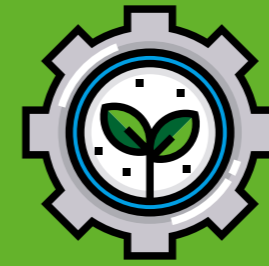


CSR ANNUAL REPORT 2017



**THE TECHNOLOGY
INNOVATOR.**

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COMPANY PROFILE AND KEY FIGURES 2014-2017

PROFILE AND KEY FIGURES 2014-2017



COMPANY PROFILE

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

Our in-depth knowledge and expertise in engineering, the production of high-performance integrated ships and equipment and the provision of sustainable services draw on the rich history of shipbuilding in the Netherlands since the mid-17th century. From our head office in the Netherlands and with over 3,000 employees at different locations worldwide, we are able to guarantee local presence and support on every continent.

Dredging companies, oil and gas groups, offshore contractors, mining companies and governments around the world benefit from IHC's high-quality solutions and services. Thanks to our ongoing commitment to technological innovation, in which sustainability and safety play an important role, we strive to constantly fulfil the specific needs of every customer in a rapidly changing world.

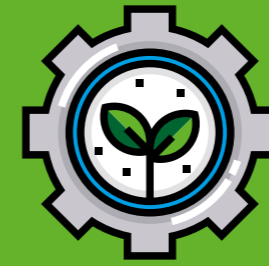
Royal IHC. The technology innovator.

KEY FIGURES

	2017	2016	2015	2014
Turnover (millions of euros)	800.2	764.1	1.161,3	1.214,7
Profit (millions of euros)	-21.8	-21.6	27,9	124,0
Employees	3.010	3.255	3.434	3.263
LTI's	16*	41	75	85
LTIF	3,23*	7,7	12,7	14,4
Absenteeism (%)	4,71	4,89	4,07	4,78
Electricity consumption (kWh)	20.891.677*	24.758.452	32.078.135	32.104.365
Gas consumption (m ³)	1.958.437*	1.939.988	2.257.422	2.185.606
Carbon footprint (kg CO ₂ / man hour)	3,68	4,00 ¹	4,54 ¹	4,53 ¹
Support for local communities (IHC Foundation) (euros)	107.199*	111.791	110.690	119.681

* Part of KPMG Assurance scope

¹ Figures have been corrected on the basis of the most recent conversion factors



FOREWORD

ARIE

VERGUNST

FOREWORD



After a couple of difficult years, 2017 proved to be a year of transformation. A second round of downsizing and a number of difficult orders placed heavy demands on the organisation. On the other hand, the pick-up in sales in the fourth quarter of 2016 continued strongly into a high sales volume in 2017.

As a result of the downsizing operation, we had to say goodbye to approximately 240 colleagues in the first few months of the year. This had consequences for the people involved, but also for those who carried on working in the downsized teams and repositioned departments. Restoring confidence and improving employee satisfaction were key points that we worked hard on in 2017. Contributory factors here were safety, communication, internal mobility, management development and training programmes, as well as the growth of the order book. Although the 2017 employee satisfaction survey showed a clear improvement on 2016, this upward trend needs to continue in 2018.

The markets also remained tough in 2017. The markets in which IHC is active have shown a varied recovery, but the competition is strong and prices and margins remain low. With the offshore market slowly returning to investment mode and the dredging market presenting healthy prospects, we have reason to look to the future with confidence.

Aside from all these challenges, successes were achieved and significant steps were taken in various areas in 2017. For example, in the past year, to the great satisfaction of the customer concerned, we delivered the first LNG-powered dredgers. The successful completion of these challenging projects gives a huge boost to further sustainable innovation relating to matters such as our ships' propulsion systems. On other vessels too, we achieved a reduction of fuel consumption and hence of harmful emissions in various ways, including through the use of heat recovery techniques and the PowerPlus Concept, in which energy is stored in batteries.

In terms of reducing energy consumption and CO₂ emissions at our own production sites, concrete steps were also taken. By investing in solar panels, energy-efficient lighting, replacement new buildings and so on, we have succeeded in reducing the consumption of electricity from the grid per man-hour worked by more than 23% over the past two years compared to 2015.

In 2017 we succeeded in maintaining the downward trend in the number of accidents, which began in 2016, by a further reduction of 61% in the number of accidents resulting in time off work. There is a clear positive trend in individual awareness and sense of responsibility with regard to safe working. The trend of recent years is a powerful motivator to continue along the same lines in 2018.

However, the high level of attention paid to safety is not confined to our own IHC sites. Working conditions form part of our external site selection procedure, in which the inability to demonstrate compliance with legislation and regulations is treated as an obstacle to collaboration. Safety is also part of the supplier audit, in which we aim to identify conditions at suppliers and improve them where necessary.

We have seen another positive development with regard to reintegration. With the appointment of a Sustainable Employability Manager, the number of successful reintegrations rose again from 45% in 2016 to 50% in 2017, and various reintegration positions were created within the company. This enables employees who would otherwise be out of circulation for a long time for their own position to retain their link with the company, thus lowering the barriers to an eventual complete return to their original activity.

IHC's strategy of acting increasingly as a vertically integrated company has resulted in the expansion of both the consulting and engineering business and the maintenance, repair and conversion business. In this way, IHC has broadened its involvement during the life of its ships and equipment. We also intend over the next few years to take concrete steps towards more circular business operations by dealing with raw materials and our products in a different way.

At present, our CSR policy and social reporting cover our Dutch business activities and sites. We are happy to work with our stakeholders in order to achieve our social ambitions, including extending our policy to our international sites. I invite you to talk to us so we can identify shared ambitions and transform them into realistic projects. Happy reading!

Kinderdijk, 10 April 2018

On behalf of the Board of Management,

Arie Vergunst
CFO, CSR Steering Committee



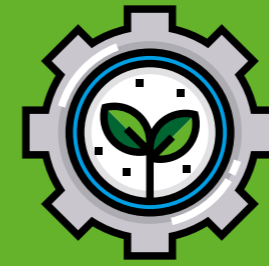
SECTION 1 THE ZERO-EMISSION SHIP OF THE FUTURE

We are in the midst of a transition towards sustainable alternatives for energy use. This is visible in various ways and involves difficult challenges, but it also provides IHC with a wide range of opportunities. The recently designed, built and delivered LNG-powered trailing suction hopper dredgers is the first concrete step in this transition. To help identify the social, technological and environmental challenges of a clean and CO₂-neutral future for the maritime sector, IHC participated in the EU-funded JOULES (Joint Operations by Ultra Low Emission Shipping) project between 2013 and 2017. All major technology suppliers and shipyards in Europe took part in this project, which explored new technologies for emissions reduction, clean energy sources and concepts for high-efficiency propulsion systems. The results are promising and also take account of the technical and economic feasibility of these concepts.

As a result of this project, IHC came up with two concepts, both based on the use of a trailing suction hopper dredger. The first project focuses on the near future and is restricted to the application of existing technologies. The second project focuses on the longer term and is called 'Next Generation Concept'. The concept for the near future is a hybrid LNG-powered vessel with possibilities for energy storage. This results in average fuel savings of 14% over the entire dredging cycle, a 22% reduction of greenhouse gases and a more than 90% reduction of NOx emissions. For the Next Generation Concept, the use of a

combination of renewable fuels and fuel cell technology (combined with energy storage and management) leads to zero emissions during the operational phase with a 40% lower installed power, while the same functionality is maintained. This concept includes a crewless vessel, in line with trends for the future.

Investment costs are currently still too high for these new technologies and reusable fuels. Nevertheless, the expectation is that technology costs will fall, and that emissions taxes will also be introduced. This will bring the total costs to an equivalent level, making clean technologies more economically advantageous than continued use of fossil fuels. With this prospect, zero-emission ships seem likely to be viable in the future. A similar outcome was seen in the 17 other cases of different ship types examined by various shipyards in the European JOULES project. The maritime sector is making progress towards a sustainable future in which environmental, social and economic aspects are brought into balance with each other.



TRENDS

TRENDS



Climate change is an inextricable element of the earth's history. However, it has long ceased to be the case that only natural causes influence climate change. Humans also contribute significantly to it, for example through the emission of carbon dioxide (CO₂), sulphur oxides (SO_x) and particulate matter. Global ambitions to limit climate change resulting from human activities are set out in the Paris Climate Agreement, which entered into force on 4 November 2016. At the European level, the EU's member states have made agreements on the continuing reduction of CO₂ emissions between now and 2050 with the 20-20-20 targets, involving a package of regulations that should lead to a 20% reduction in CO₂ emissions by 2020 compared to the 1990 level. The Dutch implementation of these objectives is set out in the Energy Agreement. Regulations in this area are increasing pressure to reduce the use of fossil fuels.

This is also reflected in the maritime sector, which is known worldwide for its high levels of pollution. The reduction in emissions resulting from maritime activities and the transition to cleaner alternative fuels are high on the agenda of the IMO (International Maritime Organization). For example, the step-by-step reduction of greenhouse gas emissions by 10-40% is already required for most vessel types. The taxing of CO₂, NO_x and SO_x emissions is one of the possible future measures to increase pressure on the sector to reduce emissions.

The use of cleaner propulsion systems has now also attracted the attention of the classification bodies. Various notations that have been developed, such as CLEAN and CLEAN DESIGN, which consider aspects such as the level of emissions from shipping and offer operators the opportunity to excel. In the offshore industry in particular, there has been a clear increase in the use of clean propulsion systems and demand for CLEAN notations.

It is not just the use of fossil fuels that is under pressure. Ambitious targets are also increasingly being set for the use, and especially reuse, of raw materials. Thus in the Netherlands, the Raw Materials Agreement has been drawn up, setting out an intention to come up with transitional agendas for the circular economy. This agreement has now been signed by 180 different parties. In line with this agreement, the government-

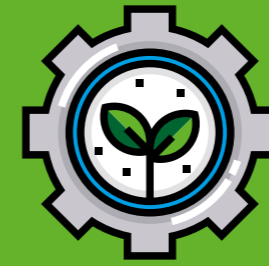
wide circular economy programme entitled 'Nederland Circulair in 2050' has also been presented to the House of Representatives. It sets out guidelines for dealing with raw materials, products and services in a more economical and intelligent manner in order to achieve the defined ambition.

In addition to national developments, whether or not facilitated by the Dutch government, ambitious objectives have been set by specific organisations. For example, Rijkswaterstaat (the Ministry of Infrastructure and Water Management), an important Dutch customer within the maritime industry, aims to operate in a fully carbon-neutral and circular manner by 2030. This will also have consequences for requirements set for areas such as coastal maintenance and the dredging equipment used for it.

To achieve a circular economy, the traditional, linear supply chain must turn into a circular chain. In various sectors, both business-to-business and business-to-consumer, there has been a shift towards product-service models and, in some cases, to full provision of services instead of products. In both cases, infrastructure is set up to return products to the production process after they have become obsolete or are discarded. The basic principle here is the creation of value in an ecological, social and economic sense.

As part of the drive to reuse raw materials, provisions have been made in the European Ship Recycling Regulation for the recycling of ships sailing under a European flag. Many ships are currently scrapped on the beaches of Bangladesh and India. The purpose of the regulation is to prevent the scrapping of ships under appalling conditions which have a major impact on the environment. The regulation stipulates that ships may only be demolished by ship recycling companies that comply with strict environmental and working conditions. At an international level, the Hong Kong Convention was adopted by the IMO in May 2009. Like the European Ship Recycling Regulation, this sets requirements for ships from the laying of the keel through to final dismantling. The Hong Kong Convention will only enter into force after ratification by a minimum number of member states, and there are also requirements regarding the size of the merchant fleet of these member states and the percentage of ships that will be presented for recycling.

As well as bringing challenges, these trends also offer an opportunity for IHC to stand out as an innovative and socially responsible maritime player. Looking ahead in a different way, including following trends in other sectors, we also see opportunities for crewless vessels. Before this happens, there are not only legal but also technical obstacles to be overcome. Current ship designs are entirely based on the presence of a crew. Autonomous sailing therefore requires us to abandon the current design framework and define and adopt new design rules. At present this is still a pipe dream, but it is possible that the demand for increasing efficiency, reduced fuel consumption and higher safety standards will in the future lead to autonomously operating working vessels which are simply monitored remotely.



OUR APPROACH TOWARDS SUSTAINABILITY

OUR APPROACH TOWARDS SUSTAINABILITY



Corporate strategy and CSR policy

The IHC corporate strategy developed in 2014 is based on five building blocks: ‘client-oriented’, ‘operational efficiency’, ‘employer of choice’, ‘innovation’ and ‘internationalisation’. In addition to continuous improvement, reliability and other principles, one of the core values of the strategy is sustainability. This is implemented through the CSR policy.

The three pillars of ‘sustainable entrepreneurship’, ‘social responsibility’ and ‘environmental accountability’ are the foundation of IHC’s CSR policy. These pillars stand for:

- Maintaining a healthy financial position in order to provide assurance to stakeholders that the company can put its CSR ambitions into practice now and in the future
- A company which is socially engaged both internally and externally, including with suppliers, subcontractors and society in general
- The company’s accountability for its environmental impact, and the reduction of this with regard to its own activities and the products and services it supplies.

Based on the corporate strategy and the three CSR pillars, supplemented with the results of the biennial stakeholder dialogue, the CSR Steering Committee has defined a number of material topics which are given the highest priority within IHC’s CSR policy.

Management and control of social aspects

The entire organisation is involved in and responsible for implementing the CSR policy and achieving the stated ambitions. The corporate SHEQ-CSR department is responsible for coordinating implementation, supporting the various departments and monitoring the progress of results.

The body overseeing this process is the CSR Steering Committee, which has broad internal representation. The CFO represents the Board of Management on this committee. The Steering Committee is chaired by the SHEQ-CSR director. Its tasks and responsibilities are to formulate group-wide objectives, to facilitate implementation of the CSR policy, to evaluate results and to engage in internal and external communication. Where necessary, the committee adjusts or tightens up objectives based on the achieved results or feedback from internal or external stakeholders, the Board of Management or the Supervisory Board. Progress is reported

every quarter, with social policy forming part of the agenda of the Board of Management and the Executive Committee.

