urenco

Annual report and accounts 2018

Governance

Corporate Governance

Ensuring good governance at Urenco

Our policy on corporate governance is to follow principles of strong governance, transparent reporting and Urenco's core values. We practise a system of full transparency where management reports regularly and comprehensively to the Board and provides extensive background information for all matters requiring Board approval. All Board decisions are clearly minuted and recorded. The Board, together with external advisers as appropriate, consider in further detail issues of particular complexity through regular meetings of the Audit Committee, Sustainability Committee, Remuneration and Appointments Committee and, where required, special working groups. Our commitment to strong corporate governance ensures the Group has clear strategic direction and enables us to assess, control and manage risk effectively.

The 2018 UK Corporate Governance Code (the 'Code') sets out principles and provisions of good corporate governance and Code provisions which are applicable to all companies with a Premium Listing of equity shares in the UK. As a non-listed company, Urenco is not subject to the Code; however, we recognise the value of applying the principles of the Code where appropriate.

Board and its Committees

Board composition

The Board consists of the Chairman, six Non-Executive Directors and two Executive Directors. Two Non-Executive Directors are appointed by each of Urenco's three shareholders. An additional Non-Executive Director is elected onto the Board by unanimous resolution of the shareholders and elected as Chairman by the Board. The two Executive Directors are elected into position by the Board.

The Directors of the Company in office during the 2018 financial year were:

Non-Executive Directors

• Stephen Billingham	Chairman
• Frank Weigand	Deputy Chairman, Chair of the Audit Committee
• Mel Kroon	From 1 September 2018. Chair of the Remuneration and Appointments Committee, from 12 December 2018
• Miriam Maes	Chair of the Sustainability Committee
• Alan Bevan	
• Justin Manson	
• Richard Nourse	
• George Verberg	Deputy Chairman, Chair of the Remuneration and Appointments Committee (until 31 August 2018)

Executive Directors

• Thomas Haeberle	Chief Executive Officer
• Ralf ter Haar	Chief Financial Officer

The Directors of the Company in office as at the date of the Annual Report are on page 26 and their biographies can be found on the Urenco website at www.urenco.com.

Role and operation of the Board

The Board manages overall control of the Group's affairs and is responsible to the shareholders for key policies and strategic direction. The Board meets regularly to consider matters specifically reserved for its decision. These include the approval of the strategic business plan, budget and financial statements, major capital projects, acquisitions and disposals, major regulatory issues and major policies on environmental, health and safety issues, and senior management appointments.

The Board and its Committees are provided with full and timely information well in advance of meetings. The agenda is set by the Chairman in consultation with the Executive Directors and Company Secretary. Formal minutes recording discussions and decisions of all Board and Committee meetings are prepared and circulated to the respective Board and Committee members.

The Board recognises the need for a reasonable balance between Executive and Non-Executive Directors in providing judgement and advice on decision-making. In addition to fulfilling their legal responsibilities as Directors, Non-Executive Directors are valued by the Company for the judgement and experience they provide to the Board at Board and Committee meetings.

Board meetings

Urenco's Board meets regularly throughout the year in order to effectively discharge its duties. During 2018, the Board met five times.

Each year, the Board holds one of its meetings at an enrichment facility. In 2018, that meeting was held at Urenco Nederland.

Board meetings attendance

	Number of meetings in 2018	Meetings attended
Alan Bevan	5	5
Frank Weigand	5	5
George Verberg	3	3[1]
Justin Manson	5	5
Mel Kroon	2	2[2]
Miriam Maes	5	5
Ralf ter Haar	5	5
Richard Nourse	5	5
Stephen Billingham	5	5
Thomas Haeberle	5	5

Board Committees

The Board has three Committees: the Audit Committee, the Sustainability Committee and the Remuneration and Appointments Committee. More detail of the work of these committees is contained later in this report. Each Committee reports formally to the Board after each meeting.

Accountability and audit

The Board has overall responsibility for internal controls, including risk management, and approves appropriate policies regarding Group objectives. The Executive Directors are responsible for identifying, evaluating and managing both financial and non-financial risk and implementing and maintaining control systems in accordance with Board policies.

The Group's core targets and objectives are set out in the business plan and budget, which are approved annually by the Board. Management reports for the Group are prepared on a monthly basis and distributed to the Board periodically. The plans and reports cover both revenue and expenditure (including capital) and financing.

On an annual basis the Board reviews the Group's Strategic Risk Report. The types of risks identified in the 2018 review included strategic, material operational and compliance risks and are detailed on pages 14 to 18.

The Board is also responsible for the Group's system of internal controls and for reviewing its effectiveness. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In practice, the Board delegates to the Audit Committee responsibility for reviewing and examining the effectiveness of the Company's internal controls and risk management systems.

Additional background information

Shareholding structure

Urenco's shares are ultimately held one-third by the UK government (through Enrichment Investments Limited), one-third by the Dutch government (through Ultra-Centrifuge Nederland Limited), and one-third by two German utilities (through a holding company, Uranit UK Limited). Shares in its German holding company are indirectly held 50% by E.ON S.E. and 50% by RWE AG.

The role of the shareholders and the Board is defined in the Urenco's shareholder agreements and constitutional documents. The role of the governments who supervise Urenco from the non-proliferation perspective is set out in the Treaty of Almelo.

History and wider governance issues

Urenco was founded in 1970 following the signing of the Treaty of Almelo by the governments of Germany, the Netherlands and the UK. It was incorporated as an English private limited liability company on 31 August 1971. The Treaty of Almelo establishes the fundamental principles for supervising effectively Urenco's technology and enrichment operations with respect to non-proliferation. A Joint Committee of representatives of the governments of the signatory countries exercises this supervisory role but has no role in Urenco's day-to-day operations. The Joint Committee considers all questions concerning the safeguards system (as established by IAEA and Euratom), classification arrangements and security procedures, exports of the technology and EUP and other non-proliferation issues. The Joint Committee also considers issues connected with any potential changes in Urenco's ownership and transfers of technology. Urenco's Executive Management periodically meets with the Joint Committee.

Before the construction of Urenco's enrichment facility in the USA and in order to permit the transfer into the USA of classified information regarding Urenco's proposed new facility, the US government entered into a new intergovernmental treaty (the Treaty of Washington) with the governments of Germany, the Netherlands and the UK to ensure that the same conditions that had been agreed in the Treaty of Almelo would also apply in the USA. The Treaty of Washington was signed on 24 July 1992.

In order to permit the completion (in 2006) of the joint venture with Orano regarding the Group's technology business ETC, France needed to adhere to the principles of the Treaty of Almelo. A new treaty (the Treaty of Cardiff) was signed on 12 July 2005 by the governments of Germany, the Netherlands, the UK and France. European Commission competition clearance was also required to complete the transaction. This was granted on 1 July 2006. The terms of the clearance require certain commitments from Urenco and Orano to ensure that they remain competitors in the field of enrichment and that no commercially sensitive information about their enrichment operations passes between Urenco and Orano by virtue of their being joint shareholders of ETC.

[1] George Verberg retired as of 31 August 2018.
[2] Mel Kroon joined the Board on 1 September 2018.

