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 of and experience in 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 over 3000 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 fulfil the specific needs of every customer in a rapidly changing world.

### Key Figures 2013-2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td>Turnover (millions of euros)</td>
<td>764.1</td>
<td>1,161.3</td>
<td>1,214.7</td>
<td>984.5</td>
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<tr>
<td>Profit (millions of euros)</td>
<td>-21.6</td>
<td>27.9</td>
<td>124.0</td>
<td>56.3</td>
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<tr>
<td>Employees (end of year)</td>
<td>3,255</td>
<td>3,434</td>
<td>3,263</td>
<td>3,224</td>
</tr>
<tr>
<td>LTIF</td>
<td>7.7</td>
<td>12.7</td>
<td>14.4</td>
<td>na</td>
</tr>
<tr>
<td>Absenteeism (%)</td>
<td>4.89</td>
<td>4.07</td>
<td>4.78</td>
<td>4.62</td>
</tr>
<tr>
<td>Carbon Footprint (kg CO2/man hour)</td>
<td>3.45</td>
<td>3.87</td>
<td>3.86</td>
<td>na</td>
</tr>
<tr>
<td>Support for local communities (IHC Foundation) (euros)</td>
<td>114,193</td>
<td>110,690</td>
<td>119,681</td>
<td>106,850</td>
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</table>
We look back on a turbulent year. After the difficult market conditions we faced in 2015, 2016 proved another turbulent and difficult year. The markets in which IHC is active have shown little improvement in 2016, causing fierce competition and putting the number of orders and thus the margins under pressure. As a result of these market developments, IHC was forced once again to announce a downsizing of the organisation in October 2016. After a process of various months with the trade unions and the Works Council, the social plan was presented to IHC’s employees in late 2016 and approved by the trade unions and the Works Council. Early 2017, the employees were given notice. The challenge before us is one of restoring the stability and financial health of IHC, but also restoring the motivation, solidarity and confidence in a bright future for the remaining workforce.

Despite these severe headwinds, we as an organisation have been able to take steps in the further development of our CSR policy and in achieving our objectives. We have, for instance, managed to reduce the number of accidents resulting in absenteeism by 46% compared to 2015 thanks to an active safety policy, and the SHEQ reporting has become a fixed part of the ExCo meetings. With the introduction of a uniform policy for wearing Personal Protection Equipment, we have provided clarity across all the Dutch business locations, which should contribute to raising safety awareness and reducing the number of accidents. However, despite all the improvements we achieved in 2016 in terms of safety and the environment, it still remains a major concern in 2017. By appointing a reintegration manager and the appointment of a business coach, we have taken significant steps towards reducing absenteeism and reducing long-term absence. In terms of Innovation, we are proud to announce that the first LNG-powered trailing suction hopper dredger, which meets the most stringent emission standards, has been launched at our shipyard in Kinderdijk.

We were able to conclude the year 2016 with a number of excellent developments. Late 2016, for instance, we received several awards for our innovations and technological developments, including the Green Shipping Award 2016, two DPC Innovation Awards, the Maritime Innovation Award 2016 and a MoMo Award for the seaweed harvester; an innovative idea to positively influence climate change in developing countries. By winning these awards, IHC not only received positive publicity, it also encourages us to continue on the chosen path of innovation in the coming years and thus provide our markets with innovative and sustainable solutions. Moreover, at the end of the year, the organisation won a number of interesting orders, which ensured we started 2017 with renewed enthusiasm.

Following the appointment of Dave Vander Heyde as CEO as of 1 September 2016, I took over the reins as CFO and thus the responsibility for the CSR policy. For me personally, this is a new challenge and a great opportunity to further develop and achieve the ambitions of IHC on sustainability and CSR. This was the first year we worked together with accountants to review our non-financial figures for accuracy, with which we took another step towards increasing our transparency and reporting standards. To improve our performance with regard to the social aspects of our business, we highly appreciate the input of our stakeholders. I hereby warmly invite you to enter into a dialogue with us about IHC’s ambitions and how this can contribute to your business management. Happy reading!

On behalf of the Board of Management,

Arie Vergunst
CFO, CSR Advisory Council
Since early 2016, IHC has been engaged in the construction of the first LNG-powered trailing suction hopper dredgers in the world. A key driver for the development of vessels with minimal emissions is the introduction of the Emission Control Areas by the International Maritime Organization (IMO), which makes the reduction of, in particular, sulphur and nitrogen oxides in shipping more important than ever. With the construction of the first LNG-powered trailing suction hopper dredgers, IHC wants to realise its sustainability goals and that of its customers, in this case, DEME.

On 3 December 2016, the first of two LNG-powered trailing suction hopper dredgers under construction was launched at the IHC shipyard in Kinderdijk. This is an important milestone in the dredging industry. Since 2012, IHC has been engaged in research into the use of LNG for dredgers without compromising the performance of the ship or the hopper volume. This had already laid a solid foundation for further development when DEME started the procurement process. With the use of LNG, a major step forward is taken in the reduction of the environmental impact of trailing suction hopper dredgers.

By sailing on LNG, the dual fuel LNG powered ships easily meet the most stringent international emission requirements. In addition, the vessels have a Green Passport and Clean Design. Both ships are also equipped with an innovative 2-speed propulsion which allows for fuel savings during sailing and dredging in part load as well as eco-controllers with which the dredger pump is automatically regulated according to the operating point of optimum efficiency.

DPC INNOVATION AWARD

On 20 November 2016, the design for the first dredgers sailing on LNG was awarded a DPC Innovation Award. The DPC Innovation Awards are awarded in 13 categories on the most innovative and forward looking projects in the dredging and port industry. DEME and IHC won the award in the category ‘Innovative design of dredgers’. The jury commented on the design with the words: “An innovative design was necessary to accommodate the LNG tanks. Although LNG is not new, its use on board of dredgers is. For the specific requirements from the dredging industry, the innovation of LNG as fuel is a major step forward in the design of dredgers. This is an entirely new concept that will have a significant impact on the industry.”

“The development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

This definition of sustainability as formulated in 1987 by the UN Brundtland Commission, has not changed over the years. The interpretation we globally give this definition is subject to continuous developments. While in the 70’s and 80’s of the previous century the focus was particularly on the increasing resource and energy consumption and the associated local pollution, through the years, we have seen a shift towards linking ecology and economy in the 90’s to finding a responsible balance between ‘people, planet and profit’ since the turn of the century.

One of the most recent developments in this respect is the entry into force of the United Nations’ Sustainable Development Goals on 1 January 2016. These objectives succeed the Millennium Development Goals and will be promoted as the global objectives of sustainable development which every country should fulfil. With these objectives in mind, companies can determine their course and distinguish themselves based on their own innovative power and ability.

