

**UMICORE**  
 Limited Company (Naamloze Vennootschap / Société Anonyme)  
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**STATUTORY ANNUAL REPORT– FISCAL YEAR 2014**

To the shareholders,

In accordance with legal and statutory obligations, we hereby report to you on the execution of our appointment for the year ended 31 December 2014 and submit the annual accounts for your approval.

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

**1.1. PROFIT AND LOSS STATEMENT**

**1.1.1. RESULT**

For the past year 2014, the annual accounts of Umicore (also the "Company") show a net profit after taxes of 131,237 KEUR versus a profit of 87,990 KEUR in the comparable period 2013. This means an increase of 43,247 KEUR, as detailed below:

<b>Profit</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>Delta</b>
Operating result	67,773	109,937	-42,164
Financial result	29,606	8,817	20,789
<b>Result from the ordinary activities</b>	<b>97,379</b>	<b>118,754</b>	<b>-21,375</b>
Exceptional result	33,203	-26,440	59,643
<b>Profit before taxes</b>	<b>130,582</b>	<b>92,314</b>	<b>38,268</b>
Income taxes	655	-4,324	4,979
<b>Net profit of the year</b>	<b>131,237</b>	<b>87,990</b>	<b>43,247</b>

**1.1.2. OPERATING RESULT**

The decrease in 2014 vs. 2013 is mostly attributable to a lower contribution from the Recycling activity at Hoboken.

### 1.1.3. ECONOMIC CONTEXT BY ACTIVITY

#### A. RECYCLING

Revenues and recurring EBIT for Recycling decreased in 2014 compared to 2013, mainly due to the impact of lower prices of precious and specialty metals and a somewhat less favourable supply mix.

Processed volumes were up year on year, despite the preparatory engineering work and the first major phase of investments carried out in the Hoboken to expand capacity. These investments resulted in a higher throughput rate, which more than offset the volume loss caused by downtime.

The feed availability was robust across most segments and this supported a higher intake of material. The supply mix, however, was less positive reflecting a lower availability of pgm-rich material and a somewhat reduced fraction of richer and more complex e-scrap. Umicore further strengthened its position in the market of spent industrial catalysts, while commercial conditions for spent automotive catalysts remained highly competitive throughout the year.

Umicore managed to successfully strengthen its position for the recycling of spent rechargeable batteries from electrified vehicles and successfully secured new contracts with (H)EV manufacturers. Umicore continues to optimize its processes in this long term market opportunity for both automotive and portable batteries.

#### B. ENERGY MATERIALS

Revenues for the Cobalt and Specialty and Rechargeable Battery Materials business unit grew substantially.

In the Ceramics & Chemicals business, order levels for nickel sulphates used as precursors were well up year on year. Sales of metal carboxylates were also higher due to strong demand for products used as polymerisation and refining catalysts by the petrochemical industry. The distribution activities continued to perform well. Sales volumes of cobalt compounds remained stable and premiums in that segment were lower due to continued aggressive competition in Asia.

The Li-Ion battery market continued to grow in 2014 and Umicore's sales volumes and revenues were well up compared to the previous year. The segment of portable electrics is still by far the largest segment and continues to grow. Also the introduction of new applications and devices such as battery-powered home appliances and power banks drives the growth of the market. Sales of electrified cars are steadily growing and should continue to do so as an increasing number of electrified models get introduced in the market.

Sales volumes of Umicore's proprietary High Energy LCO (lithium cobaltite) used in high performance Li-ion batteries for smartphones and tablets were well up year on year. In this segment the average battery size is increasing due to a higher power need per device and more intensive use of mobile gadgets.

Overall sales of NMC (nickel manganese cobalt) cathode materials were down year on year as a result of lower shipments to NMC grades used in portable electronics. Due to continued

aggressive pricing levels for these grades and their commoditization, Umicore has decreased its presence in this sub-segment.

Revenues in the cobalt and nickel recycling and refining services were slightly higher year on year.

The market of hard metals used in tool materials remained challenging and demand was subdued.

Results of the business unit Electro-Optic Materials increased compared to previous year, driven by volume growth in finished optics and a greater contribution from the recycling and refining activities. The measures to reduce costs and increase operational efficiency continued to benefit earnings.

Revenues for finished optics showed significant growth, primarily due to strong demand for commercial infrared applications. In this segment a widespread switch is taking place to Umicore's GASIR-based optical lens systems which have an equivalent performance to germanium based products and enable the development of new market segments. Demand for blank optics remained low in a generally depressed market. Umicore continued to defend its margins in this segment with a selective approach. Sales of germanium tetrachloride for the fiber optics industry remained steady and revenues benefited from a favourable product mix.

In the germanium substrates activity, volumes and revenues for photovoltaic applications were slightly lower while margins remained stable. Lower demand for terrestrial CPV (Concentrator Photovoltaics) products was offset by higher demand for space applications where a move towards larger and more efficient wafers is taking place. Revenues remained stable in the LED segment.

#### C. PERFORMANCE MATERIALS

The business unit Zinc Chemicals saw improvement in sales in the majority of its product areas in the second half of 2014. Revenues were therefore higher year on year. Despite the tight availability of zinc-containing galvanising residues which impacted recycling margins, earnings recovered on the back of higher sales and benefited from recent cost reduction measures.

Sales volumes of fine zinc powders showed further improvement in the second half year which was largely attributable to a pick-up in Asian demand for powders used in anti-corrosive paint. Overall premiums were somewhat higher.

Sales volumes of zinc powders used in primary batteries were well up particularly as a result of better sales into the European and North American markets.

Zinc oxide sales volumes increased, particularly for feed grade products, and premiums were slightly higher.

In Building Products revenues were up versus last year, helped by a comparatively mild winter.

#### D. CORPORATE

Overall, corporate costs were at the same level as in 2013.

#### 1.1.4. FINANCIAL RESULT

The financial result amounted to 29,606 KEUR compared to 8,817 KEUR in 2013, or a variance of 20,789 KEUR. This variance is driven by the following factors:

Dividend income in 2014 (109,129 KEUR) increased versus 2013 (99,449 KEUR) or a variance of 9,680 KEUR. The 2013 dividend income was lower, because of lower dividends received from Umicore Korea and no dividend was paid by Umicore France.

Interest charges in 2014 decreased compared to previous year (-76,480 KEUR compared to -89,534 KEUR in 2013). In December 2013, Umicore refinanced part of its long-term loans for an amount of 418 Mio EUR with various affiliates of the group at reduced interest rates.

