

CSR ANNUAL REPORT 2020



**THE TECHNOLOGY
INNOVATOR.**

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01

COMPANY PROFILE AND KEY FIGURES

COMPANY PROFILE

Anchored in a rich Dutch maritime history, Royal IHC is on a journey to expand its position as a leading supplier of maritime technology and expert craftsmanship.

With the right people and skills on board, and driven by innovation, we provide a competitive edge to our worldwide customers in the dredging, offshore, mining and defence industries. However, Royal IHC is much more than equipment, vessels and services. We deliver reliable, integrated solutions that improve operational efficiency and allow for a more sustainable performance.

All over the world, our people are deeply committed to technological innovation, supported by our long-standing experience in our core markets. Our experts work in close collaboration with multiple stakeholders to meet the specific needs of each customer.

As we navigate new waters in an ever-changing world, our aim remains unchanged: to discover the smartest and safest way forward for both our customers and our people.

Together, we create the maritime future.

KEY FIGURES 2016 - 2020

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

| KEY FIGURES | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------|------------|------------|------------|------------|
| Number of employees* ³ | 3,048 | 3,525 | 3,440 | 2,992 | 3,265 |
| Lost Time Injuries (LTIs)* ¹ | 27 | 30 | 15 | 16 | 41 |
| Lost Time Injuries Frequency (LTIF)* ¹ | 4.2 | 4.5 | 2.3 | 3.2 | 7.7 |
| TRIR* | 7.36 | 8.26 | 8.65 | 9.68 | 11.67 |
| National absenteeism percentage* | 3.98 | 3.78 | 4.28 | 4.71 | 4.89 |
| Total environmental accidents* | 45 | 22 | 18 | 31 | 32 |
| National electricity consumption (kWh)* | 20,585,910 | 19,834,296 | 23,382,487 | 20,891,677 | 24,758,452 |
| National gas consumption (m ³)* | 1,374,416 | 1,700,672 | 2,041,418 | 1,958,437 | 1,939,988 |
| National carbon footprint (kg CO ₂ /man hour)* | 2.98 | 3.13 | 3.34 | 3.26 | 3.52 |
| Support for local communities (euros)* | € 25,359 | € 56,412 | € 113,939 | € 107,199 | € 111,791 |
| National average training hours completed per FTE* ² | 12.6 | 10.4 | 13.6 | - | - |

* Part of the LR assurance scope

¹ Scope has changed in comparison to 2017 and now includes international entities

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

³ Data as of 31-12-2020 (Fundex employees excluded)

02

FOREWORD

2020 was about survival. After Royal IHC's takeover by an industry consortium, we returned to our core activities in the dredging and offshore markets. To safeguard crucial shipbuilding knowledge and employment, the Dutch government provided additional financial support. With the short-term future secured, we have a clear responsibility to reshape our organisation to safeguard business continuity and create long-term, sustainable value. As a result, we made a number of organisational changes that will enable us to respond efficiently to market movements in the years ahead.

Under new leadership, we adopted a matrix structure with Product Market Groups (PMGs) supported by functional and corporate disciplines. The goal was to better meet customer needs and run the business in a more effective and efficient way. However, making up for the history that led Royal IHC to a critical situation requires more than an organisational redesign. The company also needed to reduce costs, and improve decision-making and accountability. Purchase control for example, is now much stricter in order to eliminate unnecessary spending across the organisation.



There was another difficult and undesired step in this process. To be able to survive, we had to divest various companies, lay off a significant number of employees, and say goodbye to people who had supported Royal IHC's journey for a long time. This was a tough action to take, not only for those who were made redundant, but also for those who stayed behind. We will sincerely miss our colleagues on both a professional and personal level.

What remains is a 'lean and mean' team of motivated people with whom Royal IHC is eager to future-proof our company. We are not there yet, but we will get there, especially because we also defined a new mission, vision and positioning for Royal IHC that align with our strategy and business plans for 2021. It fills us with pride that sustainability and efficiency are cornerstones of our new strategic direction.

Sustaining and accelerating sales was a priority in 2020 to fill our slipways, provide work for our staff and generate cash flows to sustain the business. However, the COVID-19 pandemic dominated the global economy, and potential customers were reluctant to explore investment opportunities. This is why business remained challenging in 2020.

We are extremely proud of the way our teams around the world are doing their utmost to stay safe and healthy. Although social distancing can be difficult in small spaces and working in close proximity to each other is sometimes inevitable, they continue to perform to the best of their abilities on the ships and yards. We have deep respect for all of those watching out for each other, whether it is by working at home when possible, or by adhering to the rules while on location and in the shipyards.

This year was not only about business continuity, but also about maintaining physical and mental strength. We've experienced an unprecedented shift in the way we work and live due to COVID-19. As an organisation, we are getting used to managing the social challenges that this new reality represents. The path to survival has been laid out and will lead us in 2021. Let's all ensure that the way forward is happy, healthy and successful for all stakeholders!

On behalf of the Managing Board and the Senior Leadership Team,

Jan-Anne Schelling

Executive Director Human Resource
Chairman Sustainability Committee

SUSTAINABLE REORGANISATION: ON COURSE FOR A FUTURE-PROOF ORGANISATION



In 2020, Royal IHC worked with a new owner, new leadership team and a sharper focus on a future-proof organisation. Becoming more efficient and agile, while maintaining quality, customer satisfaction and unique craftsmanship in the maritime sector was the goal of the large-scale reorganisation. During the year, we sold non-core business units and drew up a plan to adapt the organisation to match the expected turnover. The reorganisation process was completed with great care. Through a comprehensive social plan and extensive communication, we did our utmost to absorb the negative consequences for employees.

On April 28, Royal IHC was taken over by a maritime consortium. Partly thanks to capital injections from banks and the government, we were able to start rebuilding the company's future. HR Director Jan-Anne Schelling explains: "The starting point was to retain Royal IHC for The Netherlands and its customers as an innovative developer of high-quality ships and equipment. We used a clean-sheet method to bring about fundamental change and from a blank canvas we created a new organisation design centred around our core qualities – engineering and building ships. From day one, we also paid attention to the continuous improvement of safety, health and environmental policy."

FOCUS ON CORE ACTIVITIES

The group went back to its core activities: the production of dredging and offshore ships and equipment, with the addition of two activities where we see enormous potential – wet mining and defence. Non-core activities were almost entirely sold, with employees transferring to the new owners. We transformed Royal IHC into a matrix organisation with a structure of PMGs, and functional and corporate disciplines.

This has resulted in a well-organised company with a clear division of responsibilities and authorities, fewer layers, and less overlaps between departments. Subsequently, after an open application procedure, we appointed a new leadership team, with its first task to make a business plan.

OPEN AND CONSTRUCTIVE CONSULTATION

While discussing the organisational structure, it became clear that Royal IHC could offer fewer people a job. Unfortunately, 300 individuals lost their positions in The Netherlands and 300 in other countries, of which 200 were in England. It is excruciating to have to distance yourself from colleagues with a large Royal IHC heart and also from the 500 people in the contingent workforce.

In consultation with the trade unions and Works Council, we were able to find a way to proceed correctly, developing a social plan that sets out to limit the consequences of the reorganisation as much as possible. The plan has been subject to rigorous negotiation, with respect for each other's positions. Thanks to this open and constructive consultation with the social partners, we were able to agree an approach in just six months.

PERSONAL COMMUNICATION

The social plan's focus is on guiding employees from work to work and increasing their employability within – and outside of – Royal IHC. In addition, it provides financial compensation for employees who lost their position. We set up a mobility unit within Royal IHC to help employees find other work, and it has created a job market that can be visited digitally and provides many training courses.

We announced the resizing of the organisation on 12 November and did so personally, holding a 'bad news conversation' or an engagement meeting with all 3,500 employees. All conversations took place face-to-face within the constraints of the COVID-19 rules. We created a carousel for this purpose, limiting physical contact and ensuring that people did not meet each other. Our people truly appreciated our thorough approach and personal communication.

TRUST

In addition to large losses on three ships and a challenging market, Royal IHC also faced coronavirus-related challenges such as compliance with distance regulations on construction sites and working from home. Despite these difficult circumstances, we have been able to open a new chapter together and have made great strides towards a healthy future. There is a clear tone from the senior management team, and essential topics such as safety and sustainability resound loudly.

Creative solutions, such as I-CARE coaches who engage in conversation about difficult situations in the workplace, further underpin the growing feeling of trust. Based on definite business plans that focus on the customer, we have raised the learning and development curve to a higher level and our committed colleagues have made considerable progress on the vessels at our yards. These developments provide great confidence for the future.

03

ABOUT ROYAL IHC

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.

By means of 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.

Royal IHC offers products and services through four main brands.

MARKETS

IHC Dredging

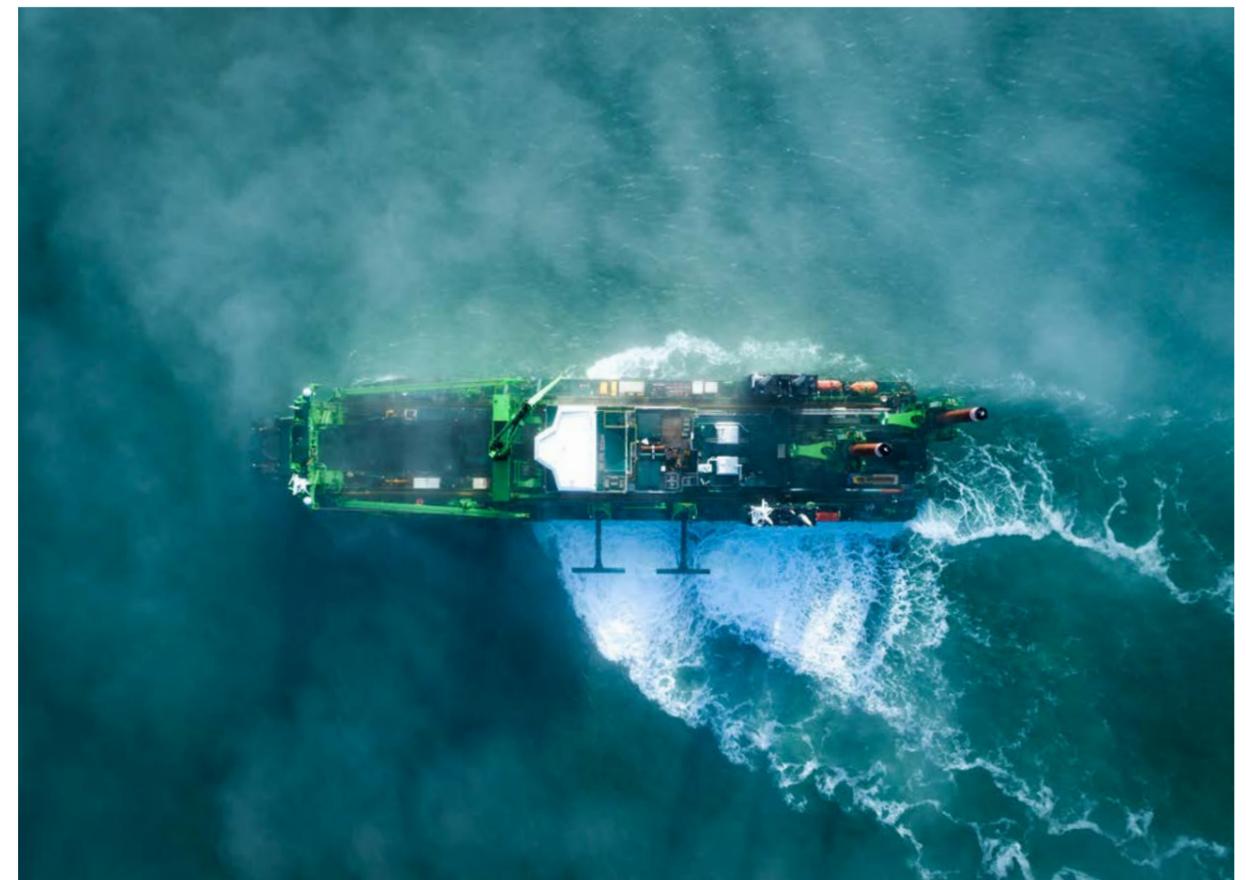
Dredging is in our DNA. With over 300 years of experience, IHC Dredging is the market leader for the design, build and delivery of reliable, integrated vessels, equipment and services in the dredging sector.

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 stationary 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 Dredging is part of Royal IHC, a leading designer, builder and supplier of integrated vessels, equipment and services to customers in the dredging, offshore, mining and defence industries. 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.



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 worldwide.



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 Telecoms 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 and will support customers in all matters beyond the initial design and build to maximise the productivity of vessels and equipment.

IHC Offshore Energy is part of Royal IHC, a leading designer, builder and supplier of integrated vessels, equipment and services to customers in the dredging, offshore, mining and defence industries. 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.

IHC Mining

For every phase in the mining life cycle for raw materials, IHC Mining provides reliable, integrated solutions, fully tailored to specific demand for mineral resources.

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 to extract the full economic value out of the mining operation. By means of 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 the challenges of tomorrow.

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.



Image courtesy of Kenmare Resources plc

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 have to continue, 24/7, which means they can rely on our customised value-added services throughout the entire mining cycle.

