



Supporting a net zero world

A photograph showing several hands of different skin tones cupping a small globe of the Earth. The background is a soft-focus green with bokeh light effects. The image is framed by vertical teal bars on the left and right sides.

Annual report and accounts 2020

Principal risks and uncertainties

Risk management and mitigation is a key area of focus for Urenco. Across all of Urenco, we work hard to raise risk awareness and we have developed a range of measures to help identify, manage and mitigate potential risks and threats that could impact our business.

Our approach

Safety and security of our personnel, assets, and technology are Urenco's top priority and robust risk management is critical to ensuring our priorities are delivered. Risk Management is a vital component of our global leadership within the nuclear industry. As part of our Governance, Risk and Control framework, we follow best practice and ensure we comply with the rigorous legal requirements under which we operate.

As we are operating in a heavily regulated industry, we focus on early identification of risks and implementing appropriate risk evaluation and mitigation or avoidance strategies. Our Risk Management function works with our corporate functions and enrichment sites to ensure that a bottom-up risk management

process is performed and captures key risks, their controls and planned actions. This is then consolidated and reviewed by our Group Executive Committee and Board.

Similarly, we operate a top-down risk management process to ensure that any strategic risks or uncertainties not captured by the bottom-up process are captured and assessed by both the Group Executive Committee and the Board on an annual basis. The Group Audit and Risk Management Committee is also responsible for reviewing the risk management process on an annual basis.

Risk Management also performs an independent audit function to both confirm our governance processes are properly implemented and to help identify opportunities for improved controls.

Our risk management framework is based on a 'three lines of defence' approach:

