

**UMICORE**

Limited Company ("Naamloze Vennootschap" / "Société Anonyme")  
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**STATUTORY ANNUAL REPORT – FISCAL YEAR 2019**

To the shareholders,

In accordance with legal and statutory obligations, we hereby report to you on the execution of our appointment for the year ended 31 December 2019 and submit the annual accounts for your approval.

Upfront Note

These accounts are prepared taking into account an accounting policy change as of 1 January 2019 relating to the permanently tied-up metal inventories also known as non-current inventories ("NCF").

We refer to the detailed accounting policy as attached to the financial statements per 31 December 2019.

**1. RESULT AND POSITION OF THE COMPANY**

**1.1. PROFIT AND LOSS STATEMENT**

1.1.1. SUMMARY

For the full year 2019, the statutory accounts of Umicore (or the "Company") show a net profit after taxes of 209,258 KEUR versus a profit of 227,001 KEUR in the comparable period 2018. This means a decrease of 17,743 KEUR, broken down as follows:

<b>Profit &amp; loss statement (KEUR)</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Delta</b>
Operating result - recurring	36 973	95 542	-58 569
Operating result - non recurring	-42 369	0	-42 369
<b>Operating result</b>	<b>-5 396</b>	<b>95 542</b>	<b>-100 938</b>
Financial result - recurring	216 069	138 421	77 648
Financial result - non recurring	1 996	-4 509	6 505
<b>Financial result</b>	<b>218 065</b>	<b>133 912</b>	<b>84 153</b>
<b>Profit before taxes</b>	<b>212 669</b>	<b>229 454</b>	<b>-16 785</b>
Income taxes	-3 411	-2 453	-958
<b>Net profit of the year</b>	<b>209 258</b>	<b>227 001</b>	<b>-17 743</b>

### 1.1.2. OPERATING RESULT

For a detailed analysis of the recurring operating results we refer to the comments to the IFRS group financial statements.

The decrease of the recurring operating result amounting to -58,569 KEUR between 31 December 2018 and 31 December 2019 is mostly attributable to a lower performance in the Energy & Surface Technologies units and higher depreciations of capitalized research cost (see also section 1.1.3. B further), partly compensated by improved results in the Precious Metals Refining activity.

In 2019, a non-recurring operational loss amounting 42,369 KEUR has been reported. This loss is mainly explained by a lower of cost or market ("*LOCOM*") impairment recognized on the expected intercompany sale of a significant portion of the NCI cobalt "held for sale" by the entity to other Umicore group entities in support of their future expansion. This loss amounts to 45,181 KEUR as at 31 December 2019 and corresponds to the difference between the book value of that held for sale NCI and the market price of the metal at closing. As per the new valuation rule of the entity under Belgian GAAP, the "*held to carry NCI*", the NCI structurally needed at the entity itself, is recorded on purchase at cost and is not subject to the LOCOM valuation principle but is instead to be part of the impairment testing of the total assets of the cash generating unit it belongs to. No such impairment was required on 31 December 2019.

Under the previous accounting rule, whereby the LOCOM value principle was applied to the entire NCI, the non-recurring operating loss on 31 December 2019 would have amounted to 108 MEUR.

### 1.1.3. ECONOMIC CONTEXT BY ACTIVITY

#### A. RECYCLING

Revenues and earnings for **Precious Metals Refining** were well up year on year, benefiting from improved market conditions in certain supply segments and higher metal prices. As anticipated, processed volumes were lower compared to 2018, due to the extended maintenance shutdown of the Hoboken plant in the beginning of the year. In addition, the overall availability of the smelter was affected by the fire incident in July. However, Umicore was able to offset most of the volume shortfall by optimizing the input mix.

The metal price environment was supportive in 2019, with increasing prices for certain precious and platinum group metals, particularly in the second half of the year. While Umicore had already locked in a significant portion of its exposure to these metals in the first half of the year and could therefore not fully benefit from the rise in the second half of the year, average received prices for these metals in 2019 were nevertheless well above the levels of 2018.

The availability of complex secondary materials increased, in particular end-of-life materials such as spent automotive catalysts with a higher metal loading compared to previous generation automotive catalysts and a growing portion of diesel particulate filters. Within the electronic scrap segment, more printed circuit boards were available for recycling as a result of the stricter enforcement by the Chinese government of the Green Fence policy.

Umicore made full use of its distinctive technological capabilities to recycle a higher proportion of such complex materials. This optimization of the mix offset most of the volume shortfall in 2019.

The multi-year capacity expansion program at the Hoboken plant has now been completed and the focus will be to ensure maximum availability of the equipment and optimize the use of this expanded capacity in line with the supply opportunities in the market. As part of its continuous programs to improve the environmental performance of the Hoboken plant, Umicore carried out several investments aimed at upgrading existing plant facilities.

## B. ENERGY & SURFACE TECHNOLOGIES

Revenues in **Rechargeable Battery Materials** were down compared to 2018, due to lower sales of high energy LCO (lithium cobaltite) cathode materials for high-end portable electronics and reduced demand for NMC cathode materials used in energy storage applications. Sales volumes of NMC (nickel manganese cobalt) cathode materials to power electric vehicle ("EV") applications grew in line with the global EV market, supported by Umicore's exposure to a diverse mix of EV platforms with OEMs globally. As anticipated, Umicore's overall sales volumes of cathode materials in the second half of 2019 exceeded both the levels of the first half of 2019 and the second half of 2018.

In 2019, the global EV market slowed down with demand for full electric and plug-in hybrid vehicles up 7.7% after an impressive 62% year-on-year growth in 2018. While EV sales continued to grow in the first half of 2019, albeit at a slower pace than in the second half of 2018, sales decreased in the second half of 2019 due to an abrupt decline of EV demand in China once the subsidy cuts had taken their full effect at the end of June. The new subsidy regime was also less supportive for the use of NMC cathode material in e-buses for shorter distance public transport. Despite the near-term weakness in demand, EV sales in the region are expected to increase substantially over the next years, as the Chinese government remains fully committed to pushing forward electrified transportation. The Ministry of Industry and Information Technology ("*MIIT*") recently proposed a new target penetration rate of 25% new energy vehicles ("*NEV*'s) in 2025 (up from 20% previously and compared with a penetration rate of less than 5% in 2019) combined with an increase of the NEV credit targets for the period 2021-2023.

EV sales in Europe continued to grow strongly (+ 30%) in 2019 with car OEMs increasingly electrifying their product offerings in anticipation of the new CO<sub>2</sub> emission regulation and super credits both phasing in in 2020. Europe accounted for 26% of EVs sold globally and its share is expected to increase over the coming years. The recently proposed European Green Deal provides another strong push towards electrification with the introduction of more stringent CO<sub>2</sub> targets to ensure a clear pathway from 2025 towards zero-emission mobility.

While 2019 proved to be a challenging year in terms of EV demand, several regions are transitioning to electrified mobility and Umicore reached several major milestones that strengthen its global positioning as a battery materials supplier to support this transition. Umicore commissioned its new Process Competence Center in Olen, Belgium and started the construction of its greenfield production site in Poland, which is due to start production by the end of 2020. Umicore also started the commissioning of its new site in China, albeit with an adjusted schedule for further line additions due to the current market slowdown, as announced previously. It also signed multi-year agreements with leading EV battery makers LG Chem and Samsung SDI for the supply of respectively 125,000 and close to 80,000 metric tons of cathode materials, starting in 2020.

Finally, in 2019 Umicore expanded its integrated and sustainable battery materials value chain with the acquisition of Freeport Cobalt's cobalt refining and cathode precursor activities in Kokkola, Finland, which was completed early December, and the conclusion of a long-term partnership with Glencore for the supply of sustainable cobalt. In January 2020, Umicore also signed a long-term supply agreement with CMOC for sustainable cobalt. The cobalt units of both suppliers are sourced from their state-of-the-art industrial-scale concessions in the DRC, which operate in full conformity with Umicore's sustainable procurement framework for cobalt and supply Umicore's refineries worldwide, including the Kokkola refinery.

Umicore has also obtained support for three projects within the framework of Important Projects of Common European Interest ("IPCEI"<sup>1</sup>) for batteries. The Umicore IPCEI-projects are focused on research, innovation and first industrial deployment for new products and processes that are crucial to produce high-quality and affordable batteries that can be recycled in a safe and environmentally friendly way.

Umicore's sales of High Energy LCO cathode materials for batteries used in high-end portable electronics decreased, due to high inventory levels in the supply chain as well as the competition from products containing cheaper cobalt units sourced unethically from artisanal operations.

Revenues and margins of **Cobalt & Specialty Materials** were significantly impacted by the lower cobalt price and the impact of cheaper cobalt from unethical artisanal mining, which led to lower volumes and margins in most cobalt-related activities.

Demand for cobalt containing products was weak, as customers were reducing excess inventories built up in 2018 when the cobalt price was on average more than double the price of 2019. In addition, volumes and premiums of these products were impacted by the inflow of cheaper cobalt, which is unethically sourced from artisanal mining, enabling several competitors to sell at a lower price. While the low cobalt price encouraged some diggers to step away from artisanal cobalt mining, a large stock overhang of such cobalt units is still feeding the market today. Margins in the distribution activity were also impacted by the lower cobalt price, while volumes grew as a result of a successful geographical expansion.

Revenues for nickel compounds used in the battery, plating and catalyst industries were slightly higher year on year.

In the context of a challenging market environment, Umicore decided to discontinue operations at its cobalt, nickel and rhenium refining and recycling plant in Wickliffe, Ohio, USA. The plant transformed these metals into compounds for the catalysts, petrochemical refining and aviation industries. The recycling of cobalt containing hard metal scrap will be taken over by the refining and recycling plant in Olen, Belgium, while the other activities will be phased out in the course of 2020.

Revenues for **Electro-Optic Materials** were roughly stable compared to the previous year. A higher contribution to revenues from finished infrared optics and germanium recycling and refining compensated for the impact of lower demand for thin film products from the microelectronics industry. Revenues for substrates remained broadly stable.

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<sup>1</sup>Important Projects of Common European Interest (IPCEI) are a strategic tool created by the European Commission to support economic growth, job creation and improve global competitiveness for strategic business in the European Union.

### C. DISCONTINUED OPERATIONS

There are no discontinued operations to report.

### D. CORPORATE

Corporate and shared operation function costs went slightly up year on year.

#### 1.1.4. FINANCIAL RESULT

The recurring financial result increased by 77,648 KEUR to 216,069 KEUR and is mainly explained by a higher dividend income (+53,836 KEUR), by better net interest results (+26,798 KEUR) and by slightly more negative results on foreign currency transactions (-1,655 KEUR).

