



Sustainability report

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Board of Directors Royal IHC
(from left to right)
Kees van der Snel, COO
Jan-Pieter Klaver, CEO
Paul van der Harten, CFO



Foreword

2021 was a year of rebuilding. After almost hitting rock bottom in early 2020, the path to recovery was designed. The new organisational structure, the final phase of a couple of legacy projects and a lingering COVID-19 pandemic were challenges we had to face and battle. With a leaner organisation, it was up to our team to undertake action, make the matrix work and create our own maritime future.

To be able to focus on the future though, we first needed to let go of the past. To this end, we undertook a thorough review of Royal IHC's vision, mission, and positioning – redefining our ambitions, what we stand for and simultaneously rebranding the company. We launched this to our worldwide employees on May 20 with an inspiring company movie and personal interviews with the Board of Directors. I must admit, I had goosebumps as I was reminded once again of the craftsmanship and hundreds of years of high-tech history within Royal IHC. Not to mention the drive, power and pride our team brings to the table every day. It was a moment of hope and positivity that together, we will get through this challenging period.

One of the main shifts in Royal IHC's vision, mission and positioning is an increased focus

on sustainability, pre-empting Dutch and European regulations, which are gradually shifting from encouragement to obligation. We have already implemented many initiatives to make Royal IHC more sustainable – as highlighted by our extensive in-house research – and in 2022 we will build on this to create even more tangible results.

The rebranding was a well-received boost for our team's mental health, which was a key priority for us as COVID-19 shifted from being a short-term crisis into the status quo. In July, we launched 'Mental health matters' into our daily routine with a view to creating regular and open conversations between managers and their employees on this theme. The 'Working from home policy' which we introduced in October built further on this, offering our team greater flexibility in their work-life balance, resulting in less stress and a positive mindset.

Throughout the year, we continued our safety campaigns such as 'Risk management' and 'Working at height'. The campaigns aim to create greater awareness of a safe working environment, encourage everyone to speak up, and provide a mandate to employees to stop production when a situation is unsafe. The goal is zero incidents

and I believe we can realise this together. But more than that, we owe it to each other, so that everybody goes home as safe and healthy as when they arrived on the yards.

Finally, I speak for the entire management team when I say that I am proud and thankful for the resilience, strength and craftsmanship showed by everyone in our organisation. Despite the financial struggles we faced in 2021 and the business challenges we are facing in 2022, I am convinced that with this resilience, combined with the pride and

ownership of all our employees, we are on the right path: evolving and rebuilding the organisation to lead the way in creating the maritime future.

Jan Anne Schelling
CHRO and chairman of the
Sustainability Committee





Profile

1.1 Business model

Royal IHC is a leading designer, builder and supplier of integrated vessels, equipment and services to worldwide customers in the dredging, offshore, mining and defence industries. With knowledge built over centuries and through our passionate colleagues, we provide a competitive edge to our customers worldwide.

Through the state-of-the-art solutions we deliver, our customers can improve operational efficiencies and make their activities more sustainable. This also prepares them for the challenges of tomorrow. Our people are deeply committed to technological innovation. With our experts working from sites and offices worldwide, we offer local presence and support on every continent.

We deliver reliable solutions that improve operational efficiency and allow for a more sustainable performance. As we navigate new waters, our aim remains unchanged: to discover the smartest and safest way forward for both our customers and our people.

Organisational structure

In 2020 Royal IHC was recapitalised, giving the company a new opportunity to do things differently in 2021 and beyond. Together with the new shareholders and management team, we worked hard in 2021 on the development and implementation of the plans that will guarantee a sustainable future

for Royal IHC. This involved three strategic choices:

1. Defining core activities (divestment of non-core activities).
2. Making the organisation less complex (new matrix structure).
3. Adapting the organisation to market developments and work stock.

Core activities

For a sustainable future it is important that Royal IHC becomes profitable again. To achieve this, we must become leaner and more efficient, and respond differently and faster to developments in the market. In 2020, this led to the strategic choice to return to our core activities in the dredging and offshore markets. The activities in the (wet) mining and defence markets have now also been designated as core activities. The other activities and disciplines have been stopped or divested.

Matrix structure

We implemented several operational improvements in 2020 to set Royal IHC up for the core Product Market Groups (PMGs). This has resulted in an organisation with smaller sections, increased ownership and shorter lines. The support by the Functional Disciplines (FDs) e.g. Sales, Project Management and Engineering, and Corporate Disciplines (CDs) e.g. SHE-Q, HR and Finance has been further structured to facilitate safe, controlled and profitable operations.

Appendix 1 includes an overview of the countries where Royal IHC is located.

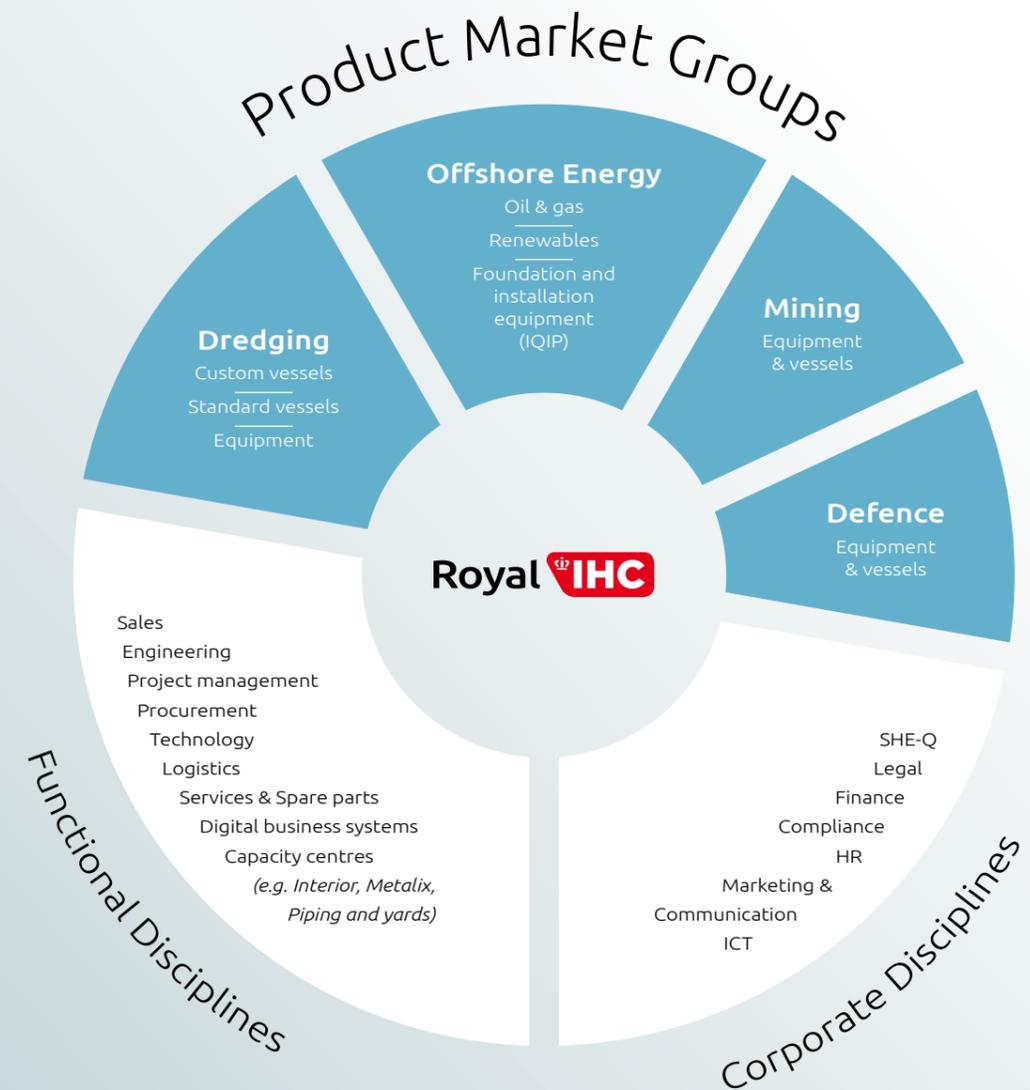
Adapting the organisation

During 2020, we realigned the organisation with the current work stock and turnover ambitions for the coming years. The agreed social plan with trade unions in the Netherlands has a term of two years, to provide scope to further optimise our organisation if required. The objective is to help employees as much as possible

transition into a new position, partly through cooperation with the Dutch government and the wider industry.

Memberships

Royal IHC is a member of a variety of industry associations reflecting the diversity of markets and sectors in which the company operates, as well as the themes that we deal with. We provide input through committees and boards, but also listen to arguments made by others, including NGOs.





Moving for charity

Laps for Sophia Children's Hospital

Sufficient exercise is important for everyone. And it makes you feel extra good if this enables you to contribute to the care of sick children. That was the idea behind 'Rondje voor Sophia' that we presented to our employees in spring. We invited colleagues to raise money by making one or more laps ('rondjes') of a distance of their choice. Walking, skating or riding a bicycle. Individually or with the whole family... it didn't matter which, so long as they were moving!

The initiative was led by our health committee Fit4thefuture and the IHC Foundation, who to get the ball rolling offered a starting donation of €100 for the first 20 Royal IHC team members to sign up. Sponsorship money rolled in from colleagues' family members, friends and acquaintances and led to many employees exercising during the Easter weekend. The resulting proceeds were greatly appreciated and put to good use by the Mother and Child Centre of the Sophia Children's Hospital!

In this way, we not only acquire new knowledge, but we can use our own experience and understanding of the maritime sector to deliver new policies. This participation also contributes to better cooperation between the different players.

Royal IHC memberships include FME, Netherlands Maritime Technology, Nederland Maritiem Land, the Waterborne Technology Platform, IRO, CEDA, NIDV, MVO Nederland, Euroyards, Sea Europe and The Netherlands Water Partnership.

Certifications

In the past, Royal IHC aimed to include all business units in a certified multi-site management system for quality (ISO 9001:2015), safety and health (ISO 45001:2018) and the environment (ISO 14001:2015). Since the reorganisation, the focus has shifted to where these certifications have added value.

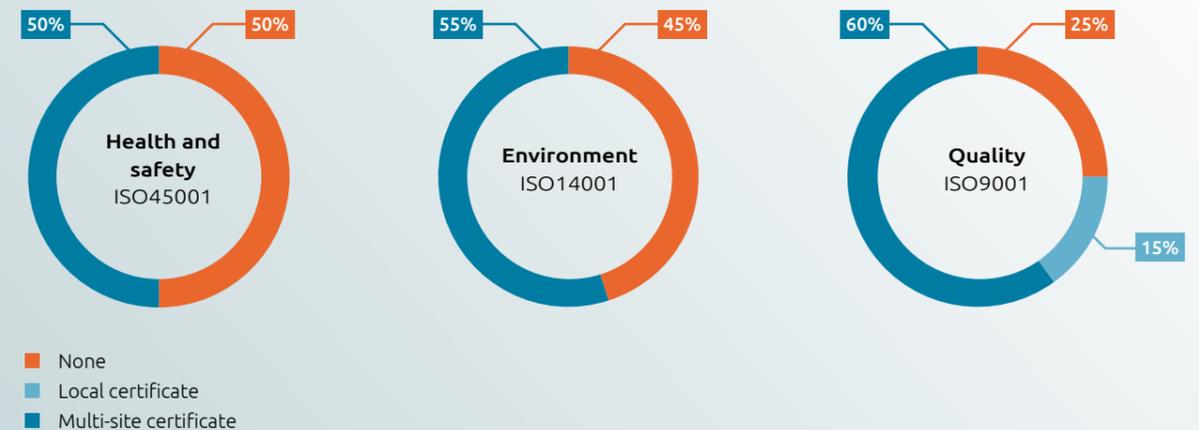
The programme to include all business units in the multi-site certificate, which started in 2015, had therefore been put on hold. An assessment started to identify which certification has added value at which location.

We are focusing on the PMGs and FDs, where international locations that are part of the PMG/FD work in the same manner. The aim is

to certify these PMG/FD processes. Business areas that are not externally assured by the certification body will continue to work in accordance with Royal IHC's management system requirements and adhere to law, rules and regulations.

The charts below provide an overview of current certification, based on the different locations of Royal IHC worldwide. Whether the locations shown as 'none' will be certified, is to be decided in 2022.

2021 certificate overview



1.2 Key figures

Key figures	2021	2020	2019	2018	2017
Number of employees *3	2,784	3,048	3,525	3,440	2,992
Lost Time Injuries (LTIs) **1	17	27	30	15	16
Lost Time Injuries Frequency (LTIF) **1	2.9	4.2	4.5	2.3	3.2
TRIR **1	5.6	7.4	8.3	8.7	9.7
National absenteeism percentage *	4.44%	3.98%	3.78%	4.28%	4.71%
Total environmental incidents *4	13	45	22	18	31
National electricity consumption [kWh] *	15,526,241	20,585,910	19,834,296	23,382,487	20,891,677
National gas consumption [m ³] *	1,322,053	1,374,416	1,700,672	2,041,418	1,958,437
National carbon footprint [kg CO ₂ /man hour] *	3.12	2.98	3.14	3.34	3.33
Support for local communities [euros] *	52,195	25,359	56,412	110,810	107,199
National average training hours completed per FTE **2	5.3	12.6	10.4	13.6	-

* Part of the LR Assurance scope

1. Includes international entities since 2018. Absolute number (LTIs) includes subcontractor incidents, frequencies (LTIF and TRIR) exclude subcontractor incidents

2. Training hours is new in the reporting scope as of 2018 (only including Royal IHC Academy data)

3. Data as of 31-12-2021

4. Data as of 2021 excludes the environmental near misses

1.3 Our people

Our employees are the driving force behind all accomplishments within the organisation. The culture survey performed during the beginning of 2021 shows that our people are passionate and proud to work for our organisation. Whether on projects, in

operations, sales, procurement, support or any other part of our organisation, our people dedicate themselves to the organisation day-in, day-out. They live and breathe our culture. And this is what makes Royal IHC 'a great place to work'.

