In a world constantly subject to political and economic change, Royal IHC enables its customers to realise complex projects in the most challenging maritime environments, from sea level to the ocean floor. We are a reliable supplier of innovative and efficient equipment, ships and services for the offshore, dredging and marine mining markets.

With a rich Dutch shipbuilding history going back to the mid-17th century, we have in-depth knowledge and experience of engineering and the production of high-performance integrated ships and equipment, and the provision of sustainable services.

From our head office in the Netherlands and with 3,000 employees at different locations worldwide, we are able to guarantee local presence and support on every continent.

Dredging companies, oil and gas groups, offshore contractors, mining companies and governments around the world benefit from IHC’s high-quality solutions and services. Thanks to our ongoing commitment to technological innovation, in which sustainability and safety play an important role, we strive to constantly fulfill the specific needs of every customer in a rapidly changing world.
The world is changing continuously and at high speed, where we are faced with a multitude of challenges. Most notable in 2015 was the clear impact of low oil prices on the markets in which Royal IHC (IHC) operates. Declining growth in China, Iran’s return to the market, increased production volumes in the battle for market share, in particular in Russia and Saudi Arabia, and even more efficient alternative technologies for fossil fuel exploration and production are expected to keep prices low in 2016. Combined with increased international competition and the intensified search for more efficiency plus a reduction in production costs, this forced IHC’s decision in 2015 to accelerate the implementation of its strategy for 2020, among other things by establish international construction capacity and at the same time reducing the number of shipyards in the Netherlands. This will gradually reduce the number of jobs in the Netherlands. After an agreement on the redundancy programme was concluded with the trade unions in late 2015, agreement was also reached on the reorganisation with the IHC Works Council in early 2016. Above measures are being taken, on the one hand, in order to continue to guarantee the stability and financial health of IHC in the future and, on the other hand, in order to make the organisation more cost-efficient and more flexible and focused on our customers and markets.

At the same time, the developments around the oil prices, but also the ongoing tightening of laws and regulations, provide an incentive for IHC to become more innovative in order to also continue to supply the added value to our customers and stakeholders that they want, in this fast-changing world. As a way of reinforcing this, sustainability has been identified as one of the core values in the IHC 2020 strategy. By means of sustainable innovations, IHC can ensure that its products will continue to comply with legislation and regulations in the future, so assuring its customers’ license-to-operate, ensuring that we use raw materials and materials in a more efficient and cost-efficient manner, and maximising the potential deployment of ships and installations. This approach is centred on the life-cycle of the product, which is intended to reduce its social and environmental impact during each phase of its life span. In order to achieve this, IHC is not limiting itself to internal developments but is seeking to work together with chain partners. For instance, IHC is an active participant in the MVO Nederland (CSR Netherlands) Maritime sector programme, we are taking part in Dutch and European research projects such as Blue Nodules, and we regularly participate in international trade missions.

Another important theme within IHC’s social policy is health & safety. In early 2015 we lost a young employee to a fatal accident. This incident greatly shocked everyone and our thoughts go out to his family and friends. The incident once again shows that safety is a priority for the entire organisation and that we need to prioritise awareness, education and training every day in order to further raise safety standards at IHC. During Security Week, we therefore strongly emphasised the importance of drawing attention to unsafe behaviour on the part of colleagues. The aim of our health policy is fitter employees. Being fitter makes people more aware at work and unsafe situations are recognized sooner. By acting proactively, we will improve the health and performance of both employees and the company as a whole.

With the integration of corporate social responsibility within the central SHEQ-CSR organisation, CSR policy has gained new impetus over the past year. Important spearheads within the central policy are health and safety in the workplace, introducing a central management system for quality, safety and environmental standards, and formulating quantitative CSR objectives for all business units. However, we cannot implement a thorough CSR policy alone. Over the past year, we have involved our stakeholders in the company’s social policy in various ways. We will continue to do so in 2016. For this reason, I warmly invite you to enter into a dialogue with us about IHC’s CSR policy and results, and how this can contribute to the successes of our stakeholders. Happy reading!

On behalf of the
Board of Management,
Dave Vander Heyde
CFO, CSR Advisory Council
Water always finds a way. The course of rivers changes the land without affecting the individual character of the river or the landscape. Corporate social responsibility (CSR) sometimes creates unexpected connections. It has gone from being a separate issue to an element in many projects. More and more, sustainability holds up a mirror to a company’s core processes. The corporate social responsibility approach yields other, new perspectives for IHC. Genuinely becoming more sustainable asks questions of the design of equipment and ships, the innovative strength of the maritime chain with impact on the total life cycle of ships and equipment. Partly as a result, those questions challenge and improve the overall quality of our products and services.

The issues our customers are faced with are changing. The world does not consist of inexhaustible resources and a robust economy needs companies that look beyond private profit. For IHC, that also means that its markets are changing and new markets are being added – for example, deep-sea mining and harvesting seaweed. Whereas deep-sea mining represents an obvious fit with IHC’s activities, at first glance facilitating the sustainable harvesting of seaweed may not be. The knowledge which IHC has about water and equipment contributes to solutions to both these issues and new challenges.

Looking at our existing markets, an ongoing dialogue with stakeholders teaches us what improvements are needed. Their wishes relate to ship design, safety, the deployment of equipment and services and more. Our dialogue with them is resulting in equipment and ships which are becoming ever more compatible with customer needs and comply with the latest standards.

Finance is increasingly being channelled to projects and enterprises in which sustainability is translated into concrete products and services. Interest rate discounts are used as an incentive to fit out both existing and new ships with equipment that meets the highest emissions standards. Product development is the ideal forum for translating CSR standards to design. Operational efficiency is an important pillar within IHC’s strategy.

Success factors in the maritime industry lie in the area of cooperation and new income models. Sustainability is taking place at several points in the chain. Approaching projects in a different way creates room for new innovations. One of the new income models is the reuse of waste and residual materials. The circular economy affects different industries, but the maritime sector is still lagging behind. A scheme for scrapping ships is currently being considered. The scheme aims to prevent European ships from being scrapped in a non-sustainable way. Reuse extends from materials previously used but also to ‘new’ old materials.

Innovation is not necessarily associated with the materials or the customers, but more with the applications and the specific point in the chain. This innovation is gradually creating new opportunities for IHC: both in terms of the deployment and sale of equipment and in terms of our role in the value chain.

3D printing provides an example of the re-use of materials. The technique is still in its infancy and the costs are still high, but the expected applications could represent a breakthrough within the maritime world – not just in terms of how residual material is used, but also in terms of how parts are supplied, how stocks are managed and how supply chains work. As an international player, the global market is our home market. New technologies provide opportunities to produce more efficiently while maintaining quality and speed.

The ability to reprocess what once were valuable raw materials calls for cooperation throughout the value chain. It calls for expertise which is available among customers of customers or suppliers of suppliers. Expertise which is essential within an entirely different industry but was not yet so within the maritime industry. This may also mean that with that the current role of IHC will change considerably.

Closer to our home market but similarly challenging is the issue of floods and deltas. Worldwide, the risk of flooding is commonplace for too many developing countries. Being able to continue living where your house stands is of extremely great value in a number of Asian countries. With the help of maritime knowledge, it is possible to develop and implement sustainable plans to ensure that delta regions remain habitable.

Solutions to such complex issues emerge in consultation with customers, local players, water consultants and non-governmental organisations (NGOs).

Not only are global issues changing, the methods of production are also subject to significant change. Roboticization has become an essential feature of the maritime sector and brings benefits in terms of stable quality and reduced physical stress on employees. The fact that certain activities no longer have to be done by employees presents us with a social issue. How do we equip our people with higher-level skills and at what speed do we ‘robotise’ production? We are performing studies into the opportunities available in dialogue with other companies and industry associations, explicitly including the social dimension.

The frameworks within which we do business are changing. Increasingly, governments are setting standards that projects must meet if they are to be executed. Impact on people and the
environment will remain relevant and is increasingly subject to monitoring. The way in which companies work and work together with local communities is part of the evaluation of projects. Is this reducing our room to manoeuvre? Perhaps, but frameworks also establish clarity and create new opportunities.

Trends

Corporate strategy and CSR policy
The IHC corporate strategy developed in 2014 is based on five building blocks, i.e. “client oriented”, “operational efficiency”, “employer of choice”, “innovation” and “internationalisation”. One of the core values of the strategy is sustainability, which is implemented through the CSR policy.

