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 2015 - 2019

See the chapter ‘Reporting parameters’ for more details about the scope of the indicators, as some of the information is only available for our Dutch sites.

<table>
<thead>
<tr>
<th>KEY FIGURES</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (FTEs)</td>
<td>3,525</td>
<td>3,440</td>
<td>2,992</td>
<td>3,265</td>
<td>3,434</td>
</tr>
<tr>
<td>Lost Time Injuries (LTI)*2</td>
<td>30</td>
<td>15</td>
<td>16</td>
<td>41</td>
<td>75</td>
</tr>
<tr>
<td>Lost Time Injuries Frequency (LTF)*2</td>
<td>4.5</td>
<td>2.3</td>
<td>3.2</td>
<td>7.7</td>
<td>12.7</td>
</tr>
<tr>
<td>TRIR*</td>
<td>8.26</td>
<td>8.65</td>
<td>9.68</td>
<td>11.67</td>
<td>15.28</td>
</tr>
<tr>
<td>Absenteeism percentage</td>
<td>3.78</td>
<td>4.28</td>
<td>4.71</td>
<td>4.89</td>
<td>4.07</td>
</tr>
<tr>
<td>Total environmental accidents</td>
<td>22</td>
<td>18</td>
<td>31</td>
<td>32</td>
<td>-</td>
</tr>
<tr>
<td>National electricity consumption (kWh)*</td>
<td>19,834,296</td>
<td>23,382,487</td>
<td>20,891,677</td>
<td>24,758,452</td>
<td>32,078,135</td>
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<tr>
<td>National gas consumption (m3)*</td>
<td>1,700,672</td>
<td>2,041,418</td>
<td>1,958,437</td>
<td>1,939,988</td>
<td>2,257,422</td>
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<tr>
<td>National carbon footprint (kg CO2/man hour)*</td>
<td>3.13</td>
<td>3.34</td>
<td>3.26</td>
<td>3.52</td>
<td>3.99</td>
</tr>
<tr>
<td>Support for local communities (euros)*</td>
<td>€63,533</td>
<td>€113,939</td>
<td>€107,199</td>
<td>€111,791</td>
<td>€110,690</td>
</tr>
<tr>
<td>National average training hours completed per FTE*</td>
<td>10.4</td>
<td>13.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Part of the LR assurance scope
1 Scope now also covers donations from the UK Charity Focus Group as of 2017
2 Scope has changed in comparison to 2017 and now includes international entities
3 Scope has changed in comparison to 2017 and now includes international entities
4 Training hours is new in the reporting scope as of 2018 (only incl. IHC Academy data)
This year was about reflection and transformation as we continued to face challenges on a number of major projects. We worked hard to drive operational changes in order to realise IHC’s return to profitability. To do this, we needed our people at all levels to take ownership, remain aligned, and speak the same language. Transformation is not always comfortable, and through our change accelerator programme this year, we motivated our teams to have courageous conversations with each other in order to implement positive change.

At times like these, it is important to have strong company values and in 2019 we continued to roll-out our reformulated company values: commitment, partnership and innovation. We also strengthened our CSR policy by aligning it with the UN Sustainable Development Goals in order to better understand how IHC contributes to the achievement of these global goals. We also took this framework and applied it to our innovation projects. In this way, we are ensuring that we are working on the relevant themes of the future.

We’ve been making big steps together in improving the environmental impact of our production process this year, partly in collaboration with the environmental inspection authorities. Moreover, we are continuing to invest in energy transition. Our ambition is for our customers to recognise us as a partner in designing and building highly efficient and low-emission solutions for complex working vessels. Making our products more efficient is the biggest influence we have on carbon footprint, and we want to involve our customers early on in emission reduction technologies and efficiency improvements. We are currently working on a new generation of ships with a focus on emission reduction.

It is a significant and worthwhile challenge for us to continue to innovate on alternative fuels but we cannot do this alone. Through supply chain collaborations, such as the Green Maritime Methanol consortium or the Drecht Cities network, we hope to contribute our knowledge to the larger industry changes that are required. Only when we work together can we truly make a difference.

We have realised that, unfortunately, we still have steps to take when it comes to improving our overall safety culture, reflected in an increased number of work-related incidents in 2019. This is not acceptable and we have realised that considerable changes are necessary to reach our ambition of zero LTIs. In order to make this happen, we launched an 18-month safety awareness campaign in 2020 to continue calling upon all our employees to make safety a top priority. Our Executive Committee members are committed to bringing change to the safety culture and will be closely monitoring the situation.

Steady progress has been made since 2014 in terms of diversity at IHC. Our industry as a whole has struggled in the past to attract, retain and promote women. This was also highlighted by the International Maritime Organisation (IMO) when ‘Empowering Women in the Maritime Community’ was selected as the key theme for 2019. We will continue to work actively to increase diversity and equality of our workforce, not only limited to gender, but in respect to different cultures, perspectives, experiences, workstyles and opinions as a whole. We must encourage more conversations and action if we really want to commit to an inclusive workforce, and take advantage of the untapped talent.

Over the coming year, we will prioritise safety awareness, zero-emission vessels and supply chain responsibility in an effort to focus our attention on those areas that need it the most. We look forward to another year of progress and innovation together with all our stakeholders!

On behalf of the Executive Committee,

Jan-Anne Schelling
CSR Steering Group
Concerns about environmental pollution and climate change have started a transition towards zero-emission vessels. Strict emission regulations are already in force or soon to be implemented. This development has sparked the introduction of LNG-fuelled dredgers, in which IHC has played an important role. Recently, the focus of emission legislation has shifted toward greenhouse gas reduction, due to the Paris Agreement on climate change. Conventional fossil fuels have to be replaced by renewable alternatives, providing a massive challenge for the maritime industry.

The industry is also adapting and changing its approach to product design. IHC Head of Product Development Erik van der Blom explains: “We have done a lot in the past with regards to sustainable product development in order to reduce emissions and increase fuel efficiency. We’ve noticed a shift in perspective recently, as some customers are even willing to make sacrifices in performance if that leads to significant improvements in energy efficiency and emission reductions for their vessels.”

However, more changes will be needed if we are to switch to fully carbon-neutral vessels in our industry. To find answers to the energy transition challenge, IHC has started the research and development project ‘zero-emission vessels’. In this project, we developed a roadmap to create a vision on the transition towards zero-emission energy options, the integration of this vision into sophisticated work vessels, and the development of (near) zero-emission vessel concepts. “We must take action now,” adds Erik. “It is the next big challenge for our industry, and IHC wants to be proactive in bringing zero-emission vessels to the market.”

In the short term, biofuels and other drop-in fuels have the lowest impact on vessel design and operation. However, biofuels may not become widely available for the maritime industry. The most important limiting factor is the area of land required for biomass production. It is likely that other industries, such as chemicals and aviation, are willing to pay a higher price for carbon originating from biomass, either for biofuels or for the production of plastics.