Our people	2021	2020	2019	2018
Number of employees (NL)	2,136	2,384	2,722	2,737
Working outside NL	648	664	803	703
Total number of employees	2,784	3,048	3,525	3,440
Permanent contracts	2,329	2,738	2,248	2,177
Temporary contracts	455	310	427	506

Gender distribution	2021	2020	2019	2018
Male	86.6%	85.5%	85.0%	86.0%
Female*	13.4%	14.5%	15.0%	14.0%
Other*	0.03%	-	-	-

* During the reorganisation, the % of female colleagues was reduced slightly, mainly due to the methodology agreed with the social partners (works council, labour unions) whereby last hires leave the company first. We selected and appointed new senior leadership team members, which increased the number of female leaders in the company to 11%.

** The column 'other' shows the percentage of employees with other gender identities or who choose to not declare gender.

Age (in %)	2021	2020	2019	2018
65+	1.8	1.6	1.0	0.6
55 - 64	19.0	19.0	19.0	15.8
45 - 54	24.9	23.7	23.9	23.8
35 - 44	27.8	27.3	26.0	24.5
25 - 34	21.1	23.9	24.1	29.1
15 - 24	4.7	4.3	6.0	6.3
Average	42.4	42.7	42.4	41.1

1.3.1 Culture survey

To support the performance of the organisation, in January and February 2021 we conducted a culture survey amongst all employees globally. The goal was to learn how the corporate culture within Royal IHC is perceived and to reveal possible gaps with the desired culture. The timing of the survey was important, especially after the challenging period in 2020.

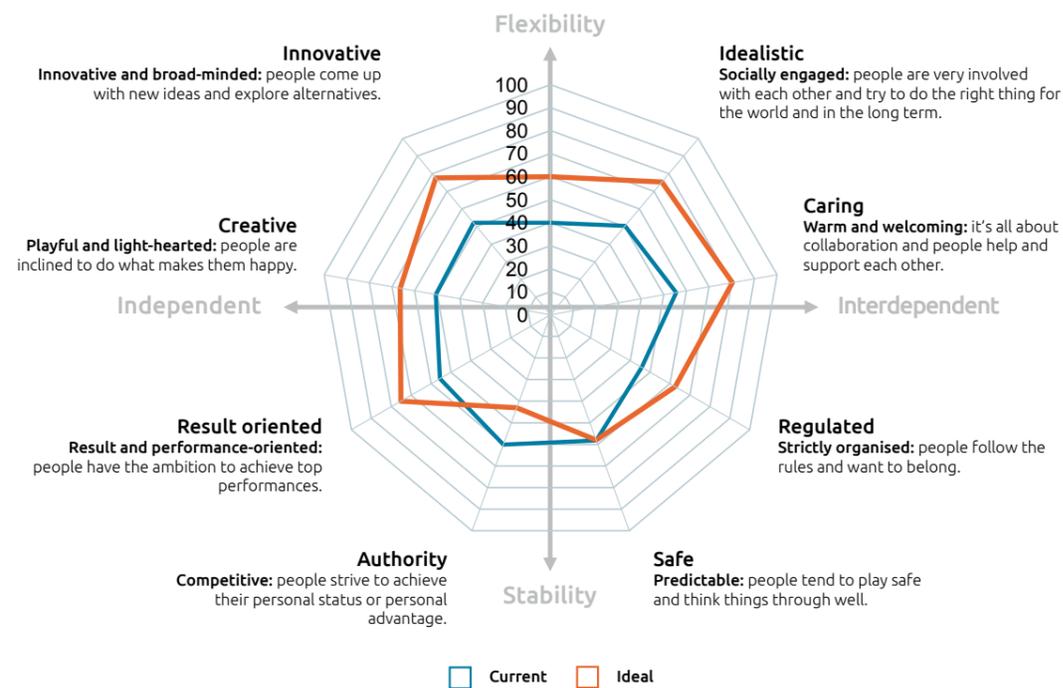
The survey consisted of interviews with selected employees, a session with the Senior Leadership Team and a quantitative online questionnaire among all colleagues. Subjects included the current culture,

characteristics, desired cultural values, differentiation and sustainable future.

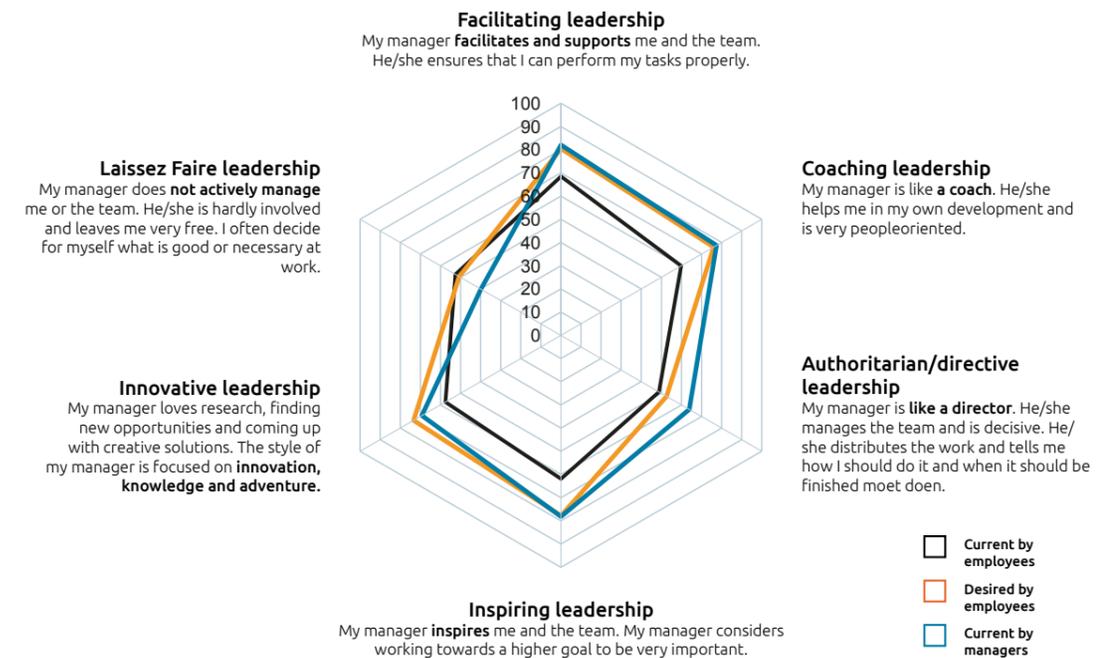
With a response rate of over 60%, we gained valuable insights into how employees perceive the current culture and what the desired culture should be.

We presented the results to our employees in June 2021, where a key conclusion was that no matter where in the business our employees work, they are proud of Royal IHC's products. This is an important connecting factor for us.

Perception of current vs. ideal culture, based on all respondents



Perception of current vs. ideal leadership style based on respondents in non-managerial roles



Although the perception of the current culture differs, there is great consensus around the desired culture - more idealistic and caring, with room for a more human dimension.

There is a distinct wish to be 'heard' more by management, yet at the same time our colleagues feel safe (and involved) and are positive about the atmosphere in their own teams. The diagrams above illustrate this point.

During 2021, we followed-up on the survey with managers actively discussing the findings with their teams and listening to what was said. Moving towards a more caring

culture will require involvement from us all - the Senior Leadership Team especially - since leading by example they set the tone. This topic will remain top of mind during 2022.

1.3.2 Performance management

After the restructuring in November 2020, the teams needed time to adjust to the new organisational set up, and time to understand what is needed to become a leading organisation with the ambition to create the maritime future. To facilitate this, we started several key initiatives during 2021 to support the organisation.

Firstly, we launched a Management Control & Reporting System (MCRS) to support a

common way of setting up meetings, KPI's and to measure success. To make the new organisational matrix work, we planned and executed a monthly team development meeting with our Senior Leadership Team. Subjects discussed included: getting to know each other, creating trust, dealing with conflicting interests, creating a common business plan for 2022 and storytelling: how to effectively bring a message across.

In addition, we relaunched the Performance and Talent Cycle across the whole organisation, simplifying the cycle and increasing automation via Royal IHC's enterprise management system Workday. To ensure a smooth implementation, line

managers received training prior to the start of each new activity in the cycle. Our initial target was for at least 75% of employees to participate in the cycle and we have overachieved this number.

To boost the performance of teams and their leaders further, we have reframed our existing Change Accelerator Programme to a one- or two-day Team Performance Programme. In 2021 only one session was held due to COVID-19, which prevented us from bringing people together face-to-face. Consequently, an enhanced implementation plan has been underway.

Sustainable operations

Well on our way with electric forklifts

“Reducing our Carbon Footprint is key to our sustainability ambitions and it is why we took a good look at all the equipment used on our yards. This led, among others, to replacing our diesel- or gas-powered forklift trucks with electrical ones”, says Bert de Kwant, Technical Service Manager at the Royal IHC yard in Kinderdijk.

Bert admires Royal IHC’s continuous efforts to make activities as sustainable and climate neutral as possible. “We use forklifts to move

heavy equipment. There are 45 forklifts on our yard alone, so this initiative involved a significant investment. We have also installed battery chargers at various locations on the site.”

“In addition to lower fuel consumption and fewer emissions of harmful substances, the new forklift engines are a lot quieter and contribute to a cleaner and safer working environment for our employees.” Importantly, he notes that the electric forklifts are not inferior to their predecessors in terms of productivity. “This innovation offers the best of both worlds.”



1.3.3 Education and training

At Royal IHC we want to develop the craftsmanship of all employees. Continued learning and personal development is essential for our organisation to grow. Learning is something you do all the time, consciously or unconsciously, simply by doing your daily job or talking to a colleague. Yet sometimes a boost is required to enhance knowledge, for example by following a training course.

We call this the 70-20-10 approach to learning: 70 percent of learning comes from experience, experiment and reflection, 20 percent is derived from working with others

and 10 percent comes from formal interventions and planned learning solutions. At Royal IHC we facilitate this approach by offering formal learning via the Royal IHC Academy, as well as by offering short term assignments or coaching on the job. In 2021, our Centre of Expertise for Organisational Development started to promote this model. This will be continued in 2022.

Royal IHC Academy

2021 was a year of transition for the Royal IHC Academy. We launched a new Learning Management System enabling employees to sign up for License-to-Operate Training, as well as training for their

professional development. In 2019 and 2020 there was no available budget for professional development. This changed in 2021 as we started with personal education budgets of €1,500 per three years, for

employees to develop competencies in their current or future position. In 2022 this will be made available to all Royal IHC employees worldwide.

National average training hours	2021	2020	2019	2018
Unique training courses	219*	157	114	95
Average training hours per delegate	5.3*	12.6	10.4	13.6

* Including e-learning



We also integrated New Heroes and oZone as standard e-content partners. New Heroes provides over 200 online training courses aimed at professional development in every target group and at every learning level. oZone is a user-friendly learning environment developed for, and by, technical companies. Using this platform, our people can develop their knowledge and skills, immediately increasing their technical expertise as a result.

Technical Education Centre (TEC)

To prevent a shortage of professionals in the long term, our Technical Education Centre trains young people for skilled craftsmanship as shipbuilders, welders, pipefitters, (service) mechanics, turners and millers. The training is a work learn programme with a schedule of four days practical training and one day theory. In 2021, 15 students passed their

exams of which twelve students received a permanent position within Royal IHC.

The number of available students and young academics is declining. To ensure a sufficient intake, we have appointed a dedicated recruiter and initiated a focused recruitment plan. With this, we aim to interest young people in a career in the maritime sector, raise awareness of the Technical Education Centre and the opportunities that a training with Royal IHC creates. The challenge for 2022 is to onboard 40 students.

As part of our recruitment plan, we regularly participate in technical education campaigns and give guest lectures at secondary education schools.

1.3.4 Values and standards

Our values are incorporated in the Royal IHC Code of Conduct, which was renewed in 2020 and is available on our corporate website. The code applies to every employee working for our company and reflects 14 themes: from health and safety and anti-corruption to human rights and the handling of confidential information. The Code of Conduct provides a guide in challenging times, reminding us of what we stand for and what we think is important.

Royal IHC chooses to do business honestly and with integrity – even if that is difficult, seems to be at the expense of a contract, or costs extra time and money. Integrity is not an option but a conscious choice that we have made. For 2022, we have planned a follow up wave to further anchor the Code of Conduct in the organisation.

The three core values that define our organisation are:

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

Trees for all

Planting trees to contribute to a healthy world

At the launch of our new strategy and positioning in May 2021, we gave all 2,400 employees their very own tree. These were planted throughout the year - 1,200 in the Netherlands, 600 in Costa Rica and 600 in Ghana – by our partner Trees for All. This foundation plants new forests worldwide, restores degraded forests and raises people's awareness of the importance of trees. Working together, we are contributing to a better climate, more biodiversity and healthy

living conditions - on the other side of the world as well as close to home.

The management and maintenance of the three planted forests is in the hands of reliable partners and the growth is available to view on the Trees for All website.

The Dutch trees are part of the reforestation project 'Zwart Water'. Together with Trees for All, the 'Limburgs Landschap' foundation wants to create 30 hectares of forest on its plots. The IHC Foundation has also contributed to this 'Action Plan 1 million Trees' in the province of Limburg.





I lead by example

I plan ahead

I stick to the plan

I take action in an unsafe situation

I empower others to work safely

I always prepare for emergencies

I am fit for duty

A culture of open and safe communications contributes to ethical business operations. If an employee observes something that may not be in line with ethical business operations, Royal IHC offers the opportunity to address this. Firstly, by encouraging internal consultation, and if this is not possible, via the complaints regulations. Both have a confidential advisor who can help in difficult situations.