The dividend income amounted to 228,887 KEUR as at 31 December 2019, compared to 175,051 KEUR for the year 2018. This corresponds to an increase of 53,836 KEUR. The most important dividends during 2019 were intercompany dividends received from Umicore International (190,000 KEUR) and Umicore Korea (35,332 KEUR).

The net interest results were 26,708 KEUR higher and are explained by lower interest charges (14,933 KEUR) and increased interest income (11,865 KEUR). The interest charges decreased compared to last year (25,418 KEUR versus 40,351 KEUR at 31 December 2018) and are linked to the declining interest rates on long- and short-term financial debts, both externally and within the Umicore group. The year on year increase of the interest income from current assets amounting to 11,865 KEUR is largely explained by the higher interest income from intercompany funding amounting to 19,452 KEUR. The 8,538 KEUR other financial income and the -15,793 KEUR other financial charges relate mainly to results on foreign currency transactions, slightly more negative than previous year.

The net non-recurring financial result improved with 6,505 KEUR in 2019. The analysis of the carrying value of the participations showed no trigger for additional impairments on 31 December 2019.

#### 1.1.5. INCOME TAXES

The negative tax result of 3,411 KEUR as at 31 December 2019 consists mainly of foreign withholding taxes.

#### 1.1.6. APPROPRIATION OF THE RESULT

The total result available for further appropriation at end December 2019 stood at 471,862 KEUR. This takes into account a net profit as at 31 December 2019 of 209,258 KEUR, the profit carried forward for an amount of 379,411 KEUR, the interim dividend paid in August 2019 in the amount of 90,209 KEUR and the appropriation to the unavailable reserves of movements in the own shares for a total amount of 26,598 KEUR.

## **1.2. BALANCE SHEET**

<b>Balance sheet (KEUR)</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Delta</b>
2.1 Fixed Assets	2 885 295	2 121 852	763 443
2.2 Current Assets	1 748 153	1 696 083	52 070
<b>Total assets</b>	<b>4 633 448</b>	<b>3 817 935</b>	<b>815 513</b>
2.3 Capital and reserves	2 268 309	2 148 880	119 430
2.4 Provisions and deferred taxation	123 600	125 326	-1 726
2.5 Creditors	2 241 539	1 543 730	697 809
<b>Total Liabilities</b>	<b>4 633 448</b>	<b>3 817 935</b>	<b>815 513</b>

### 1.2.1 FIXED ASSETS

#### 1.2.1.1 Formation expenses

The formation expenses net of depreciations of 6,066 KEUR are in relation to the capital increase completed in February 2018.

#### 1.2.1.2. Investments in intangible fixed assets

The net intangible fixed assets increased from 114,447 KEUR at the end of December 2018 to 114,726 KEUR at 31 December 2019 or an increase, net of investments and depreciations, of 278 KEUR.

As at 31 December 2019, investments in new intangible assets were recorded for a total amount of 58,877 KEUR. Investments relate mainly to capitalized development projects (23,505 KEUR), capitalized research costs (22,356 KEUR) capitalized IS costs (3,790 KEUR), CO<sub>2</sub>-emission rights (8,129 KEUR) and acquisition of patents (1,096 KEUR). In the same period depreciations on intangible assets amounted to 58,598 KEUR.

The total amount of 22,356 KEUR of research costs incurred by the entity in 2019 has been capitalized on the balance sheet and subsequently immediately amortized in full in the income statement in accordance with the Accounting Norm Commission advise (ref CBN 2016/6). Therefore, as at 31 December 2019, the net book value of these capitalized research costs equalled 0.

#### 1.2.1.3. Investments in tangible fixed assets

The tangible fixed assets increased from 425,814 KEUR at year-end 2018 to 467,458 KEUR on 31 December 2019 or an increase of 41,644 KEUR, net of investments and depreciations.

New investments in tangible assets as at 31 December 2019 amounted to a total of 103,408 KEUR. The main investments were made on the Hoboken (60,093 KEUR) and the Olen (43,237 KEUR) sites. In the same period, depreciations on tangible assets amounted to 61,590 KEUR.

At year-end 2019, the tangible fixed assets include an amount of 2,736 KEUR related to a financial leasing set-up for an investment at the Olen site.

The investments in the Hoboken facility related mainly to the capacity expansion program, that was initiated in 2014. Next to that, Umicore made substantial investments to further reduce metal emissions and to revamp the current asset base mainly at the lead refinery.

In the CSM plant in Olen, different projects have been finalized to further increase the capacity of the cobalt refinery. Also, other important development and study costs for the future flowsheet of battery recycling have been capitalized.

RBM invested in Olen in the '*Process Competence Center*', where research activities will take place towards innovative processes for the synthesis of materials for rechargeable batteries. The centre was delivered per end of 2019.

In Olen's EOM plant, the renovation of the metallurgy building and administrative offices was initiated at the end of 2018 and is foreseen to be finalized by 2021.

#### 1.2.1.4. Financial fixed assets

The financial fixed assets increased by 723,710 KEUR to 2,297,045 KEUR.

The main movements relate to the capital increases in Umicore International (600,000 KEUR) and Umicore Poland (117,578 KEUR).

#### 1.2.2. CURRENT ASSETS

##### 1.2.2.1 Amounts receivable after more than one year

The increase of 86,687 KEUR reported at 31 December 2019 is explained by financing activities and is consisting of long-term loans granted to different Umicore group subsidiaries, mainly in the US, China and South Korea.

##### 1.2.2.2 Inventories

Overall inventory levels decreased during 2019 by 106,681 KEUR to reach 534,771 KEUR on 31 December 2019. This was driven mostly by decreased inventory volumes at the PMR business unit in Hoboken, complemented by the effect of the erosion of the cobalt price including the impairment booked on the NCI (see section 1.1).

##### 1.2.2.3. Amounts receivable within one year

The amounts receivable within one year increased by 16,782 KEUR compared to last year. This is due to lower trade receivables (-146,492 KEUR), mostly at the level of the E&ST businesses, compensated by an increase (163,274 KEUR) of the other amounts receivable. This latter increase is linked to some long-term loans becoming due within one year and the higher short-term funding to other Umicore group entities.

##### 1.2.2.4 Treasury investments

The investment in own shares increased from 158,103 KEUR to 184,701 KEUR: see 1.2.3.2 "*Own shares*".

#### 1.2.2.5 Deferred charges and accrued income

The increase of accrued income and deferred charges (+30,431 KEUR) to 57,990 KEUR at the end of 2019 is mainly explained by higher mark-to-market impacts on currency and metal positions (+21,214 KEUR), by higher accrued interests resulting from the funding activities (+8,516 KEUR) and by higher other deferred charges & accrued income (+700 KEUR).

#### 1.2.3 CAPITAL AND RESERVES

##### 1.2.3.1. Movements of the capital and share premium

Compared to December 2018, the share capital remained unchanged.

The 26,598 KEUR increase of the reserves not available for distribution is entirely linked to the evolution in the value of own shares – see below.

##### 1.2.3.2 Own shares

The value of the own shares increased from 158,103 KEUR on 31 December 2018 to 184,701 KEUR on 31 December 2019. The variance of 26,598 KEUR is detailed as follows:

<b>Own shares</b>	<b>Number</b>	<b>KEUR</b>
Balance per 01/01/2019	5 356 583	158 103
Acquisition	1 275 871	45 232
Exercises of options and use of free shares	-1 007 904	-18 634
Balance per 31/12/2019	5 624 550	184 701

On 31 December 2019, the balance of own shares represented 2.28% of the total Umicore shares outstanding.

#### 1.2.4 PROVISIONS FOR LIABILITIES AND CHARGES

The provisions for liabilities and charges decreased by 1,726 KEUR. This net decrease is composed of an increase in provisions for pension liabilities (+3,796 KEUR), a decrease in repair & maintenance provisions (-1,822 KEUR) and a decrease in environmental provisions (-3,699 KEUR).

#### 1.2.5 CREDITORS

##### 1.2.5.1 Financial debt (after more than one year and within one year)

The total financial debt increased by 914,758 KEUR compared to December 31<sup>st</sup>, 2018 and is mainly explained by financing provided by Umicore Financial Services which acts as the internal bank for the group. At the end of December 2019, the short-term bank overdraft increased by 524,890 KEUR to 585,314 KEUR and the long-term loans increased by 390,000 KEUR to

1,080,000 KEUR. That increased financing mainly served to fund capital increases in Umicore affiliates – see section 1.2.1.4.

#### 1.2.5.2 Amounts payable within one year (other than financial debt)

The decrease of other than financial debts amounts payable (- 207,366 KEUR) is mainly linked to the decrease of the trade payables (-115,404 KEUR) mostly at the E&ST businesses and amongst other driven by lower cobalt prices and the decrease of other amounts payable (-96,746 KEUR), the latter mainly explained by the payment during the first semester of the final dividend over 2018.

#### 1.2.5.3 Accrued charges and deferred income

The decrease of accrued charges and deferred income with 9,582 KEUR to 82,431 KEUR at the end of 2019 is mainly explained by lower mark-to-market impacts on currency and metal positions (-29,648 KEUR) compensated by higher accrued charges and deferred income (+20,067 KEUR).

### **1.3. PERSONNEL (social balance)**

The approach and policy on social management are determined at group level. For a more detailed analysis of the social engagement we refer to the Umicore website <http://annualreport.umicore.com/management-review/group-review/management-approach/social/Approach/> and the annual report on the consolidated accounts.

#### Workforce

The total number of employees (full time equivalents) on Umicore's payroll in Belgium at year-end significantly increased from 2,929 in 2018 towards 3,092 in 2019. On average, Umicore employed 3,002 FTE's during the year 2019. Umicore welcomed more than 300 new employees in Belgium.

#### People development

Training and development are considered a key investment in competence building. Umicore expects people to drive their career including taking initiatives to continue developing their own competencies. The total number of formal and informal training hours shows an upwards trend (151,762 hours in 2019 versus 139,838 hours in 2018).

#### Preferred employer

Umicore strives to be a preferred employer for both current and potential employees. In 2019 Umicore was as one of the few companies recognized as top employer for the 15<sup>th</sup> time by the Top Employer Institute.

#### Occupational health and safety

In 2019, Umicore recorded a total of 66 lost time accidents compared to 41 in 2018. In total 3,071 days were lost, which is an increase compared to 1,100 in 2018. This falls well short of Umicore's safety objectives. The site in Hoboken (Recycling) counted 57 lost time accidents, which had a high impact on the above unsatisfactory result. The site management continues to work on an improved safety culture, amongst others through more pointed actions. A steering committee led by the plant management closely follows up the safety initiatives and adjusts where necessary.