IHC’s CSR policy is based on three pillars: “Sustainable Entrepreneurship”, “Social Responsibility” and “Environmental Accountability”. Through the sustainable entrepreneurship pillar, IHC aims to retain its healthy financial position in order to provide assurance to stakeholders that the company can put its CSR ambitions into practice now and in the future. The key factor under social responsibility is the social commitment of the company in the broadest sense of the word; not just inside the company gates but also among our suppliers, subcontractors and society in general. The third pillar, environmental accountability, represents the responsibility that IHC has as a company in terms of limiting the environmental impact of our products, services and activities.

Based on the three pillars and the dialogue with stakeholders, seven material topics have been defined which enjoy the highest priority within IHC’s CSR policy. By translating these material topics into practice, the social policy will contribute to the five building blocks of our corporate strategy.

Management and control of social aspects
The implementation of the CSR policy is the responsibility of the entire organisation. Our central SHEQ-CSR Department is responsible for implementing the policy and monitoring progress and results. In this task, it is supported by the CSR advisory council. The advisory council is made up by persons from right across the IHC organisation. The Board of Management is represented by the CFO. In this way, the various departments are involved in the implementation of the material topics. The advisory council is chaired by the SHEQ-CSR director and represents the link between the Board of Management and the IHC organisation. The tasks and responsibilities of the advisory council are formulating group-wide objectives, facilitating the implementation of the CSR policy, evaluating the results, and internal and external communication. Where appropriate, the advisory council will adjust or tighten up objectives on the basis of results achieved or feedback from internal and external stakeholders, the Board of Management or the Supervisory Board. Every quarter, progress is reported to the Supervisory Board. This makes social policy, including results and progress, part of the agenda of the Supervisory Board.

International value chain
IHC’s activities are aimed at the ongoing development of design and construction activities for the maritime sector in the dredging, mining and offshore markets. The power of IHC lies in offering complex total solutions, specific equipment and life-cycle support. Our R&D activities are aimed at marketing innovative products and responding to the social issues within the sector. By taking the impact of our products on people and the environment into account in the innovation process, as well as by offering training where the use of products is key, IHC contributes to the environmentally-friendly, economical and safe execution of operations.

Customers, suppliers and partners
IHC’s broad customer base comprises dredging companies, oil and gas conglomerates, offshore contractors and public authorities. These include major players in the global market, small local contractors and regional authorities.

In 2015, IHC used approximately 10,000 suppliers worldwide for the supply of raw materials, other materials, products and services. Of our total costs, about 70% are spent in the external chain.
Our approach to sustainability

In developing its products, services and production methods, IHC is working together with universities, knowledge institutes, public authorities, industry associations, NGOs and other industry partners. Employees from various parts of the company are active in working groups of industry associations and we participate in a number of European subsidy programmes.

Products, services and markets
IHC’s main products are high tech equipment and integrated ships, both in the form of custom-built products and standardised products, 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 installation and maintenance vessels for the wind energy market. For the mining market, we supply integrated mining systems for onshore and nearshore mining projects. In addition, IHC is actively involved in developments around deep-sea mining. IHC also supplies the maritime market with a wide range of components and complete systems, including installations for foundations delivered by IHC IQIP. These components and systems are also offered for rental.

In support of the equipment and ships supplied, IHC offers life-cycle support to its customers. This means a commitment to our products as well as to our customers’ projects, and involves providing a service in the form of complete logistics support, training and assistance on board. This worldwide and lifetime product support aims to optimise performance and employability of our products, monitor their correct and safe operation and guarantee maximum return on investment by reducing operational costs. At the operational level, our customers are advised by IHC Dredging Consultants and IHC Mining Advisory Services.

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 can be tailored to customers’ specific needs.

Social aspects
Safety is a major issue in the maritime sector. Under the influence of pressure from society and the associated laws and regulations, the offshore industry in particular has developed high safety standards. Led by the offshore industry, safety standards right across the maritime sector are rapidly rising.

Parties are facing increasingly stricter environmental laws and regulations in the dredging, offshore and mining industries. Relevant environmental issues in these sectors include emissions from diesel installations on board, turbidity from and settlement of fine sediment in sensitive ecosystems, and underwater noise. The contractors play an important role in reducing the environmental impact, but this development also offers opportunities and possibilities for innovation to the suppliers in the maritime chain.

Other aspects which play an important role in these sectors are corruption and supply chain management. Because it involves the supply of capital goods, the sector in which IHC operates is prone to corruption and companies are expected to take measures to combat this. The production chain, including the sourcing of raw materials and production methods at supply companies, is also essential in this regard.

Materiality and stakeholder involvement
The material topics have been defined by the CSR advisory council. KPIs have been defined for all topics based on our strategy, internal aims, the expectations of our stakeholders and GRi. Most material topics include innovation/development of sustainable products, safety, CO₂ emissions, supply chain management, health, training and support for local communities. Every year, the material topics are discussed with our stakeholders and, if necessary, the materiality matrix is adjusted.

Scope of material topics
The scope of the material topics ranges from suppliers to customers, focusing on the own internal processes. The material topics cannot be tackled in isolation from one another. For instance, the aspects of safety and CO₂ emissions also overlap with innovation for the customers. Despite the fact that the scope of the material topics extends beyond the internal processes of IHC, for the time being IHC’s social policy and hence reporting are focused on the internal processes. In the years to come, the policy including reporting will be extended to cover the full scope of the material topics.

LNG hoppers

The dredging industry is facing a major challenge to reduce emissions. Furthermore, dredging companies increasingly demonstrate a motivation to conduct operations in an environmentally friendly and sustainable manner. A few years ago, IHC began an investigation to make trailing suction hopper dredgers sail on liquefied natural gas (LNG) without compromising on the size of the ship or the hopper volume. By using LNG, the CO₂ emissions and NOx emissions are reduced by about 20% and 80% respectively. Emissions of SOx and atmospheric particles (PM) will even be practically eliminated. With this the LNG trailing suction hopper dredgers comply with the most stringent emission levels. In 2015, IHC and DEME signed an agreement for the design and construction of two LNG powered trailing suction hopper dredgers. Designing these ships produced a number of challenges. Storage of LNG, for example, requires 2 to 3 times more volume than storage of diesel oil. This makes the positioning of the storage tanks an important choice in the design process affecting the overall layout of the ship. In addition, the use of LNG entails a number of restrictions for the engine room configuration and LNG storage tanks. Also, the dynamics during dredging operations and their impact on the operation of the LNG engines form a complex challenge in the design process.

The 8,000m³ and 3,500m³ LNG hoppers will both be equipped with the 2-speed propulsion system developed by IHC. This system was developed from the ambition to save fuel and with this reduce emissions as well as fuel costs. This system makes it possible to switch back in revolutions when working under partial load. This allows the engine to run at its optimal point in different situations, which benefits the efficiency of both the engine and the propeller. The construction of the LNG hoppers with 2-speed propulsion will start in 2016.
In our approach to sustainability

Stakeholder dialogue
In order to confirm the suitability of the material topics selected and understand our stakeholders’ expectations with regard to social reporting, in 2015 we again contacted a group of stakeholders to ask for feedback on our CSR policy and reporting standard. The results will be used to verify the CSR policy and, where necessary, to adjust or refine it. For the purposes of contacting stakeholders, we divided them into a number of categories, i.e.:

- Customers
- Employees
- Shareholders
- Suppliers
- Insurance companies/pension funds/banks
- Ministries/public institutions
- Knowledge institutes
- Competent authorities
- Industry associations
- NGOs

For each category, a member of the CSR advisory council was designated to approach the stakeholders using his/her personal contacts. When making the selection, the affinity of the stakeholders with CSR and sustainability was taken into account in order to be able to gather informed and critical input.

A short questionnaire was presented to the selected stakeholders. By means of this questionnaire, they were able to give an opinion on how important they thought the topics selected by IHC were for IHC and for the sector. The stakeholders were also asked what they thought about the reporting standard and the degree of transparency. Again, they were given the opportunity to provide critical feedback on areas we can improve.

In total, 36 stakeholders from the different categories took the opportunity to provide feedback. This number was lower than expected. The manner in which the stakeholder dialogue is conducted will be reassessed by the CSR advisory council in 2016 in order to increase the response.

