the energy transition are being introduced. We can observe that an accelerated energy transition is taking place. It is a huge task for companies to make significant reductions, bear most of the costs of these themselves and still retain a level playing field in relation to international competitors. Here it is crucial to work closely with the government, shipping companies and suppliers to facilitate the established ambitions.

DIGITISATION AS AN IMPORTANT TOOL

In many sectors, digitisation has already been introduced, but there is great potential for digitisation in the maritime sector. Big data collection makes it possible to obtain smart insights about the state of vessels or heavy machinery that can reduce for example fuel consumption and better predict maintenance. Stakeholders can then process the relevant data and make strategic decisions. At the start of 2018, the new work programme Maritime Strategy and Sea Ports 2018-2021 was presented by the Dutch government, with one of the three pillars being digitisation and cybersecurity. The risks of data collection and exchange have not yet been clearly mapped out and this can form a barrier to embracing the digitisation trend. More attention will therefore need to be devoted to this.

CIRCULAR ECONOMY OFFERS NEW REVENUE MODELS

In recent years, more and more attention has been paid to the Circular Economy, a vision for a future-proof, sustainable economy, also for future generations. In a circular economy, products and materials are designed so that they can be re-used with minimum loss of value and no harmful emissions into the environment. This decoupling of resources from economic growth stimulates new innovations with respect to revenue models and offers opportunities for new industries. With the launch of the government-wide Circular Economy programme in 2016, increasing interest is being shown in working together on circular initiatives. In the maritime sector too, circular themes are starting to become relevant, particularly with attention for servitization revenue models and awareness of responsible chain management. In the coming years, these themes will be further developed and a transition from pilots to upscaling will take place. IHC is also integrating circular economic principles in its CSR objectives.



CASE STUDY

PREDICTING ENGINE PERFORMANCE

The transition to sustainable energy sources is in full swing and at IHC we are fully engaged in this effort. IHC is building and has built various dredgers which are driven by dual-fuel engines on natural gas. Natural gas is regarded as a transition fuel, because it is a fossil fuel but already results in a reduction of carbon dioxide (CO₂) emissions by up to 25%. Other emissions such as nitrogen oxides (NOx), sulphur oxides (SOx) and particulates (PM) are reduced by around 85%, 99% and 95% respectively. However, dual fuel engines do not have the same transient load pickup capability as diesel engines and this can lead to switching to a diesel operation whereby the positive emission effects of operating on natural gas are cancelled.

In 2018, IHC developed a calculation tool which gives an initial indication in the design of the performance of a dual-fuel engine based on the vessel's configuration. The tool shows the number of times that an engine will change from gas to diesel and the operating time in both the gas and diesel mode. The data about the engine performance which the tool uses are acquired during measurements which are carried out for this aim in partnership with various engine manufacturers. And the input details of the tool originate from field measurements from dredgers performed by IHC.

During the engineering phase, the results of the tool can be compared with IHC's dynamic simulation models which are able to predict the behaviour of a vessel's powertrain. These simulations can be used to develop the details of the vessel's design and to suggest possible improvements in the propulsion system, including the effect of hybrid and energy storage systems. The aim of these proposed improvements is to deliver the most economically feasible and sustainable solution to a customer.



04 ABOUT ROYAL IHC

PRODUCTS, SERVICES AND MARKETS

IHC's main products are high-tech equipment, integrated vessels and services throughout the lifecycle. This involves both custom-built products and standardised products, as well as conversions and upgrades for a global customer base.

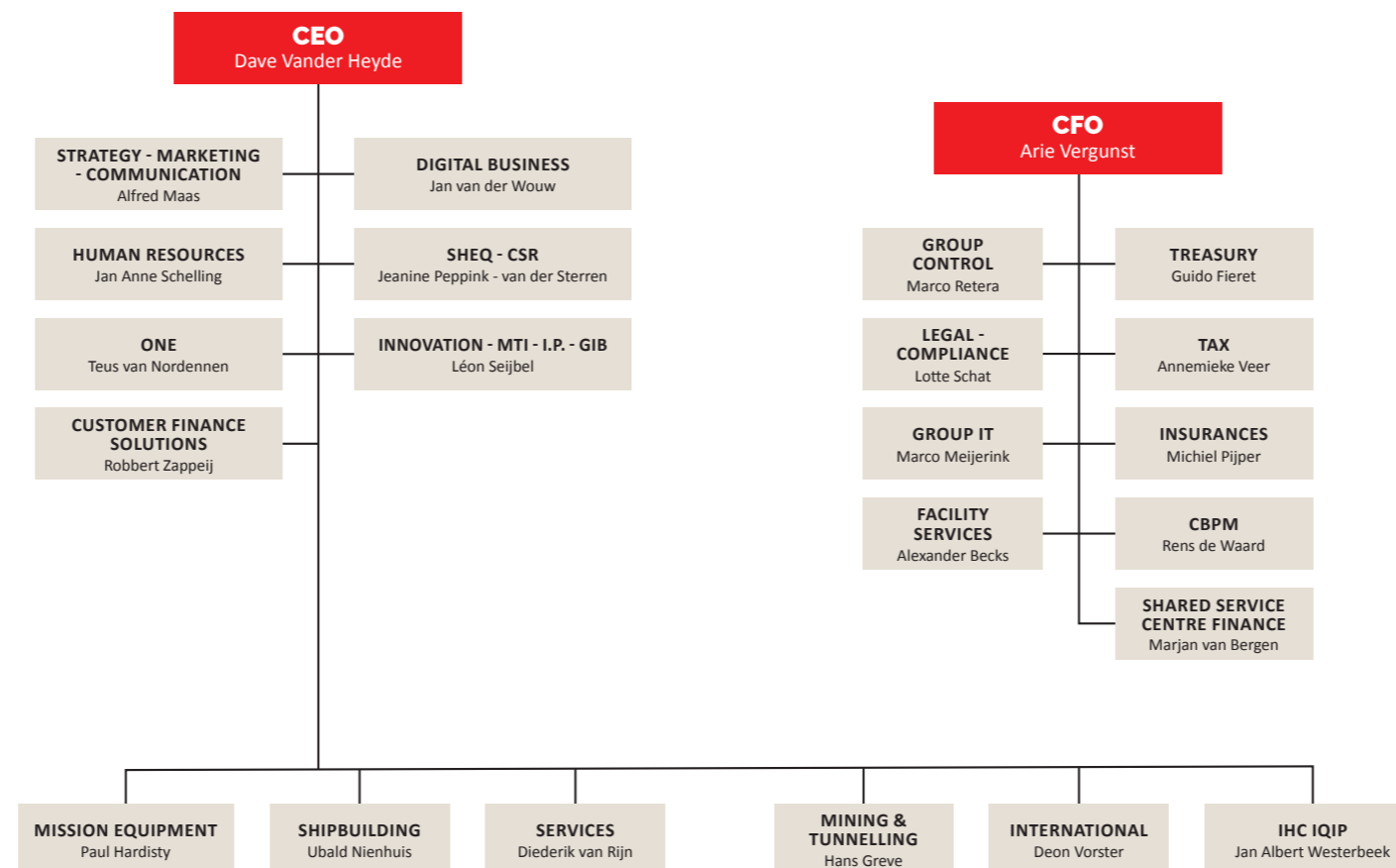
Our broad product range for the dredging market runs from standardised stationary cutter suction dredgers to large custom-built trailing suction hopper dredgers. IHC supplies high-quality products for the offshore industry such as pipelay vessels and cablelay vessels in the oil and gas market. In addition, IHC supplies installation and maintenance vessels for the wind energy market. For the mining market, we supply integrated mining systems for onshore and nearshore mining projects. IHC is also an active player in the development of deep-sea mining with the development of equipment suitable for the extreme conditions in the deep sea as well as by conducting feasibility studies. The tunnel construction market is supplied with high-quality tunnel boring machines. Finally, IHC IQIP supplies a wide range of machines (for hire) for installations of foundations, mainly for wind parks at sea.

In support of the equipment supplied, IHC offers life-cycle support to its customers. This means a commitment to our products as well as to our customers' projects. This involves providing a service in the form of complete logistics support, training and assistance on board. This global and potentially lifelong product support is aimed at optimising the performance and use of our products. This is done by monitoring the correct and safe operation of our products and guaranteeing maximum return on investment for the customer by reducing the operational cost, while also minimising negative environmental effects. At the operational level, our customers are advised by our experienced consultants.

The IHC Training Institute offers worldwide training and courses to contractors in the dredging, offshore and mining industries, public authorities and port authorities. These training sessions are aimed at developing skills in order to optimally operate the IHC products as well as set up and execute projects. The training sessions feature a wide variety of teaching techniques and are tailored to customers' specific needs.

ORGANISATIONAL STRUCTURE

The great diversity of business activities is structured in six clusters: (1) Mission Equipment, (2) Shipbuilding, (3) Services, (4) Mining & Tunnelling and (5) International. In addition, more separately (6) IHC IQIP is the sixth and last cluster within IHC. The commercial processes are centrally coordinated. The various clusters have activities in both the Netherlands and worldwide. Information about our activities is available on royalihc.com.



The private company IHC Merwede Holding B.V. has – via the private company IHC B.V. - several shareholders. With a share ownership of 59.5%, the majority is in the hands of the Parkland N.V. The other shareholders are Rabo Capital II B.V. (10.9%), Noordland N.V. (8.3%), Stichting Administratiekantoor Management en Personeel IHC (17.1%) and Stichting Management Participatie IHC (4.2%).

The Board of Management of IHC Merwede Holding B.V. is responsible for the day-to-day management of the company, formulating the long-term strategy and the overall company results. The Supervisory Board monitors the policy and functioning of the Board of Management and offers management advice to the latter. The Board of Management is accountable to the Supervisory Board..

At 31 December 2018, the Board of Management consists of:

- Mr D.A.A.J.A.G. Vander Heyde, CEO
- Mr A. Vergunst, CFO

At 31 December 2018, the Supervisory Board consists of:

- Mr J.C. ten Cate (chair)
- Mrs B.H.C. de Bruin - Van Eijk
- Mr C.J. de Bruin
- Mr C. Korevaar
- Mr K.J. de Clercq Zubli

WORKS COUNCIL

As regulated by the Dutch Works Council Act, the IHC Works Council has a say in company policy and safeguarding the interests of the employees. The IHC Works Council is divided into several sub-committees, which consult autonomously with the director of the unit in question. Matters such as the right of consent and the right to propose recommendations lie with the central works council which consists of chosen WC members.

VALUES AND STANDARDS

IHC has decided which values to pursue and how to operationalise these values in a code of conduct. The choices are incorporated in the IHC Code of Conduct which was revised in 2018 and published on the website.

The Code of Conduct relates to 14 different themes, from safety and health to human rights and handling confidential information. This applies to everyone working for IHC. The Code of Conduct provides a guide in difficult situations and reminds us of the values represented by IHC. Nobody at IHC has to stand alone if a difficult situation presents itself. Our core values already show what we feel is important. IHC chooses to do business honestly and with integrity. Even if that is difficult, seems to be at the expense of a contract, or costs extra time or money. Integrity is not an option but a conscious choice that IHC has made.

In recent years, IHC has applied six values and after a survey among employees, these were reduced to three core values which are included in the new Code of Conduct:

- **Commitment:** we are committed to fulfilling the wishes and requirements of our customers to give them a competitive advantage in a competitive market. We support our people and try to minimise the impact of our products on the environment.
- **Partnership:** our customers and suppliers are our partners. Cooperation and partnerships are the key to success in our industry.
- **Innovation:** we are constantly developing new technologies which enable our customers to work in a smarter and safer way and which lead to higher efficiency and a more sustainable way of operating.

In 2019, together with the IHC Academy, an e-learning will be developed for the new Code of Conduct. This training will be rolled out to employees first. Temporary workers and subcontractors will follow afterwards. This will be embedded in a communication campaign.

In 2018, we devoted extra attention to privacy, as this also responds to international trends and developments relating to digitisation. A new privacy regulation that complies with the GDPR was drawn up in 2018 and implemented within IHC.

A culture of open and safe communication contributes to ethical business operations. If an employee observes something that may not be in line with ethical business operations, IHC offers the possibility to address this. Firstly, by encouraging internal consultation, but if that isn't possible, via the Complaints Regulation or the Whistle-blower regulation. Both regulations have a confidential advisor who can help in difficult situations.