IHC Mining is part of Royal IHC, a leading designer, builder and supplier of integrated vessels, equipment and services to customers in the dredging, offshore, mining and defence industries. 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.

IHC Defence

We support your mission. 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 (ISS/ILS). All of 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 less personnel, increase their uptime and availability, improve performance and undertake more missions.

IHC Defence is part of Royal IHC, a leading designer, builder and supplier of integrated vessels, equipment and services to customers in the dredging, offshore, mining and defence industries. 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

2020 was a year in which we strengthened Royal IHC’s position in the maritime sector and laid the foundations for a sustainable future. With strongly declining dredging and offshore markets, a declining order book and a number of risky projects with large losses, Royal IHC was in a ‘perfect storm’ with negative financial results and sharply increasing losses incurred since 2016. Through the takeover and recapitalisation in early 2020, the situation has now improved.

New shareholder(s)

To retain Royal IHC’s knowledge and expertise for the Dutch maritime industry, HAL Investments, Ackermans & van Haaren, MerwedeOord and Huisman joined forces to establish the Stichting Continuïteit Royal IHC. The 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. The Dutch State is therefore also represented in the Stichting Continuïteit.

The acquisition and recapitalisation of Royal IHC presents a new opportunity to do things differently. Together with the new shareholders and management team, we worked hard in 2020 on the development and implementation of plans that will guarantee a sustainable future for Royal IHC. This involves three strategic choices:

1. defining core and potential 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 (reorganisation).

Core and potential 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 been designated as so-called “potential core activities”. All other activities and disciplines are to be stopped or divested.

Matrix organisation

We implemented a number of operational improvements in 2020 to set Royal IHC up for the core and potentially core PMGs. This resulted in an organisation with smaller sections, increased ownership and shorter lines. PMGs are supported by functional disciplines (eg Sales, Project Management and Engineering) and corporate disciplines (eg SHE-Q, HR and Finance) to support safe and profitable operations.

Reorganisation

During 2020, we realigned the organisation with the current work stock and turnover ambitions for the coming years. In view of the global economic developments, an order book with a value of EUR 600 to 700 million is a realistic starting point. Unfortunately, this meant that we had to say goodbye to 300 colleagues in The Netherlands and 300 in other parts of the world, mainly in management and office functions.

We have agreed a social plan with trade unions in The Netherlands, with a term of two years, which provides scope to further optimise our organisation in the coming period. 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.



GOVERNANCE

Board of Directors

The organisation of Royal IHC is characterised as a matrix in which a number of functional and corporate disciplines support the PMGs. Our market activities are: IHC Dredging with the PMGs Custom Vessels, Standard Modular Vessels and Equipment; IHC Offshore Energy with the PMGs Oil and Gas, Renewables and IHC IQIP; IHC Mining; and IHC Defence.

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 shares of IHC Merwede Holding B.V. are now held by Stichting Continuïteit Royal IHC and B.V. Finance Continuïteit Royal IHC.

The Board of Management of IHC Merwede Holding B.V 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 2021, the Board of Management consisted of:

- Mr. G.M. Eggink, CEO
- Mr. A.P.M. van der Harten, CFO
- Mr. C.W. van der Snel, COO.

On 1 March 2021, the Supervisory Board consisted of:

- Mr. M. Snel
- Mr. C. Korevaar
- Mr. B.C. Wentink
- Mr. F.A. Verhoeven

Works Council

As regulated by the Dutch Works Council Act, the Royal IHC Works Council has a say in company policy and safeguarding the interests of the company’s employees. The Royal IHC Works Council is divided into several sub-committees, which consult autonomously with the directors of the business units. Matters such as the right of consent and the right to propose recommendations sit with the central Works Council, which consists of elected members.

Sustainability Committee

The Sustainability Committee (previously known as the Corporate Social Responsibility Committee) has members in key positions within the organisation. The purpose of the committee is to set guidance and direction, and 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. Following the company’s change in strategic direction in 2020, the Sustainability Committee is focused on integrating the sustainability strategy within Royal IHC’s overall business strategy.

BUSINESS ENVIRONMENT

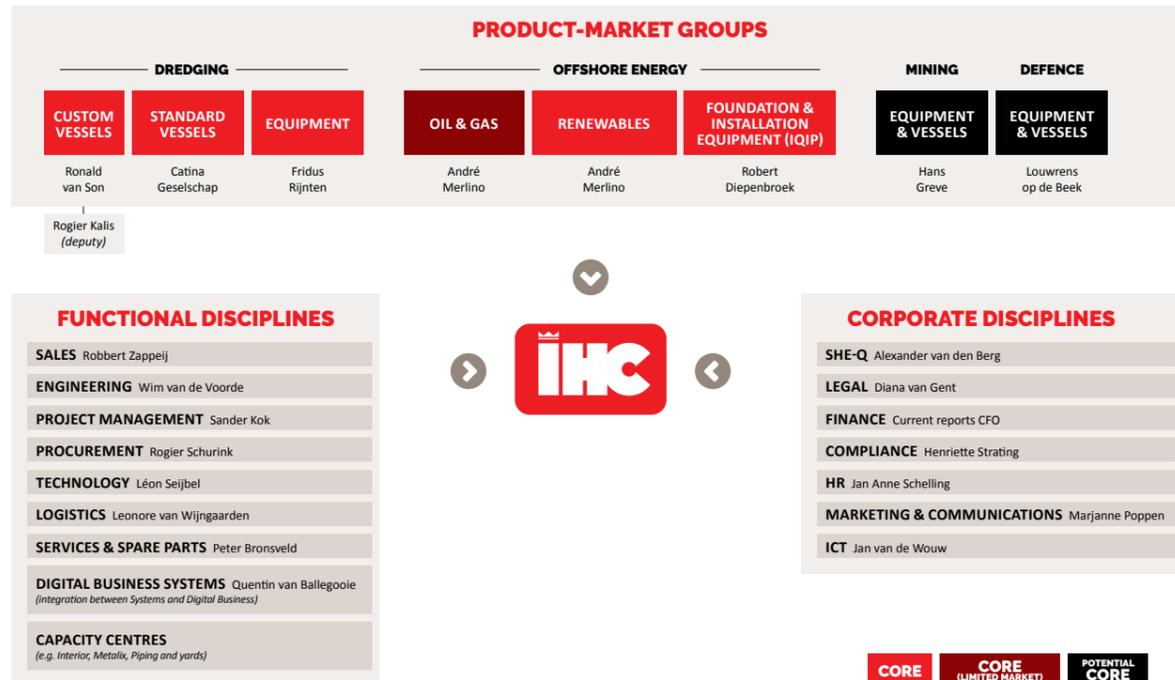
Royal IHC operates in a multi-stakeholder environment. Understanding the views and interests of our different stakeholders is essential in consideration of current and future societal needs. It helps us to anticipate and develop more robust plans for advancing business opportunities, while balancing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

We actively engage in discussions with local/regional communities and governments about societal needs and the interests of Royal IHC. On a national and EU level, we engage primarily via industry associations who represent our interests. With them, we discuss the policy developments that are conducive to – or likely to hamper – Royal IHC’s business opportunities.

Memberships

Royal IHC is a member of a variety of industry associations that reflect the diversity of markets and sectors in which the company operates and the themes that we deal with. Royal IHC provides input through committees and boards, but also listens to arguments made by others including NGOs. In this way, we not only acquire new knowledge, but 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.



VALUES AND STANDARDS

Royal IHC’s values are incorporated in the ‘Royal IHC Code of Conduct’ which was revised in 2018 and published on our website. The code applies to each and every employee working for our company. This document reflects 14 different 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 all 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.

The three core values that define our organisation are outlined below.

- **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 try to minimise the impact of our products on the environment.
- **Partnership:** our customers and suppliers are our partners. Cooperation and partnerships are the key to success in our industry.
- **Innovation:** we are constantly developing new technologies that enable our customers to work in a smarter and safer way, and lead to higher efficiency and a more sustainable way of operating.

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 or whistleblower regulations. Both have a confidential advisor who can help in difficult situations.

Safety compass

I-CARE 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.



Certifications

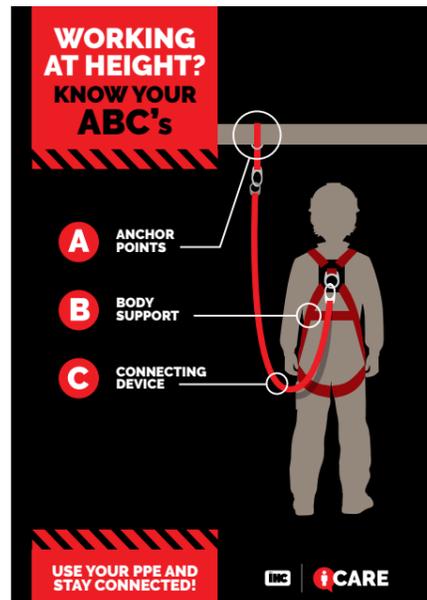
Royal IHC aims to include all business units in a certified multi-site management system for quality (ISO 9001:2015), safety and health (ISO 45001:2018) and the environment (ISO 14001:2015). This programme started in 2015, with subsequent years adding various business units in the field of quality management systems. From 2017, we made a start in adding business units in the fields of safety, health and environment.

In the first quarter of 2020 the focus was on the three-yearly re-certification and we extended our multi-site ISO certification for all three ISO standards and Neptune. Expansion of our multi-site certification was scheduled for Q2-Q4 but due to COVID-19 restrictions it was difficult or even impossible to travel to our international locations. This impacted our intentions to include international units such as Croatia and Malaysia. The expansion (including ISO 14001 and 45001) for China was also postponed and work on this will continue in 2021.

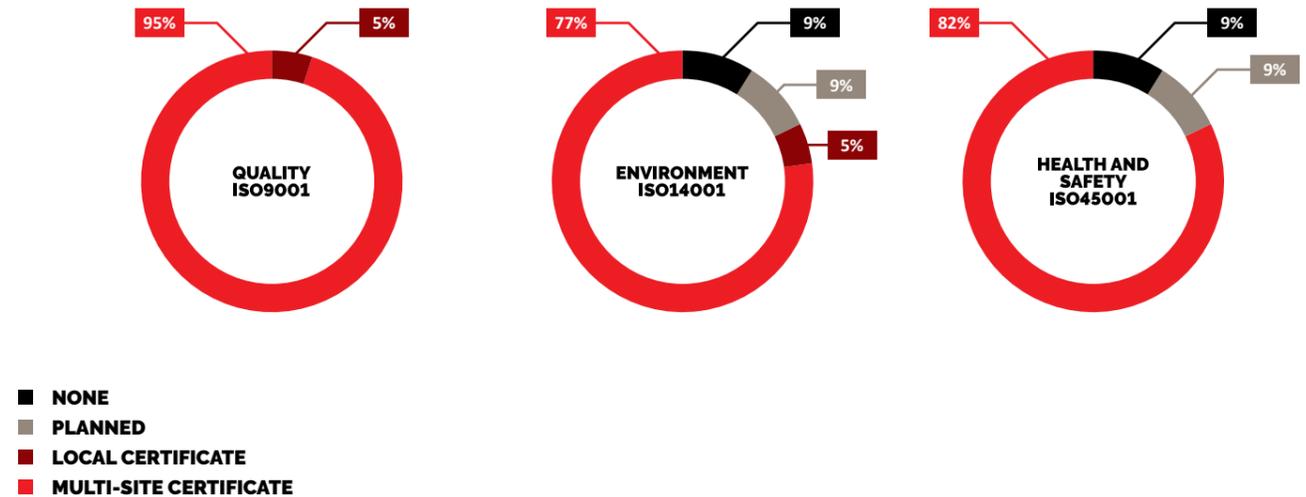
North America and Latin America have single-site ISO 9001:2015 certificates and are not scheduled to be included in the multi-site certification for the coming year.

Transparency benchmark

Since 2010, Royal IHC has been participating annually in the transparency benchmark led by the Dutch Ministry of Economic Affairs. This is now performed every two years, with the last one being in 2017. In that year, with a score of 120 points, we were 120th in the rankings of more than 250 companies. Unfortunately, due to a delay in the publication of our 2018 annual report we were unable to participate in the 2019 benchmark. We will participate in 2021.



