

**UMICORE**

Limited Company ("Naamloze Vennootschap" / "Société Anonyme")  
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**STATUTORY ANNUAL REPORT– FISCAL YEAR 2016**

Dear 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 2016 and submit the annual accounts for your approval.

Upfront note:

The presentation of the statutory accounts reflects the new mandatory format to be used as from 2016 onwards for the deposit of the statutory accounts at the National Bank of Belgium. It includes separate "non-recurring" lines under operating and financial results which replaces the "exceptional" results block in the previous format, in accordance with the Royal Decree of December 18<sup>th</sup>, 2015.

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

**1.1. PROFIT AND LOSS STATEMENT**

1.1.1. SUMMARY

For the past year 2016, the annual accounts of Umicore (also the "Company") show a net profit after taxes of 148,537 KEUR versus a profit of 135,456 KEUR in the comparable period 2015. This corresponds to an increase of 13,081 KEUR, broken down as follows:

<b>Profit &amp; loss statement</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Delta</b>
Operating result - recurring	37,661	72,489	-34,828
Operating result - non recurring	-34,625	322	-34,947
<b>Operating result</b>	<b>3,036</b>	<b>72,812</b>	<b>-69,776</b>
Financial result - recurring	184,949	103,193	81,755
Financial result - non recurring	-40,125	-27,469	-12,656
<b>Financial result</b>	<b>144,824</b>	<b>75,724</b>	<b>69,100</b>
<b>Profit before taxes</b>	<b>147,860</b>	<b>148,536</b>	<b>-676</b>
Income taxes	677	-13,080	13,757
<b>Net profit of the year</b>	<b>148,537</b>	<b>135,456</b>	<b>13,081</b>

### 1.1.2. OPERATING RESULT

The decrease in 2016 vs 2015 is mostly attributable to a lower performance of the BU PMR mainly on the back of lower metal prices while the meanwhile carved out BU's Zinc Chemicals and Building Products still contributed to the operating result for the first six months of the year in 2015.

### 1.1.3. ECONOMIC CONTEXT BY ACTIVITY

#### A. RECYCLING

Revenues for **Precious Metals Refining** were slightly down year on year due to lower demand for specialty metals, particularly selenium, tellurium and indium as well as lower received prices for PGMs. Although demand for specialty metals picked up somewhat towards the end of the year, prices remained well below the levels seen in recent years; this was also the case for PGM prices.

The supply mix reflected good availability of complex residues coming from the non-ferrous refining and mining industries.

The maintenance shutdown, which was brought forward from early 2017 to December 2016, was successfully completed. In addition to the regular maintenance, process improvements were implemented and several investments in auxiliary installations were completed. While processed volumes in the fourth quarter were impacted by the shutdown, yearly volumes were in line with previous year.

#### B. ENERGY & SURFACE TECHNOLOGIES

Revenues for **Cobalt & Specialty Materials** were largely stable year on year, despite the impact of lower cobalt and nickel prices on the contribution from the refining activities. While prices of cobalt and nickel improved somewhat in the second half of the year, they remained below the average of 2015. The benefits of cost reduction measures led to higher earnings.

Revenues increased for nickel chemicals due to greater demand for battery and catalytic applications. Order levels for metal carboxylates were somewhat below the strong levels seen in 2015, while revenues for tool materials remained stable.

Construction work to upgrade the refining facility in Olen has started and is expected to be completed by the end of 2018.

Revenues for **Electro-Optic Materials** were lower due to a smaller contribution from recycling and refining as well as lower revenues for the substrate activity. The recycling and refining activities felt the effect of lower metal prices while order levels of substrates remained somewhat below the strong levels in 2015. Revenues of germanium tetrachloride were well up and benefited from higher demand as well as market share gains. Demand for infrared finished optics was also higher. The impact of lower revenues on earnings was more than offset by cost reduction measures and productivity improvement programs.

Revenues and volumes for **Rechargeable Battery Materials** were significantly higher year on year driven by burgeoning demand for NMC (nickel manganese cobalt) cathode materials used in the transportation segment. In this market segment the increasing market penetration of electrified car models and the use of larger batteries enabling longer drive range are strong fundamentals for growth. Umicore, with its diversified customer base and wide range of NMC materials, is well positioned to benefit from this growth.

As part of its growth strategy in battery materials, Umicore acquired the full ownership of three NMC patent families for cathode materials that are the reference for large format lithium ion batteries which are typically used in automotive and energy storage applications.

Shipments of Umicore's proprietary High Energy LCO (lithium cobaltite) cathode materials for high-end portable devices continued to be solid. These materials offer an excellent combination of the highest energy density and safety performance for high-energy polymer batteries used in electronic devices. Demand for Umicore's NMC cathode materials used in energy storage applications was higher year on year.

### C. DISCONTINUED OPERATIONS

The Belgian based activities of the units **Zinc Chemicals** and **Building Products** have been set-up into separate legal entities in the course of 2015 (Umicore Zinc Chemicals Belgium and VMZinc Benelux & UK).

Umicore completed the sale of Zinc Chemicals to OpenGate Capital effective 1 November 2016; a sales process for the Building Products activities has been initiated.

These 2016 statutory accounts do not contain any contribution from the Belgian activities of these businesses anymore and in the 2015 figures the activities were only included for the first semester. For the second semester 2015 their results are contained in the accounts of the above mentioned separate new legal entities.

### D. CORPORATE

Overall corporate costs remained roughly at the same level as in 2015.

#### 1.1.4. FINANCIAL RESULT

The dividend income amounted to 239,746 KEUR YTD December 2016, compared to 175,588 KEUR for YTD December 2015, or an increase of 64,158 KEUR. The most important dividends during 2016 were received from Umicore International (230,000 KEUR in 2016 versus 160,000 KEUR in 2015).

Interest charges decreased considerably compared to last year (54,627 KEUR compared to 73,805 KEUR in 2015) due mainly to lower interest rates on the short term debts to Umicore Financial Services as well as on the refinanced long term debts to Umicore Long Term Finance.

The non-recurring financial result amounts to -40,125 KEUR, broken down on the one hand in a profit made on the sale of the participation in Umicore Zinc Chemicals Belgium to OpenGate Capital, amounting to +12,172 KEUR, offset on the other hand by losses made mainly as a result of impairments booked on : the participations in Umicore France (-34,622 KEUR, following the profit erosion at Umicore France as it accounted for part of the fine imposed by the French Competition Authority related to the BU Building Products), Umicore Finance Norway (-6,698 KEUR) and Umicore Argentina (-3,387 KEUR). There were also losses realised on the sale of some Nyrstar shares and subscription rights at the occasion of the Nyrstar capital increase round in February 2016 (-4,217 KEUR) and the value of the Nyrstar shares was as well impaired at year-end with -1,949 KEUR in line with the lower Nyrstar share price (in 2015, some -21 MEUR of impairments were booked on the Nyrstar shares at year end).

#### 1.1.5. INCOME TAXES

The tax result of 13,080 KEUR in 2015 included current year tax as well as adjustments on previous years. In 2016 the positive tax result stems mainly from R&D tax credits, compensated partially by foreign withholding taxes.