MEMBERSHIPS

IHC is a member of a variety of industry associations that reflect the diversity of markets and sectors in which the company operates and the themes that IHC deals with. Besides attending various meetings held by these organisations, IHC provides input through committees

and boards. This way, we not only acquire new knowledge, we can also use our own experience and knowledge of the maritime sector to bring about new policies. This participation also contributes to better cooperation between the different players. Examples of memberships include FME, Netherlands Maritime Technology, Nederland Maritiem Land, Waterborne Technology Platform, de IRO, CEDA, MVO Nederland, Sea Europe and the Netherlands Water Partnership.

CERTIFICATIONS

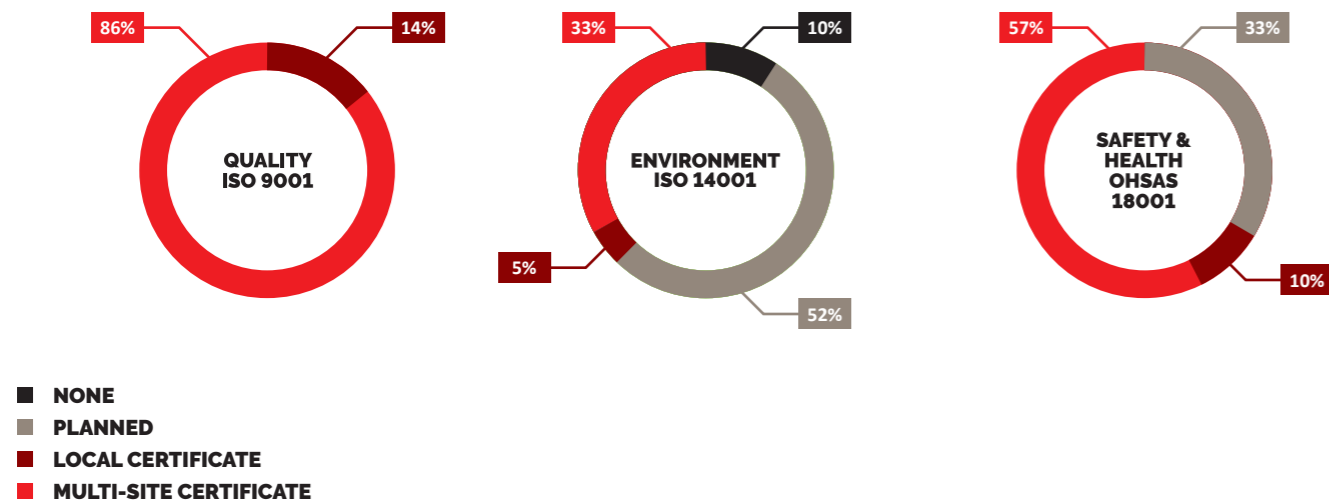
IHC aims to include all the business units in a certified multi-site management system for quality (ISO 9001:2015), safety and health (OHSAS 18001:2007) and the environment (ISO14001:2015).

The programme to include all business units in the multi-site certificate started in 2015. In the subsequent years, various business units were added in the field of quality management systems. From 2017, a start was made with adding business units in the field of the environment and health and safety. In 2018, the following business units were added to the multi-site certificate OHSAS 18001 and ISO14001: Vuyk, Mining & Tunnelling, and the MTI. In 2019, OHSAS 18001 will be converted to ISO 45001:2018.

With IHC's internationalisation, the focus in the past year was on also getting the international units more involved in certification. In 2018, 4 international units were added to the ISO 9001:2015: IHC South Africa, IHC Asia Pacific, IHC Middle East and IHC Robbins. Work on this will continue in 2019.



2018 CERTIFICATE OVERVIEW

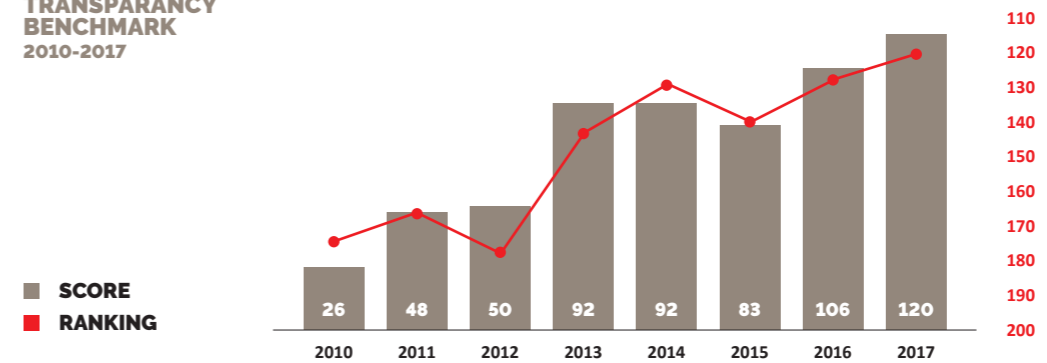


TRANSPARENCY BENCHMARK

Since 2010, IHC participates yearly in the Transparency benchmark of the Dutch Ministry of Economic Affairs. This is now performed every two years, the last one being in 2017. In that year, with a score of 120 points, IHC was 120th in the rankings of more than 250 companies. We have made significant progress since first participating in 2010.

In 2016, the organisation was ranked at 128 with 106 points. Within the 'Construction and Maritime' sector, IHC is 7th among the 18 companies in this category. The average score in the 'Construction and Maritime' sector is 108 points. IHC aims to improve the score by 10% in the next benchmark.

SCORE DEVELOPMENT TRANSPARENCY BENCHMARK 2010-2017



05

OUR APPROACH TOWARDS SUSTAINABILITY

SUSTAINABILITY WITHIN IHC

The IHC corporate strategy as developed in 2014 is based on five building blocks: 'customer-oriented and sales-driven', 'operational efficiency', 'employer of choice', 'innovation' and 'internationalisation'. Along with the three corporate values -commitment, partnership and innovation- IHC strives to reach its CSR ambitions. The CSR ambitions are linked to three pillars. The three pillars 'sustainable entrepreneurship', 'social responsibility' and 'environmental accountability' form the foundation for the CSR policy at IHC. These pillars stand for:

- **Environmental accountability:** The company's responsibility with respect to environmental impact and reducing the effect of its own activities and the products and services delivered
- **Social responsibility:** A company which pursues a socially responsible policy internally in the organisation and externally to suppliers, subcontractors and society in general
- **Sustainable entrepreneurship:** Retaining a healthy financial position in order to provide assurance to our stakeholders that the company can put its CSR ambitions into practice now and in the future

These pillars, derived from the corporate strategy, are then further discussed in a two-yearly stakeholder dialogue in which several material subjects are defined. Objectives are then linked to these themes. This process is further explained in a later chapter and the results of this report are presented based on these themes. By translating these material topics into practice, the CSR policy will contribute to the five building blocks of our corporate strategy.

Our results over 2018 are presented based on eight materiality themes: innovation & sustainable product development, carbon footprint, safety, anti-corruption, education & training, health, supply chain responsibility, and giving back to local communities. In this framework, we present the spearheads of this theme in 2018 and changes in indicators compared with the previous years.

MANAGEMENT AND CONTROL OF THE CSR POLICY

The entire organisation is involved in the CSR policy and together we are responsible for achievement of the objectives. The corporate SHEQ-CSR department is responsible for coordinating the implementation, supporting the different departments and monitoring the progress of the results.

CSR POLICY WITHIN IHC, BASED ON THE CORPORATE STRATEGY

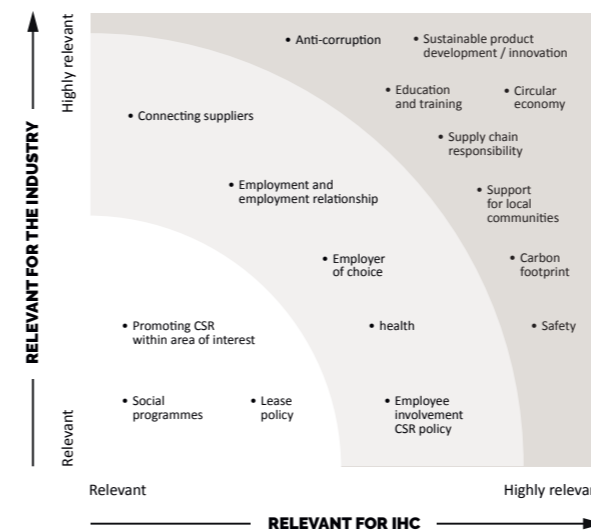


The CSR steering group plays an advisory role with a broad internal delegation. The CFO represents the Board of Management in this body. The steering group is chaired by the SHEQ-CSR director. The tasks and responsibilities of the steering group are formulating group-wide objectives, translating these into targets, facilitating the implementation of the CSR policy, evaluating the results, and ensure internal and external communication. Where appropriate, the steering group will adjust or tighten up targets based on the results achieved or feedback from internal and external stakeholders, the Board of Management or the Supervisory Board. Progress is reported on a quarterly basis, which makes CSR policy part of the agenda of the Board of Management and the Executive Committee. In 2018, the composition of the steering group was changed in order to create more focus and achieve better results.

CSR MATERIALITY THEMES

It can sometimes be difficult for an organisation to establish a focus on the CSR policy. Within IHC, we have established the focus by using a materiality matrix which helps sort themes depending on how significant they are. The material aspects are identified by the CSR steering group and are evaluated annually, with the internal and external developments and the outcome of the stakeholder dialogue serving as a guideline. For the material aspects in the 'highly relevant' category, the CSR steering group has formulated objectives and performance indicators.

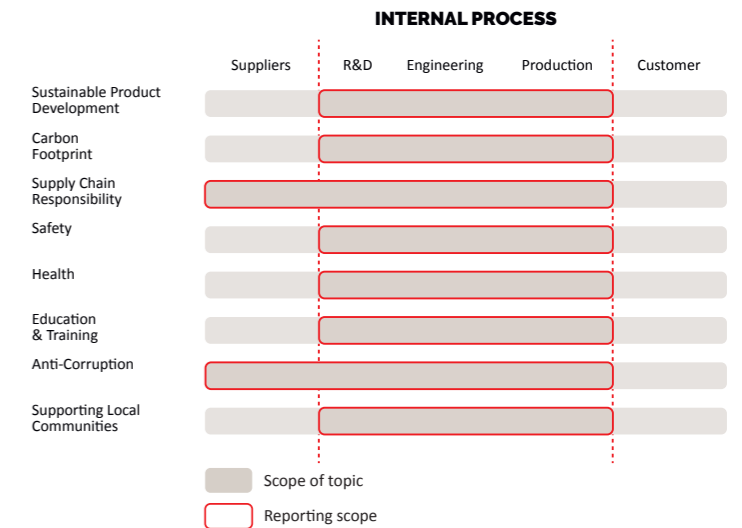
Because this takes place every two years, we used the results of the stakeholder dialogue held in 2017 for the materiality matrix 2018. Compared with last year, the matrix has therefore remained unchanged



Scope of the material themes

The scope of the material themes is confined only to IHC itself, it also includes the chain of suppliers and the customers. Although we strive for a scope that encompasses the entire value chain, most themes are mainly aimed at improving the internal process. Only the supply chain responsibility theme now extends beyond the internal process. Although the IHC Training Institute does provide trainings for customers, it is not part of the scope of the Training & Education theme, as this is focused on the activities of the IHC Academy.

For more about the scope, see the chapter about Reporting Parameters



Stakeholder engagement

The stakeholder dialogue is used to confirm the suitability of the selected material aspects and to understand our stakeholders' expectations with respect to social reporting. The frequency of the stakeholder dialogue in its current format is once every two years, the last being in 2017. The results of the dialogue are used to verify the internal CSR policy and, where necessary, to adjust or refine it. To add structure to the dialogue, the stakeholders are divided into the following categories:

- shareholders
- authorities
- industry associations
- knowledge institutes
- customers
- employees
- ministries / Public institutions
- NGOs
- supervisory board
- suppliers
- insurance companies / pension funds / banks.

For each category, a member of the CSR steering group was designated to approach the stakeholders using their personal contacts. Depending on the stakeholder, this might be based on surveys or interviews or a combination. The shareholders are involved in the dialogue via the CFO. When making the selection, the affinity of the stakeholders with CSR and sustainability was considered in order to be able to gather informed and critical input.