TRENDS

The challenge for businesses to give practical effect to these objectives is to find new and perhaps unexpected ways to work together. This also applies to the maritime sector, where IHC, as a supplier of a wide range of marine equipment, constantly balances between the influence they can have on the environment and the living environment on the one hand, and the dependence of the demands from the markets it serves on the other. Current market conditions provide an added complexity to this issue. Despite the stormy weather the dredging and offshore market is still in, customers increasingly emphasise the environment and social performance of an organisation and the products supplied. Important aspects thereby are safety and environmental performance at production sites, safety and reliability of products, greenhouse emissions and the impact during the use of products on the local ecosystems. However, due to the fierce competition, the price of products is also under high pressure, causing IHC to constantly balance between cost reductions and sustainable innovations and to strive for the optimal balance between waste streams in the production chair are examples of the shift towards a circular economy. As a supplier, we have a limited impact on the final stage of the life cycle of our products, but we can, nevertheless, exert a positive influence on the way they are engineered and manufactured.

The increase of the retirement age in the Netherlands sparked the public debate on how physical work can be performed in a healthy and vital way until the retirement age of 67. Due to the physically demanding work a production company like IHC faces every day, we also face the challenge of ensuring our employees reach the finish line healthy. Technological developments, such as robotics, that take over heavy operations from the staff and thus facilitate the work, contribute to this. However, attention to the physical condition and health of its employees is and remains a major joint responsibility of the company and the employee. The challenge we face as a company is to bring together these responsibilities and jointly fight issues such as obesity, physical and psychosocial workload and stress.
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: Through the first pillar ‘Sustainable Entrepreneurship’, 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 the second pillar ‘Social Responsibility’ is the social commitment of the company in the broadest sense of the word. This does not end at the company gates but also involves our suppliers, subcontractors and society in general. The third pillar, ‘Environmental Accountability’, represents the responsibility that the company has in terms of limiting the environmental impact of our products, services and activities.

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

Management and control of social aspects

The implementation of the CSR policy and the joint achievement of the objectives set is the responsibility of the entire organisation. Our corporate SHEQ-CSR Department is responsible for implementing the policy and monitoring progress and results. Thereby, the CSR Advisory Council plays an advisory role with a broad delegation from the entire 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. Progress is reported on a quarterly basis, which makes CSR policy, including results achieved and progress, part of the agenda of the Supervisory Board.

VALUE CHAIN

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

In the various stages of IHC’s value chain, in which R&D/Product Innovation/Engineering, Production and Life Cycle Support are considered the key links in the primary internal process, the company has an impact on social themes.

Customers, suppliers and partners

IHC’s main customers are dredging companies, oil and gas conglomerates, offshore contractors and public authorities. These include major players in the global market, small local contractors and companies, and regional authorities.

In 2016, IHC used approximately 1,500 suppliers worldwide for the supply of raw materials, other materials, products and services. Of our total costs, approximately 70% are spent in the external chain.
IHC is working together with universities, knowledge institutes, public authorities, industry associations, NGOs and other industry partners on the development of its products and services portfolio. Employees from various parts of the organisation participate in a variety of working groups 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. This involves both 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 training 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. IHC is also an active player in the development of deep-sea mining with the development of equipment suitable for the extreme conditions in the deep sea as well as by conducting feasibility studies. IHC furthermore supplies the offshore wind market with a wide range of components and complete systems, including installations for foundations delivered by IHC IOIP. These components are also offered for rental.

In support of the equipment supplied, IHC offers life-cycle support to its customers. This means a commitment to our products as well as their customers’ specific needs.

**Social aspects**

Safety is a major issue in the maritime industry. The high safety standard that was developed in the offshore industry in the recent past is increasingly reflected in the entire maritime sector. IHC contributes to this by not only increasing the safety standard within its own production facilities, but also by making arrangements during the design and engineering phases of its products to ensure projects and operations can be performed in a safe manner.

The global development of environmental regulations also applies to dredging, offshore and mining industries. Relevant environmental issues in these sectors include emissions, turbidity from and settlement of fine sediment in sensitive ecosystems, and underwater noise. These themes are part of the R&D and innovation agenda of IHC. Thanks to the internal R&D and innovative power combined with our partnerships with, among others, our customers and educational institutions, we contribute to innovative products that comply with these laws and regulations and with which we can ensure the license-to-operate for our customers. With its contribution to the Dutch GROW consortium, IHC, along with 15 other partner companies, contributes to the social issue of making wind energy cost-effective.

Other aspects which play an important role in the sectors in which IHC operates are corruption and supply chain management. Because it involves the supply of capital goods, these sectors are prone to corruption and companies are expected to take measures to combat this. To this end, IHC has developed an anti-corruption policy, which includes both procedural and cultural measures and where these risks are countered to the extent possible through continuous training and internal controls. The production chain, including the sourcing of raw materials and production methods at supply companies, is also essential. To complement this, IHC carries out audits at its suppliers to shed a light on social aspects as well as quality aspects.

**Materiality and Stakeholder Engagement**

The material aspects are identified by the CSR Advisory Council and are evaluated annually, whereby the internal and external developments and the outcome of the stakeholder dialogue, among other things, serve as a guideline. For the material aspects in the category ‘highly relevant,’ the CSR Advisory Council has formulated objectives and performance indicators.

**Materiality matrix**

The materiality matrix is a representation of the relevance accorded by both the internal organisation and the stakeholders on the material aspects. 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’).

**Stakeholder dialogue**

In order to confirm the suitability of the material aspects selected and understand our stakeholders’ expectations with regard to social reporting, IHC has been using the stakeholder dialogue in recent years. In recent years, this dialogue was organised in different ways to find the most effective form thereof. The results of the dialogue will be used to verify the internal CSR policy and, where necessary, to adjust or refine it. To add structure to the dialogue, the stakeholders are divided into the following categories:

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

In 2015, a large group of stakeholders received a short questionnaire. The stakeholders were selected based on their affinity with CSR and sustainability in order to gather informed and critical input. By means of this questionnaire, the participants were asked the extent to which they thought the topics selected by IHC were relevant to IHC and the sector and how they experience the degree of transparency from IHC. Despite the constructive and critical feedback gathered this way, the CSR Advisory Council decided in 2016 not to continue the dialogue in the same way due to the low response it generated. Alternatively, the CSR theme was incorporated into existing consultation structures with the various stakeholders. An advantage of this approach is that the topic can be discussed with a wider variety within the stakeholder categories. A major drawback is that dialogue regarding the material aspects proceeds less structured and documented.

In 2017, the manner in which the stakeholder dialogue is conducted and documented will be reconsidered to achieve a better embedding in the organisation while increasing the level of response from the stakeholders.
SECTION 2
INTEGRATED MONOPILE INSTALLER

A common objective in the offshore wind market is to reduce the energy consumption and thus the costs during the installation of wind turbines in order to make wind energy a competitive energy source. In addition, a clear trend can be observed that offshore wind farms are located ever further out at sea, which also increases the diameter and the complexity of the installation of the monopiles.

IHC IQIP contributes to this intended cost reduction and the challenge of installing the increasingly large monopiles with the development of the Integrated Monopile Installer. It allows the largest monopiles to be installed on the seabed without human intervention. This system brings knowledge and equipment together in an innovative manner in order to optimise the installation process of the wind turbine foundation. As part of the Integrated Monopile Installer, the Noise Mitigation System creates an enclosed environment free of currents and waves. This mitigates the underwater noise caused during the pile driving process.