### 1.1.6. APPROPRIATION OF THE RESULT

Taking into account the profit of the year 2016 of 148,537 KEUR, the profit carried forward for an amount of 372,083 KEUR, the allocations to and release from the unavailable reserve related to the movements in the own shares for a total amount of 40,297 KEUR and the interim dividend paid in September 2016 amounting to 65,520 KEUR, the result available for appropriation at end December 2016 stands at 495,397 KEUR.

## **1.2. BALANCE SHEET**

### 1.2.1. MOVEMENTS OF THE CAPITAL AND SHARE PREMIUM

There were no movements on the capital and share premiums in 2016.

### 1.2.2. OWN SHARES

The own shares value decreased from 129,913 KEUR on 31 December 2015 to 89,616 KEUR on 31 December 2016. The variance of 40,297 KEUR is detailed below:

Own shares	Number	KEUR
Balance per 01/01/2016	3,927,534	129,913
Exercises of options and use of free shares	-1,254,384	-40,297
Purchases of own shares	0	0
Balance per 31/12/2016	2,673,150	89,616

This balance represents 2.39% of the total shares outstanding.

### 1.2.3. INVESTMENTS IN INTANGIBLE FIXED ASSETS

The net intangible fixed assets increased from 88,287 KEUR at the end of December 2015 to 117,183 KEUR at year-end 2016 or a variance of 28,896 KEUR, net of investments and depreciations.

For 2016, investments in intangible assets were recorded for a total amount of 59,458 KEUR. Investments relate mainly to the acquisition of patents, capitalised R&D projects, capitalized IS costs and CO2-emission rights.

### 1.2.4. INVESTMENTS IN TANGIBLE FIXED ASSETS

The net tangible fixed assets increased from 353,974 KEUR at the end of December 2015 to 365,507 KEUR at year-end 2016 or a variance of 11,533 KEUR, net of investments and depreciations

New investments in tangible assets in 2016 amounted to a total of 66,610 KEUR. The main investments were made at the Hoboken (41,779 KEUR) and the Olen sites (23,017 KEUR).

As from 2016 on, the tangible fixed assets also include an amount of 3,231 KEUR related to a financial leasing set-up for an investment at the Olen site.

The investments in the Hoboken facility related to process improvements and the completion of auxiliary investments that were executed outside the regular shutdown. Umicore is carrying out a series of investments to further reduce the metal emissions. This focuses in first instance on a revamping of the lead refinery in order to both curtail the risk of lead emissions and further improve occupational health at the plant.

In the CSM plant in Olen, main investments relate to the construction of the new building for the cobalt refinery, revamping of electricity and instrumentation and packaging equipment.

In Olen's EOM plant, the long-range investment plan initiated in 2014 for the refining activity was completed in 2016. The substrates machinery including the complete production line for 6" are upgraded following the decision taken at the end of 2015 regarding the consolidation of all substrates activities in Olen.

#### 1.2.5. FINANCIAL FIXED ASSETS

The financial fixed assets decreased by 28,519 KEUR.

Main movements in plus are linked to capital increases in Umicore France (+41,000 KEUR, a re-capitalization after the important incurred loss due to the fine paid to the French Competition Authority related to the BU Building Products).

The decreases are mainly linked to the sale of Umicore Zinc Chemicals Belgium shares to OpenGate Capital, with a carrying amount of 19,299 KEUR and impairments that were booked on the participations in Umicore France (-34,622 KEUR), Umicore Argentina (-3,387 KEUR) and Umicore Finance Norway (-6,698 KEUR) – see also § 1.1.4 here above.

#### 1.2.6. INVENTORIES

Overall, the inventories remained relative stable with only a small increase of 7,996 KEUR from 343,868 KEUR at December 31<sup>st</sup>, 2015 to 351,864 KEUR at the end of 2016.

The increase is mainly explained by increased inventory values at CSM Olen (some +15 MEUR, mainly as a result of higher cobalt volumes and prices), offset by lower stock levels at PMR Hoboken (some -8 MEUR coming mainly from lower gold and silver volumes).

#### 1.2.7. AMOUNTS RECEIVABLE WITHIN ONE YEAR

The amounts receivable within one year increased by 52,317 KEUR compared to 2015, mainly due to increased trade receivables (+50,800 KEUR) at most business units explained by the impact of higher metal prices at year end 2016 vs year end 2015 next to customary cut off impacts.

#### 1.2.8. TREASURY INVESTMENTS

The investment in own shares decreased from 129,913 KEUR to 89,616 KEUR: see 1.2.2. "*Own shares*".

#### 1.2.9. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions increased from 109,685 KEUR at 31 December, 2015 to 111,775 KEUR at 31 December 2016, or an increase of 2,089 KEUR.

The variance is mainly explained by the increase of pension liabilities (+7,341 KEUR), influenced by the harmonization of the statutes blue collars / white collars. This increase is partially offset by decreased provisions for major repairs (-3,628 KEUR) as the shutdown in Hoboken was

brought forward to December 2016 instead of early 2017. The remaining difference (-1,624 KEUR) comes mainly from the decrease of the environmental provisions.

#### 1.2.10. FINANCIAL DEBT (Long term and short term)

Total financial debt increased by 27,622 KEUR compared to December 2015.

The long term loans showed a net increase of 409,249 KEUR. This includes the renewal of long term loans with Umicore Long Term Finance (+560,000 KEUR) and the implementation of a long term finance lease (+3,249 KEUR – see also §2.2). On the other hand it reflects the reimbursement of a long term loan to Umicore Marketing Services Belgium (-54,000 KEUR), the reimbursement of a syndicated loan taken up end 2015 (-50,000 KEUR) and the transfer of the current portion of the long term loans to short term loans (-50,000 KEUR).

The short term loans showed a net decrease of 381,626 KEUR. The current portion of the 2015 long term loans fell due and were renewed as long term loans (-560,000 KEUR). This was offset by the portion of long term loans falling due into 2017 (+50,000 KEUR) and an increase in the short term loan position with Umicore Financial Services (+128,374 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 of the Company 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 remained stable year on year: 2,651 in 2015 and 2,661 in 2016. On average Umicore employed 2,644 FTE's during the year 2016.

#### People development

Training and development are considered as a key investment in competence building. Umicore wants people to drive their career as well as to take initiatives to continue to develop their own competencies at Umicore. The total number of formal and informal training hours remains at a high level (135,531 hours in 2016 versus 135,148 hours in 2015).

#### Preferred employer

Umicore strives to be a preferred employer for both current and potential employees. In 2016 Umicore was once more recognized as top employer by the Top Employer Institute.

#### Occupational health and safety

In 2016, Umicore recorded a total number of 34 lost time accidents compared to 18 in 2015. In total 1,662 days were lost, up from 1,274 in 2015. This performance falls still short of Umicore's accident-free workplace objective. While several good initiatives were taken to improve safety leadership and risk awareness, the Company continues to search for a safety breakthrough and efforts will continue in order to ensure that all possible areas for improvement are identified and pursued.

The Group-wide process safety project made further progress by finalizing the standards and guidance notes related to 'integrity of design', 'technical integrity' and 'operational integrity'. With their publication, the process safety documentation for the Group has been completed.