Interestingly, several stakeholders from different stakeholder groups added the theme 'circular economy' and described it as 'very relevant' for both IHC and the sector. In the materiality matrix 2018, which has been adopted by the steering group, 'circular economy' and 'anti-corruption' have been included in the 'very relevant' category. The other amendments had no influence on the material themes list for 2018.

CASE STUDY AN EFFICIENT AND SAFE HOISTING METHOD



IHC IQIP offers fully integrated solutions in the field of onshore and offshore installation, foundation and decommissioning. One of the issues brought up by customers was to look at the wear and tear which occurs in cranes on offshore installation vessels. This wear and tear mainly occurs to the cables and is caused when a crane alternates a lot between hoisting heavy and light weights. The problem was analysed and the solution was a completely new innovation: the Combi Lifting Spread.

The Combi Lifting Spread is a new approach which reduces the number of vertical crane movements by over 50%. This is made possible by the lifting connector which works like a sort of garden hose connection. It fits as a coupling on the various installation tools (e.g. Hydrohammer, Integrated Monopile Installer, TPLT, FPUT), which have a special socket to seamlessly 'click in' the tool. Monitors of the crane operations can increase the accuracy using GPS and video cameras. The great thing about this innovation is not just that it saves 10-15% time on the foundation installations, it also saves on energy due to the reduced crane operation.



The heaviest and riskiest work offshore is connecting and disconnecting tools, often done with slings on the crane. That's why our philosophy is: "No hands on deck" as a way to minimise the number of human interventions on board. This is also achieved with the Combi Lifting Spread, which makes the work much safer.

In 2018, this Combi Lifting Spread innovation was nominated for the prize "Best Innovation in Offshore Energy".



06 ENVIRONMENTAL ACCOUNTABILITY

INNOVATION & SUSTAINABLE PRODUCT DEVELOPMENT

IHC invests in developing and delivering optimal and sustainable technological solutions which deliver optimal operational value for our customers. Our preference is for solutions driven by market developments and customer demand. IHC's innovation policy contributes to the ability to guarantee the licence-to-operate of our customers, now and in the future. The ambitions and objectives of IHC in this respect have been set out in the internal IHC innovation strategy, which serves to streamline the innovative power of R&D departments, business development and market intelligence. Project proposals are tested and assessed by a central body, the group innovation board, based on the criteria in the innovation strategy. This same body monitors and assesses the progress of the innovation projects.

Important themes relating to CSR policy within the R&D department are the reduction of environmental impact, material research and safety.

To reduce the environmental impact of IHC's product portfolio, several areas requiring attention have been identified. An important theme is reducing emissions and optimising fuel consumption. Lifecycle analyses have shown that fuel consumption during the operational phase of dredging and offshore vessels is the biggest contributor to the total environmental impact of these products over the entire lifecycle. In combination with the continuous development of law and regulations, with standards becoming increasingly stringent, we are focusing on research into optimising the efficiency of powertrain and the use of alternative fuels and drive systems, aimed at ultimately making our products CO₂ neutral in the future. Some of the projects in this category are:

FUEL SAVINGS TOOL

IHC has developed a tool to compare the fuel consumption of various applications on trailing suction hopper dredgers, ultimately aiming to achieve fuel savings. Partly based on an analysis with this tool, fuel savings and a corresponding reduction of CO₂ emissions by at least 10% have been achieved.

INTEGRATED AND REMOTE INTELLIGENCE SOLUTION (IRIS)

IRIS makes it possible to remotely monitor a vessel's operations. This allows for information to be collected regarding fuel consumption during the operations and gives both IHC and the customer insight into efficiency. This information improves awareness with respect to efficient dredging and contributes to the development of even more efficient systems. In addition, this system can be used in some cases to provide remote services. Because less air travel is required, this saves both costs and CO₂ emissions.

POWERPLUS CONCEPT

This hybrid drive concept uses energy storage in the form of batteries. As such, it is possible to operate safely with fewer engines. This immediately has a positive effect on fuel consumption and the related emission of harmful gases. For this hybrid design, a concept approval was granted by DNVGL.

The **optimisation of material use** is also permanently on the agenda. Amendments to the design can lead to less material use, which has a direct effect on the weight of products, resulting in a reduction in both production and operational costs. Furthermore, there is attention for the application of hazardous substances on board which are incorporated in various components and installations. At the customer's request, IHC can supply a Green Passport with its products. This provides insight into the quantities and locations of hazardous materials present so that these can be removed in a safe and responsible manner when the vessels are scrapped. Some of the projects in this category are:

SLUDGE POT

Wear and tear of materials is one of the most important issues facing the dredging and mining industry. In 2018, a test system was developed which can measure the wear and tear of materials under controlled conditions. The system is being continuously improved and a material database developed which will enable IHC to provide its customers with even better advice on material choice in the future.

HPU ARRANGEMENT

Through modifications to the design of the arrangement of the Hydraulic Power Unit (HPU), standard sheet dimensions are now used. The tank therefore no longer needs to be built up of individual sheets, which considerably reduces the welding work and waste material produced.

Safety continues to be an important theme in the maritime industry. Achieving a high safety standard during both production and the operational phase of products therefore has high priority during the development processes within IHC. This includes the overall safety, safety during specific operations and the safety situation regarding the use of alternative fuels such as LNG. An example of how safety is integrated in innovation is the Combi Lifting Spread, explained in case study 3.

In 2018, a sustainability branch was set up within MTI's innovation team and a start was made on compiling sustainability criteria on which innovation projects can be evaluated. This achieved the objective that had been established. For 2019, the goal is to evaluate all innovation projects and acquire better insight into the balance of our project portfolio and how these are in line with the CSR policy.

CARBON FOOTPRINT

Besides reducing both the impact of IHC's products and its activities, it is important to gain insight into the energy performance of the company's operational activities. A carbon footprint based on energy consumption and business transport is thus drawn up every year.

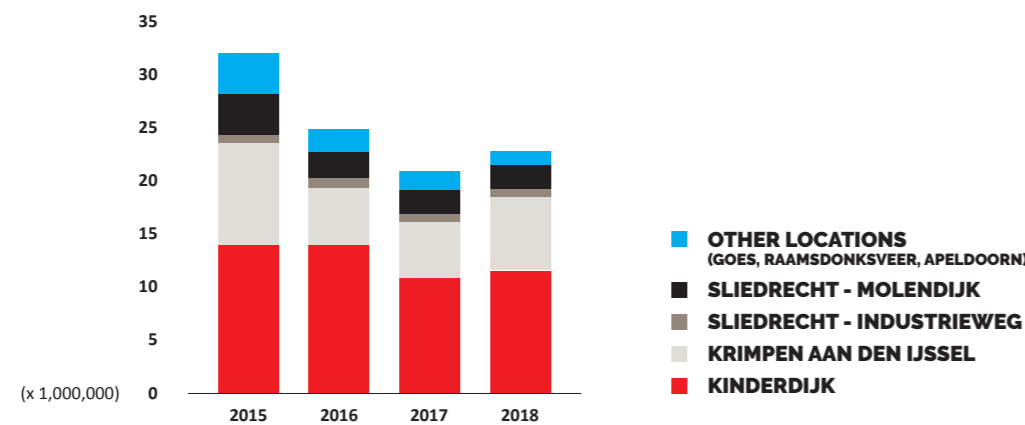
ENERGY CONSUMPTION

IHC uses various energy sources for the internal production process for its daily activities. The current analysis is focused on IHC's Dutch business locations and is broken down by emissions resulting from direct energy consumption (scope 1) and emissions from indirect energy consumption (scope 2). In 2019, we will be working closely with the international branches to report on these aspects too. See the chapter "Reporting Parameters" for more information on the scope.

In 2016, solar panels were installed at the IHC sites on Oude Apeldoornseweg in Apeldoorn and on Industrieweg in Sliedrecht. In August 2017, solar panels were also installed on the site on the Molendijk in Sliedrecht. In 2018, no new solar panels were added.

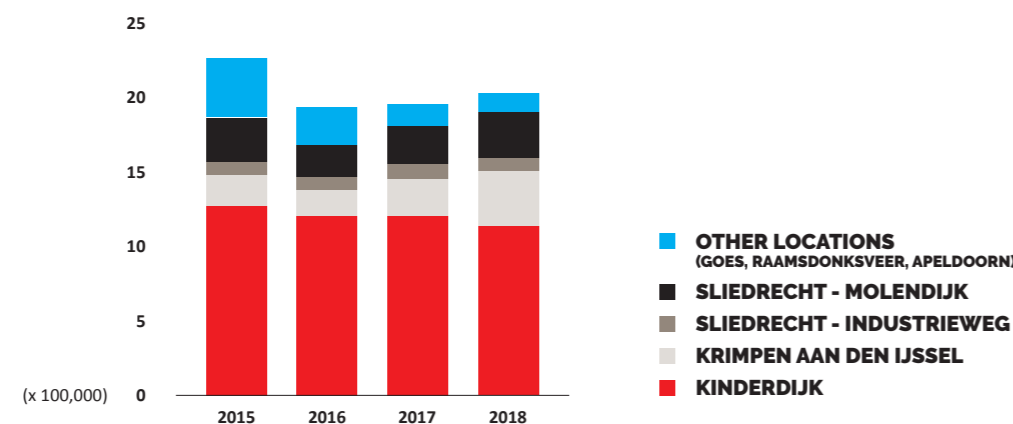
The total yield of the solar panels in 2018 was 527,656kWh, a 45% growth compared with 2017. This growth was mainly due to the fact that the new solar panels at the Molendijk location were able to operate fully during the whole year. Of this yield, 46,388kWh were returned to the electricity grid. The yield of the solar panels in Apeldoorn, Molendijk and Industrieweg in 2018 was 21%, 8% and 20% respectively of the total energy consumption at these locations. In relation to all the Dutch company locations, the yield of the solar panels was 2% of the total electricity consumption.

ELECTRICITY CONSUMPTION PER LOCATION (2015-2018)



Consumption includes the yield from the solar panels at the SLD-Industrieweg, SLD-Molendijk and Apeldoorn locations minus the electricity returned to the grid

NATURAL GAS CONSUMPTION IN M³ PER LOCATION (2015-2018)



BUSINESS TRANSPORT

With our international branches and international projects all over the world, IHC employees travel a great deal. Compared with 2017, air-miles and train travel have both increased. There were 6% more flights in 2018 than in 2017 and 66% more train travel – the latter is a positive trend because trains are a sustainable mode of transport.

TOTAL CO₂ EMISSIONS

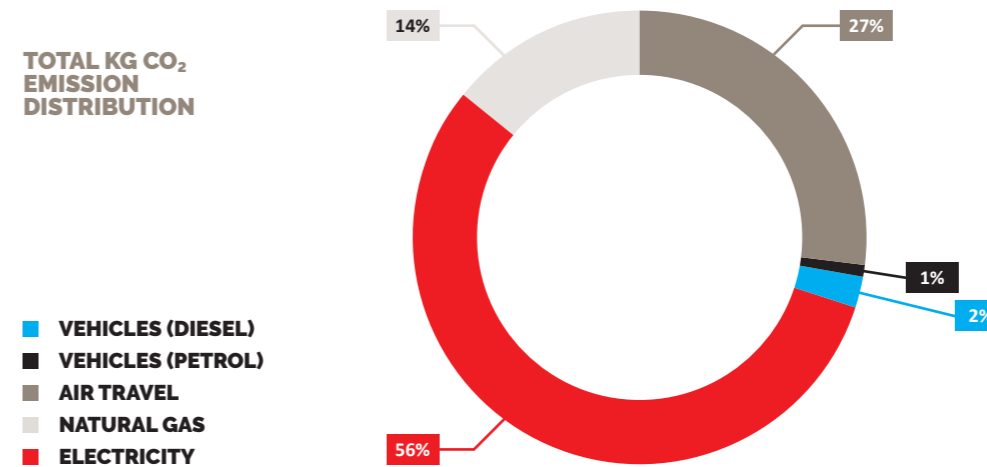
The total, CO₂ emissions for 2018 resulting from electricity consumption, gas consumption and business transport was established at 26,864 tons and on the basis of this data a carbon footprint of 3.63 has been calculated. There was a 1% reduction in the carbon footprint compared with 2017, which meant that the objective for 2018 to reduce the carbon footprint by 2% was not quite achieved.