The group-wide process safety actions focused on the execution of risk analyses in the zone of risk matrix. At the end of 2019, risk analyses were performed for more than 60% of the company processes according to the Umicore standard. Moreover, a timeline was fixed for the remaining risk analyses prioritizing the higher-risk processes. Thanks to an internal team of experts in process safety, detailed evaluations were performed to ensure the quality of such risk analyses. Finally, regular HZAOP trainings were organized.

## **2. SUBSEQUENT EVENTS**

In its full year results 2019 press release of 7 February 2020, Umicore highlighted the risks related to the impact of the coronavirus outbreak on its 2020 outlook. Umicore provided an update of the impact, including on its operations, on 26 March 2020 through a press release, stating that the magnitude and the duration of the impact of COVID-19 make it impossible to predict its full impact on Umicore's market and activities. Umicore therefore withdraws the outlook given on 7 February 2020 which guided for growth in revenues and earnings for the full year 2020, as it assumed at that time that the virus outbreak would not result in a protracted or material effect on the economy in 2020. The COVID-19 outbreak is a non-adjusting subsequent event only having an impact on the balance sheet and income statement of 2020 without having any impact on the financial statements of 2019.

As a matter of prudence and in light of the extreme unpredictability of the global situation, Umicore's Board of Directors has decided to propose a dividend of 0.375 EUR per share in respect of the full year 2019. This proposal replaces the proposal initially made on 7 February 2020 of 0.75 EUR per share and corresponds to the amount of the interim dividend of 0.375 EUR per share which was already paid out on 27 August 2019. This decision is also to be seen as a way for Umicore's management and Board of Directors to share the efforts among its stakeholders. Umicore will assess the appropriate amount to be returned to shareholders in 2020 once it gains more clarity around the full impact of COVID-19.

## **3. DEVELOPMENT OF THE COMPANY.**

A more elaborate description of the Company's global development and the key underlying trends, opportunities and risks can be found in the annual report on the consolidated annual accounts.

## **4. RESEARCH AND DEVELOPMENT**

For a more detailed analysis of the research and development activities, we refer to the annual report on the consolidated annual accounts.

## **5. CORPORATE GOVERNANCE STATEMENT**

### **5.1. CORPORATE GOVERNANCE CODE**

During the financial year 2019, Umicore was subject to the 2009 Belgian Code on Corporate Governance, which it had adopted as its reference code. From 1 January 2020 onwards, Umicore will be subject to the new Belgian Code on Corporate Governance 2020 pursuant to

Article 1 of the Royal Decree of 12 May 2019 laying down the corporate governance code to be complied with by listed companies.

The English, Dutch and French versions of the 2009 and 2020 Codes on Corporate Governance can be found on the website of the Belgian Corporate Governance Committee ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)).

The Umicore Corporate Governance Charter describes in detail the governance structure of the Company and the policies and procedures of the Umicore group. The Charter is available on the Umicore website (<http://www.umicore.com/en/governance/corporate-governance-charter/>) and may be obtained on request from Umicore's Group Communications Department.

Umicore has articulated its mission, values and basic organizational philosophy in a document called "*The Umicore Way*". This document spells out how Umicore views its relationship with its customers, shareholders, employees and society. It is supplemented by detailed company codes and policies, the most significant of which is the Code of Conduct.

In terms of organizational philosophy, Umicore believes in decentralization and in entrusting a large degree of autonomy to each of its business units. The business units in turn are accountable for their contribution to the group's value creation and for their adherence to group strategies, policies, standards and sustainable development approach.

In this context, Umicore is convinced that a sound corporate governance structure constitutes a necessary condition to ensure its long-term success. This implies an effective decision-making process based on a clear allocation of responsibilities. This approach must ensure an optimal balance between a culture of entrepreneurship at the level of the business units and effective steering and oversight processes. The Umicore Corporate Governance Charter deals in more detail with the responsibilities of the shareholders, the board of directors, the Chief Executive Officer ("CEO"), the executive committee and the specific role of the audit committee and of the nomination & remuneration committee. The present statements provide information on governance issues which relate primarily to the financial year 2019.

## **5.2. CORPORATE STRUCTURE**

The board of directors is currently the ultimate decision-making body of Umicore, subject to all matters specifically reserved to the shareholders' meeting by the Belgian Companies Code<sup>2</sup> or Umicore's articles of association. The board is assisted in its role by an audit committee and a nomination & remuneration committee. The day-to-day management of Umicore has been delegated to the CEO, who also chairs the executive committee. The executive committee is responsible for devising the overall strategy of Umicore and for submitting it to the board for review and approval. It is also entrusted with the implementation of this strategy and with the effective oversight of the business units and corporate functions. The executive committee is furthermore responsible for screening the various risks and opportunities that Umicore may encounter in the short, medium or longer term (see Risk Management section) and for ensuring

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<sup>2</sup> From 1 January 2020 onwards, the new Belgian Code of companies and associations will replace the Belgian Companies Code as far its mandatory provisions are concerned; the same is true for its other provisions, but only to the extent that the articles of association of the Company do not contain conflicting provisions. As announced in a press release dated 14 October 2019, Umicore will convene an extraordinary shareholders' meeting in the first half of 2020 in order to propose a full alignment of its articles of associations with the new Code of companies and associations and, in the same context, a shift to a genuine two-tier management structure with a supervisory board and a management board, in replacement of respectively the current board of directors and the executive committee. In the proposed two-tier governance structure, the management board would be vested with all powers not explicitly conferred to the supervisory board or the shareholders' meeting.

that adequate systems are in place to address these. The executive committee is responsible for defining and applying Umicore's approach to sustainable development.

Umicore is organized in business groups which in turn comprise business units that share common characteristics in terms of products, technologies and end-user markets. Some business units are further subdivided into market-focused business lines. In order to provide a group-wide support structure, Umicore has regional management platforms in China, North America, Japan and South America. Umicore's corporate headquarters are based in Belgium. This centre provides a number of corporate and support functions in the areas of finance, human resources, internal audit, legal, tax, and public and investor relations.

### **5.3. SHAREHOLDERS**

#### **5.3.1. ISSUED SHARES – CAPITAL STRUCTURE**

On 31 December 2019 there were 246,400,000 Umicore shares in issue.

The following shareholders have declared a participation of 3% or more (the below mentioned participations are those as mentioned in the transparency declarations of the resp. shareholders)

- Desmarais Family Residuary Trust, Gérald Frère, Ségolène Gallienne, I.G. International Management Ltd, Canada Life Asset Management Ltd, Groupe Bruxelles Lambert SA/NV, Stichting Administratiekantoor Frère-Bourgeois:	45,871,052 shares (18.62%)
- BlackRock Inc.:	13,131,678 shares (5.33%)
- Baillie Gifford & Co and Baillie Gifford Overseas Ltd.:	15,918,969 shares (6.46%)

Also, on 31 December 2019, Umicore owned 5,624,550 of its own shares representing 2.28% of its capital. Information concerning the shareholders' authorization for Umicore to buy back its own shares and the status of such buybacks can be consulted in the Umicore Corporate Governance Charter and on Umicore's website.

During the year, 936,604 own shares were used in the context of the exercise of employee stock options and 71,300 shares were used for share grants, of which 10,000 to the board members, 51,100 to the executive committee members and 10,200 following a partial conversion into shares of the bonus of the CEO.

#### **5.3.2. DIVIDEND POLICY AND PAYMENT**

Umicore's policy is to pay a stable or gradually increasing dividend. There is no fixed pay-out ratio. The dividend is proposed by the board at the ordinary (or annual) shareholders' meeting. No dividend will be paid which would endanger the financial stability of Umicore.

In 2019, Umicore paid a gross dividend of 0,75 EUR per share relating to the financial year 2018. This was an increase by 0.05 EUR compared to the gross dividend paid in 2018 in respect of the financial year 2017.

In July 2019 the board, in line with the Umicore dividend policy, decided to pay an interim dividend, equalling 50% of the total dividend declared for the previous financial year. As a result, a gross interim dividend of 0.375 EUR per share was paid on 27 August 2019.

### 5.3.3. SHAREHOLDERS' MEETINGS 2019

The annual shareholders' meeting was held on 25 April 2019. On this occasion, the shareholders approved the customary resolutions regarding the annual accounts, the appropriation of the results and the discharges to the directors and to the statutory auditor regarding their respective 2018 mandates. At the same meeting, the shareholders appointed Mr Laurent Raets as new director for a period of 3 years. Furthermore, the mandate of Mrs Françoise Chombar as director was renewed for 3 years. The annual shareholders' meeting also approved the remuneration of the board for 2019. Details of the fees paid to the directors in 2019 are disclosed in the remuneration report.

Also on 25 April 2019, a special shareholders' meeting was held, which approved a change of control clause in accordance with Article 556 of the Belgian Companies Code.

## **5.4. BOARD OF DIRECTORS**

### 5.4.1. COMPOSITION

The board of directors, whose members are appointed by the shareholders' meeting resolving by a simple majority of votes without any attendance requirement, is composed of at least 6 members. The directors' term of office may not exceed 4 years. In practice, directors are elected for a (renewable) period of 3 years.

Directors can be dismissed at any time following a resolution of a shareholders' meeting, deciding by a simple majority of the votes cast. There are no attendance requirements for the dismissal of directors. The articles of association provide for the possibility for the board to appoint directors in the event of a vacancy. The next general meeting must decide on the definitive appointment of the above director. The new director completes the term of office of his or her predecessor.

On 31 December 2019, the board of directors was composed of 10 members: 9 non-executive directors and one executive director.

On the same date, 6 directors were independent in accordance with the criteria laid down in Article 526ter of the Belgian Companies Code and provision 2.3 of the 2009 Belgian Code on Corporate Governance<sup>3</sup>.

In terms of gender and cultural diversity, the Board counts 3 women and 5 different nationalities among its 10 members. Diversity also arises from the board members' educational backgrounds which include engineering, law, economics, finance and applied languages. The board's cumulative industry experience is broad, covering automotive, electronics, chemicals, metals, energy, finance and scientific/educational sectors. It also includes people experienced in the public and private sector and members with experience in the different regions in which Umicore is active. Collectively, the board possesses strong experience of managing industrial operations and counts 8 active or former CEOs in its ranks. The board also has collective experience in disciplines that are specifically relevant to Umicore's non-financial Horizon 2020 goals such as health and safety, talent attraction and retention and supply chain sustainability.

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<sup>3</sup> Both provisions were replaced by provision 3.5 of the 2020 Belgian Code on Corporate Governance effective 1 January 2020.

The composition of the board of directors underwent the following changes in 2019:

- Mr Colin Hall resigned as director with effective date 25 April 2019;
- Mr Laurent Raets was appointed director for a period of three years at the annual shareholders' meeting held on 25 April 2019.

Furthermore, the mandate of Mrs Françoise Chombar as independent director was renewed for three years in 2019.