VALUE CHAIN

IHC focuses its activities on continuously developing equipment for the dredging, mining and offshore market. The power of IHC lies in offering complex total solutions, specific equipment and life-cycle support. Our R&D and innovation activities aim to bring innovative products to the market, taking account of social and environmental aspects in the sectors in which we operate. By taking account of the impact of our products on people and the environment during the innovation process, and by providing training focusing on the use of IHC products, IHC contributes to safe, environmentally friendly and economical project implementation.

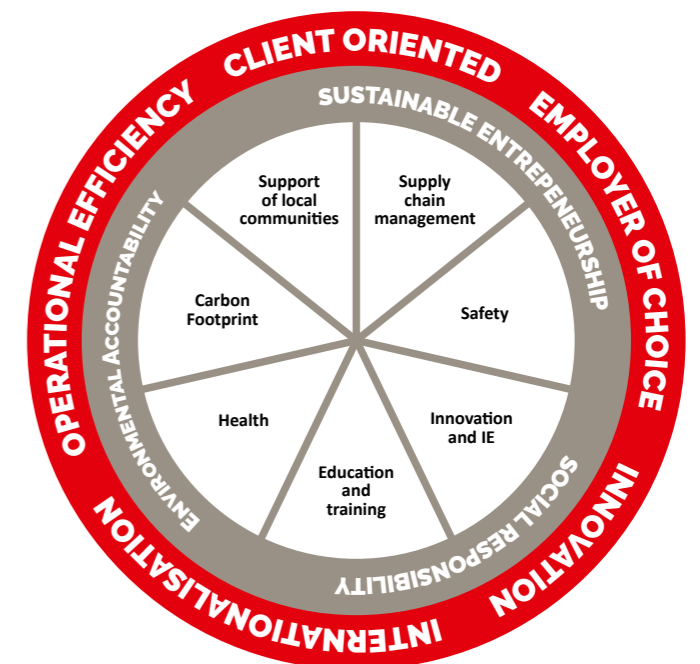
In the various stages of IHC’s value chain, in which R&D/Product Innovation/Engineering, Production and Life Cycle Support are considered the key links in the internal process, the company has an impact on social themes.

Customers, suppliers and partners

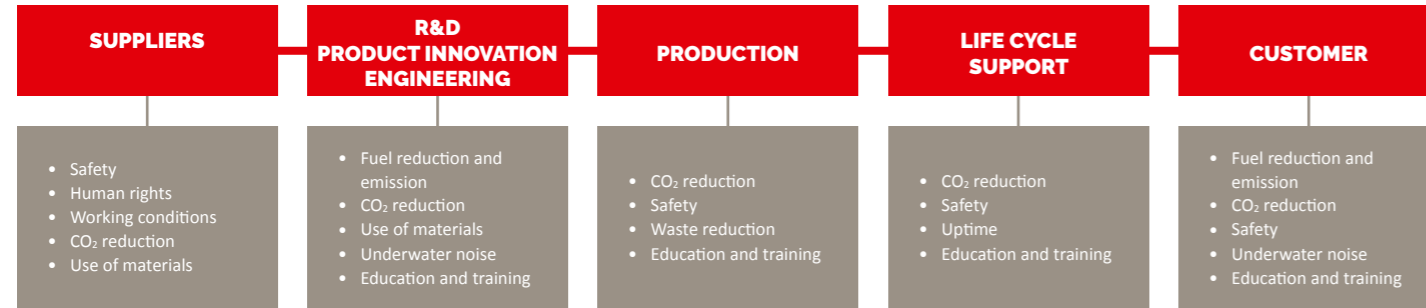
IHC’s main customers are dredging companies, oil and gas conglomerates, offshore contractors and public authorities. These include major players in the global market, small local contractors and companies, and regional authorities.

In 2017, IHC used over 6,000 suppliers worldwide for the supply of raw materials, other materials, products and services. Of our total costs, approximately 70% are spent in the external chain.

IHC is working together with universities, knowledge institutes, public authorities, industry associations, NGOs and other industry partners on the development of its products and services portfolio. Employees from various parts of the organisation participate in a variety of working groups and we participate in a number of major European subsidy programmes.



VALUE CHAIN OF IHC



Products, services and markets

IHC's main products are high-tech equipment and integrated ships. This involves both custom-built products and standardised products, for a global customer base.

Our broad product range for the dredging market runs from standardised stationary cutter suction dredgers to large custom-built trailing suction hopper dredgers. IHC supplies high-quality products for the offshore industry such as installation and maintenance vessels for the wind energy market. For the mining market, we supply integrated mining systems for onshore and nearshore mining projects. IHC is also an active player in the development of deep-sea mining with the development of equipment suitable for the extreme conditions in the deep sea as well as by conducting feasibility studies. IHC furthermore supplies the offshore wind market with a wide range of components and complete systems, including installations for foundations delivered by IHC IQIP. These components are also rented out.

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

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

Social aspects

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

The global development of environmental regulations also applies to dredging, offshore and mining industries. Relevant environmental issues in these sectors include emissions, turbidity from and settlement

of fine sediment in sensitive ecosystems, and underwater noise. These themes are part of the R&D and innovation agenda of IHC. Thanks to our internal R&D and capacity for innovation combined with our partnerships with our customers, educational institutions and others, we contribute to innovative products that comply with laws and regulations and with which we can safeguard our customers' licence to operate.

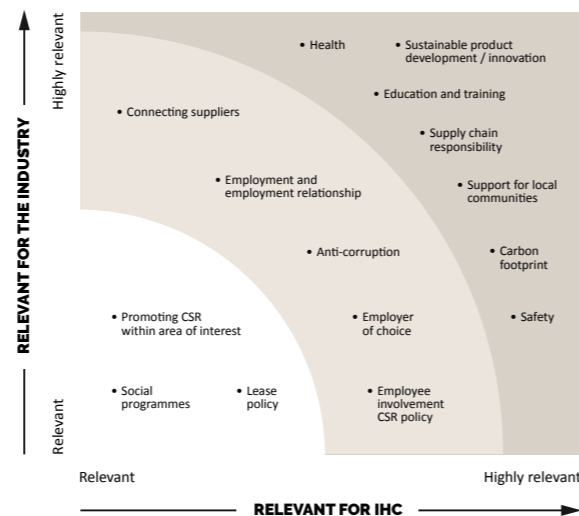
Other aspects which play an important role in the sectors in which IHC operates are corruption and supply chain management. Because it involves the supply of capital goods, these sectors are prone to corruption and companies are expected to take measures to combat this. To this end, IHC has developed an anti-corruption policy, which includes both procedural and cultural measures and where these risks are countered to the extent possible through continuous training and internal controls.

MATERIALITY AND STAKEHOLDER ENGAGEMENT

The material subjects are identified by the CSR Steering Committee and are evaluated annually, guided by, among other things, internal and external developments and the outcome of the biennial stakeholder dialogue. For material subjects in the 'highly relevant' category, the CSR Steering Committee has formulated objectives and performance indicators.

Materiality matrix

The materiality matrix is a representation of the relevance of material subjects for both the sector and IHC. The matrix is composed with input from the external stakeholders. The horizontal axis represents

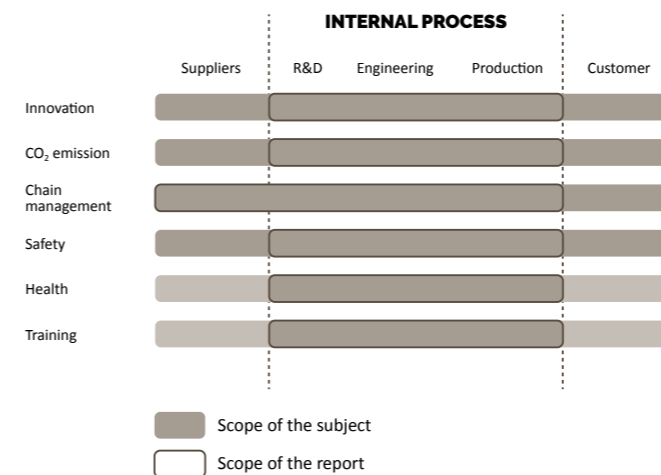


internal relevance (from 'relevant' to 'highly relevant'), while the vertical axis shows the subjects rated by relevance to the sector (from 'relevant' to 'highly relevant').

The materiality matrix is determined at the start of every year on the basis of the evaluation of the themes by the CSR Steering Committee and the feedback received from the most recent stakeholder dialogue. The results of the stakeholder dialogue held in 2015 were used to draw up the materiality matrix for 2017. The matrix remained unchanged compared to the previous year. The scope of social reporting, i.e. the themes within the materiality matrix that were labelled 'highly relevant' for both the sector and IHC, supplemented with the HR figures, also remained the same.

Scope of material themes

The scope of the material themes does not stop at our company's front gates, but also covers the chain of suppliers and the customers. The influence we have outside our own processes varies for each theme. Innovations are carried out in collaboration with our customers and suppliers. Health and safety are of great importance on our own work floor, but also have consequences for our products and hence to safe working conditions for our customers. On the supplier side, health and safety are important themes in our supplier audits and site selection procedure. Training courses are high on the agenda internally in order to maintain well-qualified staff. In the chain, training mainly focuses on safe production and the correct handling of IHC products. The reporting scope monitors/follows CSR policy and is therefore mainly focused on the internal processes.



Stakeholder dialogue

In order to assess the selection of material subjects and gain insight into the expectations of our stakeholders regarding social reporting, we make use of a stakeholder dialogue. In its current format, the dialogue is held every two years. The results of the dialogue will be used to verify the internal CSR policy and, where necessary, to adjust or refine it. To structure the dialogue, the stakeholders are divided into the following categories:

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

For each category, a responsible person from the CSR Steering Committee was appointed to approach the stakeholders on the basis of personal contacts. In the selection of stakeholders, their interest in CSR and sustainability was taken into account to ensure that substantiated and critical input could be collected.

A short questionnaire was presented to the selected stakeholders. The questionnaire could be used to indicate to what extent the topics selected by IHC were of material importance. Stakeholders were also given the possibility to mention new themes and classify these directly in the matrix. In addition, stakeholders were asked their views on the reporting standard and the degree of transparency, and participants were given the opportunity to provide critical feedback. The questionnaire was the same for every stakeholder category.

Overall, too few stakeholders took the opportunity to provide feedback. The way in which the dialogue is conducted will therefore be reconsidered by the CSR Steering Committee. Despite the limited response, the input from the stakeholders was analysed and taken into account in the decisions taken by the Steering Committee in determining the material subjects. The basic principle here is to ascertain the extent to which the stakeholders' interpretation is in line with internal expectations and understandings. If there are major discrepancies, it is then necessary to examine their causes in more detail, and the implications for the prioritisation of different issues. However, the results of the 2017 stakeholder survey were consistent with the internal definition of relevant themes.

This year, too, the survey was followed up in a number of cases with a meeting with the relevant stakeholder. The focus of these meetings was how we can reinforce each other's efforts and work together.

There will be some small changes to the prioritisation of the material subjects in 2018. Strikingly, a number of stakeholders from different stakeholder categories added the theme 'circular economy' and labelled it as 'highly relevant' for both IHC and the sector. In the 2018 materiality matrix, which has now been drawn up by the Steering Committee, 'circular economy' and 'anti-corruption' are included in the 'highly relevant' category. The other adjustments do not affect the list of material themes for 2018.

SECTION 2 WORKING SAFELY WITH LNG

To an increasing degree, governments are setting requirements regarding the environmental impact during project execution. For this reason, ever more stringent requirements are being imposed on vessels that carry out dredging operations in port areas, for example. With this in mind, and in response to market developments and a specific customer request, in 2017 IHC delivered the first dredging vessels to run on LNG.

LNG-powered dredgers have different safety requirements during the operational phase, and in addition the use of LNG during production is associated with a number of risks that should not be underestimated. For example, if the liquid gas is released, with a temperature of -160 degrees Celsius, a gas cloud is formed that can ignite or even explode. Leakage from pipes and storage tanks must therefore be prevented. In the production process for LNG-powered vessels, two critical moments can be distinguished: firstly, the bunkering of the vessel from a tanker truck, and secondly, the moment at which the engines are started for the first time during commissioning. Understandably, both the bunkering of LNG and the commissioning of LNG-powered ships involve strict safety requirements.

In order to guarantee safety during bunkering and commissioning, the Production, Facility Services and SHEQ departments have worked closely together to arrange licences, set up internal procedures and increase safety awareness regarding LNG within our internal organisation. There has been a constant endeavour to apply the highest possible safety standards along with the most practical methods of working. All commissioning engineers have attended a special five-day training course on working with LNG overseen by a certified organisation which specialises in the use of LNG in shipping.

Thanks to the combined efforts of various departments both the cooling and drying of tank and pipes with nitrogen and the bunkering of LNG went smoothly. The LNG vessels were successfully transferred to the customer in the second half of 2017.



OUR RESULTS

OUR RESULTS



INNOVATION

IHC is committed to developing and delivering optimal and sustainable technological solutions that yield maximum operational value for our customers. Our preference is for solutions driven by market developments and customer demand. The IHC innovation policy helps safeguard our customers' licence to operate, both now and in the future. IHC's ambitions and objectives in this respect are set out in its internal Innovation Strategy, which serves to streamline the innovative power of R&D departments, business development and market intelligence. Project proposals are tested and assessed by a central body on the basis of the criteria set in the innovation strategy. The progress of the innovation projects is monitored and assessed by the same body.

Safety

Safety is and remains a major issue in the maritime industry. Achieving a high safety standard during both production and the operational phase of products is therefore a high priority during the development processes within IHC. This includes overall safety, safety during specific operations and the safety situation regarding the use of alternative fuels such as LNG.

Reduction of the environmental impact

In order to reduce the environmental impact of IHC's product portfolio, a number of areas for attention have been formulated. One important theme is emissions reduction and optimisation of fuel consumption. Life cycle analyses have shown that fuel consumption during the operational phase of dredging and offshore vessels represents the largest contribution to these products' total environmental impact over their entire life cycle. This finding, together with the ongoing development of legislation and regulations in which standards are becoming increasingly stringent, means that research is being actively conducted into the optimisation of the drive train and the use of alternative fuels and propulsion systems.

