

Integrating ESG at Umicore

ESG testimonial for the Belgian Corporate Governance Commission

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Umicore's vision and corporate purpose, **Materials for a better life**, goes far beyond minimizing the impact of its own operations on the environment. By developing products and services which enable the **transition to cleaner mobility and a circular economy**, Umicore generates positive and sustainable value to society. Based on a continuous dialogue and engagement with its different stakeholders, Umicore has built a clear roadmap addressing their expectations and harnessing climate change at an ambitious pace.

At Umicore, **ESG is squarely on the agenda of both the Management Board and the Supervisory Board**. Working together in the lead up to this sustainability strategy, the Management Board and Supervisory Board engaged in an iterative process to arrive at the stretched, comprehensive and relevant ambitions defined in Umicore's "**Let's go for Zero**" strategy, which was announced in June 2021.

Materiality

Materiality is at the heart of ESG integration into both strategic thinking and disclosure. In the lead up to the new strategic cycle, Umicore first addressed stakeholder feedback on materiality and reporting gaps by conducting a materiality analysis in 2019. This assessment included an internal and external consultation with customers and supply representatives, with employees around the world and across all functions from the shop floor to senior management, with shareholders and investors, and included reviews of societal and regulatory priorities. The assessment also included a review of standards and frameworks, media, Umicore's strategic objectives and identified risks and opportunities.

In 2020, in the context of COVID-19, Umicore revisited the analysis and reviewed the strategic prioritization aspect of the topics defined as material in 2019, and identified further priority topics for Umicore stakeholders. At the (first) peak of the pandemic, the topics used by the market to evaluate companies were related to employment, employee health and safety and supply chain management. As the pandemic continued, the approach matured into looking comprehensively at **company resilience** and response to a global crisis. This line of thinking was used to make links to potential resilience to future climate-related crises. Another notable shift in materiality in 2020 was the rise in importance on water-related strategies and corporate disclosures, visible from both the market side and the legislative horizon. The 2020 review of materiality also included a benchmark on ESG disclosure of listed market segment peers and members of Umicore's value chain, and investor mapping on ESG topics, looking at the topics raised by Umicore shareholders, analysts, and ESG ratings. Finally the great convergence in regulatory landscapes and disclosure frameworks were also incorporated into the materiality review.

The materiality exercise outlined both priority business themes and priority sustainability themes which can be categorized as follows: Umicore products & services, Environment, Social, and Governance.

With this information, Umicore launched an internal analysis and effort review:

- Internal assessment of opportunities to build on successes, strengthen ongoing projects and/or lead with new approaches mapped against **short, medium and long term horizons**
- **Interdepartmental workstreams dedicated to environmental, social and governance topics that combined multiple corporate departments, including commercial divisions**, tasked with developing direction of travel, reviewing potential metrics, feasibility and ambition

Umicore's Supervisory and Management Boards championed a vision and set the level of ambition to **secure sustainability leadership** by steering an iterative process, challenging assumptions, and linking **meaningful impact** to technological feasibility. The Boards together challenged the workstreams to stretch ambitions to the maximum of what is achievable, because they fundamentally believe that Umicore has what it takes to be successful, to be a sustainability leader in its industry and continue to establish new benchmarks for its sector. Umicore has the necessary competences and, more importantly, has sustainability in its DNA. This iterative process was an important final step in the target definitions.

ESG strategy

Umicore's "**Let's go for Zero**" sustainability strategy, presented to the market on June 2 2021, builds on its long-standing leadership in clean mobility materials and recycling, reaffirms Umicore's commitment to use its technological know-how, scientific expertise and corporate reach to be an industry leader in sustainability and includes **bold targets relating to the impact Umicore has on the environment and on society at large.**

- **Net zero Greenhouse Gas (GHG) emissions by 2035**

Climate change requires action now and Umicore has chosen not to leave it to the next generation to solve the issue. Therefore, Umicore has worked out an **aggressive roadmap to become carbon neutral by 2035**, with intermediate milestones of a 20% reduction to be already achieved by 2025 and a 50% reduction by 2030. To get there, Umicore will harness all of its capabilities to improve energy efficiency, modify processes, switch to renewables as fast as possible and ensure that its growth be carbon neutral. The net zero by 2035 timeline is **much more ambitious than the industry practice**, and Umicore's new cathode material production capacity in Europe will be carbon neutral right from the start of operation this year, which is a big plus for European EVs and truly sets Umicore apart from competition.