In the long term, green methanol, methane and ammonia are promising candidates for vessels that require high autonomy. Green hydrogen is a viable option for both vessels and equipment operating on inland and coastal waters, where a limited autonomy is acceptable. Zero-emission fuels and drive systems will have an impact on vessel designs. Fuel storage is likely to require more volume than diesel, and can be up to two times more for methanol and even up to six times more for hydrogen. Implementing electric drive trains with energy storage for peak shaving makes the adoption of advanced combustion engines and fuel cells possible. Moreover, electric drive trains increase the adaptability for future retrofit options. As a result, the complexity of vessel design and system integration is expected to increase.

Significant improvements in energy efficiency are needed, not only to meet significantly lower CO₂ emission levels, but also to enable the integration of alternative fuels into vessels and compensate for their larger storage volume. Several efficiency measures can be adopted, such as the optimisation of hull shapes, ship propulsion and drive systems, and the optimisation of ship designs for specific operational profiles. Energy storage systems, such as batteries and flywheels, can be used to operate prime movers.

In the zero-emission vessel project, the integration of new fuels and drive systems will be studied through the development of (near) zero-emission vessel concepts and energy reduction options. IHC will also actively be looking for opportunities to test and demonstrate new drive systems in the future, together with suppliers, customers, classification societies, and knowledge institutes.

“I’m most enthusiastic about doing demonstrations and showcasing exactly what the gains are in emission reduction,” concludes Erik. “It will be nice to not only develop new concepts, but also work on the actual implementation of new technology in our market.”
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 that have a relatively long life cycle, 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.

**AN ACCELERATED ENERGY TRANSITION**

In April 2018, the IMO established its initial ambition level to reduce 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, vessels must have already reduced their CO₂ emissions by 40% in 2030. Not only is the sector becoming stricter with respect to CO₂ emissions, it is also taking concrete steps regarding the reduction of 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, the Climate Agreement was 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 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. The collection of ‘big data’ makes it possible to obtain smart insights about the state of vessels or heavy machinery that can, for example, reduce 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 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 reused with minimum loss of value and no harmful emissions. 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, circular themes are starting to become relevant, with particular focus on servitisation 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.
PRODUCTS, SERVICES AND MARKETS

IHC’s main products are high-tech equipment, integrated vessels and services throughout the life cycle. This involves both custom-built 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 (CSDs) to large custom-built trailing suction hopper dredgers (TSHDs). IHC supplies high-quality products for the offshore industry such as pipeline and cablelay vessels in the oil and gas market. In addition, IHC supplies installations 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 deep-sea mining with the development of equipment suitable for extreme conditions, as well as 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 farms at sea.

In addition to 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 an operational level, our customers are advised by our experienced consultants.

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

ORGANISATIONAL STRUCTURE

The great diversity of business activities is structured into six clusters: (1) Mission Equipment, (2) Shipbuilding, (3) Services, (4) Mining and Tunnelling and (5) International. Separately, (6) IHC IQIP is the last cluster within IHC with commercial processes 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. At 31-12 the shares were divided as follows: 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%).

**About Royal IHC**

- **CEO** Gerben Eggink
- **CTO** Gert-Jan Antvelink
- **CFO** Paul van der Harten
- **Mission Equipment** Andriët Merluca
- **Shipbuilding** Uldil Merluca
- **Services** Diederik van Rijn
- **Mining & Tunnelling** Hans Greve
- **International** Deon Vorster
- **IHC IQIP** Robert Diepenbroek

The organisational structure on 2 May 2020.
The Board of Management of IHC Merwe 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.

On 1 May 2020, the Board of Management consisted of:
- Mr. G.M. Eggink, CEO
- Mr. G.W.J. Antvelink, CTO
- Mr. A.P.M. van der Harten, CFO

On 1 May 2020, the Supervisory Board consisted of:
- Mrs. B.H.C. de Bruijn - Van Eijck
- Mr. J.G. Huijks
- Mr. C. Korevaar
- Mr. B.C. Wentink

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 company’s employees. The IHC Works Council is divided into several sub-committees, which consult autonomously with the director of the relevant business unit. Matters such as the right of consent and the right to propose recommendations lie with the central Works Council, which consists of chosen members.

VALUES AND STANDARDS
IHC has decided which values to pursue and how to operationalise these in a code of conduct. The choices are incorporated in IHC’s Code of Conduct, which was revised in 2018 and published on the website. IHC offers the possibility to address this. Firstly, by encouraging internal consultation, but if that isn’t possible, via the complaints or whistle-blower regulations. Both 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, but we can also use our own experience and knowledge of the maritime sector to bring about new policies — “to acquire external funding and expand relevant networks”. This participation also contributes to better cooperation between the different players. Examples of memberships include FMB, 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 (ISO 45001:2018) and the environment (ISO 14001:2015). The programme to include all business units in the multi-site certificate started in 2015. In subsequent years, various business units were added in the field of quality management systems. From 2017, a start was made in adding business units in the fields of safety, health and environment. In 2019, a successful transition from OHSAS 18001 to ISO 45001 took place and IHC India was added to the multi-site ISO9001:2015 certificate for quality management.

In addition, Royal IHC Ltd, Dredge Equipment, Robbins, South Africa, Middle East and Asia Pacific were added to the multi-site certificate ISO 45001 for safety and health. Shipbuilding, Dredge Equipment, Robbins, South Africa, Middle East and Asia Pacific were added to the multi-site ISO14001 certificate for environmental management. North America and Latin America have acquired single-site ISO 9001:2015 certificates. With IHC’s internationalisation, the focus in the past year was on getting our international units more involved in certification. Work on this will continue in 2020.

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. Unfortunately, due to a delay in the publication of our 2018 annual report we were unable to participate in the latest benchmark. We have taken measures to prevent this from happening again.

2019 CERTIFICATE OVERVIEW

- QUALITY ISO9001: 72%
- ENVIRONMENT ISO14001: 48%
- HEALTH AND SAFETY ISO45001: 72%

SCORE DEVELOPMENT TRANSPARENCY BENCHMARK 2010-2017

- SCORE
- RANKING


20 48 50 92 92 83 106 120

8% 12% 12% 8% 8% 0% 8% 8%
SUSTAINABILITY WITHIN IHC

The IHC corporate strategy, developed in 2014, is based on five building blocks: ‘customer-oriented and sales-driven’, ‘operational efficiency’, ‘employer of choice’, ‘innovation’ and ‘internationalisation’. Each of these blocks has specific CSR challenges that are reported on in the scope of the chosen themes.

As of 2019, we have aligned our strategy to the UN Sustainable Development Goals (UNSDGs) in order to understand our contribution to the global sustainability agenda. This is an important first step for us, as we haven’t yet formulated specific goals for each SDG.

Our reporting themes are discussed in a biennial 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.

The eight materiality themes for 2019 are: sustainable product development; carbon footprint; safety; anti-corruption; education and training; employee health; supply chain responsibility; and giving back to local communities. In this structure, we present the most important developments for 2019 and changes in indicators compared with previous years.