Audit Committee Report

Chair's statement

Frank Weigand
Chair, Audit Committee

I am pleased to present the report of the Audit Committee for 2018.

The Audit Committee (the 'Committee') is a committee of the Board of Directors of Urenco Limited. Its role is to monitor, on behalf of the Board, the Group's financial reporting, the integrity of its financial statements and its systems of internal control (financial, operational, compliance and risk management). The Committee provides updates and, where appropriate, recommendations to the Board on these matters.

During 2018, the Committee has continued to play an important role in ensuring high quality financial reporting and providing assurance to the Board on the effectiveness of the internal control environment. Together with my fellow Committee members, we have responded to developments during the year as required, focusing on key matters which arise in addition to our planned work programme. Looking ahead, we intend to continue focusing on the audit, assurance and risk processes within the business as it continues to evolve.

Summary of the role and responsibilities of the Committee

In accordance with its Terms of Reference, the Committee's key responsibilities include, but are not limited to:

- Monitoring the integrity of the annual and half year financial statements and the appropriateness of accounting policies;
- Approving, on the Board's behalf, the half year financial statements;
- Making recommendations to the Board concerning adoption of the Annual Report and Accounts and advising the Board as to whether they are fair, balanced and understandable;
- Reviewing regular reports from management regarding new and emerging risks and uncertainties of the Group (see details of these on pages 14 to 18);
- Reviewing the significant financial reporting topics, new accounting standards impact and challenging significant accounting judgements and estimates contained in the financial statements;
- Reviewing and monitoring the systems of internal and financial control and risk management;
- Overseeing the Group's relationship with the external auditors, including monitoring and reviewing the external auditor's independence, objectivity and effectiveness and recommending to the Board external audit fees for approval and the appointment of auditors each year;
- Monitoring and reviewing the effectiveness of the internal audit function and reviewing the internal audit plan, internal audit reports and management's responses to findings and recommendations; and
- Reviewing any material investigations instigated in response to allegations of suspected or actual fraud, impropriety or any behaviours that are contrary to Urenco's Code of Conduct and values, as committed by either Urenco employees, any associated persons or third parties operating on behalf of Urenco.

A copy of the Committee's Terms of Reference is available on Urenco's website at www.urenco.com.

An annual review of the Terms of Reference was conducted at the Committee meeting in February 2019 and the Terms of Reference were updated in March 2019 following Board approval.

Composition of the Audit Committee

The Committee comprises three members:

- Frank Weigand (Non-Executive Director and Committee Chair)
- Miriam Maes (Non-Executive Director)
- Justin Manson (Non-Executive Director)

Biographies for Committee members can be found on Urenco's website at www.urenco.com.

Given that all of the Committee members are appointees of shareholders in Urenco Limited, they are not considered independent under guidance of the UK Corporate Governance Code.[1]

[1] As a non-listed company, Urenco is not subject to the Code but recognises the principles of following it where appropriate to do so.

Meetings

The Committee is required, under its Terms of Reference, to meet at least three times a year. During 2018 the Committee met five times.[2] The membership and attendance record of the Committee members during the year is set out below.

	Number of meetings in 2018	Meetings attended
Frank Weigand	5	5
Miriam Maes	5	5
Justin Manson	5	4

Corporate governance

Following due and careful consideration, the Board is satisfied that the membership of the Committee meets the requirement for recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

The Committee has a standing agenda, aligned to events in the Group's financial and reporting calendar, for consideration at each meeting. This work programme, which is formally reviewed by the Committee on an annual basis, is also regularly monitored to ensure that it encompasses all issues required to be considered by the Committee during the year.

At the invitation of the Committee, the Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, Group Head of Risk and Internal Audit and the Group's external auditors (Deloitte LLP) also attend the Committee's meetings. Representatives from other functions also attend as and when appropriate. The Company Secretary or their nominee is secretary to the Committee.

Private meetings were held at each Committee meeting with the Group Head of Risk and Internal Audit and the external auditors at which executive management was not present. In addition, the Chair of the Committee held meetings with the audit engagement partner during the year.

The Committee has continued to follow up on the findings from the internal effectiveness review performed in January 2017 to have more frequent ongoing training. During 2018 the Committee attended training sessions provided by the external auditor. The key topics covered related to the reporting of principal risks and uncertainties, reporting on effects of Brexit and an overview of IFRS 16, a new accounting standard effective from 1 January 2019.

No external assessment of Committee performance has been undertaken in the year although the Committee Chair and Company Secretary conducted an effectiveness review in February 2019, based on a framework provided by the external auditors, and reported the results in the February 2019 Committee meeting. There were no significant findings arising from the review although some areas for future focus were identified, such as enhancements to the training programme introduced in 2016, including additional training on Cyber Security risk.

Given their status as nominees of shareholders, members of the Committee are not submitted for re-election at the Group's Annual General Meeting. In the context of Urenco's shareholding structure, the Committee was comfortable with these points and the overall conclusion of the internal review was that the Committee continued to be effective.

Detailed below is the key work undertaken by the Committee during the year under review and up to the date of this Annual Report.

Activities of the Audit Committee during the year

Internal controls and risk

During 2018 the Committee received and considered regular reports from the Group's Internal Audit, Finance, Tax, Treasury and Risk functions and the Group's external auditor, in order to assess the quality and effectiveness of the system of internal controls.

These included reviews and monitoring of:

- The 2017 Annual Report and the 2018 half year results;
- Reports from management detailing the principal risks and uncertainties of the Group, and the related key accounting judgements and estimates, considerations and conclusions;
- Work completed by the Internal Audit function in reviewing and auditing the adequacy and effectiveness of the Group's internal controls, including financial procurement and major capital spend;
- Internal Audit's annual report on compliance with the Group's anti-bribery and corruption policies and procedures;
- Regular operational risk and commercial risk reports;
- The annual Group Tax update, review of the Group's tax policy and publication of the Group's tax strategy;
- Group Treasury activities and review of financing provisions in the Group's funding arrangements;
- The Group's insurance strategy and policy;
- The annual pensions and deficits review;
- Review of Urenco's alignment to the UK Corporate Governance Code[3];
- External auditor reporting on the design and implementation of key financial controls; and
- The independence, objectivity and fees of the external auditors and scope of audit and non-audit services.

The Committee has reviewed the effectiveness of Urenco's risk management and internal control systems for the financial year and the period to the date of approval of the financial statements.

The Committee can confirm that no significant weaknesses were identified during the year with regards to the adequacy of the system of internal control.

[2] 21 February, 28 June, 6 August, 16 October and 11 December.

[3] As mentioned in more detail in the Corporate Governance statement, as a non-listed company, Urenco is not subject to the UK Corporate Governance Code but recognises the value of applying the principles of the Code where appropriate.

Significant issues related to the financial statements

The Committee discussed with management the critical accounting judgements and key sources of estimation and uncertainty outlined in note 2 of the Group's consolidated financial statements. In conducting these discussions the Committee considered the work and recommendations of the Group finance functions and the input and reports received from the external auditors. The most significant matters that the Committee considered were the following:

- **Carrying value of the US enrichment business**

  Issue background

  During 2016 the Group recognised a €760 million pre-tax impairment charge against its US cash generating unit asset carrying value. This was driven by a further deterioration in the long term forecast market price for SWU, based on continued nuclear market uncertainty, the build-up of inventories across the supply chain and oversupply of enriched uranium.