Mitigation of underwater noise is another point for attention. Applications in the offshore industry in particular, such as pile driving for the construction of foundations for wind farms, are already subject to requirements regarding underwater noise levels. It is expected that this trend will continue and that requirements will be set by a growing number of countries in the near

future. The IHC IQIP product portfolio has expanded in recent years to meet current and future standards.

The optimisation of material use is also a permanent item on the agenda. Design adjustments can mean that fewer materials need to be used, and the direct impact this has on the weight of products enables a reduction in both production and operational costs to be achieved. In addition, attention is paid to the use of hazardous substances on board in various components and installations. If a customer so requests, IHC supplies a Green Passport with its products. This gives an overview of the quantities and locations of hazardous materials present so that these can be removed and disposed of in a safe and responsible manner when vessels are scrapped.

Finally, there are the environmental effects that arise from the use of our products during a dredging, mining or offshore process. IHC actively supports a range of international research programmes on the environmental impact of the maritime industry. One example of this is its contribution to the Dutch GROW consortium, which focuses on the social issue of making wind energy cost-effective. By means of internal R&D programmes, the knowledge that is acquired is translated into improved product designs.

Solutions

Various solutions have emerged from the R&D programmes that help reduce the environmental impact during the production and operational phases. Examples of recent innovations are:

Fuel saving tool

IHC has developed a tool to compare the fuel consumption of various applications on board trailing suction hopper dredgers, with fuel savings as the ultimate goal. Partly on the basis of an analysis with this tool, fuel savings and hence CO₂ emission reductions of at least 10% have been achieved.

PowerPlus Concept

This hybrid drive concept uses energy storage in the form of batteries, making it possible to operate with fewer engines. This immediately has a positive effect on fuel consumption and related harmful emissions. This hybrid design has been awarded a design approval by DNVGL.

Use of LNG

2017 saw the delivery of the first LNG-powered trailing suction hopper dredgers. As part of an EU-subsidised programme, IHC is involved with DEME in measurements of the exhaust gases from these LNG hopper dredgers in order to determine the emissions reduction associated with LNG compared with marine diesel.

Dredge Fleet Monitoring System

The Dredge Fleet Monitoring System (DFMS) makes it possible to monitor a vessel from a distance. This enables information to be collected on fuel consumption during operations and improves our understanding of the efficiency curves. This information enhances awareness of the need for efficient dredging and contributes to the development of even more efficient systems. In addition, this system can be used in some cases to provide remote services. The resulting reduction in the number of flights cuts both costs and CO₂ emissions.

Curved pump impellers

This modified pump impeller geometry leads to greater pump efficiency and reduced wear. It has a positive effect on fuel consumption and reduces the use of material, thereby lowering the cost of ownership.

DP/DT system

A new generation of the Dynamic Positioning/ Dynamic Tracking system contributes to more efficient sailing and hence a reduction in both fuel consumption and emissions.

Plumigator

An overflow design which generates less of a plume during dredging with a trailing suction hopper dredger.

HPU design

Due to modifications to the design of the hydraulic power unit (HPU), standard plate dimensions are now used. As a result, the tank no longer has to be made from separate sheets, resulting in a considerable reduction in welding and in waste materials.

Intellectual Property

Directly related to innovation and the development of sustainable products is a company's intellectual property. In order to be able to continue to innovate, it is important to create a market in which we can operate freely, taking that market's needs into account. This is accomplished by registering

	2017	2016	2015	2014	2013
PATENT FAMILIES	171	174	196	194	177
PATENT FAMILIES GRANTED	150	139	152	136	124

Benchmark date: 31 December 2017

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

2017 saw the continuation of the shift which started in 2016 from a focus on registering technology development to a better alignment of patents to IHC's product portfolio. The performance of a critical analysis of the existing portfolio led to an even stronger definition of our IP policy. This has allowed us to file applications for and maintain specific patents in the past year, but some patents have also expired.

New patent families focus mainly on dredging installations, pipe-laying equipment, pumps and offshore installation technology. We also waived 229 current patents belonging to 74 patent families. 10 of these patent families expired entirely. On 31 December 2017, IHC had 782 patents in its name, divided over 171 families.

The objective for 2018 regarding intellectual property is to achieve an even better alignment of the patents with IHC's current and future product portfolio and strategy.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

As a player in a market in which about 70% of total costs are spent in the external chain, responsible supply chain management is one of the main focuses of IHC's CSR policy.

IHC did business with a total of 6,642 suppliers worldwide in 2017. Around 65% of the total spend was contracted with Dutch suppliers. Although we often have to use suppliers designated by the customer during the construction of our products, we are able to place around 70% of the total spend with one of our 1,396 preferred suppliers. Preferred suppliers are selected in a process with high attention to CSR aspects like working conditions, safety, environment and sustainability.

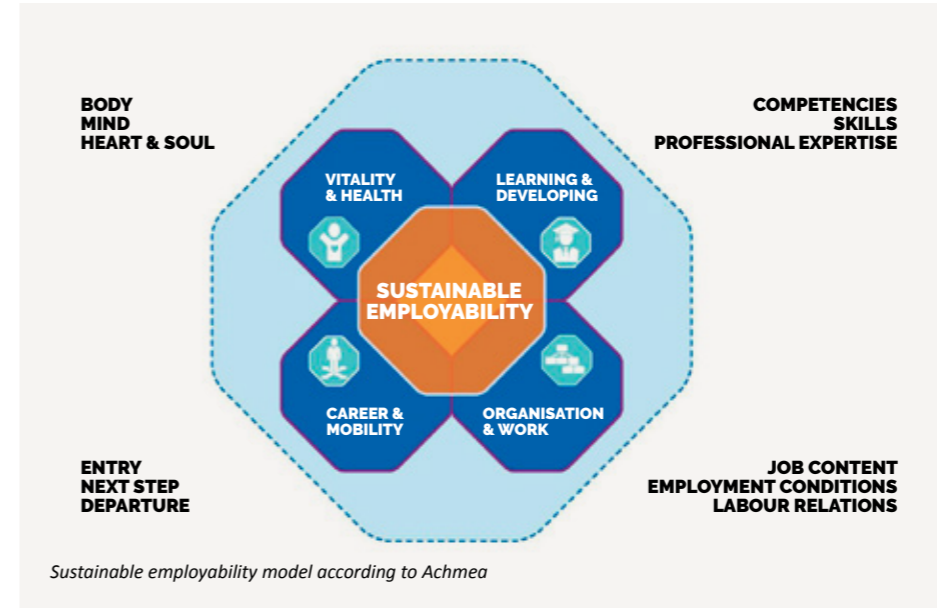
An audit was conducted on a number of preferred suppliers on the basis of the QLift methodology. In addition, several audits were carried out in relation to the Sham

Employment Arrangements Act. Under the QLIFT methodology, suppliers are assessed not just on their performance on quality, innovation, flexibility and costs, but also on aspects such as working conditions, safety and the environment. Based on these audits, improvement plans to get the performance to the desired level were drawn up in collaboration with the suppliers. Although this has not yet been formulated into a formal policy, sustainable solutions and alternatives are sought in collaboration with the suppliers and put into practice where possible.

Together with a number of partners in the CSR Netherlands project 'Sustainable Procurement in the Maritime Sector', IHC has developed a harmonised and sustainable procurement methodology with the aim of creating clarity regarding sustainability expectations within the maritime sector, in addition to the QLIFT methodology. This has resulted in the Blue Scan. The Blue Scan is an industry standard audit process in which the results are available to all participating parties. Partners in this project include Heerema Marine Contractors, Koninklijke Boskalis Westminster N.V., Theunissen Technical Trading and Pon Power. Other large maritime players have already expressed an interest in joining. In 2018, IHC will, besides the planned QLIFT audits, perform at least ten Blue Scan audits at preferred suppliers.

HEALTH

Fit and healthy employees are a prerequisite



Sustainable employability model according to Achmea

for continuity, creativity and commitment, but are also an important factor in providing high-quality products in safe working conditions. IHC's integral health policy is designed to promote the personal health and vitality of its employees. The key motto is "from absenteeism to enthusiasm". IHC aims to achieve and maintain the vitality and enthusiasm of as many of its employees as it can.

The starting point for the health policy is that employer and employees are jointly responsible for promoting health and a healthy lifestyle. As an employer, IHC establishes the frameworks within which our employees are able to work safely and healthily. We ask our employees to show personal leadership and ownership by working to maximise their own vitality and long-term employability. Dialogue between employer and employees is an important instrument to this end and is essential to the implementation of our health policy. In 2017, the focus on sustainable employability increased. Among the forms this focus took was an HR working group in which long-term policy and interventions to support specific target groups play a central role. In addition to health, mobility, learning & development and culture & leadership are important pillars. To oversee this broad field, the reintegration manager has been appointed as sustainable employability manager.

Our employees receive support in increasing their sustainable employability from HR, SHEQ, the line management, (external) health specialists and the sustainable employability manager. One of the responsibilities within this function is to reintegrate employees who have been off work for a long time,

by finding activities that they are able to perform. Attention is also paid to workplace inspections and adaptations as well as to the availability and active offering of reintegration workplaces. The reintegration rate rose to 50% in 2017 from 45% in 2016. Transfers to other positions also took off in 2017, as career planning and internal mobility became the focus of attention within the mobility centre. More than 100 employees were transferred internally in 2017 to positions in which they could further develop their talents. They included one employee who was moved under the provisions of the Eligibility for Permanent Incapacity Benefit (Restrictions) Act (Track 1).

Since the end of 2016, employees can call on a business coach, who is present at various locations of IHC. The business coach is available to employees who need help with personal problems such as performance stress, conflicts in the workplace, uncertainty about employment and work-life balance. The business coach helps employees to cope with the difficulties they experience and, where necessary, to find additional help. In 2017, 21 employees attended more than four consultations per case; 7% of them were referred.

In response to the 'Stoptober' campaign, 40 IHC employees attended training on giving up smoking in October 2017.

Following the subsidy award in 2016 for researching work stress and an integrated health information system, the related work was carried out in 2017. The FME conducted research among managers and employees into work pressure and stress at IQIP. This research formed part of a broader sustainable employability study within this company. The

results were shared with the management, and resulted in an action plan in which the employees also play a part. In 2017, following the training sessions in 2016, another ten managers participated in the 'Herken de Druppel' (Recognise the final straw!) training programme. Its purpose is to provide the managers with the tools to recognise early signs of possible absenteeism due to mental strain among employees. Being alert to employees who may be on the verge of becoming ill allows us to act in time in the form of conducting additional interviews, providing additional support from the organisation or referring them to specialists.

To optimise the guidance given to employees during illness, the Royal IHC Academy has developed an e-learning programme. This is mandatory for all managers and helps them to understand what is expected of them and who they can involve.

The sports committee also organised several individual and team sports activities for IHC employees last year. Swimming, golf, football, company hockey, running events, water skiing, mountain biking, ice skating, dinghy rowing, water skiing and yoga were all on the agenda. By offering a wide variety of sports, we can reach the broadest possible target group within IHC. Our own fitness centre in Kinderdijk, with 412 members, was also well attended by employees, retirees and local residents.

Absenteeism

The absenteeism percentage for 2017 came out at 4.71%. This represented a slight decrease compared to 2016 but was still higher than the target of 4.5% set on the basis of the Metalektro. The fact that the downsizing is behind us and the order book prospects are good again gives employees a perspective that has a positive effect on absenteeism. The interventions and efforts carried out as part of the reintegration policy have also helped reduce long-term absenteeism.

Safety

The policy on safety is managed and controlled centrally by the corporate SHEQ-CSR department. The line management is responsible for controlling the execution of operational activities in such a way that IHC employees do their work safely and with respect for the environment, using a high-quality process. The line management is supported in this by, among others, the SHEQ manager and SHEQ officers working at the various sites as well as the corporate SHEQ-CSR department.

BLUE SCAN

In the Blue Scan methodology, suppliers are evaluated on the basis of the criteria listed below. Based on the input from the supplier and the accompanying evidence, a score is determined. Because the maritime sector now works with a uniform method, a score can eventually be determined for the entire IHC supply chain.

INTRODUCTION		
GENERAL INFORMATION		
I. ORGANISATIONAL GOVERNANCE	SUSTAINABLE PROCUREMENT	
II. CSR MANAGEMENT	RESPONSIBLE SOURCING POLICY	
SOCIAL TRANSPARANCY	ENVIRONMENTAL PERFORMANCE	FAIL OPERATING PRACTICES
HUMAN RIGHTS	ENERGY & EFFICIENCY	CUSTOMER SATISFACTION
LABOUR RIGHTS	CARBON EMISSIONS	
LABOUR PRACTICES	WASTE MANAGEMENT	
	WATER MANAGEMENT	

Every two weeks the accident figures for the entire organisation are reported and made known to the entire staff via intranet and notice boards. This reporting is also part of the Board of Management's and Executive Committee's consultation structure. Progress and results are also reported to the Supervisory Board on the basis of process indicators every quarter. Communicating the accident figures and trends throughout the organisation ensures that safe working remains continuously under the spotlight and that employees become even more aware of their individual contribution to safe working conditions.

In 2017, nine Hazard Identifications & Risk Assessments (RI&Es) were carried out at various business units, many of whose activities are dissimilar. Despite this, it is noticeable that many of the same risks were identified. For each business unit, the following points were considered: Exposure to and storage of hazardous substances, psychosocial workload and physical strain. On the basis of the results, a number of additional RI&Es will be carried out in 2018, on these and other themes. The results of the RI&Es are linked to the results of the Preventive Medical Examination within a unit to provide a more complete picture of the risks and the control measures to be taken.