#### 5.4.2. MEETINGS AND TOPICS

The board of directors held seven regular meetings in 2019. On two occasions, the board also took decisions by unanimous written consent.

The matters reviewed by the board in 2019 included the following:

- financial performance of the Umicore group;
- approval of the annual and half-year financial statements;
- adoption of the statutory and consolidated annual accounts and approval of the statutory and consolidated annual reports (including the remuneration report);
- approval of the agenda of an ordinary and a special shareholders' meeting and calling of these meetings;
- innovation strategy;
- investment and divestment projects;
- funding mandates;
- audit committee reports;
- strategic opportunities and operational challenges;
- business risk assessment;
- business and technology reviews, and market updates;
- corporate governance;
- mergers & acquisitions projects;
- IT security;
- annual performance review of the CEO and the other members of the executive committee;
- succession planning at the level of the board and the executive committee;
- litigation updates;
- interim dividend distribution.

The board also visited the Umicore Specialty Products site in Grenoble (France).

#### 5.4.3. PERFORMANCE REVIEW OF THE BOARD AND ITS COMMITTEES

Every two years, the chairman conducts a performance review of the board and its committees. The last performance review took place in 2018.

#### 5.4.4. AUDIT COMMITTEE

The audit committee's composition and the qualifications of its members are fully in line with the requirements of Article 526bis of the Belgian Companies Code and the 2009 Belgian Code on Corporate Governance<sup>4</sup>.

The audit committee is composed of three non-executive directors, two of them being independent. It is chaired by Mrs Ines Kolmsee.

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<sup>4</sup> As from 1 January 2020, these provisions were replaced by respectively Art. 7:99 of the Code of companies and associations and the 2020 Code on Corporate Governance.

The composition of the audit committee underwent one change in 2019: Mr Colin Hall was replaced by Mr Laurent Raets with effective date 25 April 2019.

All the members of the audit committee have extensive experience in accounting and audit matters as demonstrated by their curriculum.

The committee met five times in 2019 and held three conference calls. Apart from the review of the 2018 full year and the 2019 half year accounts, the audit committee reviewed reports and discussed matters related to internal audit, financial reporting and related internal controls, cyber security and group auditor succession. The 2020 internal audit plan was validated. The committee met with the group's auditor and reviewed and approved provided non-audit services.

#### **5.4.5. NOMINATION AND REMUNERATION COMMITTEE**

The nomination & remuneration committee is composed of three members, who are all non-executive directors, two of them being independent. It is chaired by the chairman of the board.

The composition of the nomination & remuneration committee underwent no changes in 2019.

Three nomination & remuneration committee meetings were held in 2019. During the same period the committee discussed the remuneration policy for the board members, the board committee members and executive committee members, and the rules of the stock grant and option plans offered in 2019. The committee also discussed the succession planning at the level of the board and the executive committee.

### **5.5. EXECUTIVE COMMITTEE**

#### **5.5.1. COMPOSITION**

The executive committee has the form of a "*comité de direction*" / *directiecomité*" as defined under Article 524bis of the Belgian Companies Code<sup>5</sup>.

The executive committee is composed of at least four members. It is chaired by the CEO, who is appointed by the board of directors. The members of the executive committee are appointed by the board of directors upon proposal by the CEO and upon recommendation of the nomination & remuneration committee.

The composition of the executive committee underwent the following changes in 2019:

- Mr Pascal Reymonet, former EVP Catalysis, left the executive committee effective 1 February 2019;
- Mr Ralph Kiessling was appointed EVP Catalysis and member of the executive committee with effective date 1 February 2019.

On 31 December 2019 the executive committee was composed of 7 members including the CEO.

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<sup>5</sup> As previously indicated, an extraordinary shareholders' meeting will be convened in the first half of 2020 in order to propose, *inter alia*, the adoption of a genuine two-tier governance structure, which would entail the replacement of the executive committee by a management board.

### 5.5.2. PERFORMANCE REVIEW

A review of the performance of each executive committee member is conducted annually by the CEO and discussed with the nomination & remuneration committee. The results are presented to and discussed by the board of directors.

The board also meets annually in a non-executive session (i.e. without the CEO being present) to discuss and review the performance of the CEO.

The above performance reviews took place on 7 February 2019.

## **5.6. RELEVANT INFORMATION IN THE EVENT OF A TAKEOVER BID**

### 5.6.1. RESTRICTIONS ON TRANSFERRING SECURITIES

Umicore's articles of association do not impose any restriction on the transfer of shares or other securities.

The Company is furthermore not aware of any restrictions imposed by law except in the context of the market abuse legislation and of the lock-up requirements imposed on some share grants by the Companies Code<sup>6</sup>.

The options on Umicore shares as granted to the CEO, to the members of the executive committee and to designated Umicore employees in execution of various Umicore incentive programs may not be transferred inter vivos.

### 5.6.2. HOLDERS OF SECURITIES WITH SPECIAL CONTROL RIGHTS

There are no such holders.

### 5.6.3. VOTING RIGHT RESTRICTIONS

Umicore's articles of association do not contain any restriction on the exercise of voting rights by shareholders, providing the shareholders concerned are admitted to the shareholders' meeting and their rights are not suspended. The admission rules to shareholders' meetings are articulated in Article 17 of the articles of association. According to Article 7 of the articles of association, the rights attached to shares held by several owners are suspended until one person is appointed as owner vis-à-vis the Company.

To the board's best knowledge, none of the voting rights attached to the shares issued by the Company were suspended by law on 31 December 2019, save for the 5,624,550 shares held by the Company itself on that date (Article 622 §1 of the former Belgian Companies Code<sup>7</sup>).

### 5.6.4. EMPLOYEE STOCK PLANS WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

The Company has not issued such employee stock plans.

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<sup>6</sup> Replaced by the Code of companies and associations as of 1 January 2020.

<sup>7</sup> Article 7:217 §1 of the Code of companies and associations as of 1 January 2020.

#### 5.6.5. SHAREHOLDERS' AGREEMENTS

To the board's best knowledge there are no shareholders' agreements which may result in restrictions on the transfer of securities and/or the exercise of voting rights.

#### 5.6.6. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Save for capital increases decided by the board of directors within the limits of the authorized capital, only an extraordinary shareholders' meeting is authorized to amend Umicore's articles of association. A shareholders' meeting may only deliberate on amendments to the articles of association – including capital increases or reductions, mergers, de-mergers and a winding-up – if at least 50% of the subscribed capital is represented. If the above attendance quorum is not reached, a new extraordinary shareholders' meeting must be convened, which will deliberate regardless of the portion of the subscribed capital represented. As a general rule, amendments to the articles of association are only adopted if approved by 75% of the votes cast. The Companies Code<sup>8</sup> provides for more stringent majority requirements in specific instances, such as the modification of the corporate object or the company form.

The Company's articles of association were not amended in 2019.

#### 5.6.7. AUTHORIZED CAPITAL – BUY-BACK OF SHARES

The Company's share capital may be increased following a decision of the board within the limits of the so-called "*authorized capital*". The authorization must be granted by an extraordinary shareholders' meeting; it is limited in time and amount and is subject to specific justification and purpose requirements.

The extraordinary shareholders' meeting held on 26 April 2018 (resolutions published on 29 May 2018) renewed the authorization granted to the board to increase the Company's share capital. The board is authorized to increase the capital in one or more times by a maximum amount of 55,000,000 EUR. Up until 31 December 2019, the board did not use this renewed authorization. The authorization will lapse on 28 May 2023.

Following a resolution of the extraordinary shareholders' meeting held on 26 April 2018, the Company is authorized to acquire own shares on a regulated market within a limit of 10% of the subscribed capital, at a price per share comprised between 4 EUR and 100 EUR and until 31 May 2022 (included). The same authorization was also granted to the Company's direct subsidiaries. The Company acquired 1,275,871 own shares in 2019 in implementation of the above authorization.

#### 5.6.8. AGREEMENTS BETWEEN THE COMPANY AND ITS BOARD MEMBERS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THEY RESIGN, OR ARE MADE REDUNDANT WITHOUT VALID REASON, OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKE-OVER-BID

Some senior vice-presidents of the Umicore group are entitled to a compensation equivalent to 36 months base salary in the event of a dismissal within twelve months after a change of control of the Company. As far as the members of the executive committee are concerned, reference is made to the remuneration report.

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<sup>8</sup> The Code of companies and associations, which has replaced the old Companies Code effective 1 January 2020, contains similar provisions on this subject.

## **5.7. CONFLICTS OF INTERESTS (Art. 523 – 524ter Companies Code)**

On 7 February 2019, prior to the board discussing or taking any decision, Marc Grynberg, CEO, declared that he had a direct conflicting interest of a proprietary nature in the implementation of the decisions taken by the board relating to his performance assessment and to his remuneration (including the grant of shares and options). In accordance with Article 523 of the Belgian Companies Code, Marc Grynberg did not take part in the board's discussions concerning this decision and he did not take part in the voting.

The above decisions had/will have the following financial consequences:

### **5.7.1. FIXED AND VARIABLE REMUNERATION**

The CEO received a fixed gross remuneration of 700,000 EUR in 2019. Also in 2019, he received a gross variable cash remuneration totalling 220,000 EUR as non-deferred part of his variable cash remuneration for the reference year 2018.

Furthermore he received in 2019 a gross amount of 144,450 EUR as second half of the deferred payment of his variable remuneration for the reference year 2016 based on (1) the 3-year average Umicore group profitability criterion, i.e. the average return on capital employed (ROCE) for the reference years 2016, 2017 and 2018 (i.e. 15% giving rise to a percentage pay-out of 75%) and (2) the 3-year average EBIT growth for the same reference years 2016, 2017 and 2018 multiplied by 2 (i.e. 16.2% giving rise to a percentage pay-out of 32%).

The ROCE range is set between a minimum of 7.5% (= pay-out of 0%) and a maximum of 17.5% (= pay-out of 100% of the target). When the achieved ROCE percentage falls between the minimum and the maximum, the pay-out will be pro-rated. The impact of the EBIT growth is calculated by multiplying the average percentage of the EBIT growth for the reference years by 2. The Group EBIT growth incentive only applies for a minimum compounded average recurring EBIT growth of 10%.

### **5.7.2. GRANT OF SHARES AND STOCK OPTIONS**

The financial consequences for Umicore consist of: either 1) as long as Umicore decides to keep the shares it holds today: the financing and opportunity cost of maintaining such shares in its portfolio until the delivery date of the shares granted or the option's exercise date, or 2) if and to the extent that Umicore sells such shares at a later date: the difference on the date of exercise of the options between the exercise price and the market value of the shares that Umicore would have to buy on that date.

During 2019, no specific transactions or contractual commitments occurred between a member of the board or of the executive committee on the one hand, and Umicore or one of its affiliated companies on the other hand.