## **2. SUBSEQUENT EVENTS AND CONTINGENT LIABILITIES**

On 20 February 2015, BASF Corp. and the University of Chicago Argonne National filed two lawsuits against Umicore. One action was filed at the United States International Trade Commission (ITC). The other was filed in federal district court in Wilmington, Delaware, and was stayed. The ITC action relates to an alleged infringement of two U.S. patents related to materials used in battery cathodes. The ITC found Umicore to be indirectly infringing the patents and issued a limited exclusion order on the products at issue on 16 December 2016. This limited exclusion order is subject to appeal to the United States Court of Appeals for the Federal Circuit.

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

The sale of the Zinc Chemicals business unit to OpenGate Capital was completed effective 1 November 2016. A process is currently underway to divest the Building Products business unit. In addition, a possible divestment of parts of or all of the business unit Technical Materials is being considered as an additional step to improve the competitiveness of the business.

## **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**

Umicore has adopted the 2009 Belgian Code on Corporate Governance as its reference code. The English, Dutch and French versions of the Code can be found on the website of the Belgian Corporate Governance Committee ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)).

The Corporate Governance Charter describes in detail the governance structure of the Company, as well as 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 (see G9).

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 Corporate Governance Charter deals in more detail with the responsibilities of the shareholders, the board of directors, the CEO and the executive committee and also 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 2016.

## **5.2. CORPORATE STRUCTURE**

The board of directors is the ultimate decision-making body of Umicore, subject to all matters specifically reserved to the shareholders' meeting by the Belgian Companies Code 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 that adequate systems are in place in order 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 and tax, as well as public and investor relations.

## **5.3. SHAREHOLDERS**

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

On 31 December 2016 there were 112,000,000 Umicore shares in issue. The following shareholders had declared a participation of 3% or more on 31 December 2016:

- Family Trust Desmarais, Albert Frère and Groupe Bruxelles Lambert SA/NV:	16,802,836 shares (15.00%)
- BlackRock Inc.:	5,638,752 shares (5.03%)
- Stichting Pensioenfonds ABP/APG Asset Management N.V.:	3,364,389 shares (3.00%)

Also on 31 December 2016 Umicore owned 2,673,150 of its own shares representing 2.39% of its capital. Information concerning the shareholders' authorization for Umicore to buy back its own shares and the status of such buy-backs can be consulted in the Corporate Governance Charter and on Umicore's website.

During the year 1,188,875 own shares were used in the context of the exercise of employee stock options and 65,509 shares were used for share grants, of which 5,184 to the board members, 28,325 to the executive committee members, 27,500 to senior management members and 4,500 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 2016 Umicore paid a gross dividend of € 1.20 per share relating to the financial year 2015. This was an increase by € 0.20 compared to the gross dividend paid in 2015 in respect of the financial year 2014.

In July 2016 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. Therefore a gross interim dividend of € 0.60 per share was paid on 25 August 2016.

### 5.3.3. SHAREHOLDERS' MEETINGS 2016

The annual shareholders' meeting was held on 26 April 2016. On this occasion the shareholders approved the standard resolutions regarding the annual accounts, the appropriation of the results and the discharges to the directors and to the statutory auditor regarding their respective 2015 mandates. At the same general meeting the shareholders appointed Mrs Françoise Chombar and Mr Colin Hall respectively as new, independent director and as new director, both for a period of three years. The annual shareholders' meeting also approved the remuneration of the board for 2016. Details of the fees paid to the directors in 2016 are disclosed in the remuneration report.

Finally, a special and an extraordinary shareholders' meeting, which were also held on 26 April 2016, approved a change of control clause, as well as the renewal of the authorized capital for another five years and the cancellation of the VVPR strips previously issued by the Company.

## **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 six members. The directors' term of office may not exceed four years. In practice, directors are elected for a (renewable) period of three 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 2016, the board of directors was composed of eleven members: ten non-executive directors and one executive director.

On the same date six 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.

Three of the eleven board members in office on 31 December 2016 are women. As a result, Umicore does not meet the minimum representation threshold of one-third, as imposed by the Belgian Companies Code, which became effective on 1 January 2017. The board will submit nomination proposals for new board members at the annual shareholders' meeting of 2017. Should the proposal be accepted by the shareholders, the minimum representation threshold of women board members will be met.

The composition of the board of directors underwent the following changes in 2016:

- Mrs Françoise Chombar was appointed independent director for a period of three years at the annual shareholders' meeting held on 26 April 2016;

- Mr Colin Hall was appointed director for a period of three years at the above annual shareholders' meeting.

#### 5.4.2. MEETINGS AND TOPICS

The board of directors held five regular meetings in 2016. On one occasion the board also took decisions by unanimous written consent.

During 2016 the matters reviewed by the board included:

- 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;
- approval of the agenda of the ordinary, special and extraordinary shareholders' meetings and calling of these meetings;
- approval of a justification report for the proposed renewal of the authorized capital;
- EU-Market Abuse Regulation and approval of a new Umicore Dealing Code;
- investment projects;
- EHS review, including sustainable development;
- reports audit committee;
- strategic opportunities and operational challenges;
- business reviews;
- mergers & acquisitions projects;
- annual performance review of the CEO and the other members of the executive committee in respect of 2015;
- succession planning at the level of the board and the executive committee;
- litigation updates;
- interim dividend distribution.

The board also visited the Umicore Automotive Catalyst site in Nowa Ruda (Poland).

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

Every two to three years the chairman conducts a performance review of the board and its committees.

The next performance review will take place in the first half of 2017 on the basis of an individual assessment form.

#### 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.

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

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

The committee met four times in 2016. Apart from the review of the 2015 full year and the 2016 half year accounts, the audit committee discussed matters related to internal controls, treasury risk management, corporate security and IS controls. Audit mission reports were

reviewed, the 2017 audit plan validated and the new head of the internal audit department endorsed. Finally, the audit committee also reviewed the preparations for the next external auditor mandate assignment.

#### **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.

Two nomination & remuneration committee meetings were held in 2016. 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 2016. 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.

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 remained unchanged in 2016.

On 31 December 2016 the executive committee was composed of seven members including the CEO.

#### **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 and discussed to/by the board of directors.

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

The above performance reviews took place on 4 February 2016.

### **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 Belgian Companies Code.

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 2016, save for the 2,673,150 shares held by the Company itself on that date (Article 622 §1 of the Belgian Companies Code).

#### 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.

#### 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, as well as 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 Belgian Companies Code 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 amended once in 2016, following the renewal of the authorized capital approved the extraordinary shareholders' meeting held on 26 April 2016.

#### 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 2016 (resolutions published on 13 May 2016) has renewed the authorization granted to the board to increase the Company's share capital in one or more times by a maximum amount

of € 50,000,000. Up until 31 December 2016 this authorization had not been used. It will lapse on 12 May 2021.

Following a resolution of the extraordinary shareholders' meeting held on 26 September 2014 the Company is authorized to buy back own shares on a regulated market within a limit of 10% of the subscribed capital, at a price per share comprised between € 4.00 and € 75.00 and until 31 May 2017 (included). The same authorization was also granted to the Company's direct subsidiaries. No buy-backs occurred in 2016 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**

All the 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.

