



urencO

Sustainability report 2016



Our sustainability strategy guides the way we manage our business, helping us balance our commercial interests with our commitments to society and the environment. As part of this strategy, we have developed six sustainability focus areas.

In 2015, we introduced KPIs leading to an improvement in the way we monitor and report on progress in our sustainability focus areas, and in 2016 we refined this process further through enhanced data quality, analysis and validation.



Materiality

URENCO's Sustainability report is guided by the GRI, in accordance with the G4 Core option.

The main focus of the G4 guidelines is 'materiality', which means those 'aspects' or topics which are most relevant to our operations. Materiality is an important issue and enables us to focus on our company's biggest challenges.

Under GRI definitions, relevant aspects are those that "may reasonably be considered important for reflecting [an] organisation's economic, environmental and social impacts, or influencing the decisions of stakeholders". 'Materiality' is the threshold at which aspects become sufficiently important to merit inclusion within a report.

Determining material aspects

In 2015, we conducted an in-depth materiality analysis as part of a wider reputation audit. Drawing on existing stakeholder data, and taking into account key issues raised during stakeholder engagement activities, this process enabled us to understand stakeholder perceptions of URENCO's sustainability agenda. Crucially, it also helped us to identify a number of material issues which we believe are relevant to our business, and reconfirmed the relevance of our six sustainability focus areas.

Priority and monitor aspects

In accordance with GRI G4 best practice, our materiality analysis also involved establishing thresholds to help us ascertain which material issues are a priority (priority aspects), and which need to be monitored (monitor aspects); see opposite page for details. Following the extensive materiality assessment conducted in 2015, in 2016 we asked customers, investors, suppliers and employees to review and rate our materiality aspects. This consultation resulted in some changes to our priority and monitor aspect categories, reinforcing our commitment to materiality as an evolving process of engagement and assessment.

Focus Areas

Materiality and Risk

Aspects	Boundary
Priority aspects	
Asset integrity	Inside the organisation
Economic performance	Inside and outside the organisation
Emissions	Inside the organisation
Noise*	Inside and outside the organisation
Political landscape*	Inside and outside the organisation
Public education*	Inside and outside the organisation
Safety	Inside and outside the organisation
Science education	Inside and outside the organisation
Transport	Inside and outside the organisation
Monitor aspects	
Diversity **	Inside the organisation
Energy savings and natural resources	Inside the organisation
Employee engagement ⁷ **	Inside and outside the organisation
Innovation, technology and R&D	Inside and outside the organisation
Investment in local areas	Inside the organisation
Opportunities in new markets	Inside and outside the organisation
Regulatory requirements (safeguards/security)	Inside and outside the organisation
Waste (including nuclear material for disposal) **	Inside the organisation
Workforce skills gap	Inside and outside the organisation

* Moved to 'priority aspects' in 2016

** Moved to 'monitor aspects' in 2016

Each aspect fits within one of URENCO's six sustainability focus areas, which you can read about on the following pages. Each focus area is monitored and reviewed by a Sustainability Sponsor.

Principal risks and uncertainties

Risk management and mitigation is a key priority for URENCO. We work hard to raise risk awareness and have developed a range of measures to help identify, manage and mitigate potential risks and threats which could impact our business. As part of our Governance, Risk and Control framework, we follow best practice and ensure we comply with all relevant legal requirements.

Operating in a heavily regulated industry, we focus on early identification of risks and implementing appropriate risk evaluation and mitigation or avoidance strategies. Our Executive Risk Management Committee reviews the Group's top risks, their controls and planned actions, and reports back to the Audit Committee and Board on a regular basis.

More information on our principal risks and our Risk Management Framework can be found in our Annual Report 2016 on pages 18-21.

⁷ Employee wellbeing was renamed Employee Engagement in 2016

Focus Areas

Materiality and Risk



Focus Area 1: Health and safety, safeguards and security



Health and safety, safeguards and security are critical to the long-term sustainability of URENCO. We aim for continuous improvement in our policies, processes and performance within this focus area.

Safety is our number one priority and a material aspect for our business. As such, it is a vital element of our culture for all employees and contractors, and we uphold the highest standards of safety across the organisation.

Health

The health of our employees and contractors is extremely important to us, and we have developed a range of measures to help keep our people fit and well. These include flexible working arrangements to minimise workplace stress, and subsidised gym membership and health checks at a number of sites. We also provide monthly wellness newsletters, quarterly health challenges, employee assistance programmes, sports, healthy eating activities and general health incentive schemes.

Safety (priority aspect)

Safety at URENCO is overseen by the Chief Operating Officer and, in his capacity as Executive Safety Sponsor, the UK Managing Director. Health and safety meetings are held regularly throughout the year. On a day to day basis, accountability is locally assigned. Each enrichment facility has a Head of Compliance supported by an Health and Safety Executive (HSE) team, which in turn works with our Group Health and Safety Manager.

As part of our commitment to continuous improvement, HSE issues and developments are reported at each meeting of the Sustainability Committee. The URENCO Board and senior management evaluate our overall approach to safety and improving safety performance across all areas of the business. We have a standing agenda item at senior management meetings in order to review progress and share ideas on best practice in delivering improvements to safety.

Our ZERO HARM campaign is a core part of our safety culture and covers all aspects of safety. Launched in 2014, it has enabled us to further develop safety behaviours and values across the organisation. It includes quarterly communications to employees around the ZERO HARM principles, plus monthly features on specific safety issues relevant to URENCO. In 2016, the theme for the year within the ZERO HARM campaign was 'Let's Get Personal', which sought to encourage employees to take ownership of and responsibility for their personal safety at work. Key ZERO HARM activities during the year included:

- Monthly communications reinforcing the 'zero tolerance' message
- Half day safety sessions across all sites
- Compliance focused desktop training sessions
- Hazard awareness training for office and operational environments
- Safety stand down days held at each site.