MANAGEMENT AND CONTROL OF THE CSR POLICY

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

The CSR steering group plays an advisory role with a broad internal delegation. The CFO represents the Board of Management in this body and 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 ensuring 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.
It can sometimes be difficult for an organisation to establish a focus for its CSR policy. Within IHC, we have established our focus by using a materiality assessment which helps sort themes depending on how significant they are. In 2019, a new assessment was done to determine IHC’s priorities.

Part of the assessment consisted of engagement with our most impactful and important internal and external stakeholders. The following stakeholder groups took part in the 2019 materiality assessment:
- suppliers
- influential sector groups
- government and regulatory bodies
- banks and credit insurers
- customers
- IHC managers.

The survey received 95 responses and interviews were held with a couple of key customers. Based on an analysis, the CSR steering group decided not to add any new topics to report on, but decided on three key topics for 2020: safety awareness; supply chain responsibility; and emission vessels.

Scope of the material themes
The scope of the material themes is not confined only to IHC, it also includes the chain of suppliers and 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 provides courses for customers, it is not part of the scope of the training and education theme, as this is focused on the activities of the IHC Academy.
Typically, IHC is in the business of newly built vessels, but currently it is converting McDermott’s pipelay and construction vessel AMAZON. It is being upgraded with a state-of-the-art J-lay system, which will help position it as one of the world’s top ultra-deepwater vessels. The ship was delivered to the conversion yard in Rotterdam (The Netherlands) at the end of 2019.

The significant modifications that need to take place at a temporary yard make it a complex project not just technically, but also from a safety point of view. Not only are we dealing with an active vessel, unlike on a regular shipyard, but we also need to take into account that hundreds of people from around the world must all comply with the same safety standards – immediately. That’s not an easy task.

To create the right safety culture and help everyone on site meet McDermott’s rules and standards, we established a safety centre at the conversion yard. The centre is unavoidable when entering the yard, as people must walk through it to get to any other part of the site. The room itself is spacious, and bootsteps on the floor guide visitors through large, colourful signs about safety rules and standards.

HSE Manager for the AMAZON conversion Peter Ridley explains: “The concept behind it is that when you walk through the gate, the first thing you encounter is safety. So, there is no excuse not to know a safety rule. We arrived at this concept because it was straight to the point. The pictorials help to get the message across, which is useful for the many different people that come here – the visuals are simple but effective.”

The right-hand side of the safety centre is mostly for visitors or new employees, and where basic safety information can be found. For example, the kind of PPE that is required, what to do in case of emergencies, house rules and the layout of the site. There’s a huge board dedicated to reporting incidents that reflect the open reporting culture created on the site. The wall holds SHARP cards that employees can use to report incidents and the HIT card, which is designed as a handy tool for last-minute risk assessments. The left-hand side of the safety centre offers more details. Among other features, there’s a wall of risk assessments and safety instructions for specific operational activities.

It is more than just a room with safety signs, and its primary function is actually to act as an information hub. “You can copy-paste the room with its signs to other locations, but it is also all about how you promote it,” adds HSE Officer Bart van Dun. “If you create a centre but don’t do anything with it, it won’t be used. By constantly referring to this safety centre and making it multifunctional, we can keep it relevant and a place for people to come for information.”

The safety centre is definitely seeing success as it is used by everyone at the yard on a daily basis. On occasion, new workers queue up to use the computers for the induction videos, or at other times, they might be checking the weather station ahead of a large-scale lifting operation. The safety centre aligns perfectly with IHC’s efforts to lower work-related injuries and increase the safety awareness of its employees. This chosen course will continue in 2020.

The safety centre aligns perfectly with IHC’s efforts to lower work-related injuries

JEANINE PEPPINK - VAN DER STERREN
SHEQ consultant

The right-hand side of the safety centre is mostly for visitors or new employees, and where basic safety information can be found. For example, the kind of PPE that is required, what to do in case of emergencies, house rules and the layout of the site. There’s a huge board dedicated to reporting incidents that reflect the open reporting culture created on the site. The wall holds SHARP cards that employees can use to report incidents and the HIT card, which is designed as a handy tool for last-minute risk assessments. The left-hand side of the safety centre offers more details. Among other features, there’s a wall of risk assessments and safety instructions for specific operational activities.
INNOVATION AND SUSTAINABLE PRODUCT DEVELOPMENT

IHC invests in developing and delivering optimal and sustainable technological solutions which provide optimal operational value for 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 – namely, the group innovation board – based on the criteria in the innovation strategy. This same body monitors and assesses the progress of innovation projects.

In 2019, we reformulated our innovation strategy. We have put focus on the following worldwide trends: climate change; demand for resources; urbanisation; rapid technology development; and sustainability and internationalisation. This has led to an innovation strategy with the following five innovation themes:

1. Maximum earning capacity
2. CO2-neutral
3. Predictable performance
4. Expanded operational limits
5. Autonomous operation

The current projects that have been assessed by the group innovation board have multiple links with the trends as described above. Some examples of key innovation projects are as follows:

- Our zero-emission vessel project addresses the urgent climate change trend, and will contribute to our vessels decreasing CO2 emissions. Our goal is that by 2030, IHC-built vessels are emission neutral.
- The deep-sea mining programme is connected to the scarcity of minerals. With new green energy storage systems, there is a rise in the demand for certain minerals. Many of these can be found on the ocean floor. In 2019, the deep-sea mining programme was focused on the development of a mining crawler.
- The rapid changes in technology make it possible to have more autonomous functions for our equipment. The design of an autonomous dredger is a good example. Autonomy in sailing is being developed by multiple parties in the world and IHC adds to this the potential for autonomous dredging.
- As a spin-off from our diving equipment developments, IHC has developed rectangular hyperbaric oxygen treatment chambers that are used in hospitals for the treatment of patients. In this way, IHC is supporting people’s health.

Alongside aligning the innovation projects with our own innovation strategy, we also want to assess the projects against the UNSDGs to obtain a better understanding of how they contribute to these global environmental and societal goals.

IHC’S 2019 CONTRIBUTION (TIME SPENT ON INNOVATION) TO THE UNSDG

- Sustainable cities and communities: 19%
- Industry, innovation and infrastructure: 39%
- Responsible consumption and production: 14%
- Quality education: 9%
- Peace, justice and strong institutions: 7%
- Climate action: 6%
- Affordable and clean energy: 4%
- Other: 2%
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. The carbon footprint of IHC is calculated and reported each year. The data from the previous four years is also re-calculated with modern standards to give an exact representation of IHC’s carbon footprint.

Solar Panels

National energy consumption (total: 19,834,296KwH)

For environmental and economic reasons, we installed solar panels in 2016 at two IHC sites: Oude Apeldoornseweg in Apeldoorn and Industrieweg in Sliedrecht. In August 2017, panels were also installed at Molendijk in Sliedrecht. In 2018 and 2019, no new solar panels were added.

From 2017 to 2018, IHC produced 45% more energy from solar energy (527,656kWh). In 2019, the total yield of the solar panels was 530,875kWh, a 0.6% growth compared to 2018. Of this yield, 36,769kWh is returned to the electricity grid. In relation to all IHC’s Dutch company locations, the yield of the solar panels was c.a. 2.8% of the total electricity consumption.