### **5.7. STATUTORY AUDITOR**

At the annual shareholders' meeting held on 29 April 2014 the statutory auditor's mandate of PricewaterhouseCoopers Bedrijfsrevisoren/Réviseurs d'Entreprises BCVBA/SCCRL was renewed for a period of three years. The statutory auditor is represented by BVBA/SPRL Marc Daelman, represented by Marc Daelman 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 twice, i.e. in 2017 and 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.

### **5.8. 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 Umicore's Corporate Governance Charter.

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

Umicore's policy related to market abuse including insider trading is spelled out in the Umicore Dealing Code. A new version of this Code was approved in 2016 as a result of the entry into force of the EU-Regulation no 596/2014 of 16 April 2016 on market abuse. This new version can be found under Appendix 5 to the Corporate Governance Charter.

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

Umicore's corporate governance systems and procedures are in line with the 2009 Belgian Code on Corporate Governance.

## **5.11. REMUNERATION REPORT**

### **5.11.1. BOARD OF DIRECTORS' REMUNERATION**

#### **5.11.1.1. Remuneration policy for the board of directors**

As a principle the remuneration of the non-executive members of the board should be sufficient to attract, retain and motivate individuals who have the profile determined by the board. The remuneration level should take into account the responsibilities and the commitment of the board members as well as prevailing international market conditions. On the basis of the recommendation made by the nomination & remuneration committee as to the form and structure of remuneration, the board of directors adopts the policy for remuneration of the non-executive directors. The nomination & remuneration committee bases its proposals on a review of prevailing market conditions for quoted companies which are part of the BEL20 index as well as other European companies of similar size operating in the Chemicals, Metals and Materials sectors. The results of the survey are discussed within the nomination & remuneration committee and the board determines the remuneration for non-executive directors and board committee's members to be proposed to the annual shareholders' meeting.

#### **5.11.1.2. Non-executive directors' remuneration**

In order to determine adequate remuneration levels for its non-executive directors Umicore conducted at the end of 2015 a survey of director's fees of Umicore against those of quoted companies on the BEL20 index as well as other European companies of similar size operating in the Chemicals, Metals and Materials sectors. The results of the survey were reviewed by the nomination & remuneration committee of 3 February 2016. The nomination & remuneration committee concluded that Umicore remains reasonably positioned against the benchmarks and therefore recommended to the board not to change the fees, but to re-assess the fee structure in 2017.

The board of directors of 4 February 2016 followed this recommendation and the annual shareholders' meeting of 26 April 2016 approved the non-executive Directors' remuneration. The remuneration of the non-executive board members was as follows in 2016:

- **Chairman:** annual fixed fee: € 40,000 + € 5,000 per meeting attended + 1,000 Umicore shares.
- **Director:** annual fixed fee: € 20,000 + € 2,500 per meeting attended + € 1,000 per meeting attended for foreign based Board members + 500 Umicore shares.

The remuneration of the Board Committee members was as follows in 2016:

#### **Audit committee**

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

#### **Nomination & remuneration committee**

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

### 5.11.1.3. 2016 Board remuneration overview.

Name		(in €)	Meetings attended
Thomas Leysen (Chairman) (non-executive director)	<b>Board</b>		
	Fixed annual fee	40,000	
	Fee per attended meeting	5,000	5/5
	Value of 1,000 granted shares	44,870	
	<b>Nomination &amp; Remuneration Committee</b>		
	Fee per attended meeting	5,000	2/2
	<b>Total remuneration</b>	<b>119,870</b>	
	Benefits in kind company car	<b>2,971</b>	
Marc Grynberg (executive director)	<b>Board</b>		
	No remuneration as a director (see hereafter 2016 CEO remuneration)		5/5
Françoise Chombar (independent, non-executive director)	<b>Board</b>		
	Fixed annual fee	13,661	
	Appointed by the AGM of 26 April 2016		
	Fee per attended meeting	2,500	3/3
	Value of 342 granted shares	15,346	
	<b>Total remuneration</b>	<b>36,507</b>	
Ian Gallienne (non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	5/5
	Value of 500 granted shares retroceded to GBL	22,435	
	<b>Total remuneration</b>	<b>54,935</b>	
Mark Garrett (independent, non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	3,500	5/5
	Value of 500 granted shares	22,435	
	<b>Audit Committee</b>		
	Fixed annual fee	5,000	
	Fee per attended meeting	3,000	4/4
	<b>Total remuneration</b>	<b>76,935</b>	
Colin Hall (non-executive director)	<b>Board</b>		
	Fixed annual fee	13,661	
	Appointed by the AGM of 26 April 2016		
	Fee per attended meeting	3,500	3/3
	Value of 342 granted shares retroceded to GBL	15,346	
	<b>Total remuneration</b>	<b>39,507</b>	
Ines Kolmsee (independent, non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	3,500	5/5
	Value of 500 granted shares	22,435	
	<b>Audit Committee</b>		
	Fixed annual fee	10,000	
	Fee per attended meeting	5,000	4/4



	<b>Total remuneration</b>	<b>89,935</b>	
Barbara Kux	<b>Board</b>		
(independent, non-executive director)	Fixed annual fee	20,000	
	Fee per attended meeting	3,500	5/5
	Value of 500 granted shares	22,435	
	<b>Nomination &amp; Remuneration Committee</b>		
	Fee per attended meeting	3,000	2/2
	<b>Total remuneration</b>	<b>65,935</b>	
	Umicore contribution to the Swiss social security	4,404	
Eric Meurice	<b>Board</b>		
(independent, non-executive director)	Fixed annual fee	20,000	
	Fee per attended meeting	3,500	5/5
	Value of 500 granted shares	22,435	
	<b>Total remuneration</b>	<b>59,935</b>	
Jonathan Oppenheimer	<b>Board</b>		
(non-executive director)	Fixed annual fee	20,000	
	Fee per attended meeting	3,500	4/5
	Value of 500 granted shares	22,435	
	<b>Total remuneration</b>	<b>56,435</b>	
Rudi Thomaes	<b>Board</b>		
(independent, non-executive director)	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	5/5
	Value of 500 granted shares	22,435	
	<b>Nomination &amp; Remuneration Committee</b>		
	Fee per attended meeting	3,000	2/2
	<b>Audit Committee</b>		
	Fixed annual fee	5,000	
	Fee per attended meeting	3,000	4/4
	<b>Total remuneration</b>	<b>77,935</b>	

## 5.11.2. CEO AND EXECUTIVE COMMITTEE REMUNERATION

### 5.11.2.1. Remuneration policy for the CEO and the executive committee

The nomination & remuneration committee defines the remuneration policy principles for the CEO and the executive committee members and submits them to the board of directors for approval. It strives to have a fixed remuneration to reflect the level of responsibility and in line with market practices, as well as an attractive variable remuneration to reward the performance of the company against financial and sustainability criteria.

The compensation & benefits package for the CEO and executive committee members includes the following components: fixed remuneration, variable remuneration, share based incentives (share grant and incentive stock option plans) subject to a three year lock-up period, pension plans and other benefits.