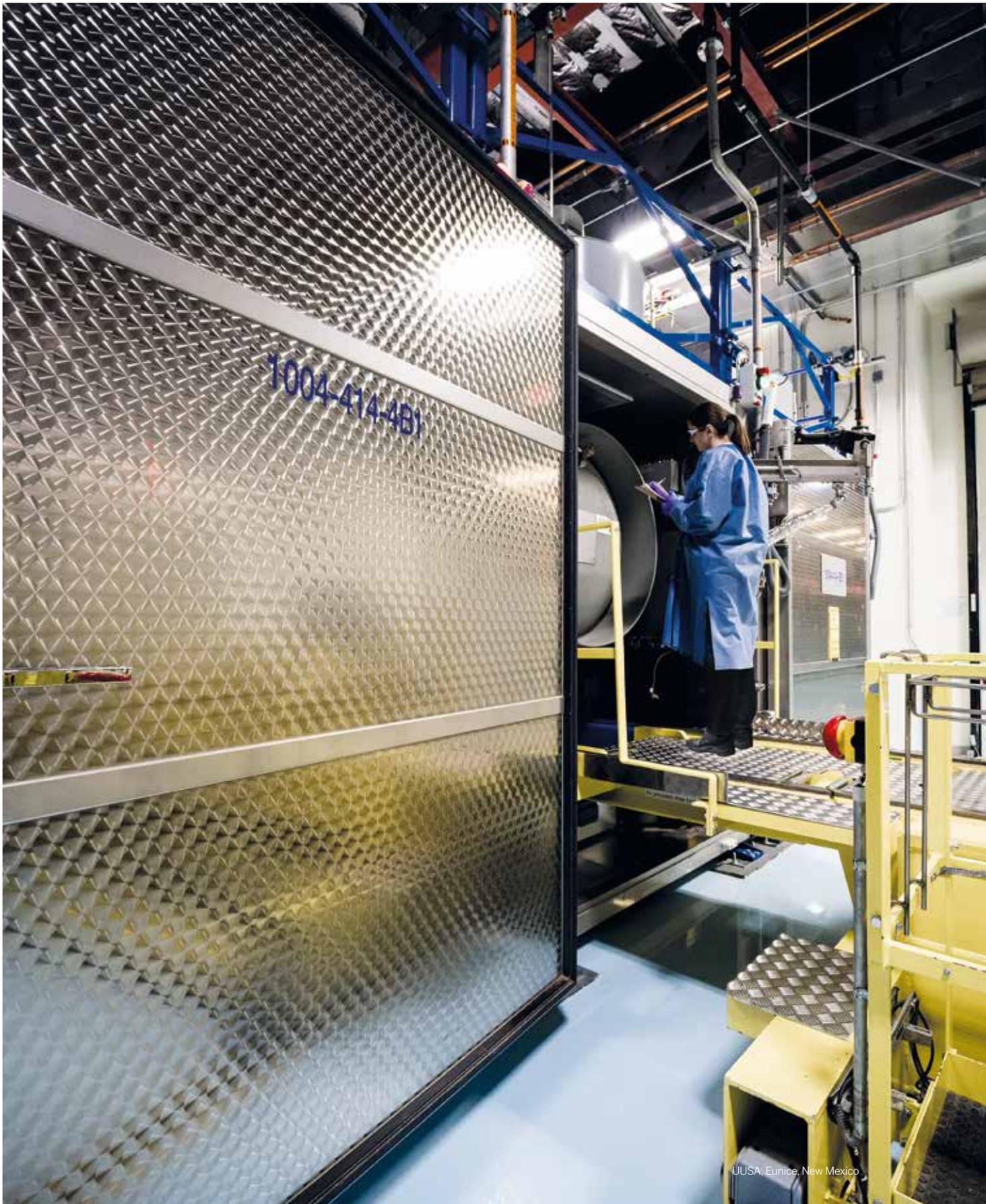


During the year, the Board has considered the nature and level of risk that we are prepared to accept in order to deliver our business strategies and objectives. The Board considers that the principal risks to achieving its strategic aims are set out here.

Risk	Mitigation
<p>1. Safety</p> <p>Urenco operates in an environment subject to a wide range of health, safety and environment laws, regulations and standards. If we fail to comply with these requirements there is a risk that we will be subject to regulatory enforcement action, which is likely to adversely impact our employees, result in the imposition of restrictions on how we operate and would likely prove detrimental to our reputation.</p>	<p>We seek to operate to the highest standards of safety to maintain a safe environment for our employees and stakeholders and have implemented safety management systems, designed to minimise risks and ensure compliance with safety standards through regular monitoring. This includes the formal requirement for independent compliance audits and reviews at all our facilities.</p> <p>We ensure we meet regulatory requirements, follow regulatory protocols for the safe handling of uranium and other chemicals and focus on continuous improvement and the detection and remediation of potential hazards before incidents can occur. By adhering to best practice in this area, we continually seek to ensure minimal impact on employees, contractors, the public and the environment.</p>

Risk	Mitigation
<p>2. Markets</p> <p>Ongoing challenging market conditions are likely to continue to impact opportunities for growth in both existing and new markets.</p>	<p>In an increasingly complex market environment we remain committed to ensuring that our business is as resilient as possible to meet these challenges. We continue to ensure that we are able to maximise our global reach, technical capabilities and flexible plant operations to support our ability to respond to changing market conditions, customer demands and opportunities.</p> <p>We also continue to model a broad range of market scenarios and stress test the effectiveness of our commercial strategies, mitigations and responses to new and emerging market threats and opportunities.</p>
<p>3. Safeguards</p> <p>Though a very low risk and unlikely outcome, there is a potential risk for uranic material to be misappropriated from our enrichment facilities or during its transportation to or from our customers and supply chain partners.</p>	<p>Urenco works closely with governments and regulators to create and comply with safeguard regimes and we continually maintain and review our uranium tracking methods on site. A common set of safeguards is applied across the organisation to ensure non-proliferation and prevent the misappropriation of uranic material.</p> <p>Our safeguard programmes are also supported by a rigorous accounting and audit approach and independent checks to the uranic materials we keep on site to ensure that we consistently meet the stringent inspection criteria set by the IAEA, Euratom and other national and international regulators.</p> <p>The safety practices of our transportation partners are guided by the standards we set at Urenco. Such standards reduce the risk of an accident or the misappropriation of sensitive materials. We adhere to IAEA guidelines and all other national and international regulations regarding the transportation of fissile material. We place contracts only with approved companies and ensure we perform regular contract and performance monitoring audits.</p>
<p>4. Security and cyber crime</p> <p>We need to ensure the security of fissile material and our own technology and assets, particularly with regards to the increasing threat of cybercrime against the energy sector. This exposes Urenco to an ongoing risk of cyber attack which could result in loss or corruption of data or disruption to operations, causing reputational damage.</p>	<p>We work closely with the relevant government bodies, across the jurisdictions in which we operate, to ensure that we comply with all applicable national and international security requirements and understand the nature of new and emerging physical and cyber security threats.</p> <p>Each of our sites is also supported by dedicated security resources to control access to sites, actively screen all personnel, and ensure appropriate security policies and procedures are implemented. Security organizations for all Urenco facilities routinely meet to share both security data, recent developments and implementation of continuous improvements for threat prevention.</p> <p>The Urenco Chief Information Security Officer (CISO) is responsible for ensuring that Urenco maintains effective threat intelligence and incident response capabilities to meet the challenges of the continually changing cyber environment.</p> <p>The CISO also ensures that cyber security and resilience capabilities are subject to regular review and risk assessment to ensure we have the ability to prepare for, respond to and recover from cyber events or attacks which have the potential to negatively impact Urenco.</p>