IHC's crisis management team was reorganised in the past year. Depending on the severity and extent of the incident, the local or corporate crisis management team takes action. To ensure that the right action is taken in a crisis, various training courses are given. In 2017, the corporate crisis management team had to take action in response to reporting on blasting grit contaminated with asbestos. This type of blasting grit is used at two IHC locations. Immediate action was taken by cordoning off the area around the activities and making an inventory of the extent to which the contaminated blasting grit had been used, the extent to which employees had been exposed and the extent to which this had led to the dispersal of asbestos. Cleaning activities were carried out on the basis of this inventory. At the same time, reporting from the government, industry associations, the supplier and TNO was closely monitored. The organisation was kept informed about the situation on a regular basis. Employees who had been in direct contact with the contaminated blasting grit were registered and offered a health check.

ACCIDENT FIGURES

	2017	2016	2015
Fatal accident	0	0	1
Lost-time injuries (absence > 8 hours)	16*	41	75
Accidents resulting in alternative work	9	4	1
Accidents including medical treatment	22	17	14
First aid accidents	40	71	77
Reports of near-accidents	119	446	153
Lost Time Injury Frequency (total)	3,23*	7,7	12,7

* Part of KPMG Assurance scope

Following the changes within the organisation as a result of the downsizing and relocations, new occupational health and safety employees were appointed in 2017. These employees all took a training course in order to learn about the ins and outs of this role and to be able to carry out their duties properly. In order to share experiences, the occupational health and safety employees are members of a specially organised platform. Every year, various meetings are held in which the occupational health and safety employees are brought into contact with each other so they can share their experiences, discuss problems from practice and organise solutions together.

Because safety is not only important at IHC's own sites, this theme was also included in the site selection policy in 2017. Although safety has always been a consideration in the past when selecting sites where work is outsourced, it is now formally part of the questionnaire and audit scope.

Finally, in 2017 IHC also participated in the Safe and Healthy Working Week initiated by 5x Beter, a collaboration between Metaalunie, FME, FNC Metaal, CNV Vakmensen and De Unie. During the week IHC chose the central theme 'Nu ff niet!' (Not now!) aimed at recognising and preventing unsafe behaviour. Subjects addressed included improving safety on the work floor by taking behaviour into account during regular workplace inspections and boosting sustainable employability. In this context, the 5x Beter Improvement Truck visited IHC at the Kinderdijk site on 21 June. Several workshops on safe behaviour were held in the truck, attended by IHC employees from various locations. Specialists were on hand all day to answer any questions about this theme.

Accident figures

The scope of the reported accidents include own and hired-in employees working at the Dutch operating sites. In 2017, 16 lost time injuries (LTIs) were reported. This was 61% less than in 2016, meaning that the target was achieved. The lost time injury frequency (LTIF) dropped from 7.7 in 2016 to 3,23 in 2017.

EDUCATION AND TRAINING

Our employees are our most valuable asset. Well-trained and qualified staff are a requirement for IHC to continue to keep pace with the changes in the markets in which we operate. Educating and training employees at different levels is therefore the exclusive focus of the Royal IHC Academy. With its motto 'Prikkelen tot Ontwikkelen' (Stimulate to Develop), the Academy offers a variety of internal and external training courses which give employees the opportunity to develop and grow in their position and their ambitions. As well as substantive courses at various levels, courses to develop personal skills and soft skills are also offered.

The IHC Academy offers courses in the form of e-learning and classroom training, or a combination of the two. Other methods such as webinars and micro-learning are also being trialled. The choice between the two forms depends on the type of training and the target group. In the future, e-books with associated tests or exams will also be added as a learning method.

Training profiles have been drawn up for all positions within the job classification system introduced in 2017. The training profiles are combined with all employees' training data so that the desired and achieved level of training of each individual employee can be registered centrally. With this database, employees and

managers can work together to ensure that the defined training profile is met. In addition, the training profiles provide guidance for employees who have the ambition to continue growing within their current position or progress to another position.

In 2017, 68 unique training courses were offered by the IHC Academy, ranging from 'Dredging for initiates' to a course in 'Reading drawings', and from 'Safe lifting with the overhead crane' to a 'Recognise the final straw' workshop. A total of 888 employees participated in these training sessions, with a total training time of 14,607 hours. This represented an average of 16.4 hours per participant. The training courses provided by the IHC Academy represented approximately 55% of all training courses taken by IHC employees. The remaining 45% were organised non-centrally. The IHC Academy's ambition is to increase the share of centrally organised courses in the coming years.

e-library

In 2017 the Royal IHC e-library was added to the IHC Academy. All employees have access to a selection of more than 850 books in ten categories including Career Management, Communication and Presentation, Office Programs and Software and Personal Development. In 2017, 7,400 books were downloaded. The most popular e-book was 'Excel 2016 advanced', with 137 downloads.

Technical Education Centre (TOC)

At the technical training centre in Kinderdijk, a maximum of 15 apprentices per school year have received training since 2016 as first service and maintenance technicians in mechanical engineering. The training course is adapted to IHC's desire to put more emphasis on all-round professionals with international ambition rather than professionals specialising in a single discipline. The apprentices enter with at least a preparatory middle-level vocational education (VMBO) diploma, KB (professional framework). Selection of apprentices takes place by means of an application procedure and an intake test. This three-year vocational guidance programme (BBL), at level 3, consists of four days of work (training in practice) and one day of theory. The theoretical instruction is provided by the Da Vinci College at our location in Kinderdijk. The practical lessons are given by two experienced internal practical instructors. After obtaining the diploma, apprentices can start working at IHC and can progress to a senior secondary vocational education (MBO) 4 level in the field of electrical engineering or mechanical engineering.

In order to align the apprentices' skills with internal IHC requirements, the practical assignments in the first year are largely geared to the components that are made within IHC. The apprentices are given all-round training during this period. In the second and third

years of the programme, the apprentices go on an internship, in blocks of 12 weeks, at as many IHC departments as possible in Kinderdijk, Sliedrecht and Krimpen. The aim is to get to know IHC and the products that it makes. Apprentices are supervised at their internship locations by local practical instructors who have received special training. Every internship period ends with a report. At present there are 12 apprentices in the first year, 13 in the second and 9 in the third year.

Links with training institutes

In order to continue to be assured of well qualified and motivated staff in the future, IHC invests in good contacts with training institutes, such as universities and university colleges. To arouse students' enthusiasm, guest lectures are held regularly within various programmes, guided tours are offered to groups of students, IHC employees engage in dialogue with students during fairs and conferences and internships and graduate internships are offered. A large group of students made use of this last option once again in 2017, making a contribution to a wide variety of subjects and issues from a fresh perspective.

Performance Management

In 2015, the performance management system was rolled out uniformly within IHC with the aim of formulating personal objectives and drawing up development agreements in consultation between managers and employees. Personal development and performance are measured, discussed and assessed through an annual cycle. In mid-2016, the system was digitalised, as a result of which the personal annual plans are now taken care of within the IHC Academy. This ensures that both employees and managers always have access to these personal annual plans.

In 2017, more than 60% of IHC employees started drawing up a personal annual plan using the new digital method within the IHC Academy. For more than 36%, the entire annual cycle has been completed. However, the total percentage of employees who have held performance management discussions with the manager is higher, because not all departments have yet joined this central digital system.



CARBON FOOTPRINT

Despite the fact that the production of most of our product portfolio accounts for a small proportion of the total environmental impact over the entire life cycle, production forms the basis of IHC's day-to-day activities. To be able to reduce the impact of IHC's own activities as well as the impact of its products, it is important to gain insight into the energy performance of our own operational activities. A carbon footprint is determined annually for this purpose.

IHC uses various energy sources for the internal production process. For example, in addition to electricity, we use natural gas for heating purposes, various energy sources are employed in our production processes and we use lease cars. The analysis below is focused on the Dutch operational locations of IHC and is broken down by emissions from direct energy consumption (scope 1) and emissions from indirect energy consumption (scope 2).

Despite the fact that IHC purchases green electricity and the CO₂ emissions caused can be regarded as zero as a result, electricity consumption is included in the calculation as

if it were non-green electricity. The reason for this approach is that our objective is first to

reduce electricity consumption and increase self-generation by means of solar panels, for example.

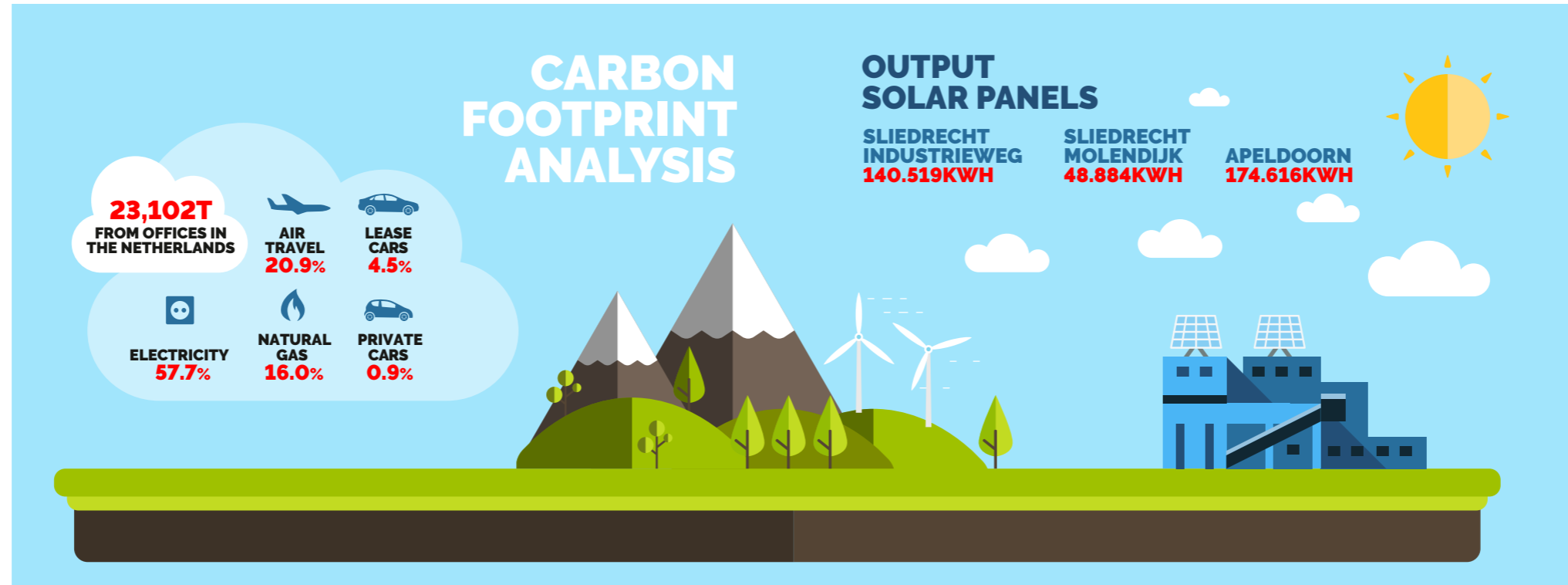
Installation of solar panels

In 2016, solar panels were installed at the IHC sites on Oude Apeldoornseweg in Apeldoorn and on Industrieweg in Sliedrecht. Since August 2017, the solar panels have also been operational at the Molendijk site in Sliedrecht.

The total yield of the solar panels in 2017 was 364,019 kWh. Of this yield, 308,355 kWh was used directly for our own processes. The remainder was returned to the electricity grid. The yield of the solar panels in Apeldoorn and on Industrieweg in Sliedrecht in 2017 represented 14% and 17% respectively of the total energy consumption at these locations. In relation to all Dutch operating sites, the

OUTPUT SOLAR PANELS

SLIEDRECHT INDUSTRIEWEG 140.519KWH
SLIEDRECHT MOLENDIJK 48.884KWH
APELDOORN 174.616KWH



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

	2017	2016 ¹	2015 ¹
Direct energy consumption			
Fuel consumption by lease vehicles	0,21	0,24	0,23
Natural gas consumption	0,75	0,69	0,73
Indirect energy consumption			
Electricity consumption	2,69	3,02	3,54
Business mileage in private vehicles	0,04	0,04	0,05
Total	3,69	4,00	4,54

¹ The CO₂ emissions for 2016 and 2015 have been corrected using the conversion factors as published at www.emissiefactoren.nl on 1 January 2018

ENERGY CONSUMPTION PER LOCATION¹

Location	Electricity [kWh]			Natural gas [m ³]		
	2017 [*]	2016 ²	2015	2017 [*]	2016	2015
Kinderdijk	10.789.566	14.568.048	14.091.908	1.208.593	1.206.581	1.282.214
Krimpen aan den IJssel	5.277.271	4.779.606	9.352.793	248.630	180.186	199.124
Sliedrecht - Industrieweg	803.850	878.552	849.546	88.542	85.697	81.054
Sliedrecht - Molendijk	2.211.244	2.543.830	4.014.256	266.713	203.650	315.636 ³
Overige locaties	1.809.746	1.988.415	3.769.631	145.959	263.847	379.394
Total	20.891.677	24.758.451	32.078.135	1.958.437	1.939.988	2.257.422

^{*} Part of KPMG assurance scope

¹ Consumption includes the yield from the solar panels at the SLD-Industrieweg, SLD-Molendijk and Apeldoorn locations minus the electricity returned to the grid

² In 2016, incorrect consumption figures were published for locations with solar panels; these have been corrected in the above table

³ In 2016, an incorrect gas consumption was published for the location Sliedrecht Molendijk; this has been corrected in the above table

yield of the solar panels was 1.7% of the total electricity consumption. The yield of the solar panels led to a 1.3% reduction of the CO₂ emissions per man-hour worked.

Carbon footprint analysis

Based on the available data, the total CO₂ emissions as a result of electricity consumption, gas consumption, lease cars, business kilometres driven in private cars and air travel were calculated at 23,102 tons. The electricity consumption in this analysis is the electricity taken from the grid minus the return from the solar panels.

Compared with 2016, the total CO₂ emissions per man-hour worked decreased by 8%. Accounting for a 57.5% share, electricity consumption is the main cause of CO₂ emissions at IHC. Compared with 2016, CO₂ emissions due to electricity consumption actually fell by 11%. This was a direct result of the energy-saving measures taken following the energy audit carried out in 2015. These

include the transition to energy-efficient lighting, the installation of solar panels and relocations to new buildings.