Despite the fact that IHC purchases green electricity, meaning that the CO₂ emissions are effectively zero, electricity consumption is included in the calculation as if it were non-green electricity. The reason for this approach is our objective to primarily reduce electricity consumption and increase self-generation through solar panels.

It's not only important that we take the right energy measures to improve the efficiency of the technology, but reducing energy consumption is also crucial in order to reduce carbon emissions. At the end of 2018, a "Cost Awareness" programme was launched within IHC to make employees more aware of energy consumption, with themes like electricity consumption and travel. In 2019, further attention will be devoted to calling employees out about their energy consumption habits.

Now that we have successfully been able to measure our energy consumption within IHC, we also want to devote more attention to the theme of waste. In 2018, we developed a plan to streamline waste flows with a recycling company. This plan will be implemented in 2019. With this initiative we are expanding the scope of our carbon emissions, as recycling reduces carbon emissions by reducing the need for primary resource extraction and avoids emission from disposal. This is also in line with IHC's commitment to explore circular economy opportunities.

TOTAL KG CO₂ EMISSION DISTRIBUTION



CO₂ EQUIVALENT PER MAN-HOUR WORKED (DUTCH BUSINESS LOCATIONS)

DIRECT ENERGY CONSUMPTION (SCOPE 1)	2018	2017	2016	2015
Fuel consumption by lease vehicles	0.15	0.21	0.24	0.23
Natural gas consumption	0.74	0.75	0.69	0.73
INDIRECT ENERGY CONSUMPTION (SCOPE 2)				
Electricity consumption	2.77	2.69	3.02	3.54
Total CO₂ Kg / man hours	3.65	3.69	4.00	4.54

07 SOCIAL ENTREPRENEURSHIP

SAFETY

Safety is still a major issue in the maritime industry. This involves achieving safety awareness and implementing a high safety standard during both the production and operational phase of products and projects. Safety will therefore continue to be a focus of attention during the various development programmes in IHC. This includes overall safety, safety during specific operations and the safety situation regarding the use of alternative fuels such as LNG.

The policy with respect to safety (in addition to welfare, the environment, quality and corporate social responsibility) is centrally managed and controlled by the Corporate SHEQ-CSR department. The line management is responsible for implementing quality, safety and environment-related issues in the operational processes. They also safeguard high quality, safety and the environment during the implementation of daily work. The line management is also supported by SHEQ professionals in the Clusters / Business Units and the Corporate SHEQ-CSR department.

Every month the accident figures of the entire international organisation are reported and announced to the personnel via intranet and publication boards. This report is also part of the consultation structure of the Board of Management's and Executive Committee (ExCo). Furthermore, the progress and results are reported based on KPIs (key performance indicators) every quarter to the Supervisory Board. By analysing and communicating the accident figures and trends throughout the organisation, we can take specific preventive measures. In doing so, we prevent the repetition of undesired events and employees become even more aware of their individual contribution to safe working conditions.

Risk Inventories & Evaluations (RI&Es) are regularly carried out by various business units in order to improve the working conditions of our employees. The results of RI&Es are linked to the results of the Preventive Medical Research (PMO) within a unit, in order to provide a complete picture of the risks and the control measures to be taken within the workplace.

In 2017, there was the announcement on the the use of blasting grit containing asbestos in the Netherlands and this was further addressed in 2018. An inventory was drawn up of where the contaminated blasting grit was used and the degree to which employees had been exposed and the extent of the dispersal of asbestos. Updates from the Dutch government, industry associations, the supplier and TNO have been followed closely and the organisation was frequently updated about the situation. Employees who were in direct contact with the contaminated blasting grit were offered a medical examination. And employees can still report to us if they may have been exposed to the blasting grit, but there were no reports in 2018.

In 2017, IHC was approached about potential exposure to Chromium 6 when working on equipment for the Dutch military. The Chromium 6 element is a component in the applied paint package on materiel for the Dutch military. When working on this equipment, there is a risk that the component Chromium 6 is released where the paint layer is damaged. During 2017, a study was carried out by a number of organisations including TNO, FME, RIVM and the military. IHC subsequently registered employees and former employees and the period of exposure involved. IHC also informed and advised employees, former employees, temporary workers and (sub)contractors.

In addition, advice was issued about creating a safe working process for working with equipment where the paint package contains Chromium 6. In partnership with the Dutch military, IHC created a safe working process and successfully applied it in 2018.

The scope of the reported accident figures covers the company's own employees and personnel hired in working at the Dutch business locations. Subcontractors are not included in these statistics. In recent years, these were only reported for the Dutch business locations and from 2018 the scope has been expanded to include the international sites too. See chapter "Reporting Parameters" for the scope of the international sites.

In 2018, 15 lost time incidents (LTI) were reported in total. The LTI Frequency (LTIF) relates this number to the total hours worked. Nationally our LTIF saw a reduction of 17% compared to 2017, which achieved the objective (10% reduction). The incident numbers for our new scope (national + international) can be seen in the table below, and shows a total LTIF of 2.3.

LTI (NATIONAL AND INTERNATIONAL)	2018
Fatal accident	0
Lost-time injuries (absence > 8 hours)*	15
Restricted work cases	13
Medical Treatment Cases	14
Lost Time Injury Frequency (total)*	2.3

* Part of the KPMG Assurance scope

In its annual benchmark 'Health and Safety and Absenteeism' report, the trade association FME presents the average figures for the technology industry, including metal and electrical engineering in the Netherlands. For permanent employees, the average accident frequency in 2017 within the sector was 3.7, while for the temporary employees this was 12. In 2018, we are again below the sector average with a national LTIF of 2.7.

HEALTH

Fit and healthy employees are a condition for continuity, creativity and engagement, but also an important factor in delivering high quality products under safe working conditions. IHC achieved its objectives to integrally merge health and sustainable employability in 2018. There is now an integral health policy whereby IHC proactively works to improve the absenteeism percentage.

With an integral health policy, IHC focuses on the personal health of its employees. Here the motto 'Fit 4 the Future' is key. IHC aims to achieve and maintain the vitality and enthusiasm of its employees. To give more substance to the health policy, on 1 January 2018 IHC switched to a new Health and Safety (Arbo) service in The Netherlands: Arbo Unie.

More important than charting the 'lagging' safety performance indicator LTIF is looking at the pro-active ('leading') indicators which are used to prevent undesired incidents. Throughout IHC, we use the SHARP-Card to report dangerous situations and activities. In 2017, 355 SHARP reports were made, while in 2018 there were 567 reports. This is an increase of 60% in one year. This gives IHC the opportunity to work more proactively on unsafe situations and to not only measure accidents but also to prevent them happening.

ANTI-CORRUPTION

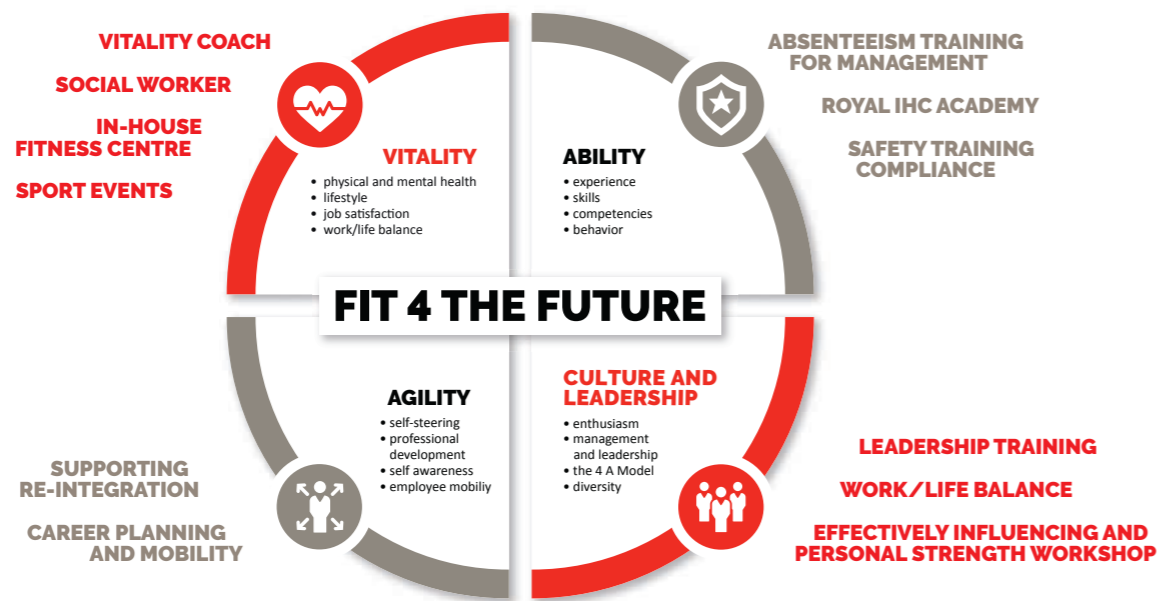
IHC stands for honesty and ethical practices with respect to the way in which it conducts its business. Bribery and corruption is contrary to these values and are unacceptable for IHC. The Board of Management of IHC emphasises the importance it attaches to tackling corruption with its Anti-Corruption Regulation. The board is strict upon adhering to the set procedures, which form a solid foundation for anti-corruption.

This policy applies to IHC and all its business units both within and outside the Netherlands. All employees and relations of IHC should be aware of our Anti-Corruption Regulations and must actively commit themselves to integrity in business.

The starting point for the health policy is that employer and employees are jointly responsible for promoting health and a healthy lifestyle. As an employer, IHC establishes the frameworks within which our employees are able to work safely and healthily. Together with our health insurer, with whom we signed another three-year contract this year, we worked on a sustainable employability policy. The policy consists of 4 quadrants:

- vitality
- ability
- agility
- culture and leadership

2019 will be used to publicise (via flyer and intranet) this policy and to organise interventions each quarter (including workshops) on all 4 quadrants to get employees moving - physically, mentally and in terms of their career.



SPORTS ACTIVITIES 2018

- FEBRUARY**
 - IHC Volleyball tournament
- APRIL**
 - Beach bootcamp
- MAY**
 - 'Verkerkloop' (company run)
- JUNE**
 - Inner Circle Run
- JULY**
 - 010 City Swim
- AUGUST**
 - Soccer competition
 - Tour for Life: 8-day cycling race
- SEPTEMBER**
 - Waterski clinic
 - Mountainbike clinic
 - IHC 100km cycling tour
 - Beach bootcamp
- OCTOBER**
 - Harbour Run obstacle course
- NOVEMBER**
 - 'Drechtstadloop' (company run)
- DECEMBER**
 - 'Bruggenloop' (company run)
 - Ice skating event

The result of the actions within the integral health policy is partially reflected in the annual absenteeism percentage. IHC's absenteeism percentage for 2018 was established at 4.28%. A reduction of 9.1% compared with 2017 (4.71%) and now under the 2017 national average of the FME Health and Safety and Absenteeism report (4.6%). An important indication for this is the new approach of de-medicalisation and reducing long-term absenteeism by more rapidly implementing interventions to get employees with impairments back at work faster in specially designed re-integration places. In 2019, in partnership with the Arbo Unie, an absenteeism training course for all managers will be organised to improve familiarity with the new working method.

ABSENTEEISM PERCENTAGE WITHIN IHC, INCLUDING FME BENCHMARK

2018	2017	2016	BENCHMARK
4.28%	4.71%	4.89%	4.6%

The aim for 2018 to reduce absenteeism by 10% was not achieved. To get more control over absenteeism, in consultation with the Works Council, we worked on a memorandum to professionalise case management within IHC. Case management plays an important role in the Eligibility for Permanent Incapacity Benefit (Restrictions) Act. All case managers (HR business partners) will be trained to use a uniform process on the one hand, and to build up more comprehensive case management on the other. To monitor and manage the process, an online application will be implemented in 2019.



A reflection of the success of IHC's health management was the extension of the IHMQ certificate. In 2018, due to the continuation and further development of our integral health management, we were awarded an extension of the certificate international Integrated Management Health and Quality (iHMQ) classification 'Gold'.

EDUCATION AND TRAINING

IHC ACADEMY

Our employees are our most valuable asset. Well-trained and qualified employees are a requirement for IHC to continue to keep pace with the changes in the markets in which we operate. Royal IHC Academy was founded for this reason.