The inclusion of Umicore shares and stock options as part of the remuneration of the CEO and the executive committee members reflects the commitment of the Company to create shareholder value. Shares and stock options are not linked to individual or business performance criteria. As a result the share based incentives should not be considered as a

variable remuneration as meant under the Belgian Corporate Governance law of 6 April 2010 and are vested upon grant.

The remuneration of the CEO and executive committee members is reviewed on an annual basis by the nomination & remuneration committee. A survey is conducted every year to assess the competitiveness of the remuneration packages. Umicore benchmarks the total remuneration of the CEO and the executive committee members against BEL20 companies and European peer companies.

In line with the Belgian law of 6 April 2010 on Corporate Governance, the payment of half of the variable remuneration is deferred and subject to multi-year targets or criteria.

Synthetic summary of the remuneration of the CEO and the Executive Committee members

<b>Time to cash conversion</b>		
Current year	Fixed	Annual review based on market practices BEL 20 and European peer companies
15 months	Undeferred variable 50%	Fixed discretionary based on individual objectives
27 months	Deferred variable 25%	Based on group ROCE and performance against 2 years plan (y, y-1) for CEO / CFO / CTO / Corporate EVP; for EVP performance against 2 years Business group plan
39 months	Deferred variable 25%	Based on group ROCE and performance against 3 years plan (y, y-1, y-2) for CEO / CFO / CTO / Corporate EVP; for EVP performance against 3 years Business group plan
3 years	Shares	Grant in recognition of services rendered in the ref year - not linked to individual or business performance criteria - subject to a 3 year lock-up
3 to 7 years	Stock options	Upfront grant for the ref year - not linked to individual or business performance criteria - subject to a 3 year lock-up

The above remuneration components are defined and / or assessed by the nomination and remuneration committee subject to board approval.

5.11.2.2. CEO's remuneration

Fixed remuneration

The fixed remuneration of the CEO is reviewed on an annual basis by the nomination & remuneration committee.

Variable cash remuneration scheme and evaluation criteria

The CEO's annual variable cash remuneration potential currently amounts to € 540,000, half of which relates to an undeferred payout based on the individual performance including the annual

overall financial performance of the group, the progress achieved against group strategic and sustainable development objectives, and adherence to the values of the group.

The other half of the variable remuneration, for which the payout is deferred, is based (1) on the Umicore group profitability criterion, i.e. the Return on Capital Employed (ROCE), as published in the annual report and (2) the degree of meeting the plan performance, as approved by the board. The deferred payout is assessed over a multi-year timespan, with half of it paid after a period of two years based on the two year average ROCE and the plan performance as reference. The other half is paid after a period of three years using as a reference the three year average ROCE and the plan performance. The ROCE range is set between 7.5% (= payout of 0%) and a maximum of 17.5% (= payout of 100% at plan performance). When the achieved ROCE percentage falls between the minimum threshold and the maximum target, the payout will be pro-rated. In addition, the deferred payouts will furthermore be adjusted upwards or downwards depending on the degree of meeting the plan approved by the board.

In case of any relevant structural change the nomination & remuneration committee reserves the right to review and adjust the variable remuneration as appropriate.

At the beginning of every reference year the individual objectives of the CEO are discussed during a session of the nomination & remuneration committee. During a board session they are presented by the Chairman, discussed and approved by the board.

The annual performance of the CEO is assessed by the nomination & remuneration committee and the results of this assessment are presented by the Chairman and discussed during a board session where the CEO is not present.

The variable cash remuneration may be converted partly or totally into Umicore shares at the discretion of the CEO. There are no provisions allowing the Company to reclaim any variable remuneration paid to the CEO.

#### Share based incentives (share grant and stock options)

Umicore shares are granted to the CEO at the discretion of the board of directors in recognition of services rendered in the previous year. The number of shares granted to the CEO in respect of the year 2016 was 5,200. The shares are subject to a three year lock-up and are not subject to forfeiture conditions.

Stock options are granted to the CEO as part of the annual Umicore Incentive Stock Option Plan approved by the board of directors. The number of stock options granted to the CEO currently amounts to 75,000. There is no vesting period and the options are subject to a three year lock-up. Stock options allow the beneficiary to acquire a specific number of Umicore shares at a fixed price (the exercise price) within a specific period of time.

#### Pension and other benefits

Pensions include both defined contribution plans and the service cost of a defined benefit plan. Other benefits are representation allowance, benefits in kind (company car), and insurance benefits.

#### 5.11.2.3. Executive committee member's remuneration

##### Fixed remuneration

The fixed remuneration of the executive committee members is reviewed on an annual basis by the nomination & remuneration committee. The fixed remuneration can be different for each executive committee member and depends on criteria such as experience and responsibilities.

#### Variable cash remuneration scheme and evaluation criteria

Umicore has adopted a variable cash remuneration scheme which aims to ensure that all executive committee members are rewarded in line with their annual individual performance as well as the overall performance of the Umicore group. All the members of the executive committee are eligible for the same annual variable cash remuneration potential currently amounting to € 300,000, half of which involves an undeferred payout based on the annual individual performance (including adherence to the values of the group, environmental and social performance).

The other half, involving a deferred payout, is based (1) on the Umicore group ROCE profitability criterion, i.e. the Return on Capital Employed (ROCE), as published in the annual report and (2) the degree of meeting the plan performance, as approved by the board. For executive committee members having group responsibility such as the Chief Financial Officer, the Chief Technology Officer and the Corporate Executive Vice-President the plan performance is on group level. For the Executive Vice-Presidents having full Business Group responsibility, the plan performance is their respective Business Group plan performance. The deferred payout is assessed over a multi-year timespan, with half of it paid after a period of two years, using the two years average ROCE and the plan performance as reference. The other half is paid after a period of three years based on the three years average ROCE and the plan performance. The ROCE range is set between 7.5% (= payout of 0%) and a maximum of 17.5% (= payout of 100% at plan performance). When the achieved ROCE percentage falls between the minimum threshold and the maximum target, the payout will be pro-rated. In addition, the deferred payouts will furthermore be adjusted upwards or downwards depending on the degree of meeting the plan approved by the board.

In case of any relevant structural change the nomination & remuneration committee reserves the right to review and adjust the variable remuneration as appropriate.

At the beginning of every reference year the annual individual objectives of each executive committee member are fixed by the CEO on basis of their areas of responsibility. The annual individual objectives are specific, measurable, agreed, realistic, time bound and take into account the group's sustainability objectives.

The annual performance of each executive committee member 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 & remuneration committee before approval by the board.

There are no provisions allowing the Company to reclaim any variable remuneration paid to the executive committee members.

#### Share based incentives (share grant and stock options)

Umicore shares are granted to the executive committee members at the discretion of the board of directors in recognition of services rendered in the previous year. The number of shares granted to each member of the executive committee in respect of the year 2016 was 3,700. The shares are subject to a three year lock-up and are not subject to forfeiture conditions.