  There is continued inherent risk, given the significant level of management judgement required in determining the estimations of future market dynamics, that the associated Urenco SWU market pricing forecasts could have further decreased, or alternatively could have improved since 2016. Any significant change would result in a new impairment indicator or reversal indicator for 2018, potentially leading to a further impairment charge or a reversal of the impairment charge recognised in 2016 respectively.

  The other key assumptions within the 2018 impairment indicator analysis are revenues and cash flows forecast to be generated during the 10 year business plan horizon; the discount rate; extension of the US operating licence beyond 2040, which management expect to receive in the ordinary course of business; ongoing capital expenditure requirements to maintain and operate the business, together with levels of associated operating expenditure and the costs of deconverting future tails produced.

Committee response: Management has re-assessed the long term forecast market prices for SWU during 2018, including an assessment of the SWU prices for new Urenco sales contracts signed during the year. These long term prices are substantially the same as those used in the valuation model to determine the recoverable amount as at 31 December 2016. Management has also reviewed the revenues and cash flows forecast for the business plan horizon and concluded that these are not materially different from prior forecasts. On this basis, and following an assessment of the other key assumptions detailed above, management has concluded that there are no indicators for a further impairment charge or a reversal of the 2016 impairment charge and hence no requirement to update the 2016 valuation model.

The Committee has reviewed management's reports detailing the above impairment indicator and impairment reversal assessment, as well as the critical and key judgements and estimates inherent to that analysis, and concluded that no further impairment charge or impairment reversal is required in 2018. Further details about the impairment indicator assessment and the assumptions used in determining the recoverable amount are given in note 2 of the Group's consolidated financial statements.

The external auditors appropriately reviewed and assessed management's view that the long term forecast market prices for SWU and other key impairment indicator judgements have not substantially changed during 2018 and provided their view orally and in their written reports provided to the Committee on 11 December 2018 and 27 February 2019.

The Committee reviewed and challenged management's judgements and estimates on this matter, ultimately concluding that they were appropriate.

- **European enrichment business tails provisioning**

  Issue background

  During 2015 management rebased the European enrichment sites' tails provisions to reflect the unit cost of deconverting tails at the TMF which is currently undergoing commissioning. The TMF capital cost and future operating costs are reviewed by management on an ongoing basis and at each reporting period date.

  Significant management judgement is required in estimating the TMF deconversion cost assumptions, most notably the TMF total capital cost and future operating costs. Mechanical construction of the TMF was completed in late 2018 with active commissioning expected to be complete early 2020. Until these activities are completed, the forecast TMF deconversion cost remains a key estimate within the European tails provision valuation.

  Further descriptions on the nature of tails, deconversion and other items noted above are provided on pages 105 to 106.

Committee response: The Group reviews its overall tails provision strategy annually using a steering group of senior technical and operational personnel. During 2018, European tails provisions were reviewed to ensure they continued to appropriately reflect the latest management estimate of the TMF final capital cost referred to above, as well as changes in cost assumptions related to an optimisation of tails management operations across the Group and for the impact of the reduction in higher assay tails associated with enrichment services contracts.

The Committee reviewed and challenged the key assumptions and judgements employed in the review as well as the resulting associated financial provisions estimated to be required.

The tails provision recognised at the period end and the TMF project status was appropriately reviewed by the external auditors, and the Committee received oral and written reporting on this work. This reporting included consideration of external auditor's work in respect of cost estimates, timing estimates, and the application of appropriate discount and inflation rates. These matters are discussed with the external auditors, both to understand their work, and to facilitate challenge of management in this area.

In order to ensure that the Committee is kept aware of the key risks and uncertainties relating to the successful delivery of the TMF, the Group Head of Risk and Internal Audit, supported by external subject matter expertise, is responsible for ensuring that the project is subject to a regular and rigorous risk assessment process. The output from this process is reported directly to the CEO and CFO and an update, regarding the effectiveness of risk mitigation strategies implemented to manage critical risks and uncertainties, is presented to the Committee.

The Committee was satisfied that the provision recognised in respect of the European tails deconversion, storage and disposal is appropriate.

- **Group provisioning for decommissioning liabilities**

  Issue background

  During 2018 management reassessed the decommissioning provisions for each of its enrichment sites to reflect management's latest views on decommissioning strategies and related assumptions. Key judgements are required in the calculation of provisions for decommissioning obligations, including the likely costs and timing of future activity required for Urenco to satisfy its legal obligations, together with assumptions relating to the relevant discount and inflation rates applied.

  Further descriptions on the nature of decommissioning provisions and other items noted above are provided on pages 105 to 107.

Committee response: The Group reviews its overall decommissioning provisions strategy in depth on a triennial basis, using a steering group of senior technical and operational personnel. This was last performed in 2018 and will next be performed in 2021.

Following the review, the provisions required in respect of decommissioning obligations increased by €123.0 million, largely driven by a change in forecast timing of future decommissioning activities, new estimates for the volumes of waste arising and the costs of its disposal, revisions to estimates for capital investments required to decommission plant and additional scope for certain legacy assets that need decommissioning particularly on the Capenhurst site.

The Committee reviewed and challenged the key assumptions and judgements employed in the periodic review as well as the resulting associated financial provisions estimated to be required. The decommissioning provisions recognised at each period end are audited by Deloitte, and the Committee receives oral and written reporting on this work. This included consideration of Deloitte's work in respect of cost estimates, timing estimates, and the application of applicable discount and inflation rates. These matters are discussed with Deloitte, both to understand their work, and to facilitate challenge of management in this area.

The Committee was satisfied that the provisions recognised in respect of decommissioning are appropriate.

- **Uranic inventory valuation and ownership**

  Issue background

  Where Urenco is enriching customer feed, the carrying value of the unsold EUP inventory is recognised as the Urenco SWU costs incurred and classified as SWU assets. In addition, the Group generates its own feed by using a higher consumption of SWU to produce EUP, meaning that customer EUP requested assays can be achieved using incremental SWU and the resulting feed conserved is recognised as Urenco inventory. Management judgement and complex calculations are required to allocate the relevant costs between SWU and own feed generated, when performing inventory valuations.

Committee response: Urenco management has previously prepared detailed accounting papers for the Committee, setting out the background to accounting for inventory and their assessment of the ownership and valuation of material. The most recent paper was in December 2017 which addressed issues arising out of the implementation of IFRS 15 (Revenue from Contracts with Customers), adopted by Urenco from 1 January 2018. The Committee has reviewed and challenged the accounting policies applied in this area, and are satisfied with their compliance with International Financial Reporting Standards, and appropriateness to Urenco's business model.