Focus Areas

Materiality and Risk

To support the delivery of ZERO HARM, in 2016 we continued to roll out our Safety Plan, building on the progress made in previous years and committing further resources in this area. Launched in April 2015, the plan encompasses:

Leadership visibility and commitment to safety

Leaders 'routinely and frequently' spending time in the business interacting with workers, talking openly about the importance of safety and carrying out safety spot checks and process confirmation audits.

Cross-site health and safety audits

Independent reviews and audits of each site's health and safety management arrangements.

Significant event learning

Reviews of Business Critical Incident reports, with sites demonstrating how to mitigate any future occurrence.

Safety days

Site-specific and culturally relevant safety days held across the organisation to promote employee and contractor engagement with key issues.

Safety communication strategy

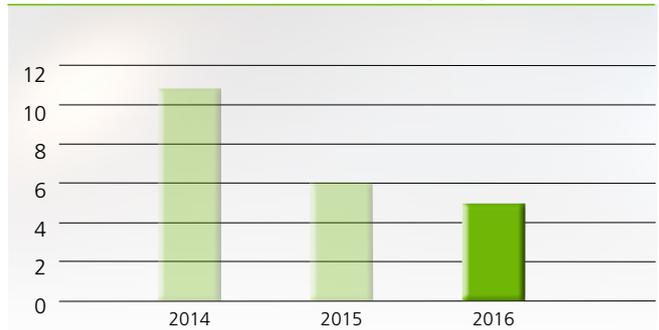
Alignment of cross site safety communications for all significant incidents.

Standards and expectations

Introduction of company wide safety-orientated standards and expectations.

Despite our coordinated efforts within the Plan, in 2016 we continued to experience safety incidents, with five Lost Time Incidents (LTIs) compared to six in 2015. To help us understand why these issues occur, we are conducting a causal analysis⁸ of all incidents. We also increased the number of senior management engaged in daily site walk-arounds, enhancing our visible leadership at local level in this critical issue area. Observing on-site activities, these senior managers perform the vital role of commending good safety behaviour as well as identifying opportunities for improvement.

Lost Time Incidents (LA6)



During the year, we also focused on contractor management and assessment. Our aim was to look at how contractors are supervised and to empower them to challenge unsafe behaviours. As part of this scheme, we employed an external auditor, overseen by an executive sponsor, to conduct a site by site contractor analysis.

Sustainability KPIs for health and safety:

- Target: LTI rate ≤ 0.2
- Actual: 0.12

GRI: LA6 – see page 42.

Key activities and initiatives that address this material aspect:

- HSE reported on at each meeting of URENCO's Sustainability Committee
- On site senior executive engagement with safety issues
- Development of Safety Plan to support the ongoing delivery of ZERO HARM
- In depth, cross site health and safety audits
- Regular briefings, seminars and talks on all sites.

Radiological safety

The centrifugal process involves physically separating the lighter isotope of uranium, U_{235} , from the heavier isotope, U_{238} . Enriching uranium does not involve changing its chemical characteristics and no additional radiation is created during the process. The operational hazards associated with our facilities are more similar to those of a chemical facility than a nuclear facility.

In the UK, Public Health England has calculated that, on average, people are exposed to about 2.7 millisieverts (mSv) of radiation a year from naturally occurring sources in homes and workplaces and medical exposures, including X-rays.⁹ Many people who visit our sites for the first time are surprised at how low the levels of radiation involved in uranium enrichment actually are. Across all our enrichment facilities, radiation protection teams monitor and manage radiological safety to ensure that exposure levels are kept to an absolute minimum.

For radiation dose rate, see page 46.

⁸ "The basic principle of causal analysis is to find causes that you can treat rather than treating symptoms. A root cause is the basic reason why something happens and can be quite distant from the original effect. Removal of the root cause would prevent recurrence, whereas a causal factor is one that affects an event's outcome, but is not a root cause. Though removing a causal factor can benefit an outcome, it does not prevent its recurrence with certainty." Wilson, Paul F.; Dell, Larry D.; Anderson, Gaylord F. (1993). Root Cause Analysis: A Tool for Total Quality Management. Milwaukee, Wisconsin: ASQ Quality Press. pp. 8-17

⁹ Public Health England, March 2011, www.gov.uk/government/publications/ionising-radiation-dose-comparisons/ionising-radiation-dose-comparisons



Focus Areas

Materiality and Risk

Regulatory requirements – safeguards (monitor aspect)

Our dedicated safeguards culture ensures that our work is carried out safely and within specific, internationally approved standards as governed by law. Enrichment is a proliferation-sensitive element of the nuclear fuel cycle and requires an effective non-discriminatory safeguards regime to promote the peaceful application of nuclear power.

We consider non proliferation aspects throughout all our business areas, from contract negotiations through to implementation of operational procedures. Our Group Head of Safeguards reports directly to our Chief Operating Officer, who keeps our executive team fully informed of all activities in this area. We have many years' experience in the development and implementation of safeguards regimes at our enrichment facilities.

In 2016, we continued to participate in and support key international safeguard bodies, such as the IAEA, EURATOM, European Safeguards, Research and Development Association (ESARDA) and the Institute of Nuclear Materials Management (INMM), and to abide by their stringent standards. We participated in the Nuclear Industry Summit in Washington DC, which focused on the use, storage and transport of strategic nuclear materials. We also hosted events and allowed industry field trials of new technology designed to improve safeguard measures to take place at our facilities.

Key activities and initiatives that address this material aspect:

- Compliance with all industry and regulatory standards
- Engagement with key international safeguard bodies.

Regulatory requirements – security (monitor aspect)

The security of our sites and operations is paramount, and URENCO invests significantly in measures to protect our physical assets, personnel, IT systems and infrastructure. Such measures include rigorous screening processes and stringent on-site security precautions, as well as controls to address information security requirements in both IT and operational technology. We comply with all relevant industry and regulatory standards and maintain various security certifications for people, processes and technology.