Stock options are granted to the executive committee members as part of the annual Umicore Incentive Stock Option Plan approved by the board of directors. The number of stock options granted to each executive committee member currently amounts to 17,500. There is no vesting period and the options are subject to a three year lock-up. Stock options allow the beneficiary to acquire a specific number of Umicore shares at a fixed price (the exercise price) within a specific period of time.

### Pension and other benefits

Pensions include both defined contribution plans and the service cost of a defined benefit plan. Other benefits include representation allowances, company cars and insurance benefits.

#### 5.11.2.4. Total CEO and Executive Committee remuneration for 2016

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

<b>(in €)</b>		<b>CEO</b>	<b>Executive Committee (in aggregate)</b>
Status		Self-employed	
<b>Time to cash conversion</b>			
Current year	Fixed	660,000	2,375,000
15 months	Undeferred Variable 50% (ref year 2016)	210,000	660,000
27 months	Deferred Variable 25% (ref year 2015)	90,450	296,475
39 months	Deferred Variable 25% (ref year 2014)	81,000	243,000
3 years	Shares	265,200	1,133,976
3 to 7 years	Stock options	350,250	490,350
Pension	Defined contribution plan	46,200	172,330
	Defined benefits plan (service cost)	118,527	538,986
Others benefits	Representation allowance, benefit in kind company car, insurance benefits	42,881	235,005
<b>Total</b>		<b>1,864,508</b>	<b>6,145,122</b>

#### 5.11.3. SHARE AND SHARE OPTION OWNERSHIP AND TRANSACTIONS 2016

##### Executive committee share option ownership and transactions 2016

<b>Name</b>	<b>Options at 31 Dec 2015</b>	<b>Options granted in 2016</b>	<b>Number of options exercised</b>	<b>Average exercise price (in €)</b>	<b>Year of grant of options exercised</b>	<b>Number of options forfeited</b>	<b>Options at 31 Dec 2016*</b>
Marc Grynberg	503,000	75,000	113,000	23.16	2007 / 2010	0	465,000
Stephan Csoma	41,000	17,500	6,000	35.32	2012	0	52,500
Denis Goffaux	85,000	17,500	32,500	36.59	2011 / 2012	0	70,000
Géraldine Nolens**	24,000	17,500	6,000	35.32	2012	0	35,500
Filip Platteeuw	52,500	17,500	17,500	36.38	2013	0	52,500
Pascal Reymondet	95,000	17,500	60,000	37.95	2011 / 2012 / 2013	0	52,500
Marc Van Sande	95,000	17,500	42,500	36.94	2011 / 2012	0	70,000

\* These options can be exercised at strike prices between € 32.286 and € 38.07  
\*\* Including options granted in her capacity prior to appointment to the Executive Committee

Details of all options exercised and other share-related transactions of executive committee or board members can be found on [www.fsma.be](http://www.fsma.be).

#### Executive committee share ownership 2016

<b>Name</b>	<b>Shares owned at 31/12/2015</b>	<b>Shares owned at 31/12/2016</b>
Marc Grynberg	240,500	315,200
Stephan Csoma	7,200	10,900
Denis Goffaux	12,700	18,900
Géraldine Nolens	-	2,350
Filip Platteeuw	8,200	11,400
Pascal Reymondet	24,450	25,150
Marc Van Sande	15,700	19,400
<b>Total</b>	<b>308,750</b>	<b>403,300</b>

#### Board of directors share ownership 2016

<b>Name</b>	<b>Shares owned at 31/12/2015</b>	<b>Shares owned at 31/12/2016</b>
Thomas Leysen	573,920	454,920
Françoise Chombar	-	3,342
Ian Gallienne	-	-
Mark Garrett	333	833
Colin Hall	-	-
Ines Kolmsee	1,805	2,305
Barbara Kux	1,000	1,500
Eric Meurice	333	833
Jonathan Oppenheimer	1,900	2,400
Rudi Thomaes	2,205	2,705
<b>Total</b>	<b>581,496</b>	<b>468,838</b>

#### 5.11.4. CONTRACTUAL RELATIONSHIPS

##### Contract between Umicore and Marc Grynberg, CEO

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

- In case of termination of the contract by Umicore, 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 month period following a change of control due to a takeover bid (not cumulative with the previous provision).
- It is at the board of directors' discretion as to whether the variable cash remuneration would form part of any final indemnity.

##### Contracts between Umicore and executive committee members

Following a board decision taken in 2007, in case the employment of an executive committee member should be terminated within twelve months of a change of control of the Company, that member would stand to receive a total compensation equivalent to 36 months' base salary. This only applies for Pascal Reymondet and Marc Van Sande who were executive committee members at the date of this board decision.

Individual arrangements in case of termination of the contract by Umicore Denis Goffaux was appointed Chief Technology Officer on 1 July 2010. Taking into account Denis Goffaux's

seniority in the Umicore group a total compensation equivalent to 18 months of his annual base salary will be paid in case of contract termination. In line with the Belgian Corporate Governance Law of 6 April 2010, the nomination & remuneration committee recommended this arrangement and this was approved by the board of directors on 1 June 2010.

Stephan Csoma and Filip Platteeuw were appointed executive committee members on 1 November 2012. Taking into account their seniority in the Umicore group a total compensation equivalent to 18 months of their annual base salary will be paid in case of contract termination. In line with the Belgian Corporate Governance Law of 6 April 2010, these arrangements were approved by the nomination & remuneration committee of 18 September 2012 subject to the absence of any objections of the board, which were not formulated.

Géraldine Nolens was appointed executive committee member on 1 July 2015. Taking into account Géraldine Nolens seniority in the Umicore group a total compensation equivalent to 18 months of her annual base salary will be paid in case of contract termination. In line with the Belgian Corporate Governance Law of 6 April 2010, the nomination & remuneration committee recommended this arrangement and this was approved by the board of directors on 28 April 2015.

For all prior mentioned executive committee members it is at the board of directors' discretion as to whether the variable cash remuneration would form part of any final indemnity.

The contract of Marc Van Sande was signed before the Belgian Corporate Governance Law of 6 April 2010 came into force. In case of termination the compensation is based on age, seniority in the Umicore group and the total compensation and benefits.

Pascal Reymondet has a German employment agreement signed on 1 March 1989. There is no contractual arrangement in case of termination and German law will be applicable.

#### 5.11.5. CHANGES TO THE REMUNERATION SINCE THE END OF 2016

##### Non-executive directors' remuneration

At the request of the nomination & remuneration committee, Umicore conducted end 2016 a survey of director's fees of Umicore against those of quoted companies on the BEL20 index as well as other European companies of similar size operating in the Chemicals, Metals and Materials sectors. The results of the survey were reviewed by the nomination & remuneration committee of 20 January 2017.

Based on the review of the overall compensation of the board members and of each element of the compensation, the nomination & remuneration committee concluded that the annual fixed fee required adjustment. The nomination & remuneration committee proposed to the board an increase of the annual fixed fee with € 7,000. The annual fixed fee of the Chairman of the board will remain unchanged.

The board of directors of 9 February 2017 followed this recommendation and decided to submit this increase to the approval of the shareholders.

##### CEO's remuneration

On 20 January 2017 the nomination & remuneration committee reviewed the remuneration of the CEO and the executive committee members based on a comparison survey with European peer companies and BEL20 index companies.