In conjunction with the above, the reporting period end feed 'headroom test' prepared by management is reviewed by the Committee, which is discussed and challenged with management. This 'headroom test' compares the volumes of Urenco's feed to the outstanding borrowings and the volumes of feed not immediately accessible as it is contained within LAF (which is lower uranium content material created during the Urenco enrichment process). Any feed deficit would be revalued to the current market value, to reflect the underlying fact that Urenco had sold feed that was either borrowed or contained within LAF.

In addition, the Committee received oral and written reports from the external auditor on their work performed in this area and the results were reviewed in detail by the Committee. The Committee was satisfied that the inventory values and allocation between inventory types recognised as owned by Urenco are appropriate

- **Revenue and feed profit recognition**

  Issue background

  Key management judgements include Urenco's assessment of the period in which revenue and profit should be recognised at the point in time when control of the service or good transfers to the customer, the fair value of consideration received, ownership and legal title over uranic material, the amount and timing of gains and losses recognised from commodity contracts held at fair value, and the accounting adopted for any unusual or non-standard transactions in the period. These judgements are relevant for sales of enriched uranium, enrichment services and natural uranium each year.

  For enrichment sales, management judgment is required in concluding that when Urenco performs enrichment activity, this is not enhancing an asset that is controlled by any specific customer, and therefore revenues should be recognised at a point in time – not over a period of time. Judgment is required in assessing that the point in time when control of the enrichment services passes to the customer is normally on delivery of the enriched uranium. Management judgment is also required in assessing the amount of the overall value of a long term enrichment contract that should be allocated to each of the individual deliveries based on management's assessment of the standalone selling prices of those deliveries.

  In terms of feed sales profit recognition, management judgement is required when considering whether Urenco holds title to feed volumes sold, or whether the feed is from third party feed stocks held at Urenco enrichment sites. To the extent that any third party feed is sold by Urenco (none in the current period), then a provision would be required to reflect the current market value of the feed volume deficit.

Committee response: Each year, the Committee considers and assesses the Group's revenue recognition policy for all sale types, through the annual review of finance policies prepared by finance management. The revenue accounting policy is summarised within note 2 of the Group's consolidated financial statements.

The Committee considered any observations and findings made by the external auditors as part of their reporting to the Committee within their oral and written report presented on 27 February 2019. For the year ended 31 December 2018, this included the observation that a high volume of sales occurred in the final month of the year, where the Committee satisfied itself that this was due to the requested timing of deliveries from customers.

As detailed in the Uranic inventory valuation and ownership section above, the feed 'headroom test' assesses the level of feed inventory to which Urenco holds legal title and the Committee was satisfied that it was calculated appropriately.

Finally, in respect of the commodity contracts held at fair value and the non-standard or complex transactions in the year, the Committee challenged management on the cases that it presented, in order to understand their commercial substance, and proposed accounting, in order to ensure these were appropriate.

The Committee were satisfied that the revenue recognition is appropriate and that the profit recognition for feed sales has been accounted for appropriately.

Financial and business reporting

At the meeting of 27 February 2019, the Committee reviewed the content of this Annual Report and Accounts and advised the Board that, in its view, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In justifying this statement the Committee has considered the robust process which operates in creating the Annual Report and Accounts, including the fact that:

- Clear guidance and instruction is given to all contributors;
- Revisions to regulatory requirements and new accounting standards are monitored on an ongoing basis;
- Planning meetings are conducted between management of key subsidiaries and the external auditors in advance of the year end reporting process, and the information/developments raised in these meetings used to inform the compilation of the Annual Report;
- A thorough process of review, evaluation and verification of the inputs from business units is undertaken to ensure accuracy and consistency;
- A meeting of the Committee was held in February 2019 to review and approve the draft 2018 Annual Report and Accounts in advance of the final sign off by the Board. This review included the critical accounting judgements explained in note 2 of the Group's consolidated financial statements; and
- The Committee considered the conclusions of the external auditor over the key audit risks that contributed to their audit opinion.

External audit effectiveness and independence

The Committee has satisfied itself that the UK professional and regulatory requirements for audit partner rotation and employment of former employees of the external auditor have been complied with.

The external auditors are required to adhere to a rotation policy based on best practice and professional standards in the UK. The standard period for rotation of the audit engagement partner is five years, and for any key audit partner, seven years. The current audit engagement partner was appointed during Urenco's 2016 financial year and will rotate off at the conclusion of the 2020 audit in accordance with this requirement.

Urenco notes the European Commission rules on mandatory audit firm rotation and the Order by the Competition and Markets Authority regarding the mandatory use of competitive tender processes and auditor responsibilities including the associated transition rules. Deloitte LLP was appointed as the Group's external auditors in 2011 when the last competitive tender process was conducted. According to those rules Urenco will be required to formally tender the external audit at the latest following completion of the 2020 audit, noting that Deloitte LLP can be reappointed until the conclusion of the 2030 audit. Currently Urenco does not have any contractual obligations that would restrict its choice of external auditors.

The Committee reviewed the effectiveness of the external auditor during 2018. This process incorporated feedback from management and key individuals across the Group, as well as the Committee's own experience. The assessment considered the robustness of the audit process, the quality of the delivery of the audit plan, the quality of reporting on findings and recommendations to the Committee and management, and the quality of the audit team and service provided.

In considering the independence of the external auditor, the Committee received a transparency report from the auditor, which describes their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the Group. Since 2014 the Committee has had an Auditor Independence Policy, which was reviewed by the Committee on 27 February 2019. Urenco's Auditor Independence Policy includes the definition of prohibited non-audit services, which corresponds with the European Commission's rules on auditor independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

The engagement of the Group's external auditors to provide audit related assurance services and non-audit services which are not prohibited is subject to rigorous internal control and approval and may only be undertaken up to a cumulative value of €100,000 for each category of audit services after which reference to, and approval of, the Committee is required. Further details of the split between Deloitte LLP's fees between audit services and non-audit services is provided in note 5 of the Group's consolidated financial statements.

Having reviewed Deloitte LLP's performance during the year and satisfied itself of their continuing independence and objectivity within the context of applicable regulatory requirements and professional standards, the Committee has invited the Board to recommend the reappointment of Deloitte LLP as auditor at the forthcoming Annual General Meeting (AGM) and a resolution to that effect appears in the notice of the AGM. Deloitte LLP has accumulated significant knowledge and experience that allow it to carry out effective and efficient audits during this period and provide insightful and informed challenge.

Risk management and the effectiveness of internal control

The Terms of Reference of the Committee require that the Committee review and examine the effectiveness of the Company's internal controls and risk management systems and advise the Board in the exercise of its responsibility for maintaining sound risk management and internal control systems.

The Board has approved a set of policies, procedures and frameworks for effective internal control. The Group has procedures for the delegation of authorities for significant matters, to ensure approval is sought at the appropriate level. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

A formal annual certification is provided by senior management confirming that appropriate internal controls were in operation and confirming compliance with Group policies and procedures. Any weaknesses are highlighted, are reviewed by senior management, the Group Head of Risk and Internal Audit and reported to the Committee. The Internal Audit function will also monitor and selectively check the results of this exercise, ensuring that representations made are consistent with the results of its work during the year.

