

UCB Global Tax Strategy

UCB's ambition is to transform the lives of people living with a severe disease, with a focus on neurology and immunology disorders. We are Inspired by Patients. Driven by Science.

We are focused on creating innovative medicines and solutions – investing around 25% of our revenues in research and development – covering the entire life-cycle of a medicine from research and development to manufacturing and supply, and global commercialization of specialty care medicines. UCB operates in approximately 36 countries, supported by more than 9,000 people worldwide.

UCBs Tax team believes that a consistent tax strategy is an essential part of the company's strategy to be compliant and sustainable. In this respect we live UCBs principles according to the following four pillars:

- We aim to be **Effective Guardian** of UCBs tax strategy, ensuring compliance with the relevant rules and regulations and assuring that all taxes and charges are paid according to local laws and regulations in all countries in close cooperation with the UCBs Finance organisation. Compliance is monitored through an ever-evolving system of internal controls.
- We are a **Value-Adding Partner**, supporting the operations of UCB and thereby enabling the creation of patient value. Hereby, we consistently take the stance that taxation follows the business arrangements and that profit is allocated to countries by applying the OECD's arm's length principle.
- We aim to be transparent about our approach to taxation and our tax positions towards our stakeholders and proactively **Engage** with tax authorities in key territories. By doing so, we aim to increase transparency and obtain upfront certainty on material items.
- UCBs Tax team is composed of skilled experts from diverse backgrounds, who together with our outside advisors providing **Functional Excellence** to our colleagues in view of securing compliance and a strong financial backbone.



Because of its global activities, UCB is confronted with a substantial amount and variety of business taxes. We pay corporate income taxes, customs duties, excise taxes, employment taxes and a variety of local taxes in the jurisdictions where applicable. In addition, we collect and pay employee taxes and indirect taxes such as Value Added Tax (VAT). The taxes we pay and collect represent a significant contribution to the countries and societies in which we operate.

Additional information

To further increase our transparency on taxation – and fulfill the new requirements under UK finance Act 2016 – this document also includes additional information on:

- the approach of the group to **risk management and governance** arrangements
- the attitude of the group towards **tax planning**
- the level of **risk** that the group is prepared to accept
- the approach of the group towards its **dealings with tax authorities**

UCB's approach to tax risk management and compliance

UCB has performed a risk analysis of tax-related elements that could trigger tax risks and exposures and reassesses this on a regular basis. In order to ensure UCB's tax positions across the world are managed in line with the required standards of UCB's Audit Committee and Risk Management Committee, UCB group has documentation in place for all key tax risks identified.

UCB's global tax team is part of UCB's Corporate Development and Finance group and aims to secure UCB's tax commitments worldwide, overseeing a consistent application of the tax strategy and tracking compliance using a centralized online database. To ensure compliance we ensure that our tax professionals have the necessary qualifications and receive ongoing training. Furthermore, we work with renowned advisors to support us in fulfilling our obligations.

The Head of Tax reports to the Head of Group Finance and regularly reports to the executive committee and the audit committee.

UCB's attitude to tax planning

At UCB, everything we do starts with one simple question: "how will this create value for people living with severe diseases?" Therefore, UCB management takes the stance that taxation should be a logical consequence of the business activities being deployed and the OECD transfer pricing principles are used as a framework for allocating profits to where the value is created. This implies that all transactions will have a business purpose or economic rationale and UCB will pay its taxes as a contribution to society on such basis.

In view of the long lifecycle of our products from research and development to manufacturing and supply, and global commercialization, we incur significant costs over a long period of time – with significant risk and no guarantee of success – to hopefully bring transformational medicines to the market. To maximize our impact, we access government sponsored tax incentives where appropriate and in line with substantive business activities (e.g. patent box regimes and R&D tax credits).

Tax risk acceptance

UCB's tax policies, processes, governance and controls aim to operate to ensure compliance with tax laws and regulations in the territories where we operate and are designed to identify and mitigate material tax risks. In the event that applicable laws and regulations on material items are subject to interpretation, we consider seeking appropriate assurance regarding the position taken through advance pricing agreements, tax rulings, mutual agreement procedures or tax opinions.

Significant tax risks are discussed with senior management and escalated to the Executive Committee and Audit Committee as appropriate.

Dealings with tax authorities

We adopt a professional and ethical relationship with tax authorities worldwide based on mutual trust and transparency. UCB intends to take a proactive approach towards tax authorities and will therefore consider seeking assurance in the form of Advance Pricing Agreements or tax rulings and/or entering into horizontal monitoring systems.

Specific to our UK operations, UCB believes its relationship with Her Majesty's Revenue and Customs (HMRC) which is based on cooperative compliance, meets these expectations through (a) continuing to host regular face-to-face meetings with HMRC to discuss current business initiatives and the associated tax accounting; (b) where appropriate, seeking pre-transaction clearances from HMRC; and (c) making the tax compliance procedures and controls available for review by HMRC upon request.