2020 CERTIFICATE OVERVIEW



04

OUR EMPLOYEES

NUMBER OF EMPLOYEES

Due to the difficult market situation, we downsized the organisation in 2016 and 2017. As a result of expanding international entities, the number of employees rose slowly in 2018 and 2019, particularly outside of The Netherlands. During 2020, we reduced the number of employees in The Netherlands and internationally in a further rightsizing process.

| | 2020 | 2019 | 2018 | 2017 |
|---------------------------|-------|-------|-------|-------|
| Number of employees (NL) | 2,384 | 2,722 | 2,737 | 2,368 |
| Working outside NL | 664 | 803 | 703 | 624 |
| Total number of employees | 3,048 | 3,525 | 3,440 | 2,992 |
| Permanent contracts | 2,738 | 2,248 | 2,177 | 2,748 |
| Temporary contracts | 310 | 427 | 506 | 262 |

MALE/FEMALE DISTRIBUTION

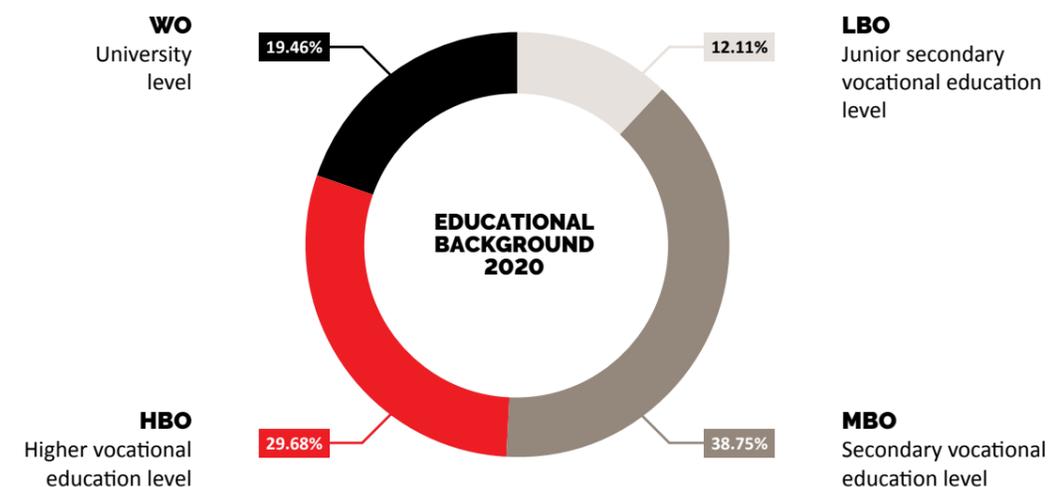
For many years, the majority of our employees have been male. Since 2015, there has been a rise in women joining the company and by 2019 this had increased to 15%. The method used for restructuring in 2020 included years of service as an important criterion. The percentage of women in the company has consequently slightly decreased again.

| | MALE | FEMALE |
|------|-------|--------|
| 2020 | 85,5% | 14,5% |
| 2019 | 85% | 15% |
| 2018 | 86% | 14% |
| 2017 | 87.1% | 12.9% |

EDUCATIONAL BACKGROUND

Most Royal IHC employees have a secondary (MBO) or higher vocational education (HBO): 67.9% combined. In line with our strategy to become a more knowledge-intensive company, we have seen an influx of highly educated people. The number of employees with a university or HBO level of education grew by 4% within three years and this trend continued in 2020, while the percentage of employees educated to a junior secondary (LBO) and secondary vocational (MBO) level has declined.

| | 2020 | 2019 | 2018 | 2017 |
|---|-------|-------|------|------|
| University level (WO) | 19.46 | 18.04 | 18.0 | 16.7 |
| Higher vocational education level (HBO) | 29.68 | 28.69 | 28.7 | 27.6 |
| Secondary vocational education level (MBO) | 38.75 | 39.2 | 39.2 | 40.3 |
| Junior secondary vocational education level (LBO) | 12.11 | 14.07 | 14.1 | 15.4 |



AGE DISTRIBUTION

The average age of Royal IHC employees was 42.7 in 2020. This is a slight increase compared to previous years. Growth is visible in the 35-44 age category, against a decrease in the 15-24 category. During 2017-2019, we hired more senior employees in order to secure experience and knowledge in the company. In 2020, the number of service years at Royal IHC was a criterion in the restructuring process leading to relatively more redundancies among younger employees.

| | AVERAGE | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|------|---------|-------|-------|-------|-------|-------|------|
| 2020 | 42.7 | 4.3% | 23.9% | 27.3% | 23.7% | 19% | 1.6% |
| 2019 | 42.4 | 6% | 24.1% | 26% | 23.9% | 19% | 1% |
| 2018 | 41.1 | 6.3% | 29.1% | 24.5% | 23.8% | 15.8% | 0.6% |
| 2017 | 41.5 | 6.2% | 26.2% | 23.8% | 23.5% | 19.7% | 0.6% |



EDUCATION AND TRAINING

Royal IHC Academy

2020 was dominated by the training courses for license to operate, craftsmanship and supporting internal employee mobility. Due to Royal IHC's financial situation in 2020, little or no budget was available for personal development.

The Academy has an important role in Royal IHC's I-CARE programme and is involved in various learning interventions around this theme, including a comprehensive e-learning tool. To support the 2020 reorganisation, we held (internal) mobility training courses covering topics such as LinkedIn and interview skills, and a CV check. Managers were also trained to conduct 'bad news' and 'engagement' conversations.

In 2020, approximately 75% of the total training budget went through the Royal IHC Academy, which is considerably higher than in 2019. This is due to the establishment of a 'cash cockpit' to assess all investments, including those in training. Few have been approved.

NATIONAL AVERAGE TRAINING HOURS PER DELEGATE

| | 2020 | 2019 | 2018 |
|--------------------------------------|------|------|------|
| Unique training courses | 157 | 114 | 95 |
| Average training hours per delegate* | 12.6 | 10.4 | 13.6 |

* Part of the LRQA Assurance scope

Digital landscape

The reorganisation has significantly reduced the number of full-time employees (FTEs) at the Royal IHC Academy. As a result, it will change the way it has been organised in recent years. The Academy team is looking for a learning service partner to organise the license to operate and craftsmanship training programmes in 2021. A selection has also been made for a standard e-content partner to support the personal development of Royal IHC employees.

Technical education centre (TOC)

Since 2016, a maximum of 15 students per school year have been trained for first engineer service and maintenance mechanical engineering at the TOC in Kinderdijk. The business training has been adapted to the ambitions of Royal IHC to place more emphasis on all-round subjects with international ambition instead of specialist subjects in a single discipline. In 2019, we added a training course for shipbuilding/all-round construction and all-round welding.

As an organisation, we also want to contribute to the maritime sector by means of knowledge transfer. We take part in several technical education campaigns and regularly give guest lectures at lower general secondary education schools and occasionally at universities.

PERFORMANCE MANAGEMENT

In 2020, we continued the journey to retain, develop and support our employees in reaching their full potential. However, it was a year unlike any before. The COVID-19 pandemic, uncertain future of the company and urgent need for refinancing understandably impacted our employees. We launched several initiatives to stay connected and focused on the performance and well-being of our employees. We encouraged all our managers to set tangible goals and regularly check-in with their teams.

To become a profitable and sustainable organisation we had no choice but to implement a restructuring programme. To prepare our employees in advance, we launched a number of activities including LinkedIn, CV and interview training courses, as well as talent assessment and career coaching. More than 400 programmes have been followed by our employees.

External recruitment was limited because in 2020 we started a more structural approach to internal talent mobility. For some short- and all long-term positions, we now initiate formal job transfers with a formal requisition and official selection process. This is supporting a more transparent way of working in terms of internal mobility and providing more equal job opportunities for our employees.

We have continued to develop new craftsmen by offering young 'stars', direct from secondary school, the opportunity to follow a practical education programme in our TOC in close cooperation with our education partner, DA Vinci College in Dordrecht. We offer education that leads to a career as a welder, pipe fitter, shipbuilder or service engineer.

In 2020, we continued our work on developing a more diverse and inclusive workforce. In the first quarter of 2021, we will establish a Diversity and Inclusion Board with the assignment to drive forward our ambition of becoming an inclusive and diverse workforce and workplace.

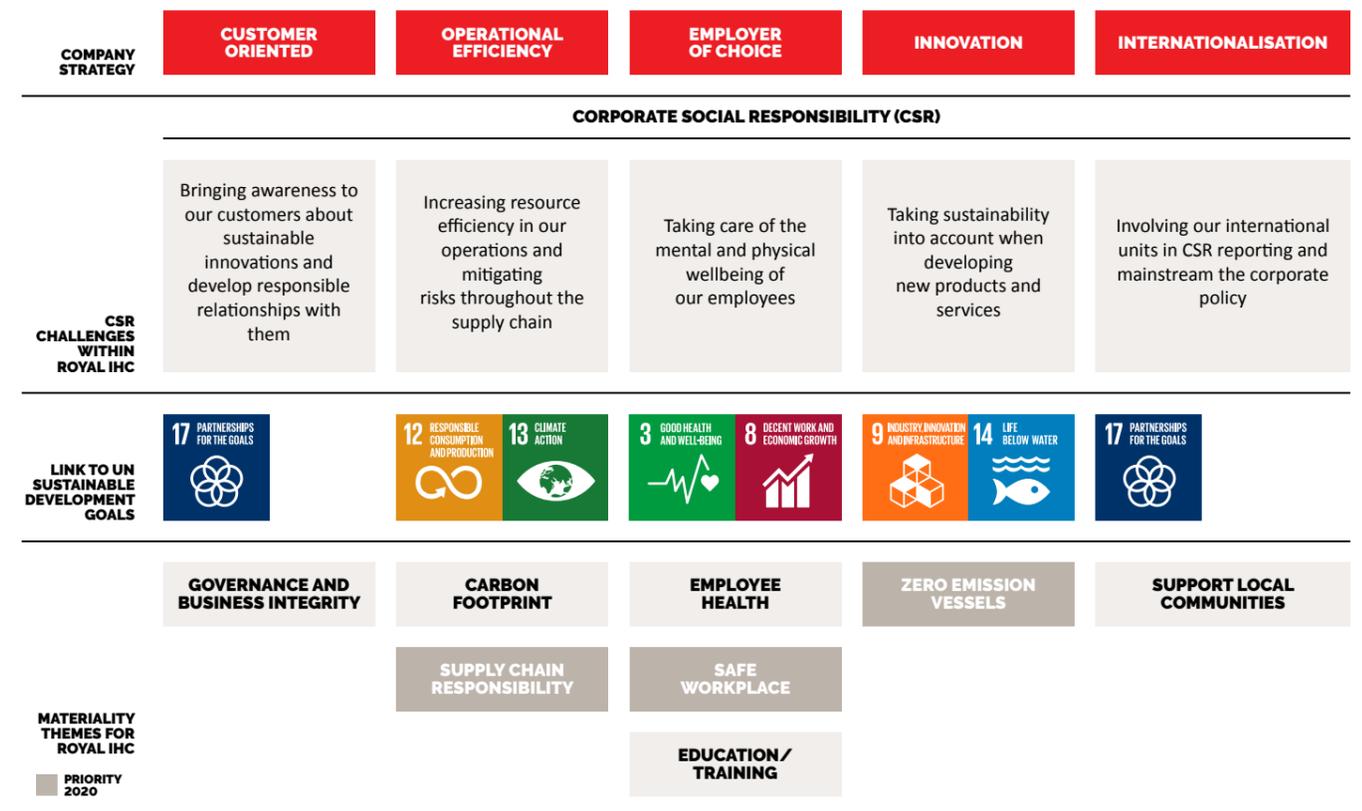
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SUSTAINABILITY STRATEGY

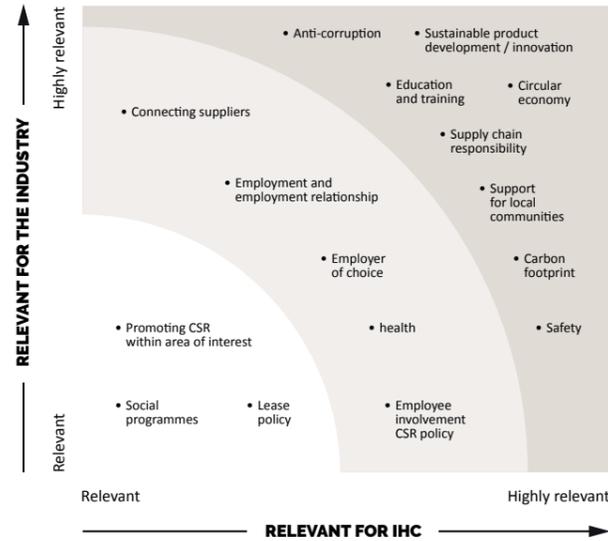
Royal IHC's sustainability strategy has evolved over the course of the last six years, building on the 2020 strategy that was defined in late 2014. This strategy is based on five building blocks: 'customer-oriented and sales-driven'; 'operational efficiency'; 'employer of choice'; 'innovation'; and 'internationalisation'. Within each of these blocks we highlight a specific CSR challenge.

To address the challenges, the CSR Committee identified three materiality themes on which to focus our sustainability efforts. These are 'supply chain responsibility', 'safe workplace' and 'zero-emission vessels'.

At the same time, we identified a number of R&D initiatives that contribute to the UN Sustainable Development Goals (UNSDGs), and help us to understand our contribution to the global sustainability agenda.



In late 2019, we conducted a materiality assessment with our most impactful and important internal and external stakeholders to determine the themes that are most significant to them. Based on this analysis, the following materiality matrix was presented in the CSR Report 2019.



The eight materiality themes are:

1. Sustainable product development
2. Carbon footprint
3. Safety
4. Anti-corruption
5. Education and training
6. Circular economy
7. Supply chain responsibility
8. Giving back to local communities.

Reflection on materiality, strategy, objectives and reporting indicators

After comparing these eight materiality themes with the three identified previously by the CSR Committee, we concluded that they are closely related but not similar. With input from a megatrend analysis, we will repeat the materiality assessment in 2021.