In July 2021 we added a SpeakUp Line to the Royal IHC Whistle Blower System for situations where it is not an option to address an issue using the regular methods. This new SpeakUp Line offers the opportunity for employees to raise their concerns anonymously and safely by e-mail or phone. Every notification is taken seriously and acted upon in a constructive manner via

the newly established Integrity Committee. This committee also monitors progress on improvements and submits regular anonymous reports to the Board of Directors and Supervisory Board.

1.3.5 Safety

I-CARE, an abbreviation for I Create A Right Environment, is the name of our safety programme at Royal IHC. We care for our people and our goal is to ensure that everyone who works for us returns home safely every day. Everyone working at Royal IHC has a role in this. We are all safety leaders. Our I-CARE safety compass, based on our core values, shows us the way to achieve a zero-incident environment. I-CARE is rolled out through engagement and introduction workshops, supported by safety campaigns.

1.4 Our markets

Royal IHC offers products and services through four main brands.

IHC Dredging

Dredging is in our DNA. With over 300 years of experience, IHC Dredging is the market leader for the design, build and delivery of reliable, integrated vessels, equipment and services in the dredging sector.

With knowledge built over centuries and through our passionate colleagues, we provide a competitive edge to our customers in the dredging industry worldwide. Our people are deeply committed to technological innovation. By means of the state-of-the-art vessels and equipment that we design and build – and the services we deliver – our customers can improve their operational efficiency and make their activities more sustainable. This also prepares them for the challenges of tomorrow.

IHC Dredging’s proven track record shows that global dredging operators, contractors and governmental authorities rely on our high-quality solutions and services. In order to serve all dredging needs, our products range from standard, modular stationery and mechanical dredgers, to the world’s largest custom-built self-propelled dredgers and related equipment. Our local, remote and digital services offer the

necessary support required by our customers to keep assets in optimal condition and fit for the future. With our experts working on a global basis, we guarantee a local presence and industry leading support on every continent.

IHC Offshore Energy

Connecting the future of energy. IHC Offshore Energy has the knowledge and experience to rise to the global challenges facing the offshore industry by providing reliable and advanced vessels, equipment and services. With our extensive knowledge and experience, and through our passionate colleagues, we provide a competitive edge to our customers in the offshore industry.

As the global market leader for the design and construction of high-tech vessels and equipment for the oil and gas industry, IHC Offshore Energy is fully equipped to provide additional offshore industries such as renewables and telecommunications with superior solutions based on our market leading expertise.



With a proven track record in delivering sustainable offshore systems, including pipe and cable lay equipment, submersible technology, FPSO equipment and a wide range of integrated vessels, IHC Offshore Energy can provide standard or tailored solutions to improve operational efficiency for our customers. With our experts working on a global basis, we guarantee a local presence and industry leading support on every continent. In addition, our responsive spares and services team has a wealth of operational experience. To maximise the productivity of vessels and equipment, it supports customers in all matters beyond the initial design and build.

IHC Mining

For every phase of the raw materials mining life cycle, IHC Mining provides reliable, integrated solutions that are fully tailored to the clients' needs. With over a century of experience in the mining sector and through our passionate colleagues, we provide a competitive edge to our customers worldwide. Our people are deeply committed to technological innovation.

Through our geometallurgical and consultancy services, we deliver the data needed to extract the full economic value of the mining operation. With the state-of-the-art equipment that we design and build – and the services we deliver – our customers can improve operational efficiency, lower the cost per tonne and make their activities more sustainable. This also prepares them for

tomorrow's challenges. IHC Mining's expertise includes dredge mining, slurry transportation, materials handling and mineral separation solutions. We have a proven track record in solutions for mineral sands, tailings rehabilitation, battery minerals, gold, diamonds, tin and other commodities.

With our experts working on a global basis, we guarantee a local presence and industry leading support on every continent. In everything we do, safety and efficiency are paramount. Our solutions incorporate wider sustainability themes, such as efficient use of energy and water resources. We also understand that our customers' operations must continue 24/7, which means they can rely on our customised value-added services throughout the entire mining cycle.

IHC Defence

IHC Defence is a reliable partner to its customers, not only in the Netherlands, but also globally for the design, build and maintenance of navy vessels, equipment and accessories.

Based on the experience of Royal IHC, IHC Defence offers solutions and support for the full life cycle, encompassing research and development, design and engineering, production, equipment, and services (In Service Support/ Integrated Logistic Support). All Royal IHC's industry-related capabilities are harmonised within IHC Defence, including the ability to deliver on

specification, budget and in time, respecting the highest safety standards. The necessary infrastructure and IT-related requirements also guarantee the highest degree of confidentiality.

The key to IHC Defence's success is to start with proven cost-effective technology and seamlessly integrate military specifications. This is further supported by our strong project management capabilities and cutting-edge processes. The result is that naval operators can perform with fewer personnel, increase their uptime and availability, improve performance and undertake more missions.

1.5 Governance

Board of Management and Supervisory Board

IHC Merwede Holding B.V. is a private limited liability company that has its statutory seat in Sliedrecht. Following the recapitalisation and refinancing in June 2020, all IHC Merwede Holding shares are

held by Stichting Continuïteit Royal IHC and B.V. Finance Continuïteit Royal IHC.

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

On 1 March 2022, the Board of Management consisted of:

- Mr. J-P. Klaver, CEO (age: 58)
- Mr. A.P.M. van der Harten, CFO (age: 58)
- Mr. C.W. van der Snel, COO (age: 53)



'Zeilschip Eendracht' and the Jaski fund

Staying on course together

In 2020, the IHC Foundation started a collaboration with the Jaski Fund. This fund organises projects with sailing ship 'Eendracht', the largest three-masted schooner in the Netherlands. This unique ship offers a sea of opportunities to young, underprivileged and sick people. On board, young and old are inspired by the sense of stimulation, team spirit, perseverance, trust and fun.

In September 2021, 15 Royal IHC colleagues invited clients of the CVD Rotterdam Service Center to experience this special feeling onboard the Eendracht. This large social organisation offers guidance and support to people living in shelter without a secure or stable home base, often because of addiction problems or psychological disorders. It was a memorable sailing day. A day of steering together, hoisting sails, and above all enjoyment!



On 1 March 2022, the Supervisory Board consisted of:

- Mr. M. Snel (age: 51, chairman)
- Mr. C. Korevaar (age: 71, member)
- Mr. B.C. Wentink (age: 52, member)
- Mr. F.A. Verhoeven (age: 70, member)

Shareholders

Stichting Continuïteit Royal IHC was established in 2020 to retain Royal IHC's knowledge and expertise for the Dutch-Belgian maritime ecosystem. This foundation

owns 100% of the shares of Royal IHC Merwede Holding B.V. The recapitalisation was partly realised with the support of our existing syndicate of banks, the Ministries of Economic Affairs and Climate and Finance, and the credit insurer Atradius Dutch State Business.

Works council

As regulated by the Dutch Works Council Act, Royal IHC's Works Council has a say in the company policy and safeguarding the interests of the company's employees. Works Council members are elected and organised around several sub-committees, which consult

autonomously with the directors of the PMGs and FDs. Matters such as the right of consent and the right to propose recommendations sit with the Works Council.

Sustainability committee

Sustainability Committee Members have key positions in the organisation and are enthusiastic contributors to the sustainable future of our company. For several years, the purpose of the committee has been to set guidance and direction, and to oversee policies and progress on the company's social, ethical, environmental and community issues, as well as company culture and other themes set out in this report.

With a view to having more positive impact on the world in which we operate, in 2021 we decided to anchor our sustainability

agenda with the leaders of the company and directly in the Profit and Loss Statement of the PMGs.

This shift created an opportunity to rethink the Sustainability Committee's goal, purpose and strategy. We began by asking each department to define a sustainability agenda for inclusion in the 2022 Business Plan. Then towards the end of the year, we provided the Senior Leadership Team with an information package which outlined the importance of incorporating sustainability into our daily operation and drew attention to the many initiatives already underway. In 2022, we will continue this process with face-to-face workshops to redefine our sustainability strategy and set clear business priorities.





1.6 Transparency benchmark

Since 2010, Royal IHC participates in the transparency benchmark led by the Dutch Ministry of Economic Affairs. This benchmark is performed every two years, with the latest edition in 2021, including a benchmark of our 2020 Sustainability Report. We scored 27 out

of 100 points, which placed Royal IHC at 154 of 236 companies. A total of 685 companies competed, of which the majority scored 0 points.

This exercise shows that although our sustainability reporting is on the right track,

we need to step up our game - particularly when it comes to anchoring the defined initiatives within our operations, and reporting the tangible results more transparently. This 2021 Sustainability Report already shows development in that respect, but it's only one step. To emphasise our

commitment to incorporate sustainability in our daily operations, we are developing a new approach to the 2022 Annual Report with the aim to combine the financial and sustainability report into one in the following years.



Drive

2.1 Business environment

The global economy recovered strongly in 2021, however it was a mixed year for Royal IHC. Despite oil and gas prices rising sharply, the offshore oil and gas markets worldwide remained depressed. The global dredging market remained weak, partially caused by restrictions on travel. Increased geopolitical tensions influenced the defence market. The global offshore renewables market was booming and the mining sector also improved, thanks to high commodity prices and a rising demand for metals needed to realise the energy transition.

Alongside these market developments, Royal IHC had to manage several complicated orders including the cutter suction dredger (CSD) SPARTACUS which was delivered in 2021 and the pipe laying vessel AMAZON scheduled for delivery in 2022.

The SPARTACUS is the world's largest CSD and the first to be powered by liquefied natural gas (LNG). The SPARTACUS sets a new benchmark in the industry, as it also features several additional innovations.

COVID-19 and R&D investments

In 2021 COVID-19 policy, worldwide and in the Netherlands, was once again a very important factor; firstly because of the measures needed to cope with the pandemic, and secondly because of the COVID-19 support policy limiting the consequences of these measures for companies and their employees. Travel restrictions and the restrictions on presence at work also had a major impact, both commercially (order intake) and in planning and carrying out work.

Over and above the challenges of COVID-19, the Dutch Cabinet resigned. As a result, there were no new matters added to the legislative agenda and limited opportunities for the outgoing Cabinet to formulate new policy for almost the entire year. Consequently, there are no major regulatory developments to report for 2021.

In addition to the COVID-19 related government support, the maritime sector worked with the government on a Maritime Master Plan for the Netherlands, with attention to both R&D investments and the global drop in demand caused by COVID-19. As a first step, in November 2021 the government awarded € 52.9 million in maritime R&D subsidies, aimed primarily at sustainability. Royal IHC participates in two of the consortia receiving maritime R&D subsidies.

In addition, an application was made to the National Growth Fund for the further development of the Maritime Master Plan. This will be assessed in 2022 in accordance with the rules of the National Growth Fund. Royal IHC will continue to participate and to collaborate with other Dutch maritime companies, supported by the sector association Netherlands Maritime Technology (NMT).

Socio-demographic developments

If we look at socio-demographic developments, ageing of the labour force plus the poor connection of supply and demand to the labour market are both issues that impact Royal IHC. There are targeted plans to address this, both within the company and within the sector. Regional cooperation is established to keep the learning, working and living environment -



Christmas gift

Everyone can do their bit

Every year, Royal IHC employees receive a Christmas gift in appreciation of their great dedication and commitment. They can choose their own gift or gift card in a specially designed web shop. They can also donate (part of) their gift amount to a charity that is close to their heart.

For the donations in 2021, the IHC Foundation selected these goals because of their special significance for our employees:

- **UNHCR** - life-saving aid and protection of forcibly displaced people
- **Provision for healthcare providers** - a financial contribution to support healthcare workers who are at the forefront of the fight against the coronavirus and their family members.

We encouraged our suppliers to join in the initiative by inviting them to donate money instead of sending the usual end-of-year gifts that are customary in many countries. In this way, we collectively contribute to a better world.



in the area of Royal IHC's main branches - attractive for existing and future employees.

Sustainability and operational efficiency

Sustainability and operational efficiency are central to everything we want to do as a company. We see an increasing focus on sustainability in society and in the markets in which we are active. This is partly driven by increasingly stringent requirements that are set worldwide. At the same time, improvements in operational efficiency can also lead to sustainability gains, for example consuming less energy and producing less waste.

Therefore, as an integrator of complex vessels and equipment, we need to invest in R&D and automation, in strengthening our

supplier relationships and in improving our our whole engineering and production chain. Digitalisation and technological advances mean that equipment and systems on board ships are constantly evolving as well.

Change is in fact the only constant we know and our focus on delivering the maritime future significantly influences the type of employees we are looking to hire. Herein lies the challenge, for the future proof skills we seek are not exclusive to the maritime sector and it is a highly competitive market.

Together with other maritime companies, we promote the exciting career opportunities that change will bring.

Countries are not standing idly by when it comes to sustainability. They have increasing

demands on the products and services that we develop, and on the projects where our products and services are deployed by contractors. This offers great opportunities in the area of R&D.

At the same time however, sustainability brings developments that can disrupt the level playing field in our global markets. In Glasgow, for example, the COP26 declaration on phasing out export credit insurance for fossil projects was signed by only a small number of countries (including the Netherlands). Many countries with similar shipyards and equipment manufacturers did not sign this declaration, giving direct competitors from Norway, Turkey, Singapore, South Korea, Japan and China a significant advantage in the market.

Royal IHC advocates that the Netherlands and the other countries that signed this declaration must do everything they can to bring these countries under the same regime. The level playing field is otherwise disrupted.

The signed declaration is expected to contribute to a reduction in the use of fossil fuels. Consequently, Royal IHC also advocates strengthening the possibilities for financing sustainable energy projects.