International energy consumption (total: 280,303KwH)

IHC Robbins, our Australian mineral sands mining specialist, has already installed solar panels historically, but only data from since 2019 has been included in the reporting for this CSR Report. In 2019, the total yield of the solar panels was 3,759kWh. Of this yield, 3,059kWh is returned to the electricity grid. In relation to IHC Robbins (only), the yield of the solar panels was c.a. 5.09% of the total electricity consumption of that location. In relation to all IHC locations, the yield of solar energy was 2.64% of the total electricity consumption.

National gas consumption (total: 1,700,672.65m$^3$)

This year, IHC’s total gas consumption was 1,700,672.65m$^3$. This is a significant decrease of 16.7% compared to 2018 and the reasons for this are the recent mild winters and decrease of IHC’s activities.

Business air transport

With branches and projects all over the world, IHC employees must travel a great deal. Compared to 2018, business air travel has increased significantly. There are multiple reasons for this, however.

The first reason is the company’s strategy of ‘internationalisation’, in which it is increasing ownership within the clusters. Although the number of flights has increased in the short term for training and consultation internationally, there is expected to be a decrease in air travel at IHC in the long term. The second reason is that more IHC business units register their air travel through our travel agency. Due to this, the carbon footprint related to air travel (in kilometres) doubled compared to 2018. As more business units have reported their air travel figure, the data offers a distorted picture of the actual carbon footprint reduction between 2018 and 2019.

National total CO2 emissions (as per ISO 14064-1 scope 1 and 2)

The total CO2 emissions for 2019 resulting from electricity consumption, gas consumption and business company fleet is 15,429 tonnes. This is a reduction of 9.3% compared to the emissions from 2018, and on the basis of this data a carbon footprint of 3.13 (kg CO2/man-hour) has been calculated.

There was a significant reduction in the carbon footprint compared to 2018 (3.34), which meant that the objective for 2019 to reduce the carbon footprint by 3% was achieved.

### CO2 EQUIVALENT PER MAN/HOUR WORKED (DUTCH BUSINESS LOCATIONS)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Fuel consumption - company fleet</td>
<td>0.23</td>
<td>0.15</td>
<td>0.21</td>
<td>0.24</td>
<td>0.23</td>
</tr>
<tr>
<td>Natural gas consumption</td>
<td>0.60</td>
<td>0.73</td>
<td>0.75</td>
<td>0.69</td>
<td>0.72</td>
</tr>
</tbody>
</table>

### INDIRECT ENERGY CONSUMPTION

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption</td>
<td>2.25</td>
<td>2.46</td>
<td>2.31</td>
<td>2.59</td>
<td>3.03</td>
</tr>
<tr>
<td>Carbon footprint (Kg CO2/man-hour worked)</td>
<td>3.13</td>
<td>3.34</td>
<td>3.26</td>
<td>3.52</td>
<td>3.99</td>
</tr>
</tbody>
</table>
SAFETY

Safety at IHC includes achieving awareness and implementing high standards during both the production and operational phase of products and projects. The policy with respect to safety 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.

Every month, the accident figures of the entire 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 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 and evaluations (RI&Es) are regularly carried out by various business units in order to improve the working conditions for our employees. The results of RI&Es are linked to the results of the prevention 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 2019, 30 LTIs were reported for the entire group. The LTI frequency (LTIF) relates this number to the total hours worked and a total LTIF of 4.5 was recorded for 2019. The total recorded injury rate (TRIR) was 8.26. Unfortunately, we have seen a big increase in work-related incidents compared to 2018, breaking the downward trend IHC had for many years. The high amount of work-related incidents required us to take immediate action and we therefore decided to launch an 18-month safety awareness campaign starting in 2020. This will engage employees at all levels of the company and strive to promote better accountability and ownership.

The scope of the reported accident figures covers the company’s own employees and personnel hired in working at IHC’s Dutch business locations. Subcontractors are not yet included in these statistics.

In its annual ‘Health and Safety and Absenteeism’ benchmark 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 2018 within the sector was 2.9. In 2019, we are above the sector average with a LTIF of 4.5.

More important than charting the ‘lagging’ safety performance indicator (LTIF) is looking at the proactive (‘leading’) indicators used to prevent undesired incidents. Throughout IHC, we use the SHARP-Card to report dangerous situations and activities. In 2019, 1,278 reports were made, compared to 567 in 2018. The reports have more than doubled. This gives IHC the opportunity to work more proactively on unsafe situations and to not only measure accidents but also prevent them.

ANTI-CORRUPTION

IHC stands for honesty and ethical practices with respect to the way it conducts business. Bribery and corruption are contrary to these values and unacceptable to IHC. The Board of Management emphasises the importance it attaches to tackling corruption with its anti-corruption regulations. The Board is strict about adhering to the set procedures, which form a solid foundation for anti-corruption. This policy applies to IHC and all of its business units, both within and outside The Netherlands. All employees and partners of IHC must be aware of our anti-corruption regulations and actively commit themselves to integrity in business.

HEALTH

Integral health policy

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. There is an integrated health policy whereby IHC proactively works to improve the absenteeism percentage. With this integral health policy, IHC strives to contribute to the personal health of its employees.

At some IHC locations, an in-house gym is available for our employees. In the headquarters, a personal trainer is working together with our employees to achieve personal goals and the gym is also available for non-employees. The motto ‘Fit 4 the Future’ is key. IHC aims to achieve and maintain the vitality and enthusiasm of its employees. We work together with the health and safety service Arbo Unie to implement this policy.

The starting point for the health policy is that the employer and employees are jointly responsible for promoting wellbeing and a healthy lifestyle. As an employer, IHC establishes the frameworks within which our employees are able to work safely and healthily. The policy consists of four aspects:

- vitality
- skilled
- flexible
- culture and leadership.

In 2019 we increased communication about the policy on management level, but due to the turbulent times at IHC we were unable pursue more extensive efforts.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Fatal accident</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Lost-time injuries (absence &gt; 8 hours)</td>
<td>30</td>
<td>15</td>
<td>16</td>
<td>43</td>
</tr>
<tr>
<td>Restricted work cases</td>
<td>5</td>
<td>13</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Medical Treatment Cases</td>
<td>19</td>
<td>14</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>Lost Time Injury Frequency (total)</td>
<td>4.5</td>
<td>2.3</td>
<td>3.23</td>
<td>8.09</td>
</tr>
<tr>
<td>Total Recordable Injury Rate</td>
<td>8.26</td>
<td>8.65</td>
<td>9.68</td>
<td>11.67</td>
</tr>
</tbody>
</table>

* Part of the LR assurance scope
Absenteeism

The result of the actions within the integral health policy is partially reflected in the annual absenteeism percentage. IHC’s absenteeism percentage for 2019 was 3.78%, compared to 4.28% in 2018. We see a continued downwards trend in this indicator. The absenteeism frequency (the average days of absenteeism per employee) in 2019 was 1.18, compared to 1.22 in 2018 and still remains relatively high. This could relate to the work pressure due to the challenges we’ve faced with some of our major projects. However, we are below the FME benchmark of 1.33.