During 2018, the Group Head of Risk and Internal Audit regularly provided relevant updates detailing new commercial or operational risks and any additional mitigation required to Committee meetings. In addition the Committee considered the adequacy and appropriateness of mitigating controls or risk reduction strategies, as detailed on pages 14 to 18.

The Terms of Reference also require that the Committee review and approve the statements to be included in the Annual Report (and if interim statements are produced, to do likewise) concerning internal controls and risk management prior to endorsement by the Board. In 2018, as in previous years, the Committee conducted such review and approval. Much of the Committee's work in this area was driven by the Group Head of Risk and Internal Audit's reports on the effectiveness of internal controls and fraud. A summary of the Committee's engagement with the Internal Audit function is set out below.

Internal audit

The Group has an Internal Audit department with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of Urenco's operations.

The Internal Audit function carries out risk-based audits across the Group and is based on an audit plan, which is aligned to the key risks of the business and is presented to and approved by the Committee. Any amendments to the plan are also subject to approval from the Committee.

The Group Head of Risk and Internal Audit has direct access to the Chair of the Committee and provided updates regarding internal audit activities, progress of the Group internal audit plan, the results of any unsatisfactory audits, the action plans to address these areas and any resource requirements needed to meet the Committees' assurance requirements.

During the year, the Committee also reviewed and approved the proposed internal audit programme for 2019 and the performance of the Group Head of Risk and Internal Audit. No significant issues or concerns were highlighted.

Approval

On behalf of the Audit Committee

Frank Weigand

Chair of the Audit Committee

14 March 2019

Sustainability Committee Report

Chair's statement

Miriam Maes
Chair, Sustainability Committee

I am pleased to present the report of the Sustainability Committee for 2018.

During 2018, my fellow Committee members and I have continued in our commitment to oversee and help drive forward key sustainability policies across the Urenco Group.

A key focus has been to improve the inclusive nature of our culture and increase the diversity of our workforce. The work in this area is considered a high priority, in this respect a set of enhanced goals have been set in the areas of recruitment, succession planning and training.

The Sustainability Committee is one of the three committees of the Board of Directors of Urenco Limited. The Committee's main areas of focus are the monitoring of key performance indicators ('KPIs') in health, safety, environment, asset integrity, security and non-proliferation, safeguards, ethical conduct, social performance and employee engagement (including diversity and inclusion).

In this report the Committee provides a description of the key activities it has performed during the year.

Duties

In accordance with its terms of reference, the Committee's key responsibilities include, but are not limited to:

- Receiving regular reports from management on the implementation and operation of the Group's sustainability related policies and standards, and challenging, where appropriate, the actions of management;
- Reviewing on an annual basis the Group's sustainability agenda and associated policies, with a view to ensuring that these take account of external developments and expectations, and reporting to the Board on the results of these reviews;
- Conducting annual reviews of the Group's implementation of policies on: health and safety, asset integrity; social performance (including community relations, social investment, political contexts and charitable donations); environment and ethical conduct and reporting to the Board on the results of these reviews;
- Reviewing and approving KPIs in relation to the Committee's main areas of focus, and monitoring performance against such targets;
- Considering and approving the Group's Sustainability Report; and
- Compiling a report on the Group's sustainability activities to be included in the Group's Annual Report.

A copy of the Sustainability Committee's Terms of Reference is available on Urenco's website at www.urenco.com.

The Sustainability Committee comprises four members:

- Miriam Maes (Committee Chair and Non-Executive Director)
- Frank Weigand (Non-Executive Director)
- Justin Manson (Non-Executive Director)
- Thomas Haeberle (Chief Executive Officer)

The Committee met three times in 2018.[1] Two of the meetings took place at Stoke Poges. One took place at Urenco's enrichment facility in Almelo, the Netherlands.

The membership and attendance record of the Sustainability Committee members during 2018 is set out below.

	Number of meetings in 2018	Meetings attended
Miriam Maes	3	3
Frank Weigand	3	2
Justin Manson	3	2
Thomas Haeberle	3	3

Activities of the Sustainability Committee during the year:

In 2018, the Committee:

- Considered and approved the 2017 Sustainability Report to meet the Core standards outlined by the Global Reporting Initiative's (GRI) G4 reporting requirements;
- Monitored the implementation of the sustainability programme;
- Reviewed performance against non-financial KPIs for 2017 in each of our six sustainability focus areas;
- Oversaw the development of the sustainability culture across the Group to integrate sustainability into the business;
- Reviewed safety performance during 2017 and monitored the implementation of safety initiatives during 2018;
- Monitored progress on the asset integrity programme and peer review process.

Approval

On behalf of the Sustainability Committee

Miriam Maes

Chair of the Sustainability Committee

14 March 2019

[1] 21 February 2018,10 July 2018 and 16 October 2018.

Remuneration Report

Chair of the Remuneration and Appointments Committee Statement

Mel Kroon
Chair, Remuneration and Appointments Committee

The role of Urenco's Remuneration and Appointments Committee remains to ensure that the Chair of the Board and Executive positions are occupied by individuals who are able to meet the requirements of the role. Furthermore, the Committee is responsible for the remuneration arrangements for the Chair of the Board and for the Executive Directors, in order to offer every encouragement to enhance the Company's performance and deliver our strategy in a responsible manner.

Introduction

This report is on the activities of the Remuneration and Appointments Committee for the year to 31 December 2018. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of Urenco. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

The report is split into three main areas:

- The statement by the Chair of the Remuneration and Appointments Committee;
- The annual report on remuneration; and
- The policy report.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report. The statement by the Chair of the Remuneration and Appointments Committee and the policy report are not subject to audit.

The annual report on remuneration provides details on remuneration in the year. It has been approved by shareholder representatives at the Remuneration and Appointments Committee on 13 March.

Composition

The Remuneration and Appointments Committee is composed entirely of Non-Executive Directors. The Chair of the Committee from January to August 2018 was George Verberg. Following George Verberg's retirement, Stephen Billingham stepped in to chair the committee until the formal appointment of Mel Kroon as Chair of the Committee, which took effect on 12 December 2018.

Frank Weigand, Alan Bevan and Richard Nourse were members of the Committee. Frank Weigand and Alan Bevan share one vote. In attendance by invitation are the Board Chair, the Chief Executive Officer and Chief Human Resources Officer. The Chief Executive Officer does not attend the meetings where his remuneration is discussed.

Role and responsibilities

The Remuneration and Appointments Committee is a committee of the Board of Directors of Urenco Limited. In accordance with its terms of reference, the key responsibilities of the Remuneration and Appointments Committee include, but are not limited to the following:

- Advising the Board on the appointment of Non-Executive Directors (if any), to be appointed in accordance with the Company's Articles of Association;
- Making recommendations to the Board on the appointment of the Chair, Chief Executive Officer, Chief Financial Officer and the Company Secretary;
- The setting of remuneration for the Chair, Chief Executive Officer and Chief Financial Officer, including executive remuneration policy and long term incentive plan (LTIP) arrangements;
- Providing advice to the Board on the fees of Non-Executive Directors of the Company;
- Advising on the remuneration policy for the Executive Directors;
- Keeping under review the leadership needs of the organisation, giving full consideration to succession planning for the Board and Senior Executive Management;
- Reviewing and making recommendations to the Board annually on the remuneration of the Chief Executive Officer, Chief Financial Officer and the Company Secretary; and
- Monitoring and, where appropriate approving, the remuneration of senior management.