## **5.8. STATUTORY AUDITOR**

At the annual shareholders' meeting held on 25 April 2017, the statutory auditor's mandate of PricewaterhouseCoopers Bedrijfsrevisoren/Réviseurs d'Entreprises BCVBA/SCCRL was renewed for a period of 3 years. The statutory auditor is represented by Mr Kurt Cappoen for the exercise of this mandate.

Following the new applicable legislation on auditing services, the mandate of the current statutory auditor, who was initially appointed in 1993, will only be renewable once, i.e. in 2020 (the latter provided it occurs before 17 June 2020).

The Umicore policy detailing the independence criteria for the statutory auditor may be requested from Umicore.

## **5.9. CODE OF CONDUCT**

Umicore operates a Code of Conduct for all its employees, representatives and board members. This Code of Conduct is fundamental to the task of creating and maintaining a relation of trust and professionalism with its main stakeholders namely its employees, commercial partners, shareholders, government authorities and the public.

The main purpose of Umicore's Code of Conduct is to ensure that all persons acting on behalf of Umicore carry out their activities in an ethical way and in accordance with the laws and regulations and with the standards Umicore sets through its present and future policies, guidelines and rules. The Code of Conduct contains a specific section on complaints and expressions of concern by employees and "whistle-blower" protection.

The Code of Conduct is published in Appendix 4 to the Umicore Corporate Governance Charter.

## **5.10. MARKET MANIPULATION AND INSIDER TRADING**

Umicore's policy related to market abuse including insider trading is spelled out in the Umicore Dealing Code, which can be found under Appendix 5 to the Umicore Corporate Governance Charter.

## **5.11. COMPLIANCE WITH THE 2009 BELGIAN CODE ON CORPORATE GOVERNANCE**

At all times during the financial year 2019, Umicore's corporate governance systems and procedures were in line with the 2009 Belgian Code on Corporate Governance.

## **5.12. REMUNERATION POLICY AND REMUNERATION REPORT**

### **5.12.1. REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS AND THE MEMBERS OF THE EXECUTIVE COMMITTEE**

#### **5.12.1.1. Introduction**

On 6 February 2020 the nomination and remuneration committee presented the remuneration policy (the "Policy") to the board of directors for discussion and approval. This Policy outlines the remuneration principles for the Umicore's non-executive directors and the members of the executive committee in accordance with the Belgian Code of companies and associations and the 2020 Belgian Code on corporate governance.

While consistent with the remuneration practice in 2019, this Policy is effective as of 1 January 2020 and will be submitted to Umicore's annual shareholders' meeting on 30 April 2020.

The nomination and remuneration committee is composed exclusively of members of the board of directors and a majority of its members qualify as independent members. This helps to

prevent the occurrence of conflicts of interest regarding the setting up, amendments and implementation of this Policy in relation to the CEO and the other members of the executive committee (together the "*Members of the Executive Committee*"). The Members of the Executive Committee do not take part in any discussions of the nomination and remuneration committee related to their remuneration. As regards the remuneration of the non-executive directors, all decisions are adopted by the shareholders' meeting.

#### 5.12.1.2. General principles

The Policy aims to ensure that the Company can attract, motivate and retain the right talent for the board of directors and the executive committee. It focuses on delivering competitive, fair and responsible remuneration driving the achievement of the Company's long-term interests, sustainability and strategic objectives.

The remuneration for the executive and non-executive directors is assessed annually by the board of directors on the basis of recommendations from the nomination and remuneration committee. The remuneration components are benchmarked against companies which are part of the BEL20 index, as well as European companies of similar size operating in the chemicals, metals and materials sectors.

The general principles for the remuneration of the Members of the Executive Committee are consistent with the overall remuneration philosophy of the Company.

#### 5.12.1.3. Remuneration for the non-executive directors

The remuneration for the non-executive directors takes into account their responsibilities and commitment in time. They are rewarded for their services through cash and fixed share-based compensation.

All members of the board receive an annual fixed fee. Members of the audit committee receive a supplementary fixed fee. The fixed fees can vary based on the specific mandate and are pro-rated in case of appointment or end of mandate in the course of the year.

In addition to the fixed fees, the non-executive directors receive an attendance fee for each meeting of the board of directors and of its committees attended. A member of the board residing outside Belgium receives an additional attendance fee for each meeting attended in person. All reasonable travel and other expenses incurred while performing their duties are reimbursed.

In addition to the cash compensation, the members of the board of directors receive a number of Umicore shares depending on their role in the board. The shares granted as of 2020 have to be held until at least one year after the member leaves the board and at least three years after the moment of grant. The number of shares is pro-rated in case of appointment or end of mandate in the course of the year. No performance criteria apply to the grant of the shares.

A company car is provided to the chairman of the board.

The remuneration of the non-executive directors is approved by the shareholders at the Company's annual shareholders' meeting.

#### 5.12.1.4. Remuneration for the CEO and the other members of the executive committee

The remuneration of the Members of the Executive Committee comprises a base remuneration, a short-term and multi-year variable cash compensation, long-term share-based incentives and other usual benefits.

### **Fixed compensation**

The fixed remuneration of the Members of the Executive Committee is determined annually by the board of directors upon recommendation of the nomination and remuneration committee. In making its decision, the board of directors takes into account the scope and level of responsibility, the experience, prevailing market conditions, as well as the personal and Company performance.

### **Variable cash compensation**

A strong focus on performance and achievements at Company and individual level is reflected in the variable compensation program. This program aims at aligning the interests of the Members of the Executive Committee with the sustainable value-creation objectives of the Company.

The annual variable cash remuneration potential for the Members of the Executive Committee amounts to at least 75% of their fixed compensation and is composed as follows:

- **A 50% undeferred part based on individual performance**  
At the beginning of every performance year, the individual objectives of the CEO are discussed during a nomination and remuneration committee, followed by a discussion and approval by the members of the board. The annual individual objectives of each member of the executive committee are fixed by the CEO on basis of their areas of responsibility. The annual individual objectives take into account financial performance, the progress achieved against Company strategic and sustainable development objectives, and adherence to the values of the Company. Financial criteria include ROCE, recurring EBIT and EBITDA with budget and year-on-year progress being used as reference. Strategic and sustainable development objectives are tied to economic performance, value chain and society, eco-efficiency and great place to work. The annual performance of the CEO is assessed by the nomination and remuneration committee and the results of this assessment are presented by the Chairman and discussed with the members of the board. The annual performance of each member of the executive committee is initially assessed by the CEO. The results of the assessments and the individual variable cash remuneration proposals are presented by the CEO to the nomination and remuneration committee before approval by the members of the board.
- **A 50% deferred part based on multi-year Company performance**, to reward for the quality of the results (Group ROCE criterion) and to provide an incentive for growth (Group recurring EBIT growth criterion). This variable component applies a deferment of three years with a pay-out after three years, based upon a three-year average ROCE and recurring EBIT growth. The Group EBIT growth incentive only applies for a minimum compounded average recurring EBIT growth of 10%. The ROCE range is set between a minimum of 7.5% (= pay-out of 0%) and a maximum of 17.5% (= pay-out of 100% of the target). When the achieved ROCE percentage falls between the minimum and the maximum, the pay-out will be pro-rated. In case the 10% compounded average recurring EBIT growth threshold is reached, the compounded average recurring EBIT growth% will be multiplied by two and added to the ROCE pay-out %.

The Members of the Executive Committee have the possibility to receive their variable cash compensation, if any, partly or totally in the form of Umicore shares.

### **Share-based compensation**

To ensure a direct correlation with the long-term value creation benefitting shareholders and stakeholders, a long-term incentive program consisting of Umicore shares and stock options has been put in place.

**Umicore shares** are granted annually to the Members of the Executive Committee at the discretion of the board of directors in recognition of services rendered in the previous year. The shares are subject to a three-year lock-up and are not subject to forfeiture conditions.

The Members of the Executive Committee are also granted **stock options** for the ongoing year as part of the annual Umicore Incentive Stock Option Plan, subject to an annual approval of the board of directors. Each accepted option entitles the holder to acquire one existing share of the Company against payment of the exercise price. The Umicore Incentive Stock Option plan for the Members of the Executive Committee holds a duration of seven years including a three-year waiting period before exercise. Stock options that have not been exercised by the expiry of the exercise period will lapse automatically and without compensation. In case of dismissal for serious cause the non-exercised options become void (see section "Agreement related to the mandate of the CEO" regarding the CEO).

Should the Company carry out a corporate change having an impact on its capital and an adverse effect on the exercise price of the stock options and/or the number of shares to which the options give right, the board of directors, in its sole discretion, may adapt such price and/or the number of shares to which the stock options holders are entitled.

### **Pension and other benefits**

The Members of the Executive Committee are entitled to retirement, death-in-service and disability benefits. The CEO and the members of the executive committee appointed before 1 July 2018 are enrolled in a defined benefit plan and a supplementary defined contribution plan. For the members of the executive committee joining as of 1 July 2018 a defined contribution plan applies.

In addition, the Members of the Executive Committee are entitled to the usual benefits such as a company car, medical insurance and representation allowance. They also have the possibility to enrol in the Belgian Umicore mobility scheme such as the bike lease program.

### **Additional benefits**

The board of directors may decide to grant Members of the Executive Committee individual additional fringe benefits where deemed appropriate, such as for instance a mobility premium or housing for cross-border assignments. Such additional remuneration will be disclosed in the annual remuneration report.

### **Summary of the remuneration for the Members of the Executive Committee**

The below table provides a summary of the remuneration structure for the Members of the Executive Committee, showing also the cash timeline.

Time to cash conversion	Remuneration component	Executive Directors
Year of reference (y)	Fixed compensation	Based on the scope and level of responsibility, the experience of the Executive Directors, prevailing market conditions, as well as the personal and Company performance.  Annual review based on market practices BEL 20 and European peer companies.
y+1	Undeferred variable 50%	Based on individual performance.
y+3	Deferred variable 50%	Based on multi-year Company performance, taking into account a 3-year average Group ROCE and compounded average recurring EBIT growth% (y, y+1, y+2).
y+4	Shares	Grant in recognition of services rendered in the reference year (previous year) - not linked to individual or business performance criteria - subject to a 3 year lock-up.
y+3 to y+7	Stock options	Upfront grant for the reference year - not linked to individual or business performance criteria - subject to a 3 year lock-up.
Year of reference (y) - retirement age (pension)	Benefits	Retirement, death-in-service and disability benefits, and other market common benefits.

#### 5.12.1.5. Minimum shareholding requirement

The CEO is required to build up, within three years from the date of appointment, and to retain minimum 30,000 Umicore shares throughout his tenure. This requirement is also applicable to the members of the executive committee, in respect of a minimum of 15,000 shares.