Global trade routes

In addition to the above-mentioned requirements, the SUEZ Canal congestion with the Ever Given and rising geopolitical tensions have also highlighted the need to continue to invest in keeping global trade routes open by water and via submarine data cables. In both areas we have products for the civilian market (dredgers, cable laying vessels and equipment to better protect and repair cables on the seabed) and for the defence market.

We are convinced that the knowledge and experience gained in the civilian markets for specialised ships and equipment are also applicable to the defence market. For instance, it is important for the strategic autonomy of the Netherlands and Europe that we continue to be able to build our own naval vessels in the future. Likewise, Royal IHC is convinced that building in its own country will also become an important factor for the Dutch navy. Furthermore, it is important to ensure higher operational efficiency (uptime) of ships, better maintenance programmes and more efficiently performed upgrades of naval vessels. There are opportunities for Royal IHC in all these areas, both in the Netherlands and in the surrounding countries.

2.2 Strategy and vision

2.2.1 The context in which we operate

The external business environment in which we operate is challenged by megatrends of climate change, the energy transition and a societal call for a more sustainable society.

Climate change

Global warming drives rising sea levels. That brings an increased need for protection of coastal areas and, at the same time, increasing urbanisation in the coming decades. Global warming also brings challenges to fresh water supply and drought, which requires additional water storage capacity. The varying navigability of inland waterways calls for a new vision on the development of delta areas.

Energy transition

This originates from increasing global demand for energy and the need to curb emissions of fossil greenhouse gases. Decarbonisation poses a huge challenge due to the scarcity of resources, increasing energy needs and recent geopolitical developments. It requires that we look for alternative fuels and renewable solutions, combined with a need to respond to societal and environmental demand to reduce emissions.

The call for a more sustainable society

The general public feels an increased sense of responsibility for generations to come. Policy makers are imposing more stringent sustainability requirements on businesses

while green initiatives push sustainability and technological advancement, which makes alternatives available.

In addition to these megatrends, we also acknowledge the megatrend *stagnation of economic growth*. This calls for new paradigms on economy and welfare.

2.2.2 Our vision, mission and promise to our customers

Royal IHC's view of the world in which we operate, **our vision**: Global challenges, including realising sustainable development goals, will have major impact on the maritime industry.

Royal IHC's role and ambitions in the area of operations, **our mission**: Royal IHC is determined to play a leading role in making the maritime industry more efficient and sustainable.

Our promise to our customers: As a leading designer, builder and provider of integrated vessels, equipment and services, we aim to offer the benefit of excellent operational efficiency and game-changing sustainable performance to our customers and the value chain.

Dealing with the corona virus

In 2021, the coronavirus continued to impact our business operations. Throughout the year, we made every effort to ensure the well-being of our employees, customers, suppliers and the communities in which we live and work. We ensured that everyone could comply with COVID-19 rules and regulations at all our locations. By communicating regularly, we ensured a safe workplace with a low risk of contamination.

During the pandemic, our Corporate Crisis Management Team (CCMT) kept a clear view

of the global situation and the changing (local) measures. By responding quickly, the team ensured that the necessary measures were taken at each location and that our people were well informed.

Our office colleagues worked primarily from home to minimise physical contact and contamination risks. With this, we experienced that combining days at home with days at the office has a positive effect on people's work-life balance. In consultation with the Works Council, we introduced a hybrid work model in October. As a result, employees with roles that permit hybrid working can split their time between working in the office and working at home.

Despite the inconveniences caused by COVID-19 measures, everyone remained fully committed to Royal IHC. We greatly appreciate this and as a gesture of our thanks employees received a second COVID-19 bonus in October.

After two years of living with the virus, we now seem to be entering a new phase. Worldwide, the number of people acquiring natural immunity through vaccination and infection is increasing and there are grounds for cautious optimism about the future. However, we should also take to heart the idea that uncertainty and unpredictability are still present.



2.2.3 United Nations Sustainable Development Goals

In our vision, mission, positioning initiative - held in 2020 - a diverse group of formal and informal leaders looked at the most relevant United Nations Sustainable Development Goals (SDGs) for the company.

Using megatrend analysis and the output of interviews with key stakeholders, we elected to focus on making a significant contribution to the following SDGs:

- Climate action (13)
- Life below water (14)
- Partnership for the goals (17).

We also work on:

- Good health and well-being (3)
- Decent work and economic growth (8)
- Industry, innovation and infrastructure (9)
- Responsible consumption and production (12).

2.2.4 Our sustainability strategy and focus areas

In 2021 we deployed our sustainability strategy in three focus areas of the value chain:

1. **Supply chain:** responsible sourcing
2. **Operations:** conducting our operations in a sustainable manner with a sensible footprint
3. **Products and services:** offering a sustainable product and services portfolio to our customers



Deployment of our sustainability strategy

Through governance we create alignment, strong sponsorship and control of our sustainability strategy, both at Board of Management and Senior Leadership Team level.

Using materiality assessment (see 2.4), we interact with stakeholders in the context of our organisation. Based on these interactions, we determine material topics to work on within the three focus areas. These material topics could have a significant impact – both positive and negative – on our business model and value drivers.

Within each focus area we set objectives and targets to create and maintain focus on what is important. Follow-up initiatives and actions are part of our annual business planning cycle and management control and reporting system.

We communicate our sustainability strategy and efforts to all levels of the organisation.

With our partners, we cooperate in the development of technology to advance sustainability in our environment and within society.

In the next paragraphs we expand on the three focus areas and provide example initiatives.

1. Supply chain

We source products and services sustainably; we aim to identify and then to apply more environmentally friendly and sustainably advanced alternatives in our operations, products and services.

• Co-development partners in our supply chain

We actively impose requirements in relation to operating efficiency and sustainable performance on key suppliers who become co-development partners.

Examples include:

- application of waterborne coating
- application of more environmentally friendly materials
- use of FSC and PEFC certified raw materials
- reducing packaging materials and making packaging more circular
- improving the traceability of materials
- re-use of materials through scrap metal recycling at our steel and iron foundry Allard Europe.

• Local supply chain development

We utilise local supply chains to address the growing preference for locally built.

• Governance

We exercise governance with our Royal IHC rules and regulations for contractors and suppliers which explicitly describe supplier responsibilities. We prequalify and audit using our QLIFT methodology (see 2.6).

More detailed information regarding the process of management and control in the supply chain is included in paragraph 2.6.

2. Operations

We aim to conduct our operations in a sustainable manner with a sensible footprint.

Examples of initiatives include:

• Game changing production processes

We are introducing automated welding and coating of components to improve quality and reduce delivery time. We also explore the automation of the 3D forming



'Duik de Noordzee schoon'

Committing ourselves to a healthier North Sea

The North Sea is important to the Netherlands in economic terms such as transport, fishing, wind energy and tourism, as well as for its historical significance. In fact, many ship and aircraft wrecks that are a unique part of the cultural heritage lie underwater. In 2021, the IHC Foundation signed up to support the 'Duik de Noordzee Schoon' foundation: a volunteer organisation committed to discovering, cleaning up and protecting the North Sea.

The foundation does this for example by cleaning wrecks, removing ghost nets and lost fishing gear. Romald Peeters, Senior Project Manager at Royal IHC, joined an expedition in September 2021. "A volunteer team of divers removed plastics and fishing nets from 15 wrecks between Ameland and Helgoland. During the operation, we removed 3,500 kilograms of mainly plastic waste from the sea. I think it's great that our company contributes to this major clean-up and to raising awareness about the large marine conservation zones."



process for plates. This is important for building efficient hull shapes and to ensure we control the process well and innovate it for the future.

- **Reducing our CO₂ footprint**

With more efficient work methods, we reduce our energy consumption, waste streams and our CO₂ footprint. A best practice is reducing our scrap percentage to <20%, with an ultimate ambition of circular production.

- **Exploring coatings and coating processes that reduce VOC emissions**

This will improve Royal IHC's environmental performance and safeguard the health and safety of coating workers.

- **Harnessing the power of impactful colleagues**

Sustainable operations are driven by impactful human resources. We invest in our people's expertise, knowledge and craftsmanship. We strive to attract a growing number of students – future talent - to our Technical Education Institute. We provide supervisor leadership training, utilise talent management and prepare for succession planning.

3. Products and services

Royal IHC wants to lead the way in making the maritime industry more sustainable and efficient. Technology development and a broad cooperation across the supply chain are essential for us to achieve this.

Examples of technology development at Royal IHC include:

- **Zero emission vessels and alternative fuels**

Royal IHC is proactive in investigating the effects and integration of alternative fuels and zero emission power supply technologies for our markets. We present various alternatives to our customers and the consequences for vessel design, operation and TCO. Cooperation examples and European subsidies in which we participate include Green Maritime Methanol, MENENS and Helenus.

- **Advanced drive concepts**

The SPARTACUS is a good example of advanced drive concepts including dual

fuel engines, a flywheel for peak shaving and waste heat recovery system. The SPARTACUS is fitted with a hollow cutter shaft, which is more efficient in transmitting forces to the cutter. This results in a cutter suction dredger which has a low Carbon Footprint and can excavate soils with extreme hardness and sea states that could not be dredged before.

- **Game changing materials**

We are constantly cooperating with universities and foundries to produce better wear-resistant materials for all applications; exploring the use of composite materials to reduce weight and maintenance on mission equipment.

2.3 Value creation

Global challenges, including realising SDGs, will have a major impact on the maritime industry. We are determined to play a leading role in making the maritime industry more efficient and sustainable. As a leading designer, builder and provider of integrated vessels, equipment and services, we aim to offer the benefit of game-changing sustainable performance to our customers and the value chain.

Business strategy

With our business strategy we aim for Customer Intimacy – understanding and anticipating the needs and requirements of our customer and their customers. Through

Product Leadership we provide the best product or service available on the market, outperforming operational efficiency and sustainable performance. With our strategic focus on Operational Excellence we source, produce, deliver, and help maintain and upgrade/ retrograde our products and services in the most efficient manner. That way we contribute to maximum uptime and lowest total cost of ownership for our customers.

Environmental impact and aspects

We continuously identify our environmental impact and aspects. In the supply chain we partner to source and apply alternatives that are more environmentally friendly, with less

emissions. We strive to reduce the footprint in our operations and seek to develop more efficient and more circular production processes. We also work towards year-on-year energy consumption reduction. Both lead to fewer emissions.

We replace materials and substances with more environmentally friendly, non-hazardous ones and we manage our waste streams carefully. We develop and provide a

leading innovative products and services portfolio that is at the forefront of operational efficiency and sustainable performance.



Sustainability initiatives inventory

In 2021, Royal IHC launched a bold new strategic direction with an ambitious mission to play a leading role in making the maritime industry more efficient and sustainable. To create a better world starts within our organisation. By living and breathing sustainability and operational efficiency, it will show in every aspect of our activities.

During the year, we rolled out a project to identify the various sustainability initiatives currently being undertaken within our company - the products, services and collaborations that will support our ambition of becoming a front runner. This resulted in a long list of activities that deliver continued impact.

The range of topics covered illustrates our commitment and ongoing progress. Some were already widely shared within the company, for instance, the development of zero-emission concepts for several vessel types, a hydrogen-fuelled trailing suction hopper, as well as an energy recovery system for tensioners. Another widely shared example is our investments which include smart maintenance to improve productivity and enhance safety in a sustainable way.

Yet others were perhaps not so well known. Our procurement team for example helps to make a sustainable difference by finding environmentally friendly substitutes for materials and products at no additional cost. At our facilities, we have invested in energy-efficient lighting, electric-powered vehicles, electrical winches and ecologically friendly

antifouling paint solutions. Naturally, we also use biodegradable hydraulic oil and lubricant free bearings. Across our offices we have adopted a wide range of sustainability initiatives too, such as reducing paper and plastic waste.

The talks on sustainability with large groups of colleagues throughout the company sparked great enthusiasm and raised many interesting topics and questions. The talks highlighted we are already doing a lot and we will continue to push ourselves to deliver even more as we work together on our ambitious mission.





Potential risks

Potential risks include:

- a global shortage of materials resulting from the COVID-19 pandemic and increased protectionism
- the growing pressure to be sustainable which could result in insufficient time to develop product offerings, in line with increasingly stringent requirements for credit risk insurance and financing of the solutions
- the skilled-labour shortage, paired with increasing labour costs
- competition in the Far East operating under less stringent sustainability requirements.

We manage these and other risks by early detection and transparent regular dialogue. Our business plans set out initiatives to remediate the risks, governed by our Management Control and Reporting System.

Opportunities are plenty

This day and age calls for more sustainable products and services. We are ready to offer them to the market, to further develop them and to provide support, maintenance and service propositions for successful deployment of the assets. Sustainability and operational efficiency go hand-in-hand: operationally efficient products and services bring fuel efficiency and thereby contribute to decarbonisation. Digitalisation, robotisation, autonomous and remote working, development of new materials, all provide opportunities in the value chain from sourcing, to operations, to products and services offerings.

We are in close contact with our stakeholders. Through materiality assessment (paragraph 2.4), supported by guided dialogue we have defined the material topics to accelerate on. These material topics form the basis of the deployment of our sustainability strategy (paragraph 2.3).