Other financial income and other financial charges for a net amount of -2,714 KEUR (2013: -1,121 KEUR) mainly relate to foreign exchange results and miscellaneous expenses such as bank charges and financial discounts on sales invoices.

#### 1.1.5. EXCEPTIONAL RESULT

The exceptional result includes a capital gain of 28,206 KEUR, realized on the sale of the participation in Todini to Umicore International.

A positive mark-to-market adjustment of 15,146 KEUR was booked on the Nyrstar shares (end December closing rate of 2.93 EUR/share compared to an end 2013 closing price of 2.32 EUR/share). In 2013 a negative mark-to-market adjustment of 10,630 KEUR needed to be booked on Nyrstar.

A reversal of impairments booked in previous years on the CO2 emission rights amounts to 801 KEUR.

Impairments were booked on other participations as the Nyrstar participation and on financial loans for some 10,973 KEUR, compared to 16,720 KEUR in previous year

#### 1.1.6. INCOME TAXES

The 2014 income tax result shows a positive balance of 656 KEUR, compared to a cost of -4,323 KEUR in 2013.

The 2014 income tax result is positively influenced by an adjustment related to the fiscal year 2013, as last year's provisional calculation of income taxes was overestimated and by the use of R&D tax credits generated in 2014.

Finally, in 2013 a fairness tax charge was accounted for, which is not due in 2014.

#### 1.1.7. APPROPRIATION OF THE RESULT

Taking into account the profit of the year of 131,237 KEUR and the profit carried forward for an amount of 415,856 KEUR, the allocations to and release from the unavailable reserve related to the 2014 movements in the own shares for a total amount of 62,997 KEUR and the interim dividend paid out in September 2014 amounting to 54,137 KEUR, the result available for appropriation stands at 429,959 KEUR.

Umicore's Board of Directors will propose to the annual general meeting of shareholders a gross dividend of 1.00 EUR per share, with the pay-out taking into account the gross interim dividend of 0.50 EUR/share already distributed in September 2014.

## **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 2014.

### 1.2.2. OWN SHARES

The own shares value decreased from 297,164 KEUR on 31 December 2013 to 121,431 KEUR on 31 December 2014. The variance of 175,733 KEUR is detailed below:

Own shares	Number	KEUR
Balance per 01/01/2014	10,228,661	297,164
Destruction of own shares	-8,000,000	-238,730
Exercises of options and grant of free shares	-343,734	-9,098
Purchases of own shares	2,029,345	72,095
Balance per 31/12/2014	3,914,272	121,431

The balance represents 3.49% of the 112,000,000 shares outstanding.

### 1.2.3. INVESTMENTS IN INTANGIBLE FIXED ASSETS

Investments in intangible assets were recorded for a total amount of 23,333 KEUR. These investments relate mainly to capitalized R&D projects (22,040 KEUR) and IS costs (1,275 KEUR).

### 1.2.4. INVESTMENTS IN TANGIBLE FIXED ASSETS

Investments in tangible fixed assets were booked for a total amount of 57,092 KEUR. The main investments were made at the Hoboken (39,520 KEUR) and the Olen site (12,622 KEUR).

The Hoboken expansion program is well underway and the effects of the throughput and efficiency improvements are already being felt. Further major investments will take place during two extended shutdowns in 2015. The investments related to the sampling activity as well as investments to improve the environmental performance of the plant continued. A number of technical modifications to the UHT smelter are ongoing focusing on process improvements and increasing operational efficiency.

In the CSM plant in Olen further progress was made concerning the investment in the new furnaces for the production of ultra-fine cobalt powders for the business line Tool Materials and the revamping of the demineralisation line at the cobalt plant.

In Olen's EOM plant investments were made in order to upgrade the refining and substrates activities, including the production lines in the field of metallurgy that to further improve throughput times and increase efficiency.

In the plant Zinc Chemicals at Angleur the implementation of the investment program continued. Several investments were done to increase the security at the site. Investments in buildings to renew the roof were finalized and several projects were implemented in order to further reduce energy consumption in the plant. In Overpelt main capital expenditures related to the renewal of the building and courtyards, replacement of labo equipment and forklifts. In Zolder the most important investments are linked to the soil sanitation project, renewal of transport systems and several process improvements in close collaboration with the R&D department. In Vilvoorde finally some smaller investments were made in packaging equipment and rolling material.

#### 1.2.5. FINANCIAL FIXED ASSETS

Financial assets increased all together by 15,922 KEUR.

Main movements are linked to the additional acquisition of Nyrstar shares and the reversal of the impairment posted in prior years following the mark-to-market adjustment referred to in §1.1.5. On other participations impairments were booked amounting as detailed in §1.1.5 as well.

Other movements relate to the Nyrstar bond, reimbursed in July 2014 for an amount of - 5,000 KEUR and the divestment of the participation held in Todini accounting for a decrease of -2,250 KEUR.

#### 1.2.6. INVENTORIES

Inventories increased with 17,753 KEUR compared to December 31st, 2013.

Increases are impacted by higher stock levels and price increases of cobalt, nickel and zinc in Olen and Angleur (+21,064 KEUR).

The value of inventories at the PMR Hoboken decreased by 9,916 KEUR, mainly impacted by lower volumes (mainly gold) in stock and decreased precious metal prices, offset partially by increased prices and volumes of copper.

Finally, a reversal of impairments was booked on certain metal inventories amounting to 6,145 KEUR.

#### 1.2.7. AMOUNTS RECEIVABLE WITHIN ONE YEAR

The amounts receivable within one year increased from 220,492 KEUR at Dec. 31<sup>st</sup>, 2013 to 258,740 KEUR at the end of December 2014 or a variance of +38,247 KEUR, reflecting higher

commercial receivables (+ 31,771 KEUR) and increased deposits with Umicore Financial Services (+4,742 KEUR).

#### 1.2.8. TREASURY INVESTMENTS

The investments in own shares decreased from 297,164 KEUR to 121,431 KEUR: see pt. 1.2.2 own shares.

#### 1.2.9. PROVISIONS FOR LIABILITIES AND CHARGES

The provisions increased from 105,843 KEUR at December 31<sup>st</sup>, 2013 to 115,233 KEUR at the end of 2014, or an increase of 9,389 KEUR year on year.

The variance is explained by an increase of the provision for maintenance (+309 KEUR) and the increase of the provisions for pensions (+9,128 KEUR), reflecting mainly the impact of the lower discount rates.

There is a limited decrease of the other liabilities and charges (-47 KEUR): additional provisions for the reorganisation of the support departments and for the removal of historically polluted grounds are offset by the use of other environmental provisions.