In the 2019 CSR Report, we presented a ‘people, planet, profit’ (PPP) approach to sustainability alongside our business strategy. Since restructuring the company in 2020, sustainability has been recognised as a key element of a more integrated strategy. This follows a vision, mission, positioning and strategy initiative which we carried out with a group of (in)formal leaders from within the business.

Our sustainability initiatives have always been based on sound intentions. Due to a lack of integration with business strategy, they have not delivered the intended results or supported our drive to become a profitable company once again.

It is our ambition for 2021 onwards, to base our integrated (sustainability) strategy on a review of our previous five-year strategy, analysis of global megatrends and identification of topics via materiality assessment. We will then set objectives, supported by integrated financial and non-financial reporting, and collect non-financial reporting indicators in parallel with financial parameters.

TOWARDS INTEGRATION OF SUSTAINABILITY IN THE NEW STRATEGY

After the recapitalisation of the company in Q2 of 2020, and the initial steps to introduce a new structure, the CEO led a vision, mission, positioning and strategy initiative in which 41 (in)formal leaders co-created a new strategy for Royal IHC. This was supported by extensive market research and global trend analysis. The strategy was approved by the Management Board and the Supervisory Board. The new **vision** and **mission** highlight sustainability:

VISION

Global challenges, including realising sustainable development goals, will have major impact on the maritime industry

MISSION

Royal IHC is determined to play a leading role in making the maritime industry more efficient and sustainable

The new strategy focuses on product leadership, customer intimacy, and operational excellence with operational efficiency and sustainability as key elements in building a sustainable future for the company.

Within the vision, mission, positioning and strategy initiative, we prioritised three UNSDGs for Royal IHC to vector manage its efforts towards:

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

In parallel to the vision, mission, positioning and strategy initiative, we kickstarted an in-company project supported by the Vlerick Business School to address the question: “What should be the sustainability strategy of a supplier of vessels, equipment and services for the dredging, offshore, mining, cruise and defence markets?”

We prepared a ‘making a sustainability strategy model’ consisting of six steps:

1. Learn from previous strategy
2. Understand global megatrends and relevant UNSDGs
3. Engage stakeholders and set materiality topics
4. Define and deploy sustainability strategy
5. Exercise governance and monitor reporting
6. Repeat the cycle every five years.

As part of this project, we also extended our global trend analysis (see 'Understanding megatrends') and prepared a concept materiality matrix (see 'Stakeholder engagement and materiality assessment'). Furthermore, we collected recommendations to integrate sustainability into the strategy, and bring sustainability into action in a congruent manner, supported by performance management.

In 2021, we will focus on setting sustainability objectives derived from the new strategy and bring sustainability into action through deliberate choices of initiatives that contribute to the realisation of our objectives. To monitor progress, we will focus on rigorous reporting and set tangible financial and non-financial performance indicators. We will do this based on a foundation of global megatrends, material topics, and prioritised UNSDGs



UNDERSTANDING MEGATRENDS

We conducted a detailed analysis of the global megatrends that underpin our growth ambitions, revalidating those set in the previous five-year strategy. After extensive document reviews, analysis, a clustering exercise and validation, we concluded that the global megatrends relevant for Royal IHC today are as follows.

Climate change: this includes the sub-trends of population growth and urbanisation in delta areas. Climate change increases drought, which requires water storage capacity.

Energy transition: this includes the sub-trends of natural resource scarcity, emission reduction, the quest for alternative fuels and solutions, rising global consumption of energy and metals, and increasing global demand for energy. With the age of oil coming to an end, gas will take a larger share in the energy mix and renewables will increase over time.

Sustainability: this includes the sub-trends of responsible and efficient operations and supply chain, policy makers and customer interest in sustainability, trade protectionism and local content requirements, and the need for removing polluted sediments. It also covers changing regulations, building with nature, increasingly stringent sustainability requirements, improving health and safety, circular/sharing economy, scarcity of natural resources, and rising global consumption of energy and metals.

Next to these, we also note the global megatrend: **economic decline**.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

When we evaluated the previous sustainability strategy, we concluded that the 2019 R&D activities were linked to UNSDGs that had a significant R&D contribution. This was a successful first step towards aligning the sustainability strategy with the UNSDGs and helped Royal IHC to understand contributions already made to the goals.

Deliberately prioritising UNSDGs as a starting point for materiality assessment and setting objectives was not yet in place. Sub-objectives existed, however it was not always clear how these originated from the sustainability strategy, or how activities directly related to the material topics.

One of the workshops in the vision, mission, positioning and strategy initiative focused on prioritising the UNSDGs. The dialogue between the 41 participants concluded that there are three main UNSDGs that Royal IHC must contribute to.



Future initiatives, activities and actions will stem from and be built on this shared strategic direction:

- **UNSDG #13:** Climate action – take urgent action to combat climate change and its impacts
- **UNSDG #14:** Life below water – conserve and sustainably use the oceans, seas and marine resources for sustainable development
- **UNSDG #17:** Partnership for the goals – strengthen the means of implementation and revitalise the global partnership for sustainable development



UNSDG #13 and #17 are set in accordance with the materiality assessment and our understanding of the megatrends. Because of the industries in which we operate, we find it important to sustainably manage and protect marine and coastal ecosystems from pollution, and address the impacts of ocean acidification to help mitigate some of the challenges facing our oceans and coasts. This is why we have added UNSDG #14.

We now have a clear picture of the selected global megatrends and prioritised UNSDGs that Royal IHC will focus on. With the input of the PMG Directors, and Capacity Centre Leaders and Managers, we will seek additional topics of material importance as part of our stakeholder engagement and materiality assessment.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

In 2020, a new group-level stakeholder assessment was conducted. Relevant stakeholders were identified in the categories of 'for-profit' and 'non-profit' organisations, and plotted in an 'interest power grid'.

FOR-PROFIT ORGANISATION

- Atradius and Hermes
- Banks
- Competitors
- Engineering and consultancy companies
- Knowledge institutes: TNO, NIOZ
- Media
- Oil companies
- Shareholders
- Suppliers

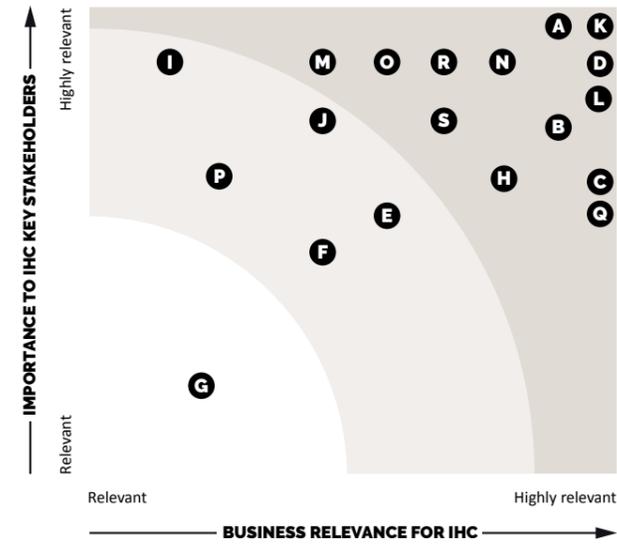
NON-PROFIT ORGANISATION

- Atradius Dutch state business
- Dredging associations: CEDA, IRO, SME
- EU funding supports Royal IHC's development in technology
- FME, stands up for Dutch tech companies
- Governments, EU, UN, regulating institutes on sanctions and trade agreements
- Knowledge institutes: Deltaris, Marin
- NGO's, like Bothends and Greenpeace
- Unions
- Universities: TU Delft and ENPC Paris
- VNO-NCW

Based upon the new strategy – and with input from the global megatrend research – a new concept materiality assessment was prepared for discussion in the CSR Steering Committee.

INITIAL MATERIALITY MATRIX BASED ON RELEVANT THEMES

MATERIALITY MATRIX BASED ON 19 THEMES FOR GLOBAL MEGATRENDS

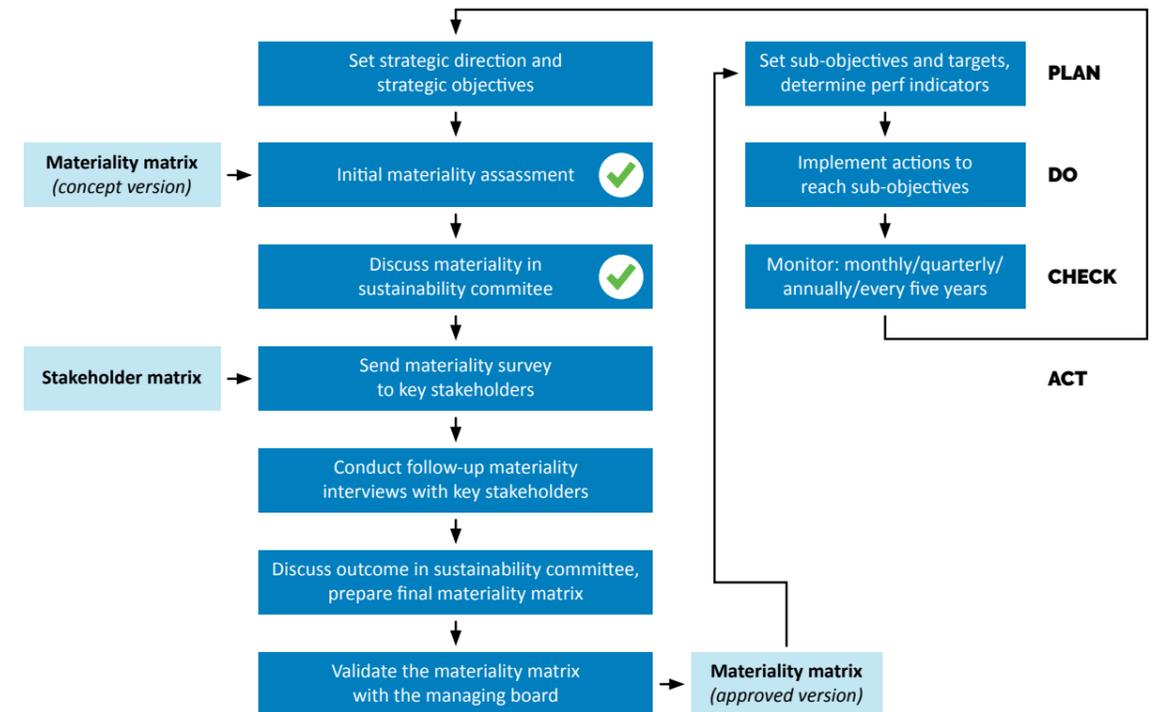
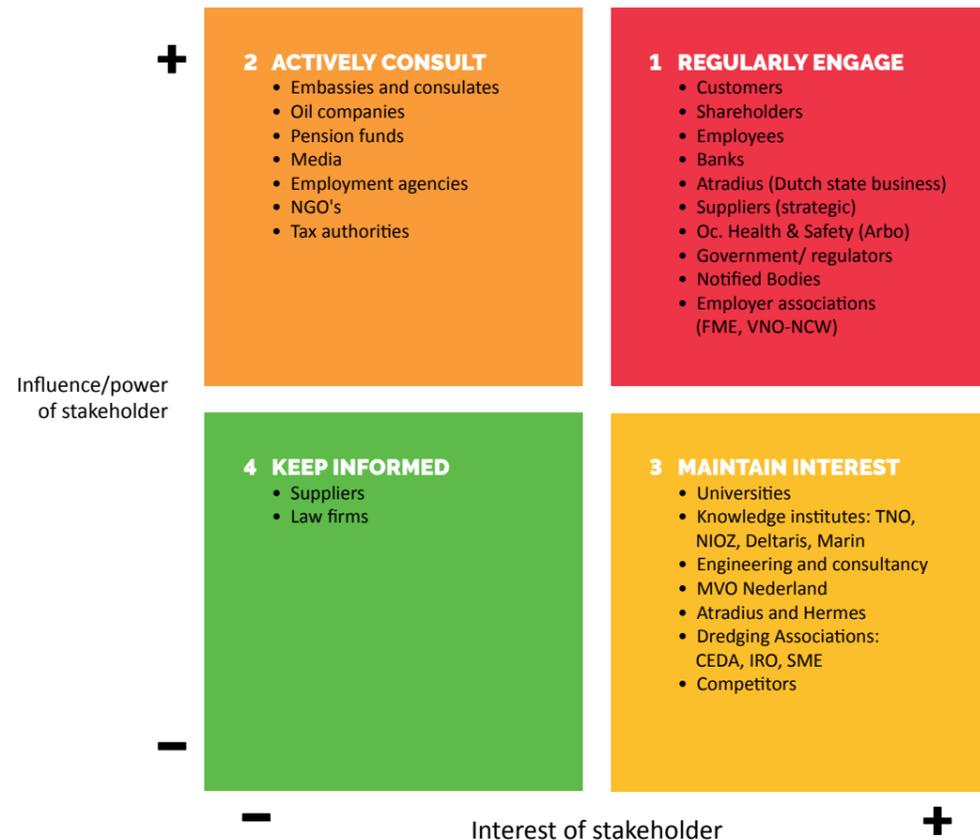


MATERIAL TOPIC

- A Energy transition
- B Circular economy
- C Responsible and efficient operations and supply chain
- D Policy makers and customers interest in sustainability
- E Trade protectionism and local content requirements
- F Sharing economy
- G Need for removing polluted sediments
- H Changing regulation
- I Populations growth and urbanisation in delta area's
- J Building with nature
- K Climate change
- L Increasingly stringent sustainability requirements
- M Scarcity of natural resources
- N Emission reduction and quest for alternative solutions
- O Rising global consumptions of energy and metals
- P Climate increases drought, which requires water storage capacity
- Q Improve health and safety (ac)
- R Increasing global demand for energy
- S Age of oils is coming to an end, gas will take larger share in the energy mix and renewables will increase over time

The next step of materiality assessment is for us to engage with our most impactful and important internal and external stakeholders in order to set and meet our company requirements and deliver on our customer promise. The group-level stakeholder analysis acts as the principal source for selecting participants to take part in the materiality analysis survey and follow-up conversations. The next steps in the process to be conducted in 2021 are as follows:

STAKEHOLDER MATRIX



Scope of the material themes

The scope of the material themes is not confined to Royal IHC, as it includes the value chain of suppliers and customers. For more about this, please refer to the 'reporting parameters' chapter.