On proposal of the nomination & remuneration committee, the board of directors of 9 February 2017 decided to increase the fixed remuneration of the CEO with € 20,000 to € 680,000 as of 1 January 2017.

#### Executive committee members' remuneration

The nomination & remuneration committee of 20 January 2017 reviewed the remuneration of the executive committee members. On proposal of the nomination & remuneration committee, the board of directors of 9 February 2017 decided to increase slightly the annual fixed remuneration of the executive committee members as of 1 January 2017.

#### CEO & Executive Committee Members' deferred variable remuneration

The nomination & remuneration committee discussed a re-design of the deferred variable remuneration policy. While ROCE continues to be the key metric of financial performance, the nomination & remuneration committee supported a concept to provide for a growth incentive. It was agreed that the current ROCE deferred variable will remain in place and that an upward adjustment or additional variable will be considered based on EBIT growth.

This additional variable, based on the target of the deferred variable remuneration, for the CEO € 270,000 (target of € 135,000 after a period of two years and target of € 135,000 after a period of three years) or for the executive committee members € 150,000 (target of € 75,000 after a period of two years and target of € 75,000 after a period of three years), will be determined by adding to the target a percentage equal to twice the average EBIT growth percentage over the last 2 years, respectively 3 years. A threshold of 2% average EBIT growth will be applied i.e. no adjustments for EBIT growth below 2%. The deferred variable plan including the additional variable will be measured collectively for the CEO and the executive committee members.

The new concept intends to reward for the quality of the results (ROCE criteria) and provide an incentive for growth (EBIT growth criteria).

The board of directors of 9 February 2017 approved this new concept of the deferred variable remuneration applicable as of pay-outs in 2018.

## **5.12. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

### 5.12.1. MANAGING RISK EFFECTIVELY

The Company takes a balanced approach to managing risk and seizing opportunities. This gives it the best means of delivering on its strategic goals.

The aim of Umicore's risk management system is to:

- enable the Company to identify risks in a proactive and dynamic way; and
- manage or mitigate risks to an acceptable level wherever possible.

#### 5.12.1.1. Board of directors

The board of directors is ultimately responsible for:

- assessing the risk profile of the company within the context of the Company strategy and external factors; and
- ensuring adequate risk management and internal control processes are in place.

#### 5.12.1.2. Executive committee

The executive committee is tasked with:

- successfully exploiting business opportunities;
- assessing how market conditions, competitor positioning, technology developments or regulatory changes can impact the execution of the business strategy; and
- managing and mitigating possible business risks.

#### 5.12.1.3. Business units

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

Umicore has established an assessment process to be carried out by each business unit. This process can be summarized as follows:

1. carry out a risk scan to identify all significant risks (financial and non-financial);
2. describe each risk in detail on an "uncertainty sheet" outlining potential impact, likelihood, status of management action or mitigation, and ownership;
3. business units report bottom up to the executive committee member responsible for that business unit;
4. The audit committee (on behalf of the board) performs a periodic review of the Company's internal control and risk management system, investigating specific aspects on an ongoing basis.

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.

#### 5.12.2. INTERNAL CONTROL SYSTEM

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

- effectiveness and efficiency of operations
- reliability of financial processes and reporting
- compliance with laws and regulations; and
- mitigation of errors and fraud risks

Umicore adopted the COSO framework for its enterprise risk management and has adapted its various controls constituents within its organization and processes. "The Umicore Way" (<http://www.umicore.com/en/vision/values/>) 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.

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

### 5.12.3. RISK DESCRIPTIONS

#### 5.12.3.1. Regulatory and legal context

##### Strategic focus areas

- Economic performance;
- Value chain and society;
- Eco-efficiency.

##### Potential influence

Umicore is exposed to the evolution of the regulatory environment in the countries or regions in which 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 potentially an uneven competitive environment.

The growth in technology driven businesses induces a potentially higher risk of IP related disputes.

Change in risk profile: ↗ (increase)

Change in opportunity profile: ↗ (increase)

##### Developments in 2016

The most significant regulatory opportunities and risks are related to the three megatrends that are most relevant to Umicore – resource scarcity, clean air and electrified mobility.

In terms of regulations related to product safety and sustainability, including product information, the REACH registration process moved towards its final phase. For Umicore this represents 252 registrations.

In terms of legal risk please refer to the contingencies section in the consolidated annual report (note F36 to the financial statements). This relates primarily to cases brought against Umicore in the domain of cathode materials for rechargeable battery materials.

##### Umicore positioning in 2016

Umicore continued to invest in and commission new production facilities (Poland, Thailand, US) and to develop new products to enable its customers in the automotive industry to meet more stringent vehicle emission regulations. These include norms such as Euro 6b in Europe.

The Company took steps to ensure its ability to meet the surging demand for cathode materials for rechargeable batteries used in electrified transportation in the coming years. This involves an investment to triple the production capacity of cathode material in China and South Korea by 2018.

Umicore played an active role in informing European legislators about the capabilities of various emission control technologies for both diesel and gasoline powered vehicles. This was in order to help legislators make informed decisions about future emission and testing norms.

#### 5.12.3.2. Sustainable and ethical supply

##### Strategic focus area

- Economic performance;
- Value chain and society.

##### Potential influence

Umicore requires certain metals or metal-containing raw materials in order 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 environmental and social challenges or which are affected by conflict. Ensuring that our procurement of such materials does not contribute to such problems is important for our overall license to operate as well as for our reputation and that of our customers.

Conversely, being able to access sufficient quantities of these materials in a suitably responsible way can provide us with a competitive advantage.

Change in risk profile: ↗ (increase)

Change in opportunity profile: ↗ (increase)

##### Developments in 2016

The focus on conflict minerals strengthened further with the EU agreeing on a framework similar in scope to the US Dodd Frank Act that was implemented in 2012.

There was a growing awareness around the conditions in which cobalt is mined in the Democratic Republic of Congo. Various NGOs such as Amnesty International as well as international media raised awareness of the social and environmental challenges related to cobalt sourcing.

##### Umicore positioning in 2016

Umicore further refined its sustainable procurement framework for cobalt. This framework has been in existence since 2004. In 2016 Umicore obtained a validation by a third party assurance provider that its cobalt supplies were in conformity with the Framework. This provides additional comfort to customers about the ethical sourcing of our cobalt.

As part of the Horizon 2020 objective on "sustainable supply" Umicore has identified the raw materials that are critical to the realisation of its growth ambitions. Each business unit is responsible for defining a procurement approach that ensures continuity of supply.

Umicore continued to ensure that all of its operations that are involved in gold recycling and refining are certified as conflict-free under the aegis of specific industry assurance standards.

### 5.12.3.3. Technology and substitution

#### Strategic focus area

- economic performance;
- value chain and society;
- eco-efficiency.

#### Potential influence

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.

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 to integrate in their products should those of Umicore not provide this optimum balance. The risk is especially present in those businesses producing materials containing expensive metals (especially those with historically volatile pricing characteristics).