The implementation of our absenteeism system Xpert Suite in 2019, helped us to get a better handle on our absenteeism rate. The system allows us to follow the complete process and efficiently manage specifically our long-term absences. In 2019, we trained our case managers in this method and the use of the new system. We also trained 100 managers on how to manage absenteeism more effectively.
ENVIRONMENTAL INCIDENTS
Reducing the negative impact of our activities on the environment is one of IHC’s priorities and achieved by implementing environmental management standards during both the production and operational phase of products and projects. The policy with respect to protecting the environment is centrally managed and controlled by the corporate SHEQ-CSR department. The line management is responsible for implementing environment-related issues in the operational processes and also safeguards the environment during the implementation of daily work.

Every month, the incident figures of the entire organisation are reported and announced to personnel via intranet and publication boards. This report is also part of the consultation structure of the Board of Management and Executive Committee (ExCo).

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Environmental accidents*</td>
<td>22</td>
<td>18</td>
<td>31</td>
</tr>
</tbody>
</table>

* Total no. of accidents, national and international

In 2019, 22 environmental incidents were reported for the entire group. Unfortunately, we have seen a slight increase in the amount of incidents compared to 2018, breaking the downward trend we had for many years. The most common environmental incidents involved small amounts of oil leaked on the ground.

2019: SPARTACUS hydraulic oil spill
The most significant environmental incident occurred in the afternoon of 26 March 2019 at the Krimpen shipyard during the flushing of a hydraulic system on deck of the SPARTACUS. Before the system was flushed, a pressure test was conducted (100 bar). The result was ’good’. During the flushing of the hydraulic system, the pump speed was increased to 2,000 rpm, at which time a plug came loose in the pipework, causing approximately 100 litres of hydraulic oil to leak on deck and into the water.

As soon as the incident happened, the team stopped the flushing and depressurised the system. IHC’s own cleaning company and emergency response team that was immediately deployed started to clean the hydraulic oil, place oil barriers in the water, and facilitate other measures to contain the situation. The authorities were notified and a specialist cleaning company was engaged.

EDUCATION AND TRAINING
IHC Academy
Using the motto ‘encouraging development’, the Academy offers our employees training in the form of e-learning and classroom sessions or a combination of both (so-called ‘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 2019, our international units also joined the Academy and can use the e-learning training.

Due to IHC’s financial situation in 2019, the ExCo had to reduce the resources available for training activities. Only the safety and craftsmanship trainings are still organised by the Academy. This is also reflected in the figures for 2019.

The training programmes which run via the Academy represent around 55% of the total training budget. The reporting of our training is only about the programmes which run via the IHC Academy. The data of 2018 represents ca. 70% of the total training budget of that year. If this difference is taken into account, it shows that there is no big significant difference between the average training hours per FTE in 2019 compared to the previous year.

Performance management
Focused recruitment, development and retention of talent is crucial for IHC to continue to be successful and support the building of a diverse workforce. Therefore, we have developed a new recruitment, performance and talent management cycle. As digitisation is key in the employee experience, we have enrolled Workday in line with our new processes. In 2019, we implemented the new way of working for all our employees and will further optimise its use in 2020.

Personal objectives are drawn up at the start of each year, evaluated during the year in a mid-year review, and assessed at the end of the year. Over the coming year we will, alongside personal business goals, put more focus on individual behavioural goals in line with our three core values: commitment, partnership and innovation. Employees will also have an individual goal relating to SHEQ.

In addition, a development conversation between manager and employee is part of the development cycle. They will discuss development needs and make a plan together on which competencies must be developed and what type of development is needed.

According to our CLA in The Netherlands, each employee is allotted at least eight hours for personal development.

We have continued to develop new craftsmen by offering young stars, direct from secondary school, to follow a practical education programme in our TDC in close cooperation with our education partner, D Van College in Dordrecht. We will educate them to become a welder, pipe fitter, shipbuilder or service engineer. In 2020, we will continue to develop these craftsmanship skills.

In 2019, we continued our work on developing a more diverse workforce. In the same year, the gender ratio was 15% female to 85% male, and still behind our ambition. In 2020, we will continue to work actively to increase diversity, not only limited to gender, but also in terms of different perspectives, experiences, opinions, working styles or expectations.

With a view to the transformation of IHC, a programme has been delivered focusing on accelerating organisational change. It was delivered in 2019 and will continue throughout 2020.

Together, we develop our colleagues to ensure a stronger IHC and continue to build a great place to work.
In 2016, IHC celebrated the launch of DEME’s LNG-powered trailing suction hopper dredger MINERVA – a milestone in the implementation of alternative fuels for the dredging industry. The search for cleaner fuels is of great importance for the maritime sector, as emissions are contributing to climate change and air pollution. Pressure is added to the industry with more stringent emission regulations on both international and national levels, and changing customer demands.

While LNG as a fuel is now becoming a proven and available commercial option, research and development are continuing in alternative fuels. A preliminary review of alternative fuels for the shipping industry in 2016 by The Netherlands Maritime Knowledge Centre showed methanol as a viable option for further research.

This led to the launch of the Green Maritime Methanol consortium in early 2019. Nine ships were selected for research, including both new and existing designs. The different operational profiles of the vessels will provide specific insights into the feasibility of methanol as a fuel compared to low-sulphur marine diesel.

Not only will operational aspects be taken into account, but many other complex questions will also be answered, such as: what safety measures need to be taken? What are the optimal bunkering strategies? Where is the methanol sourced, and in what way does the production and storage capacity match the demand for maritime fuel use?

In order to answer this range of questions, the project involves partners from across the maritime supply chain. Bernardete Gonçalves Castro is IHC MTI’s R&D Manager and represents Royal IHC in the consortium. She is in charge of all R&D projects related to ship propulsion and emission reduction: “We know that fossil fuels are not the future and have been working on energy transition topics for many years. We want to be able to help our customers make the best selection in their fuel choice, and that’s why this project is so interesting for us.

“While we’ve gained a good understanding of LNG, there’s still a gap in knowledge in the industry when it comes to methanol as an alternative fuel for our vessels. This consortium will help us to collectively answer some crucial questions and obtain a better understanding of the entire supply chain. We cannot solve this alone, we need each other.”

Pieter ’t Hart from the Maritime Knowledge Centre also believes in the power of collaboration: “What I like about these projects is the ability to learn from each other. As a shipyard, you might only focus on the customer, but there’s a whole lot of other aspects that play a part: the port, suppliers, as well as laws and regulations. It’s about involving the right people at an early stage to activate the supply chain. This project aims to provide room for everyone in the process. This type of stakeholder engagement is not always common practice, but it helps to reveal things you might not have noticed otherwise.”