A copy of the Committee's Terms of Reference is available on Urenco's website at www.urenco.com.

Membership and attendance during the year

	Number of meetings in 2018	Meetings attended
George Verberg[1]	6	6
Richard Nourse	9	9
Frank Weigand	9	9
Alan Bevan	9	8
Mel Kroon	3	3

For certain meetings in 2018, particularly relating to the selection and appointment of the new Chief Executive Officer, all the Board's Non-Executive Directors were in attendance.

Key issues in 2018

During 2018 the Remuneration and Appointments Committee:

- Reviewed the 2018 and 2019 targets set for the Chief Executive Officer and Chief Financial Officer;
- Approved the payments for the outgoing Chief Executive Officer, in accordance with the treatment of Good Leavers in the Scheme rules and the amended pro-rating approved by the Committee in December 2016. No additional leaver payments were made;
- Conducted and completed the search for a new Chief Executive Officer;
- Considered Executive remuneration as well as Chair and Non-Executive Director fees;
- Advised the Board to appoint Boris Schucht as the new Chief Executive Officer;
- Discussed succession planning; and
- Reviewed the long term and short term incentive plans.

Approval

This Statement was approved by the Remuneration and Appointments Committee on 14 March 2019.

Mel Kroon

Chair of the Remuneration and Appointments Committee

14 March 2019

[1] George Verberg retired as of 31 August 2018. Mel Kroon was formally appointed as Chair of the Remuneration and Appointments Committee on 12 December 2018, after the last meeting had taken place.

Annual report on remuneration

All figures are reported in euros. In the event that payments are made in sterling, the average rate is used for conversion purposes; this was £0.89 to €1 for 2018 (2017: £0.87 to €1).

Single total figure of remuneration for each Director (audited)

The remuneration of the Executive Directors for the years 2018 and 2017 was made up as follows:

2018	Basic salary and fees[1] €	Pensions[2] €	Benefits €	Performance related bonuses[3] €	LTIP €	Total 2018 €
Executive Directors						
Thomas Haeberle	**825,309**	**101,850**	**96,740**	**632,926**	**1,891,445[4]**	**3,548,270**
Ralf ter Haar	**432,676**	**57,552**	**65,100**	**357,643**	**446,226[5]**	**1,359,197**
Total	**1,257,985**	**159,402**	**161,840**	**990,569**	**2,337,671**	**4,907,467**

2017	Basic salary and fees[1] €	Pensions[2] €	Benefits €	Performance related bonuses[3] €	LTIP[7] €	Total 2017 €
Executive Directors						
Thomas Haeberle	789,385	102,842	100,504	656,255	69,649	1,718,635
Ralf ter Haar	421,398	56,073	83,719	619,412[6]	519,710	1,700,312
Total	1,210,783	158,915	184,223	1,275,667	589,359	3,418,947

1 Basic salary and fees for both Thomas Haeberle and Ralf ter Haar include adjustments as part of their remuneration due to the movements in sterling against the euro compared to agreed historical exchange rates of 1.30 and 1.20 respectively. In 2019, Thomas Haeberle will receive his salary and bonus pro-rated for the period from 1 January 2019 to his departure date of 31 March 2019.

2 The amounts for pensions include taxable pension salary supplements.

3 The short term incentive maximum opportunity for both Thomas Haeberle and Ralf ter Haar was 100% in 2018 (2017: 100%).

4 The amounts for the LTIP include the full cash awards for the scheme maturing at the end of the year, which are paid after the year end. For Thomas Haeberle the amount in 2018 includes the cash award related to the LTIP 2016, which matured on 31 December 2018. This amount also includes Good Leaver payments made against the LTIP 2017 and LTIP 2018, which were pro-rated in accordance with his amended contractual terms as approved by the Remuneration Committee in December 2016. These amended terms reduced the effect of pro-rating by half. Accordingly for the LTIP 2017 the pro-rating factor was 5/6 of the maximum entitlement of 150%, with a payout percentage of 80.9% reflecting the current estimated outturn. For the LTIP 2018 the pro-rating factor was 2/3 of the maximum entitlement of 150%, with a payout percentage of 66.7% reflecting expected on-target performance. No additional leaver payments were made.

5 For Ralf ter Haar the amount in 2018 represents the cash award related solely to the LTIP 2016.

6 The 2017 amount for Ralf ter Haar is based on performance criteria which include elements related to retention and ongoing service with the Company. The contractual entitlement to this retention element expired on 31 December 2017.

7 The 2017 LTIP amount for Thomas Haeberle relates to a 1/12 entitlement to the 2014 scheme. Ralf ter Haar had full entitlement to the same scheme, reflective of his commencement date.

The remuneration of the Non-Executive Directors for the years 2018 and 2017 was made up as follows:

2018	Fees €	Benefits €	Performance related bonuses €	LTIP €	Total 2018 €
Non-Executive Directors					
Stephen Billingham	**236,034**	-	-	-	**236,034**
Alan Bevan	**48,873**	-	-	-	**48,873**
Miriam Maes	**55,304**	-	-	-	**55,304**
Justin Manson[8]	**52,124**	-	-	-	**52,124**
Richard Nourse	**48,873**	-	-	-	**48,873**
George Verberg	**36,012**	-	-	-	**36,012**
Frank Weigand	**59,384**	-	-	-	**59,384**
Mel Kroon	**16,291**	-	-	-	**16,291**
Total	**552,895**	-	-	-	**552,895**

8 The fee payable in respect of the Non-Executive Directorship held by Justin Manson is paid to his employer, UK Government Investments Limited.

2017	Fees €	Benefits €	Performance related bonuses €	LTIP €	Total 2017 €
Non-Executive Directors					
Stephen Billingham	234,151	-	-	-	234,151
Alan Bevan	48,484	-	-	-	48,484
Miriam Maes	54,863	-	-	-	54,863
Justin Manson[1]	52,657	-	-	-	52,657
Richard Nourse	48,484	-	-	-	48,484
George Verberg	53,587	-	-	-	53,587
Frank Weigand	69,485	-	-	-	69,485
Total	561,711	-	-	-	561,711

[1] The fee payable in respect of the Non-Executive Directorship held by Justin Manson is paid to his employer, UK Government Investments Limited.

Additional requirements in respect of the single total figure table

Share holding

The Executive Directors hold no shares in the Company.

Taxable benefits

Taxable benefits paid to Executive Directors include provision of motor vehicles, medical insurance and some living expenses.

Performance related bonuses

Performance related bonuses for Executive Directors are based on individual and Company-based performance criteria.

Long term incentive plan

The long term incentive plan is an annual scheme which grants cash awards with the maximum potential award determined at grant. Awards only vest to the extent that certain performance targets are met over the relevant performance period.

