

MANAGEMENT APPROACH

Management approach

GENERAL MANAGEMENT APPROACH

The Umicore Way is the cornerstone of everything we do at Umicore. We believe that materials have been a key element in furthering the progress of mankind, that they are at the core of today's life and will continue to be enablers for future wealth creation. We believe that metal-related materials have a vital role to play, as they can be efficiently and infinitely recycled, which makes them the basis for sustainable products and services. We want Umicore to be a leader in providing and creating material-based solutions to contribute to fundamental improvements in the quality of life. The overarching principles guiding our "Materials for a better life" mission are:



GOALS AND PERFORMANCE 2016-2020

The Umicore Way outlines our values, the way in which we wish to achieve our strategic goals and our overall commitment to the principles of sustainable development. Our Horizon 2020 economic growth ambitions are tied to the megatrends of resource scarcity, clean air and vehicle electrification. The social and environmental objectives are clustered in three themes: Great Place to Work, Eco-efficiency and Value Chain and society. These objectives reflect our operational excellence and the aspects of our products and services that we can further improve to turn sustainability into a greater competitive edge.

The supporting components of our Horizon 2020 strategy (see Materiality page 62) described in this chapter, including policies, responsibilities and evaluation, ensure a close monitoring of our economic, environmental and social performance.

POLICIES

The Umicore Way is supplemented by detailed company codes including:

- Code of Conduct, a comprehensive framework for ethical business practice;
- Corporate Governance Charter, which sets out our management philosophy and governance principles;
- Sustainable Procurement Charter, which outlines our commitment to align our supply chain to our own values and practices; and
- Many internal policies developed in support of our vision and values such as Safety, Human Rights and Working Conditions, Training & Development and Donations & Sponsorship.

RESPONSIBILITIES

Final accountability for all aspects of Umicore's business lies with the executive committee. The broad sustainability approach is guided by an interdepartmental team with representatives from Environment, Health and Safety (EHS), Human Resources (HR), Finance and Procurement & Transportation. This team is responsible for developing and obtaining approval for sustainability objectives and guiding business units in their efforts to contribute to these objectives. At business group level, the economic/financial, environmental and social performance is owned by the Executive Vice-President of that entity. At business unit level, these aspects are owned by the head of the business unit. At site level, the site manager is responsible for the economic, social and environmental performance of the site.

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MONITORING, EVALUATION AND CONTINUOUS IMPROVEMENT

Corporate EHS and Corporate HR have developed detailed technical guidance notes to assist the business units and sites, ensuring a collective understanding of concepts, definitions, roles and responsibilities. Regular workshops and meetings are organised each year at various levels of the organisation to share best practices.

Progress towards our objectives is measured annually against a set of KPIs reported through a group data management system. The data is collected and reported at the relevant entity level: site, business unit or business group. Social and environmental performance indicators that are relevant and material to Umicore's operations are also measured and reported. Corporate EHS, Corporate HR and Corporate Finance aggregate the performance of the business units to evaluate Umicore's overall progress towards the Horizon 2020 objectives.

On-site data verification relating to social and environmental performance and progress towards objectives is carried out internally. In addition, Umicore uses an assurance provider to check its social and environmental data. This assurance has been carried out by PricewaterhouseCoopers (PwC) since 2011. PwC evaluates the completeness and reliability of the reported data as well as the robustness of the associated data management system. Wherever necessary, performance indicators and reporting processes are reviewed and updated after every assurance cycle, as part of a continuous improvement process.

MANAGEMENT APPROACH TO ECONOMIC AND FINANCIAL PERFORMANCE

GOALS AND PERFORMANCE 2016-2020

Based on the validity analysis of the megatrends relevant for Umicore's Vision 2015 strategy, we identified specific growth areas where Umicore can contribute to solve certain societal and environmental problems. These growth areas form the basis of the Horizon 2020 strategy and are expected to enable Umicore to double its recurring EBIT between 2014 and 2020.

OPERATIONAL RETURNS

Umicore seeks to generate economic value through our existing businesses and any acquisitions or organic growth initiatives that we undertake, in line with our Horizon 2020 strategy. This entails generating a return on capital employed (recurring pre-tax operating profit/average capital employed for the period) in excess of our overall pre-tax cost of capital. This cost of capital can vary over time in function of our risk profile and the state of the world's debt and equity markets. The return on capital employed (ROCE) targeted in our Horizon 2020 strategy is over 15%.

Investments are assessed on a case-by-case basis: acquisitions are expected to be earnings-enhancing in the early phase of their integration and value-enhancing shortly thereafter. Similar criteria exist for organic investments, although the pursuit of longer-term growth projects invariably requires a longer view on expected returns.

In terms of operational performance, emphasis is placed on ROCE. We deal with precious and other rare metals and we therefore have a relatively high working capital intensity. Management is therefore incentivised to optimise performance both from an earnings perspective and by minimising capital employed.