Few differences were observable in the prioritisation of material topics by the different stakeholder groups. However, there was a clear distinction by category in the feedback on the reporting standard and level of transparency. For example, the suppliers indicated that they would like to see IHC sharing information more actively, whereas the banks noted that they very much appreciate the open dialogue with IHC. In addition, the banks said they would be interested in seeing the carbon footprints of products and more statistical reporting on accidents. The industry associations indicated that the annual reporting by IHC contributes to the positive image of the Dutch shipbuilding industry in general, but that more frequent interim reports would be of value to the stakeholders. The competent authorities expressed the wish that IHC provides a preview of the HR figures and describes how the company contributes to the obligations under the Participation Act.

Materiality matrix
The materiality matrix is a representation of the internal and external relevance of the material topics defined for IHC. The horizontal axis represents the internal relevance (from ‘relevant’ to ‘highly relevant’), while the vertical axis shows the subjects rated by relevance to the sector (from ‘relevant’ to ‘highly relevant’).

The materiality matrix has been readjusted based on the results of the stakeholder dialogue. The most important changes compared to last year are the fact that the themes of health and safety are listed separately and the increased priority for security and the carbon footprint. We also opted to modify the way in which the materiality matrix is presented to enable a broader representation of the material topics.

The scope of social reporting focuses on the topics identified by the stakeholders as relevant to the sector and to IHC. In addition, the HR figures have been included in order to meet our stakeholders’ information requirements.

Innovation & Intellectual Property
IHC is committed to developing and delivering optimum technological solutions that yield maximum value for our customers. Our preference is for sustainable solutions driven by market developments and customer demand. Innovation is important in order to maintain and enhance our market position, but also in order to guarantee our customers’ license-to-operate in the future. Our ambitions and objectives have been set out in the IHC Innovation Strategy. This strategy serves to streamline the innovative power of R&D departments, business development and market intelligence. The extent to which projects fit in with the innovation strategy and meet the criteria laid down is assessed and reviewed centrally. Following approval of the projects, progress is also monitored by the same body.

In order to be able to present sustainable solutions to the market, IHC conducts a lot of research into the environmental impact of dredging, offshore and mining activities in collaboration with academic and research institutes, and IHC participates in various working groups, research projects and consortia. The key elements of sustainable product development and innovation within IHC comprise:

- Research into environmental effects
  IHC actively supports a range of programmes conducting research into the environmental impact of maritime activities. For example, IHC is a partner in the MIDAS programme – a European multidisciplinary research programme investigating the environmental impact of the extraction of minerals and energy resources from the deep sea environment in collaboration with scientific institutions and industrial partners.

- Optimisation of fuel consumption and emissions reduction
  For a large part of IHC’s product portfolio, fuel consumption during the operational phase makes a significant contribution to environmental impact. Moreover, emissions standards are becoming tightened all the time. In order to move with this trend and guarantee our customers that the products supplied meet the stringent emissions requirements, we are focusing heavily on research into reducing our fuel consumption and emissions. We have a range of ongoing R&D programmes aimed at optimising the drive train, identifying alternative fuels and reducing emissions.

- Mitigation of underwater noise
  There is an increasing focus on the impact of underwater noise caused by anthropogenic (human) maritime activities. In some countries, limits are already in place on underwater noise levels as a result of specific maritime activities. It is expected that these requirements will continue to be extended. In order to be prepared for this, IHC is conducting research into underwater noise. A Noise Mitigation Screen (NMS) has already been marketed to reduce the noise generated by pile drivers so as to remain within the standards now in place. For the dredging market, too, IHC is conducting research into the noise levels of the ships we deliver.

- Use of materials
  IHC is conducting various studies into the use of materials in order to optimise the weight of its products, reduce costs and limit waste flows. On request IHC’s ships can also be supplied with a green passport that provides an overview of the quantities and locations of harmful materials so that these can be removed in a safe and responsible manner when the vessels are scrapped.

- Raising the safety standard during operations
  Safety is a major issue in the maritime industry. The influence of the offshore industry on the wider maritime sector is clearly visible in terms of safety. The maintenance of high safety standards on board its ships and during the use of equipment is a high priority in the development processes at IHC. For example, various adjustments are being made in terms of design, safety measures are taken during specific operations and safety is an important point in the debate about alternative fuels.

In 2015, IHC had a wide range of topics in its innovation portfolio. More than 10% of these projects are clearly sustainable.

Intellectual Property

Directly related to innovation and the development of sustainable products is a company’s intellectual property. In order to be able to continue to innovate and launch new products onto the market, it is important that IHC creates a market in which we can operate freely. This is accomplished by registering technological innovations in the form of patents. As a result of our active policy with regard to intellectual property, we also have a good sense of developments among our competitors and the areas within the market which are already protected. In this way, we can avoid infringing the patent rights of other companies on the one hand, while on the other remaining alert to developments among other market participants that can inspire our own innovations or may affect our own patents.

In 2015, there were approximately 25 patents pending. On 31 December 2015, IHC had a total of 196 patent families, of which 152 had been granted in one or more countries. Each year, all the patents are reviewed and if they are no longer relevant they are discontinued. As a result, we may see a smaller increase or...
Supply chain responsibility

As a player in a market in which about 70% of total costs are spent in the external chain, responsible supply chain management is one of our spearheads. In 2015, a change was instituted in the structure of our supply chain management. The huge roster of suppliers which has grown over the years will be reduced to a select group of key suppliers. The aim of this approach is to be able to work with our suppliers more efficiently and together drive up standards of safety, health, human rights and the environment within the chain.

As a result of this change in our supply chain management, the evaluation of suppliers using the QLIFT method came to a virtual standstill in 2015. In view of the ongoing aim of raising standards in collaboration with our partners in the chain, the evaluation of suppliers and the drafting of improvement plans will resume once the new supply chain structure is in place and the associated strategies have been defined. However, in 2015 IHC did make a start developing an instrument to assess and develop suppliers in terms of CSR criteria such as the environment, security, compliance and social commitment, together with partners from the maritime industry.

Under the working title “Sustainable procurement in the maritime sector”, this project is aimed at developing a harmonised and sustainable sourcing methodology for the maritime sector. The purpose of this methodology is to establish clear and unambiguous sustainability expectations; it is intended to produce a concrete motivation to increase the sustainability of the products, services and processes of maritime suppliers worldwide. This instrument will make it possible to scan suppliers in the maritime sector in a uniform manner and make the data known to all participating parties. This will result in an efficient audit process, improved insight in the entire chain, increased support for CSR and an additional incentive for improvement throughout the chain. This initiative originated from Royal Boskalis Westminster B.V. Netherlands as part of the Maritime Sector Programme of MVO Nederland (CSR Netherlands) and now consists of the following partners: Heemra Marine Contractors, Koninklijke Boskalis Westminster N.V., Flinter Shipping, Theunissen Technical Trading, Pon Power and ERIKS. It is expected that the first suppliers will be audited in this manner in mid-2016.

By sending out our Code of Conduct to suppliers, we have given a clear message to our chain partners about what we consider important as a company and how we are putting our role as chain director into practice. CSR and sustainability issues will increasingly be part of the dialogue with our chain partners in 2016.

Section 2

Offshore wind energy for clean and reliable energy

Over the past few years the offshore wind energy sector has developed significantly. While previously the question was whether this market would be a permanent one, the question now is mainly how to realise this market.

Driven by a need for energy security and an EU target to achieve 20% of energy from renewable sources by 2020, the offshore wind energy market is becoming increasingly more mature. Despite the technical challenges that offshore wind power entails in comparison to wind farms on land, from a social perspective offshore is preferred. With the current size and growth levels, a great amount of capital is needed from financiers and the subsidy schemes weigh ever more heavily on governments. The challenge to achieve cost levels equal to those in energy generated from fossil fuels is therefore becoming increasingly important. To reduce the cost levels, the entire industry is called on to come up with innovations.

IHC has accepted this challenge and has developed a solution, the iCLV, to lay the cables between the wind turbines in a more efficient and safer way. This is in response to the observation that many of the current ships are used for laying both the inter-array cables (between the wind turbines) and the export cables (between the offshore station and land). Because of this, inter-array cables are often installed using ships that are larger than necessary and less suitable for this particular kind of work. By investing in a solution specifically for inter-array cables, an estimated reduction in cost of 20% to 30% can be realised on this part of the installation.