The Executive Directors are eligible to share in the Company's long term incentive plan. Details of the accrued entitlements earned by the Executive Directors are shown below:

	Thomas Haeberle €	**Ralf ter Haar €**	**Scheme maturing at 31 December**
Incentive scheme accrual as at 1 January 2018	**615,587**	**845,768**	
Foreign exchange adjustments	**(26,329)**	**(10,462)**	
LTIP 2014 paid during the year	**(69,913)**	**(521,677)**	2017
LTIP 2016 accrued during the year	**404,531**	**259,773**	2018
LTIP 2017 accrued during the year	**482,568**	**191,330**	2019[1]
LTIP 2018 accrued during the year	**485,001**	**137,028**	2020[1]
Total LTIP accrual at 31 December 2018	**1,891,445**	**901,760**	

[1] After year end 2018 Thomas Haeberle received Good Leaver payments relating to the LTIP 2017 and LTIP 2018. These payments were pro-rated in accordance with his contractual terms, as approved by the Remuneration and Appointments Committee in December 2016.

The Executive Directors participate in long term incentive plans, which are normally granted on an annual basis. All plans result in a potential award of cash, with the maximum potential determined at the date of grant with the awards vesting after a specified number of years. The performance criteria under the various plans and associated cash awards vary, as do the performance periods. As at 31 December 2018, both Executive Directors were participants in the LTIP 2016, LTIP 2017 and LTIP 2018.

The Executive Directors were eligible to participate in the LTIP 2015, which would have matured on 31 December 2018 and vested in 2019. The grant date of the LTIP 2015 was delayed to December 2016, and so the plan has been renamed LTIP 2016, with a shortened performance period of two years to maintain vesting in 2019.

LTIP 2016:

The LTIP 2016 is the renamed LTIP 2015, with a shortened performance period of two years to maintain vesting in 2019. The scheme has a grant date of 2016 and matured on 31 December 2018. The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

(i) Strategic Milestones aligned with cost saving targets (50%), growth opportunities (25%) and business portfolio (25%); and

(ii) Value Creation as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element.

In the event of 'on target' performance, the award is weighted 50% attributable to Strategic Milestones and 50% attributable to Value Creation. The Value Creation element has the ability to increase to 100% in the event of Value Creation over performance. Therefore, the maximum Performance Score is 150%.

The Performance Score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as a percentage of salary for Executive Directors are 150% of annual basic salary (as at January 2016) multiplied by the Performance Score.

LTIP 2017:

The LTIP 2017 has a grant date of 2017 and a performance period of three years running from 1 January 2017. The scheme matures on 31 December 2019 and vests in 2020.

The award is structured in the same way as the LTIP 2016, with two key differences:

(i) The performance period is three years, maturing on 31 December 2019 and vesting in 2020; and

(ii) In the event of 'on target' performance, the award is weighted 50% attributable to Strategic Milestones and 50% attributable to Value Creation. There is no increase in award for over performance and therefore the maximum Performance Score is 100%.

The Performance Score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as a percentage of salary for Executive Directors are 150% of annual basic salary (as at 1 January 2017) multiplied by the Performance Score.

LTIP 2018:

The LTIP 2018 has a grant date of 2018 and a performance period of three years running from 1 January 2018. The scheme matures on 31 December 2020 and vests in 2021.

The award is structured to vest in accordance with the achieved 'Performance Score' as determined by reference to:

(i) Strategic Milestones aligned with diversity and inclusion (10%); and

(ii) Value Creation as determined by a quantitative assessment using discounted cash flow analysis of the change in equity value of Urenco during the performance period with movements in equity value being reflected in the level of award received under the Value Creation element (90%).

The maximum Performance Score is therefore 100%.

The Performance Score is calculated on the basis of the achievement of the Performance Conditions, as determined by the Remuneration Committee at the end of the performance period.

The award sizes as a percentage of salary for Executive Directors are 150% of annual basic salary (as at 1 January 2018) multiplied by the Performance Score.

Total pension entitlements

The Executive Directors are eligible for membership to the defined contribution section of the Group pension scheme. The scheme also provides for dependants' pensions and lump sums on death in service.

Relative importance of spend on pay

The table below shows the actual employee pay of the Group and change between the current and previous years, compared to retained earnings and dividends.

	2018 €m	2017 €m	% increase
Total employee pay	**160.3**	149.7	7.1%
Retained earnings	**1,620.0**	1,356.8	19.4%
Dividends paid	**300.0**	300.0	0.0%

Statement of implementation of remuneration policy in the following financial year

The Company's policy on Executive Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. The package consists of basic salary, benefits, pension, performance related bonus and a long term incentive plan (LTIP), with a significant proportion based on performance and dependent upon the achievement of targets.

The remuneration of the Non-Executive Directors is in line with UK market standards and is reviewed annually rather than biannually.

The salary and benefits for Executives are reviewed annually. Both the Chief Executive Officer and Chief Financial Officer received a 2.2% increase in basic salary for the 2018 calendar year, compared to 2017. This increase in basic salary was in line with the increase for all employees throughout the Company. Executive Directors receive benefits that principally comprise some living expenses, motor vehicles, private healthcare and other expenses.

Consideration of matters relating to Directors' remuneration

The Committee makes recommendations to the Board on the remuneration packages for each Director. Remuneration for each Non-Executive Director is subject to final approval at the Annual General Meeting.

Policy report

Introduction

The information below summarises key aspects of the Company's remuneration policy for Executive and Non-Executive Directors.

Future policy

The policy is that a substantial proportion of the pay and benefits package should be performance related. The following provides a summary of the key components of the remuneration package for Directors:

Basic salary

Purpose

To recruit and retain high calibre executives.

Operation

This is determined for each Executive Director taking into account the responsibilities of the individual and information from independent sources on the level of salary for similar jobs in a selected group of comparable companies.

Basic salary levels are reviewed annually by the Committee, taking account of Company performance, individual performance, levels of increase for the broader UK population and inflation.

The Committee also considers the impact of any basic salary increase on the total remuneration package.

Annual increases are typically within the standard maximum given. However, there may be occasions when the Committee needs to recognise, for example, development in role, change in responsibility and/or specific retention issues.

In these circumstances, the Committee may offer a higher annual increase.

Maximum levels will be reviewed to take account of any significant rise in inflation levels.

Opportunity

Standard annual salary increase in line with the increase for all employees throughout the company.

All taxable benefits

Purpose

To provide market competitive benefits.

Operation

The Company provides the following ongoing benefits:

- Car related benefits;
- Medical insurance;
- Death insurance;
- Holiday leave; and
- Other ancillary benefits.

In addition, the Company pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments.

The Company reimburses all reasonable and necessary business expenses.

Opportunity

The Committee reserves the discretion to exceed the ongoing maximum level for certain situation-specific benefits, such as relocation. Full details of the exercise of any such discretion will be provided to shareholders in the Remuneration Report.

Performance related bonuses

Purpose

To encourage and reward delivery of the Company's strategic priorities.

Operation

Performance related bonuses for Executive Directors are based on performance criteria.

Opportunity

Performance criteria relate to: safety performance; EBITDA; FFO/TAD; and major capital projects. 15% of potential bonus is payable at the discretion of the Committee.

Long term incentive plan

Purpose

To encourage creation of value in the business over the longer term.