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

The financial debt compared to December 2013 increased by 69,565 KEUR.

The short term loans increased with 69,565 KEUR : the short term loans with Umicore Financial Services increased with 56,000 KEUR and a new short term loan with Natixis of 13,565 KEUR was implemented in the context of a supply chain financing arrangement.

Part of the long term loan with Umicore Long Term Finance, 500 MEUR, becomes due at the end of November 2015 and was therefore reclassified to short term at the end of 2014.

### **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 decreased from 2,923.3 in 2013 to 2,885.1 at the end of 2014. On average Umicore employed 2,893.7 FTE during the year 2014, comparable to 2013.

#### People development

Training and development are considered key investment in competence building. Umicore wants people to drive their career as well as to take initiatives to continue develop their own competencies at Umicore. The total number of formal and informal training hours is still at a high level (114,319 hours in 2014), however lower than in 2013 (149,089 hours). The decrease is explained by the fact that 2013 included a number of one-time training initiatives related to safety and the replacement and upgrade of the PC equipment.

#### Preferred employer

Umicore strives to be a preferred employer for both current and potential employees. In 2014 Umicore was once more recognized as top employer by the Top Employer Institute.

#### Occupational health and safety

In terms of accident severity the performance was affected by the accident in Olen in January 2014 in which two employees lost their lives. The process safety initiative, established following the accident, has engaged with all business units and sites to increase awareness of process safety and stimulate the exchange of best practices.

### **2. SUBSEQUENT EVENTS**

On 6 February 2015 Umicore announced its intentions to review its strategy related to certain business units (see also § 3 Development of the Company).

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

Umicore is reviewing its portfolio of activities and assessing options to optimize growth and value creation potential. In light thereof, a process has been initiated to prepare the Zinc Chemicals and Building products business units for a future outside the Umicore Group. These units have improved profitability significantly and are in a strong position to develop further in an environment that is specifically aligned with their respective products, services and applications. Umicore also intends to house its Electro-Optic materials and Thin Film Products activities in distinct legal entities to enable strategic alliances aimed at accelerating growth. The intention is to implement the portfolio realignment by end of 2016, subject to market opportunities.

### **4. RESEARCH AND DEVELOPMENT**

The strategy and policy on research and development are determined at group level. 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, the policies and procedures of the Umicore Group. The Charter is available on the Umicore website (<http://www.umicore.com/en/corporate-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.

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 believes that a good corporate governance structure is a necessary condition to ensure its long term success. This implies an effective decision-making process based on a clear allocation of responsibilities. It has to allow for an optimal balance between a culture of entrepreneurship at the level of its 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 Chief Executive Officer and the Executive Committee and also the specific role of the Audit Committee and of the Nomination and Remuneration Committee. This Statement provides information on governance issues which relate primarily to the financial year 2014.

## **5.2. CORPORATE STRUCTURE**

The Board of Directors is the ultimate decision-making body of Umicore save for those matters reserved to the shareholders' meeting pursuant to the Belgian Companies Code or Umicore's articles of association. The Board is assisted in its role by an Audit Committee and a Nomination and Remuneration Committee. The day-to-day management of Umicore has been delegated to the Chief Executive Officer, who is also the chairman of the Executive Committee. The Executive Committee is responsible for elaborating the overall strategy of Umicore and for submitting it to the Board for review and approval. It is responsible for implementing such strategy and for ensuring the effective oversight of the business units and corporate functions. The Executive Committee is also responsible for screening the various risks and opportunities that the Company might encounter in the short, medium or longer term (see Risk Management section) and for ensuring that systems are in place to address these. The Executive Committee is jointly 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 South America, China, North America and Japan. 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**

At 31 December 2014 there were 112,000,000 Umicore shares in issue. The following shareholders had declared a participation of 3% or more on 31 December 2014:

- Family Trust Desmarais, Albert Frère and Groupe Bruxelles Lambert SA:	11,883,643 shares (10.61%)
- BlackRock Inc.:	5,957,971 shares (5.32%)
- Umicore (own shares):	3,914,272 shares (3.49%)
- Norges Bank	3,419,154 shares (3.05%)

Also on 31 December 2014 Umicore owned 3,914,272 of its own shares representing 3.49% 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 respectively.

During the year 314,500 own shares were used in the context of the exercise of employee stock options and 25,834 shares were used for a share grant, of which 4,834 to the Board members, 21,000 to the Executive Committee members and 3,400 following a partial conversion into shares of the bonus of the Chief Executive Officer.

### **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) general meeting of shareholders. No dividend will be paid which would endanger the financial stability of the Company.

In 2014 Umicore paid a gross dividend of 1.00 EUR per share relating to the financial year 2013. This equalled the gross dividend in respect of the financial year 2012.

In July 2014 the Board, in line with the Umicore dividend policy, decided to pay an interim dividend, equal to 50% of the total dividend declared for the previous financial year. As a result a gross interim dividend of 0.50 EUR per share was paid on 4 September 2014. On 5 February 2015 the Board decided to propose to shareholders a total gross dividend of 1.00 EUR per share relating to financial year 2014. If the appropriation of profit proposed to shareholders is approved, the gross pay out of the dividend in May 2015 shall therefore amount to 0.50 EUR per share (i.e. the total dividend less the interim payment).

The System Paying Agent designated for the payment of the 2014 dividend is:  
KBC Bank  
Havenlaan / Avenue du Port 2  
1080 Brussels

### **5.3.3. SHAREHOLDERS' MEETINGS 2014**

The annual shareholders' meeting of Umicore took place on 29 April 2014. At this meeting 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 2013 mandates. At the same general meeting Ines Kolmsee and Jonathan Oppenheimer were reappointed respectively as independent director and director for three years; furthermore Arnoud de Pret's and Uwe-Ernst Bufe's mandates as directors were renewed for one year. The annual shareholders' meeting furthermore approved the remuneration of the Board for 2014. Details of the fees paid to the directors in 2014 are disclosed in the Remuneration Report. Finally the annual shareholders' meeting renewed the mandate of the statutory auditor, PricewaterhouseCoopers Bedrijfsrevisoren/Réviseurs d'Entreprises BCBVA/SCCRL, for three years.

An extraordinary and special shareholders' meeting held on 26 September 2014 resolved inter alia to cancel 8,000,000 own shares without reduction of the share capital or the share premium and to renew the authorization conferred to the Company and its direct subsidiaries to acquire, until 31 May 2017, Umicore shares on a regulated market within a limit of 10% of the subscribed capital, at a price per share between 4 EUR and 75 EUR.