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Our results

even a decline in the number of patent families, whereas new applications are nevertheless being filed.

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<thead>
<tr>
<th>Year</th>
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Reference date: 31 December
Our employees receive support in achieving their personal goals from HR, the health manager, line management and (external) health specialists. In the near future we will also be appointing a reintegration manager whom employees will be able to call on.

The health manager has an important role to play in the implementation of our health policy. This starts with the ongoing development and improvement of the policy and the (internal) communication of that policy. In addition, the health manager is responsible for the development and management of preventive and curative activities and interventions and providing information and advice about a healthy lifestyle. In order to achieve this, the health manager will consult closely with the medical team and HR and make regular visits to the workplaces of those performing physically and mentally more demanding jobs.

In 2015, significant steps were taken to develop the health policy and raise its profile within the organisation. This has served to increase awareness that a healthier lifestyle is essential if workers are to remain fit and energetic until they reach retirement age. In addition, 27 employees received individual support in adopting a different lifestyle, 19 employees were guided through internal rehabilitation processes, 34 employees received support with stress-related complaints and 13 received help in improving their fitness.

In 2015, various individual and team sporting activities were again organised for IHC employees, such as cycling, swimming, football, ice skating, hockey and rowing. IHC was also once again well represented at running events. A total of 92 employees participated in various running events in IHC teams, such as the Rotterdam Marathon, the Seven Hills Race, the Ladies’ Run, the CPC Run and the Bridges Run. With 429 employees, 129 local residents and 19 retired employees registered as members, our private gym at Kinderdijk was again well attended in 2015.

Our results

Safety

With the establishment of the new SHEQ organisation, safety policy is now also centrally managed and controlled. All the safety experts and prevention officers now fall under the Central SHEQ organisation, which means they are not only accountable within the department in which they work but also to the Group SHEQ-CSR Director. Accident figures are reported every two weeks, making safety a standard part of the Executive Committee’s agenda. Communicating the figures to the whole organisation in a transparent manner also contributes to raising awareness about the importance of safety in the workplace.

An important theme within the 2015 safety campaign is “calling for account on unsafe behaviour”, with the aim of bringing about a change of culture in which employees feel responsible not only for their own safety but also for that of others. This theme was launched during Safety Week by means of a workshop in which 350 employees from both the production environment and the office environment took part. Increasingly, too, safety moments are being scheduled prior to meetings in order to look more closely at safety in the broadest sense of the word.

Within IHC IOP, 2015 saw the start of ‘Hearts & Minds’, the aim is to know where we stand on the safety ladder and bring about changes in the safety culture in order to ultimately reduce the number of accidents. Following the pilot at IQIP, the Hearts & Minds programme will be rolled out further in 2016 within the entire organisation.

With the creation of the central SHEQ-CSR organisation, various initiatives were brought together and made uniform in 2015. For example, work is going on to create a central PPE policy in order to make the rules for the use of PPE consistent across all locations. This policy will not only contribute to reducing the number of accidents, it will also make clearer to employees and visitors which rules apply at the various locations. A central policy is also being drawn up for work permits. In 2015, implementation of this policy began at the shipyards in Krimpen and Kinderdijk. The other locations will follow in 2016. Finally, unambiguous guidelines are being drawn up regarding which certificates are required in order to be permitted to perform particular operations. A summary of authorities and competences will be recorded centrally.

In order to raise safety standards at foreign shipyards with which IHC has partnerships, safety audits are performed. If the standards laid down by IHC are not met, requirements for improvement are stipulated and IHC provides support in completing and implementing measures to raise those standards.

74 Lost Time Injuries and 153 Near Misses were reported in 2015. The objective is to reduce the number of LTI by 50% in 2016. At the same time, Near Misses are to be reported more actively in order to raise awareness further. Important considerations in the drive to reduce the number of accidents relate to working at height, working with/ at high temperatures, working in confined spaces, falling objects and conflicting work activities.

IHC winner of Vitality Battle 2015

We are proud to report that IHC won the Vitality Battle in 2015. We entered a “Young IHC” team which competed against firms such as Shell, ASML, VOZ, Nationale Nederlanden, Capgemini, Ernst & Young, Volvo, Stork, Essent and Atos Consulting.

When drawing up the plan, the “Young IHC” team put itself in the shoes of our employees. Their aim is to prevent absenteeism with a tailored sports and exercise offer. By making use of existing management drives, employees can be approached at the appropriate level and a suitable sports offer put to them. The jury was very positive about this approach: “With this idea, IHC is completely in tune with the needs of its staff. As a result, we believe the plan is highly feasible and a Return on Investment will be quickly visible”, according to Rob Koelwijn (Health Manager KLM).

With the importance of the further rollout of safety programmes, we are not only extending our training programme, but also making the reintegration manager whom employees will be able to call on.

IHC has partnerships, safety audits are performed. If the standards laid down by IHC are not met, requirements for improvement are stipulated and IHC provides support in completing and implementing measures to raise those standards.

IHC winner of Vitality Battle 2015

Lost time injuries frequency (LTIF - 12 months)

Royal IHC CSR Annual Report 2015
**Education & training**

Our employees are our most valuable capital. Well-trained, qualified and experienced staff are a requirement for IHC to continue to keep pace with the changes in the markets in which we operate. Educating and training employees at different levels is therefore a priority within IHC. The employee satisfaction survey conducted in 2015 revealed that staff themselves are highly motivated to continue their development. This desire is being met through various internal and external training and development programmes, which give employees the opportunity to develop themselves and to continue to grow in their roles. Besides job-based courses from preparatory middle-level vocational education (VMMBO) to university level, training to develop personal skills is also provided by the centrally organised IHC Opleidingen BV (IHC training company).

**ONE programme**

In 2015, all the courses offered via the ONE programme were secured within IHC Opleidingen BV. The purpose of ONE IHC training is to develop and deliver a training programme so that all IHC employees can work in accordance with the ONE business processes and work with the new software packages. This training programme is made up of 3 levels.

In the first level, the vision and benefits of the ONE programme are explained and the participants receive an explanation of the new processes and software packages. This is backed up by the “One Experience”: a virtual tour through the ONE-Warehouse containing the new processes. The second level focuses on the specific changes within the participants’ disciplines and the corresponding software packages. In the third level, finally, the participants get to work with the new software packages in order to ensure that all employees are properly prepared for the Go Live.

73 training courses have now been developed since the autumn of 2015, within 11 disciplines and focused on 5 software packages. In 2015, the employees of the Holding company and IHC Vremac Cylinders were trained. A total of 380 employees have now taken one or more One training courses.

**Performance Management**

In 2015, the development and assessment interviews were made uniform within all units of IHC. With the introduction of Performance Management in early 2015, employees and managers throughout the organisation have been encouraged to formulate objectives and development agreements using a uniform template. In order to guide interviews in the right direction and make sure they are effective for all employees, training courses have been offered to the management staff in various ways. For example, the e-learning module was offered to all the managers in 2015 and almost half of all the managers within IHC took the 1-day training course. In 2015 85% of our employees had interviews with their managers in the context of performance management. All the employees were informed about this new system via various internal channels. In addition, all the employees were provided with the Performance Management Book in digital or hard copy form.

**VCA training courses**

In order to increase safety awareness, in 2015 the aim was formulated that all employees should hold a VCA certificate. Employees are assigned to the VCA basic or VCA VOL course on the basis of their jobs. The teaching materials are presented in an e-learning environment. In 2015, 339 employees successfully completed the VCA exam. In total, approximately 66% of our employees now have a VCA certificate.

**Links with training institutes**

IHC recognises the importance of good contacts with training institutes in order to continue to be assured of qualified staff in the future. This starts at secondary school already. We have a partnership agreement with two comprehensive schools in Papendrecht based on the national JET-NET Initiative, which establishes links between the curriculum and projects in the business world. Following a number of successful projects in 2014, talks resumed with these comprehensive schools in late 2015 in order to decide on new joint initiatives for 2016.

In addition, IHC is involved in courses offered by universities and universities of applied sciences. In this context, IHC receives several groups of students each year for a guided tour and dialogue with professionals in order to acquaint them with our products and the markets in which we operate. Through the innovation platform, we also support students in carrying out innovation projects at the RDM campus in Rotterdam and we offer internal internship and graduation positions. In 2015, 216 students took advantage of this opportunity and contributed to a range of topics.