Risk	Mitigation
<p>5. Transport</p> <p>The availability and willingness of third-party logistics providers, regulators or port authorities to transport or accept uranic materials may impact our ability to optimise the benefits of our global infrastructure.</p>	<p>Where possible, we ensure the availability of alternative routes and maintain a portfolio of logistics partners to ensure continuity of deliveries.</p> <p>We work closely with our supply chain partners to engage with, and provide assurance to, port authorities and regulators regarding our compliance with international regulations regarding the transportation of fissile material.</p> <p>The strength and depth of Urenco's transport and logistical arrangements were demonstrated throughout 2020 when, despite the added restrictions and complexities created by the COVID-19 pandemic, Urenco continued to both receive materials and despatch enriched uranium product across our sites with no scheduled deliveries or commitments being missed.</p>
<p>6. Political and regulatory landscape</p> <p>Policy</p> <p>The nuclear industry remains a topic for debate with public and government opinion differing on its role in the future energy mix. In any jurisdiction, a change in government can bring about a change in policy, while unanticipated events can also change policy direction.</p> <p>Regulation</p> <p>Our operations and development are controlled by our ability to meet the stringent regulatory requirements of each country we operate in and supply. We are answerable to multiple national governments and subject to penalties if required standards are not met.</p>	<p>Urenco continually monitors nuclear policy around the world. We engage with policymakers and stakeholders to ensure that the benefits of nuclear as a sustainable, long term and low carbon source of energy are understood and considered as part of both the energy debate and future government policy.</p> <p>Urenco maintains compliance activities across the business. Our strong relationships with government regulators are managed locally by our Heads of Compliance at our enrichment sites, while our organisation-wide functions also maintain an open dialogue with both national and trans-national regulators (e.g. the IAEA) and other government agencies. All learning elicited from our engagement with regulators is then shared across the organisation with policies, procedures and ways of working amended as necessary.</p>
<p>7. Pricing</p> <p>Should the market fail to recover to the level expected, this will result in future prices not being sufficient to support and sustain ongoing investment in enrichment capability and future centrifuge innovation and development.</p>	<p>We seek to ensure that our contracts with customers incorporate agreed forward pricing to mitigate price risk. While recognising that our responses to new market opportunities are competitive and offer a clear value proposition to our customers, we ensure that our future contracts do not compromise our ability to support and finance re-investment, as well as the ongoing manufacturing and development of our enrichment technology.</p>
<p>8. Geopolitical Risks</p> <p>2020 has presented both global economies and political systems with an unparalleled level of risk and uncertainty, whereby national competitiveness, resilience, geopolitical competition, national security and economic and political nationalism have all been amplified by the COVID-19 pandemic, the outcome of the US election and the UK's final withdrawal from the European Union.</p> <p>We envisage that geopolitical uncertainties will continue as international relations are reset following the inauguration of the Biden presidency and as the world recovers from the public health, societal and economic impacts of the COVID-19 pandemic. Geopolitical uncertainties will continue to have the potential to impact Urenco's ability to access or operate within certain international markets.</p>	<p>Urenco's ability to deploy the advantages of its geographical diversity across its operations and value chain provides a degree of resilience and redundancy against the potential impacts arising from global uncertainty and geopolitical risks.</p> <p>We regularly assess and evaluate potential responses to a range of business and geopolitical scenarios that may arise and ensure that appropriate continuity and mitigation plans are in place.</p> <p>We also seek to mitigate any financial impacts of potential risks arising from increased political or geopolitical uncertainty, through a combination of hedging against foreign exchange rate risk, adjusting fixed and floating rate borrowings through interest rate swaps, ensuring that adequate medium-term committed funding is always available and repaying borrowings as early as possible based on our business plan.</p>