#### 5.12.1.6. Malus and claw back provisions

The nomination and remuneration committee has discretion to adjust (malus) or reclaim (claw back) performance related payments of the past three reference years, in the event of fraud or a misstatement of the results leading to undue paid variable compensation, insofar as enforceable by law.

This clause will systematically be applicable to contracts entered into with Members of the Executive Committee as of December 2019.

#### 5.12.1.7. Main features of the agreements with the non-executive directors and the Members of the Executive Committee

##### **General features**

All non-executive directors and Members of the Executive Committee have a self-employed status.

##### **Agreements related to the mandate of the members of the board**

The maximum duration of the mandate of the members of the board is six years. This mandate can be renewed. Members of the board are not entitled to any notice period or severance indemnity in relation to the termination of their mandate.

### **Agreement related to the mandate of the CEO**

Taking into account Marc Grynberg's seniority in the Company, the Company resolved as follows in 2008:

- In case of termination of the contract by the Company, a total compensation equivalent to 18 months of his annual base salary will be paid.
- A total compensation of three years of annual base salary as minimum indemnity will be paid to the CEO if his employment as CEO would be terminated within a 12 months period following a change of control due to a takeover bid (not cumulative with the previous provision).
- It is at the board of director's discretion to determine whether the variable cash remuneration would form part of any final indemnity.
- Stock options vest upon grant, subject to a three-year waiting period for exercise.

### **Agreement related to the mandate of the other members of the executive committee**

The agreements with the other members of the executive committee appointed before 1 July 2018 include a compensation equivalent to 18 months of the annual base salary in case of contract termination.

For the other members of the executive committee appointed after 1 July 2018, a 12 months compensation of the annual base salary will apply in case of contract termination.

It is at the board of director's discretion as to whether the variable cash remuneration would form part of any final indemnity.

#### 5.12.1.8. Deviations of the remuneration report

In exceptional circumstances, the board of directors may decide to derogate from any items of the Policy if necessary to serve the long-term interests and sustainability of the Company. Any such deviation must be discussed at the nomination and remuneration committee who will provide a substantiated recommendation to the board of directors. Any deviation from the Policy will be described and explained in the Company's annual remuneration report.

#### 5.12.1.9. Approval and publication

The board of directors, with support from the nomination and remuneration committee, is responsible for the compliance with this Policy and for completing an annual review of this Policy.

This Policy is submitted to the annual shareholders' meeting at least every fourth year and upon any proposed material change of the Policy.

The Policy has been approved by the board of directors on 6 February 2020 and will be submitted on the annual shareholders' meeting of 30 April 2020.

## 5.12.2. REMUNERATION REPORT

### 5.12.2.1. Remuneration for the non-executive directors

The remuneration of the non-executive directors was as follows in 2019, in accordance with the 2019 remuneration principles and unchanged versus the previous year:

#### **Board**

- Chairman: annual fixed fee: 60,000 EUR + 5,000 EUR per meeting attended + 2,000 Umicore shares + company car
- Director: annual fixed fee: 27,000 EUR + 2,500 EUR per meeting attended + 1,000 EUR per meeting attended for foreign-based board members + 1,000 Umicore shares.

#### **Audit committee**

- Chairman: annual fixed fee: 10,000 EUR + 5,000 EUR per meeting attended.
- Member: annual fixed fee: 5,000 EUR + 3,000 EUR per meeting attended.

#### **Nomination and remuneration committee**

- Chairman: 5,000 EUR per meeting attended.
- Member: 3,000 EUR per meeting attended.

#### **2019 Remuneration overview non-executive directors**

All components of the non-executive directors' remuneration for the reported year are detailed in the table below:

		(in €)	Meetings attended
Thomas Leysen (Chairman) (non-executive director)	<b>Board</b> Fixed annual fee Chairman Fee per attended meeting Value of 2,000 granted shares <b>Nomination and Remuneration Committee</b> Fee per attended meeting Chairman <b>Total remuneration</b> Benefit in kind company car	60.000 5.000 52.860  5.000 <b>162.860</b> 2.377	  7/7  3/3
Marc Grynberg (executive director)	<b>Board</b> No remuneration as a director (see hereafter 2019 CEO remuneration)		7/7
Liat Ben-Zur (independent, non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares <b>Total remuneration</b>	27.000 3.500 26.430 <b>77.930</b>	 7/7
Françoise Chombar (independent, non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares <b>Nomination and Remuneration Committee</b> Fee per attended meeting <b>Total remuneration</b>	27.000 2.500 26.430  3.000 <b>79.930</b>	 7/7  3/3
Koenraad Debackere (independent, non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares <b>Audit Committee</b> Fixed annual fee Fee per attended meeting <b>Total remuneration</b>	27.000 2.500 26.430  5.000 3.000 <b>99.930</b>	 7/7  8/8
Mark Garrett (independent, non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares <b>Nomination and Remuneration Committee</b> Fee per attended meeting <b>Total remuneration</b>	27.000 3.500 26.430  3.000 <b>86.930</b>	 7/7  3/3
Colin Hall (non-executive director) End of mandate: AGM of 25 April 2019	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 315 granted shares retroceded to GBL <b>Audit Committee</b> Fixed annual fee Fee per attended meeting <b>Total remuneration</b>	8.507 3.500 8.325  1.575 3.000 <b>40.908</b>	 3/3  4/4
Ines Kolmsee (independent, non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares <b>Audit Committee</b> Fixed annual fee Chairman Fee per attended meeting <b>Total remuneration</b>	27.000 3.500 26.430  10.000 5.000 <b>127.930</b>	 7/7  8/8
Gérard Lamarche (non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares retroceded to GBL <b>Total remuneration</b>	27.000 3.500 26.430 <b>77.930</b>	 7/7
Eric Meurice (independent, non-executive director)	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 1,000 granted shares <b>Total remuneration</b>	27.000 3.500 26.430 <b>77.930</b>	 7/7
Laurent Raets (non-executive director) Appointed by the AGM of 25 April 2019	<b>Board</b> Fixed annual fee Fee per attended meeting Value of 685 granted shares retroceded to GBL <b>Audit Committee</b> Fixed annual fee Fee per attended meeting <b>Total remuneration</b>	18.493 2.500 18.105  3.425 3.000 <b>62.022</b>	 4/4  4/4

#### 5.12.2.2. Remuneration for the CEO and the other members of the executive committee

The remuneration of the CEO and the other members of the executive committee was reviewed by the board of directors on 7 February 2019, on the basis of recommendations from the nomination and remuneration committee following a comparison survey with BEL20 and European peer companies.

The remuneration for the CEO and the other members of the executive committee included in 2019 the following components: fixed remuneration, variable compensation, share-based compensation, pension plans and other benefits.

#### Remuneration CEO

The board of directors of 7 February 2019 decided to increase the annual variable cash remuneration potential of the CEO by 160,000 EUR to 700,000 EUR as of 1 January 2019, half of which is deferred over three years, and to decrease the number of stock options from 150,000 to 140,000. The fixed remuneration was not adjusted.

The board of directors of 6 February 2020 decided to grant 10,000 Umicore shares for services rendered in the reported year. These shares are subject to a three-year lock-up and are not subject to forfeiture conditions.

All components of the remuneration earned by the CEO for the reported year are detailed in the table below:

(in €)	CEO 2019	CEO 2018
<b>Fixed compensation</b>	700.000	700.000
<b>Undeferred Variable 50% (1)</b>	87.500	220.000
<b>Deferred Variable 50% (2)</b>	256.500	144.450
<b>Shares (3)</b>	420.500	354.432
<b>Stock options (4)</b>	712.600	1.033.500
<b>Pension</b>		
Defined contribution plan	54.410	51.156
Defined benefits plan (service cost)	158.669	117.241
<b>Other</b>		
Representation allowance, benefit in kind company car, insurance benefits ...	51.921	51.631
<b>Total</b>	<b>2.442.100</b>	<b>2.672.410</b>

- (1) The undeferred payable 2019 relates to the reference year 2019, pay-out in 2020.
- (2) The deferred variable 2019 relates to the reference year 2019, pay-out in 2020. This variable takes into account an average ROCE of 14.4%, resulting in a pay-out of 69% of the 2017 deferred target, and a compounded average EBIT growth % (over the years 2017-2018-2019) of 13.2%, resulting in a pay-out of 26% of the 2017 deferred target.
- (3) The 2019 share grant relates to the reference year 2019, granted in 2020.
- (4) The 2019 stock option grant relates to the reference year 2019, granted in 2019, and is based on a notional value of 5.09 EUR according to the Black & Scholes formula (notional value of 6.89 EUR in 2018).

## Remuneration other members of the executive committee

The board of directors of 7 February 2019 decided to adjust the annual fixed remuneration by 20,000 EUR and to increase the annual variable cash remuneration potential by 80,000 EUR to 380,000 EUR as of 1 January 2019, half of which is deferred over three years. The number of stock options decreased from 35,000 to 30,000.

The board of directors of 6 February 2020 decided to grant 7,000 Umicore shares for services rendered in the reported year. These shares are subject to a three-year lock-up and are not subject to forfeiture conditions.

All components of the remuneration earned by the other members of the executive committee for the reported year are detailed in the table below:

(in €)	Other members of the executive committee 2019 (in aggregate)	Other members of the executive committee 2019 (in aggregate)
<b>Fixed compensation</b>	2.525.417	2.306.250
<b>Undeferred Variable 50% (1)</b>	570.000	662.500
<b>Deferred Variable 50% (2)</b>	855.000	481.500
<b>Shares (3)</b>	1.764.218	1.381.284
<b>Stock options (4)</b>	908.565	1.266.038
<b>Pension</b>		
Defined contribution plan	291.506	149.452
Defined benefits plan (service cost)	371.931	512.156
<b>Other (5)</b>		
Representation allowance, benefit in kind company car, insurance benefits ...	209.223	123.293
<b>Total</b>	<b>7.495.860</b>	<b>6.882.473</b>

- (1) The undeferred payable 2019 relates to the reference year 2019, pay-out in 2020.
- (2) The deferred variable 2019 relates to the reference year 2019, pay-out in 2020. This variable takes into account an average ROCE of 14.4%, resulting in a pay-out of 69% of the 2017 deferred target, and a compounded average EBIT growth % (over the years 2017-2018-2019) of 13.2%, resulting in a pay-out of 26% of the 2017 deferred target.
- (3) The 2019 share grant relates to the reference year 2019, granted in 2020.
- (4) The 2019 stock option grant relates to the reference year 2019, granted in 2019, and is based on a notional value of 5.09 EUR according to the Black & Scholes formula (notional value of 6.89 EUR in 2018).
- (5) Includes additional benefits for Denis Goffaux following his foreign assignment in Korea.