**Seaweed**

A potential market for IHC is the development in the field of harvesting seaweed. Seaweed is a versatile raw material that is expected to play an important role in the increasing demand for food as well as in the advance towards a circular economy. The seaweed industry is a growing market, where cultivated seaweed covers a market share of approximately 90%. Growing seaweed is a labour-intensive industry with a low level of mechanisation. The current installations are only suitable for harvesting wild seaweed from the ocean floor and cannot be used for cultivated seaweed. For now production is taking place mainly in Southeast Asia, where China is the largest producer. China in particular has to contend with a heavy environmental impact as a result of the seaweed production due to the frequent use of fertilizers and destructive harvesting methods.

Large internationals have an increasing demand for seaweed that is grown and harvested in a sustainable and verifiable way. The scaling-up of the industry to meet this demand, requires advanced maritime technology that allows achieving sustainable cultivation. IHC invests its knowledge to contribute to the development of technology for the sowing and harvesting of seaweed, in order to contribute to making a sustainable production of seaweed economically viable.
Based on the available data, the CO₂ emissions from indirect energy consumption (scope 2) in Dutch business locations of IHC and is broken down by emissions carbon footprint annually. The analysis below is focused on the understand the company's energy performance, we calculate our in our production processes and we use lease cars. In order to gas for heating purposes, various energy sources are employed process. For example, in addition to green energy, we use natural gas for heating purposes, various energy sources are employed to promote innovations and help them become more than one-off pilots will play a crucial role. Based on its CSR objectives, IHC has taken the first steps in this regard.

For its electricity supply the Kinderdijk site was dependent on multiple low-voltage connections. In partnership with network operator Stedin, these connections were replaced by a 10 MVA medium-voltage connection in 2015. This has served to greatly reduce transport losses of electricity.

In late 2015, IHC also started exploring how, in partnership with Philips Lighting Benelux, we could maximise sustainability in the purchase of lighting for our production environments in accordance with the ‘Circular Lighting Model’. In this model, Philips retains ownership of the fittings and raw materials and commits itself to maximising their re-use. For the ‘lighting’ service IHC pays monthly and does not invest in ownership.

Supporting local communities

As a company, IHC has a responsibility to the society around it. Since 2012, the IHC Foundation has been channeling the passion and knowledge of the organisation and its employees for the benefit of children and adults for whom a little attention can make a world of difference. Through this foundation, 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 and with the active involvement of IHC employees.

Our results

Carbon Footprint

IHC uses various energy sources for its internal production process. For example, in addition to green energy, we use natural gas for heating purposes, various energy sources are employed in our production processes and we use lease cars. In order to understand the company's energy performance, we calculate our carbon footprint annually. The analysis below is focused on the Dutch business locations of IHC and is broken down by emissions resulting from direct energy consumption (scope 1) and emissions from indirect energy consumption (scope 2).

Based on the available data, the CO₂ emissions by the Dutch sites of IHC over 2015 has been calculated at 33,304 tons. Despite the fact that IHC uses green electricity and CO₂ emissions caused by electricity consumption are in effect zero as a result, electricity consumption is included in the calculation as if it were non-green electricity. The reason for including electricity consumption in the analysis is the objective of reducing power consumption before compensating by means of renewable sources.

Energy audit

Within the framework of the European Energy Efficiency Directive (EED), IHC performed an energy audit for its business locations in the Netherlands in 2015, with the aim of identifying potential savings in primary energy consumption (gas and electricity). The audit consists of 5 steps, i.e.:

1. Mapping energy consumption
2. Calculating the contribution of different users
3. Shedding light on reduction measures already taken
4. Identifying additional reduction measures
5. Cost calculation and calculating the payback period

From the audit, 36 recommendations emerged with the potential to save 18.1% and 21.2% on electricity and gas consumption, respectively. The average payback period of the measures is 2.3 years. These recommendations relate to more energy-efficient resources and influencing awareness regarding conserving energy in the workplace.

In 2015, a start was made on rehousing employees in the office environments. During the associated refurbishment and interior renovations, motion sensors and more energy-efficient light fittings were installed. When replacing roofing at several sites, higher-quality insulation materials were fitted. This development will be continued over the next few years. In the SPC hall (Kinderdijk), the heating and welding smoke extraction systems have been renovated and converted into a system featuring hot air recirculation.

Sustainable energy consumption

The goal of making the energy consumption of businesses more sustainable is increasingly gaining in prominence among public authorities and companies worldwide. Within IHC, too, the use of alternative resources and energy sources is on the agenda.

The province of Zuid-Holland and the municipality of Krimpen aan den IJssel are making efforts to facilitate wind turbines in Stormpolder. IHC is participating in this process based on a commitment to supplying wind energy once the wind turbines have been installed.

By means of the SDE+ subsidy scheme for solar panels, the Ministry of Economic Affairs is stimulating the development of a sustainable energy supply in the Netherlands. In order to build solar capacity IHC has been awarded a subsidy under this business scheme. In 2015, the feasibility of installing solar panels was investigated for multiple locations. In 2016, IHC is expected to take advantage of this subsidy scheme for its Sliedrecht and Apeldoorn sites.

IHC took significant steps in 2015 to improve its digital networks and infrastructures in order to promote the use of modern communication media and reduce the number of business kilometres. Training programmes are being set up in order to embed the efficient use of resources within the organisation.

Cooperation in the value chain

There is a growing awareness that the key to innovative and sustainable entrepreneurship lies in working together. Organising processes within the company and creating a value chain with stakeholders in order to promote innovations and help them become more than one-off pilots will play a crucial role. Based on its CSR objectives, IHC has taken the first steps in this regard.

The IHC Foundation has been involved in a partnership with the Chikupi Vocational Centre in Zambia for several years now; an initiative a young people are offered training in metal working. In spring 2015, the IHC Foundation paid for two teachers to visit the Netherlands to shadow teachers of IHC’s Technical Training Centre in order to extend their knowledge and gain experience with the teaching materials used at IHC.

In the summer of 2015, three IHC employees travelled to Durban, South Africa, in order to do voluntary work for Mercy Ships which involved helping to maintain the African Mercy, the biggest hospital ship in the world. The IHC Foundation paid their travel and accommodation costs, while the employees used some of their annual leave.

In 2015, the IHC Foundation launched a partnership with World Vision in the battle against child labour at the ship-breaking yards in Chittagong, Bangladesh. During training sessions, the children are taught how important education is and what their rights are. In addition, a group of 60 children were given the opportunity to stop work in the ship-breaking yards immediately in order to follow a learning & work programme.

In addition to these projects, the IHC Foundation supported various smaller initiatives in 2015. Among other things these include activities in which IHC employees are involved in a private capacity, sports activities for charity and local initiatives.

### Emissions

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption</td>
<td>2.86 kg CO₂/man hour</td>
</tr>
<tr>
<td>Natural gas consumption</td>
<td>0.72 kg CO₂/man hour</td>
</tr>
<tr>
<td>Fuel consumption by lease vehicles</td>
<td>0.23 kg CO₂/man hour</td>
</tr>
<tr>
<td>Business mileage in private vehicles</td>
<td>0.05 kg CO₂/man hour</td>
</tr>
<tr>
<td>Business air travel</td>
<td>1.79 kg CO₂/man hour</td>
</tr>
<tr>
<td>Total</td>
<td>5.66 kg CO₂/man hour</td>
</tr>
</tbody>
</table>
To create wealth from waste, both economically and ecologically, is an important spearhead for IHC. Currently, after dredging, dredged sediment is transported to sea or depot and dumped there. However, much more is possible with this dredged sediment; it is possible to build using sludge (Building with Nature). The sludge can be consolidated, dehydrated and even be reused in new applications.

IHC is working to increase the value of its customers by offering alternatives for the waste flow of their process, with our historical knowledge of sediment and for the reuse of the various waste products from the dredging cycle. Worldwide, sand is also becoming a scarce commodity. This forces us to think carefully about where and how we can change the various sediments to give them a better application, i.e. the processing of sludge in such a way that all the substances contained in the sludge can be optimally used. To build using natural materials offers a very broad spectrum, ranging from bulk applications to special solutions. In many places, among other things, natural nutrients for agriculture are extracted from the natural course of rivers by dams. These substances are then replaced downstream by artificial fertilizer. Other substances in the sludge are natural binders for example, and are easily processed into building blocks without having to rely any further on our natural reserves.
Looking back and looking ahead

- **Client Oriented**
  - Innovation
  - Environmental Accountability
    - Innovation / development of sustainable products.
  - 100% of the innovation projects have a sustainable character.
  - Contribution to international research projects.
  - Contribution to international research projects.