UUSA, Eunice, New Mexico

Risk	Mitigation
<p>9. Counterparty Risk</p> <p>Urenco is exposed to payment and default risk arising from worsening macroeconomic conditions while transacting with both customers and other participants in the nuclear supply chain.</p>	<p>Urenco has robust customer onboarding, monitoring and reporting procedures. We routinely assess the creditworthiness of Urenco's commercial counterparties and partners and seek to incorporate appropriate credit or payment protection into commercial agreements where appropriate.</p>
<p>10. Change Management</p> <p>There is a risk that Urenco lacks the capability, experience and capacity to successfully design, execute and integrate major change programmes, acquisitions or infrastructure projects across the business.</p>	<p>Major change programmes and infrastructure projects are subject to appropriate governance structures and oversight frameworks to ensure the effective delivery of projects within expected cost and schedule parameters.</p> <p>Change programmes and projects are also subject to both independent internal and external audit and assurance reviews to monitor project performance and to ensure appropriate controls and arrangements are in place to support early identification and resolution of risks and issues.</p> <p>A cultural transformation programme has been initiated to help ensure that Urenco has the necessary organisational culture, behaviours and ways of working to achieve its goals and deliver its strategic projects and change programmes.</p>
<p>11. Long Term Liabilities</p> <p>The cost and timing of Urenco's long term nuclear activities are based on a number of management estimates relating to operational parameters and long term cost assumptions, as well as being subject to external factors that Urenco can influence but not control - for example, government policy for long term disposal costs of depleted uranium oxide (U₃O₈).</p>	<p>Urenco regularly reviews the assumptions and estimates that support its nuclear provisions, taking into account past experience, current research and potential future developments.</p> <p>In addition, Urenco continues to work with regulators and government agencies, in partnership with other nuclear operators and stakeholders, to ensure that a sustainable and economically viable solution for the long term storage of fissile material is established.</p>
<p>12. Colleague Retention and Recruitment</p> <p>We need to ensure we make the necessary investment in our people and succession planning processes to guarantee that we have the appropriate skills and experience to support Urenco's long term sustainability.</p>	<p>Focused development and succession planning programmes are in place across the organisation to ensure that our colleagues' development plans are aligned with the organisation's needs and support the development of a sustainable pipeline of talent.</p> <p>Urenco values its diverse and inclusive workforce and actively seeks to ensure a diverse organisation.</p>
<p>13. Brexit</p> <p>On December 24 2020, the EU and the UK concluded a bilateral Trade and Cooperation Agreement (UK-EU TCA). Once ratified by all member states, this will govern the UK and EU's post-Brexit economic and trading relationship.</p> <p>While the UK-EU TCA provides a significant degree of certainty regarding the new trading relationship between the UK and the EU, it is not envisioned to be a static position and, instead, will form the basis for future rounds of negotiations and discussions regarding both outstanding and future trade issues.</p> <p>Urenco, as with other businesses, will have to continue to respond and adapt to a changing environment throughout 2021, particularly with regards to new customs requirements and the transition to the UK's new regulatory regimes around chemicals, logistics and product safety.</p>	<p>Urenco has over 50 years' experience of exporting uranic materials across global markets and we have made the necessary modifications to our processes and procedures to minimise the impact of new customs arrangements implemented between the EU and the UK.</p> <p>The agreement of a UK-Euratom Nuclear Cooperation Agreement (NCA) has reinforced both the UK Government and Euratom's commitment to future civil nuclear cooperation, including safeguards, safety and security. It will also form the framework to maximise the opportunities presented by future trade and research in uranic materials and technology.</p> <p>Our Government Affairs and Risk Management functions will also continue to monitor and assess any potential impacts of the UK's new trading relationships with either the EU or Euratom and ensure that appropriate mitigation and contingency plans are implemented accordingly.</p>