ZERO-EMISSION VESSELS: PREPARING FOR A CLEAN ENERGY FUTURE



“Our focus is on where we can play a decisive role: the integration of alternative fuels and clean drive systems into sophisticated work vessels. With this knowledge, we can design competitive, future-proof vessels and solutions that best meet the needs of our customers.”

ERIK VAN DER BLOM

Head of Vessels Technology at Royal IHC

To contribute to the fight against climate change, the International Maritime Organisation (IMO) has agreed that the shipping industry must reduce its greenhouse gas (GHG) emissions by at least 50% by 2050. In addition, local authorities and shipping companies are setting more ambitious targets on GHG reductions. To help make low carbon operations a reality, Royal IHC has started the Zero-emission Vessels Project – ‘our customers are counting on us to rise to the GHG emissions challenge and design vessels and solutions that best meet their needs.’

“Through the Zero-emission Vessels Project, we develop concepts and design tools to optimise energy efficiency and emission reduction,” says Royal IHC’s Head of Vessels Technology Erik van de Blom. “Furthermore, we actively participate in partnerships to take these concepts forward. An example is the ‘innovaties in de kustlijn’ programme of Rijkswaterstaat that is focused on CO₂ neutral execution of coastal protection works along the Dutch coastline. Intense collaboration that focuses on a common goal plays a significant role in the race to zero emissions.”

KNOWLEDGE PARTNER

Royal IHC has outlined its vision on achieving zero-emission solutions in a roadmap. “We want to offer our customers the best possible support in the design and technology challenges of zero-emission vessels,” continues Erik. “With this, all aspects that needed to make competitive solutions for decarbonisation are considered. For example, alternative fuels have larger storage volumes than diesel: up to two times more for methanol and six times more for hydrogen.

“To build our knowledge, we explore technology and fuel options, and map out the implications on aspects such as safety, cargo-carrying capacity and competitiveness. We aim to optimise energy efficiency and emission reduction at an early design stage.”

CONCEPT STUDIES

In 2020, Royal IHC Shipbuilding’s Product Development team created concept studies for several vessel types, from dredging to offshore. Erik enthusiastically describes a recently designed zero-emission concept for service operating vessels (SOVs), used for construction and maintenance of offshore wind parks. “This concept is based on valuable input from vessel operators and owners, fuel system suppliers, drive system and tank manufacturers, and classification societies.

“The concept illustrates how zero emissions can be achieved without sacrificing operational efficiency of the vessel: our ultimate goal. Besides a high level of autonomy, the vessel design also addresses crew safety, a comfortable living and working environment, and efficiency in terms of workflow and propulsion systems.”

TOOL DEVELOPMENT

Another important project pillar is developing tools to optimise energy efficiency and emission reduction. “An example is the Fuel Tool that helps us to calculate the drive system performance, fuel consumption and emissions,” adds Erik. “It enables us to compare drive systems and make efficiency improvement measures in an early design stage. The tool combines detailed information about drive system components with the power requirements in a vessel’s operational profile. It also helps us to decide on the best drive system design, and optimise decisions with customers and suppliers.”

INNOVATION PARTNERSHIPS

Royal IHC actively looks for opportunities to test and demonstrate new drive systems, through joint industry projects and partnerships with suppliers, customers, classification societies, and knowledge institutes. “The innovation partnership with Rijkswaterstaat is a good example. We also want to optimise smaller vessel and equipment types such as cutter suction dredgers that are often used inland. Maritime decarbonisation is a tough challenge, but Royal IHC has proven to be good at solving complex puzzles.”

STEPPING UP OUR GAME

Erik welcomes the growing interest in the environmental impact of shipping and the investments in green fuel production capacity, such as RWE’s electrolysis project Eemshydrogen. “The Royal IHC approach rests on two pillars: minimising energy consumption with smart designs, systems and controls; and integrating clean fuels such as green hydrogen.

“The experience we have obtained while exploring innovative concepts to solve these fundamental challenges is vital in ‘stepping up our game’. Our concept studies will help us to mature designs and optimise operational conditions. In this way, we are creating value as a knowledge partner for customers aiming for profitable zero-emission solutions.”

06

IMPACT ON THE ENVIRONMENT AND CLIMATE CHANGE

Alongside seeking to reduce the impact of Royal IHC's products and activities on the environment, it is also important to gain insights into the energy performance of the company's operational activities. Royal IHC's carbon footprint is calculated and reported each year. The data from the previous four years have been re-calculated with modern standards to provide an exact representation of our carbon footprint.

ENERGY CONSUMPTION

National energy consumption

For environmental and economic reasons, we installed solar panels at Industrieweg in Sliedrecht in 2016. In August 2017, we also installed solar panels at Molendijk in Sliedrecht. The energy produced by our solar panels was 25,142kWh, while the total energy consumption for our Dutch entities was 20,585,910kWh in 2020.

National gas consumption

This year, the national gas consumption is 1,374,416m³. This is a significant decrease of 19.8% compared to 2019 where it was 1,700,672.65m³. The main reason for this is the fact that from March onwards a large percentage of our personnel were working from home in accordance with COVID-19 health and safety policies.

Business flights

With branches and projects all over the world, Royal IHC employees travel a great deal. In 2020, travel restrictions linked to the global pandemic resulted in our business air travel decreasing significantly. In fact, we flew less than 15% of the +/- 6.5 million air kilometres accumulated in 2019.

| BUSINESS TRAVEL | 2020 | 2019 | 2018 | 2017 |
|---|------|------|------|------|
| Air travel (reported because of nature and activities of Royal IHC) | 0.36 | 2.79 | 1.38 | 0.98 |

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

The total CO₂ emissions for 2020 resulting from electricity and gas consumption, and the company fleet was 14,796 tonnes of CO₂. This is a reduction of 3.9% compared to the emissions from 2019. On the basis of this data, we have calculated a carbon footprint of 2.98 (kg CO₂/man hour).

In 2020, there was a significant reduction in the carbon footprint compared to 2019 (3.14). This meant that we achieved the objective of reducing our carbon footprint by 3% (or 6% in relation to 2018). There is however, a direct correlation with the pandemic and the use of electricity and gas in our facilities, and the fuel consumption for our company fleet.

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

| DIRECT ENERGY CONSUMPTION | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------------------|------|------|------|------|------|------|
| Fuel consumption - lease cars | 0.14 | 0.23 | 0.15 | 0.21 | 0.24 | 0.23 |
| Gas consumption | 0.52 | 0.65 | 0.73 | 0.75 | 0.69 | 0.72 |

INDIRECT ENERGY CONSUMPTION

| | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Electricity consumption lease cars** | 0.01 | 0.003 | - | - | - | - |
| Geothermal Energy Consumption* | 0.003 | - | - | - | - | - |
| Electricity Consumption | 2.30 | 2.25 | 2.46 | 2.31 | 2.59 | 3.03 |
| Total | 2.98 | 3.13 | 3.34 | 3.33 | 3.57 | 4.04 |

* Part of the reporting parameters as of 2020

** Electricity usage of lease cars separately reported in scope 2 as of 2019

ENVIRONMENTAL IMPACT

Our biggest impact on the environment is created during the lifetime of the ships that we design, engineer and build. As well as innovative new designs and use of alternative fuels to improve the energy efficiency and sustainability of our vessels, we also need to consider the impact we have in the build phase. As part of the integrated policy on health, safety and environment, we strive to prevent any harm during the production of vessels for the dredging, offshore and mining industries, including to the environment.

In the unfortunate case that harm is (potentially) done to the environment, we set up an effective spill response, using external specialist partners where needed. In 2020, we performed a pilot study into the use of a more environmentally friendly clean-up product. As a result, spills are now cleaned faster, more effectively and with less waste product. This biological absorption material (Sorb XT®) can be used both on land and in water, but is limited by weather conditions (ie wind) as it is lightweight.

ENVIRONMENTAL INCIDENTS

We record environmental incidents that cause an impact on the environment, as well as spills that did not have an effect on the environment ('near misses') in Royal IHC's incident management system. These enable us to monitor trends in the type of environmental incidents. The most frequent type of incident is minor spills of oily substances due to vehicle use.

TOTAL NUMBER OF ENVIRONMENTAL ACCIDENTS, NATIONAL AND INTERNATIONAL

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------|------|------|------|------|
| Environmental accidents (incl. near misses) | 45 | 22 | 18 | 31 | 32 |

It is estimated that the number of reported incidents has doubled due to improved reporting of environmental incidents and near misses. This follows a campaign in 2020 to focus on raising awareness of spill management.

The incident with the highest impact on the (aquatic) environment occurred on 10 January 2020. During commissioning activities, a drain valve malfunctioned causing a fuel leakage tank to overflow. This led to a spillage of approximately 500 litres of diesel oil. The majority of the spilled diesel was contained on the main deck of the vessel. However, a significant amount of oil spilled to the river via the deck drains and scuppers.

We notified the relevant authorities immediately and assigned external parties to clean up the oil on board, in the water and any residual traces on the quay side. As per Royal IHC's standard procedure, we placed a barrier of oil absorption booms in place around the vessel, to contain any spills. Due to the volume of the spill, some product still 'bled' through the oil absorption booms, requiring a specialist company to clean up the oil on the water's surface.

After an investigation, it was determined that a valve shutter had suffered mechanical failure due to a manufacturing defect. The probability of this type of defect occurring was estimated to be highly unlikely and it had therefore not been part of the factory acceptance test (FAT). The FAT procedure has now been adjusted to identify this issue during testing and prevent any such incident from occurring again.

In 2021, the focus will be on replacing and reducing the hazardous substances involved in Royal IHC's activities, as well as increasing the mitigation of risks involved by improving the standards for managing hazardous substances.



07

SUPPLY CHAIN RESPONSIBILITY

Maintaining a reliable, cost-efficient and innovative supply chain is of critical importance for Royal IHC. As a leading designer, builder and provider of integrated vessels, equipment and services offering game-changing, sustainable engineering, we need to continuously innovate. Our Procurement team plays a key role in this. It sources suppliers with services, technologies and the ability to co-create with us, helps us stay at the top of our game, and creates the competitive advantage that puts our customers ahead. We are in the process of renewing our Procurement organisation to align with the new PMG structure.

Category management is responsible for framework agreements with a core set of suppliers, which together, cover our spend on commodities and standard products. They are at the forefront of product development, actively pushing suppliers to contribute to product innovation and the delivery of cost-efficient solutions that drive the profitability of our proposition. Category Management is organised in different category teams which collectively cover company spending, eg Ship Propulsion and Equipment, Electrical and Automation, and Contracting.

Project procurement consists of a group of project buyers supported by a pool of operational buyers and expeditors. They take care that procurement is carried out in accordance with the terms of framework agreements, planning and coordinating large numbers of suppliers delivering third-party products and services, to support the on specification, on budget and in time (OSBIT) delivery of vessels and equipment.

The procurement function operates in accordance with our (re)defined Code of Conduct and the I-CARE programme.

We assess our suppliers according to the QLIFT methodology which translates a customer's requirements into five basic criteria: quality, logistics, innovation, flexibility, and total cost. Each basic criterion is broken down into so-called "sub-criteria" as shown in the schedule below.

Category managers are responsible for determining the sourcing strategy and delivering continuous improvement within their category. The sourcing strategy describes general conditions that the sourcing must meet with regard to a specific category. Subsequently, the Category team prepares a format of the desired organisation and delivery characteristics. All this translates into a 'QLIFT wish profile'. Based on this, substance is given to the operational cooperation between Royal IHC and the supplier.

Both parties are responsible for delivering the desired performance, which we measure against QLIFT criteria. The information is collected from different systems and stakeholder interviews. We regularly review our suppliers and discuss the results. Both parties then analyse any deviation between the desired and actual performance and examine how this can be reduced. This translates into an improvement plan, listing concrete actions for both Royal IHC and the supplier, which are jointly evaluated and monitored.