Using the motto 'Encouraging Development', the Academy offers our employees training in the form of e-learning and classroom training or a combination of both (blended learning). There are also pilots with different work forms, such as webinars and micro-learning. In addition to job-based courses at various levels, training to develop personal competencies and soft skills is also provided. In 2018, the international units also joined the Academy and can use the e-learning training.

	2018
Unique training courses	95
Average training hours per FTE*	13.6
Average training hours men	13.3
Average training hours women	15.6
Number passes	2,418
Number fails	13
Selection e-books	880
E-book downloads	4,855

* Part of the KPMG Assurance scope

The training programmes which run via the Academy represent around 2/3 of the total training budget. The reporting in this chapter is only about the training programmes which run via the Academy.

CREATE INTERNAL AWARENESS

In September 2018, the Royal IHC Academy organised the Academy Festival. During this festival, over 200 visitors attended demonstrations, participated in short workshops, received information about the available training and heard an inspirational speech. This speech was given by Lieutenant-colonel Jan ten Hove about the importance of continuing your personal development.

DRAW UP EDUCATION PROFILES

An important objective established for 2018 was to draw up education profiles and link them to training. This was achieved. Education profiles were drawn up for all jobs within the IHC job structure introduced in 2017. The education profiles are combined with the education details of all employees, creating a central registry of the desired and achieved education level of each individual employee. In 2018, the IHC Academy gave two webinars (NL + EN) to inform employees and managers about the methods of the education profiles.

With the method, employees and managers can work together to ensure that the established education profile is fulfilled. In addition, the education profiles offer tools for employees with the ambition to develop in their own or a different position.

NEW PARTNERSHIPS

In close cooperation with Procurement, the Academy entered into framework agreements with NCOI and STC-KNRM. This enables the Academy to organise training quickly and efficiently for IHC employees. For these training sessions, the Academy building has also been adapted to the current state-of-the-art technology. More instruction areas have been created with modern equipment and furnishings. An instruction room has also been designed with 10 work stations for all software training.

The cooperation with the IHC Training Institute (ITI) and the new training institute of IHC IQIP has also been intensified. Knowledge is exchanged in the field of training development and the Learning Management System Plusport used by all parties.

Technical Education Centre (TOC)

Since 2016, a maximum of 15 students per school year have been trained for first engineer service and maintenance mechanical engineering at the technical education centre in Kinderdijk. The business training has been adapted to the ambitions of IHC to place more emphasis on all-round subjects with international ambition instead of specialised subjects in a single discipline. At the end of 2018, there were 11 students in the first year, 12 in the second and 11 in the third year.

Due to the shortage of skilled labour in our construction workplaces, it was decided to relaunch the shipbuilder training (BBL level 3) in 2019. The recruitment of students has already started, making this training centre an important tool for IHC to respond to shortages in the labour market.

As an organisation, we also want to contribute to the sector by means of knowledge transfer. We take part in campaigns like Techniekroute Alblasserwaard, Onderwijsroute Papendrecht/Alblasserdam and Alblasserwaard Onstage. We also regularly give guest lectures at VMBO schools (pre-vocational).

Performance management

For the past few years, we have been working with a uniform Performance Management process. Personal objectives are drawn up at the start of each year. These are evaluated during the year and assessed at the end of the year. This process is working increasingly well, although it is always difficult to formulate objectives which are specific and measurable. The HR team supports the organisation if there are any problems.

IHC continues to develop Performance Management. Encouraging a feedback culture is an important part of this. In many cases, employees find giving (and receiving) feedback difficult, even though it is very valuable. As an employee, you can become more aware of your strengths and aspects you could improve, and you are given the opportunity to work on your personal development. In our new HR system, giving and requesting feedback is included as a process, making it easier to work on this desired feedback culture. This feedback is recorded transparently in the system and can be used in the final evaluation. In 2019, we will also start working on the continued development of Talent Management. Here too there are many similarities with Performance Management and as an organisation, we and our employees are investing in development to be ready for the future.

08 SUSTAINABLE ENTREPRENEURSHIP

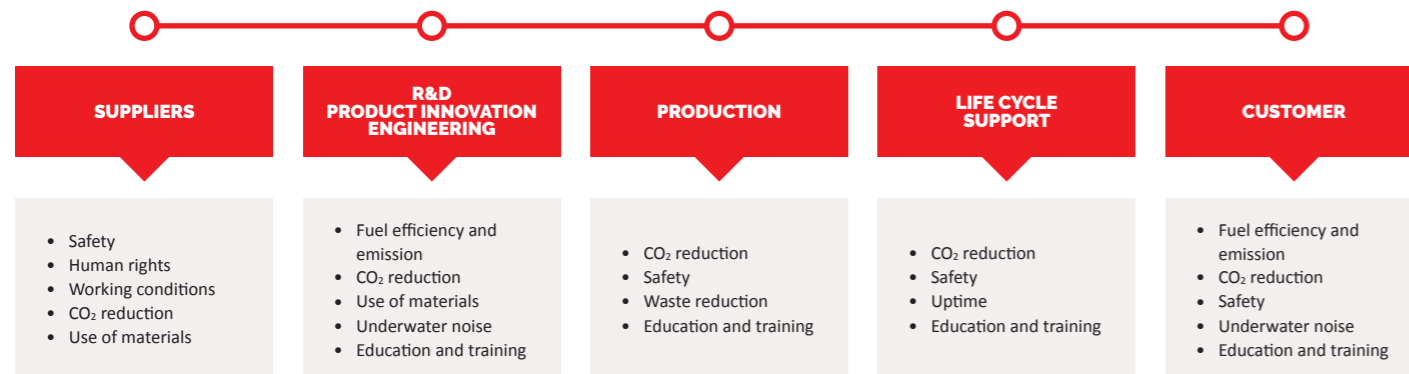
RESPONSIBLE SUPPLY CHAIN MANAGEMENT

IHC focuses its activities on continuous development of equipment for the dredging, offshore, mining & tunnelling market. The value chain of such products is complex and we strive to get optimal insight into the origin of our delivered products. This is because the company has an impact on social themes in the various stages of IHC's value chain, in which R&D/product innovation/engineering, production and lifecycle support are considered the key links in the primary internal process. There is still a big challenge with respect to better control over the sustainability of our suppliers and improving insight into the end-of-life phase of the products that IHC delivers.

IHC's main customers are dredging companies, oil and gas conglomerates, offshore contractors, mining houses and public authorities. This concerns big players on the world market as well as small, local contractors and companies and regional governments. In 2018, IHC used approximately 6,000 suppliers worldwide for the supply of raw materials, other materials, products and services. Of our total costs, approximately 70% is spent in the external chain. For that reason, responsible supply chain management is one of the most important spearheads of IHC's social policy.

In 2018, IHC did business with over 6,000 suppliers worldwide. Around 67% of the total spend is contracted with Dutch suppliers, a 2% increase compared with 2017. Although we are often required to use suppliers designated by the customer when building our products, we can place around 80% of the total spend with one of our 359 preferred suppliers. Preferred suppliers are selected in a selection process in which CSR aspects like working conditions, safety, environment and sustainability play an important role. Two important methods for this are QLIFT and the CSR Supplier Scan.

HOW IHC REGARDS THE CURRENT VALUE CHAIN AND ITS IMPACT



Using our own **QLIFT methodology**, suppliers are not only assessed on their performance on quality, innovation, flexibility and costs, but on aspects like working conditions, safety and the environment as well. Based on these audits, improvement plans to raise the performance to the desired level were drawn up in collaboration with the suppliers. Although not yet shaped in a formal policy, in collaboration with the suppliers, we look for sustainable solutions and alternatives and applying these where possible. These factors thus played a decisive role in selecting our partner to process our waste flows. In the long-term contract, clear agreements have been made about improving IHC's performance in the field of reducing, better separation and re-use of our waste flows.

Supplementary to the QLIFT method, IHC and several partners in the CSR Netherlands project 'Sustainable Procurement in the Maritime Sector' developed a harmonised and sustainable procurement methodology aimed at creating clarity regarding sustainability expectations within the maritime sector. This resulted in the **CSR Supplier Scan**. The CSR Supplier Scan is a uniform audit process whose results are available to all participating parties. Partners within this project include Heerema Marine Contractors, Koninklijke Boskalis Westminster, Theunissen Technical Trading and Pon Power. Other major maritime players have already shown an interest in joining. Unfortunately there was a delay in its application and implementation which means that the target of 2018 to perform 10 CSR Supplier Scan audits was not achieved. We strive to roll out the CSR Supplier Scan approach in 2019.



SUPPORTING LOCAL COMMUNITIES

This theme falls primarily under the IHC Foundation, where IHC uses its passion and knowledge from the organisation and its employees for children and adults for whom a bit of attention can make a world of difference. In various ways, IHC contributes to social, cultural and community support activities with a sustainable character. The projects are realised as much as possible through intensive cooperation with the local community or local organisations and with the active involvement of IHC employees.

GIVE A DAY FOR UNICEF

In 2018, the employees of IHC, together with the IHC Foundation, donated a sum of € 20,634 to the campaign 'Give a day for UNICEF'. The amount came from the donation of free hours by the employees and a doubling of the amount by the IHC Foundation. In total, 730 free hours were donated. Thanks to this action, UNICEF can care for vulnerable children from Syria and the surrounding countries and help them get through the cold months. With a donation of 8 hours, UNICEF can provide children with 16 thermal blankets or a heated classroom during the winter, for example.

TOTAL DONATIONS FOUNDATION ACTIVITIES IN EUROS, DIVIDED INTO GOALS

	2018*	2017 ¹	2016	2015
Social and cultural projects	73,777	102,719	95,792	82,980
Personal sponsoring IHC employees	9,262	3,480	14,999	12,710
Sports initiatives	30,900	1,000	1,000	15,000
Total	113,939	107,199	111,791	110,690

* Part of KPMG Assurance scope

TOGETHER FOR ZAMBIA

In 2018 the IHC Foundation was closely involved with the 'Together for Zambia' project. This is not the first time that the IHC Foundation has been involved in this project. In 2013, a partnership was initiated for the first time by 5xBeter and the Hetty Denen Foundation. The aim of this project is to give young people in Zambia a better future by means of an education in the metal sector. The IHC Foundation supports this project by offering financial support, knowledge and materials to the Chikupi Vocational Training Centre in Zambia to provide a future-proof training centre for the region and the future of the young people.

Besides these projects, the IHC Foundation supported various smaller and local initiatives in 2018. These include activities in which IHC employees are involved in a private capacity and sports activities for charity. Despite the international scope of the foundation, in the United Kingdom there is also a separate initiative (UK Charity Focus Group). In 2018, €3,129. was raised by the British initiative and €110,810 under the IHC Foundation. These sums are combined and summarised in the table. Most donations fall under the category 'Social and cultural projects'.

Many locations also have their own small charity actions initiated by passionate employees, which is not broadly communicated. In 2019 IHC will continue cataloguing and streamlining charity activities, as many international entities organise ad-hoc activities. By increasing awareness across units and locations, more employees can get involved in giving back to their communities.

