RISK MANAGEMENT AND INTERNAL CONTROL
Managing risk effectively

WE TAKE A BALANCED APPROACH TO MANAGING RISK AND SEIZING OPPORTUNITIES. THIS GIVES US THE BEST MEANS OF DELIVERING ON OUR STRATEGIC GOALS

BOARD OF DIRECTORS/AUDIT COMMITTEE

Evaluation | Supervision | Information

INTERNAL CONTROL SYSTEM

RISK MANAGEMENT SYSTEM

EXECUTIVE COMMITTEE AND CEO
— Risk Consolidation

EXECUTIVE COMMITTEE MEMBER
— Risk Mitigation
— Risk Evaluation
— Risk Identification

Potential impact (+/–) to strategic objectives

INTERNAL AUDIT (monitoring)

EXTERNAL AUDIT (independent assurance)

BUSINESS UNIT CORPORATE DEPARTMENT

The aim of our risk management system is to:

– Enable the company to identify risks in a proactive and dynamic way; and
– Manage or mitigate risks to an acceptable level wherever possible

BOARD OF DIRECTORS

Umicore's Board of Directors is ultimately responsible for:

– Assessing the risk profile of the company within the context of the Company strategy and external factors; and
– Ensuring adequate risk management and internal control processes are in place.

EXECUTIVE COMMITTEE

Umicore's management is tasked with:

– Successfully exploiting business opportunities;
– Assessing how market conditions, competitor positioning, technology developments or regulatory changes can impact the execution of the business strategy; and
– Managing and mitigating possible business risks.

BUSINESS UNITS

Each of the business units operates in an environment which carries specific growth expectations and differing degrees of market and technological uncertainty which may impact our strategic objectives.

As such, the primary source of risk and opportunity identification lies within the business units themselves.

Umicore has established an assessment process to be carried out by each business unit.

1. Carry out a risk scan to identify all significant risks (financial and non-financial).

2. Describe each risk in detail on an "uncertainty sheet" outlining potential impact, likelihood, status of management action or mitigation, and ownership

3. Business units report bottom up to the Executive Committee member responsible for that business unit.

4. The Audit Committee (on behalf of the Board) performs a periodic review of the company's internal control and risk management system, investigating specific aspects on an ongoing basis.

Managing risk effectively

Each business unit is responsible for mitigation of its own risks. Mitigating actions are systematically reported corresponding to the respective strategic objectives and identified risks. Specific corporate departments are also tasked with managing and mitigating certain risks under the auspices of the Executive Committee. These risks cover Group-wide elements that extend beyond the purview of individual business units. These include environmental risks, financial risks etc.

OUR INTERNAL CONTROL SYSTEM
Internal control mechanisms exist throughout Umicore to provide management with reasonable assurance of the Company's ability to achieve its objectives. They cover:

– Effectiveness and efficiency of operations
– Reliability of financial processes and reporting
– Compliance with laws and regulations; and
– Mitigation of errors and fraud risks

Umicore adopted the COSO framework for its Enterprise Risk Management and has adapted its various controls constituents within its organisation and processes. "The Umicore Way" and the "Code of Conduct" are the cornerstones of the Internal Control environment; together with the concept of management by objectives and through the setting of clear roles and responsibilities they establish the operating framework for the company.

Specific internal control mechanisms have been developed by business units at their level of operations, while shared operational functions and corporate services provide guidance and set controls for cross-organisational activities. These give rise to specific policies, procedures and charters covering areas such as supply chain management, human resources, information systems, environment, health and safety, legal, corporate security and research and development.

Umicore operates a system of Minimum Internal Control Requirements (MICR) to specifically address the mitigation of financial risks and to enhance the reliability of financial reporting. Umicore's MICR framework requires all Group entities to comply with a uniform set of internal controls in 12 processes. Within the Internal Control framework, specific attention is paid to the segregation of duties and the definition of clear roles and responsibilities. MICR compliance is monitored by means of self-assessments to be signed off by senior management. The outcome is reported to the Executive Committee and the Audit Committee of the Board of Directors.

In 2016, five processes were assessed covering 113 control entities. Priority was given to those processes that are of particular importance to Umicore such as hedging, procurement and inventory management. The level of compliance is in line with the results previously reported. The Internal Audit department will review the compliance assessments during its missions.