BERNADETE GONÇALVES CASTRO
R&D Manager at IHC MTI

We cannot solve this alone, we need each other

GREENT MARITIME METHANOL
SUSTAINABLE ENTREPRENEURSHIP

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

IHC focuses its activities on the continuous development of equipment for the dredging, offshore, and mining and tunnelling markets. The value chain of such products is complex and we strive to get an 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 its value chain, in which R&D/product innovation/engineering, production and life-cycle 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.

HOW IHC REGARDS THE CURRENT VALUE CHAIN AND ITS IMPACT

IHC’s main customers are dredging companies, oil and gas conglomerates, offshore contractors, mining houses and public authorities. This encompasses leading players on the world market as well as small local contractors, and companies and regional governments. In 2019, IHC used 6,969 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.

Our preferred suppliers go through a pre-qualification process in which documentation is also reviewed on CSR aspects such as working conditions, safety, environment and sustainability. We are committed to the continuous improvement of the due diligence process and increasing our CSR focus. New preferred suppliers and critical suppliers are audited using the QLIFT methodology. This dictates the minimum CSR requirements by using minimum requirements ‘wish profiles’:

- The supplier verifies that it respects and meets international and local laws and legislation and employment contracts relating to working conditions and remuneration.
- The supplier declares that it respects universal human rights and does not engage in child labour, forced labour and discrimination. The supplier takes responsibility for the occupational health, safety and working conditions under which its goods are manufactured and its services performed. The supplier ensures that its personnel comply with any instructions provided by IHC in respect hereof. For example, if employees of the supplier are working on locations managed by IHC, or if IHC’s employees are working on locations managed by the supplier.
- The supplier verifies that any materials and equipment used during the manufacturing of its goods and the performance of its services, comply with all relevant occupational health and safety laws and regulations, and the supplied goods shall be without adulteration or infringe one or multiple intellectual property rights. The supplier indemnifies and holds IHC harmless from – and against – any claims by third parties, including IHC’s customers’ employees and consultants, resulting from any such non-compliant, unsafe or faulty materials and/or equipment.
- If applicable: suppliers of components must deliver a material declaration as input for the ‘green passport’. Suppliers of components are capable of demonstrating, prior to each delivery, which substances and materials with toxic properties are part of the delivery and are capable of submitting a detailed statement to IHC regarding the properties and composition of those substances and materials.
- The supplier has adequate tools and processes in place to ensure full compliance with the relevant international and local laws and regulations for the performance of its goods and services, in particular regarding orderliness, quality, occupational health, safety and environmental safety.

We make careful assessments using our buying power to improve the CSR performance of suppliers. The pre-qualification and audit processes serve as the guideline for improvement when we choose to invest in long-term relationships.
SUPPORTING LOCAL COMMUNITIES

This theme falls primarily under the IHC Foundation. IHC uses its passion and knowledge from the organisation and its employees to improve the lives of children and adults for whom a small amount 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.

Elim Foundation

Elim Foundation from Maassluis in The Netherlands supports an important project for children in Anjungan, Indonesia. The two main activities are maintaining a children’s home and an agricultural school. The current sleeping places of the school are poor for both boys and girls, so the school must be renovated and adapted to serve as a children’s home. The plan is to have the new children’s home ready in two years. In addition, a road and water supply must be installed by means of three water silos. The IHC Foundation has supported this project with a financial contribution for materials, and future assistance in the installation of the water silos.

Mercy Ships

In the summer of 2019, the IHC Foundation made it possible for six IHC employees to travel to the world’s largest hospital ship – AFRICA MERCY – to contribute to its annual maintenance. The IHC Foundation paid for travel and accommodation costs, and the employees donated their own free time. AFRICA MERCY is a part of Mercy Ships, an international medical aid organisation that gives people in the poor coastal areas of Africa free medical care and carries out renovation projects. Every year for a period of two months, the AFRICA MERCY docks at Las Palmas, Gran Canaria for major maintenance.

Besides these projects, the IHC Foundation supported various smaller and local initiatives in 2019. 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, there is a separate initiative in the UK (UK Charity Focus Group). In 2019, €7,121 was raised by the UK Charity Focus Group and €56,412 under the IHC Foundation. These sums have been combined and summarised in the table below. Most donations fall under the category of social and cultural projects.

TOTAL DONATIONS FROM FOUNDATION ACTIVITIES (IN EUROS) DIVIDED INTO GOALS

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Social and cultural projects</td>
<td>49,212</td>
<td>73,777</td>
<td>102,719</td>
<td>95,792</td>
</tr>
<tr>
<td>Personal sponsorship of IHC employees</td>
<td>4,500</td>
<td>9,262</td>
<td>3,480</td>
<td>14,999</td>
</tr>
<tr>
<td>Sports initiatives</td>
<td>2,700</td>
<td>30,900</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>UK Charity Focus Group (£ 6,223)</td>
<td>7,121</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>63,533</td>
<td>113,939</td>
<td>107,199</td>
<td>111,791</td>
</tr>
</tbody>
</table>

*Part of the LR assurance scope

The fact that this amount is lower than last year is understandable. A great initiative to help local charity groups in Mozambique recover from extreme floods was unfortunately not finalised in 2019. Within expectations, this will be realised in 2020.
As of 2019, we have aligned our strategy to the UNSDGs in order to understand our contribution to the global sustainability agenda. The eight materiality themes for 2020 are: sustainable product development; carbon footprint; safety; anti-corruption; education and training; employee health; supply chain responsibility; and giving back to local communities. We will work on all themes, but the main focus and priority in 2020 will be zero-emission vessels, supply chain responsibility and a safe workplace.
### OUR EMPLOYEES

#### NUMBER OF EMPLOYEES

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 827 insourced employees during 2019.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees</th>
<th>Working outside NL</th>
<th>Permanent contracts</th>
<th>Temporary contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2,722</td>
<td>803</td>
<td>2,248</td>
<td>427</td>
</tr>
<tr>
<td>2018</td>
<td>2,737</td>
<td>703</td>
<td>2,177</td>
<td>506</td>
</tr>
<tr>
<td>2017</td>
<td>2,368</td>
<td>624</td>
<td>2,748</td>
<td>262</td>
</tr>
<tr>
<td>2016</td>
<td>2,657</td>
<td>608</td>
<td>2,956</td>
<td>299</td>
</tr>
</tbody>
</table>

#### EDUCATIONAL BACKGROUND

Most IHC employees have a secondary vocational (MBO) or higher vocational education (HBO) (67.9% combined). 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 HBO level of education grew by 4% within three years.

<table>
<thead>
<tr>
<th>Year</th>
<th>University level (WO)</th>
<th>Higher vocational education level (HBO)</th>
<th>Secondary vocational education level (MBO)</th>
<th>Junior secondary vocational education level (LBO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>18.04</td>
<td>28.69</td>
<td>39.2</td>
<td>14.07</td>
</tr>
<tr>
<td>2018</td>
<td>18</td>
<td>28.7</td>
<td>39.2</td>
<td>14.1</td>
</tr>
<tr>
<td>2017</td>
<td>16.7</td>
<td>27.6</td>
<td>40.3</td>
<td>15.4</td>
</tr>
<tr>
<td>2016</td>
<td>14.2</td>
<td>24.5</td>
<td>43.2</td>
<td>18.1</td>
</tr>
</tbody>
</table>

#### MALE/FEMALE DISTRIBUTION

For years, the organisation has employed a majority of men. Since 2015 however, more women have joined the company. In 2019, we saw the percentage of women rise to 15% and the percentage of men fall to 85%.

