



Inspired by **patients.**  
Driven by **science.**

# **UCB Tax Policy Statement 2023**

Annual approval by Executive Committee: 11 October 2023

Annual approval by Audit Committee: 17 October 2023

Annual approval by Board of Directors: 18 October 2023

# Introduction

Tax strategy and policy form an integrated part of UCB's ethical and sustainability practices and constitute an explicit part of UCB's code of conduct, driving compliant and ethical behavior of UCB employees.

At UCB, everything we do starts with one simple question: "how will this create value for people living with severe diseases?". UCB takes the stance that taxation should be a logical consequence of the business activities being deployed.

As a multinational corporation, UCB believes it to be its corporate responsibility to pay its fair share of taxes in countries where it operates, in line with value created locally. UCB bears and pays corporate income taxes, customs duties, excise taxes, employment taxes, and a variety of local taxes in the jurisdictions where applicable. In addition, UCB collects (on behalf of governments) and pays employee taxes and indirect taxes such as Value Added Tax (VAT). The taxes borne/paid and collected/paid represent a significant contribution to the countries and societies in which UCB operates<sup>1</sup>.

## UCB's Tax Strategy

UCB's tax strategy is aligned with UCB's overall organizational values and business strategy approved by the Board of Directors of UCB SA. UCB's general guiding principle is to establish and maintain a sustainable tax strategy which allows to monitor and manage the impact of taxes while capturing the core values of UCB. The strategy is evolving around the following core organizational pillars:

- **Effective Guardian** of UCB's taxes, ensuring compliance with the relevant rules and regulations and assuring that all taxes and charges are paid in accordance with local laws and regulations in all countries in close cooperation with the UCB Finance organization;
- **Value-Adding Partner**, supporting the operations of UCB and thereby enabling the creation of patient value;
- Proactively **Engaging** with tax authorities, to the extent possible, to provide transparency around the approach to taxation and tax positions towards the different stakeholders;
- Providing **Functional Excellence**, by means of skilled in-house experts from diverse backgrounds reinforced with external compliance specialists and advisors, in view of securing compliance and a strong financial backbone.

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<sup>1</sup> Taxes borne are defined as taxes for which UCB carries the cost. Taxes collected are defined as taxes collected by UCB on behalf of others, mostly by employment generated taxes such as employee income taxes and paid on to the competent governments/authorities.

UCB has established a global tax policy, based on OECD guidelines<sup>2</sup> and other governing rules and regulations, to ensure that taxable profits are recognized in different jurisdictions by reference to the activities performed in each jurisdiction and the value generated as a result thereof and are subject to tax accordingly.

UCB's tax model is structured around its main Entrepreneurial entities, which are responsible for the development, enhancement, maintenance, protection and exploitation of UCB's product portfolio and are the main strategic value drivers in an innovative environment. These Entrepreneurial entities oversee and manage all support and routine activities that one may encounter along the supply chain related to their respective product portfolio and are entitled to the profit (or loss) that is left after having remunerated all other group entities for performing support and routine activities including distribution, service, and manufacturing activities.

To maximize its positive impact on patients, UCB accesses government sponsored tax incentives where appropriate and in line with substantive business activities including Intellectual Property regimes ("patent box regimes") and R&D tax credits.

## **Governance, compliance & reporting**

UCB's Global Tax team is part of UCB's Corporate Development and Finance department. The Head of Tax reports to the Head of Group Finance and Chief Financial Officer. Additionally, the Head of Tax regularly interacts with and reports to the executive committee and the audit committee (of UCB SA) on UCB's tax strategy and results, determining tax positions and tax risks.

To comply with different reporting and filing obligations across the globe, UCB ensures that its tax professionals have the necessary qualifications and receive ongoing training.

UCB Tax team partners with Internal IT and tax technology specialists and leading accounting firms to deliver high-quality compliance and statutory filings across the globe, using the most adequate tax technologies available. To secure UCB's tax commitments worldwide and the consistent application of UCB's tax strategy, UCB is using centralized databases and online tools.

UCB prepares its consolidated Group financial statements (including taxes) in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Union. Taxes, forming an integrated part of UCB's consolidated financial statements, are reviewed by Group's statutory auditors.

UCB's total reported results and taxes in the integrated annual report represent the overall performance for the year for the entire UCB Group. The tax expense for the period comprises current

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<sup>2</sup> The OECD Transfer Pricing Guidelines provide guidance on the application of the "arm's length principle", which is the international consensus on the valuation of cross-border transactions between associated enterprises – last update published January 2022

and deferred income taxes and includes a reconciliation (table) between the effective tax rate and the weighted average statutory tax rate.

In addition to consolidated financial statements, all UCB affiliates prepare and establish tax and financial statements in line with the applicable local requirements in different jurisdictions.

UCB submits its Country-by-Country report (CbCR) in Belgium in line with the currently applicable rules and regulations. UCB continues to monitor the developments around public CbCR.

## **Tax risk management & risk acceptance**

Any tax position taken by UCB has a credible basis in (international) tax law and is supported by an appropriate business rationale. Ideally, any material tax position is covered by (bilateral) advance pricing agreements, tax rulings, mutual agreement procedures or tax opinions. Yet, tax law is subject to interpretation by tax authorities worldwide and there may be a degree of uncertainty.

UCB has performed a risk analysis of tax-related elements that could trigger tax risks and exposures and reassesses its positions on a regular basis. To ensure UCB's tax positions across the world are managed in line with the required standards of UCB's Risk Management Committee and Audit Committee, UCB has documentation in place for all key tax risks identified. The tax risk management approach, framework and process are in line with global risk management practices as outlined in UCB's integrated annual report.

UCB has established a solid Tax Control Framework (TCF) which supports its risk management and underpins tax compliance. The TCF includes a set of well-defined controls in different areas of taxation (corporate tax, indirect tax, withholding tax, transfer pricing) as well as broader reporting / managements areas (change in business activity, master data management, customer / supplier management, etc.) which allows to identify, monitor and manage tax compliance and tax risks.

## **Dealings with tax authorities & tax planning**

UCB adopts 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<sup>3</sup> (Belgium and UK).

All transactions have a business purpose or economic rationale and take into account the spirit of the law. UCB will pay its taxes as a contribution to society on such basis. UCB does not use 'tax

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<sup>3</sup> A new type of cooperation between tax authorities and taxpayers based on open, transparent, regular and continuous interactions

havens' or 'non-cooperative jurisdictions' for any business set-up that could be considered as harmful tax practices.

UCB's tax team partners with local advisers to monitor emerging changes in the local and international tax environment and proactively engages with policy makers to provide constructive business and tax technical input on tax policy or legislative matters.