Through the seamless convergence of technologies, the Integrated Monopile Installer reduces installation time, creates a safer working environment and increases the accuracy of the installation of wind turbines at sea. This results in a reduction of the total cost for the installation of offshore wind farms and thus a reduction in the kilowatt-hour price of wind energy. Since the introduction of the system, more than 350 monopiles have been installed successfully, and various applications are in the pipeline.

MARITIME INNOVATION AWARD 2016

During the eleventh edition of the Maritime Awards Gala on 31 October 2016, the Integrated Monopile Installer was awarded with the Maritime Innovation Award 2016. This prize is awarded annually to a Dutch innovation in the maritime industry that has broad applicability, good marketability and sufficient export potential.

The jury selected the Integrated Monopile Installer due to the particular combination of several innovations in a single system and its socially responsible character. “This system provides an efficient and safe installation of monopile foundations and mitigates the noise emitted during driving. Cost savings go hand in hand with protecting the environment.”

In 2016, 55 innovation projects were carried out, 16 of which of a sustainable nature. Despite the wide variety of topics within the innovation portfolio, the focal areas of sustainable innovation can be summarised as the optimisation of energy efficiency, the minimisation of the environmental impact, health and safety during operations and the circular economy.

Reduction of the environmental impact

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 (international) programmes conducting research into the environmental impact of maritime activities. In 2016, for instance, IHC was partner in, among others, the European multidisciplinary research programme MIDAS. The objective of this project is to gain insight into the environmental impact of the extraction of minerals and energy resources from the deep sea environment in collaboration with scientific institutions and industrial partners and to understand how this impact can be minimised. Another example in this context is the research into geopolymers, making use of dredged material to build various constructions.

Optimisation of fuel consumption and emissions reduction

The environmental impact of fuel consumption and the associated greenhouse emissions during the operational phase of the product is responsible for a significant contribution to the overall environmental impact for a large part of IHC’s product portfolio throughout the product life cycle. In combination with the increasingly stringent global standard requirements, we are focusing heavily on research into reducing our fuel consumption and emissions. R&D programmes aimed at optimising the drive train and using alternative fuels are ongoing.

Mitigation of underwater noise

Underwater noise due to maritime activities increasingly forms part of the global political agenda. Several countries are already setting limits to underwater noise, and it is expected that more and more countries will follow. To guarantee the license-to-operate of its ships, IHC is involved in researches in the offshore, mining and dredging industry to determine the current noise standards of the products and to reduce them to acceptable levels.

Use of materials

The optimisation of the use of material contributes to the reduction of the weight of products with which a reduction in both production and operational costs can be realised as well as a reduction of the waste streams. At the request of the customer, IHC can also supply its ships with a green passport that provides an overview of the quantities and locations of hazardous materials present so that these can be removed in a safe and responsible manner when the vessels are scrapped.

Raising the safety standard during operations

A major issue in the maritime industry is safety. Achieving a high safety standard during the operational phase of products is therefore a high priority during the development processes within IHC. Attention is paid to the overall safety, safety during specific operations and the safety situation regarding the use of alternative fuels such as LNG.

Green Shipping Award 2016

During the International Green Shipping Summit, which was held on 17 and 18 October 2016 in Rotterdam, IHC received the International Green Shipping Award 2016 for ‘The most sustainable solutions for shipping’. The award is an acknowledgement of the efforts of IHC to reduce the environmental impact of its ships and equipment.
The award is a great incentive to continue to develop sustainable solutions for the dredging, offshore and mining industries. Examples of recent product innovations in this area include:

- **LNG-powered Trawling suction hopper dredgers**: The first Trawling suction hopper dredgers powered by an LNG system, which reduces the CO₂ and NOx and practically eliminates the emissions of SOx and atmospheric particles.

- **ECO-control package**: A combination of three active controllers controls the dredge pump, the visor of the drag head, and the speed of the ship. This maximises output and reduces fuel consumption.

- **Integrated Monopile Installer**: A system to install the largest monopiles on the seabed without human intervention, thus optimising the installation process of the wind turbine foundation. Thanks to integrated technology, the underwater noise level is also reduced to acceptable levels.

- **Oil-free deep-sea special motor**: A permanent magnet motor in open communication with the environment and therefore filled with seawater. The motor is free of oil and was specifically developed for use in the deep sea and fragile environments.

- **Improved Cutter Special Curve Pomp**: Special deep-sea cutting equipment which can be used in the deep sea and fragile environments.

- **Improved Cutter Special Curve Pomp**: Special deep-sea cutting equipment which can be used in the deep sea and fragile environments.

### Intellectual Property

Intellectual Property contributes to having an overview of the developments of other players in the market and developments that are already protected. In this way, we can avoid infringing the patent rights of other companies on the one hand, while on the other hand remaining alert to developments that may affect our own patents.

In 2016, there was a shift from the focus on registering technology development to a better alignment of patents to IHC’s product portfolio. This has allowed us to file and maintain specific patents, but also to let them expire.

A total of 10 completely new patent families were filed and granted in 2016. These patent families focus mainly on seawater, pipe-laying equipment, pumps and systems developed within IHC IQIP. Furthermore, we waived 257 current patents, divided over 85 patent families. 32 of these patent families expired early. On 31 December 2016, IHC had 791 patents in its name, divided over 174 families.

The objective for 2017 regarding Intellectual Property is to achieve an even better alignment of the patents with IHC’s product portfolio.

### RESPONSIBLE SUPPLY CHAIN MANAGEMENT

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 the spearheads of our CSR policy. In 2016, we took a step towards a more efficient cooperation with our suppliers. To this end, we reduced the current supplier base from approximately 11,000 to 1,500 suppliers, approximately half of which (measured in the spent), comprises Dutch suppliers. Of the total spend, 98% is carried out by a ‘preferred’ or ‘approved’ supplier. Previously, about 75-80% was registered in one of these categories. The reduction of the number of suppliers allows us, in cooperation with the supplier, to achieve a higher product standard regarding quality, safety, health, human rights and the environment in the entire supply chain.

After the selection and categorisation of suppliers, we started auditing the suppliers in 2016. Using our own QLIFT methodology, 11 suppliers were assessed on their performance on quality, innovation, costs, and other criteria. Based on these audits, improvement plans to get the performance to the desired level were drawn up in collaboration with the supplier.

### SAFETY

The central policy on safety is managed and controlled via the central SHEQ organisation. All the safety experts and prevention officers are not only accountable within the department in which they work but also to the Group SHEQ-CSR Director. Accident figures for the entire organisation are reported every two weeks, making safety a standard part of the Board of Management’s and Executive Committee’s agendas. Furthermore, every quarter, progress is reported to the Supervisory Board. Communicating these figures, including lessons learned and best practices, to the entire organisation raises the awareness about the importance of safety and the contribution an individual employee can make.

In 2016, a uniform and stringent policy on Personal Protection Equipment (PPE) was rolled out. This harmonisation includes the rules for the use of PPE for all locations, bringing clarification on the applicable rules at each location to both employees and visitors.

