

Focus Areas

Materiality and Risk



Focus Area 3: Supplier of choice



The strength of our customer relationships is a great source of pride to everyone at URENCO. The quality, flexibility and reliability of our enrichment services mean we are well placed to meet the needs of our customers.

URENCO is committed to being a long term partner to the nuclear industry, and the supplier of choice to our customers and the wider supply chain. As a result, excellent customer service continues to be a key priority.

In 2016, we maintained our 100% record for customer deliveries, meeting all orders on time and to exact specification. We also received no complaints regarding product quality, and as part of our commitment to continuous improvement we commenced a project to upgrade our quality management system to 9001:2015 in 2017.

URENCO's Sponsor for this focus area is our Executive Director, Commercial.

Customer engagement and satisfaction

The long term success of our business depends upon our ability to respond to customers' needs. We work closely with our customers, regularly consulting them on our service and performance to ensure we continue to meet their requirements.

Sustainability KPI for supplier of choice

Customer complaints

- Target: 0
- Actual:  0

Meeting customer needs in changing market environments

The build up of worldwide inventories and current oversupply of enriched uranium continue to create challenging market conditions, impacting price and demand. In this challenging environment, URENCO's focus on quality and reliability ensure customers receive the best possible support. Indeed, during this period our focus is on deepening and reinforcing our long term customer relationships.

In the USA, we continued our transition from Phase III capacity expansion. The capacity at URENCO USA (UUSA) now stands at 4.7 million SWU. Regulatory approval has been received to expand in the future should it be required, placing us in a strong position to meet customer requirements. As UUSA continued to ensure seamless delivery to its customers, in 2016 it also secured an export licence for a shipment of nuclear material, delivering to a customer in the Asian market.

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Economic performance (priority aspect)

In order to be sustainable as an organisation, we have to deliver economic stability and commercial success. Our economic performance is therefore a key material aspect within the GRI framework. Each year, the organisation's financial goals are set out in the company's annual business planning process, and our financial strategy is presented to all employees at a roadshow led by our CEO and Chief Financial Officer. Our Board carries ultimate responsibility for the economic performance of the company.

URENCO's financial results in 2016 reflect a good operational performance driven by our current order book. Our revenue and EBITDA for the year increased to €1,893.0 million and €1,170.0 million respectively. We experienced a net loss of €456.3 million as a result of adverse foreign exchange movements, the exceptional items recorded for the impairment of our USA operations and the restructuring cost. Our order book contains orders which extend to the second half of the next decade, with a value of approximately €15.5 billion, and we are now focused on making the best use of URENCO's financial strength in the near term to ensure our long-term sustainability.

For more information on our economic performance, see pages 32-124 of our Annual Report 2016.

Given the challenging market conditions, we are committed to identifying growth opportunities in existing and new markets. In 2016, we also began to look at expanding our partnerships to further leverage URENCO's capabilities.

We also continue to support local economies through our employment of local people and the indirect economic impacts on the communities where we operate. In addition, we provide practical and financial support through a range of sponsorship and donation activities.

GRI: EC1– see page 40.

Key activities and initiatives that address this material aspect:

- Strong operational performance in 2016
- Revenue and EBITDA in line with management expectations
- Implementation of strategic review.

Transport (priority aspect)

The safe and reliable transportation of nuclear materials is vital to the success of our business. Our 100% customer delivery record depends upon our ability to deliver products to customers from our four enrichment facilities. We are therefore rigorous in our efforts to ensure total transport reliability. For product deliveries from our European sites, we use intermodal transportation, utilising road and sea, while in the USA we use road only. Responsibility for the transportation of our uranic materials lies with URENCO's Commercial department and supply chain partners.

The safe behaviour of our transportation partners is guided by the standards we set at URENCO. Such standards reduce the risk of an accident or the misappropriation of sensitive materials.

We only place contracts with approved companies and ensure we perform regular contract and performance monitoring audits. We adhere to IAEA guidelines and all other national and international regulations regarding the transportation of fissile material, and we go beyond regulatory requirements in aspects of our own logistics procedures.

In 2016, our Commercial team conducted visits to port authorities in the USA and Europe, looking to ensure, through education and awareness, that uranic materials continue to pass unhindered through key port facilities.

While it is too early to tell what the full impact of the UK's decision to leave the EU will be, in 2016, we took a proactive approach to this issue by setting up a Working Group dedicated to assessing all potential impacts and implications, and supporting industry associations through participation in some of their various sub groups. Should the UK's exit from the EU affect access to transport routes within Europe, our Working Group will ensure we have a voice in these discussions and are well placed to protect our customers' interests.

Sustainability KPI for supplier of choice

Missed deliveries

- Target: 0
- Actual:  0

In 2016, we emitted

4,220 tonnes of CO₂e

from the transportation of our uranic material.

GRI: EN30– see page 42.

Key activities and initiatives that address this material aspect:

- 100% customer delivery on time and in full
- Deliveries planned well in advance to maximise efficiency
- EU Referendum Working Group formed to manage any potential transport risks in Europe.



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Innovation, technology and R&D (monitor aspect)

A key pillar of our new strategy is to leverage our technological capabilities to serve the nuclear industry more broadly. We focus on innovation, technology and R&D in order to adapt to changes in market conditions, improve efficiencies across our operations and meet customer requirements.

Our aim is to align our R&D programmes to both present needs and future opportunities, and our management team is continually monitoring market developments and consulting with customers and other stakeholders.

A key example of our progress in this area is the work of Stable Isotopes, our Dutch based business unit that employs our centrifuge technology to produce a variety of products for medical, industrial and research applications. During 2016, Stable Isotopes saw an increase in demand for several of its products, and it introduced new products this year as part of its general portfolio expansion. New applications for enriched stable isotopes continue to be developed, and Stable Isotopes is actively engaged in discussions with customers on how to support this growing demand. For more information on Stable Isotopes, visit:

www.urengo.com/about-us/company-structure/urengo-stable-isotopes/

Elsewhere, in the USA we commenced operations in our new Technology Centre (UTC) to help increase our technological capabilities as a supplier of choice to further improve the engineering and operations of our plants. The current project underway at UTC is the deactivation of activated carbon trapping material, which allows us to remove activated charcoal to improve our plant filtration process.

We are also considering the potential application for small modular reactors (SMRs) and continue to work within a consortium of industry partners on U-Battery, a micro nuclear reactor which will be able to produce local power and heat for a range of energy needs. There is a market opportunity for micro-modular reactor technology, which URENCO believes will be an important part of our future low carbon, sustainable energy landscape.

Key activities and initiatives that address this material aspect:

- New strategic focus on leveraging technological capabilities
- Developing products for use in industry, medicine, research and science
- Opening of UTC in the USA
- Ongoing development of U-Battery with industry partners.

Opportunities in new markets (monitor aspect)

To ensure the long-term success and sustainability of URENCO, we are committed to identifying growth opportunities in new markets so that we remain a secure, long-term partner to our customers. Our management approach to new market opportunities includes focusing on traditional nuclear enrichment as the core of our business. Having the knowledge, flexibility, skills and funds in place to support the next generation of nuclear reactors is a key business priority.

We closely monitor growth in global nuclear markets and fully research all business opportunities if considered commercially viable.

See pages 14-15 of our Annual Report 2016 for more information on emerging nuclear markets.

Key activities and initiatives that address this material aspect:

- Strategic focus on new markets
- Presence at conferences and events in emerging markets.