IHC FOUNDATION

The IHC Foundation has been channelling the passion and knowledge of the organisation and its employees for the benefit of children and adults for whom a little attention can make a world of difference. In various ways, IHC contributes to social, cultural and community support activities with a sustainable character. The projects are realised as much as possible through intensive cooperation with the local community or local organisations and with the active involvement of IHC employees.

In the summer of 2017, the IHC Foundation again made it possible for five IHC employees to travel to the Africa Mercy in order to contribute to the annual maintenance period of the world's largest hospital ship. The Africa Mercy is a part of Mercy Ships, an

DONATIONS IHC FOUNDATION IN EUROS

	2017 [*]	2016 ¹	2015	2014
Social and cultural projects	102.719	95.792	82.980	61.681
Individual sponsorship by IHC employees	3.480	14.999	12.710	7.500
Sports initiatives	1.000	1.000	15.000	50.500

^{*} Part of KPMG Assurance scope

¹ In the Annual Social Report 2016, incorrect figures were published on the spending of the IHC Foundation in that year.

The figures above have been corrected on the basis of the IHC Foundation Annual Report 2016.



It was an amazing experience to work alongside so many people to refurbish a ship that does incredible work. Owing to this shared purpose, everyone involved was completely dedicated to do their tasks.

- Peter Jan Moerman

international medical relief organisation that provides free medical care and development projects to people in the poor coastal regions of Africa. Every year, the Africa Mercy is docked for a period of two months for major maintenance activities. In 2017 it was docked in Las Palmas, Gran Canaria.

In 2017, the IHC Foundation took part in the Boskalis Beach Cleanup tour for the second year in a row. The Tour is organised every year by Stichting De Noordzee, with the aim of showing the general public how much waste there is on the beaches and how much of it ends up in the sea. As the seas and the oceans are the field of action for IHC products and services, we believe it is important to also contribute to their quality. During walked stages of around 10 kilometres, as much of the beach waste is cleared up as possible. As it did last year, the IHC Foundation helped with this in conjunction with IHC Services. During the Brouwersdam and Ouddorp stage a total of 90 participants, including 50 IHC employees and family and/or friends, collected a joint total of 2,500 kg of waste, leaving a clean beach behind them.

In addition to these projects, the IHC Foundation supported various smaller as well as local initiatives in 2017. These include activities in which IHC employees are involved in a private capacity and sports activities for charity.

SECTION 3 SEA-FASTENING

As demand for wind energy increases, so too does demand for larger and taller wind turbines. This creates new requirements for the ships that transport and install wind turbine components. On behalf of Seajacks, Vuyk has developed a special set of sea-fastening solutions which are suitable for transporting the components of the largest wind turbines made by Siemens and MHI Vestas.

Designing these solutions for transporting the largest existing wind turbine towers and blades is a complex challenge. The size and weight of these components requires maximum use of the available deck strength, yet extra reinforcement below deck must be avoided as much as possible; the alternative approach of spreading the weight over a larger deck surface reduces the number of turbines that can be transported.

Vuyk's specialists in structural FEM analyses, offshore transport and installation operations and equipment and ship design, have worked with Seajacks to fully optimise the support structure for the largest wind turbine components. The key objectives were to maximise the ship's potential and reduce the sea-fastening costs and mobilisation time. This requires extensive FEM analyses, an understanding of ship movement and expertise in both sea-fast design and ship design, because simply using deck-load diagrams is not enough.

Through standardisation, Vuyk has helped reduce costs for its customers, as the new design of the sea-fastening structures is suitable for transporting different types of large wind turbines. With minimal adjustments, the same structure can therefore be used for successive projects. This economises on materials, but also saves valuable time that would otherwise be spent mobilising deck structures.



LOOKING BACK AND LOOKING AHEAD

LOOKING BACK AND LOOKING AHEAD



MATERIAL THEME	CSR PILLAR	STRATEGIC BUILDING BLOCKS	2017 OBJECTIVES	2017 RESULTS	2018 OBJECTIVES
Innovation / Development of Sustainable products	Environmental accountability	<ul style="list-style-type: none"> Customer-orientation Innovation 	<ul style="list-style-type: none"> Focus on break-through technologies Fewer projects with more focus on short-term commercial results to better suit the market conditions 	<ul style="list-style-type: none"> Contribution made to international research programmes Focus of innovation projects sharpened up Various sustainable product solutions put on the market 	<ul style="list-style-type: none"> Focus on short-term commercial results to better suit the market conditions Assessment of all R&D projects of MTI for their sustainability
Safety	Social responsibility	<ul style="list-style-type: none"> Customer-orientation Operational efficiency Employer of choice 	<ul style="list-style-type: none"> Reducing LTIs by 25% compared with 2016 LTIF 2017 <5.8 	<ul style="list-style-type: none"> 16 LTIs*, LTIF = 3,23* 119 near miss reports 9 RI&Es carried out Corporate Crisis Management Team reorganised 	<ul style="list-style-type: none"> Reduce LTIs by 10% compared with 2017 Reduce LTIF by 10% compared with 2017
Education & Training	Social responsibility	<ul style="list-style-type: none"> Operational efficiency Employer of choice 	<ul style="list-style-type: none"> Preparation of inventory of job-based training needs Development of e-learning programmes to promote the implementation of innovations within the organisation (such as job classification system) and improving employees' competency levels 	<ul style="list-style-type: none"> Training profiles linked to job classification system E-learning programme about organisational innovations made available 68 unique training sessions for 888 participants from the Academy > 850 books available in e-library 55% of all training courses within IHC provided by the Academy 	<ul style="list-style-type: none"> Link training courses to training profiles Link Academy with international units
Carbon Footprint	Environmental accountability	<ul style="list-style-type: none"> Operational efficiency 	<ul style="list-style-type: none"> 2% annual reduction in CO₂ emissions compared with previous year 	<ul style="list-style-type: none"> 8% reduction in CO₂ emissions per man-hour worked 	<ul style="list-style-type: none"> Annual reduction of 2% Raise employees' awareness of their behaviour Reduce waste streams
Supply chain responsibility	Sustainable entrepreneurship	<ul style="list-style-type: none"> Customer-orientation Operational efficiency Internationalisation 	<ul style="list-style-type: none"> Sustainable procurement tool (BlueScan) live 5 supplier audits performed using this tool 50 supplier audits using the QLIFT tool 	<ul style="list-style-type: none"> BlueScan live since November 2017 0 BlueScan audits performed 14 QLIFT audits performed 	<ul style="list-style-type: none"> QLIFT audits as per audit planning Perform 10 BlueScan audits
Health	Social responsibility	<ul style="list-style-type: none"> Employer of choice 	<ul style="list-style-type: none"> Reduce absenteeism rate by 10% compared with 2016 	<ul style="list-style-type: none"> 3.7% fall in absenteeism Increase in successful reintegrations from 45% to 50% 21 employees requested the assistance of the business coach 40 employees attended training on giving up smoking during 'Stoptober' 	<ul style="list-style-type: none"> Reduce absenteeism by 10% compared with 2017 Extend iHMQ certificate Combine integrated health and sustainable employability policy and formulate, implement and evaluate objectives to measure progress
Supporting local communities	Sustainable entrepreneurship	<ul style="list-style-type: none"> Employer of choice Internationalisation 	<ul style="list-style-type: none"> Start-up of 1 new programme in NL and 1 new programme abroad Continuation of programmes in NL and abroad Encourage employees to participate in sustainable initiatives by making time available 	<ul style="list-style-type: none"> 5 employees contributed to maintenance work on the <i>Africa Mercy</i> 2 employees travelled to Zambia Boskalis Beach Clean Up Tour sponsored, active participation of 50 IHC employees Lunch meeting organised EUR 107,199 donated to support local communities* 	<ul style="list-style-type: none"> Connect foreign IHC locations to the activities of the Foundation

* Part of KPMG Assurance scope

SECTION 4 IHC EMPLOYEES AND THE IHC FOUNDATION

Using the passion and knowledge of its employees in the realisation of social, cultural and community-supported activities is one of the objectives of the IHC Foundation. To achieve this, the link with the activities of the company and how employees can provide an active and substantive contribution is assessed per project. In 2017, the IHC Foundation was able to contribute on location to various projects thanks to a number of employees. In return, the employees are asked to take some of their holidays for the purpose.

TOGETHER FOR ZAMBIA

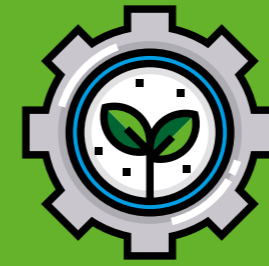
The 'Together for Zambia' project has been running at Royal IHC for around five years now. It involves the provision of support to a local training centre that gives young people a vocational education in metalworking and other areas. The project is run in collaboration with the Hetty Denen Foundation, and IHC employees have been personally involved from the start. The last major planned phase was implemented in 2017. In July two IHC employees travelled to the school in Chikupi, Zambia. Their mission was twofold: to carry out technical maintenance and provide support to the local administrators, and to train the teachers and support the school management. In addition, a container of tools and materials was sent over. Looking back over the project so far, major steps forward have been taken at the school in terms of materials, machinery, knowledge and awareness of how to steer the whole enterprise.

SIMANYENE HIGH SCHOOL SPORT FIELD

Simanyene High School near Cape Town is a free state school with approximately 1,400 children, mainly from disadvantaged families with little or no income. An integral part of the physical and mental development of a child is having enough space and freedom to exercise. Due to inadequate school facilities this was not possible previously.

Under the guidance of a local non-profit organisation and with the financial support of Royal IHC, this has changed: a good quality grass sports field has been created so that the children can play football, rugby and other sports. A well has been dug to supply the necessary water. Solar panels provide the water pump with electricity to spray the fields via an underground pipeline network.

The children have also been provided with proper sports clothing and equipment to help them participate fully and give them a professional appearance. All this has ensured that the children can finally play properly!

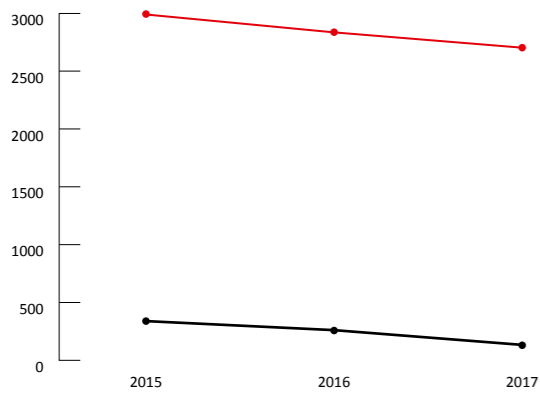


HR FIGURES

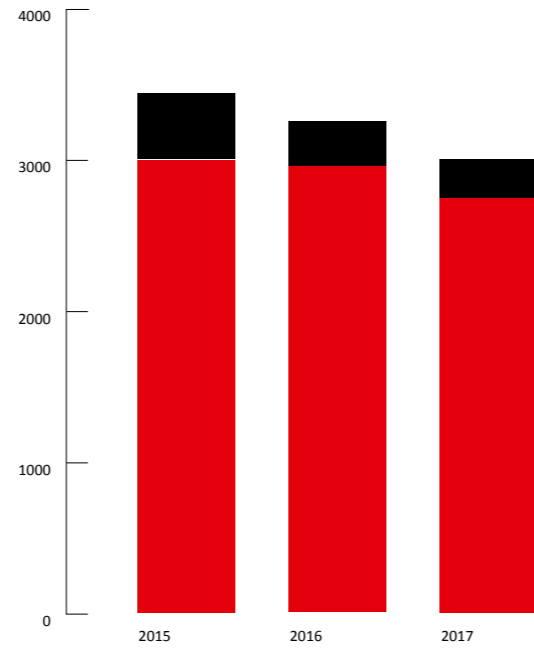
AVERAGE NUMBER OF STAFF EMPLOYED

	The Netherlands	Abroad	Total	Permanent	Temporary
Totaal 2017	2.368	624	3.010	2.748	262
Totaal 2016	2.657	598	3.255	2.956	299
Totaal 2015	2.826	608	3.434	3.001	433

Following the downsizing of 2016, IHC has won several new orders. To be able to do the work, employees are again being hired, and insourced employees are being used. Many of the new and insourced employees have a higher education background, mostly in engineering.