## **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 shareholders' 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 2014, the Board of Directors was composed of nine members: eight non-executive directors and one executive director. On the same date three 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 (i.e. one third) of the ten Board members in function on 31 December 2014 are women. Umicore has therefore reached the minimum representation threshold of one-third, as imposed by the Belgian Companies Code and the recommendations of the Belgian Corporate Governance Committee, within the imposed time frame, i.e. before 1 January 2017. Both the Nomination and Remuneration Committee and the Board will in this respect continue to take into consideration the gender diversity requirement when examining Board mandate vacancies in the coming years.

The composition of the Board of Directors underwent the following changes in 2014:

- Barbara Kux, who had been appointed as independent director by the annual shareholders' meeting held on 30 April 2013, effectively started her Board mandate on 1 January 2014;
- The mandates of Klaus Wendel and Shohei Naito expired at the annual shareholders' meeting of 29 April 2014 due to the age limit imposed by the Corporate Governance Charter.

### **5.4.2. MEETINGS AND TOPICS**

The Board of Directors held seven regular meetings in 2014. This is an increase by one compared to the previous year, but can be explained by the postponement of a Board meeting initially scheduled for December 2013 to early January 2014. On one occasion the Board also took decisions by unanimous written approval.

During 2014 the matters reviewed by the Board included:

- financial performance of the Group;
- approval of the annual and half-year financial statements;
- adoption of the statutory and consolidated annual accounts including the result allocation and annual dividend proposal, as well as the statutory and consolidated annual reports;
- approval of the agenda of an ordinary, a special and an extraordinary shareholders' meeting and calling of these meetings;
- Vision 2015 status report;
- investment projects;
- EHS review, including sustainable development and implementation of REACH;

- strategic opportunities and operational challenges;
- business reviews;
- mergers & acquisitions projects;
- Human Resources review;
- annual performance review of the Chief Executive Officer and the other members of the Executive Committee in respect of 2013;
- succession planning at the level of the Board and the Executive Committee;
- distribution of an interim dividend.

The Board also visited the Umicore Specialty Materials plant in Bruges (Belgium).

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

Every two years the Chairman conducts a performance review of the Board and its Committees.

The last performance review took place in 2013, on the basis of an individual evaluation form. The directors were asked to assess the following items: composition of the Board, selection and appointment of directors, functioning of the Board (agenda, meetings, chairmanship and secretariat), quality of information, culture within the Board, performance of duties by the Board, relations with the Executive Committee, and finally the Audit Committee and the Nomination and Remuneration Committee.

The outcome of the evaluation was discussed at Board meetings held in September 2013 and February 2014.

#### **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 consists of three non-executive directors, two of them being independent. All the members of the Audit Committee, have extensive experience in accounting and audit as demonstrated by their curriculum.

The Committee met four times in 2014. Apart from the review of the 2013 full year accounts and those of the first half of 2014, the Committee also reviewed the following matters: treasury items, the accounting treatment of core inventories, the status and planning on the minimum internal control requirements ("MICR"), an overview of the employee benefits liabilities in the Umicore Group, internal audit activity reports and the audit charter. Furthermore, the Audit Committee conducted a self-assessment, the outcome of which recognized that the Audit Committee is satisfactorily functioning and also formulated some recommendations for the future.

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

The Nomination and Remuneration Committee consists of three members who are all non-executive directors, two of them being independent. It is chaired by the Chairman of the Board. Barbara Kux was appointed member of the Committee with effective date 1 January 2014; following the expiration of his Board mandate Shohei Naito, left the Nomination and Remuneration Committee with effective date 29 April 2014.

Two Nomination and Remuneration Committee meetings were held in 2014. During the same period the Committee discussed the remuneration policy for the Board members, the Board Committees members and Executive Committee members and the rules of the stock grant and option plans offered in 2014. 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 meant under Article 524bis of the Belgian Companies Code.

The Executive Committee is composed of at least four members. It is chaired by the Chief Executive Officer, 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 Chief Executive Officer and recommendation of the Nomination and Remuneration Committee.

On 31 December 2014 the Executive Committee consisted of seven members including the Chief Executive Officer.

### **5.5.2. PERFORMANCE REVIEW**

A review of the performance of each Executive Committee member is conducted annually by the Chief Executive Officer and discussed with the Nomination and Remuneration Committee. The results are presented to the Board of Directors and discussed by the Board.

The Board also meets annually in non-executive session (i.e. without the Chief Executive Officer present) to review and discuss the performance of the Chief Executive Officer.

The above performance reviews took place on 5 February 2014.

## **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 market abuse regulations.

The options on Umicore shares as granted to the Chief Executive Officer, 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

The Company'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 laid down 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 2014, save for the 3,914,272 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 on 26 September 2014 following the cancellation of 8,000,000 own shares and a minor change in the wording of a specific provision.

#### 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 2011 (resolutions published on 10 June 2011) has authorized the Board to increase the Company's share capital in one or more times by a maximum amount of 50,000,000 EUR. Up until 31 December 2014 this authorization had not been used. It will lapse on 9 June 2016.

Following a resolution of the extraordinary shareholders' meeting held on 26 September 2014 the Board is authorized to acquire own Company shares on a regulated market within a limit of 10% of the subscribed capital, at a price per share comprised between 4.00 EUR and 75.00 EUR and until 31 May 2017 (included). The same authorization was also granted to the Company's direct subsidiaries. A total of 2,029,345 own shares were purchased by the Company in 2014 in implementation of the above authorization (or of the previous authorization granted on 30 April 2013) during 2014.

#### 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 Group are entitled to a compensation equivalent to 36 months base salary in the event of a dismissal within twelve months of 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 Marc Daelman, represented by Marc Daelman for the exercise of this mandate.

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

#### **5.8. CODE OF CONDUCT**

Umicore operates a Code of Conduct for all 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 can be found in 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 and 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 and Remuneration Committee bases its proposals on a review of prevailing market conditions for quoted companies which are part of the BEL 20 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 and 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 2013 a survey of director's fees of Umicore against those of quoted companies on the BEL 20 index as well as other European companies of similar size operating in the Chemicals, Metals and Materials sectors. The results of the survey, which were reviewed by the Nomination and Remuneration Committee of 4 February 2014, demonstrated that the positioning of both the fees of the Chairman of the Board and those of the Board members was situated at the low end of the peer groups.