Operation

An annual plan which grants cash awards with the maximum potential awards determined at grant. Awards only vest to the extent that certain minimum performance targets are met over a stated performance period.

It is the Committee's intention that these outstanding awards should be paid out in accordance to the terms on grant of the schemes.

Opportunity

Award size as a percentage of salary for Executive Directors is 150%.

Pensions

Purpose

To offer market competitive levels of benefit.

Operation

The Executive Directors are eligible for membership to the Group defined contribution pension scheme. The scheme also provides for dependant's pensions and lump sums on death in service.

Opportunity

The company makes regular contributions for pension payments. The maximum contribution is 16% of salary for the defined contribution scheme.

The following provides a summary of the key elements of the remuneration package for Non-Executive Directors:

Fees

Purpose

To compensate Non-Executive Directors for their Board work.

Operation

This is determined for each Non-Executive Director taking into account the responsibilities of the individual and information from independent sources on the level of salary for similar jobs in a selected group of comparable companies.

Remuneration for Non-Executive Directors is subject to final approval at the Annual General Meeting.

Approach to recruitment remuneration

The ongoing remuneration arrangements for a newly recruited or promoted Director will reflect the remuneration policy in place for Directors at the time of appointment. The ongoing components for Executive Directors will therefore comprise basic salary and fees, benefits, performance related bonus, LTIP and pension contribution. The ongoing components for Non-Executive Directors will comprise fees.

The initial basic salary for a newly recruited or promoted Executive Director will be set to reflect the individual's experience, salary levels within the Company and market levels. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

Approval

This report was approved by the Board of Directors on 14 March 2019.

Mel Kroon
Chair of the Remuneration and Appointments Committee
14 March 2019

Governance
Directors' Report

The Directors present their Annual report and accounts for the year ended 31 December 2018.

Regulations relating to Strategic Report

The Directors have ensured compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and have presented the Strategic Report separately to the Directors' Report. Both Reports must also be separately approved by the Board of Directors and signed on behalf of the Board by a Director or the Company Secretary. The Corporate Governance section set out on pages 30 to 31 forms part of this report.

Results and dividends

Net income for the year attributable to equity holders of the Parent Company amounted to €511.3 million (2017: net profit €514.9 million).

The Directors recommend a final dividend for the year of €300.0 million. The Directors have assessed the level of distributable reserves and cash resources at the Parent Company and are satisfied they are sufficient to support the proposed dividend. No interim dividend was paid during 2018 (2017: final dividend of €300.0 million paid in 2018, with no interim dividend declared or paid in 2017). Details of the dividend are disclosed in note 11 to the consolidated financial statements.

Principal activity

The Urenco Group's principal activity is the supply of enrichment services (SWU) and the provision of enriched uranium product (EUP) to generate fuel for nuclear power utilities. Urenco has four uranium enrichment facilities, located at Almelo in the Netherlands, Capenhurst in the UK, Gronau in Germany and Eunice, New Mexico in the USA.

The Group also has subsidiaries dedicated to overseeing our work in the field of uranium stewardship. These include Urenco ChemPlants Limited, which is responsible for the construction of the TMF in the UK; and Urenco Nuclear Stewardship, which provides responsible materials management for the nuclear industry.

The Group also owns a 50% interest in Enrichment Technology Company (ETC), a joint venture company jointly owned with Orano. ETC provides gas centrifuge technology for the Group's enrichment facilities through its subsidiaries in the Netherlands, UK, Germany and the USA. The Group accounts for its interest in ETC using the Equity Accounting method.

Urenco Limited is the ultimate holding Company and provides management and strategic support for the Urenco Group, being Urenco Limited and its subsidiaries.

More information on the Group's activities is presented from page 2 in the Strategic Report. An indication of the likely future developments in the Group and details of research and development activities are included in the Strategic Report on page 8.

Going concern

The Group's business activities, achievements, risks and opportunities are set out in the Chief Executive Officer's review on pages 6 and 7 and the Group Finance Report on pages 20 to 25. The Group Finance Report includes information on the financial position of the Company as well as a description of the Group's objectives, policies and processes for managing its capital, its exposures to foreign currencies and other financial risks. Urenco's business is long term by nature and its significant order book of contracted and agreed sales (€11.9 billion extending to the second half of the next decade (2017: €12.7 billion)) provides a strong foundation for the future. The Group has adequate financial resources and its cash flow forecasts indicate that financing facilities committed and in place are sufficient to cover the Group's cash needs to at least a year after the approval date of these financial statements, including all committed capital expenditure.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

Risk management: the use of financial instruments

The Group's policies with respect to financial instrument risk management are covered on page 25 and in note 25 to the consolidated financial statements.

Capital structure

The capital structure is set out in note 23 of the financial statements and forms part of the Group Finance report on page 23.

Research and development

Research and development within the Group are predominately carried out by the Central Technology Group (CTG), which conducts research and development into improving operational performance and safety.

Research activities relating to core centrifuge technology are undertaken by ETC to maintain the Group's position of technical excellence. The Group continues to seek out opportunities to exploit new markets.

Political contributions and other donations

During the year, the Group made no contributions (2017: €nil) to local political parties. As part of the Group's commitment to the communities in which it operates, contributions totalling €302,000 (2017: €411,000) were made during the year to local charities and community projects.

Events after the reporting period

In January 2019 we announced a tender offer which resulted in a repurchase of €215.6 million of our €750.0 million bond due in February 2021. The total amount paid in January 2019 to the bond holders was €230.5 million, which included accrued interest of €5.0 million and at the purchase price of 104.6%, a premium of €9.9 million.

As of 14 March 2019, no other material structural changes or business events have occurred that might serve to alter any of the disclosures contained in the Annual Report and Accounts.

Disabled employees

It is the policy of the Group to give full and proper consideration to applications from disabled people for employment where the job can be adequately performed by a disabled person. In the event that an existing employee becomes disabled, it is the policy of the Group to allow that person to continue their employment if possible, or to provide alternative training if necessary.

Employee involvement and consultations

During the year, employees within the Group have been informed of developments throughout the Group and in the industry. This is through Group and local newsletters, the intranet, notices and meetings. Where appropriate, formal meetings were held between local management and employee representatives as part of the process of communication and consultation.

Directors' interests

The Directors held no interests in the issued share capital of Urenco Limited either beneficially or otherwise at 31 December 2018 or at any other time during the year. The Directors have declared that they have no material interest during the year in any contract which is significant in relation to the Company's business.

Supplier payment policy and practice

The Group values its relationships with suppliers of goods and services. The Group negotiates terms and conditions of supply prior to delivery and, as a matter of policy, honours these terms once delivery has been made. At 31 December 2018, the Company had an average of 27 days' purchases owed to trade creditors (2017: an average of 25 days' purchases owed to trade creditors).

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint Deloitte LLP for the coming year will be put to the Annual General Meeting on 14 March 2019.

By order of the Board.

Sarah Newby

Sarah Newby
Company Secretary
14 March 2019

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework. Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for the year.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 14 March 2019 and is signed on its behalf by.

By order of the Board.

Sarah Newby

Sarah Newby
Company Secretary
14 March 2019