<table>
<thead>
<tr>
<th>Year</th>
<th>MALE</th>
<th>FEMALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>2018</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>2017</td>
<td>87.1%</td>
<td>12.9%</td>
</tr>
<tr>
<td>2016</td>
<td>87.8%</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

#### AGE DISTRIBUTION

The average age of IHC employees was 42 in 2019. This is a slight increase compared with previous years. Growth is particularly visible in the age category 55-64. This is a result of hiring senior employees in order to secure more experience and knowledge in the company.

<table>
<thead>
<tr>
<th>Year</th>
<th>15-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>42.4</td>
<td>6%</td>
<td>24.1%</td>
<td>26%</td>
<td>19%</td>
<td>1%</td>
</tr>
<tr>
<td>2018</td>
<td>41.1</td>
<td>6.3%</td>
<td>29.1%</td>
<td>24.5%</td>
<td>15.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2017</td>
<td>41.5</td>
<td>6.2%</td>
<td>26.2%</td>
<td>23.8%</td>
<td>19.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2016</td>
<td>42.2</td>
<td>7.2%</td>
<td>25.2%</td>
<td>23.7%</td>
<td>19.9%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

#### INFLUX

The total number of new employees in 2019 was 527, of which 103 were recruited via external agencies and 281 employees were recruited by the IHC recruitment team. This represents considerable growth compared to 2018, when the total number of new employees was 384.
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 CSR report. The report for 2019 covers the period from 1 January to 31 December 2019 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 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 report 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 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 within the internal business operations and therefore provides annual

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, scope 1 and scope 2 are included in IHC’s carbon footprint calculation. Due to the nature and activities of IHC businesses the carbon footprint of air travel is also reported. 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 2020 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 CSR annual report 2018.

Contact
IHC invites its stakeholders to provide feedback about or engage in a dialogue regarding its CSR policy, the objectives, results and the reporting standard.

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

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

Includes international offices in Australia, Middle East and Asia Pacific for which only ISMF is reported on.

Includes IQIP services in Malaysia, Germany, America and Hong Kong.

Includes all international offices.

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 IHP locations.
LARS VAN ‘T LAND
- FUNCTIONAL APPLICATION MANAGER / EFFECTIVE INFLUENCING

The performance management talks with my manager gave me the idea to undertake the ‘effective influencing’ training. After several recommendations from colleagues, I registered myself via the IHC Academy, the training course lasted three days. If I remember correctly, the first day consisted of a plenary session where we got to know each other a little more and familiarize ourselves with the course itself.

The second day focused more on individual development and the third day consisted of practical exercises. My experience of the training course was that it was useful and I would recommend it to everyone. I liked that I was able to follow this particular course with other people from IHC who were not my direct colleagues. As a result, you automatically get to know people from other departments with different expertise. Now, I am able to apply elements that I learned during the course, including being able to say “no”.

JASON TWIGT
- MODERN BUSINESS ADMINISTRATION

For a while, I had the idea to study modern business administration (higher vocational education level, or HBO), because I want to continue developing myself. This programme also fits in perfectly with my previous education – business administration (secondary vocational education, or MBO4). It took some time to start my studies, because I entered IHC as a temporary employee and that accelerated when I began working (full-time) for IHC. When IHC offered me a place on the training course, I immediately said “yes”.

The training course is tough at the moment, but doable. I put it between 8-10 hours a week and it is easy to combine with work. Through my studies, I am learning more about the underlying processes behind everyday activities. Currently, I am studying with a colleague and I would certainly recommend this programme to others.

JORDY KOOLE
- EMERGENCY RESPONSE TEAM, TEAM LEADER

Before I started this training course, I was a volunteer with the emergency response team (ERT). When I decided to change my role, I chose to take an extra course to become an ERT Team Leader. The position of team leader suits me and I signed up for this course through the Academy. This was a very smooth process because I had already registered myself for a course before and knew my way around the Academy website.

My experiences of the team leader course are that it is very educational and thorough, and I would certainly recommend it to other colleagues. At the moment, I can apply everything I have learned during regular ERT exercises. Fortunately, I have not yet had to use these skills during a real-life emergency.

MIEKE VISSER
- SALES SUPPORT / CUSTOMER SUPPORT

I have worked in the customer support department for many years, where I am in contact with customers using IHC Beavers®. Usually, the communication with these customers was done in Dutch, but because of a recent change in my customer base, I now also have to communicate in English.

Due to this, I decided to apply for the English training course and give my language skills a boost. I experienced the course as very pleasant and educational, and attended classes with pleasure. When there is a follow-up course within IHC, I will undoubtedly sign up.

I realized that the most important thing is self-confidence. I am communicating in English all day via email or telephone, and this course makes me feel more confident in this respect.
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One of the themes of IHC’s sustainability strategy is to support local communities, in order to give back and make a difference to the regions in which we operate. We see plenty of examples in which IHC and its employees support local communities and initiatives. From participating in a beach cleanup in Croatia, to sponsored runs in the UK, or the various charities that receive financial support from the IHC Foundation.

But how do we go beyond charitable acts and make a long-lasting impact on local communities? Special Projects Director of Americas Marcello Pecci has delivered successful results by taking an approach that supports local communities in Uruguay. This article dives into the results of this approach and the lessons learnt.

Marcello is responsible for complex projects for IHC, from the planning phase to implementation. In 2016, together with his team, he went to Uruguay to set up an IHC branch and deliver a custom-built trailing suction hopper dredger (TSHD) for Administración Nacional de Puertos (ANP) in Montevideo. As Uruguay is looking to develop its local shipbuilding industry, an important criterion for this project was that 70% of the vessel was to be built in Uruguay. As this size of work vessel had never been built in the country before, being able to meet this criterion required some creative thinking.

RETRAINING OF MORE THAN 150 LOCAL PEOPLE
In order to build the vessel locally as much as possible, partnerships were made by IHC with the local metallurgical labour union and the National Professional Training Agency to train Uruguayan workers. “At first, the local workers’ union was thinking of sending them to The Netherlands,” explains Marcello. “But we knew that this was going to be too inefficient, so we ended up doing it in Uruguay instead. We used local teachers and our own IHC staff to train more than 150 Uruguayan workers in several disciplines, such as welding, painting, assembly and fitting. For example, a partnership with a local university allowed them to use their welding stations and classrooms. It is really nice to shape a country’s industry and improve people’s lives by transferring the knowledge that we have.”