In the past year, there was a strong emphasis on strengthening and promoting awareness and general culture regarding Safety, Health and the Environment. Hearts & Minds workshops, setting up working groups to reduce the number of accidents, the Safe and Healthy Working Week and regular safety alerts are examples of contributions to the anchoring of health, safety and the environment in our daily routine. In collaboration with the Royal IHC Academy, we are also developing the competencies of the IHC staff, which are maintained by offering the required training related to SCC, hazardous materials, safe lifting and hoisting, driving forklifts and prevention of offshore accidents. Moreover, the issues of health, safety and the environment have been integrated into the company-wide performance management system.
drawn to the new, central policy on PPE at the
During this week, for instance, attention was
improvement and the reporting of incidents.
to raise awareness among the employees
dedicated to Safe and Healthy Working
At IHC, the week of 13 to 17 June 2016 was
received, which means an increase of 65%.
more near-accidents compared to 2015 was
reported. This means that employees and managers
can always access the annual plans.
Leadership programmes
In 2016, approximately 350 managers
participated in the ‘Spring Course’; a
programme in which the participants are
made aware of the IHC leadership profile
which was established in 2015, and what this
means for their own role. The programme
aims to offer participants a leadership
style appropriate to the changing world
and associated expectations to increase
the commitment and enthusiasm of IHC
employees.
Young Executive Programme
In 2016, the new Young Executive Programme,
entitled ‘leading the Future Change’ was
introduced. This programme challenges
young professionals to give their own spin
to leadership with the aim of simultaneously
adding to electricity, 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 IHC’s business locations
in the Netherlands and is broken down
by emissions resulting from direct energy
consumption (scope 1) and emissions from
indirect energy consumption (scope 2).
Even more important are IHC’s contacts with
companies who offer universities and universities
of applied sciences. To create and maintain
enthusiasm for the sector among students
and to acquaint them with our products and
the markets in which we operate, we receive
several groups of students each year for a
guided tour and dialogue with professionals
from the company. We also regularly organise
guest lectures on a variety of courses, and
we offer internal internships and graduation
positions. In 2016, once again a large group of
students took advantage of this opportunity
and contributed to a range of topics and
issues.
CARBON FOOTPRINT
IHC uses various energy sources for the
internal production process. For example, in
addition to electricity, 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 IHC’s business locations
in the Netherlands and is broken down
by emissions resulting from direct energy
consumption (scope 1) and emissions from
indirect energy consumption (scope 2).
Despite the fact that IHC purchases green
electricity and CO₂ emissions caused are in
effect zero as a result, electricity consumption
is included in the calculation as if it were non-
green electricity. The reason for this approach
is our objective to primarily reduce electricity
consumption and to increase self-generation
through solar panels before using means of
compensation through purchasing structures.
Installation of solar panels
With the aid of SDE+ subsidies, solar panels
were installed on two of IHC’s locations in
2016. These are the locations of IHC Mission
Equipment at Industrieweg in Sliedrecht and
in Apeldoorn.
The panels on the Industrieweg in Sliedrecht
have been operational since October 2016. A
total capacity of 150 kWp has been installed
by means of 552 panels. In the last 3 months
of last year, these solar panels generated
approximately 3% of the energy consumption.
Based on the electricity consumption of 2016,
the solar panels will annually generate some
16% of our energy consumption.
In Apeldoorn, 746 solar panels with a
total capacity of 201 kWp are operational
since November last year. This yielded in
approximately 2% of the energy consumption
in November and December. Based on the
electricity consumption at the Apeldoorn
location in 2016, the solar panels will
generate some 22% of the total annual energy
consumption.
In 2017, solar panels will also be installed at
the Sliedrecht Molendijk location, where IHC
IQIP is housed. This will comprise a total of
816 panels with a capacity of 220 kWp. Based
on the electricity consumption of 2016, this
is expected to generate 8% of the electricity
consumption at the location.

### Accident figures
In 2016, 41 lost-time injuries (LTI) were
reported. Although the desired objective was
not achieved, this still means a reduction of
46% compared to 2015. The Lost Time Injury
Frequency (LTI) decreased from 12.7 in 2015
to 7.7 in 2016. The objective of reporting 50% more
near-accidents compared to 2015 was easily achieved: in 2016, 446 reports were
received, which means an increase of 65%.

### Safety Week
At IHC, the week of 13 to 17 June 2016
was dedicated to Safe and Healthy Working
and the central theme was ‘Recognise, Act,
Prevent’. During this week, various activities
were organised across the entire organisation
to raise awareness among the employees
about the importance of safety, continuous
improvement and the reporting of incidents.
During this week, for instance, attention was
drawn to the new, central policy on PPE at the
various locations, management spoke with
employees about various issues regarding
working safety, and interactive sessions were
organised to identify safety-related problem
areas and their solutions.

### Accidents

<table>
<thead>
<tr>
<th>Year</th>
<th>Fatal accident</th>
<th>Lost-time injuries (absence &gt; 8 hours)</th>
<th>Accidents resulting in alternative work</th>
<th>Accidents including medical treatment</th>
<th>First aid accidents</th>
<th>Reports of near-accidents</th>
<th>Lost Time Injury Frequency (total)</th>
<th>Lost Time Injury Frequency IHC employees</th>
<th>Lost Time Injury Frequency External Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0</td>
<td>41</td>
<td>4</td>
<td>17</td>
<td>71</td>
<td>446</td>
<td>7.7</td>
<td>7.7</td>
<td>8.0</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>75</td>
<td>4</td>
<td>15</td>
<td>78</td>
<td>155</td>
<td>12.7</td>
<td>11.0</td>
<td>17.3</td>
</tr>
<tr>
<td>2014</td>
<td>0</td>
<td>85</td>
<td>0</td>
<td>0</td>
<td>90</td>
<td>103</td>
<td>14.5</td>
<td>11.7</td>
<td>21.6</td>
</tr>
</tbody>
</table>
Carbon Footprint Analysis

Based on the available data, the CO2 emissions by the Dutch IHC sites over 2016 has been calculated at 18,761 tonnes. The energy generated by our own solar panels has not been included in the carbon footprint analysis.

With a 70% share, the electricity consumption is the main cause of CO2 emissions at IHC. As a result this field offers the greatest opportunities for becoming more sustainable while cutting costs at the same time. By changing to another travel agency, we are also applying a different method to determine the CO2 emissions of air travel. Since no data are available covering previous years and generated using the new method, the CO2 emissions due to air travel have not been included in the year-to-year comparison.

Compared to 2015, an 11% reduction in CO2 emissions has been achieved for each man-hour worked. The decrease is mainly achieved through a reduction of almost 14% in electricity consumption per man-hour worked. Part of this decrease can be explained by the low occupancy of the production facilities as a result of which the number of hours worked at a relatively high energy consumption fell. A permanent reduction of CO2 emissions as a result of the electricity consumption was realised by the energy saving measures taken following the energy audit carried out in 2015, and the installation of solar panels at two IHC locations.

IHC Foundation

The IHC Foundation has been channelling 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. 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.

In 2015, the IHC Foundation launched a partnership with World Vision in the battle against child labour at the ship-breaking yards in Bangladesh. The first phase of this project was completed in June 2016. During this project, 60 children between 14 and 18 participated in a learning & working programme. By June 2016, 80% of the participating children had found a job that was in line with the education followed, and that can offer them a better and safer future. In September 2016, it was agreed between the IHC Foundation and World Vision to follow up this project to offer another group of 60 children appropriate training.