The Nomination and Remuneration Committee recommended to the Board to increase the number of Umicore shares granted to each non-executive director from 300 to 500, and for the Chairman of the Board from 500 to 1,000 effective in 2014. The Board of Directors of 5 February 2014 followed this proposal and decided to submit these changes to the approval of the shareholders. The annual shareholders' meeting of 29 April 2014 approved these changes.

The annual fixed fees and the fees per meeting attended in 2014 were maintained at the same level as in the prior year.

The remuneration of the non-executive Board members was as follows in 2014:

- **Chairman:** annual fixed fee: 40,000 EUR + 5,000 EUR per meeting attended + 1,000 Umicore shares.
- **Director:** annual fixed fee: 20,000 EUR + 2,500 EUR per meeting attended + 500 Umicore shares.

The remuneration of the Board Committee members was as follows in 2014:

- **Audit Committee**
  - **Chairman:** annual fixed fee: 10,000 EUR + 5,000 EUR per meeting attended.
  - **Member:** annual fixed fee: 5,000 EUR + 3,000 EUR per meeting attended.
- **Nomination and Remuneration Committee**
  - **Chairman:** 5,000 EUR per meeting attended.
  - **Member:** 3,000 EUR per meeting attended.

5.11.1.3. 2014 Board Remuneration overview.

<b>Name</b>		<b>(in €)</b>	<b>Meetings attended</b>
Thomas Leysen (Chairman) (non-executive director)	<b>Board</b>		
	Fixed annual fee	40,000	
	Fee per attended meeting	5,000	7/7
	Value of 1,000 granted shares	34,660	
	<b>Nomination &amp; Remuneration Committee</b>		
	Fee per attended meeting	5,000	2/2
	<b>Total remuneration</b>	<b>119,660</b>	
	Benefits in kind company car	3,378	
Marc Grynberg (executive director)	<b>Board</b>		
	No remuneration as a director (see hereafter 2014 CEO remuneration)	-	
Isabelle Bouillot (non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	5/7
	Value of 500 granted shares	17,330	
	<b>Total remuneration</b>	<b>49,830</b>	
Uwe-Ernst Bufe (independent, non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	5/7
	Value of 500 granted shares	17,330	
	<b>Total remuneration</b>	<b>49,830</b>	
Arnoud de Pret (non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	7/7
	Value of 500 granted shares	17,330	
	<b>Audit Committee</b>		
	Fixed annual fee	10,000	
	Fee per attended meeting	5,000	4/4
<b>Total remuneration</b>	<b>84,830</b>		
Ines Kolmsee (independent, non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	7/7
	Value of 500 granted shares	17,330	
	<b>Audit Committee</b>		
	Fixed annual fee	5,000	
	Fee per attended meeting	3,000	3/4
<b>Total remuneration</b>	<b>68,830</b>		
Barbara Kux (independent, non-executive director)	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	7/7
	Value of 500 granted shares	17,330	
	<b>Nomination and Remuneration Committee</b>		

	Fee per attended meeting	3,000	2/2
	<b>Total remuneration</b>	<b>60,830</b>	
	Umicore contribution to the Swiss social security	4,312	
Shohei Naito (independent, non-executive director) End of mandate AGM 29 April 2014	<b>Board</b>		
	Fixed annual fee	6,667	
	Fee per attended meeting	2,500	3/3
	Value of 167 granted shares	5,788	
	<b>Nomination and Remuneration Committee</b>		
	Fee per attended meeting	3,000	1/1
	<b>Total remuneration</b>	<b>22,955</b>	
Jonathan Oppenheimer (non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	7/7
	Value of 500 granted shares	17,330	
	<b>Total remuneration</b>	<b>54,830</b>	
Rudi Thomaes (independent, non-executive director)	<b>Board</b>		
	Fixed annual fee	20,000	
	Fee per attended meeting	2,500	7/7
	Value of 500 granted shares	17,330	
	<b>Nomination and 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>77,830</b>	
Klaus Wendel (non-executive director) End of mandate AGM 29 April 2014	<b>Board</b>		
	Fixed annual fee	6,667	
	Fee per attended meeting	2,500	3/3
	Value of 167 granted shares	5,788	
	<b>Total remuneration</b>	<b>19,955</b>	

## 5.11.2. CEO AND EXECUTIVE COMMITTEE REMUNERATION

### 5.11.2.1. Remuneration policy for the CEO and the Executive Committee

The Nomination and 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 Board 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 and 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 BEL 20 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 package of the CEO and the Executive Committee members

Time to cash conversion		
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; 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; 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 package

##### Fixed remuneration

The fixed remuneration of the CEO is reviewed on an annual basis by the Nomination and Remuneration Committee.

##### Variable cash remuneration scheme and evaluation criteria

The CEO's annual variable cash remuneration potential currently amounts to 540,000 EUR, 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 any of the above targets, 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 and 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 and 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 and 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 2014 was 4,400 shares. 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 defined benefit plans. Other benefits are representation allowance, benefits in kind (company car), and insurance benefits.

#### 5.11.2.3. Executive Committee member's compensation and benefits

##### Fixed remuneration

The fixed remuneration of the Executive Committee members is reviewed on an annual basis by the Nomination and Remuneration Committee. The fixed remuneration can be different for each Executive Committee member and depends on criteria such as experience.

##### 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 EUR, 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 the Chief Financial Officer and the Chief Technology Officer the plan performance is on Group level and for the Executive Vice-Presidents 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 any of the above targets, 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 and 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 and 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 2014 was 3,700 shares. 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 defined benefit plans. Other benefits include representation allowances, company cars and insurance benefits.

#### 5.11.2.4. Total CEO and Executive Committee remuneration for 2014

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

(in €)		CEO	Executive Committee (in aggregate)
Status		Self-employed	
<b>Time to cash conversion</b>			
Current year	Fixed	660,000	2,420,000
15 months	Undeferred Variable 50% (ref year 2014)	175,000	600,000
27 months	Deferred Variable 25% (ref year 2013)	72,900	243,000
39 months	Deferred Variable 25% (ref year 2012)	90,450	217,750
3 years	Shares	166,320	839,160
3 to 7 years	Stock options	319,113	446,760
Pension	Defined contribution plan	201,630	207,600
	Defined benefits plan (service cost)	98,002	461,631
Others benefits	Representation allowance, benefit in kind company car, insurance benefits	47,584	335,654
<b>Total</b>		<b>1,830,999</b>	<b>5,771,555</b>