Early in 2021, we launched a new protocol document called 'Royal IHC Rules and Regulations' for contractors and subcontractors (a subset of Royal IHC suppliers). This document explicitly describes supplier responsibilities in the areas of occupational health and safety, emergency response procedures, quality management, environmental safety and waste handling, logistics/work location movements, tools/machinery/equipment, use of work units, and use of gowning facilities and restaurants.

| QUALITY | LOGISTICS | INNOVATION | FLEXIBILITY | TOTAL COST |
|---|---|--------------------------|----------------------------|--|
| Q1 Process management L | L1 Delivery performance L | I1 Lean maturity level L | F1 Resources flexibility L | T1 Financial risk |
| Q2 Corrective problem-solving of non-conformities L | L2 Component identification L | I2 Lead time reduction | F2 Risk management L | T2 Cost transparency and scope of work |
| Q3 Compliance with specifications L | L3 Component traceability L | I3 Time to market | F3 Flexibility rate | T3 Total cost reduction |
| Q4 Corporate social responsibility L | L4 Conformity logistical instructions L | I4 Innovation process | F4 Change management | T4 Market conformity |
| Q5 Environmental safety L | | | F5 Life-cycle support | T5 Life-cycle costing |
| Q6 Occupational health and safety L | | | | |
| Q7 Quality of the supplier relationship | | | | |
| Q8 Information exchange | | | | |

L = QLIFT lite criterion

I-CARE: THE SAFETY OF THE PEOPLE WHO WORK FOR AND WITH US AS A CORE VALUE



I-CARE stands for 'I Create A Right Environment', which emphasises that the programme is above all about culture and behaviour.

The goal of the I-CARE programme is to provide a safe working environment so that everyone who works for Royal IHC, anywhere in the world, can return home safely after their shift. The basis for this is support, awareness and leadership. 'With the I-CARE programme, we are building a proactive and learning organisation in which all employees take ownership and responsibility for safety. This is essential to achieve our ambitious goal of zero incidents together.'

Since 2015, Royal IHC has considerably strengthened the SHEQ discipline and safety management system. The company has used the 'I work safely, or I don't work' programme to increase safety awareness. "After several years of a downward trend in work-related accidents with absenteeism, the number of LTIs rose again in 2019," says Royal IHC's Director of Safety, Health, Environment, Quality and Sustainability, Alexander van den Berg. "In response to this, we have introduced the I-CARE long-term programme with a multidisciplinary team. The name stands for 'I create a right environment' and emphasises that the programme is, above all, about culture and behaviour."

ROADMAP AND COMPASS

I-CARE addresses five themes: leadership, training, partners, campaigns, and resources. The actions to be taken for each theme are mapped out on the I-CARE roadmap. "We have developed a supporting I-CARE compass that indicates the course to achieving a safe working environment," says Alexander. "The starting point was an Executive Committee training course in Krimpen aan den IJssel where we brought the subject of safety close to home. Not only through figures and statistics but also with stories from our people in the workplace."

"This is how we empowered our leaders. Subsequently, we started a cascade in which they included their teams in the programme and the relevant training courses. Contractors and suppliers are also involved. They receive a monthly newsletter and are invited to workshops, training courses and webinars. We also initiated a Contractor Safety Steering Committee in 2020."

STANDARD AND CUSTOMISED TRAINING

Within I-CARE, both standard and customised training courses emphasise the safety focus for all disciplines. Alexander speaks about the 'observing unconscious behaviour' training course, which supervisors from Shipbuilding recently followed: "With this method, our leaders can effectively engage in conversations about (un) safe actions. We have also set up induction centres where all new and hired employees are immersed in the safety topic and follow relevant e-learning courses."

The wide range of resources includes videos of employees describing how an incident affected them. This increases awareness of what such an unexpected event can mean for a colleague's life and that of their family and loved ones.

CAMPAIGNS AND TOOLS

"We have strengthened this foundation with a reliable incident management system, good reporting and the I-CARE app," continues Alexander. "We have also made the safety manuals more accessible so that our people always have them at hand through the app."

"Simultaneously, we are strongly committed to raising awareness of desired behaviours via focused campaigns that run for at least four months. We use toolbox meetings, events and supporting resources such as banners and posters to reach as many people as possible in a way that suits them. The first campaigns were about preventing accidents from falls, trips and slips, and safer working at heights."

WAKE-UP INITIATIVE

Shortly after his appointment, Interim CEO Gerben Eggink proposed giving the programme an extra boost. "This shows how important our senior management team considers the safety of employees," explains Alexander. "As part of the I-CARE Wake-up initiative, we held safety assessments at the operational sites and all major projects. Safety stand-downs were also organised to devote attention to safety, training, hazards and fall prevention."

Participants were asked to commit to safety for all, share ideas and develop their own improvement plans. This resulted in increased ownership across all areas of the organisation. After that, real improvements were visible in the results. In 2021, we will follow up this initiative with an objective safety ladder audit.

GREY AREA

Safety must be an inseparable part of Royal IHC's corporate culture. One of the biggest challenges is the so-called "grey area" in which people feel hindered from discussing how to do things safely. For example, how can we ensure that no-one is injured or has an accident? And should we temporarily close this workplace? It is natural to ask such things. Yet it requires courageous conversations in which colleagues may have to address potential risks and unsafe behaviour. Within the programme, we have trained colleagues to become I-CARE Coaches. They help colleagues to deal with such situations in the right way.

ZERO INCIDENTS

The ambition is clear: zero incidents. Alexander concludes: "We are on the right track, especially when you consider that 2020 was a hectic year with many projects and a great deal of pressure on the organisation. We realise that this is a journey and not a switch that you can turn on or off. It's a journey in which we want to take everyone along who works for and with us, so that safety is at the top of each meeting agenda and everyone feels like a co-owner, working proactively to prevent unsafe actions and situations."

08

A SAFE PLACE TO WORK

SAFETY

At Royal IHC, we take care of our people and are proud of our craftsmanship and values: commitment, partnership and innovation. Safety is an important part of our craftsmanship and reflected in our products and way of working. Our goal is to ensure that everyone who works for us can return home safely every day. To achieve this, we are working together on a safety programme to create an environment that is physically and socially safe. Physically safe through the provision of a safe working environment on all our sites. Socially safe through the creation of the right environment to have dialogues on safety dilemmas.

We launched the company-wide safety programme in 2020 under the banner of 'I create a right environment' otherwise known as 'I-CARE'. The goal is to become a zero-accident workplace. We expect everyone to contribute and be a safety leader. It's a journey that we embark on together and everyone has a role to play.

To monitor and analyse safety performance we follow up on the organisation's accident figures. These are reported and announced to personnel via intranet and publication boards. Furthermore, the progress and results are reported based on KPIs (key performance indicators). By analysing and communicating the accident figures and trends throughout the organisation, we can correct and take measures to prevent the repetition of undesired events. By making efforts to provide feedback, our colleagues become even more aware of their individual contribution to safe working conditions.

In 2020, we reported 27 lost-time injuries (LTIs) for the group. The lost-time injury frequency (LTIF) relates to the total hours worked and an LTIF of 4.2 was recorded for 2020. We have started to report on total recordable injuries (TRIs) that are an accumulation of LTIs, restricted work cases, and medical treatment cases. The total recordable injury frequency (TRIF) relates to the total hours worked and was 7.37 for 2020. We have observed a minor decrease in the number of work-related incidents and relative figures compared to 2019, indicating that we are slowly breaking the rising trend seen between 2018 and 2019.

The scope of the reported accident figures covers our own employees, as well as temporary and contract workers at Royal IHC's business locations worldwide. Contractor incidents are not included in our Sustainability Report statistics but form part of Royal IHC's incident management dataset for trend analysis and follow-up. Because of a lack of 'contractor hours worked' data, we cannot compute the relative figures for contractor incidents. We are working to address this.

In its annual 'Health and Safety and Absenteeism' benchmark report, the FME trade association presents the average figures for the technology industry, including metal and electrical engineering in The Netherlands. For permanent employees, the average accident frequency in 2020 within the sector was 2 and for contingent workers this was 7.6. In 2020, Royal IHC was above the sector average with an LTIF of 4.2.

More important to Royal IHC than charting the 'lagging' LTIF, is looking at the proactive ('leading') indicators used to prevent undesired incidents. Throughout Royal IHC, we use the SHARP card to report dangerous situations and activities. In 2020, we instigated 1,659 reports, compared to 1,278 in 2019. This gives us an opportunity to work more proactively on unsafe situations, and to not only measure accidents but also prevent them.

PREVENTION

As safe working largely depends on behaviour, we decided to set-up the I-CARE programme to improve safety behaviour and culture, and to ensure that everyone returns home safe and sound after their work is done. We kicked off I-CARE in March 2020 with a commitments session for the Board of Directors. The programme has since been implemented throughout all layers of the organisation. Due to the measures relating to COVID-19 it was not possible to execute all initiatives as planned. However, we were able to successfully roll out a company-wide safety campaign for the 'prevention of slips, trips and falls' and 'safely working at height'.

TRAINING

Royal IHC started its I-CARE programme with a classic cascade-style training programme. The programme began with the Executive Committee, followed by Senior Leadership training for Shipbuilding and Offshore Mission Equipment. In addition, we ran parallel training for frontline supervisors focused on 'observing unsafe behaviour'. In total, we trained over 80 supervisors.

We launched an I-CARE e-learning course for employees to understand its key concepts. Additional e-learning programmes were launched to support the first I-CARE campaigns.

The COVID-19 pandemic, management change and the subsequent restructuring of the company prevented us from continuing the physical training scheme. We have adjusted the programme for 2021-2023 to enable the cascade-down training approach to continue

| LTI (NATIONAL AND INTERNATIONAL) | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|-------------|
| Fatal accidents | 0 | 0 | 0 | 0 |
| Lost-time injuries (absence > 8 hours)* | 27 | 30 | 15 | 16 |
| Restricted work cases | 7 | 5 | 13 | 9 |
| Medical treatment cases | 13 | 19 | 14 | 23 |
| Lost Time Injury Frequency (total)* | 4.2 | 4.5 | 2.3 | 3.23 |
| Total Recordable Injury Rate* | 7.37 | 8.26 | 8.65 | 9.68 |

* Part of the LR assurance scope

AWARENESS

To raise awareness on key risks and control measures within Royal IHC, we run four-month campaigns as part of I-CARE. The first two campaigns were 'prevention of slips, trips and falls' and 'safely working at height', and had several elements. As an example, we printed posters showing Royal IHC workers demonstrating safe working practices. We held toolbox meetings on the campaign topics, ran specific training courses and interactive games, and hosted initiatives with top industry specialists, reviewing for example the rules for safely working at height.

Upcoming campaign topics will be chosen based on the analysis of previous accidents. In the figure below, it is evident that we have touched on important hazards for the first campaigns.



HEALTH

Health was an important subject due to the outbreak of the COVID-19 pandemic. We took direct measures at all our premises to support a safe place to work and protect our colleagues against contamination. Furthermore, we accelerated and supported working from home, providing colleagues with the support they needed to work effectively in the home environment.

We carried out a range of activities to support the mental and physical well-being of our employees, under the theme of 'social cohesion'.

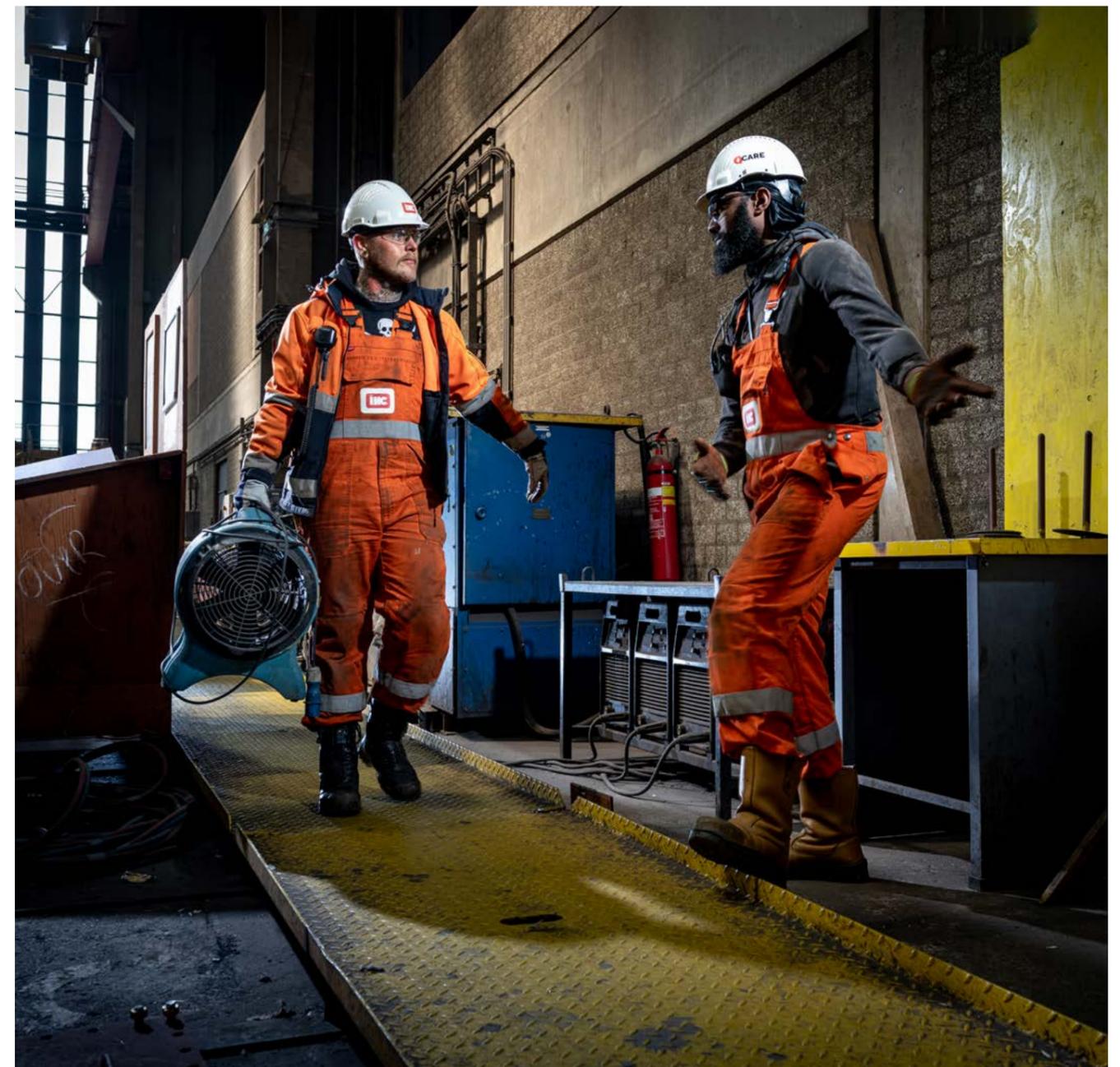
We have set clear policies and ways of working to both prevent contamination and deal with any potential cases of COVID-19. Together with our professional healthcare workers, managers and employees, we have been able to keep the absenteeism level below 3.98% (The Netherlands only). Worldwide, the figure was even lower – 3.54%.