In 2016, we increased our focus on the threat posed by cyberattacks and phishing scams, working with external IT partners to improve our defensive capabilities and preparedness. The majority of our European enrichment facilities are certified to ISO 27001.

Key activities and initiatives that address this material aspect:

- Rigorous screening processes and induction for all site employees and visitors
- Stringent on site security measures and precautions (e.g. no cameras or recording equipment)
- Training for employees in security controls and requirements.

Focus Areas

Materiality and Risk



Focus area 2: Environmental impact



We are committed to minimising our environmental impact and continue to achieve greater efficiencies across our business.

We undertake a range of initiatives to help reduce our impact on the environment, focusing on energy efficiency, emissions, waste and water usage. Our company wide Energy Savings Group (ESG) is responsible for driving action, accountability and engagement in energy efficiency and optimisation. Three times a year, the ESG convenes meetings to share learnings and propose initiatives to minimise energy usage. Our environmental priorities are administered by the compliance function at each of our enrichment facilities. The Sponsor of this focus area is our Managing Director of URENCO Deutschland.

Energy savings and natural resources (monitor aspect)

In 2016, we achieved a reduction in specific electricity consumption of more than 4%, compared to our best performing year (2014). This was driven by our TC21 centrifuge energy efficiency programme in Germany and the USA and by a withdrawal from service of one of the older centrifuge units at our Capenhurst facility, which was no longer performing at a commercially viable level. In addition, the savings can be attributed to economies of scale in the USA. The TC21 centrifuge energy efficiency rollout in the USA was completed at the end of 2016 and is expected to deliver a 2% reduction in site specific electricity consumption in 2017. We are currently assessing the feasibility of similar efficiency improvements for our TC12 centrifuges.

Energy efficiency has been a key focus for our business in recent years, and our commitment in this respect continues. However, all future initiatives will need to be carefully considered to justify their economic viability.

Emissions (priority aspect)

Nuclear energy is inherently low emission, particularly in terms of CO₂ emissions. If nuclear power generation were to double as part of our global electricity mix, CO₂ emissions from total electricity generation would drop by 25%.¹⁰

As part of our commitment to reduce our impact on the environment, we monitor aspects such as emissions, water usage and waste. These aspects are considered material by our stakeholders and will therefore remain the focus of our reporting activities in this area. We also work closely with regulators to ensure we fully comply with relevant legal obligations.

Sustainability KPIs for energy savings and natural resources

Specific gas consumption

- Target: Improvement vs best performing year since 2014 benchmark
- Actual:  Specific gas consumption increased by 8% compared with previous best performing year (2014).

The rise in specific gas consumption in 2016 can be explained by an increase in building heating demand at our European enrichment facilities due to colder weather conditions vs the target year. Gas consumption is being monitored on a building by building basis. Any unexpected increases in consumption are investigated.

The replacement of older boilers at our facilities in Germany and the Netherlands would help reduce consumption, the business case for which is currently being assessed.

Specific electricity consumption

- Target: Improvement vs best performing year since 2014 benchmark
- Actual:  Specific electricity consumption reduced by more than 4% compared with previous best performing year (2014).

GRI: EN15/EN16 – see page 41.

¹⁰ World Nuclear Association, Uranium, Electricity and Climate Change (2012): www.world-nuclear.org/information-library/energy-and-the-environment/uranium,-electricity-and-climate-change.aspx

Focus Areas

Materiality and Risk

Total direct energy emissions (EN15)



In 2016, at our German enrichment facility we used less refrigerants in the cooling process on a one off basis and in the UK we improved maintenance processes, which have led to a reduction in direct energy emissions.

Total indirect energy emissions (EN16)



The reduction in indirect energy in 2016 has been driven by our TC21 centrifuge energy efficiency programme in Germany and the USA and by a withdrawal from service of one of the older centrifuge units at our Capenhurst facility in the UK.

Total CO₂e emissions (EN16)



Key activities and initiatives that address this material aspect:

- Boiler replacement programme in the UK, leading to a 10% reduction of specific natural gas consumption compared to 2014
- UF6 cold traps efficiency improvements, currently being trialled at our German site
- Positive revalidation of the voluntary Eco Management and Audit Scheme (EMAS) to improve overall environmental performance at our German enrichment facility.

Environmental certification

All our enrichment facilities are certified to ISO 14001, and we will also seek ISO 14001 certification for the TMF in the UK. In Germany, our facility is also EMAS validated.

Water

Across all URENCO sites we undertake a range of initiatives to monitor and minimise water usage and limit our waste water discharge. For example, in 2016 we introduced cooling tower management improvements in the USA, which reduced water usage in operations by more than 5%. However, during the year we saw an increase in specific water consumption by 12%, which is due to our USA facility requiring unprecedented water supplies to combat dust and landscaping during site improvement works. At our European sites there was a small increase of less than 5% due to warmer weather.

Sustainability KPIs for water

Specific water consumption

- Target: Improvement vs. best performing year since 2014 benchmark year
- Actual:  Specific water consumption increased by 12% compared with previous best performing year (2015)

URENCO's water consumption is primarily a result of the centrifuge cooling process in the UK, USA and the Netherlands. Water consumption can only be reduced by improving the efficiency of these cooling towers. We are currently trialling a modified cooling water system at our facility in the Netherlands, which should save electricity and water. If successful, a business case will be required to justify rollout across the organisation.