### 5.11.3. SHARE AND SHARE OPTION OWNERSHIP AND TRANSACTIONS 2013

#### Executive Committee share option ownership and transactions 2014

Name	Options at 31 Dec 2013	Options granted in 2014	Number of options exercised	Average exercise price (In €)	Year of grant of options exercised	Number of options forfeited	Options at 31 Dec 2014*
Marc Grynberg	465,000	75,000	0			0	540,000
Stephan Csoma	16,000	17,500	2,500	22.30	2010	0	31,000
Denis Goffaux	63,500	17,500	3,500	22.30	2010	0	77,500
Hugo Morel	60,000	17,500	0			0	77,500
Filip Platteeuw	35,000	17,500	7,000	14.44 / 22.30	2009 / 2010	0	45,500
Pascal Reymondet	95,000	17,500	10,000	22.30	2010	0	102,500
Marc Van Sande	88,838	17,500	0			0	106,338

\* 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 2014

Name	Shares owned at 31/12/2013	Shares owned at 31/12/2014
Marc Grynberg	152,400	158,800
Stephan Csoma	500	3,500
Denis Goffaux	7,500	10,500
Hugo Morel	9,000	12,000
Filip Platteeuw	1,500	4,500
Pascal Reymondet	20,750	20,750
Marc Van Sande	9,000	12,000
<b>Total</b>	<b>200,650</b>	<b>222,050</b>

#### Board of Directors share ownership 2014

Name	Shares owned at 31/12/2013	Shares owned at 31/12/2014
Thomas Leysen	676,920	572,920
Isabelle Bouillot	900	1,400
Uwe-Ernst Bufe	900	1,400
Arnoud de Pret	5,900	6,400
Ines Kolmsee	805	1,305
Barbara Kux	0	500
Jonathan Oppenheimer	900	1,400
Rudi Thomaes	1,205	1,705
<b>Total</b>	<b>687,530</b>	<b>587,030</b>

### 5.11.4. CHANGES TO THE REMUNERATION SINCE THE END OF 2013

#### Contract between Umicore and Marc Grynberg, Chief Executive Officer

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 Chief Executive Officer if his employment as Chief Executive Officer 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 applies for all Executive Committee members with the exception of Denis Goffaux whose employment agreement was signed on 1 July 2010, as well as Stephan Csoma and Filip Platteeuw whose employment agreements were signed on 1 November 2012.

#### Individual arrangements in case of termination of the contract by Umicore

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

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

The contracts of Hugo Morel and Marc Van Sande were 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 2014

##### Non-executive directors' remuneration

At the request of the Nomination & Remuneration Committee, Umicore conducted in end 2014 a survey of director's fees of Umicore against those of quoted companies on the BEL 20 index

as well as other European companies of similar size operating in the Chemicals, Metals and Materials sectors. The results of the survey, which were reviewed by the Nomination & Remuneration Committee of 4 February 2015, demonstrated that the current non-executive Directors' remuneration package is in line with the market practices. The Nomination & Remuneration Committee recommended to the Board to keep the current remuneration package at the same level for 2015 and to allow for an extra fee of 1,000 EUR per attended Board meeting for foreign based Board members. The Board of Directors of 5 February 2015 followed this proposal and decided to submit this change to the approval of the shareholders.

#### **CEO and Executive Committee remuneration package**

On 4 February 2015 the Nomination & Remuneration Committee reviewed the remuneration package of the CEO and the Executive Committee members based on a comparison survey with European peer companies and BEL 20 index companies.

On proposal of the Nomination & Remuneration Committee, the Board of Directors of 5 February 2015 decided to leave the fixed gross remuneration of the CEO and the Executive Committee members unchanged in 2015 and to increase the number of Umicore shares granted to the Executive Committee members from 3,000 to 3,700 and to the CEO from 3,000 to 4,400.

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

#### **5.12.1. RISK MANAGEMENT**

Taking calculated risks is an integral part of the development of any company. Umicore's Board of Directors is ultimately responsible for assessing the risk profile of the Company within the context of the Company strategy and external factors such as market conditions, competitor positioning, technology developments etc and ensuring that adequate processes are in place to manage these risks. Umicore's management is tasked with successfully exploiting business opportunities whilst at the same time limiting possible business losses. In order to achieve this, Umicore operates a comprehensive risk management system. The aim of this system is to enable the Company to identify risks in a proactive and dynamic way and to manage or mitigate these identified risks to an acceptable level wherever this is possible. Internal control mechanisms exist throughout Umicore to provide management with reasonable assurance of the Company's ability to achieve its objectives. These controls cover the effectiveness and efficiency of operations, the reliability of financial processes and reporting, the compliance with laws and regulations, and provide for the mitigation of errors and fraud risks.

##### **5.12.1.1. Risk management process**

Each of Umicore's business units operates in an environment which carries specific growth expectations and differing degrees of market and technological uncertainty. Therefore, the primary source of risk identification lies with the business units themselves.

The first step in the risk management process is to enable and channel the identification of the various material risks. Umicore has established a business risk assessment process to be undertaken by each business unit and corporate department. The process requires that all units carry out a risk scan in order to identify all significant risks (financial and non-financial) that might affect the ability of the business unit to meet its objectives as set out in its strategic plans. The process then requires that each of these risks be described in detail in a risk card. Besides the assessment of potential impact and likelihood, the risk card also contains information on the the status of any management action or mitigation plan and the ownership thereof.

These risk cards are then fed back to the member of the Executive Committee responsible for that peculiar business area. A consolidated review takes place at the level of the Executive Committee, the outcome of which is presented to the Audit Committee and to the Board of Directors. The Audit Committee, on behalf of the Board of Directors, carries out an annual review of the Company's internal control and risk management systems and looks into specific aspects of internal control and risk management on an on-going basis.

Each business unit and corporate department is responsible for the mitigation of its own risks. The Executive Committee intervenes in cases where managing a certain risk is beyond the capacities of a particular business unit. The Executive Committee and the Chief Executive Officer are also responsible in a broader context for identifying and dealing with those risks that affect the broader group such as strategic positioning, funding or macroeconomic risks. A specific monitoring role is given to Umicore Internal Audit department in order to provide oversight for the risk management process.

#### 5.12.1.2. Internal control system

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 covering 165 control activities in 12 processes and 129 Group control entities. Within the MICR framework, specific attention is paid to the segregation of duties and the definition of clear roles and responsibilities. A compliance threshold is established for each control activity. The majority of entities maintained or improved their compliance scores in 2014. MICR compliance is monitored by means of annual self-assessments to be signed off by the senior management. The outcome is reported to the Executive Committee and to the Audit Committee of the Board of Directors. The Internal Audit department reviews the compliance assessments during its missions. During 2015, the self-assessment process will be redesigned with the purpose to move from a judgemental to an objective methodology, and to allow implementation of the MICR framework intelligently tailored to each entity's operations and scope. The first tests of the new self-assessment will occur towards the end of 2015.