In the summer of 2016, the IHC Foundation made it possible for 5 IHC employees to travel to Durban, South Africa, to contribute to the annual maintenance period of the Africa Mercy, the world’s largest hospital ship. In late 2016, the IHC Foundation launched a partnership with the Simanyene High-school in South Africa. This is a public high-school which often accommodates students whose parents do not have enough income to pay tuition. For this group, access to quality education is not guaranteed in South Africa, as a result of which students often fall behind the wealthier people who can afford to enrol in private schools. The public schools, including the Simanyene High-school, largely depend on donations, which are spent on the most necessary teaching materials. Money for additional investments, such as sports fields and sports equipment is therefore not available. The IHC Foundation provides the funds needed for the construction and maintenance of a sports field. The IHC employees are given the opportunity to donate (part of) their Christmas gift to the Simanyene High-school. These donations will be used for the purchase of sports equipment and clothing.

In addition to these projects, the IHC Foundation supported various smaller as well as local initiatives in 2016. These include activities in which IHC employees are involved in a private capacity and sports activities for charity.

### DONATIONS TO IHC FOUNDATION IN EUROS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social and cultural projects</td>
<td>100,684</td>
<td>82,980</td>
<td>61,681</td>
<td>76,400</td>
</tr>
<tr>
<td>Sports initiatives</td>
<td>3,460</td>
<td>15,000</td>
<td>50,500</td>
<td>25,050</td>
</tr>
<tr>
<td>Individual sponsorship by IHC employees</td>
<td>10,049</td>
<td>12,710</td>
<td>7,500</td>
<td>5,400</td>
</tr>
</tbody>
</table>
The oil-free special deep-sea motor is a permanent magnet (PM) motor developed for use in the deep sea and fragile environments. The motor is in open communication with the environment and is filled with seawater. This lubricates the bearings, stator and rotor with seawater and allows for a 100% oil-free motor, which makes it ideally suited for fragile ecosystems and at extreme ocean depths.

This new, remote controlled PM motor was designed for fragile ecosystems and at extreme ocean depths. The motor is in open communication with the environment and is filled with seawater. This lubricates the bearings, stator and rotor with seawater and allows for a 100% oil-free motor, which makes it ideally suited for fragile ecosystems and at extreme ocean depths.

Prototype tests of this particular motor have been performed successfully. Extensive tests were conducted within the framework of the EU-funded Blue Mining Project. After thorough research in the laboratory, the motor was shipped to Norway for trials at sea, where the product was tested at depths of up to 425 metres.

### DPC INNOVATION AWARD

During the DPC Innovation Awards ceremony on 10 November 2016, where the most innovative and advanced projects from the dredging and port industries were evaluated, the oil-free deep-sea special engine was declared the winner of the ‘New Environments Award’. The jury responded as follows: “There is a wider application potential of this technology in the dredging industry and the mining sector. This technology makes the next steps in deep-sea mining possible and enables working in very deep and challenging environments.”

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In 2016, IHC carried out a satisfaction survey of IHC employees for the second time. Issues such as leadership, efficiency and employee role understanding were addressed. In addition, it was investigated how motivated and committed the employees are. With 64.5%, the response rate was slightly lower than in 2015 (67.5%). The scores are also lower than in 2015 for 4 key issues. The survey showed that employees feel uncertain due to the long process of the first reorganization, but also about the future. The IHC management has responded by indicating it would take these concerns seriously and it would provide the organisation with more clarity.

In June 2017, a new satisfaction survey will be organised among IHC employees.

The following tables and charts provide insight in the size and composition of IHC’s workforce.
### Average Number of Staff Employed (Temporary/Permanent)

<table>
<thead>
<tr>
<th></th>
<th>Temporary</th>
<th>Permanent</th>
<th>Total 2016</th>
<th>Insourced employees</th>
<th>Total in-house and insourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding</td>
<td>35</td>
<td>836</td>
<td>871</td>
<td>364</td>
<td>1235</td>
</tr>
<tr>
<td>Mission Equipment</td>
<td>41</td>
<td>368</td>
<td>409</td>
<td>142</td>
<td>551</td>
</tr>
<tr>
<td>Services</td>
<td>16</td>
<td>133</td>
<td>149</td>
<td>17</td>
<td>166</td>
</tr>
<tr>
<td>IQIP</td>
<td>50</td>
<td>244</td>
<td>294</td>
<td>68</td>
<td>362</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>7</td>
<td>158</td>
<td>165</td>
<td>2</td>
<td>167</td>
</tr>
<tr>
<td>Mining</td>
<td>2</td>
<td>18</td>
<td>20</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Holding</td>
<td>87</td>
<td>433</td>
<td>520</td>
<td>49</td>
<td>569</td>
</tr>
<tr>
<td><strong>Total IHC 2016</strong></td>
<td><strong>238</strong></td>
<td><strong>2190</strong></td>
<td><strong>2428</strong></td>
<td><strong>642</strong></td>
<td><strong>3070</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Temporary</th>
<th>Permanent</th>
<th>Total 2016</th>
<th>Insourced employees</th>
<th>Total in-house and insourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>377</td>
<td>2424</td>
<td>2801</td>
<td>633</td>
<td>3434</td>
</tr>
<tr>
<td>2014</td>
<td>466</td>
<td>2383</td>
<td>2744</td>
<td>1359</td>
<td>3903</td>
</tr>
</tbody>
</table>

**Total number of employees at overseas business units:**

<table>
<thead>
<tr>
<th></th>
<th>Shipbuilding</th>
<th>Mission Equipment</th>
<th>Services</th>
<th>IQIP</th>
<th>Marketing &amp; Sales</th>
<th>Mining</th>
<th>Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Temporary</td>
<td>35</td>
<td>41</td>
<td>16</td>
<td>50</td>
<td>7</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>Permanent</td>
<td>836</td>
<td>368</td>
<td>133</td>
<td>142</td>
<td>158</td>
<td>433</td>
</tr>
<tr>
<td></td>
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<td>871</td>
<td>409</td>
<td>149</td>
<td>166</td>
<td>294</td>
<td>520</td>
</tr>
<tr>
<td></td>
<td>Insourced</td>
<td>364</td>
<td>142</td>
<td>17</td>
<td>68</td>
<td>2</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Total in-hou</td>
<td>1235</td>
<td>551</td>
<td>166</td>
<td>362</td>
<td>167</td>
<td>569</td>
</tr>
</tbody>
</table>