Focus Areas

Materiality and Risk

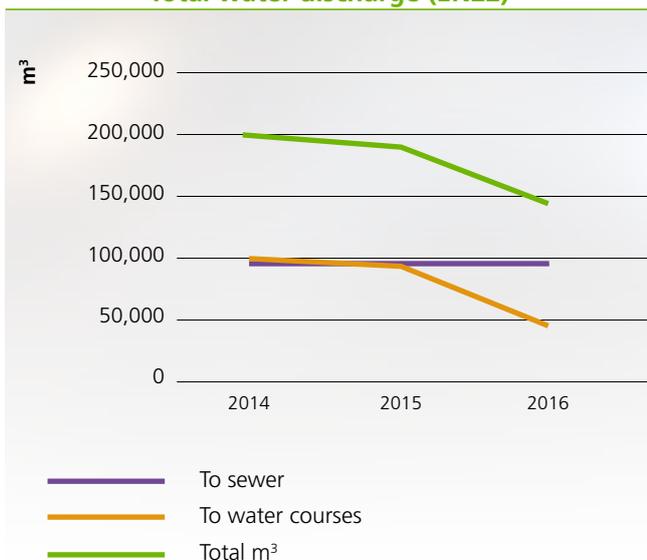
Total water usage (EN8)



In 2016, our total water usage increased by 16%. Two factors contributed to this increase, one project related, which has since been completed, and the other related to our process, for which a subsequent improvement has already been implemented.

GRI: EN8/EN22– see page 43.

Total water discharge (EN22)



Key activities and initiatives that address this material aspect:

- Cooling tower improvements in the USA
- Design of new waste water cleaning system for URENCO Nederland's Recycling Centre, offering increased capacity and efficiency.

Waste (monitor aspect)

Waste is deemed material to URENCO's business. In order to ensure we monitor levels of waste, we have processes in place to distinguish between (i) operational waste, (ii) waste arising from construction and other activities, and (iii) low radioactive material requiring offsite disposal.

Both (i) and (ii) above include hazardous and non-hazardous waste.

We have several subsidiary companies dedicated to overseeing our uranium stewardship initiatives, and we play an important role in this area. In 2016, URENCO generated less than 1,550m³¹¹ of low radioactive material for offsite disposal.

Tails Management Facility (TMF)

The construction of our Tails Management Facility at our Capenhurst site in the UK is part of our commitment and leadership in responsible uranium stewardship. Once complete, it will consist of various storage, maintenance and residue processing facilities to support our strategy for managing the deconversion of tails to stable uranium oxide (U₃O₈). The project management team continues to work through the challenges of the project. While risks remain in terms of cost and schedule, we anticipate the commissioning of the TMF for late 2017/early 2018.

The construction of the TMF has also entailed a great deal of community engagement and consultation. In response to concerns about noise pollution, our teams were assiduous in reducing any noise inducing out of hours work. They also carried out proactive traffic management to ease congestion and ensure minimal disruption to local residents.

In addition, we run a range of decontamination, storage and waste minimisation initiatives.

Capenhurst Nuclear Services (CNS)

CNS is responsible for the management of uranic materials, decommissioning and recycling. A UK based, wholly owned URENCO subsidiary, CNS has specific experience in the field of uranic stewardship, management and storage.

Since 2012, CNS has been providing a dedicated service to the Nuclear Decommissioning Authority (NDA) for the responsible management of uranic materials and remediation work at the Capenhurst site on its behalf. Under this contract, CNS manages the bulk of the NDA's uranic inventory.

In 2016, following a rigorous site selection process, CNS was selected by the Ministry of Defence (MOD) to store and manage the Reactor Pressure Vessels (RPVs) from 27 de-fuelled nuclear submarines. Delivery of the RPVs will begin in the early 2020s. These contracts highlight CNS's capabilities in the management of nuclear materials.

CNS is currently undertaking a project to design and construct a new Legacy Cylinder Facility (LCF). With operations expected to start by 2020, the LCF will be designed to carry out the transfer of nuclear materials from existing into current cylinders. Nuclear materials will be filtered to remove impurities and then cleaned and readied for disposal.

¹¹ CNS has now been included in this overall figure, which explains the increase from 2015 to 2016

Focus Areas

Materiality and Risk

In April 2016, CNS was approved planning permission for the new facility by Cheshire West and Chester Council, which was an important milestone in the project. It continued to make good progress throughout the year towards finalising the design of the LCF, as well as land remediation and site preparation.

In 2017, CNS will be further progressing decommissioning activities at the Capenhurst site.

Sustainability KPIs for waste

- % of recycled conventional material Target: Year on year comparison
- Actual:  Increased by more than 7%

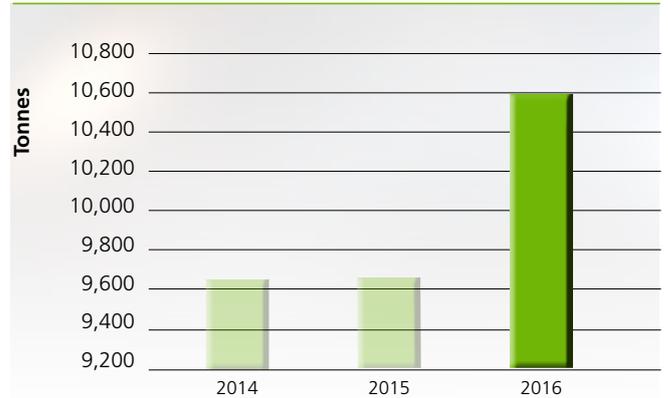
In 2016, we increased our recycling due to maintenance and building activities undertaken in the year.

GRI: EN23– see page 44.

Total hazardous waste (EN23)



Total non-hazardous waste (EN23)



Our hazardous/non-hazardous waste has increased in 2016 due to project work taking place at our CNS facility, including asbestos removal related to the demolition of a substation. In addition, there was increased waste at our USA facility from the replacement of batteries and oil filters, which were then recycled.