### 5.12.2.3. Share and share option ownership and transactions 2019

#### Executive committee share option ownership and transactions 2019

Name	Options at 31 Dec 2018	Options granted in 2019	Number of options exercised in 2019	Average exercise price (in €)	Year of grant of options exercised	Number of options forfeited	Options at 31 Dec 2019 *
Marc Grynberg	870.000	140.000	120.000	18,187	2013	0	890.000
Stephan Csoma	105.000	30.000	35.000	16,632	2016	0	100.000
Denis Goffaux	140.000	30.000	27.500	17,289	2015	0	142.500
Géraldine Nolens	129.000	30.000	0	0	-	0	159.000
Filip Platteeuw	140.000	30.000	20.000	17,289	2015	0	150.000
An Steegen	0	30.000	0	0	-	0	30.000
Ralph Kiessling	47.000	28.500	5.000	16,143	2014	0	70.500

\* These options can be exercised at strike prices between € 16,143 and € 40,90 (value after the share split on 16 October 2017)

Details of all options exercised and other share-related transactions can be found on the FSMA website.

### Executive committee share ownership on 31 December 2019

	Shares owned at 31/12/2018	Shares owned at 31/12/2019
Marc Grynberg	813.700	914.300
Stephan Csoma	36.600	22.200
Denis Goffaux	49.600	77.000
Géraldine Nolens	19.500	26.900
Filip Platteeuw	37.600	45.000
An Steegen	0	1.850
Ralph Kiessling	-	1.000
<b>Total</b>	<b>957.000</b>	<b>1.088.250</b>

### Board of directors share ownership on 31 December 2019

	Shares owned at 31/12/2018	Shares owned at 31/12/2019
Thomas Leysen	806.000	918.000
Liat Ben-Zur	1.688	2.688
Françoise Chombar	2.684	3.684
Mark Garrett	3.666	13.386
Ines Kolmsee	6.610	7.610
Gérard Lamarche	3.000	3.000
Eric Meurice	3.666	4.666
Koenraad Debackere	684	1.684
Laurent Raets	-	-
<b>Total</b>	<b>827.998</b>	<b>954.718</b>

#### 5.12.2.4. Changes to the remuneration since the end of 2019

##### Remuneration for the non-executive directors

Based on the review of the overall compensation of the members of the board and of each element of the compensation, the nomination and remuneration committee concluded that the compensation is appropriate, with exception of one small change in relation to the additional attendance fee for members of the board residing outside Belgium. This additional attendance fee will apply also for the Committee meetings, attended in person and not combined with a board meeting.

##### Remuneration for the CEO

On 5 February 2020, the nomination and remuneration committee reviewed the remuneration of the CEO based on a comparison survey with European peer companies and BEL20 index companies.

On proposal of the nomination and remuneration committee, the board of directors of 6 February 2020 decided to increase the fixed remuneration of the CEO by 20,000 EUR to 720,000 EUR as of 1 January 2020, and to grant 10,000 shares for the services rendered in the reported year (versus 10,400 shares for the reference year 2018).

##### Remuneration for the other members of the executive committee

On 5 February 2020, the nomination and remuneration committee reviewed the remuneration of the other members of the executive committee based on a comparison survey with European peer companies and BEL20 index companies.

On proposal of the nomination and remuneration committee, the board of directors of 6 February 2020 decided to increase their fixed remuneration by 20,000 EUR as of 1 January

2020, and to grant 7,000 shares for the services rendered in the reported year (versus 7,400 shares for the reference year 2018).

### **5.13. RISK MANAGEMENT AND INTERNAL CONTROL**

Each business unit operates in an environment which carries specific growth expectations and differing degrees of market and technological uncertainty that could impact strategic objectives. As such, the primary source of risk and opportunity identification lies within the business units.

Similarly, 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.

#### **5.13.1. OUR INTERNAL CONTROL SYSTEM**

Internal control mechanisms exist throughout Umicore to provide management with reasonable assurance of our ability to achieve our objectives. They cover:

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

Umicore adopted the COSO framework for its Enterprise Risk Management and has adapted its various constituents within its organization 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-organizational 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.

Out of the 12 control cycles, 4 cycles (Internal Control Environment, Tax, Inventory Management and Hedging) were reviewed and assessed in the course of 2019 by the 99 control entities currently in scope. The Minimum Internal Control Requirements in Information Technology Management have been reviewed and updated. The assessment of this cycle is

planned for the year 2020. Risk assessments and actions taken by local management to mitigate potential internal control weaknesses identified through prior assessments are monitored continuously. The Internal Audit department reviews the compliance assessments during its missions.

#### 5.13.2. REGULATORY AND LEGAL CONTEXT

##### **POTENTIAL IMPACT**

Umicore is exposed to changes in the regulatory environment in the countries or regions where it operates. Umicore's businesses stand to benefit from certain regulatory trends, notably those regarding more stringent emission controls for vehicles, low carbon mobility and enforced recycling of end-of-life products.

Some regulations, such as environmental or product-related laws, can present operational challenges, higher costs and a potentially uneven competitive environment.

Data protection, IP and IP protection-related matters impact technology-driven businesses.

##### **CHANGE IN CONTEXT**

Worldwide, changes to existing product-related legislation and the introduction of new legislation might impact our business. Although the European REACH regulation is still the most relevant for Umicore, Korean- REACH is gaining importance.

The trend towards more stringent emission legislation and targets continued, while new measures on vehicle emissions push industry to innovate in emission control system design, including catalysts and catalytic filters, and increase the demand for electric vehicles.

Geopolitical conditions, trade and tariffs continue to be a factor in Umicore's trans-border activities.

##### **MEASURES TAKEN BY UMICORE**

To ensure ongoing compliance with environmental legislation on our industrial sites, Umicore has a well-established EHS compliance audit program and constantly monitors changes in legal requirements where we operate.

Umicore continues to play an active role in informing legislators of various emission control technologies for both diesel and gasoline powered vehicles, to help legislators make informed decisions about future emission and testing norms.

Umicore continues to ensure its ability to meet the surging demand for cathode materials for rechargeable batteries used in electrified transportation. Our investment program to expand or establish production capacity of cathode materials in China and Europe, respectively, is on track.

We monitor that our products have the freedom to operate and we proactively manage our patent portfolio.

Umicore trade compliance closely follows and responds to global trade conditions.

Umicore monitors closely all changes in interpretation as well as guidance documents that might affect its REACH implementation strategy. In 2019 we submitted 28 additional substances for

registration under REACH due to new business developments. As part of regular maintenance, we updated 47 REACH dossiers. Umicore has submitted 5 registrations in Korea in 2019 for priority chemical substances and has submitted 2 new substance registrations.

#### 5.13.3. SUSTAINABLE AND ETHICAL SUPPLY

##### **POTENTIAL IMPACT**

Umicore requires certain metals or metal-containing raw materials to manufacture its products and feed its recycling activities. Some of these raw materials are comparatively scarce and require very specific sourcing strategies. Obtaining adequate supplies of these materials is important for the ongoing success and growth of our business.

Some metals are also found in regions facing social challenges. Trading in precious metals and minerals can be used to finance armed conflict, cause human rights abuses, draw upon forced or child labour and support corruption and money laundering. We ensure that procurement of minerals from conflict-affected and high-risk areas is in line with Umicore's values, while providing an advantage to our customers.

##### **CHANGE IN CONTEXT**

Existing and upcoming laws aiming to drive the responsible sourcing of conflict minerals (tin, tantalum, tungsten and gold), have increased the visibility and concern on the conditions around conflict mineral sourcing in public discourse.

##### **MEASURES TAKEN BY UMICORE**

Umicore has implemented policies and measures covering human rights, the right for workers to organize, collective bargaining, equal opportunities and non-discrimination, banning of child labour, banning of forced labour, consistent with International Labour Organisation (ILO) standards. These commitments are supported through a Global Framework Agreement on Sustainable Development with IndustriALL Global Union which was renewed in 2019.

In addition to existing policies and charters such as the Umicore Code of Conduct, Human Rights Policy and Sustainable Procurement Charter, Umicore also has a specific policy for "Responsible global supply chain of minerals from conflict-affected and high-risk areas".

In 2019, Umicore again received third-party validation for the application of its Sustainable Procurement Framework for Cobalt, which is aligned with the OECD 'Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas'. Umicore continues to ensure that its production operations are certified as conflict-free and receives site and metal-specific responsible sourcing certifications from the LBMA and RJC.

We use our long-standing and growing experience in sustainable sourcing to advocate for more responsible sourcing.

#### 5.13.4. TECHNOLOGY AND SUBSTITUTION

##### **POTENTIAL IMPACT**

Umicore is a materials technology group with a strong focus on the development of innovative materials and processes. The choice and development of these technologies represents the single biggest opportunity and risk for Umicore.

Umicore's production plants and services highly depend on the availability of IT services.

Unavailability of services, disruption of the supply chains or interruption of our production facilities by cyber-attacks could have a major impact on our customers. A compromise in the confidentiality of intellectual property would negatively impact our competitive advantage. Unauthorized modification of financial data would jeopardize accurate reporting to shareholders.

Achieving the best cost-performance balance for materials is a priority for Umicore and its customers. There is always a risk that customers will seek alternative materials for their products should those of Umicore not provide this optimum balance. The risk is especially present in businesses producing materials containing expensive metals (especially those with historically volatile pricing characteristics).

### **CHANGE IN CONTEXT**

Cyber-attacks may be very focused and advanced. The expanding threat landscape and expanding digital footprint is leading to an increase in cyber-attacks. Several cases of industrial manufacturing businesses being interrupted for several weeks as the result of a cyber incident have been extensively covered in the media.

Trends in rechargeable battery materials for automotive applications have underscored that NMC materials with increasing nickel content are the technology of choice for customers in current and upcoming electrified vehicle platforms. Besides the focus on high performing battery materials, novel processes are being developed to decrease cost and environmental impact across the entire battery value chain.

In vehicle emission control, regulatory debates have reinforced the need for a broad spectrum of technologies for both gasoline and diesel applications.

### **MEASURES TAKEN BY UMICORE**

Umicore assessed the state of cyber resilience of its IT landscape against the current cyber threats. Our findings were translated in a cyber security roadmap. Progress is reported to the executive committee semi-annually. Execution of the cyber security roadmap is ongoing, awareness campaigns for the entire staff are organized and the IT security organization has been extended.

Every year, the executive committee identifies innovation projects ("Top 10") which are key to achieving Horizon 2020 (and beyond) growth ambitions and cover product and process developments. A selection of these projects is reviewed during the year either through dedicated technology reviews or as part of strategic business reviews.