ABSENTEEISM PERCENTAGE WITHIN ROYAL IHC, INCLUDING FME BENCHMARK

| 2020 | 2019 | 2018 | 2017 | BENCH MARK |
|-------|-------|-------|-------|------------|
| 3.98% | 3.78% | 4.28% | 4.71% | 5.4% |

We have developed a clear and structured way of managing absenteeism, whereby the direct manager and professional healthcare worker both play a role in staying connected to the employee, regardless of whether the absenteeism is short or long term.

In 2021, we will continue to support our colleagues in staying healthy and connected to the company with various health activities



COVID-19: CRISIS MANAGEMENT DURING THE PANDEMIC



A big challenge was the distance rule: how do you stay 1.5-metres apart in work-related situations?

At Royal IHC, the Corporate Crisis Management Team (CCMT) uses an integrated approach to ensure careful decision-making, coordination and communication. 'In the unprecedented corona crisis, scenario planning has proven to be a crucial tool for taking the right measures quickly. Consistent and regular communications were also essential to give confidence to our employees in these uncertain times.'

Hans Greve is Royal IHC's PMG Director Mining, as well as Chairman of the CCMT. This team consists of a permanent core of seven employees from disciplines including HR, Operations, SHEQ and Communications. Additionally, colleagues from different departments fulfil specific support and backup roles within crisis management, and there is also an international CCMT.

According to Hans, all these employees are well trained and prepared for crises, but the COVID-19 dynamics brought many complexities: "The situation and information were constantly changing, and it was a huge challenge to understand what the crisis meant. To anticipate all possible effects, we developed various scenarios. As a result, we were always able to switch quickly and take appropriate measures."

CORONA DASHBOARDS

"We immediately repatriated employees who were detained abroad and implemented a strict travel policy," continues Hans. "We also purchased extra disinfectants and protective equipment such as masks. The corona measures announced in March, such as hygiene rules, keeping your distance, and working from home as much as possible, had to be tightened up immediately."

"At the end of March, we started taking temperature measurements at Royal IHC locations, which made employees even more aware that they could not come to site if they were not feeling well. Through our dashboards, we have insights into indicators such as the number of infections, the disease percentage, and absenteeism. When we could see the number of infections increasing rapidly during the second wave, we acted swiftly to close certain sites for a week-and-a-half."

I-CARE COACHES

A big challenge was the distance rule: how do you stay 1.5-metres apart in work-related situations? "Halfway through the year, we increased our focus on the yards which required a great deal of extra attention," adds Hans. "Many of our people work in locations with limited space or with many colleagues and subcontractors on a ship. This required special measures that can differ per location."

"Additionally, the scope of control is more limited for subcontractors: new teams are always being put together. They must also take sufficient precautions and responsibility for all measures we take on site. All of this makes it fairly complex, and to this end, we used announcements, posters and I-CARE Coaches who were involved in the workplace."

MENTAL WELL-BEING

Royal IHC gave employees the space to organise their professional and private lives. The company paid attention to the impact of the corona crisis on mental well-being. For example, the CCMT asked managers and supervisors to catch up regularly with their teams on an individual basis.

"In this way, we tried to reduce the pressure on people," says Hans. "A positive aspect of this period is that we have learned to find each other and work together differently. Our employees also took many initiatives upon themselves to maintain contact, such as organising online 'pub quizzes'. I hope that these fun initiatives continue beyond the corona situation."

CLEAR COMMUNICATIONS

According to Hans, one of the most important rules is – and will continue to be – clear communications: telling everyone in the organisation, what and why something is being done in a timely way. "Between June and September, we were able to offer people the opportunity to work in the office again: with an occupancy rate of up to 25%. These rules were communicated and explained in toolbox meetings."

The announcement of the reorganisation plans was also supervised with great care. "All employees receiving bad news were invited to the office for a personal meeting. We also set up a scenario for this so that it could take place in a safe setting while limiting the number of people in the office at the same time."

Hans concludes that tremendous hard work went into tackling the challenges together. "In some cases, we could have been stricter, but we didn't know how quickly the virus would spread. You can never be satisfied because every contamination is one too many. In January 2021, Royal IHC gave all employees a COVID-19 inconvenience allowance. I thought that was a nice token of appreciation for their great commitment, flexibility and perseverance. All of our employees deserve a big compliment for this."

09

SUPPORTING LOCAL COMMUNITIES

This theme falls primarily under our Royal IHC Foundation, which draws upon the passion and knowledge of employees to improve the lives of children and adults for whom a small amount of attention can make a world of difference. Throughout the year, we contribute to various social, cultural and community support activities with a sustainable character. It is an intense and rewarding cooperation between local communities or organisations and Royal IHC employees.

MERCY SHIPS

In 2020, the Royal IHC Foundation chose to promote Mercy Ships, an organisation that sends volunteer professionals on hospital ships to provide life-changing surgery to children and adults who would otherwise go without. In February, we collected more than € 10,000 for this charity as part of the 'Hetlekkerstewereldrecord' initiative (the 'tastiest world record').



This involved building the largest-ever chocolate artwork in the Submarine Wharf in Rotterdam, consisting of more than 100,000 chocolate bars. Mercy Ships raised a total of € 650,000 with this initiative, which is to be used towards the construction of a new vessel. Naturally, every participating Royal IHC employee received a piece of chocolate.

Alongside these projects, the Royal IHC Foundation supported various smaller and local initiatives involving employees in a mixture of private and organised charity sports activities.

The reduction in donations in 2020 is partly because the initiative to help local charity groups in Mozambique recover from extreme floods is not yet finalised. It's a worthwhile project and the Royal IHC Foundation is in close contact with the local agent to monitor progress. Over and above this, the Royal IHC Foundation also received fewer donations.

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

| | 2020 | 2019 | 2018 | 2017 |
|---|---------------|---------------|----------------|----------------|
| Social and cultural projects | 21,359 | 49,212 | 73,777 | 102,719 |
| Personal sponsorship of Royal IHC employees | 4,000 | 4,500 | 9,262 | 3,480 |
| Sports initiatives | - | 2,700 | 30,900 | 1,000 |
| Total | 25,359 | 56,412 | 113,939 | 107,199 |



10

SUSTAINABILITY OBJECTIVES

In 2021, Royal IHC will focus on opportunities to integrate sustainability effectively in the business strategy, make deliberate choices based on the sustainability foundation we have derived from megatrends, and build on prioritised UNSDGs and materiality. We will set objectives, determine actions, and be supported with congruent and integrated reporting. Until new materialistic topics and a new strategic direction are set, the focus will remain on zero-emission vessels, supply chain responsibility and the I-CARE programme.

| MATERIAL THEME | 2019 RESULTS | 2020 OBJECTIVES | 2020 RESULTS |
|---|--|---|--|
| Innovation and sustainable product development | <ul style="list-style-type: none"> Due to a number of reasons, the sustainable research did not take place in 2019, in particular, the planned categorisation of research and how different types of research influence or contribute to the UNSDGs. A great deal of research with sustainable character has been conducted, but it is not possible to compare the research to our sustainability criteria. | <ul style="list-style-type: none"> Assess innovation projects on UNSDG criteria. Explore reporting worked hours on UNSDG criteria. | <ul style="list-style-type: none"> Due to organisational changes we decided not to expand the system at this moment. The connection to the UNSDG has been given a more prominent place in the organisation as it has found its way into the positioning of Royal IHC in the maritime world. |
| Carbon footprint | <ul style="list-style-type: none"> We achieved a carbon footprint reduction of 6.3% compared to 2018. International sites are providing CSR data on a monthly basis. We created measurable insights into waste flows from Royal IHC (NL). | <ul style="list-style-type: none"> GIB project: zero-emission vessels (priority 2020) Carbon footprint reduction of 6% compared to 2018. | <ul style="list-style-type: none"> Several concept studies of zero-emission vessels. Innovation partnership with Rijkswaterstaat to develop the LEAF Hopper as a zero-emission solution for coastal protection works. Research on several energy saving and recovering options, such as waste heat-recovery systems. Development of design tools, such as the Fuel Tool, to optimise fuel efficiency and make the best design choices at an early stage. Realised reduction of 11% in comparison to 2018. |
| Safety | <ul style="list-style-type: none"> The reduction of LTIs was unfortunately not achieved. Compared to 2018, the total number of LTIs has doubled. We have involved subcontractors, minimum training requirements have been shared, and our subcontractors have been added to our communications about safety. | <ul style="list-style-type: none"> Launch and roll-out of 18-month I-CARE safety awareness programme (priority 2020) Safety reporting to include data of own personnel, hired-in personnel and (sub) contractors. Safety reporting to be extended to TRI reporting. Ultimate goal of zero incident performance, in-between goal of a reduction of LTIs by 25% compared to 2019. | <ul style="list-style-type: none"> I-CARE programme initiated and known by over 80% of personnel, roadmap was adjusted due to COVID-19 and restructuring, and will continue in 2021, 2022 and 2023. Absolute data includes all incidents, relative data includes only own personnel and hired-in data. Improvements scheduled for 2021. Safety reporting extended to TRI and TRIF reporting. Realised a reduction of 10% of LTIs compared to 2019, LTIF decreased by 7%, reversing the upward trend between 2017 and 2019. |
| Anti-corruption | <ul style="list-style-type: none"> Code of Conduct implemented and communicated in Q1 2019. E-learning created and made available for new and existing employees within Royal IHC Academy. | <ul style="list-style-type: none"> Enforce existing compliance programme within Royal IHC. Review how deep the Code of Conduct is embedded within the organisation and review the use of e-learning courses. | <ul style="list-style-type: none"> Further enhancement of the Code of Conduct completed, however limited attention due to the financial situation and refinancing of Royal IHC in 2020. Deeper analysis on next steps needed in 2021. |
| Education and Training | <ul style="list-style-type: none"> Downsized training activity, due to Royal IHC's financial situation. Intensified cooperation with ITL. Explored new (digital) working methods. | <ul style="list-style-type: none"> More focus on '70-20-10' model. Development and support of large training programmes for SHEQ, sell and leadership. Offer 'right size' training to match business demand. | <ul style="list-style-type: none"> While the 2020 objectives were being drawn up, it was assumed that there will be a budget for training again in 2020. Unfortunately, due to the financial situation of Royal IHC, this did not materialise, which means that targets have been pushed to 2021. L&D has contributed to the I-Care program. There was no budget for Sales and Leadership Programs in 2020. In preparation for the transition to a new LMS system in 2021, the catalog has been cleaned up in the current LMS system. |
| Health | <ul style="list-style-type: none"> We achieved our goal to reduce the absenteeism rate by 10%. Social employability: active involvement and participation within the FME (business organisation for technology industries). | <ul style="list-style-type: none"> Maintain an absenteeism rate of < 5%. Focus on sustainable employability initiatives within Royal IHC. | <ul style="list-style-type: none"> We achieved our goal to maintain an absenteeism rate of < 5%. From 3.79% in 2019 to 3.98% in 2020. The absenteeism rate has increased slightly compared to last year. Social employability: the reorganisation process has been completed with great care. With a solid social plan and a great deal of attention paid to communications, we try to absorb the negative consequences for employees as much as possible. |
| Supply chain responsibility | <ul style="list-style-type: none"> Blue Scan development is terminated, CSR is covered within the QLIFT audit process. | <ul style="list-style-type: none"> Due diligence process and QLIFT audits. Paint improvement ambition 2025. Professionalise the waste separation process with focus on circular products. | <ul style="list-style-type: none"> In 2020, fewer audits than planned were carried out at suppliers due to COVID-19. Self-assessments or remote audits have been performed on MS Teams. An internal SCM audit has also taken place. Paint improvement plan needs to be updated and realised in the coming year(s). First steps are executed through pilots, which are finalised and evaluated and will be implemented in 2021 > PMD separation process in catering (PMD = plastic, metal and drinks cartons). |
| Supporting local communities | <ul style="list-style-type: none"> Various projects carried out with volunteers from Royal IHC. Contacted the responsible Royal IHC colleagues regarding Foundation work. | <ul style="list-style-type: none"> Organise a tour around Royal IHC to create more awareness of opportunities for the Foundation. Select new projects to support. | <ul style="list-style-type: none"> Because of both corona and the financial situation of Royal IHC, it has been decided not to organize a promotional tour in 2020 for the Royal IHC Foundation. It has been decided to rewrite the selection policy for new projects. As a result, no new projects were selected in 2020. |

MENTAL HEALTH AND RESILIENCE DURING COVID-19



The COVID-19 pandemic is more than a physical health issue - it's a mental-health matter fuelled by peoples' concern for themselves, their families and the unstable economy

Operating in a high-risk sector, Royal IHC clearly has a safety and health first mind-set. This is translated into daily practice, with support to management, supervisors and employees. Alongside the SHEQ-team, HR Director Jane Hudson encourages and facilitates further health issue integration in corporate policies and practices. 'To us, offering mental health and wellbeing services is an important way to safeguard our people, create a safe workplace culture and set our business up for future success.'