Key activities and initiatives that address this material aspect:

- Completed design of URENCO Nederlands Recycling Centre for UF6 cylinder cleaning and water treatment. Offering increased capacity and efficiency, the centre should be in operation in 2017
- Completion of programme to decontaminate final batch of centrifuges from the former enrichment plant SP3 in the Netherlands.

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.

Focus Areas

Materiality and Risk

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.



Focus Areas

Materiality and Risk

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.

Focus Areas

Materiality and Risk



Focus Area 4: Employer of choice



URENCO aims to develop a capable and engaged workforce. We employ talented people who can help us deliver outstanding customer service and achieve long term commercial success.

Our Sponsor for this focus area is our Head of Human Resources, who is supported by HR teams across the organisation.

Employee engagement (monitor aspect)

Employee engagement, through workplace policies and practices, will be a key area of focus in the year ahead in order to retain and attract skilled and talented individuals.

We monitor employee satisfaction through a company wide employee survey, which takes place every two years. Survey results are shared with employees, and each of our business areas take ownership to respond to the survey findings.

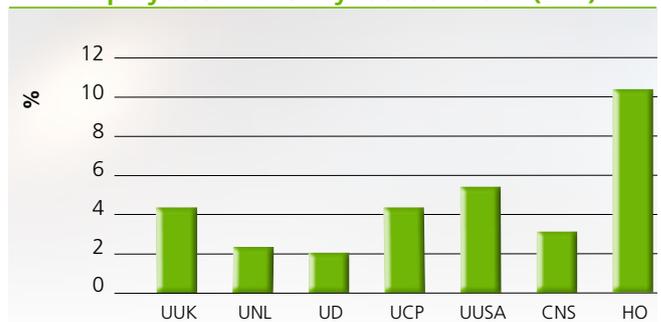
In 2016, internal employee engagement has been key to communicating the outcomes of the strategic review to our workforce. An engagement plan has been put in place, which seeks to engage and initiate two way dialogue with our employees in order to create an awareness and understanding of the new strategic direction of the organisation.

Throughout the year, URENCO engaged in positive interactions with staff and trade union representatives, discussing these issues in an open and transparent way. We upheld our commitment to clear communication through direct engagement, physical presentation, intranet announcements, letters, briefings and face to face consultations, ensuring people were kept informed and updated on these critical developments. We also continued to respect our employees' rights to freedom of association and collective bargaining.

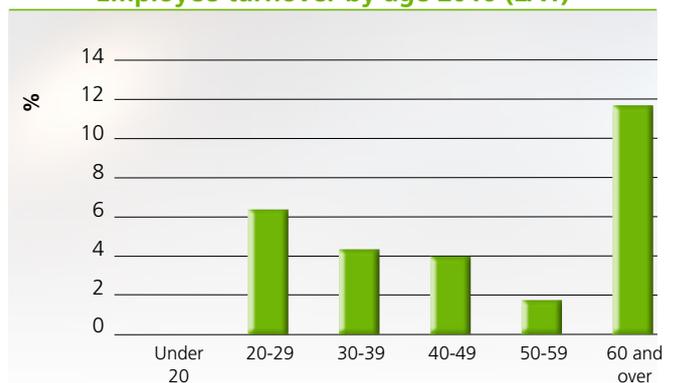
URENCO is committed to providing timely and accurate communication to our employees throughout the strategic review process to ensure our people are kept informed and engaged in the decisions that will affect our company's future.

GRI: LA1– see page 43.

Employee turnover by location 2016 (LA1)



Employee turnover by age 2016 (LA1)



For comparative years, see page 47.

Focus Areas

Materiality and Risk

Key activities and initiatives that address this material aspect:

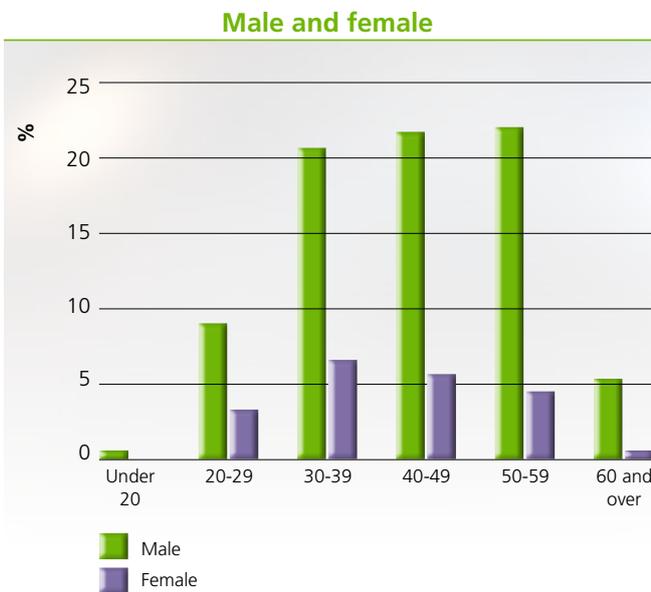
- All Hands Meeting and employee roadshows
- Strategy email address where employees can anonymously post their ideas and questions
- Ongoing efforts to challenge, motivate and engage our employees.

Diversity (monitor aspect)

Our diverse workforce enables us to attract a broad range of talent into the business. We have activities in place that promote diversity and inclusion. Through a range of programmes and initiatives, we encourage diversity and, in particular, reach out to young female scientists of the future.

GRI: LA12– see page 42.

Employees by age and gender 2016 (LA12)



For comparative years, see page 48.

Key activities and initiatives that address this material aspect:

- Richie Programme reaching out to young people in local communities across all of our facilities
- Women's Network at our UK facility
- Science, Technology, Engineering and Maths (STEM) activities
- Apprenticeship and internship programmes across the Group
- Girls' Day activities in the Netherlands
- 'Women in Engineering' careers fairs held at local schools in the UK
- Women's Symposium supporting women in business in the USA.