2.4 Materiality

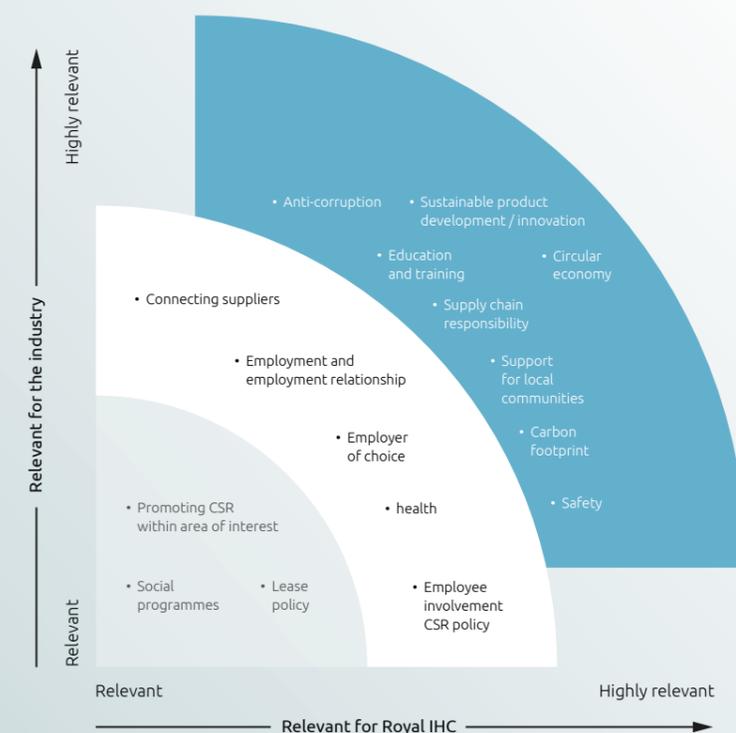
Topics of material importance to the organisation and its stakeholders in our sectors of dredging, offshore, mining and defence are:

- sustainable product development
- carbon footprint
- safety
- anti-corruption
- education and training
- circular economy
- supply chain responsibility
- giving back to local communities.

In our materiality matrix presented below we provide a graphical representation of these material subjects.

Process to determine most material topics

We started the process of materiality assessment with our strategy, stakeholder and megatrend (paragraph 2.2.1) assessment. This resulted in an initial materiality matrix. The matrix was reviewed by our Sustainability Committee, consisting of stakeholder facing colleagues. Following a good dialogue, the final materiality matrix was provided to the Board of Management for approval. Subsequently it was presented to the Senior Leadership Team and published in the 2020 CSR Report.



Annual business plan cycle

Our sustainability strategy and materiality matrix provided valuable input to the annual business plan cycle with involved parties asked to define their sustainability objectives and material subject targets. The business plans were reviewed by the Board of Management and subject to dialogue with Senior Leadership Team Directors. Where necessary, changes were made to the business plans. The Board of Management has approved the business plans for implementation. Progress is monitored by our Management Control and Reporting System and discussed in the monthly Management Team, Functional and Corporate Directors Meeting.

2.5 Stakeholder engagement

Royal IHC operates in a multi-stakeholder environment. Understanding the views and interests of our stakeholders is essential in consideration of current and future societal needs. It helps us to anticipate and develop more robust plans for advancing business opportunities, while balancing legitimate interests.

Interdependencies

We actively engage in discussions with local and regional communities as well as

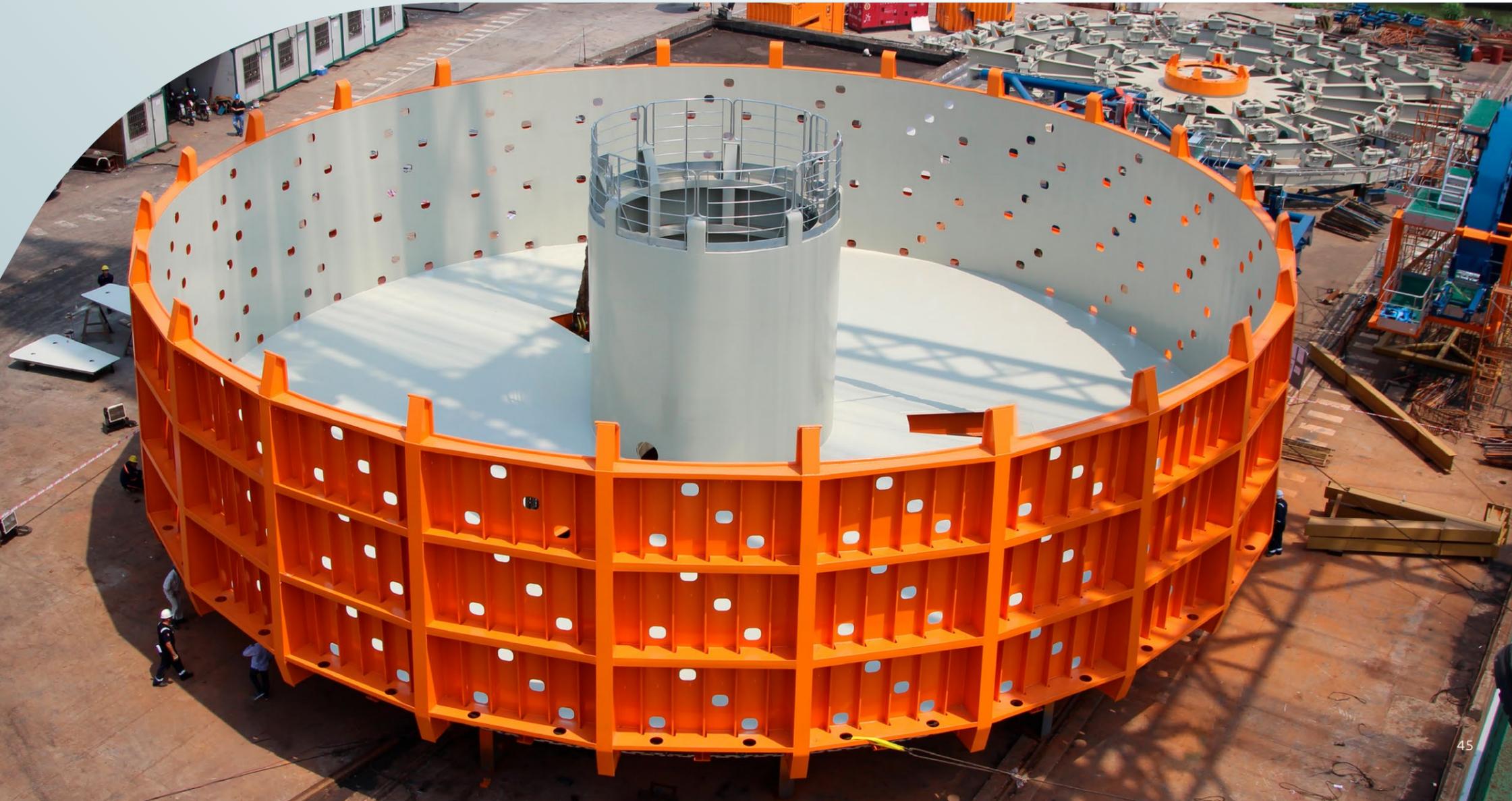
governments about societal needs and Royal IHC's interests, to reach longer term business goals. There are many interdependencies and these relate to:

- Technology and innovation: for example, are we able to continue to attract the people we need to remain a leader in the markets in which we operate? Can we collaborate well with supplying companies in the chain? By doing so, we ensure that we continue to innovate throughout the chain and achieve the operational excellence that is necessary to take on the competition worldwide.

- The level playing field in the markets in which we operate internationally and the related trade policy of the Netherlands and the EU, combined with the use of mechanisms to tackle unfair trading practices.
- The opportunities for other Dutch and EU companies to work together with the government to apply innovations through launching customership. This provides opportunities to show our innovative strength when it comes to sustainability in the maritime sector and also to market it better worldwide.

- The specific characteristics of the markets in which Royal IHC operates. Who the players are, how transitions to more sustainability in those markets are materialised and where we as a company can or cannot play a pro-active role.

Royal IHC comes into contact on all these themes at various levels within society and at times that are customary for such consultations.



Community engagement

New classroom for Ulutho Educare Centre

On March 17, Rajesan Naiker, Royal IHC Commercial Director for Africa officially opened a new 30m² classroom at the Ulutho Educare Centre in Tafelsig, a section of Mitchells Plain's township in Cape Town. The centre was started in 2008 by Principal Joyce Cwayi and rapidly gained popularity within the community. That's why Royal IHC SA decided to donate funds towards this new classroom which will be used to prepare four to five-year olds for primary school.

In his speech, Rajesan thanked Principal Joyce and her staff for their hard work in shaping the young minds of the future. He also expressed hope that the centre will foster future engineers. Rajesan was accompanied by CD Myburgh, Royal IHC South Africa's financial controller. "It was heart-warming to see the excitement on the little children's faces", CD says. "They are delighted with their new classroom and the chance to learn. All of us at Royal IHC SA are proud to be involved with this initiative which is helping children to build a better future."



Engagement

Royal IHC actively participates in meetings hosted by a range of partnerships and organisations. We engage with the municipalities of our locations and in regional contexts such as Deal Drecht Cities. A variety of connections have been established around the stakeholder community related to the Port of Rotterdam.

On a national and EU level, we engage via industry associations who represent our interests. Together, we discuss the policy developments that are conducive to – or likely to hamper – Royal IHC's business opportunities. Royal IHC also engages on a national level with Ministries and nationally organised stakeholder groups in The Hague. The same holds for the EU in Brussels.

Memberships

In the past we have identified our stakeholders based on our economic (business) activities. Royal IHC is a member of a variety of industry associations, reflecting the diversity of markets and sectors in which we operate and the themes that we deal with. We provide input through committees and boards in these industry associations.

Royal IHC memberships in the Netherlands include VNO-NCW, FME, Netherlands Maritime Technology, Nederland Maritiem Land, IRO and NIDV. Through these associations, Royal IHC also comes into contact with (organisations of) interest groups that specifically focus on one or more SDGs. MVO Nederland and the Netherlands Water Partnership are important stakeholders here too.

On a European level, this is mainly done through the organisations of Sea Europe, Euroyards and Waterborne Technology Platform.

Importantly, engagement on the SDGs not only takes place at policy level, but also with our (potential) customers as we work together on a sustainable maritime future.

In short, Royal IHC talks about its place in the market and in society at all levels, always seeking the relevant contacts to enter into discussions.

2.6 Management and control in the supply chain

Royal IHC is committed to promoting sustainability in our supply chain. The guiding principle is to observe the rules of the country where our company is active. It is important to us that suppliers and subcontractors follow the OECD Guidelines which encourage the positive contributions that businesses can make to economic, environmental and social progress. These guidelines provide standards for corporate responsibility in areas such as employment, human rights, supply chain responsibility, the environment and competition.

Supplier policy

Royal IHC encourages its suppliers to make products and services more sustainable. We are proactively looking for opportunities to collaborate and share knowledge about, for example, the use of alternative fuels and innovative techniques. Our procurement team plays an important role in this. This team is responsible for framework agreements with key suppliers. It also ensures that tenders are carried out in accordance with the terms laid down in framework agreements.

Sourcing

Our category management specialists are involved in product development, encouraging product innovation from suppliers and delivery of cost-effective solutions, together with specialists from other disciplines. They seek suppliers with the right services and technologies as well as the ability to co-create. As a driving force in this process, they connect the value chain to look for optimal alignment with the customers' wishes so that we can create competitive advantage for our customers together.

Our project buyers ensure that the orders are carried out in accordance with the terms of the framework agreements. This means that they plan and coordinate the large numbers of suppliers who provide third-party products and services, so that we deliver our vessels and equipment 'On Specification,

Budget and In Time' (OSBIT) to our customers. They are supported by a pool of operational buyers and forwarders.

Monitor, analyse and evaluate

We assess our suppliers according to the QLIFT method that translates customer demands into five performance criteria: quality, logistics, innovation, flexibility and total costs. Each criterion is divided into sub-criteria. The joint performance for the customer is central to this. Based on the sourcing strategy, we draw up a profile of the desired organisational and delivery characteristics. During the construction process, we determine whether all desired characteristics are met for all joint agreements. This method helps us to hold each other accountable. The supplier and Royal IHC are jointly responsible for delivering the required performance.

We regularly assess the extent to which suppliers integrate our sustainability principles into their business activities and meet the QLIFT criteria. Next step is to analyse the deviations between the desired and actual performance and investigate how we can reduce those deviations. This translates into an improvement plan with concrete

actions for Royal IHC and the supplier. These actions are jointly monitored and evaluated. This integrated cooperation ensures that the parties are increasingly attuned to each other and that our supply chain partners continue to improve their performance.

Fair and ethical business

Choosing suppliers that conduct all business in an honest and ethical manner is important to us. We only work with suppliers that sign our Code of Conduct. In case of serious violations such as corruption, we end the relationship. In the Code of Conduct, we emphasise that we have a zero-tolerance stance on bribery and corruption in all relationships and transactions, anywhere in the world. This also applies to modern slavery where a statement published in 2020

describes how we comply with the Modern Slavery Act. The Act sets out a range of measures on how modern slavery and human trafficking should be dealt with.

Safe work environment

Ensuring the health, safety and well-being of the people who work for us is a top priority and central to our supply chain approach. We are committed to fair and safe working conditions in the supply chain, in accordance with the principles of the International Labour Organisation for healthy and safe work. For example, we involve contractors and suppliers in our I-CARE safety programme. The Corporate Discipline SHE-Q monitors compliance with the Royal IHC rules and regulations for contractors.





**Objectives and
performance**

3.1 Policy - related to SDGs en material topics

We have linked our sustainability strategy to the material themes, the three focus areas of the value chain, and to the SDGs that are significant for our company. For each material theme, we provide an explanation of the objectives and in paragraph 3.2 (Objectives and results) we show the results of the activities that the organisation has undertaken in 2021.





Mental health matters

In addition to safety and physical health, Royal IHC is committed to the mental well-being of its employees. “We strive for an open and inclusive work environment in which people dare to speak out, even when things are not going well. In 2018, we introduced manager and employee training in the UK to improve mental health awareness. We also published and distributed to all employees a booklet on mental health”, says HR Director Jane Hudson. “We have since launched an employee assistance programme to provide support for employees who are experiencing

mental health problems. New initiatives will continue in 2022 to promote a better understanding of mental health issues, including the launch of a mental health advocate service in the UK in March.”