- **Operational Efficiency**
  - Employer of Choice
    - Operational Efficiency
    - Social Responsibility
      - Safety
      - Formulate quantitative targets based on leading and lagging indicators.
      - 78% of all 138 near misses reported.
      - Maintain 15% reduction in LTIF.
      - By the end of 2016, all IHC employees to be VCA certified.

- **Operational Efficiency**
  - Employer of Choice
    - Social Responsibility
      - Education & Training
      - 73 training courses developed within the Blue IHC programme.
      - 380 employees took an or more new training courses.
      - 10% of the innovation projects have a sustainable character.

- **Operational Efficiency**
  - Employer of Choice
    - Social Responsibility
      - Education & Training
      - Carbon Footprint
      - Reduce CO2 emissions by 2% per year.
      - 75% of employees took an or more new training courses.
      - 380 employees took an or more new training courses.

- **Operational Efficiency**
  - Employer of Choice
    - Social Responsibility
      - Health
      - Determine how stress-related complaints can be reduced.
      - 380 employees took an or more new training courses.
      - 380 employees took an or more new training courses.

- **Operational Efficiency**
  - Employer of Choice
    - Social Responsibility
      - Sustainable Entrepreneurship
        - Support local communities.
      - 2 teachers from Zambia trained at the IHC school.
      - 3 employees contributed to maintenance work on the Africa Mercy.
      - 30 children from the ship-breaking yards in Bangladesh offered training.
      - 350 employees took one or more training courses.
      - 339 employees successfully completed the VCA exam, 66% have a VCA certificate.

<table>
<thead>
<tr>
<th>Strategic building blocks</th>
<th>CSR pillar</th>
<th>Material theme</th>
<th>2015 objectives</th>
<th>2015 results</th>
<th>2016 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Oriented</td>
<td>Innovation</td>
<td>Environmental Accountability</td>
<td>Innovation / development of sustainable products.</td>
<td>100% of the innovation projects have a sustainable character.</td>
<td>Contribution to international research projects.</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Employer of Choice</td>
<td>Social Responsibility</td>
<td>Safety</td>
<td>78% of all 138 near misses reported.</td>
<td>Maintain 15% reduction in LTIF.</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Employer of Choice</td>
<td>Social Responsibility</td>
<td>Education &amp; Training</td>
<td>73 training courses developed within the Blue IHC programme.</td>
<td>380 employees took an or more new training courses.</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Employer of Choice</td>
<td>Social Responsibility</td>
<td>Carbon Footprint</td>
<td>Reduce CO2 emissions by 2% per year.</td>
<td>75% of employees took an or more new training courses.</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Employer of Choice</td>
<td>Social Responsibility</td>
<td>Health</td>
<td>Determine how stress-related complaints can be reduced.</td>
<td>380 employees took an or more new training courses.</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Employer of Choice</td>
<td>Social Responsibility</td>
<td>Sustainable Entrepreneurship</td>
<td>Support local communities.</td>
<td>2 teachers from Zambia trained at the IHC school.</td>
</tr>
</tbody>
</table>

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24 Royal IHC | CSR Annual Report 2015

CSR Annual Report 2015 | Royal IHC 25
IHC carried out an Employee survey in 2015. During the survey we asked how satisfied the employees are about aspects such as leadership, efficiency and role definition. Besides that we investigated how motivated, committed and client-oriented the employees are. Of all the employees who were invited for the survey 67.5% responded. The most important finding is that generally speaking IHC scores lower in the aspect of satisfaction than comparable organisations. The most important improvement points resulting from the survey comprise improvement of leadership, improvement of role definition and increasing motivation. This survey will be repeated annually to monitor where improvements can be realised.

The following tables and charts provide insight in the size and composition of IHC’s workforce. What is most striking in these figures is the increased outflow in 2015, which was partly caused by the announcement of the reorganisation.
HR figures

**Average number of staff employed** (Temporary/permanent)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insourced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total in-house and insourced</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Shipbuilding**
- Temporary: 47
- Permanent: 969
- Total: 1016
- Insourced: 102
- Total in-house and insourced: 1208

**Mission Equipment**
- Temporary: 117
- Permanent: 514
- Total: 631
- Insourced: 195
- Total in-house and insourced: 826

**Services**
- Temporary: 18
- Permanent: 126
- Total: 144
- Insourced: 52
- Total in-house and insourced: 196

**IQIP**
- Temporary: 64
- Permanent: 197
- Total: 261
- Insourced: 84
- Total in-house and insourced: 345

**Marketing & Sales**
- Temporary: 8
- Permanent: 168
- Total: 176
- Insourced: 12
- Total in-house and insourced: 188

**Mining**
- Temporary: 2
- Permanent: 16
- Total: 18
- Insourced: 0
- Total in-house and insourced: 18

**Holding**
- Temporary: 121
- Permanent: 434
- Total: 555
- Insourced: 98
- Total in-house and insourced: 653

**Total IHC 2015**
- Temporary: 377
- Permanent: 2424
- Total: 2801
- Insourced: 633
- Total in-house and insourced: 3434

Due to a lack of new orders the number of insourced employees has decreased sharply in the past year. The number of employees employed by IHC has remained at the same level.

**Age distribution**

<table>
<thead>
<tr>
<th>Age distribution</th>
<th>2015 AVE</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>Shipbuilding</td>
<td>44,2</td>
<td>19,5</td>
<td>21,9</td>
<td>24,8</td>
<td>26,7</td>
<td>20,7</td>
</tr>
<tr>
<td>Mission Equipment</td>
<td>43,1</td>
<td>11,8</td>
<td>13,8</td>
<td>21,7</td>
<td>13,8</td>
<td>11,1</td>
</tr>
<tr>
<td>Services</td>
<td>44,4</td>
<td>26,1</td>
<td>28,3</td>
<td>31,7</td>
<td>23,2</td>
<td>0,0%</td>
</tr>
<tr>
<td>IQIP</td>
<td>39,1</td>
<td>32,6</td>
<td>20,1</td>
<td>21,7</td>
<td>11,8</td>
<td>0,4%</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>42,8</td>
<td>27,6</td>
<td>29,3</td>
<td>21,0</td>
<td>19,5</td>
<td>0,0%</td>
</tr>
</tbody>
</table>
| Mining           | 38,4     | 38,9 | 11,1  | 11,1  | 0,0%  | 0,0%
| Holding          | 39,8     | 26,2 | 21,0  | 13,5  | 0,0%  | 0,0%|

**Total IHC 2015**
- Average age: 41.5
- 25-34: 8.1%
- 35-44: 23.7%
- 45-54: 23.2%
- 55-64: 20.0%
- 65+: 2.1%
- 65+: 0.3%

In 2015 the average age was 41.5. After the decrease of 2014 this figure has increased again. This is caused partly due to the raising of the retirement age.
HR figures

Reasons for departure

<table>
<thead>
<tr>
<th>Reason</th>
<th>Employers' request</th>
<th>Own request</th>
<th>End of contract</th>
<th>Other</th>
<th>Deceased</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding</td>
<td>14</td>
<td>62</td>
<td>23</td>
<td>8</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Mission Equipment</td>
<td>15</td>
<td>26</td>
<td>10</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ISIP</td>
<td>2</td>
<td>11</td>
<td>6</td>
<td>7</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Mining</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Holding</td>
<td>13</td>
<td>24</td>
<td>13</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Total IHC 2015</td>
<td>45</td>
<td>125</td>
<td>56</td>
<td>20</td>
<td>3</td>
<td>27</td>
</tr>
</tbody>
</table>

Percentage 2015: 16.3% 45.3% 20.3% 7.2% 1.3% 9.8% 100%
Total IHC 2014: 34 82 45 15 6 35 217
Total IHC 2013: 36 81 76 36 3 31 262

In 2015 the outflow was significantly higher than in 2014. This was partly caused by the coverage of the upcoming reorganisation. Substantially more employees than in 2014 ended their employment themselves. More contracts were terminated by operation of law and employment ended at the request of the employer occurred more often...