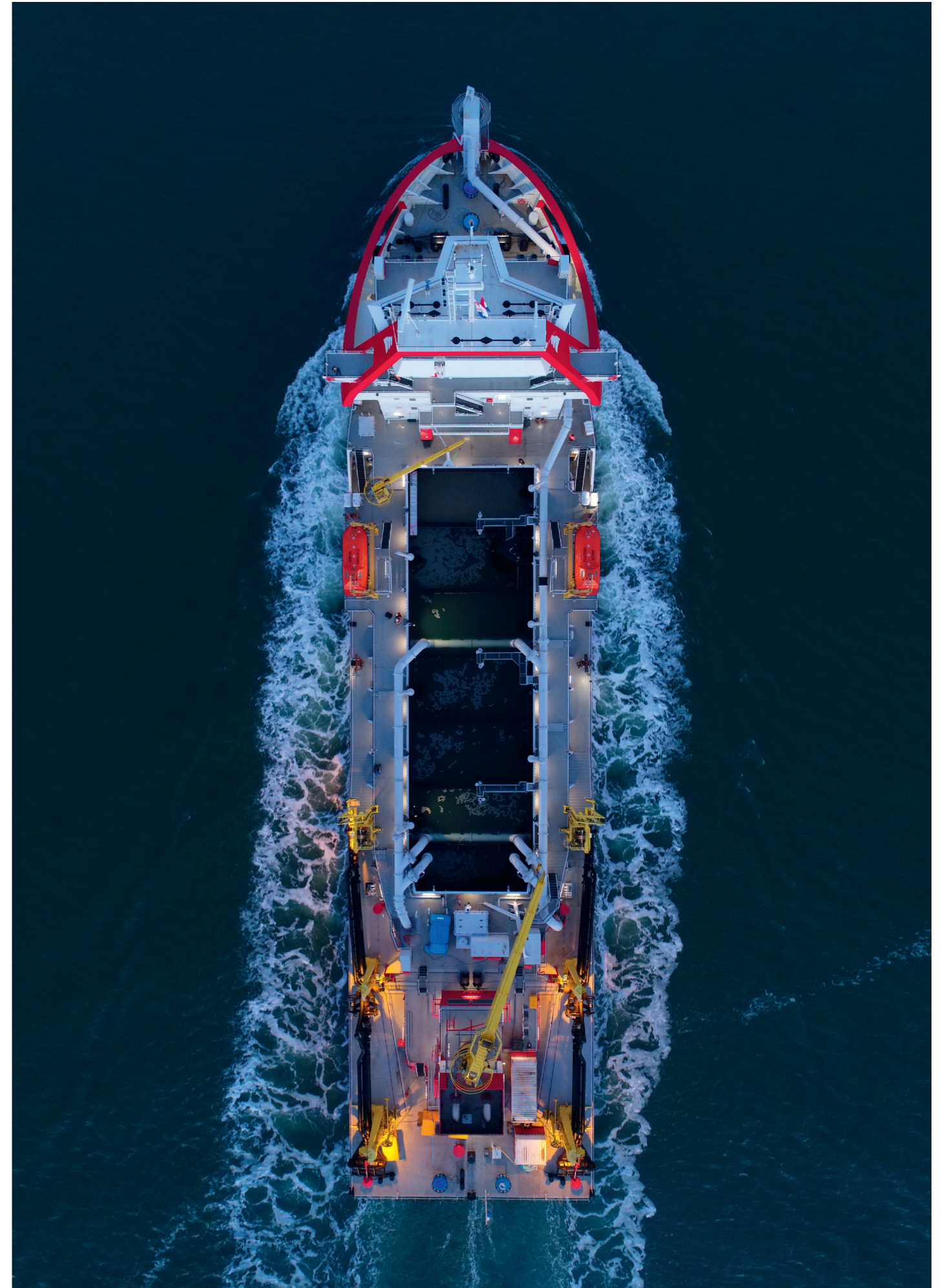


CASE STUDY RECOVERING VALUABLE MINERALS FROM TAILINGS

Tar sands, also known as oil sands, are deposits which have landed on the surface as a result of powerful geological processes. The tar sands consist of a mixture of bitumen, water, clay and sand. The bitumen in these strata can be turned into oil products, particularly a large export product in Canada. The Alberta tar sands give Canada the biggest oil reserve after Venezuela and Saudi Arabia. A by-product of the tar sands are the waste lakes which remain after the oil extraction, consisting of an average 80% water, 17% minerals and sand, 2% bitumen and 1% solvents. In recent years, there has been increasing interest in clearing up these tailings.

Our IHC site in Australia has been working for a long time with Titanium Corporation in Canada which tries to extract minerals and bitumen from the tailings. In 2017, Titanium Corporation received over \$80 million in investments for Creating Value from Waste™ technology. These are their various sustainable techniques developed to tackle the waste lakes in Canada and extract valuable (heavy) minerals, bitumen and solvents. IHC contributes to the project by performing the tests for the heavy mineral extraction.

Not only does this project help reduce the environmental impact of the waste lakes, it also applies circular economy principles by creating new export products from waste. This is precisely an area in which IHC wishes to make more of a contribution.



09

LOOKING BACK AND LOOKING AHEAD



CSR PILLAR	MATERIAL THEME	STRATEGIC BUILDING BLOCKS	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES
ENVIRONMENTAL ACCOUNTABILITY	Innovation & sustainable product development	<ul style="list-style-type: none"> Customer-orientation Innovation 	<ul style="list-style-type: none"> Focus on short-term commercial results to better suit the market conditions Assess all R&D projects of MTI for sustainability character 	<ul style="list-style-type: none"> A sustainability branch within MTI has been set up and there is criteria development to assess projects CIRCO circular business design track was taken on by Dredge Equipment and the Digital Taskforce 	<ul style="list-style-type: none"> Assess all innovation projects on sustainability criteria
	Carbon footprint	<ul style="list-style-type: none"> Operational efficiency 	<ul style="list-style-type: none"> Carbon footprint reduction of 2% Call employees to account on behaviour Reduce waste flows 	<ul style="list-style-type: none"> Carbon footprint reduction of 1% Employees are held accountable for their behaviour by means of organising a warm jumper day and a cost awareness programme to use less material and energy internally Plan developed to streamline waste flows with a recycling company 	<ul style="list-style-type: none"> Carbon footprint reduction of 3% compared with 2018 Internal report of monthly energy consumption for international sites Uniform and measurable insight into the waste flows which are created within IHC (NL)
SOCIAL RESPONSIBILITY	Safety	<ul style="list-style-type: none"> Customer-orientation Operational efficiency Employer of Choice 	<ul style="list-style-type: none"> Reducing LTIs by 10% compared with 2017 	<ul style="list-style-type: none"> An LTIF reduction of 17% 	<ul style="list-style-type: none"> Reducing (international) LTIs by 25% compared with 2018 Involve subcontractors in training and communication about safety
	Anti-corruption	<ul style="list-style-type: none"> Employer of Choice Internationalisation 	<ul style="list-style-type: none"> Part of IHC activities but not yet included in CSR objectives of 2018 	<ul style="list-style-type: none"> Redesign of Code of Conduct as a more accessible guideline for employees 	<ul style="list-style-type: none"> Enforce existing compliance programme within IHC Implementation and communication about new Code of Conduct Implement e-learning for existing and new personnel
	Education & Training	<ul style="list-style-type: none"> Operational efficiency Employer of Choice 	<ul style="list-style-type: none"> Link training to education profiles Connect Academy to international units 	<ul style="list-style-type: none"> Training is linked to education profiles Academy is associated with international units and foreign employees can also follow (English) training courses 	<ul style="list-style-type: none"> Offer training shipbuilding PBL3 6 extra teaching workplaces 2 modules for refresher courses for engineers in partnership with ITI 2 webinars and 1 roadshow by IHC Academy Average 45% compliance for education profile Assign rights to all foreign branches within the Academy to add content themselves All foreign branches have a trained person responsible for the Academy Give 8 guest lectures about the maritime sector to transfer knowledge to VMBO
	Health	<ul style="list-style-type: none"> Employer of choice 	<ul style="list-style-type: none"> Reduce absenteeism rate by 10% compared with 2017 Renew iHMQ certificate Integrate integral health and sustainable deployability policy 	<ul style="list-style-type: none"> Absenteeism for 2018 has been reduced by 9.1% compared to 2017 iHMQ certificate is renewed New integral health policy introduced 	<ul style="list-style-type: none"> Reduce absenteeism rate by 10% compared to 2018 Participate in four knowledge network meetings of sustainable deployability
SUSTAINABLE ENTREPRENEURSHIP	Supply chain responsibility	<ul style="list-style-type: none"> Customer-orientation Operational efficiency Internationalisation 	<ul style="list-style-type: none"> QLIFT audits according to audit planning Perform 10 CSR Supplier Scan audits 	<ul style="list-style-type: none"> The QLIFT audits were performed according to audit planning, as long as they were relevant for new suppliers CSR Supplier Scan is still under development 	<ul style="list-style-type: none"> and designate at least three employees for training Work with at least five new suppliers who are externally certified in sustainability (e.g. C2C, Bcorp)
	Supporting local communities	<ul style="list-style-type: none"> Employer of choice Internationalisation 	<ul style="list-style-type: none"> International sites join in the activities of the Foundation 	<ul style="list-style-type: none"> Assurance scope of this indicator has expanded with UK location 	<ul style="list-style-type: none"> Increase internal communication of the foundation activities to create more support within IHC Initiate consultation with all international locations about needs of local community

10 OUR EMPLOYEES

AVERAGE NUMBER OF STAFF EMPLOYED

	The Netherlands	Abroad	Total	Permanent	Temporary
Total 2018	2,737	703	3,440	2,177	506
Total 2017	2,368	624	2,992	2,748	262
Total 2016	2,657	608	3,265	2,956	299

After a downsizing in 2016 and 2017 due to the difficult market situation, the number of employees within IHC is slowly rising again, particularly the number of employees abroad, which is the result of expanding international entities. In addition, IHC had an average 903 insourced employees during 2018.

INFLUX

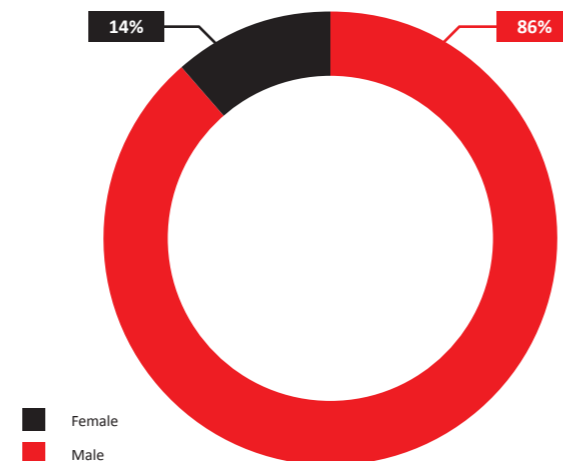
The total number of new employees in 2018 was 384, of which 103 were recruited via external agencies and 281 employees were recruited by the IHC recruitment team. Via the internal mobility centre 91 colleagues found another job internally.

This represents considerable growth compared to 2017, when the total number of new employees was 250.

MALE/FEMALE DISTRIBUTION

	Male	Female
Total distribution 2018	86%	14%
Total distribution 2017	87.1%	12.9%
Total distribution 2016	87.8%	12.2%
Total distribution 2015	88.3%	11.7%

For years, the organisation employs a majority of men, since 2015 however more and more women join the company. In 2018, we saw the percentage of women rise to 14% and the percentage of men fall to 86%.



AGE DISTRIBUTION

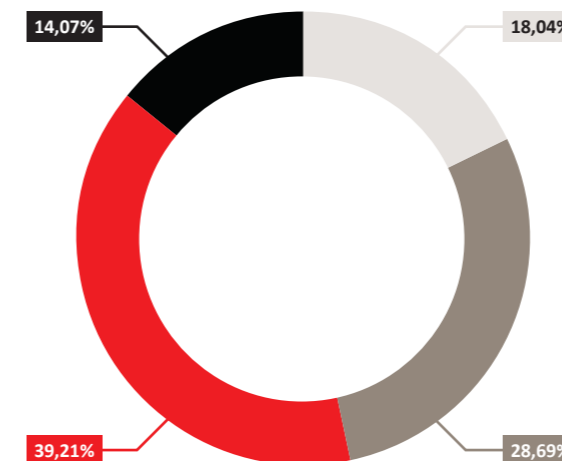
	Average age	15-24	25-34	35-44	45-54	55-64	≥65
Shipbuilding	43.8	5.2%	21.8%	23.6%	24.3%	24.2%	0.9%
Mission Equipment	43.3	5.2%	20.9%	24.8%	29.1%	19.3%	0.6%
Services	41.6	4.8%	29.0%	25.8%	21.9%	17.6%	0.9%
IQIP	39.8	6.9%	37.4%	18.6%	20.8%	15.7%	0.6%
Mining & Tunnelling	39.4	3.6%	35.7%	28.6%	25.0%	7.1%	0.0%
Holding	38.5	12.2%	29.5%	25.7%	21.5%	10.6%	0.4%
Total IHC 2018	41.1	6.3%	29.1%	24.5%	23.8%	15.8%	0.6%
2017	41.5	6.2%	26.2%	23.8%	23.5%	19.7%	0.6%
2016	42.2	7.2%	25.2%	23.7%	23.5%	19.9%	0.5%

The average age of the IHC employees was 41 in 2018. This is a slight drop compared with the previous years. Growth is particularly visible in the age category 25-34.