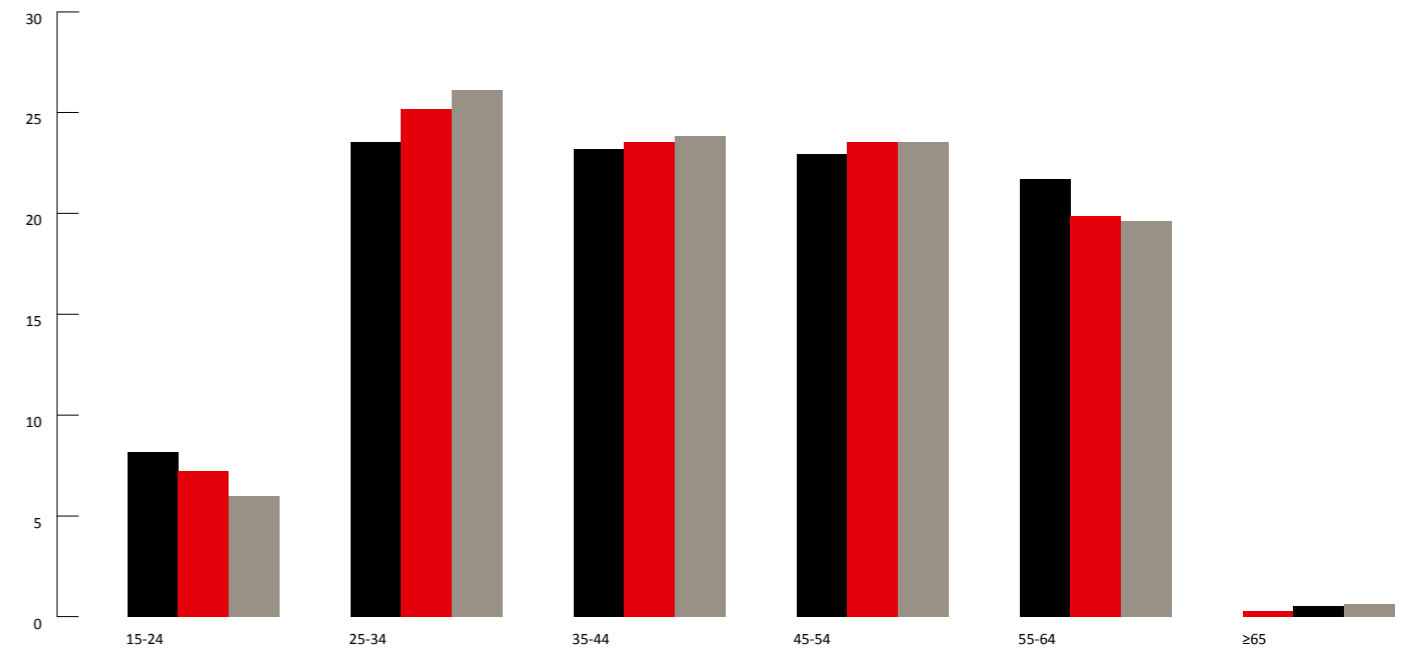
■ Temporary
■ Permanent



■ Temporary
■ Permanent

AGE DISTRIBUTION¹

	Average age	15-24	25-34	35-44	45-54	55-64	≥65
Shipbuilding	42,9	4,6%	22,6%	23,1%	24,1%	25,0%	0,6%
Mission Equipment	44,4	2,8%	24,4%	22,3%	28,9%	21,1%	0,5%
Services	41,7	6,1%	26,8%	24,2%	22,2%	20,0%	0,7%
IQIP	38,4	8,4%	36,3%	20,3%	20,6%	14,1%	0,3%
Marketing & Sales	47,6	15,3%	25,0%	23,6%	19,4%	15,3%	1,4%
Mining	37,4	4,3%	26,1%	47,9%	17,4%	4,3%	0,0%
Holding	39,1	12,0%	26,8%	27,8%	20,6%	12,3%	0,5%
Total IHC 2017	41,5	6,2%	26,2%	23,8%	23,5%	19,7%	0,6%
2016	42,2	7,2%	25,2%	23,7%	23,5%	19,9%	0,5%
2015	41,5	8,1%	23,7%	23,2%	23,0%	21,7%	0,3%



■ 2014
■ 2015
■ 2016

REASONS FOR DEPARTURE

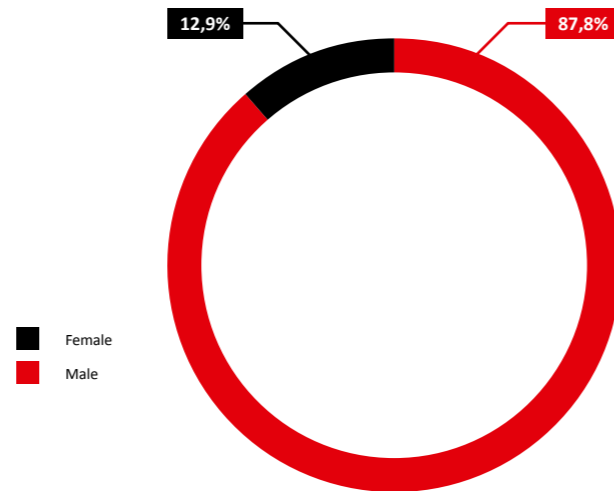
	Employers' request	Own request	End of contract	Other	Deceased	(Early) retirement	Total
Shipbuilding	135	28	4	23	4	3	197
Mission Equipment	41	19	6	11	0	2	79
Services	6	8	2	6	0	1	23
IQIP	5	20	2	7	0	1	35
Marketing & Sales	0	0	1	0	0	0	1
Mining	0	1	1	2	0	0	4
Holding	48	25	18	10	0	2	103
Total IHC 2017	235	101	34	59	4	9	442
Percentage 2017	53,2%	22,9%	7,7%	13,3%	0,9%	2,0%	100%
Totaal IHC 2016	180	122	52	48	5	29	436
Totaal IHC 2015	45	125	56	20	3	27	276

The departure rate in 2017 was high, as it was in 2016. This was an effect of the second downsizing round, and is also reflected in the high number of contract terminations at the employer's request.

MALE/FEMALE DISTRIBUTION¹

	Male	Female
Total distribution 2017	87,1%	12,9%
Total distribution 2016	87,8%	12,2%
Total distribution 2015	88,3%	11,7%

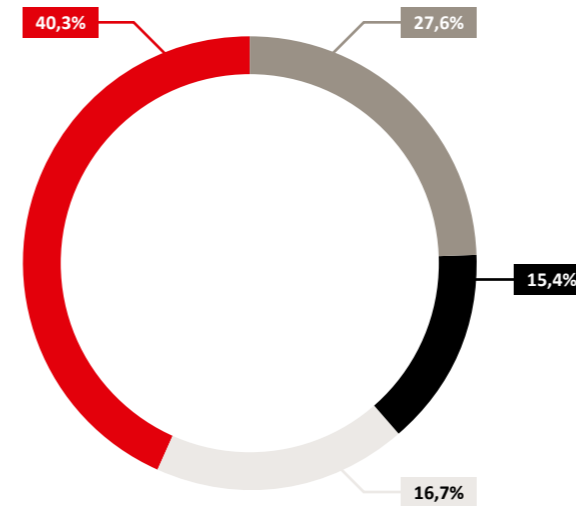
For years already the percentage of female employees at IHC has been around 11%. Since 2015, there has been an upward trend in the number of women, as a result of which the proportion is now almost 13%.



Female
Male

EDUCATIONAL LEVEL¹

	Lower vocational level (LBO)	Intermediate vocational level (MBO)	Higher vocational level (HBO)	University level (WO)
Percentage 2017	15,4%	40,3%	27,6%	16,7%
Percentage 2016	18,1%	43,2%	24,5%	14,2%
Percentage 2015	19,2%	44,5%	23,5%	12,8%

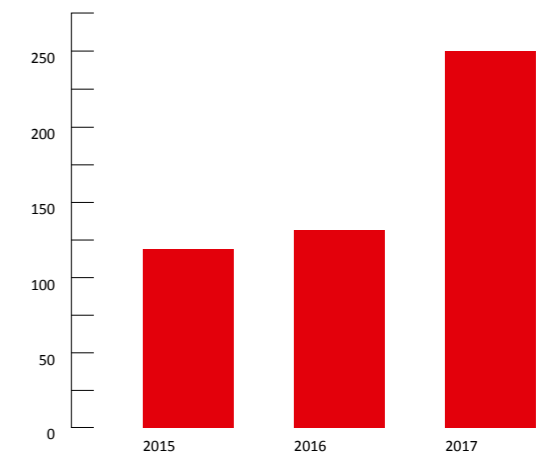


The figures show that IHC's drive to recruit highly educated people is successful. Given the current recruitment campaign, the increase is expected to continue.

Lower vocational level (LBO)
Intermediate vocational level (MBO)
Higher vocational level (HBO)
University level (WO)

INFLOW

Shipbuilding	44
Mission Equipment	47
Services	55
IQIP	26
Marketing & Sales	7
Mining	7
Holding	64
Total IHC 2017	250
Total inflow 2016	120
Total inflow 2015	131



After two years of recruiting fewer people, the figures now show that employees are being actively hired again. The inflow in 2017 was more than double that of the previous year.

¹ Benchmark date: 31-12-2017. IHC's overseas companies were not included in the figures for 2017.

SECTION 5 LNG-POWERED CUTTER SUCTION DREDGER

In 2017 IHC started constructing the world's largest cutter suction dredger for DEME. This ship will, following the delivery of two LNG-powered trailing suction hopper dredgers in 2017, become the first LNG-powered cutter suction dredger in the world. The four main engines can run on LNG, marine diesel oil (MDO) and heavy fuel oil (HFO). The two auxiliary engines have dual fuel technology.

The cutting of hard rocks results in a large variation in peak load that has to be absorbed by the engines. This normally does not cause problems when diesel engines are used. The challenge is to absorb these peak loads when the engines are powered by LNG. In order to solve this, we opted to use a flywheel which is driven by the engines when the load permits and which supplies energy when required by the cutting process. Despite the small losses that occur when using a flywheel, the environmental impact of this ship will be smaller than that of comparable vessels that are fully powered by diesel engines.

In addition, when using LNG, there is a great potential to recover energy from the heat that is lost via the exhaust gases by means of a waste heat recovery system. This system works with a steam turbine connected to a generator. Steam is produced by means of a number of heat exchangers, evaporating water using the heat from the exhaust gases. A steam turbine is connected to a generator which produces electricity. The generator is capable of producing more than 5% of the total installed power of the main engines. This saves on fuel consumption, which not only has the positive effect of cutting costs, but also considerably reduces the quantity of emissions.



ABOUT ROYAL IHC

ABOUT ROYAL IHC



At the end of 2017, IHC had more than 3,000 employees at different locations in 18 different countries. The head office is located in Kinderdijk in the Netherlands.

ORGANISATIONAL STRUCTURE

The large range of operating activities is structured into five clusters: Mission Equipment, Shipbuilding, Services, Mining and International. Commercial processes are coordinated centrally. The different clusters have activities in both the Netherlands and abroad. Foreign activities are not included in the scope of reporting. An explanation of the activities of each cluster can be found on www.royalihc.com.

Ownership structure

The private limited company IHC has three shareholders. With a holding of 71%, the investment company Indofin Group is the majority shareholder. The other shareholders are Rabo Capital II BV and the IHC management and personnel, with 11% and 18% of the shares respectively.

Board structure

The Board of Management is responsible for the day-to-day running of the company, for formulating the long-term strategy and for the company results. The Supervisory Board monitors the policy and functioning of the Board of Management and also offers management advice to the latter. The Board of Management is accountable to the Supervisory Board.

At 31 December 2017, the Board of Management consists of:

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

At 31 December 2017, the Supervisory Board consists of:

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

Works Council

As regulated by the Dutch Works Council Act, the IHC Works Council has a say in company policy and safeguarding the interests of the employees. The IHC Works Council is made up of a number of sub-commissions, which have the authority to consult with the person in charge of the unit in question. Matters such as the right of consent and the right to put forward recommendations lie with the central works council which consists of chosen Works Council members.

VALUES AND STANDARDS

IHC has made choices about the way in which it works. These choices are set out in the IHC Code of Conduct. The Code of Conduct relates to the behaviour, privacy, integrity, safety, participation in decision-making, rules of etiquette etc. of employees and parties with which IHC does business.

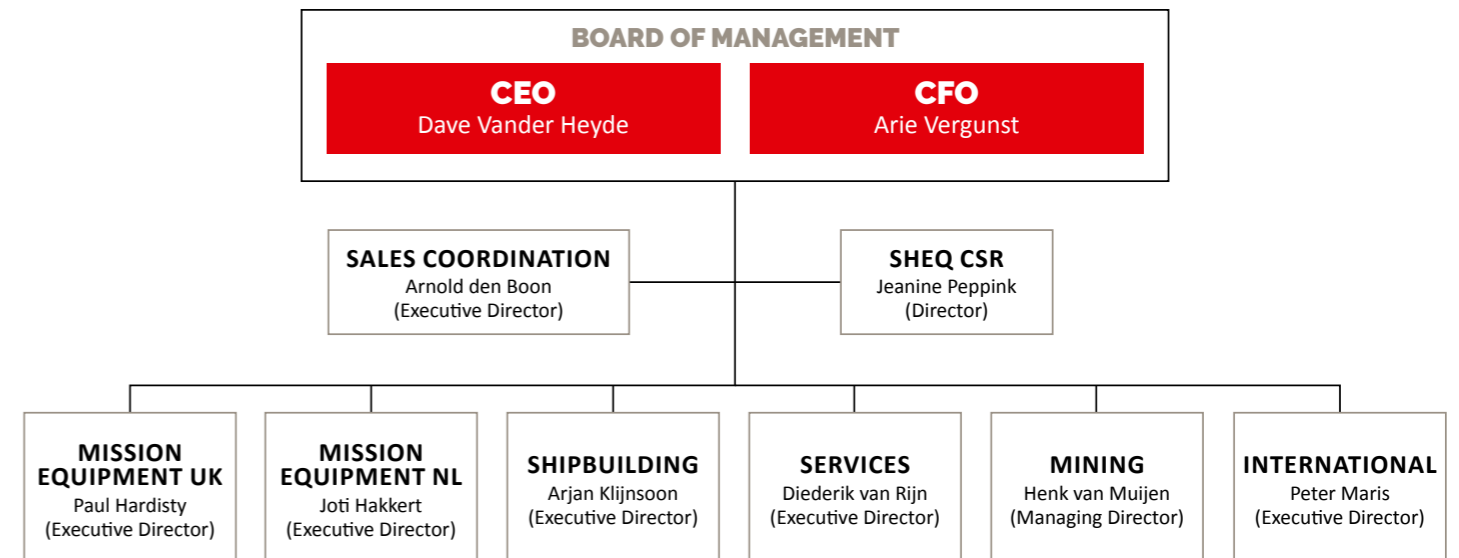
In 2017, a start was made on producing a revised version of the Code of Conduct (2014) to clarify it and make it applicable to all IHC

colleagues around the world. At the same time, the IHC regulations that are part of the Code of Conduct are being revised, so that these, together with the Code of Conduct itself, convey the same clear message: that IHC is committed to conducting business with integrity. The new Code of Conduct will be introduced in the course of 2018.

In 2017, special attention was given to the subject of privacy, as from May 2018 onwards IHC must comply with new legislation known as the General Data Protection Regulation (GDPR). For IHC, the requirements set by the GDPR are not new. The Dutch Personal Data Protection Act, the GDPR's predecessor, contained many elements that appear in the GDPR and in the existing IHC Privacy Policy. Nevertheless, in 2017 IHC had to make an effort to prepare for the GDPR in order to be ready by May 2018. In 2018, a Privacy Policy that is adapted to the GDPR will be introduced after the employee consultation process has been completed.

