

MATERIALITY

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Umicore strives to plan for the best possible future by remaining in a healthy and competitive position whilst considering global economic, social and environmental megatrends. Our Vision 2015 strategy built on existing competencies, market positions and our long-standing expertise in metallurgy, materials science, application know-how and recycling, and combined them with our closed-loop business model to give us strong growth potential in clean air, clean energy, vehicle electrification and addressing resource scarcity.

Our Vision 2015 objectives covered the following ambitions and challenging performance goals:

ECONOMIC PERFORMANCE	GREAT PLACE TO WORK	ECO-EFFICIENCY	STAKEHOLDER ENGAGEMENT
Double digit revenues growth	<ul style="list-style-type: none"> Zero lost time accidents Become a preferred employer 	Reduce our CO ₂ emissions by 20% <i>(based on 2006 industrial scope)</i>	Implement our new sustainable procurement charter
15-20% average return on capital long term	Reduce employee body concentrations of specific metals (Cd, Pb, Co, Ni, As, Pt)	Reduce metal emissions to water and air by 20% <i>(based on 2009 industrial scope)</i>	Identify key stakeholders and engage with the local community at all our sites
	Assess and discuss individual employee development annually	Invest in tools to understand and measure our product life cycles and impacts	

Horizon 2020, launched in 2015, represents continuity in Umicore’s strategic choices over the past decade and sets out further economic, environmental, value chain and society challenges. The definition of the environmental, value chain and society objectives for the Horizon 2020 strategy involved a materiality assessment to identify areas with the potential to turn sustainability into a greater competitive edge, as follows:



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

A. VALIDATING GLOBAL MEGATRENDS

In 2014-15, the executive committee scanned in detail the four megatrends that underpin Umicore's growth ambitions. The results clearly showed that three of the four megatrends were strengthening: resource scarcity, the need for clean air and vehicle electrification (see pages 11-13 for more on these megatrends). The landscape had shifted significantly in photovoltaics, the fourth megatrend, where a combination of economic and technology choices led to a less favourable market for Umicore's higher-end solutions. Based on the results, the executive committee elected to focus Umicore's Horizon 2020 growth ambitions on activities that are linked to clean air (automotive catalysts), vehicle electrification (rechargeable battery materials) and resource efficiency, ensuring precious and specialty metals recycling through our closed-loop business model. These activities are therefore at the heart of our ambition to double Umicore earnings by 2020.

B. ASSESSING VISION 2015 ACHIEVEMENTS AND SHORTFALLS

In terms of sustainability performance, Vision 2015 yielded 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.

We also made strides in personnel development and stakeholder engagement. By 2015, the vast majority of Umicore employees had received an annual appraisal and development plan and we had further reduced exposure levels of our employees to various metals. Our next People Survey is planned for 2018.

In sustainable procurement, we built on our reputation as a pioneer in the field by deploying our Sustainable Procurement Charter and sought out conflict-free certifications for our smelters.

Safety was the sole area where performance was less than satisfactory. 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 maintain the progress made, continue focusing on topics such as safety where we fell short of our goals and to develop goals that enhance Umicore's competitive positioning, as follows:

MAINTAIN ACHIEVEMENTS in carbon and metal emissions, preferred employer and stakeholder engagement. Although we will not set further objectives for these themes, we will continue to measure and report on the impact and performance when relevant from a materiality point of view.

IMPROVE safety and occupational exposure. We will continue to pursue the zero accident and zero excess readings goals.

SECURE COMPETITIVE ADVANTAGE through sustainable sourcing. Thanks to the implementation of the Umicore Sustainable Procurement Charter, we have developed a reputation for ethical sourcing. This approach is aligned with Umicore's values and ethics but comes at a cost that is only gradually accepted by customers. Horizon 2020 seeks to leverage this sustainable sourcing approach to generate an enhanced competitive edge.

2. IDENTIFYING AND CHOOSING 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 screened for other topics of material importance to our business units and to our main stakeholder groups (see pages 53-56).

In addition to producing the initial list of material topics, based on the learning from Vision 2015, other potential topics were identified through direct feedback from stakeholders, including 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 (Assessment of Product and services Sustainability) tool from 2012 to 2015 and direct questions submitted to Umicore or its business units by customers.

At corporate level, we 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 TESTING

All topics identified in the materiality screening phase were used to produce a draft materiality matrix. The relevance of these topics for Umicore was assessed by a project team and discussed with the Environment, Health and Safety (EHS) and Human Resources (HR) corporate teams. The starting matrix, containing about 65 topics, was submitted for further refining with the business unit management teams.

Based on the feedback received, a revised version of the Umicore Group materiality matrix was compiled consisting of top quartile topics. These 25 topics were the basis of the materiality 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 tested using an online survey that was sent to 48 stakeholders. These stakeholders – investors, customers and employees – ranked 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. We clustered our objectives in four main themes. Three of the Vision 2015 themes were kept – Economic Performance, Eco-Efficiency and Great Place to Work – but "Stakeholder Engagement" was replaced by "Value Chain and Society" to highlight our ambition of adopting a more holistic view of Umicore's presence in and impact on the overall value chain. This constitutes Umicore's main focus through 2020.

The process for defining the environmental, value chain and society objectives within Horizon 2020 involved a structured dialogue with the management of each business unit to determine the social and environmental topics that could generate a greater competitive edge. To ensure a degree of alignment with external expectations, we also conducted an online stakeholder survey. The objectives were debated and ratified by the executive committee in February 2016.

We also identified a range of issues that Umicore and our stakeholders identified as important for management purposes, which should remain part of the report, albeit not part of any specific Horizon 2020 objective. One example is CO₂ emissions: in our Vision 2015 review, we assessed that the absolute level of our CO₂ emissions was dependent on the energy mix of the countries in which we operate, a roadblock to pursuing a specific CO₂ emission reduction objective. We therefore chose to pursue energy, operational and materials efficiency instead. However, many stakeholders expect Umicore to report CO₂ emission and this data remains part of the reporting scope.

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Our Horizon 2020 targets are as follows:



Other topics that were defined as material by at least one stakeholder group during the materiality assessment but are not a specific Horizon 2020 objective (i.e. 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, value chain and society objectives were validated by the executive committee in February 2016. The economic objectives and growth ambitions had been previously validated in 2015. As a result, 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.

5. 2017 UPDATES

Following the 2017 review, the board of directors confirmed that Operational Excellence, Supply, Products, Human Resources and Health and Safety remain Umicore's material issues. We continue to follow our Horizon 2020 objectives and the associated materiality in determining the content and disclosure in this report.