Performance management

Our Performance Management System provides a strong framework for developing employees' skills and enhancing their performance. Within this system, we set annual expectations for each employee, identify areas for improvement and outline plans for future roles, relevant training and development activities.

In 2016,

100% of our employees

participated in an annual appraisal, during which their performance was reviewed.

Workforce skills gap (monitor aspect)

Our HR function monitors our workforce capabilities against our operational requirements. Through apprenticeship schemes, graduate programmes, performance management and training, we work to ensure we have the capabilities to sustain our business over the long term, and address any skills gaps that could potentially exist in the future.

In 2016, at our USA facility, we continued to support internships for local students covering universities such as the University of New Mexico and the University of Texas to name a few. During the year we had 16 interns complete the USA internship programme. In the UK at our CNS business, we had eight apprentices go through the apprenticeship programme, both in engineering and business administration. At our UK facility, seven apprentices went on to join the company in roles within operations, maintenance and infrastructure.

We continued to focus on succession planning for key positions across the organisation, to ensure we have the right skills and experience at senior levels.

Key activities and initiatives that address this material aspect:

- Monitoring of workforce capabilities
- Rigorous performance management
- Organisation wide succession planning activities.

Human rights

We are fully committed to upholding human rights in all areas of our business. We treat any discrimination incident seriously, and we have developed comprehensive complaints and grievance procedures, in line with the UN Guiding Principles, for all employees.

Anti-bribery and corruption

URENCO adopts a zero-tolerance approach to bribery and corruption, and all employees are required to adhere to stringent anti-bribery and corruption policies and procedures. We conduct regular communications and awareness campaigns on these issues, as well as regular e-based training. All employees are made aware of our focus and commitments in these areas.

Focus Areas

Materiality and Risk



Focus Area 5: Community engagement



Wonderlab: The Statioil Gallery © Plastiques Photography, courtesy of the Science Museum

URENCO considers itself a good corporate citizen and provides regular transparent communications and regular dialogue with community stakeholders.

The Sponsor for this focus area is our Director of Corporate Communications.

Investment in local areas (monitor aspect)

The provision of practical and financial support enables us to assist with sustainability initiatives in local areas in which we operate. Our support for local stakeholders takes the form of employee volunteering and engagement with residents' groups, schools and charities; fundraising via sponsored sporting events and community projects; and corporate donations. In our targeted donations and investments, we focus on those areas where we make the biggest difference, for example, the advancement of education, health and environmental protection.

At each URENCO facility, our Communications teams take responsibility for ensuring all donations are aligned to company policy.

GRI: EC7– see page 43.

Volunteering

In 2015, we launched a volunteering policy to help strengthen relationships with local communities and enhance employees' teamwork and leadership skills.

In 2016, employees across the organisation took advantage of the policy, which provides eight hours per year for dedicated volunteer community activity. We offered a number of organised events throughout the year at each of our facilities, which resulted in

37% of employees volunteering

in the local community.

Key activities and initiatives that address this material aspect:

- Free theatre and football tickets for disadvantaged families in Almelo as part of efforts to tackle social isolation
- UUK sponsorship of ten local schools to participate in Beach School, a hands on environmental education initiative
- 9-11 day of service to offer practical support to the city of Eunice
- Local scout camp near our Head Office facility in the UK benefited from URENCO volunteers helping to improve their outdoor facilities
- A group of employees spent a day redecorating a local facility in the UK, Barrowmore House, which offers supported accommodation for people with disabilities
- In the Netherlands, more than 100 employees spent a day cleaning and redecorating the houses of disadvantaged families and conducting social events with elderly people.

Public education (priority aspect)

As part of our commitment to sustainability, we aim to increase public understanding of the nuclear industry, and to communicate the important role it plays in supplying reliable, low carbon energy. Through education and dialogue, our goal is to shift public opinion about nuclear energy and build long-term support for our company and our sector.

Our Director of Corporate Communications oversees our work in this area, helping to coordinate partnerships with industry peers for the provision of public education initiatives.

In 2016, we hosted more than

6,865 visitors at our enrichment facilities,

including local interest and community groups, government representatives, industry peers and customers. At our site in the Netherlands, we hosted a Discovery Open Day for 600 visitors, while in Germany our team continued to engage regularly and openly with local pressure groups and NGOs.

Focus Areas

Materiality and Risk

In the UK, we took part in council meetings and town hall events, while our CEO and other senior figures participated in nuclear conferences and seminars around the world, including the Nuclear Industry Summit in Washington, DC. and the European Nuclear Energy Forum in Bratislava.

In October 2016, we took part in Nuclear Science Week, a week long celebration in the USA focusing on all aspects of nuclear science – supporting our customers and industry partners in their efforts to engage with the public through a series of sponsored Richie science workshops. This work was part of our efforts to expand Richie’s international presence and enhance science education around the world.

For those who do not have the opportunity to visit our sites in person, we continued to provide virtual site tours via our corporate website at www.urenco.com/about-us/virtual-tour. In addition, our innovative virtual reality headsets, launched in 2015, featured at numerous public events and exhibitions, enabling users to experience the inner workings of a centrifuge. The headsets have received fantastic feedback and have been effective in increasing understanding of what we do with new audiences.

GRI: SO1– see page 41.

Key activities and initiatives that address this material aspect:

- Hosted site visits and tours at our enrichment facilities
- Regular engagement and discussion with community groups and other interested parties
- Remote access and insight to sites via virtual reality technology.

Science education (priority aspect)

URENCO is committed to promoting science education and nurturing the next generation of scientists and engineers. Our efforts in this area help to inspire and engage young people and support educators in the delivery of science education. They are also designed to create a pipeline of skills to support the long term sustainability of our industry.

Our programme supports primary and secondary school initiatives and partnerships with universities and other institutions. They are overseen by our Director of Corporate Communications, with support from local communications managers.