In 2017, IHC focused on compliance with the Regulations on Intermediaries and the related Anti-Corruption Regulations. By strictly complying with its internal procedures, IHC limits the risk of becoming involved in corruption and bribery. This will remain a constant point of attention in 2018.

An open and secure communication culture helps ensure that business is conducted with integrity. If an employee notices something that may be incompatible with honest



business practice, IHC makes it possible for him or her to draw attention to it. This is done firstly through internal consultation, or if this is not possible via the Complaints Procedure or the Whistleblower Procedure. Both procedures have a confidant who can provide help in difficult situations. IHC's Whistleblower Procedure will be modified in 2018 to take account of the terminology that has been in force since the introduction of the Dutch House for Whistleblowers Act, after the employee consultation process has been completed.

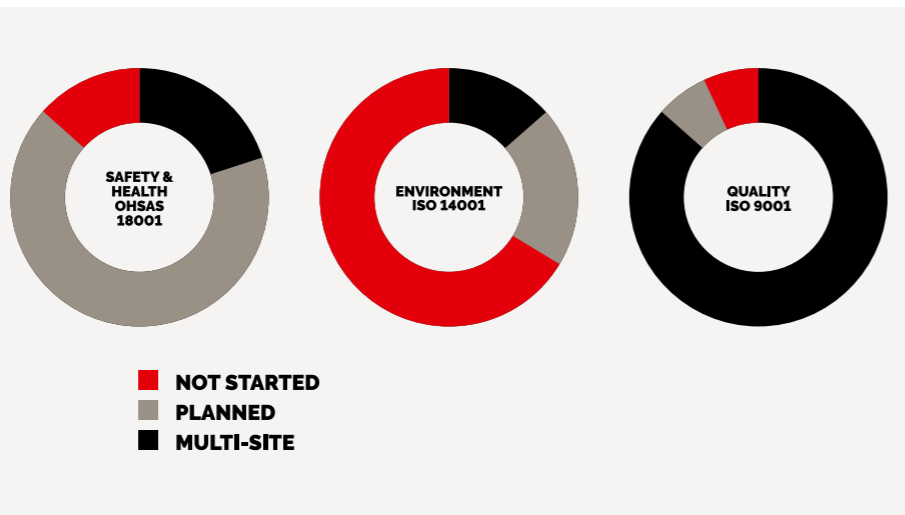
MEMBERSHIPS

IHC is a member of a variety of industry and other associations that reflect the diversity of markets and sectors in which the company is active and the themes that IHC deals with. In addition to attending various meetings organised by these bodies, IHC also contributes through committees and boards. In this way, as well as acquiring new knowledge, we can also ensure that our own experience and knowledge of the maritime sector is taken into account when new policies are made. Our participation also contributes to better cooperation between the different players. Examples of our memberships include FME, Netherlands Maritime Technology, the IRO, MVO Nederland (CSR Netherlands) and the NWP.

CERTIFICATIONS

IHC has the aim of including all business units in a certified multi-site management system for quality (ISO 9001:2015), safety (currently OHSAS 18001) and the environment (ISO14001:2015).

We made a start on this in 2015, and the first business units, including IHC Merwede Holding, Vuijk Engineering and IHC Mining, were ISO 9001:2015 certified under the multi-site certificate. In 2017 the multi-site certificate was extended with the certification of Holding, Interior and Services under OHSAS 18001 and of Holding and Interior under ISO 14001:2015. At the end of 2017, 13 of the 15 Dutch business units were ISO 9001:2015 certified under the multi-site certificate. The scope for all three standards will be further extended in 2018.



BENCHMARK OF OUR PERFORMANCE

Absenteeism

IHC's absenteeism rate in 2017 came to 4.71%, slightly down from 4.89% in 2016. The average absenteeism rate in the Netherlands was 3.8% in 2016. According to the annual FME 'Health and Safety and Absenteeism' benchmark, the average absenteeism rate in the technology industry was 4.2% in 2016. This means that at 4.89%, the 2016 absenteeism rate at IHC was higher than both the industry average and the national average. By continuing to emphasise sustainable employability and increasing options for replacement work and reintegration in the event of long-term absenteeism, we should ensure that the absenteeism rate continues to fall in 2018.

Accident frequency

The FME presents the average figures for the technology industry in its 'Health and Safety and Absenteeism' benchmark every year. In 2016 the average accident frequency within the sector was 4.0 for permanent employees and 5.9 for temporary employees. With an LTIF of 7.7 for its own employees and 8.0 for insourced workers, IHC's accident rate in 2016 was above the industry average. The range of the LTIF within the industry has been 4-5 over the past three years, and it is therefore expected that in 2017 IHC's result with an LTIF of 3,23 will be around or below the industry average.

Transparency benchmark

Every year, IHC participates in the Transparency benchmark of the Dutch Ministry of Economic Affairs. In 2017, IHC scored 120 points, putting it at position 120 in the ranking of more than 250 companies. In 2016, the organisation was at position 128 with 106 points. Within the Construction and Maritime sector, IHC finished 7th out of the 18 companies in this category; the average score in the sector is 108 points. IHC aims to improve its score by 10% in the next benchmark in order to be in line with developments in the sector.

SECTION 6 RADIOFREQUENCY CONCENTRATION METER

Radioactive concentration meters are generally used to measure the density of the sand-water mixture in the pipes of dredgers. Use of a radioactive source as part of the concentration meter is subject to strict legislation, regulations and safety requirements.

Over the past ten years, IHC has been working on developing a non-radioactive concentration meter. To achieve this, use is made of radio waves. The principle is based on the scientific observation that electromagnetic waves travel more slowly in water than in any other natural material. When sand is present in water, the speed of the waves is increased. Placing antennae on both sides of the pipeline allows the delay that the radio signals undergo when traversing the pipe to be measured. This forms the basis for calculating the density of the mixture in the pipe. The delay detected is in the region of nanoseconds.

The combination of the required frequency to be able to make measurements, the bandwidth, sound levels and loss of signal means that the new device has to overcome a challenging electromagnetic problem. Moreover, a flowing mixture of sand-water is among the roughest of materials. Integrating radio frequency components into a dredging pipeline without compromising the mechanical and wear-resistant properties is therefore another challenge to be met.

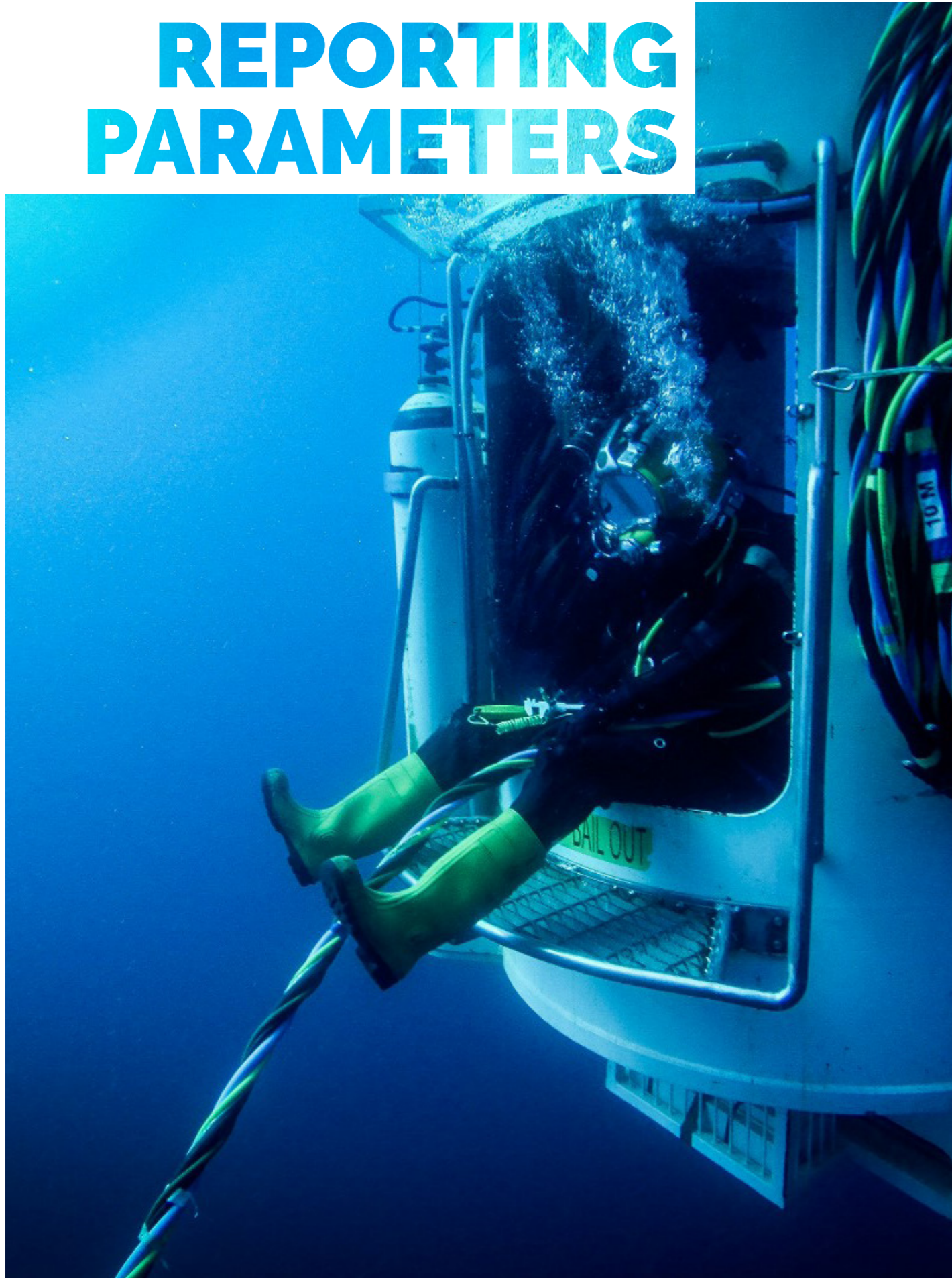
Four prototypes with different antenna-line configurations were built and tested on a closed and controlled system. Each prototype underwent an extensive testing process, which ultimately led to the optimal configuration, which is able to achieve the same measurement results as a radioactive concentration meter. This system was eventually brought to maturity on board a dredger owned by Baggerbedrijf De Boer – Dutch Dredging where extensive and long-term validation tests were conducted.

The main advantages of the radio frequency meter compared with the radioactive concentration meter are that no permits are required and the system is completely safe, with the use of a maximum of 24 V DC and full protection from the radio waves. An additional advantage is the lower cost of ownership since fewer safety measures are required and in contrast with a radioactive concentration meter, there are no stringent regulations to be complied with.



REPORTING PARAMETERS

REPORTING PARAMETERS



IHC wishes to provide insight into the integration of sustainability within its internal operations, and therefore presents its non-financial results in a corporate social responsibility report every year. The annual report for 2017 covers the period from 1 January to 31 December 2017 and, in addition to giving a picture of its social and environmental performance, includes an overview of its objectives and ambitions for the period ahead. The previous annual report, giving results for 2016, was published in April 2017.

GRI Guidelines

For its annual reporting of non-financial results, IHC adheres to international standards in the area of corporate reporting and uses the G4 guidelines 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 corporate social responsibility annual report 2017 includes the social and environmental performance resulting from IHC’s CSR policy, with the material subjects being the determining factor for the scope of the reporting. The current CSR policy of IHC applies to all the company’s Dutch sites. This limits the scope of this report to the activities, performance and objectives of the Dutch business units related to the material subjects.

Reporting process

The CSR Steering Committee is responsible for defining the scope of the annual report, as well as monitoring the reporting process, ensuring the quality of the CSR information and approving the final result. The fact that different departments and disciplines are represented in the CSR Steering Committee creates lines of communication to the various business units for the purposes of data collection for the reporting. The SHEQ-CSR department is responsible for coordinating the reporting process, including consolidating, evaluating and weighing up the submitted data and verifying the content with the departments involved in order to prevent inaccuracies and incomplete information.

In order to make sure the annual report’s content matches the wishes and expectations of our stakeholders, the results of the stakeholder dialogue are used when defining its scope and content.

Calculation of carbon footprint

Inspiration is taken from the ISO 14064-1 guidelines for calculating our carbon footprint. For the time being, only the scope 1 and scope 2 components, with the exception of the non-mandatory coolants and refrigerants, are included in IHC’s carbon footprint calculation. Our aim is to extend this in the future to make full compliance possible with ISO 14064-1. In calculating CO₂ emissions, use was made of the conversion factors published at www.co2emissiefactoren.nl on 1 January 2018. The delivery and validation of these data are the joint responsibility of the Facility Services and SHEQ-CSR departments.

The current conversion factors show minimal differences from the factors as published on 1 January 2017, which were used for the CO₂ calculation in the 2016 CSR Annual Report. In order to be able to carry out a proper year-on-year comparison, an adjustment has been made for the years 2015 and 2016. With the switch to a different travel agency in 2016, the conversion factors mentioned above have also been used since that reporting year to calculate the CO₂ emissions resulting from flights. Since no relevant data are available to make a correction for prior years, emissions resulting from flights have been disregarded in the year-on-year comparison.