#### 5.12.2. RISK CATEGORIZATION

Umicore faces risks that in broad terms can be categorized as follows:

**Strategic:** including risks related to macro-economic and financial conditions, technological changes, corporate reputation, political and legislative environment.

**Operational:** including risks related to changing customer demand, supply of raw materials, distribution of products, credit, production, labour relations, human resources, IT infrastructure, occupational health and safety, emission control, impact of current or past activities on the environment, product safety, asset and data security, disaster recovery.

**Financial:** including risks related to treasury, tax, forecasting and budgeting, accuracy and timeliness of reporting, compliance with accounting standards, metal price and currency fluctuation, hedging.

Most industrial companies would normally expect to face a combination of the risks listed above. It is not the intention to provide exhaustive details on each risk posed to the Company in this report. However, the most noteworthy strategic and operational risks either in their relevance to Umicore and its Vision 2015 targets or in the Company's way of dealing with them have been highlighted below. Financial risks are discussed in greater detail in note F3 to the Consolidated Financial Statements.

### 5.12.3. RISK DESCRIPTIONS

#### 5.12.3.1. Strategic and operational risks

##### Market risk

Umicore has a diverse portfolio of activities serving a number of different market segments and in most of its business has a truly global presence. No one end-user market segment or industry accounts for more than 50% of Umicore's sales. In terms of overall exposure the main end markets served by Umicore are automotive, consumer electronics and construction. Umicore's business model also focuses on sourcing secondary or end-of-life materials for recycling. In many instances the availability of these materials is dependent on the levels of activity in specific industries or at specific customers where Umicore provides closed-loop recycling services. A diverse portfolio and wide geographical presence help to mitigate the risk of over-exposure to any one particular market.

**Comments on 2014:** Economic conditions improved in most of Umicore's end markets and revenues were slightly above those of 2013. Earnings were lower, primarily as a result of the effect of lower metals prices on the earnings of the Recycling business group.

##### Technology risk

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. In order to manage this risk and to enhance the effectiveness of technology screening and implementation processes Umicore has implemented a Group-wide Technology Innovation Management process and carries out technology reviews at Executive Committee level every year. All business units are also expected to carry out an annual technology review. The purpose of these technology reviews is to verify the suitability, potential and risks of those technologies that are screened and pursued and to ensure that they are in line with Umicore's strategic vision. In 2009 Umicore adopted a system to track the quality of its research and development efforts. This system is primarily based on a self-assessment tool for the business units and Group R&D.

In terms of organization Umicore's R&D efforts comprise initiatives at both Group and business unit level. The position of Chief Technology Officer (CTO) was created in 2005 with the aim of stimulating the various R&D efforts through the Group, ensuring the alignment of the R&D roadmap with strategic priorities and achieving a balance between current technology needs and longer-term opportunities. Five R&D platforms provide a framework for those elements that have a high degree of relevance across the Group namely Fine Particle Technology, Recycling & Extraction Technology, Scientific and Technical Operations Support, Environment Health and Safety and Analytical Competences. Efforts are also made to promote best practice in knowledge management, information sharing, training and networking throughout the R&D community at Umicore.

To the greatest extent possible, the financial support for the Group's R&D efforts is maintained irrespective of short-term fluctuations in the financial performance of the Group. With regard to intellectual property (IP) risk, a Group IP committee co-ordinates the protection of IP at Group level and promotes best practice in this regard at the level of the business units, which have their own IP committees.

**Comments on 2014:** Now that the main technology projects are well established, in 2014 the Executive Committee undertook five dedicated technology reviews compared to six reviews in 2013. These reviews focus on the technology developments that will be key to achieving Vision 2015 growth ambitions and cover both product and process developments in automotive catalysis, fuel cell catalysts, rechargeable battery materials and recycling technologies.

#### Supply risk

Umicore is reliant on supplies of certain metals or metals-containing raw materials in order to manufacture its products. Some of these raw materials are comparatively rare. In order to mitigate the risk of supplies becoming difficult to source Umicore enters into longer-term contracts with its suppliers wherever possible. In some cases the Company holds strategic reserve stocks of certain key raw materials. The Company also attempts to source its materials from a geographically diverse range of locations. Umicore's focus on recycling also means that its supply needs are only partially dependent on supplies of virgin material from mines – a significant proportion of the Company's feed coming from secondary industrial sources or end-of-life materials. Where possible Umicore seeks to partner with customers in a "closed-loop" business model thereby integrating sales and the recycling of the customer's residues in one package. Umicore has developed a Sustainable Procurement Charter that has been designed to drive further improvements in the Company's approach to sustainable procurement and is being rolled out towards Umicore's suppliers.

**Comments on 2014:** Umicore made further progress in 2014 with regards to its efforts to demonstrate compliance with the Dodd Frank Act in the US. While Umicore does not source conflict minerals and is not itself subject to the Dodd Frank Act, the Company is proactively addressing the issue with a number of its customers and suppliers. In Precious Metals Refining the Hoboken and Guarulhos facilities were awarded the conflict-free smelter certification by the London Bullion Market Association (LBMA) following an audit of processes and supply streams. A similar process and certification was undertaken by the Jewellery & Industrial Metals operations in Pforzheim and Bangkok together with the Responsible Jewelry Council (RJC). For more information see the consolidated annual report. To access Umicore's conflict minerals policy see <http://www.umicore.com/en/media/topicsofinterest/conflictMinerals/>.

#### Substitution risk

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). Umicore actively seeks to pre-empt this search for substitute materials by developing such substitutes itself using less costly materials with lower pricing volatility and where possible without impacting the performance provided for the customer's product.

**Comments on 2014:** No specific developments took place with regards to substitution risk during 2014.

#### Regulatory risk

Like all companies, Umicore is exposed to the evolution of the regulatory environment in the countries or regions within which it does business. It should be noted that Umicore's businesses stand to benefit from certain regulatory trends, notably those regarding more stringent emission controls for vehicles and enforced recycling of end-of-life products such as electronic goods.

However, some environmental legislation does present operational challenges. The REACH Directive came into force in the European Union in June 2007 and it introduced the need for new operational procedures regarding the registration, evaluation and authorization of chemical substances. Umicore has created an operational network of REACH managers from all of its business units, coordinated by a corporate REACH implementation manager.