HR Business Partner Liselotte Overbeek is the driving force behind these initiatives in the other subsidiaries. “In July 2021, we called on colleagues to become mental health ambassadors. With their help, we formed a Mental Health Matters Project Team consisting of 19 enthusiastic Royal IHC colleagues. We also selected a specialist partner to train our managers, with the first trainings scheduled to commence in March

2022. In these trainings, managers learn how to become more aware of mental health, how to remove prejudices and stigmas around this subject, and how to support colleagues who may be struggling with their mental health.”

“We have also taken steps to raise awareness of specific mental health and well-being topics, for example Stress Awareness Month in April. We will continue to support relevant themes throughout 2022. Furthermore, following on from the example set by the UK, we will be looking to introduce a similar mental health advocate service in the Netherlands.”



3.2 Objectives and results - related to SDGs and material topics

The following table contains an overview of our objectives and results in 2021, per material theme and linked to the SDGs.

The three focus areas of our sustainability strategy, plus safety and the IHC Foundation are further discussed on the next pages. These provide further insight into aspects that went well, those that require improvement and the dilemmas we are facing.

Material theme	2021 objectives (linked to focus areas)	2021 results	Link to SDGs
Sustainable product development	<ul style="list-style-type: none"> develop a new hydrogen powered product offering (Products and Services) develop new sustainable products and services (Products and Services) align R&D activities to support sustainable product development (Operations, Products and Services). 	<ul style="list-style-type: none"> LEAF hopper with near zero emissions E-Beaver including load profile, efficiency studies Plumigator offered early-stage advice to customers on zero emissions and provided energy transition options further developed knowledge and technology for clean and efficient drive systems – ready to implement in new vessels concepts that are clean and competitive. 	Climate action (13) Life below water (14) Partnership for the goals (17) Good health and well-being (3) Decent work and economic growth (8) Industry, innovation and infrastructure (9) Responsible consumption and production (12)
Carbon footprint	<ul style="list-style-type: none"> identify tier 1 & 2 emissions (Operations) provide propositions with less fuel consumption and/or using alternative fuels (Products and Services). 	<ul style="list-style-type: none"> published tier 1 & 2 emissions LEAF hopper with near zero emissions E-Beaver including load profile, efficiency studies offered early-stage advice to customers on zero emissions and provided energy transition options further developed knowledge and technology for clean and efficient drive systems – ready to implement in new vessels concepts that are clean and competitive. 	Partnership for the goals (17) Climate action (13) Industry, innovation and infrastructure (9) Responsible consumption and production (12)
Safety	<ul style="list-style-type: none"> reduce 'Lost Time Incidents' by 15% compared to previous year (Operations) continue I-CARE Safety Programme with introduction and engagement training cascade and supportive campaigns (Supply chain, Operations) implement license-to-operate training matrix, detailing basic training requirements for job roles and pairing these to the Royal IHC Academy Training System (Operations). 	<ul style="list-style-type: none"> reduced 'Lost Time Incidents' frequency and absolute numbers beyond 15% compared to previous year I-CARE Safety Programme cascade continued where possible under the COVID-19 pandemic: Board of Management and Senior Leadership Team / CC Krimpen Yard I-CARE campaigns and toolbox meetings held on prevention of slips, trips and falls, safely working at height and risk management license-to-operate training matrix implemented including supportive system risk inventories and evaluations brought up to date implemented learn & improve incident management system, held BFA/tripod incident investigation. 	Partnership for the goals (17) Good health and well-being (3) Decent work and economic growth (8) Responsible consumption and production (12)
Anti-corruption	<ul style="list-style-type: none"> raise awareness of anti-corruption (Supply chain, Operations). 	<ul style="list-style-type: none"> held education and training on anti-corruption to key employees. 	Partnership for the goals (17) Decent work and economic growth (8) Responsible consumption and production (12)
Education and training	<ul style="list-style-type: none"> Senior Leadership Team development sessions (Operations) supervisor leadership training programme (Operations) design leadership programme (Operations) execute license-to-operate training programme (Operations). 	<ul style="list-style-type: none"> met all targets and launched the learning environment. 	Partnership for the goals (17) Good health and well-being (3) Decent work and economic growth (8) Responsible consumption and production (12)
Circular economy	<ul style="list-style-type: none"> take a serious initiative in light of the circular economy (Supply chain, Operations). 	<ul style="list-style-type: none"> reduced scrap metal to <20%, taking steps to become more circular by re-using scrap in own foundry Allard Europe reduced use of packaging materials. 	Climate action (13) Partnership for the goals (17) Industry, innovation and infrastructure (9) Responsible consumption and production (12)
Supply chain responsibility	<ul style="list-style-type: none"> co-develop a more sustainable value chain (Supply chain) update rules for contractors and suppliers (Supply chain). 	<ul style="list-style-type: none"> realised co-development of more sustainable sourcing alternatives realised participation in R&D development studies updated rules for contractors and suppliers. 	Climate action (13) Life below water (14) Partnership for the goals (17) Good health and well-being (3) Decent work and economic growth (8) Industry, innovation and infrastructure (9) Responsible consumption and production (12)
Giving back to local communities	<ul style="list-style-type: none"> give back to local communities (IHC Foundation and Operations). 	<ul style="list-style-type: none"> over € 50,000 invested in social, economic and partnering projects. 	Partnership for the goals (17) Decent work and economic growth (8) Responsible consumption and production (12)

3.2.1 Supply chain performance



Contributing to a sustainable supply chain from a solid base

Rogier Schurink
Director Procurement, Royal IHC

In 2021, Royal IHC's purchasing organisation felt the persisting impact of the corona pandemic on both order intake and the supply chain. "Lockdowns and travel restrictions meant consultations could only take place digitally and on-site supplier audits were suspended," says Rogier Schurink, Director Procurement at Royal IHC.

"We adapted in stages to the new organisational structure with PMGs and paid a lot of attention to safeguarding the OECD guidelines for international corporate social responsibility. Furthermore, we introduced renewed rules and regulations for contractors and subcontractors."

Rogier explains how Royal IHC made every effort in 2021 to successfully complete several large multi-year projects. First, the delivery of the SPARTACUS, the world's

largest self-propelled and LNG-powered cutter suction dredger. Then the conversion of the pipelaying and installation vessel AMAZON. "The pandemic once again affected our suppliers' business operations and financial results, says Rogier. "These risks, as well as risks linked to our suppliers CSR activities, are monitored and controlled through a specific set of indicators."

Partnering and collaboration

"Royal IHC is currently developing the 'LEAF' or low energy adaptive fuel suction hopper dredger in an innovation partnership with Rijkswaterstaat," says Peter Bickel, Category Manager Propulsion & Ship Equipment. "Partnering like this, we contribute to the customer's ambition to work on waterway and coastline maintenance in a CO₂-neutral way. The design

objective is minimum energy consumption instead of maximum production and we work closely with the customer to develop solutions. The challenge for us in purchasing is to find the right balance between ecological and cost aspects. In addition, fast delivery time for some customers is a crucial factor in the decision to order ships from Royal IHC."

"To be competitive and profitable with innovative products, it is important to consider the procurement perspective. Environmentally friendly alternatives are often more expensive than conventional designs due to the required development investments. We also have to deal with price pressure in our market and strict regulations. We can only develop answers to these challenges in consultation with our customers and suppliers. In 2021, we took a good look at how we can organise this optimally at the front end. Which suppliers

do we want to work with and what are their ideas about innovation and operational efficiency? This has yielded many valuable insights."

"To stand out in the areas of technological innovation and sustainability, it is essential to collaborate with suppliers," concludes Rogier. "As a purchaser, you must know the client as well as the decisive criteria for assignments and tenders. In 2021, we updated and deepened the role of procurement and strengthened our relationships with preferred suppliers. Sustainability was a priority area for us and we made good progress with our environmental policy and strategy documents. From this solid foundation, we will tackle new challenges such as online supplier monitoring. We will of course also restart our on-site audits."



3.2.2 Operations



Continuously improving our performance in all areas of sustainability

Johan de Bie
Director Winches, Tensioners and Hydraulics, Royal IHC

Johan de Bie - Director Winches, Tensioners and Hydraulics at Royal IHC - talks enthusiastically about his department's progress in the field of sustainability. "In 2021, we took many important steps in the area of maintenance and material replacement among others. Our products last up to 30 years, so there is a wealth of environmental benefits to be achieved through condition-based monitoring. These are periodic measurements that allow us to see when parts need to be replaced. Timely maintenance helps our customer ensure optimal operational efficiency. It also prevents leakage or bearing failures that can lead to a standstill of operations. Furthermore, ensuring that dredging processes run smoothly, limits the environmental impact. We will further develop these services in 2022 and market them more widely."

"We are continuously improving our performance and efficiency in all areas of sustainability. For instance, we are now testing an augmented reality solution to facilitate even better remote assistance and knowledge transfer. In 2021, we paid particular attention to our cutting department because optimal arrangement of shapes ensures a significant reduction in cutting loss. We have also invested in automating the panel street. As a result, fewer man hours are required and we can be very specific in controlling the welding height to ensure we are true to the design and use less welding material, energy and gas. The testing phase is currently underway."

Replacing hazardous substances

"We have also made great progress in replacing hazardous substances," adds Alexander van den Berg, Director SHE-Q-CSR

at Royal IHC. "We maintain information in our chemical inventory system on the substances used on our construction sites. We made strong efforts to replace substances of carcinogenic, mutagenic and reprotoxic concern with less hazardous alternatives. Furthermore, Royal IHC now manages and monitors 32 different waste flows. A large part of the waste is converted back into raw material via our recycling center and the waste disposal company."

Level playing field – quantify our added sustainability value

"Our main dilemma is having a level playing field which allows fair competition with companies in other countries," says Johan. "Royal IHC puts a lot of energy into sustainable products and production, simply because we believe that this is how it should be done." Johan explains that Royal IHC anticipates on more stringent requirements, whilst maintaining competitive price levels in

the markets we operate in. "The challenge is to quantify our added value and make it more explicit."

"Our product quality can also create a dilemma, because Royal IHC delivers high-quality, long-lasting products. Yet, customers often look at capital expenditure rather than total cost of ownership or operating costs. This may make them decide to choose a cheaper solution that will last half as long, which in the end is less sustainable."

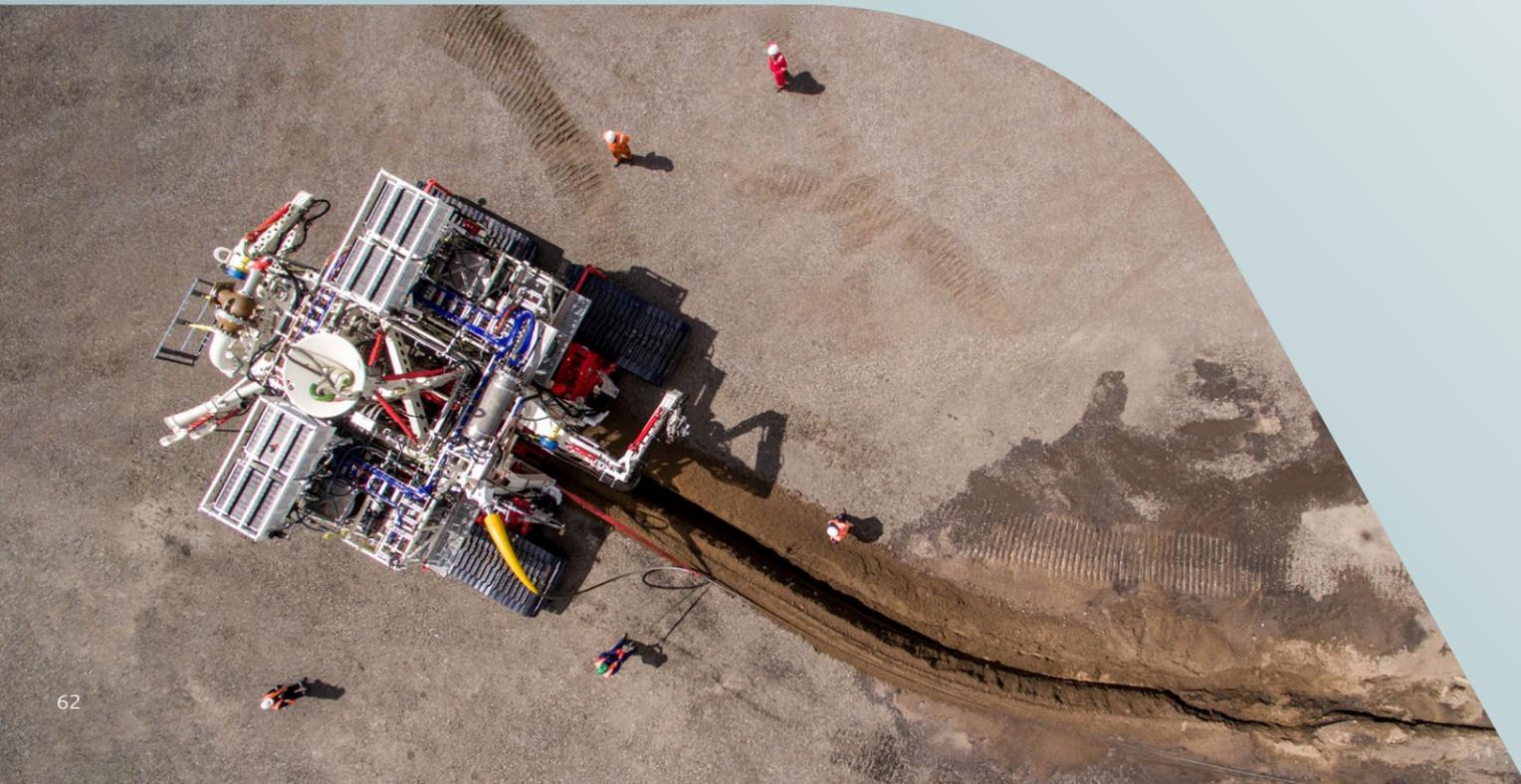
"Although we are making a transition towards renewable energy, non-renewable energy is still needed during the transition. Given societal tendencies towards renewable energy, it has become difficult to obtain export credit insurance for oil and fossil fuel related products. This puts us at a disadvantage when an international customer wants to order a ship with a traditional engine."