### Age Distribution

<table>
<thead>
<tr>
<th>Average age</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>Shipbuilding</td>
<td>13,1</td>
<td>7,4%</td>
<td>20,9%</td>
<td>38,9%</td>
<td>48,4%</td>
<td>57,0%</td>
</tr>
<tr>
<td>Mission Equipment</td>
<td>44,5</td>
<td>3,4%</td>
<td>23,9%</td>
<td>23,9%</td>
<td>23,9%</td>
<td>23,9%</td>
</tr>
<tr>
<td>Services</td>
<td>43,0</td>
<td>0,0%</td>
<td>30,9%</td>
<td>39,3%</td>
<td>21,0%</td>
<td>16,4%</td>
</tr>
<tr>
<td>IQIP</td>
<td>18,2</td>
<td>12,9%</td>
<td>27,4%</td>
<td>9,7%</td>
<td>22,0%</td>
<td>27,4%</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>43,2</td>
<td>0,0%</td>
<td>25,3%</td>
<td>23,6%</td>
<td>20,0%</td>
<td>20,0%</td>
</tr>
<tr>
<td>Mining</td>
<td>18,5</td>
<td>0,0%</td>
<td>36,9%</td>
<td>38,9%</td>
<td>11,1%</td>
<td>11,1%</td>
</tr>
<tr>
<td>Holding</td>
<td>39,8</td>
<td>11,2%</td>
<td>25,5%</td>
<td>26,2%</td>
<td>21,0%</td>
<td>13,5%</td>
</tr>
<tr>
<td><strong>Total IHC 2016</strong></td>
<td><strong>42,2</strong></td>
<td><strong>7,2%</strong></td>
<td><strong>25,2%</strong></td>
<td><strong>23,7%</strong></td>
<td><strong>23,5%</strong></td>
<td><strong>19,9%</strong></td>
</tr>
<tr>
<td>2015</td>
<td>41,5</td>
<td>8,3%</td>
<td>23,7%</td>
<td>23,2%</td>
<td>21,0%</td>
<td>21,7%</td>
</tr>
<tr>
<td>2014</td>
<td>40,3</td>
<td>10,0%</td>
<td>23,8%</td>
<td>23,6%</td>
<td>22,4%</td>
<td>20,0%</td>
</tr>
</tbody>
</table>

Due to a lack of new orders, IHC was forced to downsize in 2016. As a result, the number of employees employed by IHC decreased. The number of insourced employees remained practically at the same level last year.
In 2016, the outflow was significantly higher than in 2015. This was mainly due to the downsizing. This is also reflected in the high number of terminations at the request of employer.

The figures show that the educational level at IHC is rising, just like it was the case in the preceding years. In the last 3 years the percentage of employees with a lower vocational level of education in particular decreased significantly. This trend is expected to continue in the coming years since IHC will be focusing on hiring highly qualified people.

For years already the percentage of female employees at IHC has been around 11%. The past two years we have seen a slight increase for the first time, resulting in IHC now being just above the 12% limit.

The numbers in this table do not include the many internal transfers. Work placement trainees have not been included either.

Benchmark date: 31-12-2016. IHC’s overseas companies were not included in the figures for 2016.
### Section 4 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, with cultivated seaweed capturing a market share of approximately 90%. Growing seaweed is a labour-intensive industry with a low level of mechanisation. Its production takes place mainly in Southeast Asia, China being the largest producer. Due to the frequent use of fertilizers and destructive harvesting methods, the seaweed production has a heavy environmental impact.

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. IHC’s solution is aimed at scaling up the seaweed cultivation through mechanisation and modern cultivation techniques. In Europe, mechanisation can result in cost savings of up to 50% of the sowing and harvesting costs. In addition, the duration of the activity can be reduced by a factor of 10.

With IHC’s extensive experience in the development of marine equipment, a number of prototypes for mechanised sowing and harvesting of seaweed have been built and tested on several farms. The results of the tests are positive and, despite the early stage of development, the market has shown a keen interest.

The first steps in the development comprised a collaboration between MTI and Vuyk Engineering. After the successful testing of the first prototypes, the potential for market introduction is explored in collaboration with IHC Services. Since the process of sowing and harvesting seaweed only takes place once or twice a year in a relatively short period of time, a lease structure still seems to be most interesting for most seaweed farms. In 2013, a number of second generation machines will be developed and rented in Europe. There are also developments in Africa and North America that IHC is following closely. Ultimately, the aim is to introduce the machines in Asia, where the biggest market is located. With the mechanisation and thus modernisation of the industry, the working conditions in seaweed cultivation can be improved worldwide.

**MOMO Award**

On 8 December 2016, IHC’s seaweed harvesting project won the Mobilizing More (MoMo) Award for an innovative plan to promote positive climate change in developing countries. The award includes a sum of money for the further development of the business case for harvesting seaweed. The award-winning idea concerns a pilot project for the large-scale mechanisation of the cultivation of seaweed in Indonesia with a clear social character by ensuring the preservation of employment, training of personnel and the participation of women. The feasibility of this pilot will be tested in cooperation with local NGOs.

The award was made available by the MoMo initiative, consisting of the Energy Research Centre of the Netherlands (ECN), the Dutch Committee of the International Union for the Conservation of Nature (IUCN) and the Ministry of Foreign Affairs. The goal of the MoMo initiative is to provide guidance to ideas with significant potential for a positive climate impact towards eligible projects.

In 2016 IHC had more than 3000 employees at various locations in the Netherlands, Brazil, China, France, India, Croatia, Malaysia, the Middle East, Nigeria, Singapore, Slovakia, South Africa, the United Kingdom, the United States and South Africa. In 2016, our head office was moved from Sliedrecht to Kinderdijk.

### Organisational Structure

The wide diversity of company activities has been structured in six clusters where the commercial and operational processes are closely related. All activities are carried out from the disciplines Marketing & Sales, Shipbuilding, Mission Equipment, Services, IQIP and Mining.

**Ownership Structure**

With a share ownership of 62.1%, investment company Indoffin Group is a majority shareholder of the private limited company IHC. Rabo Capital BV has a 37.9% share on the one hand, and the IHC management and personnel on the other hand are the other shareholders with 10.01% and 27.89% 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 the long-term strategy and for the 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 2016, the Board of Management consists of:

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

At 31 December 2016, the Supervisory Board consists of the following members:

- Mr. J.C. ten Cate (president)
- Mrs. B.H.C. de Bruin
- Mr. C. de Bruin
- Mr. J. van de Horst
- Mr. C. Korevaar

**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 contribute to 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. We endorse the guidelines for Multinational Enterprises, the Universal Declaration of Human Rights, and the principles of the International Labour Organisation (ILO).

**Code of Conduct**

IHC has set out its values and standards in its Code of Conduct. This offers a guideline for ethical conduct at every stage of the production process for IHC employees, suppliers as well as third parties who carry out activities on behalf of IHC. All parties involved are expected to adhere to the guidelines.

- **Values**
  - Accountability
  - Integrity
  - Respect
  - Innovation
  - Transparency

- **Standards**
  - Ethical conduct
  - Environmental sustainability
  - Social responsibility

**Code of Conduct**

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

Whistle-blower regulation
The IHC Whistle-blower regulation offers every employee the possibility to report his or her suspicion of a 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-up to the reporting that take place.

MEMBERSHIPS
IHC is a member of a variety of industry associations that reflect the diversity of markets and sectors in which the company is active and the themes that IHC is dealing with. Some of the memberships are FME, Netherlands Maritime Technology, the IRO, CSR Netherlands and the NWP.

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.

CERTIFICATIONS
The majority of the IHC business units have an ISO 9001:2008 certificate. In addition, a limited number of units have an OH&SAS 18001, ISO 14001 or SCC certificate.