SHAREHOLDER RETURNS

Umicore aims to create value for its shareholders. This is achieved through the development of a compelling strategy and a strong track record of delivering a solid performance against the strategic objectives. We seek to grow our existing businesses while maintaining or establishing strong leadership positions on the back of innovative technologies (see below). Shareholder returns depend on the valuation of the Umicore stock and are supported by the payment of dividends. Umicore has a policy of paying a stable or gradually increasing dividend (for a history of the dividend payout, [click here](#)). We may also, from time to time, return cash to shareholders by other means, for example through share buybacks and cancellations.

FINANCIAL STRENGTH

Umicore aims to safeguard the business through sound financial management and by maintaining a strong balance sheet. While we have no fixed target regarding debt levels, we aim to maintain an investment grade status at all times. We also seek to maintain a healthy balance between short and longer-term debt and between debt secured at fixed and floating interest rates. This approach, coupled with strong cash flow generation, allows us to self-fund the majority of our growth initiatives.

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RESEARCH AND DEVELOPMENT

As a materials technology company, the future success and sustainability of our business depend on our ability to develop and market innovative products and services. We invest consistently in research and development (R&D), with the equivalent of 5% to 7% of revenues typically dedicated to R&D every year.

MARKET PRESENCE

As part of our Horizon 2020 strategy, Umicore seeks to maintain market leadership positions in recycling and clean mobility materials. The nature of our business, which consists of products for highly specific applications, means that we do not have a presence in any country or region which makes up a significant part of that country or region's economy. Our business is global in nature with 51 production sites in 22 countries.

ECONOMIC AND FINANCIAL PERFORMANCE POLICY

Our approach to financial and economic management derives from our vision, values and organisational principles as described in The Umicore Way. Specific internal policies have been developed to frame the company's approach to specific financial and economic aspects including: Dividend, Financing and Funding, Transfer Pricing, Credit Management, Hedging, Capital Expenditure and Mergers & Acquisitions.

ECONOMIC AND FINANCIAL PERFORMANCE RESPONSIBILITY

Accountability for the overall economic and financial performance of Umicore lies with the Chief Executive Officer while each Executive Vice-President is responsible for the financial performance of his/her business group. The Chief Technology Officer and his/her organisation has oversight for the technology portfolio of the group and the overall research and development activities. At business unit level, the head of the business unit is responsible for the operational and financial performance of the business unit. The Chief Financial Officer has overall oversight of Umicore's financial and economic performance and is supported by a Corporate Finance team that includes specific expertise centres covering aspects such as tax, treasury, accounting & control, and the internal control environment. At business unit level, financial controllers are responsible for managing the financial and reporting aspects of the business unit.

MANAGEMENT APPROACH TO ENVIRONMENTAL PERFORMANCE

GOALS AND PERFORMANCE 2016-2020

In The Umicore Way, Umicore commits to continually improve its environmental performance. As a materials technology company, we have defined energy efficiency and the reduction of metal emissions as core environment-related objectives in our Horizon 2020 strategy. These objectives represent what we believe to be the most material environmental aspect of our business and the ones that are most important to our various stakeholders (see Materiality, page 62). The performance review of energy efficiency is reported in the Eco-Efficiency section on page 29.

While Umicore's environmental objectives through 2020 focus on energy efficiency and the reduction of metal emissions, we believe it is equally important to continuously monitor, control and report the performance of our organisation in relation to other environmental aspects. We do that using the same measurement tools indicated in our General Management Approach. These indicators monitor how we are building on the Vision 2015 achievements in terms of environmental performance. These underlying performance indicators, detailed in the Environmental Statements, include:

- Emission to water and air, pages 174-176
- Greenhouse gases, pages 176-177
- Water consumption, pages 179-180
- Waste volumes, page 180
- Control and remediation of historical pollution, page 181
- Regulatory compliance and management systems, page 182

The following specific management approach applies to both material topics and the underlying performance indicators.

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ENVIRONMENTAL PERFORMANCE POLICY

Our approach to environmental management derives from the vision, values and organisational principles found in The Umicore Way. An internal Group EHS Guidance Note details the approach to measuring and reporting on each relevant environmental indicator. A specific internal policy on energy efficiency was rolled out throughout the group from 2011 to 2015 and created a high level of awareness and commitment at sites and within business units to strive for continual energy efficiency improvement. In addition, Umicore encouraged all business unit initiatives that increased recycling potential. On a global scale, metals recycling reduces the environmental impact related to the acquisition and transformation of metals into products.

ENVIRONMENTAL PERFORMANCE RESPONSIBILITY

Umicore's environmental performance and impact accountability lies with the executive committee. In the executive committee, the Chief Counsel is Executive Vice-President for Environment, Health and Safety, Corporate Security and Internal Audit and responsible for all environmental matters and is supported by the Senior Vice President Environment, Health & Safety. The Executive Vice-Presidents are responsible for the overall environmental performance of their business group. At business unit level, the head of the business unit is responsible for the overall environmental performance. The general manager of each site has a similar responsibility at site level.

ENVIRONMENTAL PERFORMANCE BOUNDARY

Energy efficiency performance and underlying performance indicators contribute to reducing our impact on the environment, for example through an expected reduction of our carbon footprint of lower impact or the metal emissions on air and water.