“To accelerate sustainable development in the manufacturing industry, potential customers should assess the footprint across the entire product lifecycle,” Alexander concludes. “This also goes for the construction of a ship. What materials are used, how is the yard maintained, what are the working conditions like? And further down the chain: where does the steel that is being used come from? Awareness is growing, but it can’t come soon enough for us!”

The human factor

“What I really like is that according to our employees, culture is an important aspect of working at Royal IHC. We have a committed and loyal workforce with a great deal of knowledge and expertise, as well as the desire to get along with each other. Common denominators are pride in our product and craftsmanship. This sense of pride is also reflected in our approach to environmental incidents. When I started working here in 2016, very few incidents were reported to the regulatory authorities. But this changed when we started to raise awareness about environmental issues. This way, we fostered a culture in which people feel confident to speak up. This is actually necessary to gain insight into what is going wrong and where you can improve. As a result, you end up with almost nothing left to report. And that is exactly what happened in 2021.”



Business travel (kg CO ₂ / man hour)	2021	2020	2019	2018
Air travel	0.21	0.21	2.59	1.28

Energy consumption (kg CO ₂ / man hour)	2021	2020	2019	2018
Direct energy consumption				
Fuel consumption lease cars	0.13	0.14	0.23	0.15
Gas consumption	0.68	0.52	0.65	0.73
Indirect energy consumption				
Electricity consumption lease cars**	0.001	0.010	0.003	-
Electricity consumption	2.31	2.30	2.25	2.46
Total*	3.12	2.98	3.13	3.34

* For 2020, the total includes 0.003 kg CO₂/man hour of geothermal energy consumption
 ** Electricity used by lease cars is separately reported in scope 2 as of 2019

Environmental incidents	2021	2020	2019	2018
Environmental incidents*	13	45	22	18

* Data as of 2021 exclude the environmental near misses

Our Carbon Footprint

In 2021 we continued to undertake steps to decrease our own Carbon Footprint and measure the results.

National energy consumption

In 2016 and 2017, we installed solar panels at our two locations in Sliedrecht. The energy produced in 2021 was 253,678kWh, of which 11,800kWh was delivered back into the network. In total 15,526,241kWh of energy was used by the Dutch entities.

National gas consumption

The national gas consumption in 2021 was 1,322,053m³. A slight difference compared to 2020, but a lot less than the years before. As in 2020, this is mainly because a large percentage of our employees were working from home in accordance with COVID-19 health and safety policies.

Business flights

Royal IHC has branches and projects all over the world, requiring employees to frequently travel to those locations. In 2021, travel restrictions linked to the global pandemic remained in place, leading to a much lower impact than in the years before the pandemic.

National total CO₂ emissions

The total CO₂ emissions for 2021 resulting from electricity and gas consumption and the company fleet, was 11,664 tonnes of CO₂. This includes fork lift trucks (all electric). Based on this data, we calculated a Carbon Footprint of 3.12 kg CO₂ per man hour. Although the absolute number has gone down 3,121 tonnes, the Carbon Footprint increased 4.7% due to a decrease (25%) of man hours worked.

3.2.3 Products and services



Innovating towards a sustainable maritime industry

Bernardete Castro
Head of Technology, Royal IHC

Head of Technology Bernardete Castro and her colleague Erik van der Blom lead a department of twenty researchers involved in technology development for Royal IHC's products. "Our projects always meet at least one of Royal IHC's two strategic pillars: efficiency and sustainability", Bernardete says. "We propose new technologies for our products and if judged interesting, we start working on them. We explore whether the innovation suits us, if Royal IHC's products can still fulfil their functionalities and what the return on investment might be. This starts at an early stage, for example when a university or supplier introduces new technologies. The duration of these types of programmes is usually three to five years." "We are continuously working on innovative zero-emission technologies such as hydrogen propulsion. We also explore the use of

methanol, fuel cells and energy saving solutions like waste heat recovery.

Furthermore, we work on energy storage systems, for instance flywheels and batteries that meet the peak needs of ships. Improving our core business processes such as hydraulic transport and soil excavation is another area of focus. In 2021, we achieved a good physical description for excavation, in addition to using experience figures. For example, experience showed that only a certain dredger could cut a specific rock type, but nobody knew why. In 2021, insights and data came together enabling us to clarify these issues and improve our predictions."

Process innovation and rapid prototyping

Bernardete mentions three-dimensional bending of steel plates in cooperation with

Metalix as a good example of process innovation. "We will always need round shapes for the efficiency of ships. Bending plates is a craft that people only fully master after about ten years. Therefore, we have made a physical description that enables us to predict and control the bending process, and assist less experienced operators in the future. This leads to more efficient use of resources and lower costs."

Continuing on, Bernardete describes the latest innovations in the development of dredging technology. "These systems are continuously improved to meet the toughest dredging challenges. For pump testing, we have built a new circuit of only 100 millimetres diameter that is suitable for testing small 3D-printed pumps. We are now building a larger circuit for pumping mixtures and working on further improvement of our prediction tools. Small scale testing techniques allow us to work faster and more

cost-efficiently and they correlate almost perfectly with a full-size system. Last year, we started to explore the industrial applicability of a new material for pumps with the University of Wuppertal and Allard. This concerns a new wear resistant material that is also more resilient to impact loads. The first results are promising."

Future scenarios

"Our biggest challenge is mastering the complexity of technology and the uncertainties of the maritime energy transition. How can you oversee this and make robust choices for a more sustainable future? We operate in a niche segment of the maritime sector and want to anticipate technological developments that are suitable for our assets. The methanol engines currently on the market for instance, are not yet suitable for our size ships. We collaborate in the chain for the development of new engine types, by for example defining the

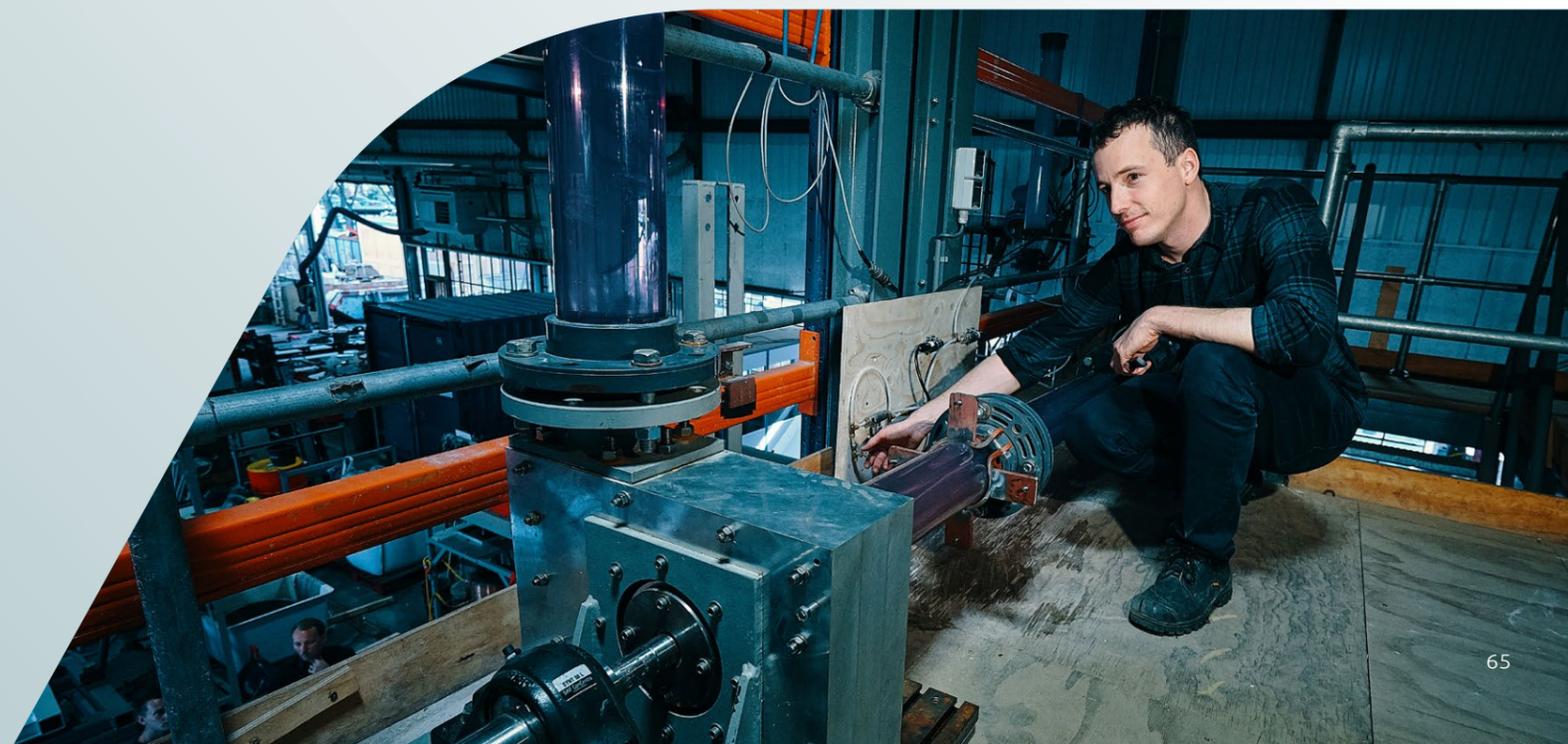




Image courtesy of Kenmare Resources plc

functionalities and test protocols for the new engines. We now use a calculation tool that provides insight into CO₂ emissions, costs and benefits of a work vessel over the entire lifespan. This goes much further than fuel type and initial investment. By working with possible future scenarios, we can advise our

customers on the most robust options, which is always very interesting for them to see. In addition to technological development, we depend on the customer's capacity and willingness to innovate, as any innovation involves high risks. We introduce new technologies on board ships by partnering

with customers who, like us, find innovation important. With the delivery of the SPARTACUS in 2021, everything that we have developed for state-of-the-art cutter dredgers came together nicely: a new cutting shaft technology, flywheels, waste heat recovery and clean LNG propulsion. This

resulted in the most powerful and cutter dredger ever built. It is great to see how enthusiastically the market has welcomed this new benchmark in the global dredging market.”



3.2.4 Safety at work



A safe working environment with zero accidents: the I-CARE Compass shows the way

Maaïke Waterreus
SHE Specialist SHE-Q, Royal IHC

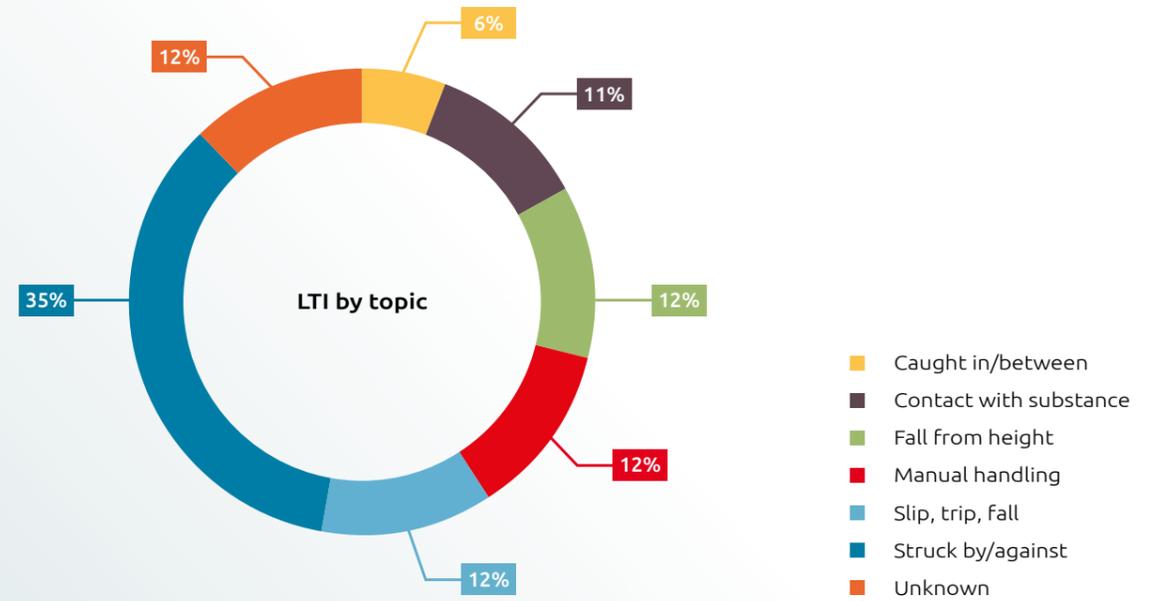
Working in shipbuilding involves risks. That is why we share the I-CARE Compass with everyone who works at, with and for Royal IHC. It is part of the I-CARE programme: I Create A Right Environment.

With I-CARE, Royal IHC is building a proactive and learning organisation in which everyone feels safety ownership and takes responsibility. The ambition is clear: to ensure that everyone returns home safely, every day.