EDUCATIONAL BACKGROUND

	Junior secondary vocational education (LBO) level	Secondary vocational education (MBO) level	Higher vocational education (HBO) level	University (WO) level
Percentage 2018	14.1%	39.2%	28.7%	18.0%
Percentage 2017	15.4%	40.3%	27.6%	16.7%
Percentage 2016	18.1%	43.2%	24.5%	14.2%
Percentage 2015	19.2%	44.5%	23.5%	12.8%

Most employees have a secondary vocational education (MBO) or higher vocational education (HBO) (together 67.9%). Due to the altered direction towards a more knowledge-intensive company, in order to serve our customer needs and remain competitive, the influx of highly educated people has successfully increased over the past three years. The number of employees with a university and higher vocational education (HBO) level both grew by 4.2% within three years.



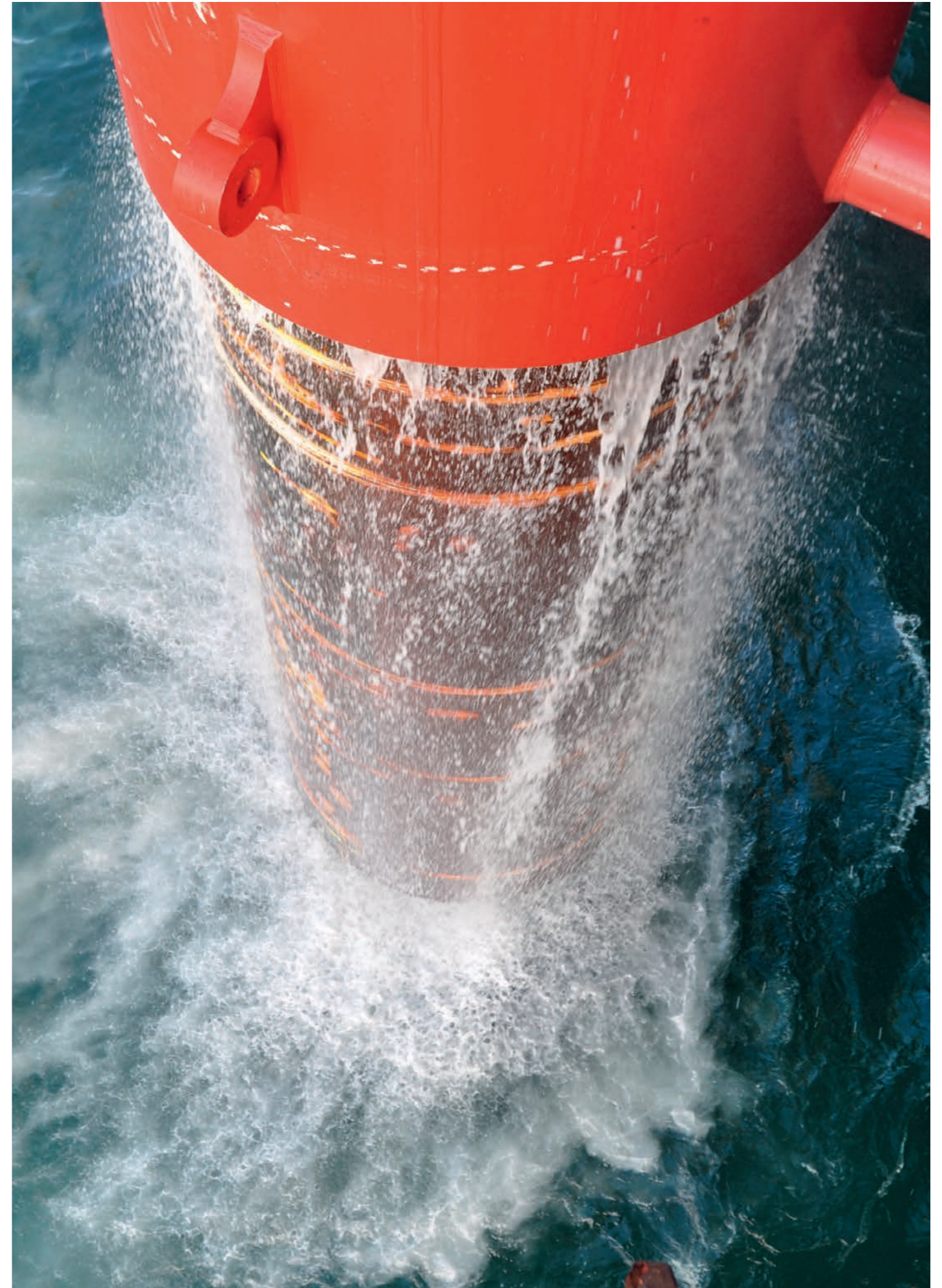
- Junior secondary vocational education (LBO) level
- Secondary vocational education (MBO) level
- Higher vocational education (HBO) level
- University (WO) level

CASE STUDY A HYDROGEN HOPPER DREDGER

Over the past century, the maritime sector has become very dependent on heavy fuel oil. However, this produces emissions of harmful substances and a large carbon footprint. The question is how long this solution is still tenable, because a transition will come towards sustainable alternatives for energy consumption. Increasingly stringent emission demands will apply to shipping and countries united in the International Maritime Organisation (IMO) aim to reduce emissions by 50% in 2050. This transition will involve difficult challenges, but also offers IHC a wide range of opportunities. The recently designed, built and delivered LNG-powered trailing suction hopper dredgers are the first concrete step in this transition. But we can make things even cleaner!

IHC's innovation team is constantly engaged in research into reducing the environmental impact of our vessels. In 2018, research was started into different alternative fuels and clean propulsion concepts, whereby IHC particularly looks at the integration of these technologies in new vessel designs. An initial concept study produced the design of a hydrogen hopper dredger powered by hydrogen. On board, the hydrogen is stored under pressure in tanks and converted by means of fuel cells into electricity with which the propulsion and dredging pump are powered. Only water vapour comes out of the exhaust.

This concept of hydrogen-powered trailing suction hopper dredgers is a first step in exploring how complex dredgers can be used for regular dredging work, such as sand extraction and port maintenance. In this way, IHC is making more and more progress towards a sustainable future in which the environment, social and economic aspects are more in balance.



11 REPORTING PARAMETERS

IHC wants to provide insight into the embedding of sustainability within the internal business operations and therefore provides annual justification about its non-financial results by means of this annual CSR report. The annual report for 2018 covers the period from 1 January to 31 December 2018 and, in addition to presenting the social and environmental results, provides an overview of the objectives and aims for the period ahead.

REPORTING CRITERIA

For the annual reporting of the non-financial results, IHC adheres to the international standards for CSR reporting and uses the GRI Standards of the Global Reporting Initiative (GRI). This report has been drawn up in accordance with the 'In accordance - core' level of these guidelines.

REPORTING SCOPE AND RANGE

The scope of this corporate social responsibility annual report 2018 includes the social and environmental performance resulting from IHC's CSR policy, with the material topics being the determining factor for the scope of the reporting. See the scope table to view per assured indicator which site falls within or outside the scope. Boundaries and scope of the guidelines have been adjusted when necessary to the data available at IHC. Joint ventures and entities with a minority stake are not included in the non-financial reporting scope. Acquired companies are included one year after acquisition in order to allow an integration period.

CARBON FOOTPRINT CALCULATION

The guidelines from the ISO 14064-1 are used for inspiration to establish the Carbon Footprint. Apart from the non-compulsory coolants and refrigerants, only the scope 1 and scope 2 parts are included in IHC's Carbon Footprint calculation. The aim is to expand this in the future to enable full compliance with ISO 14064-1. To calculate the CO₂ emissions, conversion factors are used as published on 1 January 2019 on www.co2emissiefactoren.nl. Supplying and validating this data is performed under the joint responsibility of the Facility Services Department and SHEQ-CSR.

The current conversion factors show minimal differences with the factors as published on 1 January 2019 which were used for the CO₂ calculation in the corporate social responsibility annual report 2018.

CONTACT

IHC invites its stakeholders to provide feedback about or engage in a dialogue about CSR policy, the objectives, results and the reporting standard. To do this, please contact

Ms C. M. Mooij
Sheq.csr@royalihc.com

Area	Cluster	Unit	Location	Electricity consumption in kWh	Gas consumption in m ³	LTIF
Europe	Mission Equipment	IHC SAS Hytop	Alphen aan den Rijn			•
	Mission Equipment	IHC Vremac Cylinders	Apeldoorn	•	•	•
	Holding	IHC MTI	Delft			•
	IQIP	IHC Fundex Equipment	Goes	•	•	•
	Shipbuilding	IHC Interior	Hardinxveld			•
	Holding	IHC Merwede Holding	Kinderdijk	•	•	•
	Shipbuilding	IHC Holland ¹	Kinderdijk	•	•	•
	Holding	IHC MTI	Kinderdijk	•	•	•
	Shipbuilding	IHC Metalix	Kinderdijk	•	•	•
	Holding	IHC Training Institute	Kinderdijk	•	•	•
	Services	IHC Services ²	Kinderdijk	•	•	•
	Services	IHC Dredge Equipment	Kinderdijk	•	•	•
	Mining & Tunneling	IHC Mining & Tunneling	Kinderdijk	•	•	•
	Shipbuilding	IHC Holland	Krimpen aan den IJssel	•	•	•
	Mission Equipment	IHC Hytech	Raamsdonksveer	•	•	•
	Services	Vuyk Engineering	Rotterdam			•
	IQIP	IHC IQIP ³	Sliedrecht (Molendijk)	•	•	•
	Shipbuilding	IHC Piping	Sliedrecht (Industrieweg)	•	•	•
	Mission Equipment	IHC SAS Hytop	Sliedrecht (Industrieweg)	•	•	•
	Shipbuilding	IHC Systems	Sliedrecht (Industrieweg)	•	•	•
Mission Equipment	Royal IHC	Newcastle, UK			•	
Mission Equipment	Royal IHC	Port of Blyth, UK			•	
Mission Equipment	Royal IHC	Stocksfield, UK			•	
Mission Equipment	IHC FHP	Newcastle, UK			•	
Mission Equipment	TI Geosciences	Blyth, UK			•	
China	International	IHC Service Centre China	Tianjin, China			•
	International	IHC Merwede Holding Representative Office	Beijing, China			•
Africa	International	IHC South Africa (Pty)	Cape Town, South Africa			•
	International	IHC Nigeria	Lagos, Nigeria			•
Asia-Pacific	International	IHC Service Center Southeast Asia	Singapore, Singapore			•
Middle East	International	IHC Service Center Middle East	Dubai, UAE			•
India	International	IHC Service Center India	Mumbai, India			•
Australia	International	IHC Robbins Technology	Brisbane, Bunburry and Perth, Australia			•

¹ Includes international offices in Malaysia, Slovakia, Croatia and Romania for which only LTIF is reported on

² IHC Services only became a limited company in 2018; it was previously a subsidiary of IHC Holland B.V.

³ Includes all international IQIP locations

CASE STUDY DREDGING AS PART OF A CIRCULAR ECONOMY?

In past centuries, the dredging industry has already seen many innovations. Great progress has been made, particularly in the field of technology, but so far little attention has been paid to what happens after dredging: the dredging sludge. In 2015, a team within IHC's R&D department embarked on research into this and started experimenting with new applications for dredging sludge. This resulted in technology which can convert sludge into geopolymer concrete, a potentially interesting replacement of standard cements. New value creation from a waste flow, a concrete example of how IHC is discovering the potential of the circular economy. The geopolymer concrete is superior to normal concrete in many respects: it has a longer lifespan, it can deal with very high and low temperatures and also has significantly lower CO₂ emissions in production.

After numerous successful experiments, in 2018 this project was launched as a start-up within IHC called Medusa. In the coming year, this start-up will seek partnerships to further develop the business case for this new circular technology.