It’s the company’s ambition to accommodate all business units in a certified multi-site management system for quality (ISO 9001:2015), safety (the new ISO 45001) and the environment (ISO 14001:2015). In 2015, the first business units, including the Holding, Vuyk Engineering and IHC Mining were certified for ISO 9001:2015 under this multi-site management system. By late 2016, the list of certified business units was expanded with IHC Shipbuilding (Including Metalais), MTI, Marketing & Sales, Project Management and Supply Chain Management.

BENCHMARK OF OUR PERFORMANCE

Absenteeism
IHC’s absenteeism rate over 2016 came to 4.89%, compared to 4.07% in 2015. The average absenteeism rate in the Netherlands was 3.9% in 2015. According to the annual FME Benchmark Health and Safety and Absenteeism report, the average absenteeism rate in the technology industry was 4.6% in 2015. This means that the absenteeism rate at IHC is higher than both the industry average and the national average. One of the reasons for the higher rate can be found in the uncertainty among employees due to the reorganisations announced in June 2015 and in October 2016.

Accident frequency
IHC’s total accident frequency (LTIF) for 2016 has been determined at 7.7. In 2015, this was 12.7. A distinction can be made between the frequency of accidents among our own and among insourced employees, wherein the LTIF in 2016 for our own employees was 7.7 (11.0 in 2015), while for the insourced employees this was 8.0 (17.3 in 2015). Annually, the trade association FME presents the average figures for the technology industry in its ‘Benchmark Health and Safety and Absenteeism’ report. For permanent employees, the average accident frequency within the sector was 4.4, while for the temporary employees, this was 12.5. IHC’s 2015 accident frequency was significantly higher than the industry average. The trend that, on average, temporary workers are involved in accidents three times more often, does not seem to apply to IHC, which is remarkable as well. Proportionally, a relatively high number of accidents occurs among our own employees.

Transparency benchmark
Every year, IHC participates in the Transparency benchmark of the Dutch Ministry of Economic Affairs. In 2016, IHC obtained a score of 106 points. This puts the organisation on the 128th position of the ranking. In 2015, the organisation was at position 140 with 83 points. Within the sector ‘Construction and Maritime’ IHC finished 10th of the 29 companies in this category.
SECTION 5
IHC EMPLOYEES AND THE IHC FOUNDATION

BOSKALIS BEACH CLEAN UP TOUR
Every year, the North Sea Foundation organizes the Boskalis Beach Clean Up Tour: an exercise during which the beach of the entire North Sea coast is cleaned in two weeks. During each stage, some 10 kilometres are walked, thereby clearing as much of the beach waste as possible. The purpose is to show the public how much waste can be found on the beaches and which part of that ends up in the sea. A total of 2,320 participants helped remove 19,203 kilos of waste from the beaches.

In collaboration with IHC Services, the IHC Foundation was responsible for one of the stages of the Boskalis Beach Clean Up Tour. During this stage, a total of 86 participants, including 40 IHC employees, collected 2,000 kg of waste and thus left the beach at Ouddorp behind completely clean.

19,203 kilos of waste from the beaches.

In addition that, during the implementation of last year’s downsizing employees were laid off despite insourced employees being active in the same positions at that time. Such matters are also a major concern and a point of attention for the Works Council in the implementation of the second downsizing.

In addition to the downsizing, the introduction of the job classification system caused plenty of turmoil within the Works Council last year. At the end of 2014 the Works Council approved the introduction of the Hay system for the positions above CLA and maintaining IFS for collective positions on the express condition that it would have no adverse salary consequences and that employees would be compensated by means of a personal allowance including retirement entitlement and including future CLA increases, regardless of the age of the employee, in the event their salary would be reduced as a result of the new classification.

As it had been explained by management at the beginning of the process, saving costs was not the intention of a new job classification system. The intention was to reduce the number of job classifications, dusting off the job classification system. Therefore, the Works Council was disappointed when it turned out that after the approval process had been parked for some time because of the first downsizing, the proposed personal allowance no longer included retirement entitlement and future CLA increases. Due to the second downsizing, the introduction of the new job classification system has once again been postponed. Management and the trade unions will continue to make agreements about salary consequences.

2016 was an eventful year in the realm of Health, Safety, Welfare and the Environment (HSWE). This included an agreement on an integrated health policy and a modified absenteeism protocol, approval for the implementation of various Risk Inventory and Evaluations (RI&E) at IHC, and evaluation of the resulting action plans.

In addition, the HSWE committee of the Works Council in the last quarter of 2016 paid close attention to the tender for an occupational health and safety service provider, and is awaiting an approval request at short notice. In the examination of the request, the HSWE committee will mainly focus on the usefulness and necessity of a different occupational health and safety service provider.

The HSWE committee has approved the introduction of PME 2.0. A number of agreements have been made on the matter, including the agreement that after every new RI&E, a Preventive Medical Examination (PME) will be performed for the corresponding business unit/department and that the questionnaires of the PME will be tailored to the results of the RI&E.

This report, I would also like to say that an improved complaints handling scheme (IR 4:01) has been agreed with the management, which ensures a better balanced relationship between Works Council members and members of the company’s complaints committee. Furthermore, after long negotiations between management and the Works Council, a scheme setting out the rules for the relocation of jobs has been established (IR 4:50). Another point of concern of the Works Council was the request for advice for the professionalisation of the travel policy for which the travel activities have been outsourced. The Works Council is pleased that for all employees a suitable position has been found elsewhere within IHC.

At the end of 2017, the term of office of the current Works Council expires and elections for a new Works Council will be held. In the coming period, information sessions will be organized to provide insight into the Works Council work. If you consider applying as a candidate for the Works Council, please feel free to contact me or any of the other Works Council members for more information.

The Works Council has spoken to many employees during the past year, especially about the issue of downsizing. The Works Council is very pleased that so many employees find their way to the Works Council.

The attention of the Works Council the coming months will obviously be on monitoring the implementation of the second downsizing. The Works Council hopes that the measures taken are appropriate and lead to a solid and healthy IHC for the near and distant future.

Martin van de Beuricht
Chairman of the Works Council
SECTION 6
EFFORTS
IHC MINING

To increase the social commitment within IHC Mining, the entire department worked for half a day on a dairy and care farm, called Melkveebedrijf en Zorgboerderij ‘De Bovenstee’ in Moordrecht. At De Bovenstee, owners Paul and Rita Oudijk have been offering daytime activities 4 days a week to people with mental or physical disabilities and people with mental health problems since 2004. They do this with the help of one permanent employee, replacement workers, volunteers and trainees.

The work performed at De Bovenstee depends on the season; however, the daily care of the animals takes up most of the time throughout the year. To the owners of De Bovenstee it is a priority that the people who receive care at the farm are having fun and find a daily structure. The activities offered are tailored to meet the individual capabilities of the person receiving the care. They also try to teach their clients as many new skills as possible without making it too hard or complicated for them.

The combination of working on the farm and working (together) with the participants were the main reasons for choosing this activity. This worked out very well (together) with the participants were the main reasons for choosing this activity. They gladly helped setting the tables for lunch and dinner and were spread among the Mining colleagues. Of course, one is more of a talker than the other, who may be more introvert. They really gave it their best, but it was clear that routine is very important to them. If this changes, it is very difficult for them to adjust. The owners know their clients better than anyone else and handle this very well.