“Royal IHC has a solid safety management system and we want everyone to share our safety ambition and values,” says Programme Leader Maaïke Waterreus. “In 2021 we started a series of I-CARE Safety sessions to help embed the I-CARE values into the

company culture. The sessions kicked off in September, which was later than planned due to COVID-19, with a top management event and a pilot at one of our production locations. The sessions were well received and will continue at all operational business units in 2022.”

During the year, Royal IHC also introduced I-CARE Moments and Unconscious Behaviour Observation Training, helping employees throughout the organisation to effectively start a conversation about unsafe and safe actions.



In 2021, the number of serious-injury accidents was half of what it was in 2020. “This is good news,” says Maaïke. “The shift from reacting afterwards to preventing incidents before they happen, is well

underway. But unfortunately, we still had 17 people suffer serious injuries. We will only be satisfied when everyone returns home safely after work. And that is the goal for 2022.”



3.2.5 Foundation



Supporting projects for a better world together with partners

Lars Huizinga
Manager Learning & Development, Royal IHC

At Royal IHC, we are conscious of our social role and want to be a responsible company. In 2012, we established the IHC Foundation to support social, environmental and cultural initiatives in the countries where we operate. The goal is to contribute to a better world and help people for whom a small effort makes a big difference. Help can be through financial donations, but also contribution of time, knowledge and other resources. It is great to see that Royal IHC employees actively propose projects and are involved in them.

Alongside his role as Manager Learning & Development at Royal IHC, Lars Huizinga has been involved with the foundation for five years, becoming chairman of the board in 2021. His involvement arose initially from his activities for 'Sporten voor Sophia': the largest children's hospital in the Netherlands.

With his five fellow board members, Lars uses clear criteria and a distribution key to determine whether a proposed initiative fits the mission of the IHC Foundation. Lars explains how this works. "Sixty percent of our budget goes to three major projects that we support over a longer period. Mercy Ships, providing floating hospitals for the poorest countries in the world is a good

example of this. The collaboration started in 2015 and offers Royal IHC employees the opportunity to help with annual maintenance of the hospital ships. Employees do this in their own time, with the IHC Foundation covering travel and accommodation costs. Many colleagues sign up for this each year."

"The next twenty percent of our budget is spent in collaboration with clients on projects like Niketan, which provides care and education for children with disabilities in Bangladesh. We then direct ten percent to organisations responding to disasters, such as earthquakes and disease outbreaks. The final ten percent goes to employee initiatives. This creates beautiful

combinations such as the JINC programme, a wonderful project supported by our Technical Training Centre, that is helping children to get a head start on the labour market."

In 2021, the IHC Foundation supported the Jaski Fund for a second year. This project provides financial support for young, underprivileged, sick and elderly people to create new friends and new experiences on the sailing ship Eendracht. Other great projects included Stichting Duik de Noordzee Schoon, Rondje voor Sophia and Trees for All. Throughout this report, stories on various projects are included.



Appendix 1: Reporting policy

This Sustainability Report presents the company's non-financial results and sets out how sustainability is embedded within internal business operations. The 2021 Sustainability Report covers the period from 1 January to 31 December 2021. In addition to presenting the social and environmental results, it provides an overview of the objectives and aims for the period ahead.

I.I Reporting criteria

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

I.II Reporting scope and range

The scope of this 2021 Sustainability Report includes the social and environmental performance resulting from Royal IHC's sustainability policy, with the material topics being the determining factor for the scope of the reporting. See the scope table to view per assured indicator which site falls within or outside the scope. The boundaries and scope of the guidelines have been adjusted where necessary to the data available at Royal IHC. Joint ventures and entities with a minority stake are not included in the non-financial reporting scope. Acquired

companies are included one year after acquisition, to allow for an integration period.

I.III Carbon Footprint Calculation

The National Carbon footprint calculation for scope 1 and 2 comply with the GHG protocol. Apart from the non-compulsory coolants and refrigerants, the scope 1 and scope 2 are included in Royal IHC's Carbon Footprint calculation. Because of the nature and activities of Royal IHC's businesses, the Carbon Footprint of air travel is separately reported in paragraph 3.2.2. To calculate the CO₂ emissions, conversion factors are used as published on 22 February 2021 on co2emissiefactoren.nl (CO₂emissiefactoren 2021-2015 dd 22-02-2021.xlsx). Supplying and validating this data is performed under the joint responsibility of the corporate disciplines CRM & FM and SHE-Q.

¹ This includes electricity and gas consumption of buildings and fork lift trucks and fuel consumption of lease cars. This excludes non-electric company owned transport means (kamags), company owned trucks, vans and fuel for sea trials.

I.IV Contact

Royal IHC invites its stakeholders to provide feedback and engage in a dialogue about our sustainability policy, the objectives, results and the reporting standard.

Scope table

Unit	Location	Electricity consumption in kWh	Gas consumption in m ³	LTIF / TRIR / LTI / TRI
Group / Holding	Kinderdijk, NL	•	•	•
PMG Dredging Custom Vessels	Kinderdijk, NL	•	•	•
PMG Dredging Standard Modular Vessels	Kinderdijk, NL	•	•	•
PMG Dredging Equipment	Kinderdijk, NL	•	•	•
PMG Offshore Energy Oil & Gas and PMG Renewables combined	Kinderdijk, NL Newcastle upon Tyne, UK Alphen aan den Rijn, NL (Closed in 2021) Slidrecht, NL Port of Blyth, UK Stocksfield, UK (Closed in 2021)	NL	NL	•
PMG Mining Equipment and Vessels	Kinderdijk, NL Yatala, AUS Cape Town, South Africa Rio de Janeiro, Brazil Curitiba, Brazil Houston, USA Montevideo, Uruguay	NL	NL	•
PMG Foundation & Installation Equipment	Slidrecht, NL Bremen, Germany Broussard, USA Dubai, UAE Gold Coast, Australia Johor Bahru, Malaysia Mumbai, India Shanghai, China Singapore Tokyo, Japan Verberie, France	NL	NL	•
PMG Defence	Kinderdijk, NL Slidrecht, NL	•	•	•
FD Services & Spare Parts	Kinderdijk, NL Singapore Tianjin, China Dubai, UAE Mumbai, India Bangladesh Jordan (project location on client site) Houston, USA	NL	NL	•
FD Logistics	Kinderdijk, NL	•	•	•
FD Engineering	Kinderdijk, NL Komarno, Slovakia Rijeka, Croatia Johor Bahru, Malaysia Schiedam, NL (sold 2021) Rotterdam, NL (sold 2021)	Kinderdijk	Kinderdijk	•
FD Technology	Kinderdijk, NL	•	•	•
FD Digital Business Systems	Slidrecht, NL Kinderdijk, NL Bucharest, Romania	NL	NL	•
Capacity Centre Kinderdijk	Kinderdijk, NL	•	•	•
Capacity Centre Krimpen	Krimpen aan den IJssel, NL	•	•	•
Capacity Centre Metalix	Kinderdijk, NL	•	•	•
Capacity Centre Hardinxveld, Interior	Hardinxveld-Giessendam, NL	•	•	•
Capacity Centre Slidrecht Molendijk, Piping	Slidrecht, NL	•	•	•
IHC Hytech	Raamsdonkveer, NL (sold in 2021)	•	•	•

This table excludes the locations where Royal IHC is only represented by an agent. Locations that are sold are included until the date of sale.

Appendix 2: GRI index table / list of terms

Anti-corruption regulation

Policy and Code of Conduct issued by the company to combat corruption in the company's day-to-day operations.

Carbon footprint

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

This includes electricity and gas consumption of buildings and fork lift trucks and fuel consumption of lease cars. This excludes non-electric company owned transport means (kamags), company owned truck + van and fuel for sea trials.

Code of Conduct

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

CSR

Corporate Social Responsibility.

FME

Employers' Organisation for the technology industry.

I-CARE

Royal IHC's safety programme: I Create A Right Environment.

IMO (International Maritime Organisation)

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

Licence to operate

The permission to perform an operation and/or to produce, related to the license to operate training matrix, that outlines minimum training requirements for job functions at Royal IHC

LNG

Liquefied Natural Gas.

Lost Time Injury (LTI)

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

Lost Time Injury Frequency (LTIF)

The number of LTIs *1,000,000/ number of hours worked. Excluding contractor incidents and hours.

Materiality matrix

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

Maritime Master Plan

The Maritime Masterplan is the vision to make 30 Dutch vessels of all types emission free by 2030. It forms the run-up to a long-term increase in scale of the greening of Dutch shipping.

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.

Medical Treatment Case (MTC)

Treatment of significant work-related injuries or illnesses (beyond First Aid) administered by a medic, physician or a nurse (under the standing orders of a registered doctor).

MVO Nederland (CSR Netherlands)

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

National

Where statistics refer to 'national' this applies to the Netherlands.

National Growth Fund

The National Growth Fund was launched in 2020 to bring about a sustainable increase in the earning power of the Netherlands. The Fund invests together with initiators in projects that generate sustainable economic growth in the long term.

Near miss

An event in which no property was damaged and no personal injury was sustained, but where, under somewhat different circumstances, damage or injury easily could have occurred.

Restricted Work Case (RWC)

An injury or illness resulting from a work-related event or from an exposure in the work environment, resulting in a person being unfit for full performance of the regular job on any day after the injury.

RI&E

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

Supply chain responsibility

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

Total Recordable Incidents (TRIs)

Cumulative record of all Lost Time Injuries, Restricted Work Cases and Medical Treatment Cases.

Total Recordable Injury Rate (TRIR)

The number of TRIs *1,000,000/ number of hours worked. Excluding contractor incidents and hours.



LRQA Independent Assurance Statement

Relating to specific key figures in the Sustainability report 2021 of Royal IHC.

This Assurance Statement has been prepared for Royal IHC in accordance with our contract.

Terms of Engagement

LRQA was commissioned by IHC Merwede Holding B.V. to provide independent assurance of specified key figures in the 2021 Sustainability Report against the assurance criteria below to a limited level of assurance and materiality of the professional judgement of the verifier LRQA's verification procedure, based on current best practise and is in accordance with ISAE 3000 and ISAE 3410.

Our assurance engagement covered Royal IHC's activities and specifically evaluating the accuracy and reliability of data and information for only the selected key figures listed: Number of employees (global sites), Electricity consumption (Netherlands sites), Gas consumption (Netherlands sites), Co2-footprint/man hour (Netherlands sites), Lost Time Injuries (LTI) (global sites), Lost Time Injuries Frequency (LTIF) (global sites), Total Recordable Incident Frequency (TRIF) (global sites), Total environmental incidents (global sites), Absenteeism (Netherlands sites), Support of local communities (from IHC Foundation) and Average training hours completed per FTE (Netherlands sites). The data for these key figures in the scope of our engagement are marked with (*) an asterisk in the Report in Chapter 1.2 and only for the operations and activities of Royal IHC and specifically the following requirements: Verifying conformance with Royal IHC's reporting methodologies.

Our assurance engagement excluded data and information related to the GRI reporting, the key figures for other periods which had been verified by other parties as LRQA verified only that these datasets were transferred correctly into the Report, the data and information of Royal IHC's suppliers, contractors and any third parties mentioned in the report. And also excludes all other text, references to other data, information and pages of the report, financial disclosures, opinions and visions, interviews, photographic images, personal statements, statements on information security and human rights, as well as future plans and links to external or other information made in the Report.

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

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- interviewing relevant employees of the organization responsible for managing data and records;
- assessing Royal IHC's data management systems to confirm they are designed to prevent significant errors, omissions, or misstatements in the reported key figures. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal quality control;
- verifying reported key figures data.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that Royal IHC has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable performance data and information as summarized in Table 1 of this statement

The opinion expressed is formed on the basis of a limited level of assurance¹ and at the materiality of the professional judgement of the verifier.

¹ The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



Observations

No nonconformities or misstatements were identified during the verification. Some clarifying explanations are added in the Sustainability report, as suggested during the verification. In the text of the Report were no inconsistencies identified with the verified key figures, their definitions, and boundaries.

Table 1: Key figures in Royal IHC 2021 Sustainability report

Key figures	Definition	Boundaries	Outcome
Number of employees	Permanent and temporary employees	Global sites	2,784
Electricity consumption (kWh)		Dutch sites	15,526,241
Gas consumption (m3)		Dutch sites	1,322,053
CO ₂ footprint/man hour	The CO ₂ footprint covers scope 1 and 2 for consumption of natural gas, fuel of lease cars, electricity consumption. Fuel of internal transport devices and test runs of marine engines are excluded.	Dutch sites	3.12
Lost Time Injuries (LTI)	For permanent and temporary employees and (sub)contractors	Global sites	17
Lost Time Injuries Frequency (LTIF)	For permanent and temporary employees, excluding (sub)contractors	Global sites	2.9
Total Recordable Incident Frequency (TRIF)	Number of safety incidents (lost time injuries, external medical treatment and restricted work cases) per 1.000.000 work hours (first aid injuries without external medical treatment is excluded).	Global sites	5.6
Total environmental incidents	Globally recorded incidents in Assure,	Global sites	13
Absenteeism percentage (%)	Record absenteeism based on working days for permanent employees.	Dutch sites	4.44 %
Support of local communities (€)	Donations from the IHC Foundation		€ 52,195
Average training hours completed per FTE	For permanent and temporary employees	Dutch sites	5.3

LRQA's Standards, Competence and Independence

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

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training, and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is Royal IHC's certification body for ISO9001, ISO14001 and ISO45001. The verification and certification assessments are the only work undertaken by LRQA for Royal IHC and as such does not compromise our independence or impartiality.

Signed

 Frans de Kruij
 LRQA Lead Verifier
 On behalf of LRQA Nederland B.V.
 LRQA reference: RQA00002848

Dated: 9 June 2022

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royalihc.com

Royal IHC

P.O. Box 3, 2960 AA Kinderdijk

Smitweg 6, 2961 AW Kinderdijk

The Netherlands

T +31 88 015 25 35



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