

MATERIALITY

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Horizon 2020 represents continuity with Umicore's strategic choices of the past decade and sets out a further series of challenging economic, social and environmental goals for the company.

The definition of the environmental and social objectives for the Horizon 2020 strategy involved a materiality assessment to identify those areas that have the potential to turn sustainability into a greater competitive edge. This involved the following steps:



1. VALIDATING THE GLOBAL MEGATRENDS AND ASSESSING THE ACHIEVEMENTS AND SHORTFALLS OF VISION 2015

A. VALIDATING THE GLOBAL MEGATRENDS

In 2014-15, the Executive Committee conducted a detailed scanning of the four megatrends that underpin Umicore's growth ambitions. This illustrated clearly that three of these four major megatrends were strengthening: resource scarcity, the need for clean air and vehicle electrification (see pages 12-14 for more explanation on these megatrends). The one area where the landscape had shifted significantly was in photovoltaics, the fourth megatrend, where a combination of economics and technology choices led to a less favourable market for Umicore's higher-end solutions. Based on the scanning the Executive Committee elected to focus Umicore's Horizon 2020 growth ambitions on those activities that are linked to the drive towards clean air (automotive catalysts), vehicle electrification (rechargeable battery materials) as well as in those areas that tackle resource efficiency through our closed loop business model that ensures the recycling of precious and specialty metals. These activities will therefore be at the heart of our ambition to double the earnings of Umicore by 2020.

B. ASSESSING THE ACHIEVEMENTS AND SHORTFALLS OF VISION 2015

In terms of sustainability performance, Vision 2015 yielded largely positive results. On the environmental front, we achieved a significant reduction in CO₂ and metal emissions to water and air, surpassing our targets in all three cases.

With regards to people development and stakeholder engagement we also made big strides. The people survey of 2014 indicated a high level of engagement and satisfaction among our employees. By 2015 we had ensured that the vast majority of Umicore employees received an annual appraisal and development plan and we had also made good progress in further reducing the exposure levels of our employees to various metals. In the area of sustainable procurement we have built on our reputation as a pioneer in the field through the deployment of our Sustainable Procurement Charter and the implementation of conflict-free certification for our operations.

The one area where performance was less than satisfactory was safety. We set ourselves the target of becoming an accident-free company by 2015 and, while our safety performance improved, we fell short of this objective.

The challenge for Horizon 2020 is to ensure that we maintain the progress that we have made in certain areas, continue focusing on topics such as safety where we fell short of our goals and to strive to develop goals that have a clearer ability to enhance Umicore's competitive positioning. The overall status can be summarised as follows:

Holding onto the benefits – carbon and metal emissions, preferred employer, local community. Although we no longer see a need to set a further objective for these themes we will of course continue to measure and report on the impact and performance when relevant from a materiality point of view.

Could do better – safety and occupational exposure. We will continue to pursue the zero accident and zero excess readings goal over the course of the coming five years.



Competitive advantage – sustainable sourcing. In the period 2011 to 2015 Umicore made good progress in rolling out its Sustainable Procurement Charter to its suppliers and has developed a reputation for ethical sourcing. This approach is aligned with Umicore's values and is undoubtedly the right thing to do. However, it has an economic cost that to date is only starting to be accepted by customers. Horizon 2020 will see Umicore look to leverage this sustainable sourcing approach to generate an enhanced competitive edge in specific business units.

2. IDENTIFYING AND CHOOSING POTENTIAL MATERIAL TOPICS FOR HORIZON 2020

A. MATERIALITY SCREENING

With the activities linked to clean air, vehicle electrification and recycling defined as the main levers for Umicore's growth we then focused on screening for other topics that are considered as being of material importance by our own business units and by our main stakeholder groups (see previous chapter).

An initial list of material topics was drawn up based on the learning from Vision 2015 (see above). It was, for example, determined that safety – and more specifically pursuing a zero accident workplace – should constitute a Horizon 2020 objective irrespective of any specific stakeholder feedback. Other potential topics were identified through direct feedback from stakeholders. This included the findings of the annual internal business risk assessment, the results from the 2014 People Survey for all employees, the data from the implementation of Umicore's APS tool (Assessment of Product and services Sustainability) between 2012 and 2015 and direct questions submitted to Umicore or its business units by customers.

At corporate level we then screened material issues at peer companies and customers as well as potentially relevant topics discussed by international business groups, research groups and media.

B. MATRIX SET-UP AND ROAD TESTING

All of the main topics that we identified in the materiality screening phase were used to draw up a draft materiality matrix. The assessment of the relevance of these topics for Umicore was carried out by a project team and discussed with the EHS and HR corporate teams. The starting matrix, containing some 65 topics was submitted for further refining with the business unit management teams. Based on the feedback of the business units, a revised version of the Umicore Group materiality matrix was compiled consisting of 25 topics in the top quartile of the matrix. The 25 issues formed the basis of the materiality road-testing and for ease of reference were clustered into five categories: Supply, Products, Operational Excellence, Human Resources, Health and Safety.

The list of material topics was then road-tested using an on-line survey that was sent to 48 stakeholders. These stakeholders – ranging from investors to customers and employees gave their feedback on their particular ranking of the topics.