Change in risk profile: → (no change)

Change in opportunity profile: ↗ (increase)

#### Developments in 2016

The evolution in the area of rechargeable battery materials for automotive applications has underscored that NMC materials are the technology of choice for customers in current and upcoming electrified vehicle platforms.

In vehicle emission control, the regulatory debates sparked by the diesel-gate affair reinforced the need to have a broad spectrum of technologies available for both gasoline and diesel applications.

#### Umicore positioning in 2016

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

Umicore continued to invest strongly in R&D during 2016. Overall spend was the equivalent of 5.8% of revenues.

In 2016 Umicore registered 50 new patent families.

### 5.12.3.4. Market

#### Strategic focus area

- Economic performance
- Value chain and society

#### Potential influence

The main end markets served by Umicore are automotive (for clean mobility products) and non-ferrous metal mining and refining industries (recycling activities). Umicore is sensitive to any major growth or global reduction in activity levels in these sectors.

Activity levels in other areas of the economy such as consumer electronics and construction are also relevant to Umicore as are the levels of activity in specific industries or at specific customers where Umicore provides closed-loop recycling services.

In the longer term, market disruptions such as new models of consumption have the possibility to significantly alter the landscape of the markets that Umicore serves, posing risks as well as creating new opportunities.

Change in risk profile: → (no change)  
Change in opportunity profile: ↗ (increase)

#### Developments in 2016

Overall, the global economic outlook remained rather stable in 2016. Market forecasts for the coming years continue to point to low growth in developed economies with global growth expected to be driven mainly by Asian markets and China in particular.

The automotive industry performed very well with higher levels of demand in several regions and a remarkable acceleration in demand for electrified vehicles.

In all important markets, more stringent vehicle emission legislation has come into force or has been announced for the coming years.

#### Umicore positioning in 2016

Umicore's growing presence in fast-growing market segments that are driven by global megatrends meant that our economic performance in 2016 again far outstripped that of the economy in general and that of most of our competitors.

The executive committee undertook a review of potentially disruptive market and technology trends in automotive and discussed its findings with the board of directors.

#### 5.12.3.5. Metal price

##### Strategic focus area

- Economic performance

##### Potential influence

Umicore's earnings are exposed to risks relating to the prices of the metals which we process or recycle.

The structural metal price risk relates mainly to the impact that metal prices have on the surplus metals recovered from materials supplied for recycling. It concerns platinum, palladium, rhodium, gold and silver as well as a wide range of base and specialty metals. For some metals quoted on futures markets, Umicore hedges a proportion of its forward metal exposure in order to cover part of the future price risks.

Change in risk profile: → (no change)  
Change in opportunity profile: → (no change)

#### Developments in 2016

2016 was marked by a volatile metal price environment. Gold and silver prices increased during the first nine months of the year followed by corrections during the last quarter. Despite some

spikes during the year, prices for the PGM metals remained well below the levels seen in recent years. Demand and prices for specialty metals remained subdued.

#### Umicore positioning in 2016

Over the course of 2016, Umicore entered into forward contracts securing a portion of its structural price exposure for certain precious metals and base metals in 2017 and 2018, thereby increasing earnings predictability.

#### 5.12.3.6. Talent attraction and retention

##### Strategic focus area

- Great place to work

##### Potential influence

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.

Change in risk profile: ↗ (increase)

Change in opportunity profile: → (no change)

#### Developments in 2016

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.

#### Umicore positioning in 2016

As a result of the successful completion of our Vision 2015 objectives, Umicore has attained preferred employer status for the majority of operations around the world and has ensured that all employees have an annual performance appraisal. The challenge for Horizon 2020 is to build on this and further improve engagement levels within the company. Measures taken to achieve this include initiatives to improve collaboration, manage and encourage diversity and broaden learning and career development opportunities. A significant proportion of Asian talent has been involved in such group-wide talent development action in order to promote mobility and create more possibilities for career growth.

Umicore developed a specific recruitment initiative to ensure that it is able to attract people with the right mix of skills to work in the expanding rechargeable battery materials operations in South Korea and China.

In order to enhance its employer brand Umicore has defined a project to develop a global employer brand with a special focus on challenging labour markets in Europe and Asia. The project is expected to be implemented by the end of 2017.

Construction of the new automotive catalyst production facility in Thailand was completed and the facility was fully staffed during the course of 2016. The plant started production less than two years after the investment plans were announced.

## **6. BRANCHES**

The Company has no branches.



## **7. CONTINUITY**

The Company has no losses carried forward. Article 96.6° of the Companies Code is not applicable.

## **8. IMPORTANT EVENTS**

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

Umicore has taken note of the decision of the French Competition Authority regarding certain business practices of the company's Building Products activities in France and of the imposed fine of EUR 69.2 million that was paid during the second semester. The French Competition Authority claims that Umicore imposed an exclusive purchase obligation on some of its distributors in France between 1999 and 2007 and in doing so abused an alleged position of market dominance. Umicore strongly denies the alleged abuse of a dominant position and will appeal the decision in court.

## **9. CONFLICTS OF INTERESTS**

On 4 February 2016, prior to the board discussing or taking any decision, Marc Grynberg 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:

### **a) Cash remuneration**

The CEO received a fixed gross remuneration of € 660,000 in 2016. Also in 2016 he received a gross variable cash remuneration totalling € 220,000 as non-deferred part of his variable cash remuneration for the reference year 2015.

Furthermore he received in 2016 a gross amount of € 74,250 as first half of the deferred payment of his variable cash remuneration for the reference year 2014 based on (1) the two year average Umicore group profitability criterion, i.e. the average return on capital employed (ROCE) for the reference years 2014 and 2015 (i.e. 13% giving rise to a percentage pay-out of 55%) and (2) the degree of meeting the plan performance, as approved by the board, for the same reference years 2014 and 2015 (no adjustment applied based on the degree of meeting the plan performance on Group level), and a gross amount of € 76,950 as the second half of the deferred payment of his variable cash remuneration for the reference year 2013 based on the three year average Umicore group ROCE for the reference years 2013, 2014 and 2015 (i.e. 13.2% giving rise to a percentage pay-out of 57%).

In 2017 he will receive the first half of the deferred payment of his annual variable cash remuneration for the reference year 2015 based on (1) the two year average Umicore group ROCE for the reference years 2015 and 2016 and (2) the degree of meeting the plan performance, as approved by the board, for the same reference years 2015 and 2016 and the second half of the deferred payment of his annual variable cash remuneration for the reference year 2014 based on (1) the three year average Umicore group ROCE for the reference years 2014, 2015 and 2016 and (2) the degree of meeting the plan performance, as approved by the board, for the same reference years 2014, 2015 and 2016.

The ROCE range is set between 7.5% (= pay-out of 0%) and a maximum of 17.5% (= pay-out of 100% at plan performance). When the achieved ROCE percentage falls between the above targets, the pay-out will be pro-rated. In addition, the deferred pay-outs will furthermore be adjusted upwards or downwards depending on the degree of meeting the plan performance approved by the board for the applicable reference years.

#### **b) 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 2016, 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.

#### **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 2016.

For the board of directors  
Brussels, 10 March 2017.

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Marc Grynberg  
Chief Executive Officer

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Thomas Leysen  
Chairman