Educational level

<table>
<thead>
<tr>
<th>Level</th>
<th>Lower vocational level (LBO)</th>
<th>Intermediate vocational level (MBO)</th>
<th>Higher vocational level (HBO)</th>
<th>University level (WO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage 2015</td>
<td>19.2%</td>
<td>44.5%</td>
<td>23.5%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Percentage 2014</td>
<td>25.0%</td>
<td>41.8%</td>
<td>21.7%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Percentage 2013</td>
<td>24.9%</td>
<td>44.1%</td>
<td>21.1%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

The figures show that the educational level at IHC is rising, just like it was the case in the preceding years. This trend is expected to continue in the coming years.

Male/female distribution

<table>
<thead>
<tr>
<th>Department</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding</td>
<td>95.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Mission Equipment</td>
<td>92.3%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Services</td>
<td>80.4%</td>
<td>19.6%</td>
</tr>
<tr>
<td>ISIP</td>
<td>90.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>92.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Mining</td>
<td>77.8%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Holding</td>
<td>72.0%</td>
<td>28.0%</td>
</tr>
<tr>
<td>Total distribution 2015</td>
<td>88.3%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total distribution 2014</td>
<td>88.3%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total distribution 2013</td>
<td>88.3%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

Inflow

<table>
<thead>
<tr>
<th>Department</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding</td>
<td>15</td>
</tr>
<tr>
<td>Mission Equipment</td>
<td>21</td>
</tr>
<tr>
<td>Services</td>
<td>0</td>
</tr>
<tr>
<td>ISIP</td>
<td>17</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>2</td>
</tr>
<tr>
<td>Holding</td>
<td>63</td>
</tr>
<tr>
<td>Total IHC 2015</td>
<td>130</td>
</tr>
</tbody>
</table>

Total inflow 2014: 257
Total inflow 2013: 212

The numbers in this table do not include de many internal transfers. Work placement trainees have not been included either. Compared to last year the inflow has decreased sharply because there were fewer vacancies.

For years already the percentage of female employees at IHC has been around 11%. In the past year we saw a slightly upward trend here for the first time.
Organisational structure
The wide diversity of company activities has been structured in six clusters where the commercial and operational processes are close. All activities are carried out from the disciplines marketing & sales, shipbuilding, mission equipment, life-cycle support, offshore tools and mining.

Ownership structure
With a shareholding of 62% IHC, a private limited company, is majority owner of investment company Indoffi Group. Rabo Capital, IHC management and IHC personnel are the other shareholders with 10% and 28% of the shares, respectively.

Board structure
The Supervisory Board and the Board of Management are responsible for the company’s policy and general operations, while protecting the interests of the stakeholders. The Board of Management is responsible for the day-to-day running of the company, formulating long-term strategy and company results. The Supervisory Board monitors the policy and functioning of the Board of Management and also offers management advice to the latter. The Board of Management is accountable to the Supervisory Board.

At 31 December 2015 The Supervisory Board consists of the following members:
- Mr J.C. ten Cate (president)
- Mrs B.H.C. de Bruin
- Mr C.J. de Bruin
- Mr J. van de Horst
- Mr C. Korevaar

At 31 December 2015 the Board of Management consists of:
- Mr A. Roelse (CEO)
- Mr D.A.J.A.G. Vander Heyde (CFO)
- Mr A.M. van Noort (COO)

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 made up of three sub-commissions, which have the authority to consult with the person in charge of the unit in question.

Matters such as the right of consent and the right to put forward recommendations lie with the central works council which consists of chosen WC members.

Values and Standards
IHC wants to deploy its innovative power to meet the increasing demand for sustainable products and services. In addition, the company takes its responsibility with regard to the impact of the company’s activities on society and the environment.

Code of Conduct
IHC has recorded its values and standards in the Code of Conduct which offers a guideline for ethical operation. This Code of Conduct applies to all IHC employees and third parties who carry out activities on behalf of IHC and everyone is expected to comply with the guidelines.

Anti-Corruption regulation
Honesty and integrity with regard to the way it does business is of great importance to IHC. Bribery and corruption is contrary to these values and are unacceptable for IHC. All employees and business relations of IHC are expected to be aware of the Anti-Corruption regulation and that they actively commit themselves to fight bribery and corruption.

Whistleblower regulation
The IHC Whistleblower regulation offers every employee the possibility to report his or her suspicion of an breach of internal or external regulations to the Compliance Officer. The essence of the regulation is the protection that reporters get, the way in which reporting can be done and the follow-ups to the reporting that take place.

Memberships
IHC is a member of various industry associations that are in line with the different markets and sectors in which the company is active and the themes that IHC is dealing with. The diversity of the activities is reflected in the variety of memberships. Through the input via the committees and boards we can take into account our own experience and knowledge of the maritime sector in bringing about new policies. The organisations also contribute to better collaboration between different players. Some of the memberships are to FME, Netherlands Maritime Technology, the IRO, CSR Netherlands and the NWP.

Certifications
Various IHC business units are ISO certified. The majority of the units have an ISO 9001:2008 certificate. In addition, a limited number of units have an OHSAS 18001, ISO 14001 or VCA certificate. In 2015 setting up a multi-site management system for both-quality (9001), safety (45001) as well as environment (14001) was started. All the business units will become linked to it. In 2013 the Holding, Vuijk Engineering and IHC Mining were the first under to become certified for the new ISO 9001 standard under the multi-site management system. It is IHC’s aim to have all the Dutch business units linked to the multi-site system for the three standards at the end of 2018.
In this report, we take a brief look back at 2015. Looking back we can say that 2015 was a unique year but unfortunately not in the positive sense. Of course we are referring to the downsizing of our permanent staff by 15% and the reduction of the flexible ‘shell’, which was announced by management in early June 2015.

Shortly after this, the Works Council started considering a request for an opinion on the downsizing. Quality and due diligence have always come first during this process. The fact that something would have to be done to assure the future of IHC in view of the lack of follow-up orders was (and is) evident to the Works Council. However, there was a difference of opinion between the Works Council and management about the way the problem should be tackled and the number of compulsory redundancies to be made. The Works Council has held talks with management about the proposed downsizing on several occasions. Maintaining as many jobs as possible and the continuity of IHC were the most important principles for the Works Council. In mid-December, a redundancy programme was agreed between management and the trade unions. Ultimately the Works Council only reached an agreement in principle with management about the downsizing in mid-February of this year. Broadly speaking, the agreement involves first looking at how many jobs of the 437 planned to be cut are still occupied and then looking at how many employees can take advantage of the voluntary redundancy and voluntary retirement schemes set out in the redundancy programme. Once this has been done, the number of jobs which still need to be cut will be set against the work available for the coming period. The further phases in the implementation of the programme will be based on this comparison.

Alongside the downsizing, the Works Council also devoted a lot of time to the request for consent for the introduction of the performance management system. The Works Council considers it positive that a uniform appraisal system has been introduced at all levels of the company. The conditions put forward by the Works Council for its consent were proper training of the managers who will be conducting the interviews with staff and a good complaints procedure to which employees can have recourse if they have complaints about their appraisal. At the time of writing this report, HR is working hard on the latter and the Works Council will then be able to proceed to formal consenting to the introduction of performance management. The Works Council has agreed with management that the introduction of the performance management system in 2015 will be treated as a pilot that will not result in any negative consequences from the appraisal for the employees.

Apart from the proposed downsizing, the relocations of various departments have led to anxiety among the employees. The Works Council had asked management to put together a good package of conditions before the relocations took place. The package in question was only submitted to the Works Council for its consent just before the end of the year. At the time of writing this report, the Works Council is considering this request for consent. However, a covenant has been concluded for the move of MTI, containing arrangements to ease the impact of the move on the employees. Among other things, agreements were reached regarding an allowance for additional travel time, extending the flex working times and improved arrangements for removals costs. A working from home pilot has also been set up for these employees. The arrangements set out in the MTI covenant have provided a model for the IHC-wide scheme for the relocation of jobs which is currently being considered by the Works Council.

2015 was also an eventful year in the realm of safety, health and welfare (HSW). For instance, the Works Council’s HSW committee devoted a lot of attention to drafting regulations on the use of alcohol, drugs and medicines. In the first quarter, a good regulation was agreed with management.