'The COVID-19 pandemic is more than a physical health issue - it's a mental-health matter fuelled by peoples' concern for themselves, their families and the unstable economy', Jane says. 'Such challenges can be stressful, overwhelming, and cause strong emotions. Measures such as social distancing are necessary to reduce the spread of the virus, but they can make us feel isolated and generate high anxiety levels. When Corona hit, Royal IHC already had multiple mental health initiatives in place that help us deal with the unprecedented challenges before us.'

A POSITION TO HELP

HR Director, Jane Hudson has worked at Royal IHC for over 14 years, supporting all business units in the UK and some in The Netherlands. 'When a colleague committed suicide a few years ago, we decided that we wanted to do more for mental health wellbeing. For many people, the way they are treated by their manager makes a huge difference to how they feel about themselves and their work. Furthermore, managers are in the best possible position to identify stress and anxiety, and to step in to help. Therefore, we wanted to create a culture where people feel comfortable talking about mental health. We introduced training to raise awareness and encourage our staff to develop their skills through better understanding of mental health.'



DEVELOPING RESILIENCE

Mental health issues are extremely common – in fact you may be surprised by some of the statistics To help raise awareness and share tips on managing these problems as well as advice about where to seek further help, we have launched a mental health booklet which was issued to all staff. Next step is to train colleagues to become Mental Health Advocates. We also launched an Employee Assistance Program to connect employees with confidential, professional support, by telephone or face to face. Furthermore, we have organized Miss Menopause Sessions to educate managers on what female colleagues may go through and how to help and support them. These are some of the initiatives we have undertaken to promote better understanding of mental health issues.

HOLISTIC VIEW

Jane thinks that workplace and mental health is even more relevant in these challenging times, when companies need to use every tool available to ensure their productivity and competitiveness. 'For quite some years, Royal IHC Ltd has been accredited with the Silver Level of the Better Health at Work Award as a result of recognising and addressing health issues in the workplace.'

STAYING CONNECTED WHILE WORKING REMOTELY

All the things we had in place helped us to deal with the unprecedented levels of stress created by the pandemic. We also built on this by adding elements such as mental health and well-being tool box talks, surveys, Ask Twice safety shares, weekly check-in calls with SHEQ team and also we used our internal internet to bring staff closer together by way of using working from home pictures, monthly staff quiz, celebrating achievements etc.



ATTACHMENT I

REPORTING PARAMETERS

Royal IHC wants to provide insights into how it is embedding sustainability within the internal business operations and therefore provides annual justification about its non-financial results by means of this annual sustainability report. The 2020 report covers the period from 1 January to 31 December 2020, and in addition to presenting the social and environmental results, provides an overview of the objectives and aims for the coming period.

Reporting criteria

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

Reporting scope and range

The scope of this sustainability report includes the social and environmental performance resulting from Royal IHC's CSR policy, with the material topics being the determining factor for the scope of the reporting. (Refer to the 'scope table' to view which site falls within or outside the scope per indicator). Boundaries and scope of the guidelines have been adjusted when necessary to the data available to 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 in order to permit an integration period.

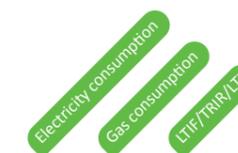
Carbon footprint calculation

The guidelines from the ISO 14064-1 are used as the basis for establishing Royal IHC's carbon footprint. Apart from the non-compulsory coolants and refrigerants, elements from scope 1 and 2 are also included in Royal IHC's carbon footprint calculations. Due to the nature of Royal IHC's activities, the company's air travel is also reported. We aim to expand this in the future to enable full compliance with ISO 14064-1. To calculate the CO2 emissions, conversion factors are used as published on 1 January 2021 on www.co2emissiefactoren.nl. Supplying and validating this data is performed under the joint responsibility of the Facility Services department and SHEQ-CSR.

The current conversion factors show minimal differences with the factors as published on 1 January 2020, which were used for the CO2 calculation in the Sustainability Report 2019.

Contact

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



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

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

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

³ Includes all international IQIP locations.

ATTACHMENT II

LIST OF TERMS



5X BETTER

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

GENERAL DATA PROTECTION REGULATION (GDPR)

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

ANTI-CORRUPTION REGULATION

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

CARBON FOOTPRINT

The total greenhouse gas emissions created by an organisation's production processes.

CODE OF CONDUCT

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

CSR

Corporate social responsibility.

ENERGY EFFICIENCY DIRECTIVE

European directive with the objective of a 32.5% decrease in European energy consumption by 2030, which includes obligations for both member states and companies.

FME

Employers' organisation for the technology industry.

IMO

As a specialist United Nations organisation, the International Maritime Organisation (IMO) is responsible for implementing agreements between participating member states to make shipping as safe and environmentally friendly as possible.

CHAIN RESPONSIBILITY

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

LICENCE TO OPERATE

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

LNG

Liquefied natural gas.

LOST-TIME INJURY (LTI)

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

LOST-TIME INJURY FREQUENCY (LTIF)

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

MATERIALITY MATRIX

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

MATERIAL ASPECTS

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

MVO NEDERLAND (CSR NETHERLANDS)

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

NEAR MISS

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

PREVENTIVE MEDICAL EXAMINATION

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

RI&E

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

STAKEHOLDER DIALOGUE

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

THE ELIGIBILITY FOR PERMANENT INCAPACITY BENEFIT (RESTRICTIONS) ACT

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

ATTACHMENT III

ASSURANCE CERTIFICATE



LR INDEPENDENT ASSURANCE STATEMENT

Relating to IHC Merwede Holding B.V. "CSR report 2020" for the calendar year 2020.

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

TERMS OF ENGAGEMENT

Lloyd's Register Quality Assurance Limited (LR) was commissioned by IHC Merwede Holding B.V. (further Royal IHC) to provide independent assurance on its sustainable information in the 'CSR report 2020' ("the Report") against the assurance criteria below to a limited level of assurance using LR's Verification procedure. LR's verification procedure is based on current best practise, is in accordance with ISAE 3000 and uses the following principles - inclusivity, materiality, responsiveness and reliability of performance data.

Our assurance engagement covered Royal IHC's Report (dated 17 March 2021) and only the sustainability data reported as the following figures: Number of employees (FTE), Lost Time Injuries (LTIs), Lost Time Injuries Frequency (LTIF), TRIR, National absenteeism percentage, Environmental Incidents, National Electricity consumption, National Gas consumption, National Carbon Footprint, Support for local communities, Average training hours completed per delegate. The data for these figures in the scope of our engagement are marked with (*) an asterisk in the Report. And only for the operations and activities of Royal IHC and specifically the following requirements:

- Verifying conformance with Royal IHC's reporting methodologies
- Evaluating the accuracy and reliability of the data and information for these indicators only disclosed in the Report.

Our assurance engagement excluded:

- Data and information related to the GRI reporting.
- The key figures for 2016-2018 which had been verified by other parties. LR verified only that these datasets were transferred correctly into the Report.
- All financial disclosures, opinions and visions, interviews, photographic images, personal statements and future plans as well as links to external or other information made in the Report. Also references to other data, information and pages of the report.

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

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

LR'S OPINION

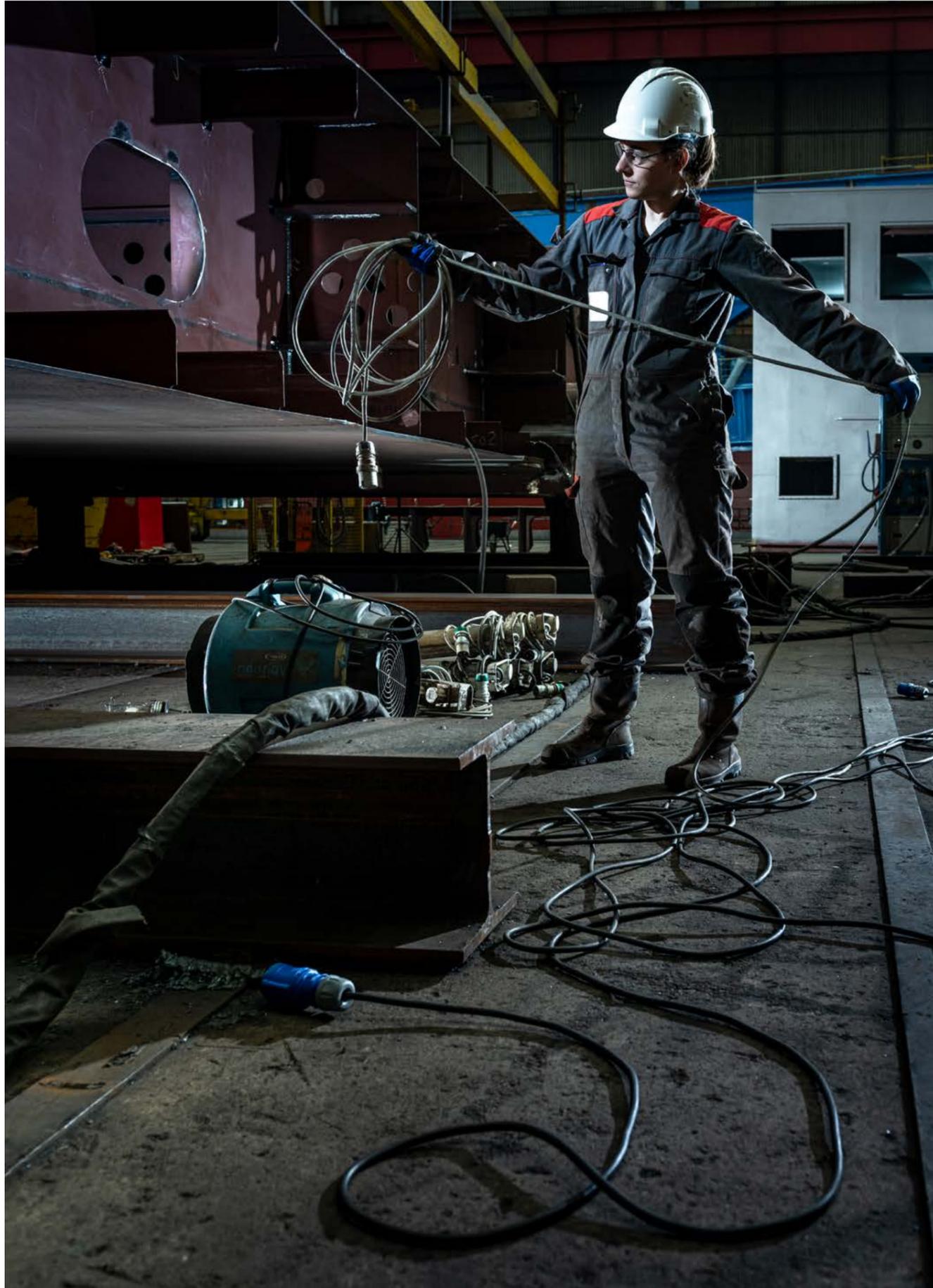
Based on LR's approach nothing has come to our attention that would cause us to believe that Royal IHC has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as no errors or omissions were detected
- Covered all the issues that are important to the stakeholders and readers of this report.

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

NOTE

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



LR'S APPROACH

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

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

OBSERVATIONS

Further observations and findings, made during the assurance engagement, are:

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

LR'S STANDARDS, COMPETENCE AND INDEPENDENCE

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

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

23 March 2020

Joep Ottenheim
Lead Verifier Lloyd's Register

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