Finally, regarding **scope 3 GHG emissions**, Umicore will work together with suppliers to reduce emissions and **define a target in the course of 2022**, that will be in alignment with the objectives of the Paris Agreement and with the aim of being SBTi certified.

- **Minimizing environmental impact**

In addition to net zero GHG emissions by 2035, Umicore will **continue minimizing all emissions** further building on the significant emission reductions achieved over the Horizon 2020 strategic cycle (from 2015 to 2020). Furthermore, Umicore commits to **reduce diffuse emissions by 25% by 2025** compared to 2020. In the course of 2022, Umicore will also define a target on **water use**.

- **Zero harm**

Umicore will continue to foster an engaging workplace, focusing on the **wellbeing of its workforce** globally. Establishing and promoting a **global caring safety culture** is the most meaningful way to ensure health and safety for all its employees worldwide.

Further efforts to eliminate occupational-related health risks will be pursued, with the goal of leading the industry by setting voluntary, science-based targets for potentially hazardous exposure to metals; targets that are more stringent than legal requirements, where they exist.

Umicore maintains its commitment to **sustainably and ethically sourced materials**. As a pioneer with a long track record in protecting Human Rights in its supply chain, Umicore will further build on its approach and due diligence in the sourcing of critical raw materials. Umicore is the first company in the world to obtain external validation for its ethical procurement approach.

- **Zero inequality**

Umicore firmly believes that **diversity of thought leads to more innovation**, ultimately benefiting its business and sustainability strategy. The Group aims to further promote diversity and inclusion, by seeking broader cultural representation in its management teams and an increased number of women in management with **gender parity as soon as possible and 35% women in management by 2030**.

- **Best in class Governance**

The “Let’s Go for Zero” strategy is underpinned by governance. Best in class governance will further support Umicore’s ESG ambitions and is enabled through a dedicated, cross-discipline ESG committee acting as an internal advisory body convened by the Management Board to provide ongoing feedback, along with half- and full-year progress reports against ESG strategic ambitions and performance. Umicore’s ESG strategy, commitments and best in class governance approach will also translate into improved disclosure about, and integration of, the **strategic sustainability-linked KPIs in management’s variable remuneration**.

Finally, but certainly not least, Umicore will be favoring sustainable funding instruments as part of the Group’s sustainability-linked funding approach.

- **Full disclosure on impact**

Where there is good governance there is good disclosure. Umicore has heard the call from stakeholders to **increase both granularity and transparency in reporting**. So in addition to transparency on ESG governance, Umicore’s stakeholders can expect **full disclosure on impact**: increasing the level of reporting, including on emissions and on water use, **and expanding the use of frameworks used in reporting**. Because Umicore knows and understands the importance of **climate resilience**, Umicore officially supports the **TCFD** and will begin reporting on progress, including the **integration of climate-related risks and opportunities into strategic processes**.

Reporting in Belgium

Umicore applauds the Belgian Corporate Governance Commission’s efforts to **integrate mature ESG thinking into reporting in Belgium** and welcomes consensus and further definition for integrated reporting that can define **principles-based guidance for all** and, if appropriate, sector-specific considerations in terms of materiality and impact. It is important that the reporting effort be **aligned with international standards to keep Belgian listed companies reputationally competitive on ESG topics in the global markets**. Umicore remains committed to continuous stakeholder dialogue and to participating knowledge-sharing as part of its sustainability leadership mission.