— Evelyn Tricarico

Both the employees of IHC Mining and the owners and clients of De Bovenstee look back on a successful afternoon.

It was nice to see how open the clients were to the invitation of 20 employees from Mining, since that is a rather significant group. They gladly helped setting the tables for lunch and dinner and were spread among the Mining colleagues. Of course, one is more of a talker than the other, who may be more introvert. They really gave it their best, but it was clear that routine is very important to them. If this changes, it is very difficult for them to adjust. The owners know their clients better than anyone else and handle this very well.

— Ralf Langeler

On 27 October 2016, the entire Mining division carried out various activities at De Bovenstee, such as repairing fences and feeders, pruning and general maintenance and repair of the facilities. The combination of physical activities and interaction with the clients of De Bovenstee made this afternoon into a corporate event with an extra dimension for the employees of IHC Mining.

By means of the corporate social responsibility annual report for 2016, IHC provides transparency about its non-financial results for the period from 1 January to 31 December 2016 and for the ambitions and objectives for the period ahead. Wherein 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 2016.

GRI guidelines
To ensure the reporting of the non-financial results is in line with international standards for CSR reporting, the G4 guidelines of the Global Reporting Initiative (GRI) were used. 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. The current CSR policy of IHC applies to the company’s Dutch sites. This limits the scope of the report to covering only the activities, performance and objectives of the Dutch business units related to the material aspects.

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 the various business units and departments for the purposes of data collection for the reporting. The progress of a number of performance indicators is monitored on a quarterly basis. On the remaining indicators, we report once a year.

The process of consolidating, evaluating and assessing the data delivered is the responsibility of the SHEQ-CSR Department.

The carbon footprint is calculated based on the guidelines set out in ISO 14064-1 and the conversion factors published on 1 January 2017 on www.co2emissiefactoren.nl. Supplying and validating these data is performed under the joint responsibility of the Facility Services Department and SHEQ-CSR. Compared to 2015, the changes in the conversion factors used were minimal. To ensure a correct comparison over the years, a correction was made to the calculated CO2 emissions for the years 2013 and 2014. By changing to another travel agency, we are now also using said conversion factors to determine the CO2 emissions of air travel. Since no relevant data are available to make a correction for prior years, the choice was made not to include air travel in the year-to-year comparison. Besides the change in the calculation of the CO2 emissions, no changes were made compared to the annual report of 2015 to the definitions and measuring methods used for the reported information.

To increase the quality and reliability of its environmental and social reporting, IHC engaged KPMG in 2017 to undertake a readiness assessment over four indicators, namely: electricity consumption, gas consumption, lost time injury frequency rates and sickness absence rates for the year ended 31 December 2016. IHC has the ambition to publicly publish an assurance statement in 2018 over the data for the year ended 31 December 2017 and expand the scope of the assurance in the coming years.

This annual corporate social responsibility report will be published in mid-May 2017 on IHC’s corporate website (www.royalihc.com).

Contact
IHC invites its stakeholders to provide feedback on or enter into dialogue about CSR policy, objectives and results and the reporting standard. For this purpose, you can contact:
Ms M.J. Holtkamp
sheq csr@royalihc.com
## STRATEGY AND ANALYSIS

| G4-1 | Foreword on behalf of the Board of Management | Foreword |

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| G4-4 | Primary products and services | Profile |
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| G4-6 | Countries where the organisation operates | About IHC |
| G4-7 | Ownership structure and legal form | About IHC |
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| G4-9 | Scale of the organisation | HR figures |
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| G4-11 | Percentage of employees covered by collective labour agreements | About IHC |
| G4-12 | Description of the organisation's value chain | Our approach towards sustainability – value chain |
| G4-13 | Significant changes during the reporting period | Our approach towards sustainability regarding the organisation’s size, structure, ownership or the value chain |
| G4-14 | Application of precautionary principle | IHC Annual Report 2016 |
| G4-15 | Externally developed principles or other initiatives to which the organisation subscribes | About IHC |
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| G4-19 | List of all material aspects identified in the process for defining the report content | Our approach towards sustainability – Materiality and stakeholder engagement |
| G4-20 | The boundaries of the material aspects within the organisation | Our approach towards sustainability – Materiality and stakeholder engagement |
| G4-21 | The boundaries of the material aspects outside the organisation | Our approach towards sustainability – Materiality and stakeholder engagement |
| G4-22 | Effects of and reasons for restatements | Reporting parameters |
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## STAKEHOLDER DIALOGUE

| G4-24 | List of stakeholders involved | Our approach towards sustainability |
| G4-25 | Identification and selection of stakeholder to be engaged | Our approach towards sustainability – Materiality and stakeholder engagement |
| G4-26 | Approach to stakeholder engagement | Our approach towards sustainability – Materiality and stakeholder engagement |
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## REPORTING PROFILE

| G4-28 | Reporting period | Reporting parameters |
| G4-29 | Date of the most recent report | Reporting parameters |
| G4-30 | Reporting cycle | Reporting parameters |
| G4-31 | Contact information | Reporting parameters / GRI index table |
| G4-32 | GRI application level and GRI index table | Reporting parameters / GRI index table |
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| G4-34 | Governance structure of the highest governance body and committees responsible for decision-making with regard to economic, social and ecological impacts | About IHC |

## ETHICS AND INTEGRITY

| G4-56 | The values, principles, standards and ethics of the organisation such as codes of conduct and ethical codes | About IHC |

## ECONOMIC INDICATORS

| EC 1 | Direct economic value | Results 2015, IHC Annual Report 2016 |

## SPECIFIC STANDARD DISCLOSURES

### MATERIAL ASPECTS

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### INDICATORS

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<td>EN 18</td>
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* For a detailed explanation of the financial performance of Royal IHC, please refer to our Annual Report 2016 on www.royalihc.com
**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 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 DIRECTIVE**  
European directive with the objective of a 20% decrease of the European energy consumption in 2020, which includes obligations for both member states and companies.

**FME**  
Employers’ Organisation for the technology industry

**SUPPLY CHAIN RESPONSIBILITY**  
Including social and environmental aspects in the selection of suppliers and/or improving social and environmental aspect in the supply chains.

**LAGGING INDICATORS**  
Representation of performances from the past

**LEADING INDICATORS**  
Operational performance indicators that ensure attention to aspects and factors that are important to future success

**LICENSE TO OPERATE**  
The permission to perform an operation and/or to produce

**LNG**  
Liquefied Natural Gas

**LOST TIME INJURY (LTI)**  
Work-related injuries or illnesses, which results in an employee not being able to carry out work the day following the accident.

**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 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.

**PATENT**  
The exclusive right to prohibit the use of your invention by others. This always concerns a national right.

**PATENT FAMILY**  
The collection of patents and patent applications for the same invention in different countries.

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

**PATENT FAMILY GRANTED**  
Patent family of which the patent applied for is granted in at least one country.

**SCC**  
Safety, health and environment Checklist for Contractors.