The Richie Programme

URENCO’s Richie Programme aims to inspire school children up to the age of 16 to nurture an interest in STEM subjects.

Richie is an animated character formed from uranium atoms and is the figurehead of our programme.

Through our Richie science workshops in Europe and the USA, primary school children experience and learn about science in a fun and interactive way. The workshops, which are attended by URENCO employee volunteers, bring the science that supports our operations alive through a series of practical experiments. Our aim is to nurture the young engineers and scientists of the future. Since 2007, more than

100,000 school children

have participated in our science education outreach programmes globally.

We also hosted our third consecutive annual Richie Lecture at the Science Museum in London, within the showspace of its new interactive gallery ‘Wonderlab: The Statoil Gallery’ (see below for more details). Over 120 school students attended the Lecture, which was hosted by science enthusiast and TV presenter Dallas Campbell. The Lecture, which is designed to engage and inspire young people about STEM subjects, showed how science and engineering has helped to shape the world and was a highlight of our annual education programme.

During the year, we continued our involvement in the CREST Star framework (a UK-wide award scheme which enables children to solve STEM problems through practical investigation), partnering with the British Science Association to launch a CREST Discovery Award resource for teachers and students. Entitled ‘Enrich my Classroom’, the resource aims to teach students about a variety of STEM topics, including coding, nanotechnology and electricity, through group work and interactive activities.

The resource is available via the website:

www.britishsociety.org/enrichmyclassroom

In the Netherlands, we participated in an initiative to inspire young people into careers using process technology, with a view to exploring career options as process operators and technicians.

In the USA, we continued to maintain our membership with the National Museum of Nuclear Science & History and updated our display, which describes both our enrichment operations and the entire nuclear fuel cycle. Over 60,000 members of the public visit the museum annually.

Sustainability KPIs for community engagement

Science education through the Richie Programme

- Target: 30,000 students reached

- Actual:  33,810 students reached

Science Museum partnership

Our flagship science education project of 2016 was our sponsorship of the new interactive gallery at the Science Museum in London. ‘Wonderlab: The Statoil Gallery’ launched in October 2016, featuring specially commissioned artworks, exciting demonstrations and immersive experiences that show visitors how science and mathematics have shaped our lives.

Our sponsorship focuses on two key areas: (i) the Forces zone, which explores the physics of forces and motion through ten interactive exhibits; and (ii) the showspace, which is inspired by the Royal Institution’s world-renowned Faraday Theatre, providing live demonstrations of science-related experiments.

Far more than just a name on a gallery wall, our involvement in Wonderlab and our partnership with the Museum fit perfectly with our commitment to science education and public understanding of nuclear energy. The gallery aligns with our aim of inspiring the next generation of science leaders, and enables us to engage with new audiences and partnership initiatives.

<https://beta.sciencemuseum.org.uk/wonderlab/>



Focus Areas

Materiality and Risk

Political landscape (priority aspect)

Our industry is greatly influenced by the political landscape in the countries in which we operate. We regularly review potential changes in policy and consult with stakeholders on a national level to ensure our policy decisions are informed and reflect the interests of those who matter most to our business.

As the industry continues to be political in its nature, in 2016 we enhanced our Government Affairs department and appointed a new Executive Director of Strategic and Government Affairs to oversee this crucial internal function.

Following the UK's vote to leave the EU in 2016, we created a dedicated EU Referendum Working Group to help shape our company's approach to the potential changes in policy, regulation and social aspects that could take place in the coming years.

Key activities and initiatives that address this material aspect:

- Creation of a dedicated Working Group to help mitigate risks and uncertainties following the UK's vote to leave the EU
- New Executive Director of Strategic and Government Affairs.

Noise (priority aspect)

Our reputation as a good corporate citizen depends upon our ability to operate our facilities with minimum adverse operational impact on our local communities. In the event of an issue or concern being raised by a local resident, one of our shift managers will attempt to resolve the issue swiftly and effectively. They will also report the incident to senior management to ensure appropriate action is taken. All events are then recorded in a stakeholder log for which our Director of Corporate Communications is ultimately accountable.

In 2016, we continued to engage with the local community near our Capenhurst facility in the UK to further minimise existing plant noise and address the issue of noise arising from night time construction work. Through our community liaison activities, we kept the local community informed of upcoming works and continued to modify our working patterns and equipment to limit noise emissions. During the year, we erected shields and fences to further block any noise or light that might disturb the local community.

Key activities and initiatives that address this material aspect:

- Regular engagement with the local community, with all complaints or issues logged and reported to senior management
- Regular updates on upcoming works through extensive community liaison
- Modification of working patterns and equipment, and implementation of noise mitigation devices.

Focus Areas

Materiality and Risk



Focus Area 6: Asset integrity



In order to protect our investments, we must maintain our critical plant systems to ensure they continue to function safely and effectively. Across the organisation, continued commitment to asset integrity ensures that the appropriate processes, systems and tools are in place to safeguard our investments.

Asset integrity is a fundamental consideration in the design phase of all our enrichment facilities, and across the organisation, URENCO has worked to improve collaboration and information sharing in asset management.

In 2016, the focus of our asset integrity champions was on improving data collection, visualisation and analysis. Operational knowledge and experience has been shared across the organisation, and improvements have been made to how we manage our assets as a result.

The Sponsor of this focus area is our Chief Operating Officer.

Asset integrity (priority aspect)

We continue to reinvest in our worldwide fleet of facilities, and in 2016, our focus remained on renewing the infrastructure at our Capenhurst facility in the UK. Our aim is to finalise all plant control and power management initiatives by the end of 2017.

Also in the UK, we maintained our focus on improving plant operators' knowledge so they can solve technical issues more seamlessly. We are now one-third of our way through our asset restoration programme at Capenhurst. By the end of 2017, we will have finalised all planned control and power contingency initiatives to help deal with any potential power disturbances in the future.