3. DEFINITION OF OBJECTIVES AND REPORTING SCOPE

Based on the results of the first two phases, we established the scope of the objectives for Horizon 2020. This constituted the main focus for Umicore in the period 2016-2020. They have been clustered in four themes of Economic, Value Chain and Society, Eco-Efficiency, Great Place to Work.

We also identified a range of issues that Umicore and its stakeholders identified as important for management purposes and which should remain part of the report, albeit not part of any specific Horizon 2020 objective. (1)

(1) One example is CO₂ emissions. In our own Vision 2015 review, we assessed that the absolute level of our CO₂ emissions was so dependent on the energy mix of the countries in which we operate that it made no sense to continue pursuing a specific CO₂ emission reduction objective. However, many stakeholders still expect Umicore to report on this metric and this data would remain part of the reporting scope.

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A simplified grid showing the clustering of the main material topics and how these translate into the Horizon 2020 objectives can be found below:

MAIN MATERIAL TOPICS BY CLUSTER	MAIN STAKEHOLDER GROUPS CONCERNED	TRANSLATION INTO OBJECTIVE FOR STRATEGY HORIZON 2020 ⁽¹⁾	RELATED HORIZON 2020 THEME
SUPPLY		SUSTAINABLE SUPPLY	VALUE CHAIN AND SOCIETY
Resource scarcity	Society, Public sector and authorities, Customers	Umicore will leverage its sustainability expertise in the supply chain to drive further improvements in its competitive positioning. This will be done mainly through securing our supply and promoting our closed loop business offering.	
Criticality of raw materials	Society, Public sector and authorities		
Supply disruptions	Customers, Investors and funders		
Recycled input materials use	Customers		
Recyclability and potential to close the loop	Suppliers, Customers, Public sector and authorities, Society		
Sustainability of supply chain/responsible sourcing	Suppliers, Public sector and authorities, Customers		
Supplier screening	Suppliers, Customers, Public sector and authorities, Society		
PRODUCTS		SUSTAINABLE PRODUCTS AND SERVICES	
Life cycle thinking	Customers, Suppliers, Public sector and authorities	Umicore will continue to develop selective products and services that have specific sustainability benefits and which drive further improvements in its competitive positioning.	
Toxic substances and phase out or ban	Customers, Suppliers, Public sector and authorities		
Product stewardship	Customers, Public sector and authorities, Investors and funders		
Public health and safety	Society, Public sector and authorities		
Opportunities and risk from technologies and products	Customers, Investors and funders, Society		
Resource efficient products and production	Customers, Suppliers, Public sector and authorities		
OPERATIONAL EXCELLENCE			
Energy consumption and efficiency	Investors and funders, Public sector and authorities	Umicore will take steps to increase value through even more efficient use of metals, energy and other substances in its operations. The focus lies on improving our energy efficiency.	
Resource efficient products and production	Public sector and authorities, Investors and funders		
Opportunities and risk from technologies and products	Customers, Investors and funders		
HUMAN RESOURCES		PEOPLE ENGAGEMENT	GREAT PLACE TO WORK
Talent attraction and retention	Employees, Society, Investors and funders	Umicore will safeguard or improve its competitiveness by making further improvements in the area of people engagement with specific focus on talent attraction & retention, diversity management and employability.	
Diversity and inclusion	Employees, Society, Public sector and authorities		
Employee training and development	Employees, Society		
HEALTH AND SAFETY		HEALTH AND SAFETY	
Occupational safety	Employees	Umicore strives to become a zero accident workplace.	
Process safety	Employees, Customers		
Occupational health	Employees, Public sector and authorities	Umicore will take steps to further reduce employee exposure to specific metals.	

(1) Other topics that were defined as material by at least one stakeholder group during the materiality assessment but which are not ascribed a specific Horizon 2020 objective (e.g. CO₂ or metal emissions) are reported in the statements section of the report.

4. VALIDATION BY THE EXECUTIVE COMMITTEE

The matrix and its translation into specific environmental and social objectives was validated by the Executive Committee in February 2016. The economic objectives and growth ambitions had been previously validated in 2015. As a result of this process we believe that our Horizon 2020 objectives and the information that we report in this document represent a balanced reflection of external requirements and our own internal needs and enable a balanced appreciation of our performance.

The Horizon 2020 economic, environmental and social objectives are:

Economic

- Leadership: Umicore will confirm its strong position and uniqueness in clean mobility materials offering and recycling processes
- Earnings: Umicore aims to at least double recurring EBIT between 2014 and 2020
- Portfolio: Umicore will rebalance its portfolio & earnings contributions from the three business groups

Value chain and society

- Sustainable supply: Umicore will leverage its sustainability expertise in the supply chain to drive further improvements in its competitive positioning
- Sustainable products and services: Umicore will continue to develop selective products and services that have specific sustainability benefits and which drive further improvements in its competitive positioning

Eco-efficiency

- Umicore will take steps to increase value through even more efficient use of metals, energy and other substances in its operations

Great place to work

- Umicore strives to become a zero accident workplace
- Umicore will take steps to further reduce employee exposure to specific metals
- Umicore will safeguard or improve its competitiveness by making further improvements in the area of people engagement with specific focus on talent attraction & retention, diversity management and employability