In addition, with the consent of the Works Council, risk assessment inventory exercises were conducted at various places within the company in 2015 and the resulting plans of action were evaluated. In late 2015, the HSW committee was also asked to consent to the Health & Safety policy and programme. At the time of writing this report, the committee is still considering this request. Finally, I would like to mention in this report that, thanks to the efforts of the Works Council, an improved study facilities regulation has been created and good ‘on-call’ regulation has been agreed. Before the latter come into force, over the coming year the existing on-call arrangements will first be phased out.

In the coming period the Works Council’s focus will be on working out the details of the agreement in principle on the downsizing. The Works Council will also be closely involved in the rollout of the downsizing. The Works Council hopes to continue to make a positive contribution to the future of IHC through constructive cooperation with you as well as with management.

Martijn van de Beurcht
Chairman of the Works Council

By means of this corporate social responsibility annual report for 2015, IHC provides accountability for its non-financial results for the period from 1 January to 31 December 2015 and for the objectives and aims for the period ahead. Herewith we provide a picture of our social and environmental performance as a supplement to the annual financial report in order to demonstrate the extent to which sustainability is part of our internal business management. The previous corporate social responsibility annual report was published in April 2015.

GRI guidelines
In order to be in line with international standards for CSR reporting, the G4 guidelines of the Global Reporting Initiative were used to determine the content of this annual report. 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 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. The current CSR policy of IHC applies to all the company’s Dutch sites. For this reason, this report only covers the activities, presentations and objectives of the Dutch business units related to the material topics.

Reporting process and date of publication
The CSR Advisory Council is responsible for defining the scope of the annual report, as well as monitoring the reporting process, ensuring the quality of the CSR information and approving the final result. In addition, the content is verified by the relevant departments in order to check for inaccuracies or incomplete information. In order to make sure the content matches the wishes and expectations of our stakeholders, the results of the stakeholder dialogue are used when defining the scope and content.

The fact that different disciplines from within the enterprise are represented in the CSR Advisory Council means that the lines are open to various departments for the purposes of data collection for the reporting. For the time being, this cataloguing exercise is being carried out once a year and the process of consolidating this information is the responsibility of the SHEQ Department.

The Carbon Footprint is calculated according to the guidelines set out in the ISO 14064-1 standard and version 2.2 of the conversion factors of the Foundation for Climate Friendly Procurement and Business. Supplying and validating this data is performed under the responsibility of the Facility Services department.

Compared to previous reports, no changes were made to the definitions and measuring methods used for the reported information in the 2015 corporate social responsibility annual report.

The content of this report has not been verified by an external party. Despite the switch to the GRI guidelines and the definition of the G4 material topics, IHC aspires to further quantify and imbue the CSR objectives within the organisation before proceeding to external authentication.

This annual corporate social responsibility report will be published in mid-May 2016 on IHC’s corporate website (www.royalIHC.com).

Contact
IHC invites its stakeholders to provide feedback on or enter into dialogue about CSR policy and the reporting standard. To do so, please contact:

Mev. M.J. Holtkamp
Email sheq.csr@ihcmerwede.com
## GRI index table

<table>
<thead>
<tr>
<th>General Standard Disclosure</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy and analysis</strong></td>
<td></td>
</tr>
<tr>
<td>G4-1 Statement from the CEO</td>
<td>Foreword</td>
</tr>
<tr>
<td><strong>Organisational profile</strong></td>
<td></td>
</tr>
<tr>
<td>G4-3 Name of the organisation</td>
<td>Company profile</td>
</tr>
<tr>
<td>G4-4 Primary products and services</td>
<td>Company profile</td>
</tr>
<tr>
<td>G4-5 Location of the organisation’s headquarters</td>
<td>About IHC</td>
</tr>
<tr>
<td>G4-6 Countries where the organisation operates</td>
<td>About IHC</td>
</tr>
<tr>
<td>G4-7 Ownership structure and legal form</td>
<td>About IHC</td>
</tr>
<tr>
<td>G4-8 Markets served</td>
<td>Our approach towards sustainability – International value chain</td>
</tr>
<tr>
<td>G4-9 Scale of the organisation</td>
<td>HR figures</td>
</tr>
<tr>
<td>G4-10 Total number of employees</td>
<td>HR figures</td>
</tr>
<tr>
<td>G4-11 Percentage of employees covered by collective bargaining agreements</td>
<td>About IHC</td>
</tr>
<tr>
<td>G4-12 Description of the organisation’s value</td>
<td>Our approach towards sustainability – International value chain</td>
</tr>
<tr>
<td>G4-13 Significant changes during the reporting period regarding the organisation’s size, structure, ownership or the value chain</td>
<td>About IHC, Our approach towards sustainability – International value chain</td>
</tr>
<tr>
<td>G4-14 Application of precautionary principle</td>
<td>IHC Annual Report</td>
</tr>
<tr>
<td>G4-15 Externally developed principles or other initiatives to which the organisation subscribes</td>
<td>Trends</td>
</tr>
<tr>
<td>G4-16 Memberships of associations and/or international advocacy organisations</td>
<td>Over IHC</td>
</tr>
<tr>
<td><strong>Material Aspects and Boundaries</strong></td>
<td></td>
</tr>
<tr>
<td>G4-17 List of all entities included in the organisation’s consolidated annual financial statements</td>
<td>IHC Annual Report</td>
</tr>
<tr>
<td>G4-18 Process for defining the report content</td>
<td>Our approach towards sustainability – Materiality and stakeholder engagement</td>
</tr>
<tr>
<td>G4-19 List of all material aspects identified in the process for defining report content</td>
<td>Our approach towards sustainability – Materiality and stakeholder engagement</td>
</tr>
<tr>
<td>G4-20 The boundaries of the material aspects within the organisation</td>
<td>Our approach towards sustainability – Materiality and stakeholder engagement</td>
</tr>
<tr>
<td>G4-21 The boundaries of the material aspects outside the organisation</td>
<td>Our approach towards sustainability – Materiality and stakeholder engagement</td>
</tr>
<tr>
<td>G4-22 Effects and reasons of restatements</td>
<td>Reporting parameters</td>
</tr>
<tr>
<td>G4-23 Significant changes in material aspects during the reporting period</td>
<td>Our approach towards sustainability</td>
</tr>
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### Specific standard disclosures

<table>
<thead>
<tr>
<th>Material Aspects</th>
<th>Indicators</th>
<th>Chapter</th>
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<tbody>
<tr>
<td>Safety</td>
<td>LA6</td>
<td>Registration of accidents according to type and duration of absence</td>
</tr>
<tr>
<td>Health</td>
<td>LA6</td>
<td>Registration of absenteeism</td>
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<tr>
<td>Development of Sustainable products / Innovation</td>
<td>EN7</td>
<td>Reductions in energy requirements of products</td>
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<tr>
<td>Education and Training</td>
<td>LA11</td>
<td>Percentage of employees with regular performance and career development reviews</td>
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<td>Carbon Footprint</td>
<td>EN3</td>
<td>Energy consumption within the organisation</td>
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<td>EN3</td>
<td>Reduction of energy consumption</td>
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<td>EN6</td>
<td>Direct greenhouse gas emissions</td>
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<td></td>
<td>EN15</td>
<td>Indirect greenhouse gas emissions</td>
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<td></td>
<td>EN16</td>
<td>Reduction greenhouse gas emissions</td>
</tr>
<tr>
<td></td>
<td>EN19</td>
<td>Reductie van uitzett voor broeikasgassen</td>
</tr>
</tbody>
</table>
Anti-corruption regulation
Policy and code of conduct issued by the company in order to combat corruption in daily activities within the company.

Carbon Footprint
The carbon footprint provides an insight to an organisation into the total greenhouse gas emissions created by a company’s products or production processes. Awareness of the carbon footprint gives companies a tool to actively target reductions in 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 Guideline (EEG)
European guideline with the objective of a 20% decrease of the European energy consumption in 2020, which includes obligations for both member states and companies.

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

Lagging indicators
Representation of performances from the past.

Leading indicators
Operational performance indicators that ensures attention to aspects and factors that are important to future success.

License to Operate
The permission to perform an operation and/or to produce.

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 an organisation to demonstrate the relative importance of the material subjects for both the company and the stakeholders.

Material subjects
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 social 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.

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

VCA
Safety, health and environment Checklist for Contractors.