Risk	Mitigation
<p>14. Critical Suppliers</p> <p>Across our supply chain we are reliant on products and services, provided through a number of critical third parties. There is a risk that critical or single source suppliers are either unable or unwilling to continue to supply goods or services resulting in disruption or delay to operations.</p>	<p>A key element of the Group Procurement strategy is to ensure that the provision of critical services or products is supported by robust supplier risk assessment, ongoing supplier monitoring, the identification of alternative vendors and contingency planning processes to ensure appropriate responses are implemented to suppliers identified as being in distress.</p> <p>Throughout the COVID-19 pandemic we have also invested in the necessary resources and technologies to ensure that Urenco can proactively assess the business resilience and continuity measures and arrangements implemented by our critical suppliers.</p>
<p>15. COVID-19</p> <p>The COVID-19 pandemic is a global event that has presented significant challenges for all businesses in terms of financial, operational and commercial resilience. While Urenco has been able to successfully manage and minimise many of the near term impacts of COVID-19, there will undoubtedly be long term challenges that will test our resilience and ways of working.</p> <p>In particular, the reimposition of severe public health restrictions, in response to future waves of Covid-19 throughout 2021, are likely to impact our ability to create and sustain the collaborative, organisational and cultural conditions required to develop and execute elements of our strategic plans and objectives.</p>	<p>A Group-wide taskforce, chaired by senior operational management, has been responsible for implementing the necessary measures required to both protect the health and safety of our employees and to ensure ongoing business resilience in response to the pandemic. As a result, Urenco met all its customer commitments in 2020 while keeping our workforce on site as safe as possible.</p> <p>This has included the introduction of measures to prevent and minimise the spread of COVID-19 across our global production sites, to mitigate the potential consequences of COVID-19 infections to our plant, people and their local communities and to ensure the effective recovery of operations and facilities as government responses and restrictions are either imposed or lifted.</p>
<p>16. Diversity and Inclusion Awareness</p> <p>The ability to demonstrate a consistent level of performance regarding diversity and inclusion is increasingly important in terms of both creating an environment in which collaboration, creativity and cooperation can thrive in order to drive a more productive and innovative workforce and ensuring that we minimise the regulatory and reputational risks associated with a lack of diversity in the workplace.</p> <p>For Urenco, and indeed the broader nuclear sector, there is also a critical need to acknowledge the importance that a more diverse and inclusive culture will have in attracting and retaining the talent required in the future to enable us to play a fundamental role in sustainable energy and the move to a net zero world.</p> <p>The “winning team” Urenco needs to develop for tomorrow will have greater expectations of its employer and the culture within which it will be able to succeed, including different ways to work as experienced during the management of Urenco through the COVID-19 pandemic</p>	<p>Urenco has an established network of local Diversity and Inclusion Champions to support and promote local diversity and inclusion awareness initiatives and activities.</p> <p>Diversity is, however, a strategic imperative and we are working with our newly appointed Culture, Diversity and Inclusion Programme Director and our global human resources functions to identify the activities, systems and processes required to create and enable a broader transformation whereby greater diversity contributes to successful organisational outcomes to ensure that we develop an inclusive culture with opportunities for all.</p> <p>As part of our commitment to deliver a more diverse and inclusive organisation, we have appointed Urenco’s Chief Financial Officer as the new Executive Sponsor of Urenco’s diversity and inclusion programme.</p>