Previous years' R&D investments have brought great success and created a space to shift R&D positioning. Umicore invested selectively in new fields relevant to core activities in 2019. Overall spend was equivalent to 6.2% of revenues and in 2019, Innovation Fit for Future program was launched to protect technology leadership and future growth.

Umicore patents disruptive technologies. In 2019, Umicore registered 56 new patent families.

#### 5.13.5. MARKET

##### **POTENTIAL IMPACT**

The main industries served by Umicore are automotive (clean mobility materials, recycling), consumer electronics (rechargeable battery materials, recycling, coating and electroplating solutions) and non-ferrous metal mining and refining industries (recycling activities). Umicore is sensitive to any major growth or global reduction in activity levels or market disruptions in these industries.

##### **CHANGE IN CONTEXT**

The global macro-economic outlook deteriorated significantly in 2019, particularly in the automotive sector. Trade and consumer confidence continued to decline given geo-political and trade tensions, uncertainty about Brexit, the slowdown of subsidy schemes and tariff implementations.

There was a significant contraction in global car production in 2019 – the strongest decline in car production since the 2008 recession. The biggest reduction was observed in the world's largest car market, China, which contracted for the second consecutive year. Diesel car production continued to decline in Europe. More stringent vehicle emission legislation coming into force in key regions and the market share of gasoline particulate filters increasing in Europe and China should provide a longer-term uplift.

The risk profile reflects growing exposure to the automotive industry and to Asia, in both cases driven by the sales of cathode materials for use in electrified vehicles. Umicore should continue to benefit disproportionately from the accelerating penetration of electrified vehicles given our broad portfolio of cathode material technologies certified for the most stringent automotive requirements, our industrial-scale production capabilities and our qualifications on over 20 platforms.

In consumer electronics there was also a slowdown in demand which was caused by destocking across the value chain. In the energy storage market in Korea, demand was very much down, owing to safety incidents on certain installations.

In recycling our process remains unique, giving a stable outlook in this high-value market, especially with increasing availability of complex secondary materials. Also, China's green fence policy resulted in higher availability of end-of-life materials, such as printed circuit boards.

##### **MEASURES TAKEN BY UMICORE**

Umicore is delivering on its growth strategy in clean mobility materials and recycling. As a result, Umicore delivered strong results in 2019 despite adverse conditions, having already reached the Horizon 2020 targets two years ahead of schedule. In recycling, a continuous program of new investments optimizes performance and enhances environmental impact.

#### 5.13.6. METAL PRICE

##### **POTENTIAL IMPACT**

Umicore's earnings are exposed to risks relating to the prices of the metals which we process or recycle. These risks relate mainly to the impact that metal prices have on the surplus metals recovered from materials supplied for recycling, and concern platinum, palladium, rhodium,

gold, silver and a wide range of base and specialty metals. For some metals quoted on futures markets, Umicore hedges a proportion of its forward metal exposure to cover part of the future price risks.

Umicore also faces transactional price risks on metals. The majority of its metal-based transactions use global metal market references. If the underlying metal price were constant, the price Umicore pays for the metal contained in the raw materials purchased would be transferred to the customer as part of the price charged for the product. However, because of the lapse of time between the conversion of purchased raw materials into products and the sale of products, the volatility in the reference metal price creates differences between the price paid for the contained metal and the price received. Accordingly, there is a transactional exposure to any fluctuations in price between the time raw materials are purchased (when the metal is "priced in") and the time the products are sold (when the metal is "priced out"). The Group's policy is to hedge the transactional risk to the maximum extent possible, primarily through forward contracts.

The accelerating growth in battery materials is rapidly increasing the exposure to specific related metals such as cobalt or nickel. Increasing volumes, the vulnerability to the associated price volatility and in the case of certain metals such as cobalt the absence of a liquid paper forward market result in increased metal risks.

#### **CHANGE IN CONTEXT**

Prices for precious metals strengthened in 2019, particularly in the second half of the year. Prices for palladium and rhodium increased significantly, while gold, silver and platinum prices showed a more modest increase over the full year cycle.

Demand for cobalt containing products was weak in 2019, as customers were reducing excess inventories built up in 2018, when the cobalt price was more than double the price of 2019. This more moderate global demand resulted in continued pressure on the price.

#### **MEASURES TAKEN BY UMICORE**

Over the course of 2019, Umicore entered into additional forward contracts securing a substantial portion of its structural price exposure for certain precious metals and base metals in 2020 and 2021, thereby increasing earnings predictability. In particular for gold and palladium, Umicore locked-in more than half of its 2020 and 2021 exposure. Umicore also hedged a significant portion of its platinum exposure for 2020. In the absence of a paper market, no forward contracts were entered into for rhodium.

For cobalt, Umicore's transactional hedging policy aims to match to a maximum extent the pricing in and pricing out of the contracted metal. Such physical back-to-back hedging in 2019 enabled Umicore to manage transactional risks related to cobalt.

#### **5.13.7. TALENT ATTRACTION AND RETENTION**

##### **POTENTIAL IMPACT**

The attraction and retention of skilled people are important factors in enabling Umicore to fulfil its strategic ambitions and to build further expertise, knowledge and capabilities in the business. Being unable to do so would compromise our ability to deliver on our goals.

Horizon 2020 is predicated on disproportionate growth for Umicore in Asia – a region characterized by highly competitive and fluid labour markets. Umicore’s challenge is to attract and retain talent in the region on a sufficient scale and at an appropriate pace.

### **CHANGE IN CONTEXT**

Our expansion, combined with competitive labour markets, has increased our recruitment needs.

### **MEASURES TAKEN BY UMICORE**

We continued to successfully recruit and retain employees in 2019, building on the strengths of our global employer brand. To bring on a large number of new talented people Umicore focused on an improved candidate experience, an expanded onboarding approach and the implementation of retention measures.

To attract employees, we participate in job fairs, in campus events at universities and use professional recruitment and social media channels.

We address retention, especially challenging in Asia, with initiatives to improve the well-being of our employees, by assessing and improving our positioning of compensation and benefits and by offering learning & development opportunities for our employees.

We also ensure leadership development and give special attention to the development of identified top talent through different initiatives and are very well positioned in terms of employee engagement and empowerment.

### 5.13.8. CLIMATE AND ENVIRONMENT

#### **POTENTIAL IMPACT**

Climate and environment impacts are mostly related to our supply of primary raw materials or to our suppliers’ extraction of these primary raw materials. Easy-to-mine deposits are becoming increasingly scarce and ore bodies poorer. Many specialty metals required for new, environmentally-friendly technologies can only be obtained as a by-product of other metals. Treating complex materials from above-ground sources, such as industrial residues and end-of-life materials, is increasingly important.

Climate change causes extreme natural events, chronic deviations in mean temperatures and precipitation patterns, and rising sea levels. This could impact our sites or supply chain.

Historical industrial activity requires active management and remediation. Increasingly stringent regulations on energy use and emissions can induce higher operational costs.

#### **CHANGE IN CONTEXT**

Civil society and political discourse are increasingly demanding that business takes an active role in mitigating climate change.

Our accelerated expansion combined with increased demand for our products have increased Umicore’s exposure to potential climate or environmental risks and the opportunity to expand in a way that can mitigate or address these risks.

## **MEASURES TAKEN BY UMICORE**

Umicore plays a key role in the transition to a low-carbon future as our materials tackle global trends for clean air and e-mobility, and our closed loop business model tackles resource stewardship.

Our facility in Hoboken is the world's largest and most complex precious metals recycling operation, processing over 200 types of raw material and recovering over 20 different metals. We ensure that a high volume of our metals come from secondary sources – production scraps, residues and end-of-life materials. We can also recycle customers' residues and production scrap to help them maximize their material efficiency and then transform the recovered materials into new products. In total we recover 28 metals from our closed loop activities. Our high yield recycling process continues to be a driving force in resource efficiency and contributing to the circular economy.

In 2019 Umicore carried out several studies to feed our process of climate and environment-related strategy for the future, these include studying our scope 3 emissions and climate related risks and opportunities. Umicore performed a life cycle assessment on the production of cathode materials and has identified the leverage it can have for a lower carbon mobility through the right choice of the cathode chemistry, energy mix, and raw materials, including recycled materials. For the new battery production plant in Poland, Umicore ensured that electricity will be from renewable sources.

We ensure that our current activities keep to the most stringent environmental standards for air and water and work every year to improve our energy efficiency despite our growth and increased production.

Our global footprint and diverse site locations reduce our exposure to physical risks. New sites have been chosen considering proximity to customers, access to skilled workforce, excellent logistics, infrastructure and green energy. Umicore manages its historical environmental legacy, ensuring adequate financial provisions that are reviewed twice a year.

## **6. BRANCHES**

The Company has no branches.

## **7. CONTINUITY**

The Company has no losses carried forward. Article 3:6 §1 6° of the Code of companies and associations is not applicable.

## **8. IMPORTANT EVENTS**

We refer to §2. "Subsequent events" and §3. "Development of the Company".

## **9. NON-FINANCIAL INFORMATION**

The non-financial information, as defined under 3:6 §4 of the Code of companies and associations, has been duly taken into account and can be found in the annual report on the consolidated accounts.

## **10. DISCHARGE**

In accordance with legal and statutory requirements, we hereby request to discharge the Directors and statutory auditor for the exercise of their mandate for the accounting year 2019.

The board of directors  
Brussels, 26 March 2020.

Marc Grynberg  
Chief Executive Officer

Thomas Leysen  
Chairman

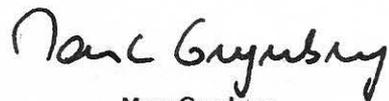
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The board of directors  
Brussels, 26 March 2020.



Marc Grynberg  
Chief Executive Officer

Thomas Leysen  
Chairman

## **9. NON-FINANCIAL INFORMATION**

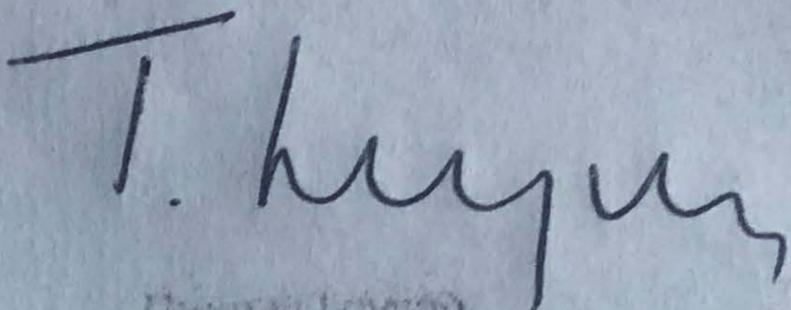
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## **10. DISCHARGE**

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The board of directors  
Brussels, 26 March 2020.

  
Marc Grymborg  
Chief Executive Officer

  
Thomas Leyson  
Chairman