12 GRI INDEX TABLE

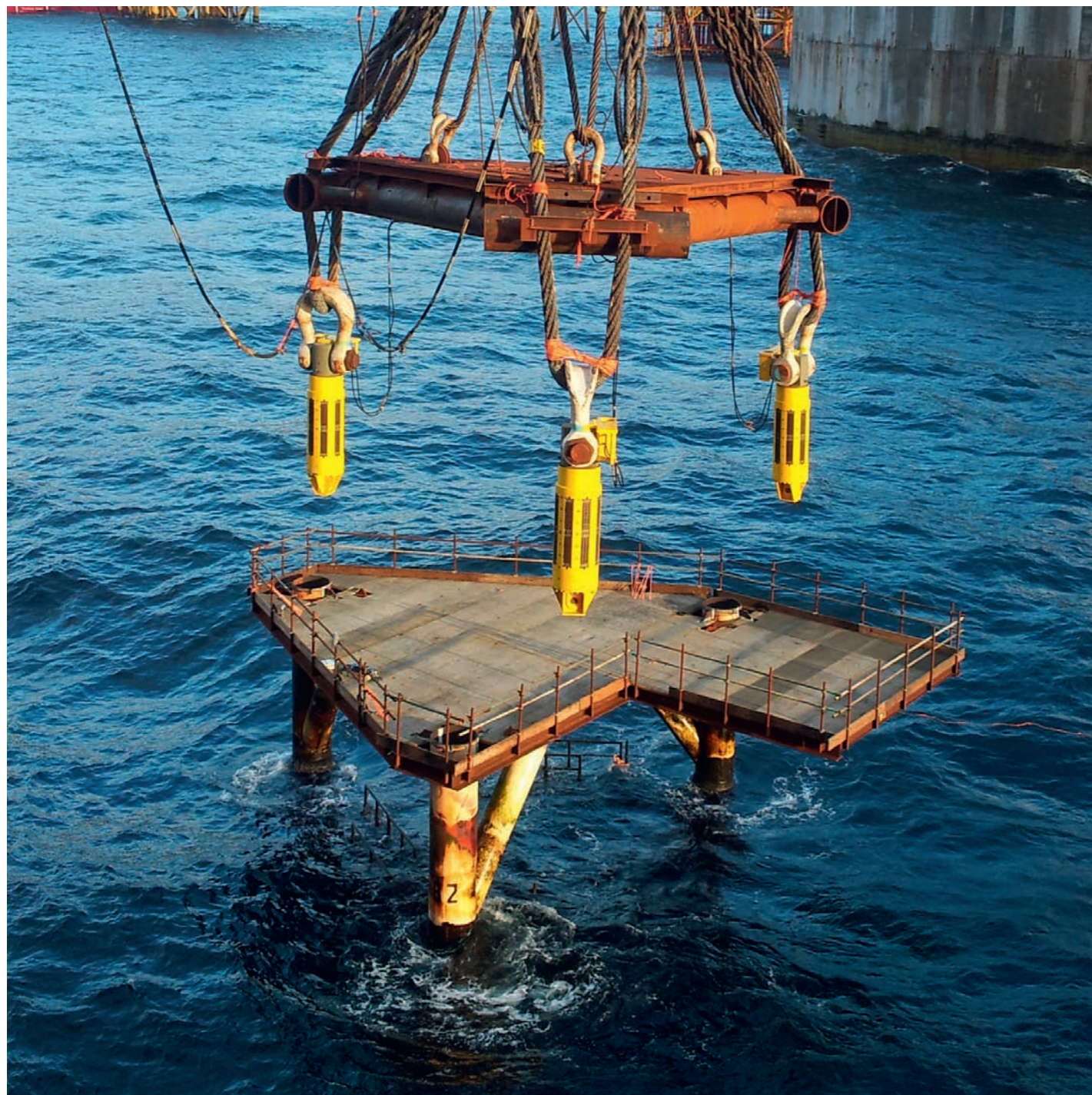
GRI INDEX		CHAPTER
STRATEGY AND ANALYSIS		
G4-1	Foreword on behalf of the Board of Management	Foreword
ORGANISATIONAL PROFILE		
G4-3	Name of the organisation	Profile
G4-4	Primary products and services	About Royal IHC
G4-5	Location of the organisation's headquarters	About Royal IHC
G4-6	Countries where the organisation operates	Locations
G4-7	Ownership structure and legal form	About Royal IHC
G4-8	Markets served	Our approach towards sustainability
G4-9	Scale of the de organisation	Our Employees
G4-10	Total number of employees	Our Employees
G4-11	Percentage of employees covered by collective bargaining agreements	About IHC
G4-12	Description of the organisation's value	Our approach towards sustainability
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or the value chain	About IHC
G4-14	Application of precautionary principle	IHC Annual report 2018
G4-15	Externally developed principles or other initiatives to which the organisation subscribes	About IHC
G4-16	Memberships of associations and/or international advocacy organisations	About IHC
MATERIAL SUBJECTS		
G4-17	List of all entities included in the organisation's consolidated annual financial statements	IHC Annual report 2018
G4-18	Process for defining the report content	Our approach towards sustainability
G4-19	List of all material aspects identified in the process for defining report content	Our approach towards sustainability
G4-20	The boundaries of the material aspects within the organisation	Our approach towards sustainability
G4-21	The boundaries of the material aspects outside the organisation	Our approach towards sustainability
G4-22	Effects and reasons of restatements	
G4-23	Significant changes in material aspects during the reporting period	Our approach towards sustainability

GRI INDEX		CHAPTER
STAKEHOLDER DIALOGUE		
G4-24	List of stakeholder groups involved	Our approach towards sustainability
G4-25	Identification and selection of stakeholder with whom to engage	Our approach towards sustainability
G4-26	Approach to stakeholder involvement	Our approach towards sustainability
G4-27	Topics and concerns raised through stakeholder dialogue engagement	Our approach towards sustainability
REPORTING PROFILE		
G4-28	Reporting period	Reporting parameters
G4-29	Date of the most recent report	Reporting parameters
G4-20	Reporting cycle	Reporting parameters
G4-31	Contact information	Reporting parameters
G4-32	GRI application level and GRI Index	Reporting parameters / GRI Index table
G4-33	Policy and practice with regard to external assurances	
GOVERNANCE		
G4-34	Governance structure of the highest governance body and committees responsible for decision-making with respect to economic, social and ecological impact	About IHC
ETHICS AND INTEGRITY		
G4-56	The values, principles, standards and ethics of the organisation such as codes of conduct and ethical codes	About IHC

SPECIFIC STANDARD DISCLOSURES

MATERIAL SUBJECTS	INDICATORS		CHAPTER
Carbon Footprint	EN 3	Energy consumption within the organisation	Environmental accountability
	EN 3	Reduction of energy consumption	Environmental accountability
	EN 6	Direct greenhouse gas emissions	Environmental accountability
	EN 15	Indirect greenhouse gas emissions	Environmental accountability
	EN 19	Reduction greenhouse gas emissions	Environmental accountability
Health	LA 6	Registration of absenteeism	Social entrepreneurship
Innovation / Development of sustainable products	EN 7	Reductions in energy requirements of products	Environmental accountability
	EN 27	Mitigation of environmental taxation of products	Environmental accountability
Support for local communities	<i>No specific GRI indicators available related to the support of local communities via social projects</i>		
Education and training	LA 10	Programmes for development and education	Social entrepreneurship
	LA 11	Percentage of employees with regular performance and development appraisals	Social entrepreneurship
Safety	LA6	Number of accidents and classifications	Social entrepreneurship
Responsible Supply Chain Management	EN32	Percentage of suppliers screened for environmental impact	Sustainable entrepreneurship
	SO9	Percentage of suppliers screened for social impact	Sustainable entrepreneurship

13 LIST OF TERMS



5X BETTER

Cooperation between Koninklijke Metaalunie, FME, FNV Metaal, CNV Vakmensen and De Unie which promotes safe and healthy working in metalworking and metaalektro.

GENERAL DATA PROTECTION REGULATION

European privacy regulation concerning the protection of natural persons with respect to the processing of personal data and the free exchange of data.

ANTI-CORRUPTION REGULATION

Policy and code of conduct issued by the company in order to combat corruption in the company's day-to-day operations.

CARBON FOOTPRINT

The carbon footprint provides insight into the total greenhouse gas emissions created by an organisation's production processes and offers a tool to reduce the CO₂ emissions.

CODE OF CONDUCT

An explicit description by the company of the standards and values that apply to employees and suppliers regarding compliance with applicable laws, corruption, human rights and environmental aspects, etc.

ENERGY EFFICIENCY DIRECTIVE

European directive with the objective of a 20% decrease in European energy consumption by 2020, which includes obligations for both member states and companies.

FME

Employers' Organisation for the technology industry

IMO

International Maritime Organization; as specialised United Nations organisation, the IMO is responsible for implementing agreements between participating member states to make shipping as safe and environmentally friendly as possible.

CHAIN RESPONSIBILITY

Including social and environmental aspects in the selection of suppliers and/or improving social and environmental aspect in the supply chain.

LICENCE TO OPERATE

The permission to perform an operation and/or to produce

LNG

Liquefied Natural Gas

LOST TIME INJURY (LTI)

Work-related injuries or illnesses, which results in an employee not being able to carry out work the day following the accident.

LOST TIME INJURY FREQUENCY (LTIF)

The number of LTIs * 1,000,000 / number of hours worked

MATERIALITY MATRIX

Graphical representation used by the organisation to demonstrate the relative importance of the material subjects for both the company and the stakeholders.

MATERIAL ASPECTS

The most relevant (sustainability) subjects for a company or subjects that meet the information needs and considerations of stakeholders so that they qualify for inclusion in the CSR reporting.

MVO NEDERLAND (CSR NETHERLANDS)

Network organisation that supports companies, authorities and civil society organisations in fulfilling their social roles.

NEAR MISS

An event without injury and/or damage but which could have led to injury and/or damage under somewhat different circumstances.

PREVENTIVE MEDICAL EXAMINATION

A (voluntary) medical examination that is offered in-company to identify, prevent and treat health risks and problems at an early stage.

RI&E

Risk Inventory and Evaluation of the dangers in a company with respect to health and safety and the welfare of employees, whereby a risk assessment is performed about the risk of a danger occurring, its effect and the frequency of exposure.

STAKEHOLDER DIALOGUE

Contact with stakeholders involving checking the relevant themes and interests of the company against the expectations of the stakeholders.

THE ELIGIBILITY FOR PERMANENT INCAPACITY BENEFIT (RESTRICTIONS) ACT

Legislation stipulating the obligation of employers to play an active role in the reintegration of ill employees. Employers must, together with the employee and health and safety organisation, ensure that ill employees are able to return to work as soon as possible.

14 ASSURANCE REPORT

To: the Board of Management of IHC Merwede Holding B.V.

OUR CONCLUSION

We have reviewed the sustainability information in the CSR Report (hereafter: the sustainability information) for the year 2018 of IHC Merwede Holding B.V. (hereafter: 'IHC') based in Sliedrecht. 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 is not prepared, in all material respects, in accordance with the reporting criteria as included in the section 'Reporting Parameters' of the 'CSR Report 2018'(hereafter: 'The Report').

The sustainability information consists of the following indicators of The Report.

- Natural gas consumption (p. 24)
- Electricity consumption (p. 24)
- Lost time Injury Frequency (LTIF) (p. 27)
- Support for local communities (p. 32)
- Education and training [number of training hours per FTE] (p. 29)

The data for the indicators in the scope of our engagement are marked with an asterisk (*).

BASIS FOR OUR CONCLUSION

We have performed our review on the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)).

Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We are independent of IHC Merwede Holding B.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. 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. IHC 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 applied internal reporting criteria as disclosed on page 42 of The Report.

RESPONSIBILITIES OF MANAGEMENT FOR THE SUSTAINABILITY INFORMATION

Management of IHC is responsible for the preparation of the sustainability information in accordance with the reporting criteria as included in the section 'Reporting Parameters' of The Report, including the identification of stakeholders and the definition of material matters.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITIES FOR THE REVIEW OF THE SUSTAINABILITY INFORMATION

Our objective 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 determining 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 engagements with a limited level of assurance is therefore substantially less than the assurance obtained in audit engagements.

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 on 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 3000A ethical requirements and independence requirements.

Our review included amongst others, the following procedures:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management;
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review;
- 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 included among others :

- Interviewing management (and/or relevant staff) at corporate and 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 locations to visit. The visits to production sites in the Netherlands and United Kingdom 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 in the information submitted for consolidation at corporate level.

- 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.

We communicate with management regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Rotterdam, 21 August 2019

KPMG Accountants N.V.
M. Ibn Lkasssem RA

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