



Delivering for a **net zero** world

Annual report and accounts 2021



Principal risks and uncertainties

Proactive risk management and mitigation is a key area of focus for Urenco. Across Urenco, we work hard to raise risk awareness. 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 continue to remain Urenco’s top priority. Robust risk management is critical to ensure our priorities are met. As part of our Governance, Risk and Control framework, we follow best practice and ensure we comply with the rigorous legal and regulatory requirements under which we operate.

We operate a hybrid risk management approach where the Group Risk function oversees and guides the wider organisation around

risk identification, analysing and monitoring while allowing the operational areas to own their own risk management process. This process is supported by the regular review of the functional, site and strategic risk registers. Further oversight and guidance is provided by the Executive Committee and Board.

The independent audit function is aligned to Risk Management and ensures that our governance processes help identify opportunities for improved controls.

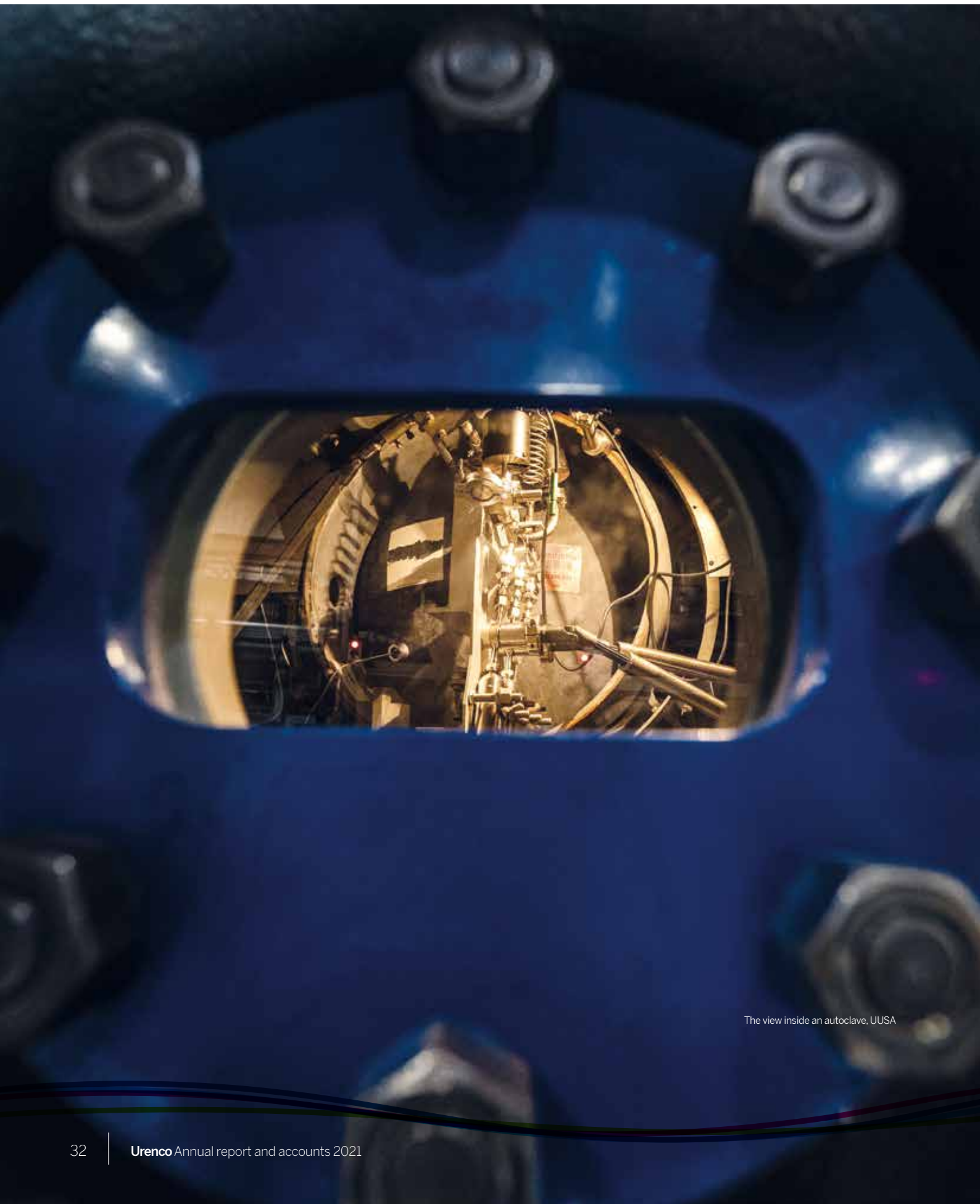
We adopt a ‘three lines of defence’ approach:



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 strategy. It considers that the principal risks we face delivering our strategy as follows:

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 could 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. In addition to focused health and safety audits, 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 elimination, or mitigation at a minimum, of potential hazards before incidents can occur.</p> <p>By adhering to best practices 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 volatile and 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. Security and Cybercrime</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 to the energy sector. This exposes Urenco to an ongoing risk which could result in the loss or corruption of data or disruption to operations, causing reputational damage.</p>	<p>We continue to 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 organisations 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. The Information Security team has expanded significantly to deliver improvement projects aligned to the endorsed information security strategy.</p>
<p>4. 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 2021 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>



The view inside an autoclave, UUSA

Risk	Mitigation
<p>5. Political</p> <p>Policy As the momentum around the energy transition and decarbonisation agenda continues to build, this has changed the debate on nuclear energy, creating demand for policy action in 2022 to help push new nuclear and advanced nuclear technologies. Bipartisan support for nuclear is increasing but, in any jurisdiction, a change in government and policy priorities or an unanticipated macroeconomic, geopolitical or natural disaster event can also change policy direction.</p> <p>Regulation Our operations and development are controlled by our ability to meet the stringent regulatory requirements of each jurisdiction in which we operate and supply. We are accountable to multiple national governments and subject to penalties if required standards are not met.</p>	<p>Urenco continually monitors global nuclear policy. 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. We also actively engage with the legislative process to support the passage of industry specific legislation.</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 transnational regulators (e.g. the IAEA), and other government agencies. We maintain a strong internal knowledge transfer to ensure that key information and insight from our engagement with regulators is shared across the organisation with policies, procedures and ways of working updated and amended as necessary.</p>
<p>6. Pricing</p> <p>If the market fails to recover to the level expected, future prices will not be 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 reinvestments, as well as the ongoing manufacturing and development of our enrichment technology.</p>
<p>7. Geopolitical Risks</p> <p>2021 was dominated by the COVID-19 pandemic, climate change and a number of regional geopolitical crises. Geopolitics in 2022 is likely to be driven by continued regional geopolitical uncertainty, domestic policy priorities, US-China competition, divergence between developed and emerging markets due to an uneven global recovery, and dynamics relating to the challenges associated with the global clean energy transition.</p> <p>We envisage that geopolitical uncertainties will also continue as there is further change to international relations under the Biden presidency. Moreover, continued uncertainty as the world recovers from the public health, societal and economic impacts of the COVID-19 pandemic and exposed supply chain vulnerabilities are likely to persist. 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 macroeconomic 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>
<p>8. 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. No significant impairments have been reported for the financial year.</p>

Risk	Mitigation
<p>9. 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 ensure appropriate controls and arrangements are in place to support early identification and resolution of risks and issues.</p> <p>A cultural transformation programme is underway 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. The culture programme is one of four key strategic initiatives for Urenco and therefore requires robust executive attention to ensure the change is supported and actioned throughout the business, with highly capable leadership across all locations to enable transformation.</p>
<p>10. Long Term Nuclear Liabilities</p> <p>The estimated cost and timing of Urenco's long term nuclear liabilities are based on a number of management estimates relating to operational parameters and long term cost assumptions associated with eventual decommissioning of the enrichment plants and disposal of nuclear materials. These are 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 its 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>11. 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>The succession planning programme has continued to build evidence of business risks and, where appropriate, mitigation plans have been identified.</p> <p>Urenco is mindful of the value inclusion and diversity bring to the workforce and actively seeks to ensure a diverse organisation.</p>
<p>12. 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, and 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 continued to invest in the necessary resources and will support new technologies to ensure that Urenco can proactively assess the business resilience and continuity measures and arrangements implemented by our critical suppliers.</p>

Risk	Mitigation
<p>13. Pandemic</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 continue to be long term challenges that will test our resilience and ways of working.</p>	<p>More is known about COVID-19 and there are now widely available vaccines in comparison to last year. We have managed to adjust and cope within operations, but there are still variants and COVID-19 remains a threat such that continued restrictions on site access are in place at all locations, including the use of masks, distancing, etc. to protect the health and safety of our employees.</p>
<p>14. Inclusion & Diversity</p> <p>The ability to demonstrate a consistent level of performance regarding inclusion and diversity is increasingly important in determining how an organisation is perceived by key external stakeholders and minimises reputational and regulatory risks. 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. 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 Inclusion & Diversity Champions to support and promote local inclusion and diversity awareness initiatives and activities. Inclusion & Diversity is a strategic imperative and a critical element of our culture programme. We now have in place a new global strategy with goals that will effect a positive step change for Urenco to 2025. The programme contributes to successful organisational outcomes and ensures that we develop an inclusive culture with opportunities for all. As part of our commitment to deliver a more inclusive and diverse organisation, we have appointed Urenco’s Chief Financial Officer as the new Executive Sponsor of Urenco’s inclusion and diversity programme.</p>
<p>15. Sustainability</p> <p>There is a risk that the sustainability programme for Urenco to achieve its 2040 net zero strategy is not adequately and timely embedded across the organisation and therefore impacting Urenco’s reputation with external stakeholders.</p>	<p>Sustainability is one of the key strategic priorities for the company. A fully resourced programme will ensure the sustainability strategy maintains its relevancy and credibility, meeting the needs of stakeholders.</p>