REPLACING THE SHIPYARD’S FLOODGATE
To build the vessel, the team found a yard from the Uruguayan Navy that had a slipway on which blocks could be erected and a graving dock for final assembly. The shipyard didn’t want to accept cash payments for the slipway rental, however, and instead asked IHC to make an investment. “We discussed it with them, and they came up with the idea to replace their floodgate,” adds Marcello. “It was from 1929, so it was extremely old. The nearly 100-year-old floodgate made the graving dock very unsafe and dangerous, so it was an important replacement.” In 2017, they managed to replace the floodgate in close cooperation with another IHC business unit, Vuyk Engineering. Marcello also talks about the creative approach they took: “We opted for a design with modular building blocks from Brazil that were assembled in Uruguay. This modular approach allowed us to use an easier and less expensive method of transportation – by road using flatbed trucks instead of by sea.”

In addition, the same amount of money was spent on the floodgate replacement as would have been spent renting the graving dock and slipway. A crane truck was also given to the navy, bringing the total investment sum to over USD 5.4 million.

WHAT WERE THE BENEFITS OF THIS APPROACH?
So, was it a ‘win-win-win’ situation for all stakeholders? Uruguay gained expertise, a newly trained workforce and jobs in the shipbuilding sector. “It was the first dredger built in Uruguay in its entire history,” says Marcello. “They have now realised they can do that successfully.” Moreover, the shipyard gained a new floodgate, leading to safer operations and a more competitive yard. And what about IHC? “It opened up a market for us,” confirms Marcello. “They’ve seen the potential in building work vessels locally and we are now participating in all of their bids. In fact, IHC has already begun building a Beaver in Uruguay. Not only that, but it also allowed us to further explore this approach and potentially apply it to other countries.”

Marcello indicates that a Colombian delegation, present at the launch of the custom-made hopper dredger, was impressed with their work, and he is optimistic about similar orders in other South American countries, in line with IHC’s internationalisation strategy.

HOW WAS THE COOPERATION WITHIN IHC ON THIS PROJECT?
Marcello insists that this project was only made possible because of the cooperation of the various IHC business units involved in the shipbuilding process. SAS Htop, Dredge Equipment, Pipin, Interior, Shipbuilding, Metalix and Vuyk Engineering were some of those involved in the project. “The expertise and integration of the different business units was paramount to the success of the vessel,” concludes Marcello. It showed in the results: they delivered the vessel two months ahead of schedule!
Cooperation between Koninklijke Metaalunie, FME, FNV Metaal, CNV Vakmensen and De Unie, which promotes safe and healthy working in the metalworking industry.

GENERAL DATA PROTECTION REGULATION (GDPR)
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 its 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.

CSR
Corporate social responsibility.

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 Organisation. As a specialist 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 aspects 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 result 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 sick employees. Employers must, together with the employee and health and safety organisation, ensure that sick employees are able to return to work as soon as possible.
LR INDEPENDENT ASSURANCE STATEMENT

This Assurance Statement has been prepared for IHC Merwede Holding B.V. in accordance with our contract but is intended for the readers of this Report.

TERMS OF ENGAGEMENT
Lloyd’s Register Quality Assurance Limited (LR) was commissioned by IHC Merwede Holding B.V. (further Royal IHC) to provide independent assurance on its sustainable information in the ‘CSR report 2019’ ("the Report") against the assurance criteria below to a limited level of assurance using LR’s Verification procedure. LR’s verification procedure is based on current best practice, is in accordance with ISAE 3000 and uses the following principles - inclusivity, materiality, responsiveness and reliability of performance data.

Our assurance engagement covered Royal IHC’s Report (dated 16 April 2020) and only the sustainability data reported as the following figures: Number of employees (FTE), Lost Time Injuries (LTIs), Lost Time Injuries Frequency (LTFI), TRIR, National Electricity consumption, National Gas consumption, National Carbon Footprint, Support for local communities, Average training hours completed per FTE. The data for these figures in the scope of our engagement are marked with (*) an asterisk in the Report. And only for the operations and activities of Royal IHC and specifically the following requirements:
• Verifying conformance with Royal IHC’s reporting methodologies.
• Evaluating the accuracy and reliability of the data and information for these indicators only disclosed in the Report.

Our assurance engagement excluded:
• Data and information related to the GRI reporting.
• The key figures for 2015-2018 which had been verified by other parties. LR verified only that these datasets were transferred correctly into the Report.
• All financial disclosures, opinions and visions, interviews, graphical images, personal statements and future plans as well as links to external or other information made in the Report. Also references to other data, information and pages of the report.

Our assurance engagement excluded the data and information of Royal IHC’s suppliers, contractors and any third parties mentioned in the report.

LR’s responsibility is only to Royal IHC LR disclaims any liability or responsibility to others as explained in the end footnote. Royal IHC’s responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of Royal IHC.

LR’S OPINION
Based on LR’s approach nothing has come to our attention that would cause us to believe that Royal IHC has not, in all material respects:
• Met the requirements above.
• Disclosed accurate and reliable performance data and information as no errors or omissions were detected.
• Covered all the issues that are important to the stakeholders and readers of this report.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.
NOTE
The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

LR’S APPROACH
LR’s assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:
• Reviewing Royal IHC’s process for identifying and determining material issues. We did this by interviewing the person responsible and assessing the process of stakeholder engagement to confirm that social, health and environmental issues raised by stakeholders were addressed in the Report.
• Auditing and analysing Royal IHC’s data management systems to confirm that there were no significant errors, omissions or misstatements in the Report for the selected social, health and environmental issues. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also interviewed those key people responsible for drafting the Report and for compiling the data.
• Reviewing supporting evidence made available by Royal IHC for the verification of the Report.
• Evidence was sampled only at Royal IHC’s Head Office in Kinderdijk, the Netherlands, in accordance with our contract. Therefore, verification of data back to its original source was carried out remotely for individual locations.

OBSERVATIONS
Further observations and findings, made during the assurance engagement, are:
• Stakeholder inclusivity and Responsiveness: In 2019 Royal IHC a new assessment was conducted to define the new CSR material topics. The result of this engagement process is partly reflected in the Report of 2019 and will according to Royal IHC be fully reflected in the Report of 2020. We are not aware of any performance issues that have not been addressed within the Report for the potential key stakeholders of Royal IHC.
• Materiality: We are not aware of any material issues concerning Royal IHC’s sustainability performance that have been excluded from the report.
• Reliability: Data and information management systems are considered to be well defined. Errors found during the verification were corrected manually for this Report. However, to ensure the reliability of data disclosed in future reports, especially for new KPI’s, Royal IHC should further improve their internal verification and control procedures and improve the defined responsibility for the reported KPI’s at the relevant levels and divisions in the organisation.

LR’S STANDARDS, COMPETENCE AND INDEPENDENCE
LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17021-1 Conformity assessment – Requirements for bodies providing audit and certification of management systems that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent. LR is Royal IHC certification body for Certification schemes ISO9001, ISO14001 and ISO45001. We also provide Royal IHC with a range of training services related to Management Systems. The verification and certification assessments are the only work undertaken by LR for Royal IHC and as such does not compromise our independence or impartiality.

16 April 2020
Joep Ottenheim
Lead Verifier Lloyd’s Register