Contact

IHC invites its stakeholders to provide feedback on or enter into dialogue about CSR policy, objectives and results and the reporting standard. To do this you can contact:

Mevr. M.J. Holtkamp
sheq.csr@royalihc.com

GRI INDEX TABLE



GRI INDEX

CHAPTER

MATERIAL SUBJECTS

G4-17	List of entities included in the consolidated annual financial statements	IHC Annual Report 2017
G4-18	Process for defining the report content	Our approach towards sustainability
G4-19	List of all material subjects identified in the process for defining report content	Our approach towards sustainability
G4-20	The boundaries of the material subjects within the organisation	Our approach towards sustainability
G4-21	The boundaries of the material subjects outside the organisation	Our approach towards sustainability
G4-22	Effects and reasons of restatements	
G4-23	Significant changes in material subjects during the reporting period	Our approach towards sustainability

STAKEHOLDER DIALOGUE

G4-24	List of stakeholders involved	Our approach towards sustainability
G4-25	Identification and selection of stakeholder with whom to engage	Our approach towards sustainability
G4-26	Approach to stakeholder involvement	Our approach towards sustainability
G4-27	Subjects and issues coming from the stakeholder dialogue	Our approach towards sustainability

REPORTING PROFILE

G4-28	Reporting period	Reporting parameters
G4-29	Date of most recent report	Reporting parameters
G4-20	Reporting cycle	Reporting parameters
G4-31	Contact information	Reporting parameters
G4-32	GRI application level and GRI Index	Reporting parameters / GRI Index table
G4-33	Policy and practice with regard to external assurances	

GOVERNANCE

G4-34	Governance structure of the highest governance body and committees responsible for decision-making with regard to economic, social and ecological impacts	About IHC
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ETHICS AND INTEGRITY

G4-56	The organisation's values, principles, standards and behavioural norms, such as codes of conduct and ethical codes	About IHC
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SPECIFIC STANDARD DISCLOSURES

MATERIAL SUBJECTS	INDICATORS	CHAPTER	
Carbon Footprint	EN 3	Energy consumption within the organisation	Our results
	EN 3	Reduction of energy consumption	Our results
	EN 6	Direct greenhouse gas emissions	Our results
	EN 15	Indirect greenhouse gas emissions	Our results
	EN 19	Reduction greenhouse gas emissions	Our results
Health	LA 6	Registration of absenteeism	Our results
Innovation / Development of sustainable products	EN 7	Reductions in energy requirements of products	Our results
	EN 27	Mitigation of environmental taxation of products	Our results
Support for local communities	<i>No specific GRI indicators available related to support for local communities through CSR projects</i>		
Education and Training	LA 10	Development and training programmes	Our results
	LA 11	Percentage of employees with regular performance and development interviews	Our results
Safety	LA6	Number of accidents and classifications	Our results
Responsible Supply Chain Management	EN32	Percentage of suppliers screened for environmental impact	Our results
	SO9	Percentage of suppliers screened for social impact	Our results

GRI INDEX

CHAPTER

STRATEGY AND ANALYSIS

G4-1	Foreword on behalf of the Board of Management	Foreword
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ORGANISATIONAL PROFILE

G4-3	Name of the organisation	Company profile
G4-4	Primary products and services	Company profile
G4-5	Location of the organisation's headquarters	About IHC
G4-6	Countries where the organisation operates	Locations
G4-7	Ownership structure and legal form	About IHC
G4-8	Markets served	Our approach towards sustainability
G4-9	Scale of the de organisation	HR figures / IHC Annual Report 2017
G4-10	Total number of employees	HR Figures
G4-11	Percentage of employees covered by collective bargaining agreements	About IHC
G4-12	Description of the organisation's value	Our approach towards sustainability
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or value chain	About IHC
G4-14	Application of precautionary principle	IHC Annual Report 2017
G4-15	Externally developed principles or other initiatives to which the organisation subscribes	About IHC
G4-16	Memberships of associations and/or international advocacy organisations	About IHC

LIST OF TERMS



5X BETER

Cooperation between the Koninklijke Metaalunie, FME, FNV Metaal, CNV Vakmensen and De Unie, striving for safe and healthy working in the metalworking and ‘metalektro’ sectors.

GENERAL DATA PROTECTION REGULATION

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

ANTI-CORRUPTION REGULATION

Policy and code of conduct issued by the company in order to combat corruption in daily activities within the company.

CARBON FOOTPRINT

The carbon footprint provides an insight into the total greenhouse gas emissions created by an organisation’s production processes and serves as a tool for actively targeting reductions in CO₂ emissions.

CLEAN/CLEAN DESIGN

A class of notations which are assigned to ships that meet the requirements for limiting emissions.

CODE OF CONDUCT

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

CONVERSION

Adapting existing products to new formal or customer requirements.

ENERGY EFFICIENCY DIRECTIVE

European directive with the objective of a 20% decrease of the European energy consumption in 2020, which includes obligations for both member states and companies.

FME

Employers’ Organisation for the technology industry

GREEN PASSPORT

Inventory of hazardous substances on board ships, including location and quantity, in order to protect people and the environment during decommissioning.

IMO

International Maritime Organization: a specialised United Nations agency responsible for establishing agreements between participating member states to make shipping as safe and environmentally friendly as possible.

SUPPLY CHAIN RESPONSIBILITY

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

LICENSE TO OPERATE

The permission to perform an operation and/or to produce

LNG

Liquefied Natural Gas

LOST TIME INJURY (LTI)

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

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 social organisations in fulfilling their social roles.

NEAR MISS

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

PATENT

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

PATENT FAMILY

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

PREVENTIVE MEDICAL EXAMINATION

A (voluntary) medical examination that is offered by a company to identify, prevent and treat health risks and problems at an early stage.

RI&E

Hazard Identification and Risk Assessment concerning the hazards within a company in relation to the health, safety and well-being of employees, and involving a risk assessment of the likelihood that the hazard will occur, 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.

PATENT FAMILY GRANTED

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

THE ELIGIBILITY FOR PERMANENT INCAPACITY BENEFIT (RESTRICTIONS) ACT

Legislation which obliges employers to play an active role in reintegrating sick employees. Employers, working together with the employee and the occupational health service, must ensure that sick employees can return to work as quickly as possible.

ASSURANCE REPORT

OF THE INDEPENDENT AUDITOR



To: the Board of Management of IHC Merwede Holding B.V.

OUR CONCLUSION

We have reviewed the sustainability information related to the following indicators (hereafter: the sustainability information) for the year 2017 of IHC Merwede Holding B.V. (hereafter: 'IHC') based in Sliedrecht:

- Natural gas consumption (p. 5, 28)
- Electricity consumption (p. 5, 28)
- Lost time Injury Frequency (LTIF) (p. 5, 26, 33)
- Support for local communities (p. 5, 29, 33)

The data for the indicators included in the scope of our engagement are marked with an asterisk (*). A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the sustainability information is not prepared, in all material respects, in accordance with the applied reporting criteria as disclosed in the section 'Reporting Parameters' of the CSR Annual Report 2017.

BASIS FOR OUR CONCLUSION

We have performed our review on the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (assurance engagements other than audits or reviews of historical financial information (attestation engagements)).

This review engagement is aimed at obtaining limited assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the sustainability information' section of our report.

We are independent of IHC in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

RESPONSIBILITIES OF MANAGEMENT FOR THE SUSTAINABILITY INFORMATION

Management of IHC is responsible for the preparation of the sustainability information in accordance with the applied reporting criteria as described in the section 'Reporting Parameters' of the CSR Annual Report 2017, including the identification of stakeholders and the definition of material matters.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITIES FOR THE REVIEW OF THE SUSTAINABILITY INFORMATION

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed in an assurance engagement to obtain a limited level of assurance are aimed to determine the plausibility of information and are less extensive than a reasonable assurance engagement. The level of assurance obtained in assurance engagements is therefore substantially less than the level of assurance obtained in an audit engagement.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (Regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review engagement included, among others, the following procedures:

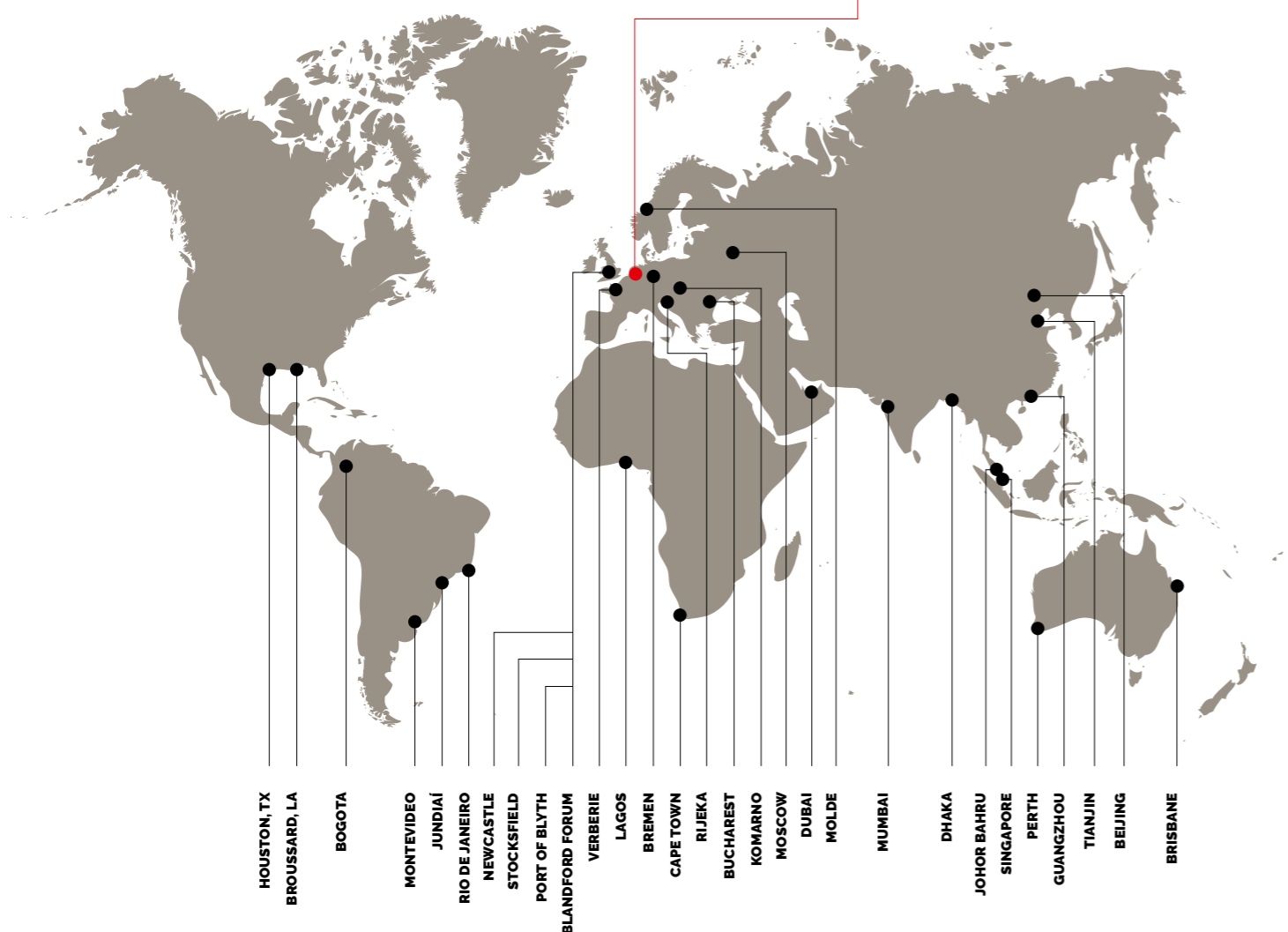
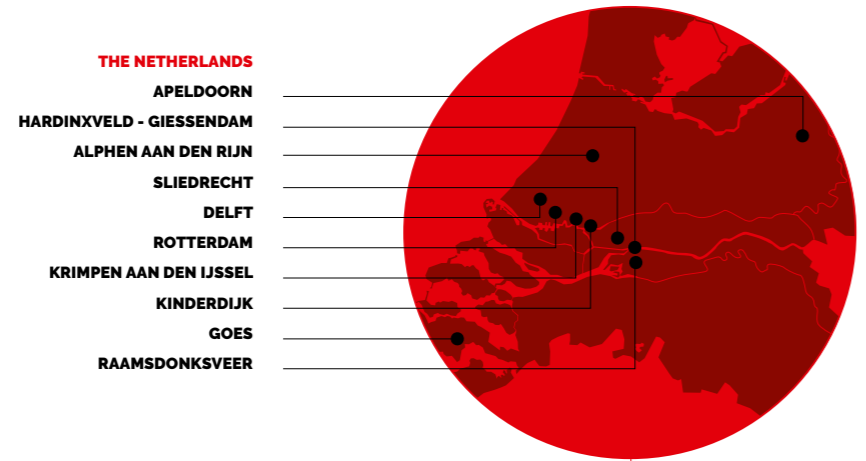
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of the reporting criteria used and their application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the sustainability information;
- Evaluating the overall presentation, structure and content of the sustainability information, including the disclosures; and evaluating whether the sustainability information represents the underlying transactions and events free from material misstatement;
- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on and consolidating the data in the sustainability information;
- Visits to production sites aimed at validating source data on a local level and to evaluate the design and implementation of internal control and validation procedures;
- An analytical review of data and trends;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the sustainability information.

We communicate with Management regarding, among other matters, the planned scope and timing of the review and significant findings, including any significant findings in internal control that we identify during our review.

Rotterdam, 16 april 2018

KPMG Accountants N.V.
J.J. Visser RA

LOCATIONS



- HOUSTON, TX
- BROUSSARD, LA
- BOGOTA
- MONTEVIDEO
- JUNDIAÍ
- RIO DE JANEIRO
- NEWCASTLE
- STOCKSFIELD
- PORT OF BLYTH
- BLANDFORD FORUM
- VERBERIE
- LAGOS
- BREMEN
- CAPE TOWN
- RIJEKA
- BUCHAREST
- KOMARNO
- MOSCOW
- DUBAI
- MOLDE
- MUMBAI
- DHAKA
- JOHOR BAHRU
- SINGAPORE
- PERTH
- GUANGZHOU
- TIANJIN
- BEIJING
- BRISBANE

EUROPE

THE NETHERLANDS

- Alphen aan den Rijn
- Apeldoorn
- Delft
- Goes
- Hardinxveld - Giessendam
- Kinderdijk
- Krimpen aan den IJssel
- Raamsdonksveer
- Rotterdam
- Sliedrecht

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- Rijeka

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- Verberie

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- Molde

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- Bucharest

RUSSIA

- Moscow

SLOVAKIA

- Komarno

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- Newcastle
- Port of Blyth
- Stocksfield

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