MANAGEMENT APPROACH TO SOCIAL PERFORMANCE

GOALS AND PERFORMANCE 2016-2020

As set out in The Umicore Way, we strive to be a preferred employer for both current and potential employees and to act and operate in line with the expectations of society. We have defined three social objectives within the context of our Horizon 2020 strategy: reducing lost-time accidents to zero, further reducing occupational exposure to specific metals and increasing our diversity, talent attraction and retention and employability. We also have objectives which relate to our broader social impact and these can be found in our Management Approach to Value Chain and Society, page 67.

These objectives were defined as material topics in the materiality assessment both by internal and external stakeholders. Talent management is key to reaching our desired business growth. Attracting, developing and retaining talent in competitive labour markets support the business units in their growth plans. In addition, increasing the diversity of our workforce is not only in line with expectations from society, it should also increase our chance of success. Given the ageing population and the need for longer careers, we are also putting programmes in place to increase the employability of our workforce. The performance review of these material topics, including zero accident and reducing occupational exposure, is reported in the Great Place to Work section, pages 31-33.

While Umicore's social objectives determine a special focus through 2020, we believe it is equally important to continuously monitor, control and report our social performance in other areas. We do that using the same measurement tools indicated in our General Management Approach. These underlying performance indicators, detailed in the Social Statements section, include:

- Monitoring of workforce demographics, pages 185-187
- Monitoring of human rights, compliance and risk, page 190
- Monitoring of employee health aspects beyond metal exposure, pages 191-193
- Monitoring of contractor safety, page 194

The following specific management approach applies to both materials topics and the underlying performance indicators.

SOCIAL PERFORMANCE POLICY

Our approach to social performance derives from the vision, values and organisational principles found in The Umicore Way. An internal Group Social Reporting Guidance Note provides detailed guidance on measuring and reporting on social performance. Specific internal policies have been developed to frame specific elements of our social management approach including Safety, Human Rights and Working Conditions and Training & Development. In addition, Umicore has a Global Framework Agreement on Sustainable Development in place with international trade unions.

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SOCIAL PERFORMANCE RESPONSIBILITY

Umicore's social performance and impact accountability lies with the executive committee. In the executive committee, the CEO has oversight responsibilities for Umicore's Human Resources issues and is supported by the Senior Vice President Human Resources. The Executive Vice-Presidents are responsible for the social aspects of their business group. At business unit level, the head of the business unit is responsible for the overall social performance. The general manager of each site has a similar responsibility at site level. A regional Human Resources organisation exists to manage social aspects at regional and country level, and to provide structural support to the business units in all aspects of human resources management.

SOCIAL PERFORMANCE BOUNDARY

Social performance and the underlying performance indicators have a direct impact on Umicore's workforce (enhanced engagement and well-being at all levels and attracting and retaining the right skills).

MANAGEMENT APPROACH TO VALUE CHAIN AND SOCIETY PERFORMANCE

GOALS AND PERFORMANCE 2016-2020

The relationship between customers and suppliers is an essential element to building financial and economic value and plays a key role in the promotion of social and environmental best practices. The Umicore Way also covers the relationships with our various stakeholders.

The value chain and society objectives cover Umicore's presence and impact upstream with suppliers, and downstream contribution of our products and services to a better life. The performance review of these material topics is reported in the Value Chain and Society section, pages 26-27.

While Umicore's value chain and society objectives determine a special focus through 2020, we believe it is equally important to continuously monitor, control and report our relationship with all the other stakeholders. Information on our stakeholder groups is listed in the Stakeholder Engagement section, pages 53-56. In addition, we report on the following topics in the Value Chain Statements section:

- Monitoring of the supplier assessment for indirect procurement, page 200
- Product regulatory compliance, pages 201-202
- Monitoring of our donations, pages 202-203

The following specific management approach applies to both materials topics and the underlying performance indicators.

VALUE CHAIN AND SOCIETY PERFORMANCE POLICY

Our approach to stakeholder engagement derives from the vision, values and organisational principles found in The Umicore Way. Specific charters/policies have been developed to frame specific elements of our approach to stakeholder engagement, including the Sustainable Procurement Charter, Responsible global supply chain of minerals from conflict-affected and high risk areas, Policy, Human Rights & Working Conditions Policy and External Communications Policy.

VALUE CHAIN AND SOCIETY PERFORMANCE RESPONSIBILITY

Our presence and impact both upstream and downstream is based on a business-specific approach whereby all business units are required to identify and engage with their respective suppliers, customers and stakeholders. In addition, a team comprising members of various departments, including Corporate EHS, Corporate HR, Group Communications, Corporate Finance and Procurement & Transportation, meets regularly to map the overall stakeholder expectations and to convene, whenever necessary, internal or external stakeholder dialogue sessions.

VALUE CHAIN AND SOCIETY PERFORMANCE BOUNDARY

The value chain and society theme focuses on potential impacts on society incurred through our activities, products and services. For reporting, all entities are considered. While we focus primarily on those of our activities that are directly linked to clean mobility and recycling, other initiatives targeting suppliers, customers or society are tracked and appropriately reported, whether through communications such as this annual report or through other specific communication channels.