Elsewhere, we implemented power loss tests, which are designed to simulate a 'black out'. The objective is to stress test the protecting systems in the plants, without the need for operator intervention.

A URENCO standard and scoring system for asset management has been developed, which enables each site to execute 5S¹² housekeeping reviews for benchmarking purposes. We need to continue our rigorous asset integrity programme to ensure the highest and most efficient industry standards are achieved and maintained.

¹² 5S enables an organisation to evaluate its workplace organisation capability and visual management standards. <https://uk.kaizen.com/knowledge-center/what-is-5s.html>

Glossary

British Science Association

A registered charity founded in 1831, whose vision is of a world where science is at the heart of society and culture.

Capital expenditure

Purchases of property, plant and equipment including prepayments relating to payments to ETC in advance of contracted cascade deliveries, which will be supplied in future periods.

CNS

Capenhurst Nuclear Services Limited, a subsidiary company of URENCO, has taken responsibility for storage of certain uranic materials on behalf of the Nuclear Decommissioning Authority at the Capenhurst facility in the UK.

Deconversion

This is the process of removing the volatile fluorine component from uranium hexafluoride to make stable uranium oxide (U3O8). URENCO has chosen to use U3O8 as the long-term retrievable storage form of uranium.

EBITDA

Earnings before exceptional items, interest (including other finance costs), taxation, depreciation and amortisation and joint venture results (or income from operating activities plus depreciation and amortisation, plus joint venture results). Depreciation and amortisation are adjusted to remove elements of such changes already included in changes to inventories and other expenses.

Energy Savings Group (ESG)

The ESG is responsible for driving action, accountability and engagement in energy efficiency and optimisation. Three times a year, the ESG convenes meetings to share learnings and propose initiatives to minimise energy usage.

Enrichment

The step taken in the nuclear fuel cycle that increases the concentration of U₂₃₅ relative to U₂₃₈, in order to make uranium usable as a fuel for light water nuclear reactors.

ETC

Enrichment Technology Company Limited.

Euratom

The European Atomic Energy Community, established in 1957 by members of the European Union.

Global Reporting Initiative

The reporting framework which provides guidance on sustainability performance reporting.

Hazardous waste

Transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annexes I, II, III and VIII.

Head Office

URENCO Group's head office in Stoke Poges, UK.

IAEA

The International Atomic Energy Agency is the world's central intergovernmental forum for scientific and technical cooperation in the nuclear field.

LED

Light-emitting diode.

Materiality

Materiality refers to the sustainability elements which are sufficiently important that they should be reported. They cover the organisation's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders.

Non-hazardous waste

Transported, imported, exported or treated waste that is not deemed hazardous under the terms of the Basel Convention Annexes I, II, III and VIII.

Nuclear Fuel Supply Chain

The multiple steps that convert uranium as it is extracted from the earth to nuclear fuel for use in power plants. Uranium enrichment is one step in the nuclear fuel supply chain.

Order book

Contracted and agreed business estimated on the basis of 'requirements' and 'fixed commitment' contracts.

Recycled

The process of putting a product to another use once its primary use has been exhausted.

Reused

The process of putting a product to another use once its primary use has been exhausted.

Richie

Richie is an animated character and acts as URENCO's science ambassador. The Richie programme is a core element of URENCO's school and education outreach. Through Richie, URENCO connects with its youngest audiences, teaching them about science and energy in an engaging and interactive way.

Richie Lecture

URENCO's annual Richie Lecture is a celebration of STEM education for school children, featuring a lecture on a related topic, held at the Science Museum.

SMR

Small modular reactors are advanced reactors that produce electric power up to 300MWe, designed to be built in factories and shipped to sites for installation as demand arises.

Stable Isotopes

URENCO's Stable Isotopes business uses centrifuge technology to produce a variety of other products for medical, industrial and research applications.

STEM

Refers to the core subjects of Science, Technology, Engineering and Maths.

Supplier of choice

Increasing available capacity and experience of new operating environments facilitates first class service delivery and the flexibility to meet the changing needs of our customers. This will enable URENCO to be considered the 'supplier of choice' by our customers.

Glossary

SWU

Separative Work Unit. The standard measure of the effort required to increase the concentration of the fissionable U_{235} isotope.

Tails (depleted UF_6)

Uranium hexafluoride that contains a lower concentration than the natural concentration (0.711%) of the U_{235} isotope.

Tails Management Facility (TMF)

The facility constructed and operated by URENCO ChemPlants Limited that will manage the deconversion of tails to stable uranium oxide (U_3O_8). Currently under construction at URENCO's UK site in Capenhurst, UK, it will consist of a number of associated storage, maintenance and residue processing facilities to support URENCO's long-term strategy for the management of tails.

U_{235}

The fissionable uranium isotope found in natural uranium.

U_{238}

The non-fissionable uranium isotope that makes up most of natural uranium.

UD

URENCO Deutschland.

UNL

URENCO Nederland.

Uranium

A fairly abundant metallic element. Approximately 993 of every 1,000 uranium atoms are U_{238} . The remaining seven atoms are U_{235} (0.711%), which is used in today's nuclear power stations to generate energy by fission.

Uranium hexafluoride (UF_6)

All enrichment processes today work with gaseous material; therefore, uranium is converted to UF_6 .

URENCO ChemPlants Limited (UCP)

URENCO ChemPlants Limited, a subsidiary company of URENCO, is responsible for the construction and operation of the Tails Management Facility at URENCO's site in Capenhurst, UK.

UUK

URENCO UK.

UUSA

URENCO's enrichment facility in New Mexico, US, owned and operated by Louisiana Energy Services LLC.

Further information

Contact:

Jayne Hallett
Director of Corporate Communications
URENCO Limited
URENCO Court
Sefton Park
Bells Hill
Stoke Poges
SL2 4JS, UK
enquiries@urengo.com