Umicore monitors closely all changes in interpretation as well as guidance documents which might affect its REACH implementation strategy. Umicore is actively involved in industry association working groups to make sure a consistent approach is followed and that the metal specifics are understood by the regulators and the companies.

While the regulatory landscape may shift in the future, only a few of our substances feature today on the Candidate list for potential REACH authorization. In total, the products sold that contain these substances account for less than 0.5% of Umicore's revenues. The placing of a substance on the REACH "Candidate List" is designed as a first step in subjecting that substance to robust and detailed scientific evaluation of risk as a basis for its continued use or substitution if economically and technically feasible alternatives to that substance exist.

**Comments on 2014:** In 2014 Umicore submitted 20 upgraded dossiers for complex intermediate materials, prepared by several metals consortia, following a methodology jointly developed with Eurometaux and in dialogue with the European Chemicals Agency (ECHA). In addition, more than 30 dossiers were updated with additional information or newly available data. Most of these updates were proposed by the metal consortia themselves and one at the request of ECHA following a test proposal evaluation.

#### 5.12.3.2. Financial risk

As indicated above, Umicore has implemented a specific series of Minimum Internal Control Requirements to mitigate financial risks. The 12 specific areas covered by MICR are: Internal Control Environment, Financial Closing & Reporting, Fixed Assets, Procure-To-Pay, Order-To-Cash, Inventory Management, Hedging, Treasury, Tax, Information Systems Management, Human Resources, Travel & Entertainment. An internal guide – the Umicore Financial Reporting Standard – provides the framework for common understanding of Umicore's accounting

policies, application of IFRS, and general reporting practices. Below three of the most salient financial risks have been summarized. A full description of pure financial risks and their management can be found in note F3 to Consolidated Financial Statements.

#### Debt and credit risk

Umicore aims to safeguard the business through sound financial management and by maintaining a strong balance sheet. Although there is no fixed target regarding debt levels the Company aims to maintain an investment grade status at all times. We also seek to maintain a healthy balance between short term and longer term debt and between debt secured at fixed and floating interest rates. Umicore has a monitoring process to screen banks for counterparty risk. Umicore is exposed to the risk of non-payment from any counterparty in relation to sales of goods or other commercial operations. Umicore manages this risk through application of a credit risk policy. Credit insurance is often used to reduce the overall level of risk but in certain businesses no insurance is used. This is primarily in those businesses with a significant level of customer concentration or those with a specific and close relationship with their customers and where the cost of insurance is not deemed justifiable in proportion to the risks involved. Business managers are also encouraged to pay particular attention to the evolution of trade receivables. This is done in the broader context of working capital management and Group efforts to reduce capital employed. The largest part of the variable pay of managers is linked to return on capital employed (ROCE).

#### Currency risk

Umicore is exposed to structural, transactional and translational currency risks. Structural currency risk exists where the Company generates more revenues in one currency compared to the costs incurred in that currency. The single biggest sensitivity of this nature exists for the US dollar. Transactional currency exposure is hedged systematically while the Company sometimes engages in structural currency hedges that help secure future cash flows.

Umicore also faces translational currency risks where it consolidates the earnings of subsidiaries not using the Euro as their reporting currency. This risk is typically not hedged.

#### Metal price risk

Umicore is exposed to risks relating to the prices of the metals which it processes or recycles. The structural metals-related price risks relate mainly to the impact that metal prices have on surplus metals recovered from materials supplied for treatment. Transactional metals price risks are linked to the exposure to any fluctuations in price between the moment raw materials are purchased (i.e., when the metal is "priced in") and the moment the products are sold (i.e., when the metal is "priced out"). A risk also exists in the Company's permanently tied up metal inventories. This risk is related to the market metal price moving below the carrying value of these inventories. Transactional metal price exposure is hedged systematically while the Company sometimes engages in structural metal price hedges that help secure future cash flows.

#### Taxation

The tax charge included in the financial statements is the Group's best estimate of its tax. There is a degree of uncertainty regarding the final tax liability for the period until completion of tax audits by the authorities. The Group's policy is to submit tax returns within the statutory time limits and engage tax authorities to ensure that the Group's tax affairs are as current as possible

and that any differences in the interpretation of tax legislation and regulation are resolved as quickly as possible. Given the scale and the international nature of the Group's business, VAT, sales tax and intra-Group transfer pricing are an inherent tax risk as it is for other international businesses. Changes in tax laws or in their application with respect to matters such as transfer pricing, VAT, foreign dividends, R&D tax credits and tax deductions, could increase the Group's effective tax rate and adversely affect its financial results.

**Comments on 2014:** No material changes took place with regard to the nature or management of the financial risks faced by Umicore during 2014.

## **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.

## **9. CONFLICTS OF INTERESTS**

On 5 February 2014, 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 did not take part in the voting.

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

### **a) Cash remuneration**

The Chief Executive Officer received a fixed gross remuneration of 660,000 EUR in 2014. Also in 2014 he received a gross variable cash remuneration totalling 175,000 EUR as non-deferred part of his variable cash remuneration for the reference year 2013.

Furthermore he received in 2014 a gross amount of 103,950 EUR as first half of the deferred payment of his variable cash remuneration for the reference year 2012 based on the two year average group ROCE of the Umicore group for the reference years 2012 and 2013 (i.e. 15.2% giving rise to a percentage pay-out of 77%) and a gross amount of 114,400 EUR as the second half of the deferred payment of his variable cash remuneration for the reference year 2011 based on the three year average group ROCE of the Umicore group for the reference years 2011, 2012 and 2013 (i.e. 16.3% giving rise to a percentage pay-out of 88%).

In 2015 he will receive the first half of the deferred payment of his annual variable cash remuneration for the reference year 2013 based on the two year average group ROCE of the

Umicore group for the reference years 2013 and 2014. The second half of the deferred payment of his annual variable cash remuneration for the reference year 2013 will be paid in 2016 and will be based on the three year average group ROCE of the Umicore group for the years 2013, 2014 and 2015. The ROCE range is set between 7.5% (= payout of 0%) and a maximum of 17.5% (= pay-out of 100%). When the achieved ROCE percentage falls between any of the above targets, the pay-out will be pro-rated.

b) Grant of shares and stock options

The financial consequences for the Company consist of: either 1) as long as the Company 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 the Company would have to buy on that date.

During 2014, no specific transactions or contractual commitments occurred between a Board member or an Executive Committee member 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 2014.

*Nanc Brynberg T. Huybre*

The Board of Directors  
Brussels, 12 March 2015.